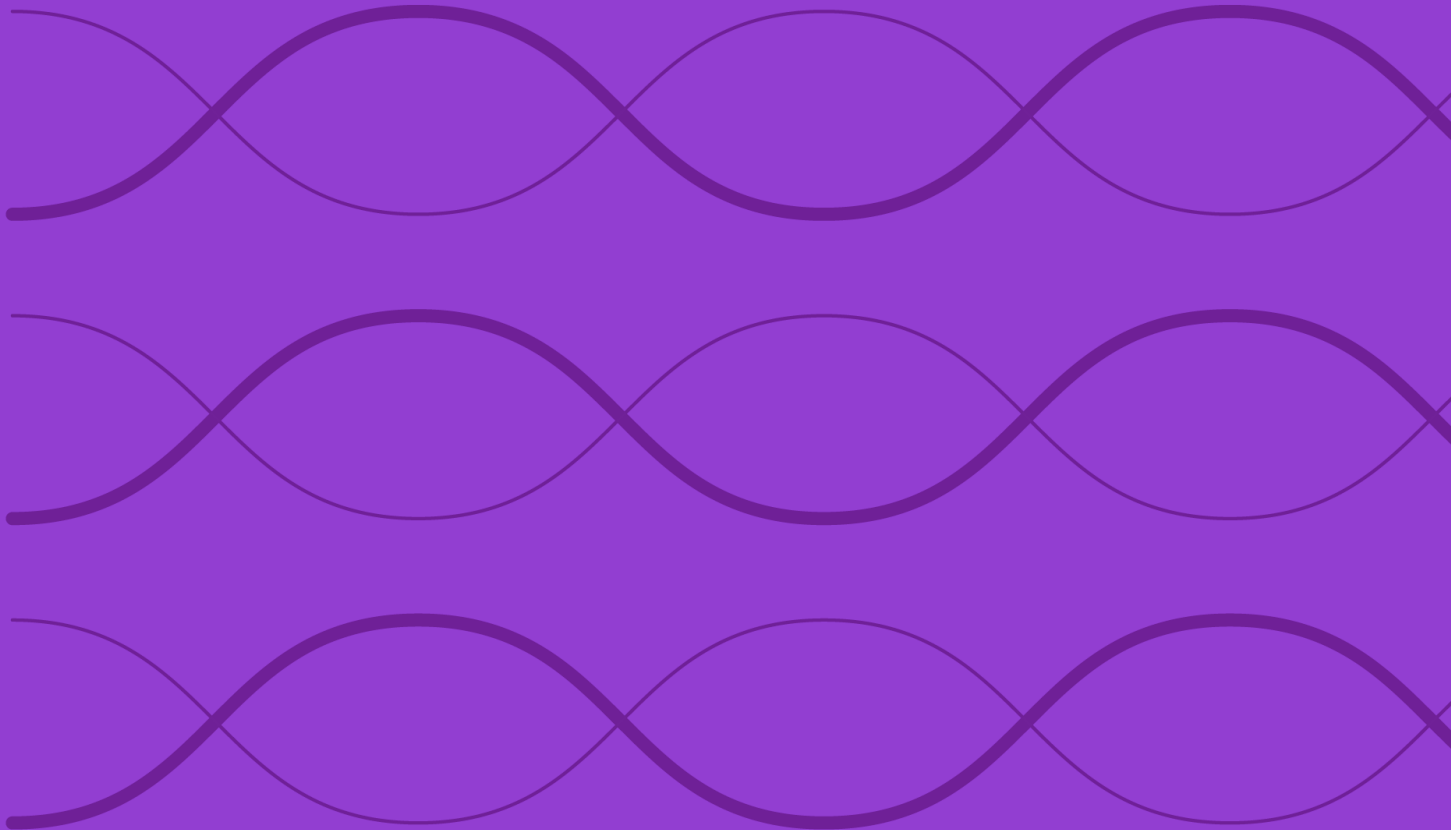


Construction Rules for the Morningstar US Capital Allocation Leaders Index



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Overview

The Morningstar US Capital Allocation Leaders Index targets companies with strong Morningstar Capital Allocation Ratings, which measure a company management team's efficacy in managing capital, as assigned by Morningstar Equity Research.

For more information on the Morningstar Capital Allocation Rating, refer to Appendix 1.

