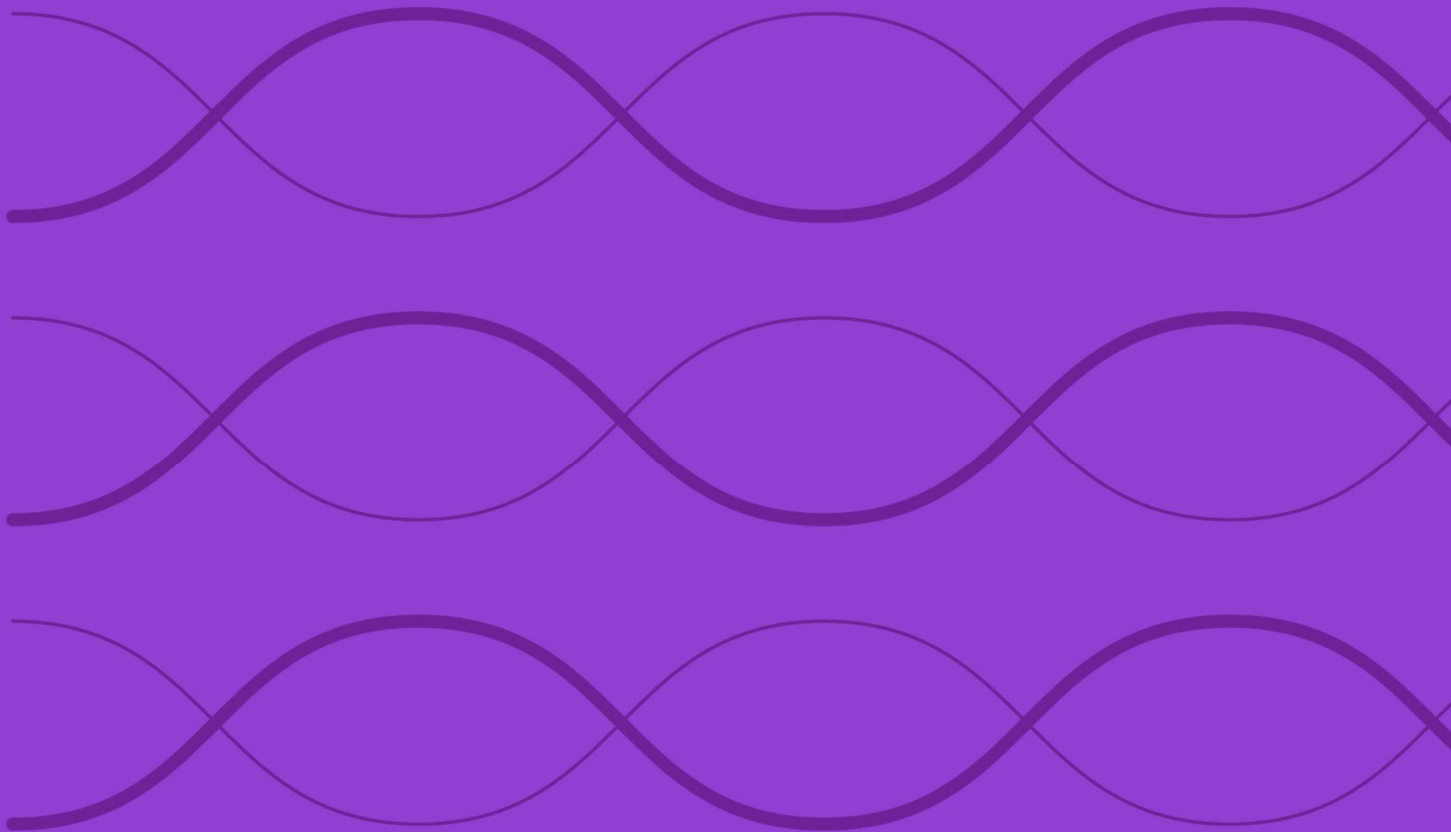


Construction Rules for the Morningstar Medalist Europe Equity Funds Index



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Overview

The Morningstar Medalist Europe Equity Funds Index is a rules-based, equal weighted index designed to provide exposure to ten best-in-class European open-end equity funds using the Morningstar Medalist Rating™, a forward-looking managed investment rating system.

