

# Construction Rules for the Morningstar Global Upstream Natural Resources Index



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## Overview

The Morningstar Global Upstream Natural Resources Index is designed to provide exposure to the stocks of companies involved in the upstream components of the natural resources supply chain. The index includes the 120 largest and most liquid companies with significant economic interests in the following natural resource categories: agriculture, energy, precious or industrial metals, timber, and water as defined by the Morningstar Global Equity Classification Structure (GECS).

This index does not incorporate Environmental, Social, or Governance (ESG) criteria.

### Index Inception and Performance Start Date

The index inception date is June 29, 2011, and the performance start date, when the first back-tested index value was calculated, is December 15, 2000.

## Index Construction

### Methodology Summary

#### Starting universe

- Morningstar Global Markets Index (covers stocks representing the top 97% of the investable universe)

#### Eligibility

- Constituents must be assigned to GECS industries associated with energy, metals, agriculture, timber, or water.
- Apply liquidity screen filter
- Apply minimum size filter

#### Portfolio construction

- Select largest stocks from the highest priority industries within each natural resource category until the target count within that group is reached

Morningstar Global  
Upstream Natural  
Resources Index

### Starting Universe

At each reconstitution, securities for the Morningstar Global Upstream Natural Resources Index are derived from the Morningstar Global Markets Index (benchmark). For more details on benchmark construction, refer to the construction rules for the [Morningstar Global Markets Indexes](#).

### Eligibility

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

- The company must be engaged in upstream industries of at least one of the following natural resources categories: energy, metals, agriculture, timber, or water. The Morningstar industry classification determines membership in the appropriate category.
- The security must have an average daily traded value (three-month) of at least \$1 million.
- Securities in energy, metals, or agriculture must have a minimum full market capitalization of \$1 billion, and in timber or water must have a minimum full market capitalization of \$500 million.
- For dual-listed entities, the listing the highest float market capitalization is used.

### Portfolio Construction

All priority 1 industry stocks within each natural resources category are ranked by float-adjusted market capitalization and selected in descending order until the stock count limit is reached for that category. If the stock count limit is not reached after including all stocks with priority 1 for a given category, priority 2 industry stocks are similarly ranked and selected until the stock count limit for that category is reached. This process continues with priority 3 stocks in the timber and water

categories if the target counts are not reached with the higher priority industries. The industry priorities are shown in the table below.

Index Stock Assignment			
Category	Stock Count Target	Industry	Priority
Energy	30	Oil & Gas Integrated	1
		Oil & Gas Exploration & Production	1
		Coking Coal	1
		Thermal Coal	2
		Oil & Gas Refining and Marketing	2
Metals	30	Other Industrial Metals & Minerals	1
		Other Precious Metals & Mining	1
		Copper	1
		Aluminum	1
		Gold	1
		Silver	1
		Uranium	1
		Steel	2
Agriculture	30	Agricultural Inputs	1
		Farm Products	1
		Farm & Heavy Construction Machinery	2
		Chemicals	2
		Specialty Chemicals	2
Timber	15	Lumber & Wood Production	1
		REIT- Specialty*	1
		Paper & Paper Products	2
		REIT- Diversified	3
Water	15	Utilities - Regulated Water	1
		Waste Management	2
		Utilities - Diversified	3

*\*Only those Specialty REITs whose main line of business is associated with Lumber & Wood Production will be considered eligible for selection*

- Energy

The 30 largest companies by float-adjusted market capitalization in the investable universe that operate in the following industries:

- Oil & Gas Integrated
- Oil & Gas Exploration & Production
- Oil & Gas Refining & Marketing
- Coking Coal
- Thermal Coal

- Metals

The 30 largest companies by float-adjusted market capitalization in the investable universe that operate in the following industries:

- Industrial Metals & Minerals
- Other Precious Metals & Mining
- Copper
- Aluminum
- Gold
- Silver
- Uranium
- Steel

- Agriculture

The 30 largest companies by float-adjusted market capitalization in the investable universe that operate in the following industries:

- Agricultural Inputs
- Farm Products
- Chemicals
- Specialty Chemicals

- Timber

The 15 largest companies by float-adjusted market capitalization in the investable universe that operate in the following industries:

- Lumber & Wood Production
- REIT- Specialty
- REIT – Diversified
- Paper & Paper Products

- Water

The 15 largest companies by float-adjusted market capitalization in the investable universe that operate in the following industries:

- Utilities – Diversified
- Utilities – Regulated Water
- Waste Management

For more details on Morningstar's industry classification system, refer to the [Morningstar Global Equity Classification Structure](#).

### *Number of Stocks*

The index targets a fixed number of stocks (120) based on a transparent ranking system subject to selection and eligibility criteria at reconstitution. However, if securities fall short of the selection and eligibility criteria, or if securities are added or deleted as a result of corporate actions after reconstitution, the indexes can have more or fewer than the targeted number. During reconstitution, if the number of securities is less than the target, all eligible securities would be selected, and the weight of the constituents will be determined based on the index weighting scheme. The schedule for reconstitution and corporate actions is available in the "Index Maintenance and Calculation" section.

### *Index Weighting*

The index is float market capitalization weighted with sector-wise capping. Within each category, constituents are weighted in proportion to their float-adjusted market capitalization. These weightings are adjusted to meet the constraints outlined in the table below.

