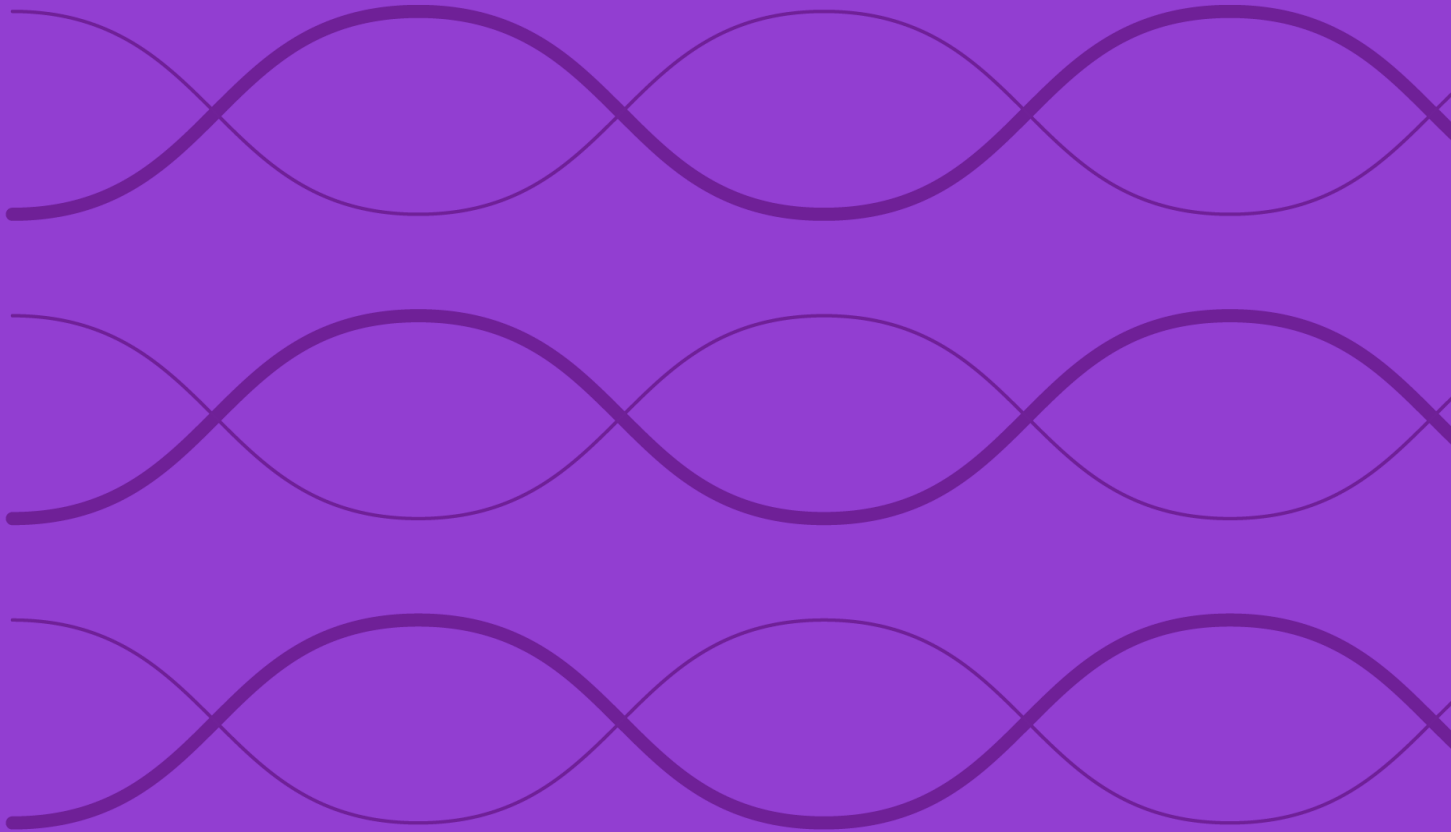


Construction Rules for the Morningstar[®] US Dividend Valuation Index



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Overview

The Morningstar® US Dividend Valuation Index is designed to provide exposure to securities in the Morningstar US Market Index that have high dividend yield, strong financial health, and attractive uncertainty-adjusted valuation. Valuation is defined by the Morningstar Rating™ for Stocks (star rating), which relies on the equity fair value estimate and uncertainty rating determined in an independent research process by the Morningstar Equity Research team. Financial health is proxied by the Distance to Default model, which combines recent market data with financial report items into a measure of a firm's financial stability.

For more information on the Morningstar star rating and fair value estimation performed by Morningstar Equity Research, refer to [Morningstar Equity Research Methodology](#).

This index does not incorporate environmental, social, or governance criteria.