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

Index Inception and Performance Start Date

The index inception date is March 21, 2019, and the performance start date, when the first back-tested index value was calculated, is December 20, 2013.

Index Construction

Methodology Summary

Starting Universe

- UCITS-certified European equity funds from applicable Morningstar Categories

Eligibility

- Fund Size >= EUR 500 million
- Base currency: euro
- Morningstar Medalist Rating of Gold, Silver or Bronze

Portfolio Construction

- Select top 10 funds based on sequentially applied sorting rules:
 - Morningstar Analyst Rating
 - KID Ongoing Charge¹
- Style-based diversification caps allow maximum 30% weight in any style
- Equal weight each fund

Morningstar Medalist
Europe Equity Funds
Index

¹ The KID Ongoing Charge is calculated as the ratio of the total ongoing charges to the average net asset value. Ongoing charges are all payments deducted from the assets of a UCITS during a period, except for payments that are explicitly excluded. KID ongoing charge is only used as a tiebreaker in case of multiple funds with same Medalist Rating, lower value is better.

Assigning Funds to the Index

Starting Universe

At each reconstitution of the Morningstar Medalist Europe Equity Funds Index, constituents are derived from UCITS-compliant open-end funds domiciled in Europe from the following categories: EAA Fund Europe Large-Cap Growth Equity, EAA Fund Europe Large-Cap Blend Equity, EAA Fund Europe Large-Cap Value Equity, EAA Fund Europe Flex-Cap Equity.

Eligibility

The following criteria must be met to be eligible for inclusion in the index:

- Assigned a Morningstar Medalist Rating of Gold, Silver or Bronze²
- Base currency is in euros
- Distribution status is accumulating
- At least EUR 500 million in assets under management, comprehensively across all share classes.

Index funds are not eligible.

Portfolio Construction

The index consists of 10 funds, which are selected based on a transparent ranking system subject to eligibility and selection criteria at reconstitution. However, if the number of securities fall short of the selection and eligibility criteria, or if securities are deleted as a result of corporate actions after reconstitution, the index can have fewer than 10 funds.

The fund selection criteria are applied sequentially as follows:

- The fund with the highest Morningstar Medalist Rating is selected first (details are presented in Appendix 3).
- Annual report net KID Ongoing Charge is applied only as a tiebreaker in case there are multiple funds with the same highest Morningstar Medalist Rating.
- An existing constituent is given preference in cases where KID Ongoing Charge and analyst ratings are the same.

In addition, to the above fund selection criteria, diversification rules are applied. Funds from a single category cannot take up more than 30% of the portfolio weight. To enforce this diversification rule, a potentially lower-rated fund from an "open" category can be selected over a higher-rated fund from a "full" category. For example, consider a universe with 4 Gold rated Value funds and 2 Bronze rated Growth funds. First, the 3 lowest expense Gold Value funds will be selected. Next, the Bronze fund will be preferred over the fourth Gold fund because the Value category is now "full" while Growth remains "open". In case that the funds are unable to meet the target count of 10, this rule may be breached.

Each fund is represented via a single share class. The following rules govern the selection of share class for inclusion in the index:

² Effective April 25, 2023, the Morningstar Medalist Rating combines the Morningstar Analyst Rating and Morningstar Quantitative Rating into one forward looking rating for managed investments. Prior to the June 2023 reconstitution, only funds with the Morningstar Analyst Rating of Gold, Silver, and Bronze were eligible for the index.

- Non-institutional share classes should have a minimum investment less than or equal to EUR 25,000
- Institutional share classes should have a minimum investment less than or equal to EUR 1 million
- Select the share class with the lowest KID Ongoing Charge
- To avoid redundancy in cases where multiple share classes satisfy the preceding criteria, the clean share class (containing only the management fee) is used as a tie-breaker.

Share classes that are closed to investors are not eligible for inclusion.