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

Index Inception and Performance Start Date

The index inception date is April 7, 2026, and the performance start date, when the first back-tested index value was calculated is June 24, 2013.

Index Construction

Methodology Summary

Starting Universe

- The Morningstar US Target Market Exposure Index, which covers the top 85% of the investable universe by float market capitalization, forms the starting universe.

Eligibility

- Companies must have a Capital Allocation Rating assigned to be eligible for inclusion.

Portfolio Construction

- Companies with Exemplary rating per the Morningstar Capital Allocation Rating framework are targeted for inclusion.
- Constituents are weighted in proportion to their float-adjusted market capitalization.
- A 4.5-4.75-23.0 capping is applied to constituent weights at the company level.

Morningstar US
Capital Allocation
Leaders Index

Starting Universe

At each reconstitution, constituents of the Morningstar US Capital Allocation Leaders Index are derived from the Morningstar US Target Market Exposure Index (benchmark). For more details on benchmark construction, refer to the construction rules for the [Morningstar US Target Market Exposure Index](#).

Eligibility

Constituents in the benchmark that are not assigned a Capital Allocation Rating at the time of reconstitution are ineligible for inclusion in the index.

Portfolio Construction

At each reconstitution, companies that are assigned an Exemplary Capital Allocation Rating are targeted for inclusion.

Number of Stocks

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

Index Weighting

The index follows a float-adjusted market-capitalization-weighting scheme. At each reconstitution and rebalance effective date, B-A-C capping of 4.5-4.75-23.0 is applied on company weights. This means no single company can have a weight greater than 4.75%, and the sum of company weights greater than 4.5% cannot exceed 23.0%. For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#).

Index Maintenance and Calculation

Reconstitution and Rebalancing

The index is reconstituted, where the membership is reset, semi-annually on the third Friday of June and December. Adjustments are implemented after Friday's market close and reflected the following Monday. The market data used for reconstitution is as of the last trading day of May and November.

Capital Allocation Rating data used for reconstitution is as of the last trading day of May and November.

The index is rebalanced quarterly on the third Friday of March, June, September, and December. Adjustments are implemented after Friday's market close and reflected the following Monday. If Monday is an index holiday, the rebalance is reflected the next business day. The market data used for rebalancing is as of the last trading day of February, May, August, and November.

At each rebalance, parent membership eligibility is checked, constituents are reweighted using the float market capitalization as on the rebalance effective date, and the 4.5-4.75-23.0 capping on company weights is enforced.

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-adjusted market-capitalization-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 [Morningstar Equity Indexes Price Methodology](#).

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, geopolitical 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

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

Index calculation data input defects—such as price, dividends, other mandatory corporate actions, or foreign-exchange rates—that do not affect the index shares and, if discovered within two trading days, are generally corrected, and the index is recalculated regardless of the performance impact.

Where such index calculation data input defects are discovered after two trading days, an index restatement will typically only occur if the impact on performance is material; otherwise, the correction is applied prospectively.

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: Overview of the Capital Allocation Rating Framework

The Capital Allocation Rating is a forward-looking assessment of a company management team's efficacy in allocating capital, focusing on the primary drivers of long-term shareholder returns. It is assessed over a full economic cycle, emphasizing future expectations rather than historical performance.

There are three possible rating categories assigned to any company: Exemplary, Standard, or Poor. The rating is based on three pillars: balance-sheet strength, investment efficacy, and shareholder distributions.

The balance-sheet pillar assesses a firm's leverage, its debt refinancing concerns, and its overall resilience against economic downturns or company-specific risks. A key consideration in this assessment is determining whether the firm possesses the necessary financial strength to remain a going concern while continuing to pursue value-adding investments.

The investment pillar evaluates a company's investment strategy, including both organic reinvestment and inorganic growth through acquisitions. This pillar closely considers the firm's ability to fortify its competitive position through investments. We also consider the price paid for those investments and how that affects the firm's economic profitability. Furthermore, we consider the company's own operational initiatives and ability to execute on its strategy to add value for shareholders.

The shareholder distributions pillar assesses the appropriateness of how much cash is being returned to investors, including both dividends and share repurchases. Company lifecycle and alternative uses can affect how much cash would be appropriate to return to shareholders. On repurchases specifically, we assess the price likely to be paid as a key determinant of the value being created or destroyed for shareholders.

For more details, please visit [Morningstar Capital Allocation Rating Whitepaper](#).

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.

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