Index Inception and Performance Start Date

The index inception date is April 23, 2018, and the performance start date, when the first back-tested index value was calculated, is September 21, 2007.

Index Construction

Methodology Summary



Starting Universe

At each reconstitution, securities for Morningstar US Dividend Valuation Index are derived from the Morningstar US Market Index. For more details on benchmark construction, refer to the [Construction Rules for the Morningstar US Market Indexes](#).

Eligibility

To be eligible for inclusion in the Index, all securities must meet the following criteria:

- Must have paid a dividend in the trailing 12-month period.
- Must not be a real estate investment trust.
- Must have a fair value estimate assigned by the Morningstar Equity Research team.
 - Company's fair value estimate must not be under review at the time of reconstitution.
- If a company has more than one eligible share class:
 - And one of those is represented in the index, that share class is used.
 - Otherwise, the most liquid share class determined by Morningstar Indexes is used.

Portfolio Construction

All eligible securities must pass the following dividend yield, financial health, and valuation screens (the screens are applied independently of each other, not sequentially):

- Must be in the top 50% by trailing 12-months dividend yield of all eligible dividend payers in the parent index.
- The company's Distance to Default score must be in the top 50% within each sector peer group¹. For details on equity sector classification, refer to the [Morningstar Global Equity Classification Structure](#). For details on Morningstar's Distance to Default score, refer to Appendix 3.
- Companies that rank within the 30% most expensive in the eligible universe by the star score metric are excluded. For details on Morningstar's equity star score, refer to Appendix 3.
- Companies that rank within the bottom 30% in the eligible universe by the momentum score are excluded. For details on momentum score calculations, refer to Appendix 3.
- A buffer of 20% is applied to each selection criterion to reduce turnover in the index. If a current index constituent is ranked between 50% and 70% by dividend yield, 50% and 70% by Distance to Default, 70% to 90% by star score, or 70% to 90% by momentum score, the constituent is eligible to remain in the index.

Number of Stocks

The number of stocks in the index is variable, subject to the selection and eligibility criteria at the time of reconstitution.

Index Weighting

The index is dividend-dollar weighted. This means constituents are weighted in proportion to their total value of dividends paid out over the past trailing 12 months. The constituent weights are capped at 5%. In the event of a breach of this cap, securities above the cap are downweighted to comply with the cap. The excess weight from these capped stocks is redistributed across the portfolio in a manner designed to preserve the relative exposure of the pre-capped weights for as many securities as possible. This may result in some securities that initially breached the cap receiving a lower weight than the cap. For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#).

¹ From December 22, 2025, onward, the distance to default screen is sector-relative within each of the 11 Morningstar sectors. Prior to this date, the screen was applied within two sector peer groups (financial services and non-financial services).

Index Maintenance and Calculation

Scheduled Maintenance

The index is reconstituted and rebalanced semi-annually and implemented after the close of business on the third Friday of March and September and is effective the following Monday. In June and December, all securities which are deleted as a result of the parent index reconstitution are subsequently removed from the index. The deletion is implemented after the close of business on the third Friday and is effective the following Monday. If Monday is a holiday, reconstitution is effective on the immediate following business day. The market data used for reconstitution is as of the last trading day of February and August, respectively, with the exception of the star score, which uses more recent valuation data from the first Friday of March and September.

The index will have a one time off-cycle reconstitution after the close of the third Friday of December 2025, where methodology enhancements, including making the distance to default screen sector-relative, widening the turnover buffers, and adding a momentum filter, will first be introduced.

Refer to Appendix 2 for details on reconstitution and rebalancing.

Index files are published according to the Global calendar schedule. For more information, please refer to the [Morningstar Indexes Holiday Calendar](#).

Corporate Actions

The treatment of corporate actions will be as per the float market capitalization weighted indexes. For more details, please refer to the [Morningstar Indexes Corporate Actions Methodology rulebook](#).

Index Calculation and Price Data

Details about index calculations and price data can be found in their respective rulebooks: [Morningstar Indexes Calculation Methodology](#) and [Equity Closing Prices Used for Index Calculation](#).

Methodology Review and Index Decommissioning Policy

The index methodology is continually reviewed to ensure it achieves all stated objectives. These reviews consider corporate action treatment, eligibility requirements, and maintenance procedures. Subscribers to the index will be notified before any methodology changes are made. For more details, refer to the [Morningstar Index Methodology Change Policy](#).

Morningstar Indexes notifies all subscribers and stakeholders of the index that circumstances might arise that require a material change to, or a possible cessation of, the index. These circumstances are generally not within Morningstar's control and may include significant changes to the underlying market structure, inadequate access to necessary data, geo-political events, and regulatory changes. In addition, factors such as low usage or methodology convergence may result in the cessation of an index.

