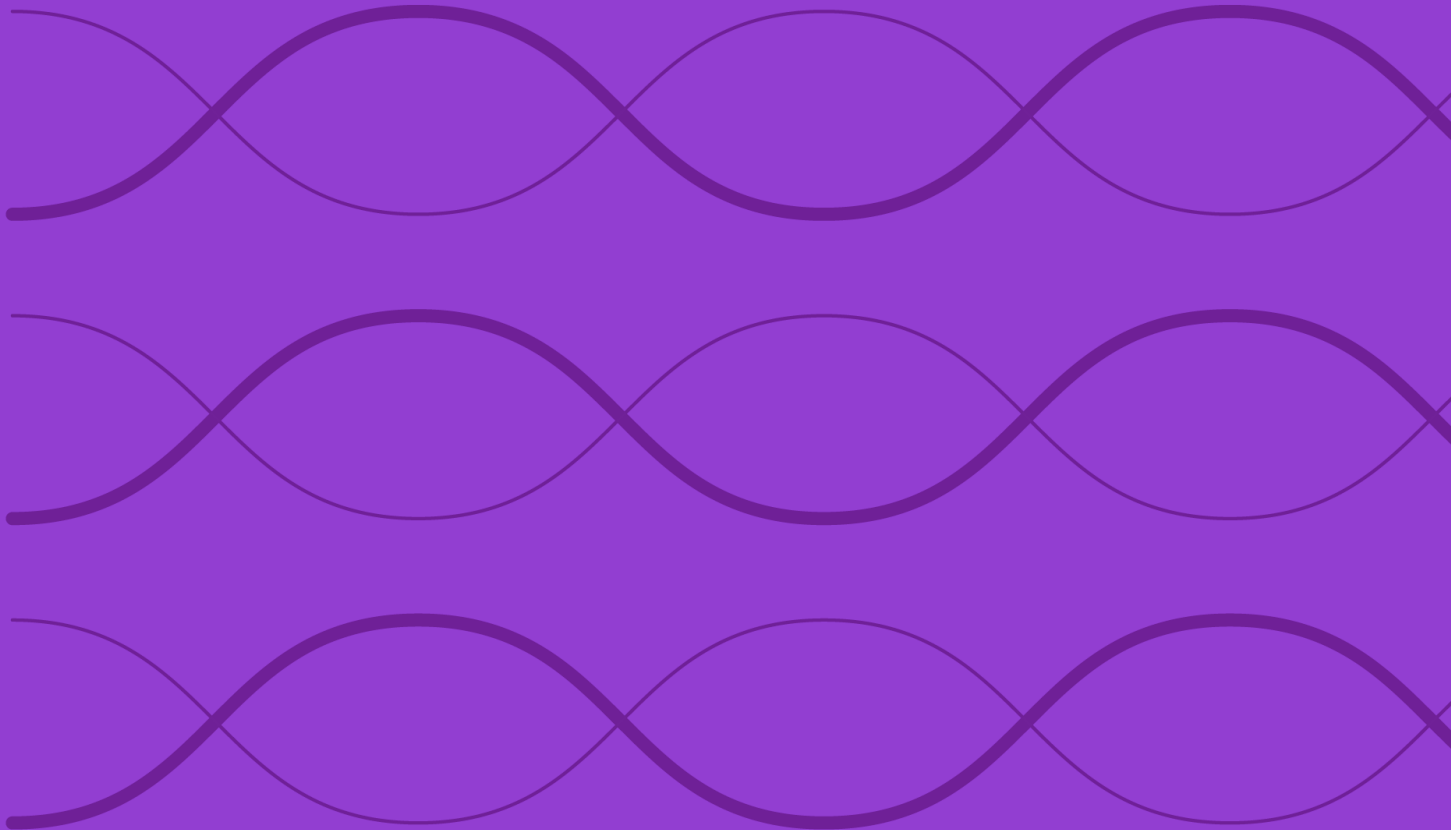


Construction Rules for the Morningstar® US All Cap Select Index



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Overview

The Morningstar US All Cap Select Index is designed to track the broad US equity market using an optimization-driven approach that minimizes tracking error while targeting a reduced constituent count of 200 securities.