Index Weighting

The index is equal-weighted, with each of the ten constituents carrying a 10% weight when the index is rebalanced. During reconstitution, if the number of securities is less than 10, all eligible securities would be selected, and the weight of the constituents will be equal weighted. For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#).

Index Maintenance and Calculation

Scheduled Maintenance

The index membership is reset on a semi-annual basis, effective on the Monday following the third Friday of June and December. If the Monday is a holiday, the reconstitution will be effective on the next business day. 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 next business day. The market data used for rebalancing 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. 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](#).

Let's denote DRIB as the base value of portfolio daily return index (DRI) at the DRI series start date t_0 . R_t is the return of the portfolio at time interval t .

The index level on date t is:

$$DRI_t = DRI_{t_0} \cdot \prod_{t=t_0+1}^t (1 + R_t)$$

Since DRI calculation methodology requires that return is available on every day the DRI is calculated, if there are gaps in the portfolio return calculation, the last period the portfolio has contiguous returns will be used as the period the portfolio has DRI.

Portfolio Return Calculation

We assume buy and hold between portfolio rebalance dates. On a portfolio date, the holding weights are known.

The portfolio's returns used in the portfolio DRI calculation are calculated in the portfolio's base currency. If a holding security's base currency is different from portfolio's base currency, then its returns are translated into the portfolio's base currency first.

A holding security's performance start date in the portfolio is the latter of its performance start date in its base currency, or the start date of the currency exchange rate between the holding security's base currency and the portfolio's base currency, if the holding security's base currency is different from the portfolio's base currency.

With these rules in place, the weights of constituents and the returns of the portfolio are calculated based on the following formulas.

$$w_t^i = \frac{w_{t-1}^i \cdot RC_t^i}{\sum_{i=1}^N (w_{t-1}^i \cdot RC_t^i)}$$

$$RC_t^i = 1 + r_t^i$$

$$R_t = \sum_{i=1}^N (w_{t-1}^i \cdot r_t^i)$$

Where:

N	=	Number of holdings in a portfolio on a given date
w_{t-1}^i	=	Weight of security i at end of time interval t-1
r_t^i	=	Return of security i at time interval t in portfolio's base currency
R_t	=	Return of the portfolio at time interval t
w_t^i	=	Weight of security i at end of time interval t
t	=	Time period the return is calculated for

Returns of individual securities are calculated according to Morningstar's Total Return Index methodology. A key assumption at the portfolio level calculation is that dividends are reinvested into only the security declaring the dividend and not the portfolio on a pro-rated basis.

Decrement Calculation

An arithmetic fixed percentage daily decrement is applied on the underlying Medalist index. The following formula will be used for calculating the decremented index level:

$$DR = \left(S_d \times \left(\frac{CD(t-1, t)}{360} \right) \right)$$

$$IL(t) = IL(t-1) \times \left(\frac{M(t)}{M(t-1)} - DR \right)$$

$$IL(t) = M(t)$$

Where:

IL(t)	=	Index level at time (t)
M(t)	=	Underlying Medalist index level at time (t)
Sd	=	Annual synthetic dividend decrement rate (%)
DR	=	Daily decrement
CD(t-1,t)	=	Calendar days between time (t) and time (t-1)

Currently, a decrement value of 3.5% p.a. is being applied to the Morningstar Medalist Europe Equity Funds index.

Note: If the current trading price of a constituent is unavailable, the previous trading session's closing price is used. However, if the constituent is affected by any corporate action that requires an adjustment, then the adjusted price is used.

Disruption Events

The following disruption event would require special handling in the index:

Liquidation

If a constituent is liquidated by the fund house, the fund is removed from the index on the date of liquidation, and its weight is pro-rated among surviving funds based on the latter's dynamic weights. An emergency reconstitution will be performed at the next rebalance date to restore full membership. Exceptions are made on a case-by-case basis.

Mergers

If a constituent merges with another fund that is not part of the portfolio, the index will hold the combined entity at the original constituent's weight. If a constituent merges with another constituent, the index portfolio will hold the combined entity at a weight equal to the sum of the merging funds weights. Since this will reduce membership count, an emergency reconstitution will be performed at the next rebalance date. Exceptions are made on a case-by-case basis.