<b>Constituent Weight Restriction</b>	
<b>Category</b>	<b>Weight Limit (%)</b>
Energy	30
Metals	30
Agriculture	30
Timber	5
Water	5
<b>Region</b>	<b>Weight Limit (%)</b>
Emerging Market	20
United States	40
<b>Other</b>	<b>Weight Limit (%)</b>
Individual Security	5

Given these weighting constraints, Morningstar employs the following iterative algorithm to assign weights to each constituent such that all constraints are satisfied.

- Step 1: Assign weights to each constituent proportional to its float-adjusted market capitalization.
- Step 2: Adjust the weights of the constituents within each category so that all category weighting constraints are satisfied.
- Step 3: If the aggregate weight of all U.S. constituents exceeds 40% of the index, adjust the weights so that the aggregate weight is 36% of the index.
- Step 4: If the aggregate weight of all emerging-market constituents exceeds 20% of the index, adjust the weights so that the aggregate weight is 18% of the index.
- Step 5: If any adjustments were made in steps 3 or 4, return to Step 2 to ensure that the category constraints are still satisfied.

- Step 6: If the weight of any single constituent exceeds 5% of the index, adjust its weight down to 5% and redistribute the excess weight proportionally among the other constituents within the same category.
- Step 7: If any adjustments were made in Step 6, return to Step 3 to ensure that the domicile and regional constraints are still satisfied.
- Step 8: If all constraints are satisfied, the process is complete.

For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#).



## Index Maintenance and Calculation

### Scheduled Maintenance

The index is reconstituted, where the membership is reset, semi-annually. Adjustments are made on the Monday following the third Friday of June and December. If the Monday is a holiday, reconstitution occurs on the Tuesday immediately following. The market data used for reconstitution is as of the last trading day of April and October.

The index is rebalanced quarterly and implemented after the close of business on the third Friday of March, June, September, and December and is effective the following Monday. If Monday is a holiday, rebalance is effective on the immediately following business day.

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 alternatively-weighted indexes corporate action methodology. For more details, please refer to the [Morningstar Indexes Corporate Actions Methodology](#).

### 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 Cessation Policy

The index methodology is continually reviewed to ensure it achieves all stated objectives. These reviews consider corporate action treatment, selection, 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 also notifies all subscribers and stakeholders of the index that circumstances might arise that require a material change to the index or a possible cessation of the index. Circumstances that could lead to an index cessation include, but are not limited to, market structure change, product definition change, inadequate supply of data, insufficient revenue associated with the index, insufficient number of clients using the index, and/or other external factors beyond the control of the Morningstar Index Committee.

Because the cessation of the index or benchmark index could disrupt subscriber products that reference this index, all subscribers are encouraged to have robust fallback procedures if an index is terminated. 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 calculations, corrections are applied prospectively.

### Index-Related Data and Divisor Corrections

Incorrect pricing and corporate action data for individual issues in the database will be corrected upon detection. In addition, an incorrect divisor of an index, if discovered within two days of its occurrence, will always 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
Eligibility	Treatment for dual listed companies was introduced	January 2016
Security Selection	The following industry type was deleted with corresponding priorities: <ul style="list-style-type: none"> <li>Diversified Industrials - Priority 2</li> </ul>	January 2016
Security Selection	The following industry types were added with corresponding priorities: <ul style="list-style-type: none"> <li>Copper - Priority 1</li> <li>Silver - Priority 1</li> <li>Steel - Priority 2</li> <li>Waste Management - Priority 2</li> </ul>	January 2016
Security Selection	The following industry types were added with corresponding priorities: <ul style="list-style-type: none"> <li>Farm &amp; Construction Equipment - Priority 2 (Added)</li> <li>REIT - Diversified - moved to Priority 3 from 1</li> <li>Utilities - Diversified - moved to Priority 3 from 1</li> </ul>	November 2017
Scheduled Maintenance	Reconstitution and Rebalance frequency was changed from annual to semi-annual reconstitution and quarterly rebalancing	November 2017
Security Selection	The following industry type was added with corresponding priority: <ul style="list-style-type: none"> <li>Specialty REIT - Priority 2</li> </ul>	December 2019
Security Selection	The following industry types were updated with corresponding priorities: <ul style="list-style-type: none"> <li>Coal - Priority - 2 (Removed)</li> <li>Coking Coal - Priority - 1 (Added)</li> <li>Thermal Coal - Priority - 2 (Added)</li> <li>Other Precious Metals &amp; Mining - Priority - 1 (Added)</li> <li>Uranium - Priority - 1 (Added)</li> </ul>	July 2022
Entire Rulebook	Updated to the new format	February 2023
Security Selection	The following industry types were updated with corresponding priorities: <ul style="list-style-type: none"> <li>Specialty REIT - Priority 1 (Updated)</li> </ul>	May 2023
Data Correction and Precision	Computational and Reporting Precision Section Removed	May 2025
Index Maintenance	Clarified alternatively-weighted corporate actions methodology is applied	January 2026

### Appendix 2: Glossary

Terms	Description
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 and shares outstanding data.

## 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 the European Benchmarks Regulation (“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 Benchmarks Regulation (“BMR”), providing independent oversight of all aspects of the governance of benchmark administration as required by the 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.

[www.indexes.morningstar.com](http://www.indexes.morningstar.com)

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