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

Index Inception and Performance Start Date

The index inception date is April 21, 2026, and the performance start date, when the first backtested index value was calculated, is June 20, 2008.

Index Construction

Methodology Summary

Starting Universe

- Morningstar US Market Index
 - Represents the top 97% of the investable market

Eligibility

- Securities must be covered by the Morningstar risk model

Portfolio Construction

- Select and weight 200 stocks based on the objective and constraints through an optimization process
- Reconstitution quarterly in March, June, September, and December

Morningstar® US All Cap Select Index

Starting Universe

At each reconstitution, constituents of the Morningstar® US All Cap Select Index are derived from the Morningstar US Market Index (benchmark). For more details on benchmark construction, refer to the construction rules for the [Morningstar US Market Index](#).

Eligibility

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

- Securities must be covered by the Morningstar risk model to qualify for inclusion.

Portfolio Construction

Optimization Parameters

At every reconstitution, the Morningstar® US All Cap Select Index portfolio is created using an optimizer to minimize the ex-ante tracking error¹ to the parent index and meet the constraints as follows:

- No short positions are allowed.
- The minimum weight of a security included in the index portfolio should be greater than or equal to 0.05%.
- The maximum one-way turnover is less than 3% margin plus mandatory turnover (defined as turnover resulting from exclusion of current holdings that were dropped from parent benchmark)
- Number of holdings is equal to 200.

¹ For more details on the optimized construction, please refer to Appendix 1.

Number of Stocks

The indexes target 200 stocks based on a transparent ranking system subject to the application of eligibility criteria at reconstitution. However, if fewer than the targeted number of securities from the starting universe meet eligibility criteria, or if securities are added or deleted as a result of corporate actions after reconstitution, the constituent count may deviate from the targeted number. During reconstitution, if the number of eligible securities is fewer than the targeted constituent count, all eligible securities are selected. The reconstitution schedule is provided in the "Index Maintenance and Calculation" section.

Index Weighting

The weights of index constituents are determined through an optimization process subject to the objective function and weight constraints described in the "Optimization Parameters" section above.

Index Maintenance and Calculation

Reconstitution and Rebalancing

The index is reconstituted, where the membership is reset, and 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. The market data used for reconstitution is as of the last trading day of February, May, August, and November.

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 [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: Optimization Methodology

Ex-Ante Tracking Error

$$TE = (w_p^T - w_b^T) (X^T F X + \lambda D) (w_p - w_b)$$

Where:

w_p = vector of portfolio weights, unknown

w_b = vector of benchmark weights

X = matrix of asset factor exposures

F = factor covariance matrix

D = specific (idiosyncratic, residual) risk block of covariance matrix

$X^T F X$ = systematic (factor-driven) risk block of covariance matrix from the risk model

$\lambda = 1.5$, specific risk-aversion parameter; $\lambda=1$ results in a specific risk-neutral volatility forecast; $\lambda>1$ implies greater penalty for asset-specific risk not modeled by systematic risk factor exposures

Any risk model will miss some systematic sources of risk because of bias-variance trade-off. The model will therefore underestimate the contribution of specific risk to the risk of the overall portfolio, because it assumes the residual risk is perfectly uncorrelated and diversifiable. $\lambda = 1.5$ was chosen to compensate for the above effects based on empirical testing of ex-post tracking error.

Handling of Infeasible Optimization

In case of infeasible solution, turnover constraints is relaxed at a 3% margin in increments of 1%, up to a maximum of 20%.

If a feasible solution is not found after the above constraint relaxation, the index will not be reconstituted for that quarterly review, and Index Committee review of the constraint methodology will be conducted and completed by the next quarterly reconstitution date.

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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