Calculation and/or Publication Disruption

If a constituent fund does not publish or Morningstar fails to collect the Net Asset Value in t+2 days, the last Net Asset Value available to Morningstar shall be carried forward for the calculation of the daily index levels.

Medalist Rating Placed 'Under Review'

In the event a constituent's Medalist Rating is placed under review, a reconstitution will be scheduled at the next quarterly maintenance date to determine the replacement. Morningstar's Manager Research team strives to minimize the time a rating is under review, particularly for positively rated funds, and therefore it is a rare expectation that a fund will be dropped from the index for this reason.

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, 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 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 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 methodology as described within this document, 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 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	Effective at the June 2023 reconstitution, eligibility is based on the Morningstar Medalist rating. Prior to June 2023, it was based on the Morningstar Analyst Rating.	June 2023
Entire Rulebook	Moved rulebook to new template	June 2023
Entire Rulebook	Minor formatting changes	October 2023
Entire Rulebook	Minor formatting changes Removed Computational and Reporting Precision Section	May 2025

Appendix 3	Updated the disclosures as a result of an enhancement to the Morningstar Medalist Rating	April 2026
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Appendix 2: Glossary

Terms	Description
Reconstitution	During each reconstitution, the steps mentioned in the index construction process are performed, resulting in membership reset. Funds may be deleted from or added to the index.
Rebalance	During each rebalancing, the weights are adjusted to ensure equal weighting.

Appendix 3: Morningstar Medalist Ratings

The Morningstar Medalist Rating for funds is the summary expression of Morningstar's forward-looking analysis of investment strategies as offered via the specific vehicles. Vehicles can include but are not limited to open-end funds, closed-end funds, exchange-traded funds, and separately managed accounts domiciled throughout the world. The Medalist Rating does not express a view on a given asset class or peer group; rather, it seeks to evaluate each strategy and associated vehicle within the context of an appropriate benchmark and peer group.

Morningstar assigns Morningstar Medalist Ratings at the vehicle level to accurately capture the impact of fee differences on expected net-of-fee alpha between different types of vehicles, including different share classes of the same fund. Morningstar's research and academic studies have repeatedly shown that a vehicle's ability to outperform erodes as fees become higher. Morningstar's analysis of each specific vehicle under coverage ensures the most precise accounting possible of fees. For open-end funds, for example, this means that share classes of the same fund that charge different amounts may receive different Morningstar Medalist Ratings.

Morningstar expresses the Morningstar Medalist Rating on a five-tier scale running from Gold to Negative. For actively managed funds, Morningstar assigns Gold, Silver, and Bronze ratings to vehicles expected to add value, or "positive alpha," over the long term when compared with a relevant Morningstar Category index after accounting for fees and risk. For passive strategies, Morningstar assigns Gold, Silver, and Bronze ratings to vehicles expected to deliver alpha that exceeds the lesser of the category median net alpha, or zero, over the long term. (Morningstar defines "long term" as periods lasting at least five years.)

The cost of an investment product is evaluated using the Medalist Rating Price Score, which is a continuous score running from negative 2.5 to positive 2.5 based on the percentile rank of a vehicle's expense ratio within its Morningstar Category. Morningstar combines the pillar scores and Medalist Rating Price Score using predetermined weights for actively and passively managed vehicles to calculate a weighted score.

Then, the weighted score is set to a fixed number thresholds employed consistently across Morningstar Categories and regions, with separate thresholds for actively and passively managed investments. Rating thresholds are reviewed at least annually. Buffers and ratings caps are employed to prevent frequent ratings changes. When analysts directly cover a vehicle, they assign the fundamental pillar ratings based on their qualitative assessment, subject to the oversight of the Analyst

Rating Committee, and monitor and reevaluate them approximately once a year. When the vehicles are covered either indirectly by analysts or by algorithm, the ratings are assigned monthly.

Additional details on the Medalist Rating methodology can be found [here](#).

Please also see the Conflict Disclosures [page](#) for further disclosure information.

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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