Because the decommissioning of the index or benchmark index could disrupt subscriber products that reference this index, all subscribers are encouraged to have robust fallback procedures in the event an index is decommissioned. For more details, refer to the [Morningstar Index Decommissioning Policy](#).

Data Correction and Precision

Intraday Index Data Corrections

Commercially reasonable efforts are made to ensure the accuracy of data used in real-time index calculations. If incorrect price or corporate action data affects index daily highs or lows, it is corrected retroactively as soon as is feasible.

Index-Related Data and Divisor Corrections

Incorrect pricing and corporate action data for individual issues in the database will generally be corrected upon detection. In addition, an incorrect divisor of an index, if discovered within two days of its occurrence, will be fixed retroactively on the day it is discovered to prevent an error from being carried forward. Commercially reasonable efforts are made to correct an older error subject to its significance and feasibility.

For more details, refer to the [Recalculation Guidelines](#).

Exceptions

While Morningstar will seek to apply the method described above, the market environment, supervisory, legal, financial, or tax reasons may require an alternative approach to be adopted. A decision to take an alternative approach will be made by the relevant Morningstar Index Methodology Committee, and in all instances, the application of a nonstandard process will be reported to the Morningstar Index Oversight Committee.

Appendixes

Appendix 1: Modifications to the Rulebook

Section	Description of Change	Update Date
Entire Rulebook	Migration to new rulebook template	July 2023
Data Correction and Precision	Computational and Reporting Precision section was removed	May 2025
Portfolio Construction	The distance to default was adjusted to be applied within each of the 11 Morningstar sectors, replacing the previous Financial/Non-Financial grouping	December 2025
Portfolio Construction	Introduction of the momentum screen	December 2025
Portfolio Construction	The turnover buffer range was increased to 20% from 3%, and the one time buffer constraint was removed	December 2025

Appendix 2: Glossary

Section	Description of Change
Reconstitution	During each reconstitution, the steps mentioned in the Index construction process are performed, resulting in membership reset.
Rebalance	During each rebalancing, the weights are adjusted for updated free-float, shares outstanding and index specific adjustment factor data.

Appendix 3: Metrics Used in Selection

Star Score

Star score is a metric of uncertainty-adjusted security valuation—the relationship between security's market price and its analyst fair value estimate. For more information on the fair value estimate, and uncertainty rating for equities, refer to the [Morningstar Indexes Fundamental and Proprietary Data Methodology](#).

Distance to Default

Distance to Default is a structural or contingent claim model that takes advantage of both market information and accounting financial information. The firm's liabilities are viewed as a call option on the value of the firm's assets. If the value of the assets is not sufficient to cover the firm's liabilities (the strike price), default is expected to occur. For methodology details on the Distance to Default, please refer to the [Morningstar Indexes Distance to Default Methodology Paper](#).

Momentum Score

The momentum score is calculated as the total return of a stock over the past 12-months period.²

² Momentum is measured through the most recent month-end prior to the reconstitution.

About Morningstar Indexes

Morningstar Indexes was built to keep up with the evolving needs of investors—and to be a leading-edge advocate for them. Our rich heritage as a transparent, investor-focused leader in data and research uniquely equips us to support individuals, institutions, wealth managers, and advisors in navigating investment opportunities across major asset classes, styles, and strategies. From traditional benchmarks and unique IP-driven indexes to index design, calculation, and distribution services, our solutions span an investment landscape as diverse as investors themselves.

Morningstar Index Methodology Committee

The Morningstar Index Methodology Committee oversees all new index development, index methodology changes, and cessation of indexes for any indexes where Morningstar owns the intellectual property. This committee is also charged with ensuring that indexes align with Morningstar Research principles and values. The group comprises members of the index team with index research, product development, product management, client service, index implementation, and operation expertise who provide the first layer of governance over index design and methodology.

Morningstar Index Operations Committee

The Morningstar Index Operations Committee governs the processes, systems, and exception handling of the day-to-day management of all live indexes, including index rebalancing and reconstitution, restatements, market classification, and contingency management. The committee oversees the annual review of index methodology (as required by EU benchmark regulations, or BMR), ensuring that methodologies remain fit for purpose and continue to achieve their stated investment objectives. The group comprises members of the index team with data, operations, corporate actions, product development, index launch, client service, and index management experience who provide the first layer of governance over index operations.

Morningstar Index Oversight Committee

The Morningstar Index Oversight Committee is responsible for the index oversight function as per the requirements of the European BMR, providing independent oversight of all aspects of the governance of benchmark administration as required by the relevant BMR. Its remit extends to all calculation and administration-related business activities of Morningstar Indexes, including administration of Morningstar-owned benchmarks as well as client-owned benchmarks and index calculation. The oversight function is part of the organizational structure of Morningstar but is separate and independent from the index business, index management, and the other index committees.

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