



L&G Developed Markets GARP Index Methodology Document

Version 1.1



Change History

Version Number	Editor	Date	Comments
1.0	Morningstar Indexes	13 March 2026	First Publication.
1.1	Morningstar Indexes	27 April 2026	Minor documentation update to improve clarity and consistency across all rebalance periods.



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1. Introduction

- 1.1.1. L&G Developed Markets GARP Index (the "Index") is an equity index designed to provide exposure to growing companies within Developed Markets, incorporating a valuation element to reflect a Growth-at-a-Reasonable-Price (GARP) approach. The GARP scores are provided by L&G - Asset Management Limited.
- 1.1.2. Index constituents are weighted by adjusted market capitalization (as described within this document), subject to 4.5-8-35 capping constraints (designed to ensure compliance with the UCITS 5/10/40 diversification requirements) and controls for overall portfolio turnover.



2. Governance

2.1. General

2.1.1. The Index is designed to be compliant with the UCITS diversification requirements¹.

2.2. L&G - Asset Management Limited

2.2.1. L&G - Asset Management Limited ("L&G AM") is IP owner of the Index. L&G AM is also the provider of certain Index input data, including the GARP Scores and country level transaction costs.

2.3. Morningstar Indexes GmbH

2.3.1. Morningstar Indexes GmbH ("Morningstar Indexes") is the administrator and calculator of the Index.

2.3.2. Morningstar Indexes is regulated by the BaFin as a registered benchmark administrator under the EU BMR.

2.4. Morningstar Index Services Methodology & Administration Committee

2.4.1. The Morningstar Index Services Methodology & Administration Committee (the "ISMA") supervises the overall management of the Index.

2.4.2. The ISMA is composed of at least five voting members (including the chair) each of whom must be employed in the Morningstar Indexes team and have significant experience in index governance, regulations, research, methodology or calculations.

2.4.3. The ISMA will meet at least monthly in person or by telephone.

2.5. Morningstar Index Operations Committee

2.5.1. The Morningstar Index Operations Committee (hereinafter, referred to as "OPS-Com") governs the processes, systems and exception handling of the day-to-day management of the Index, including the implementation of Index rebalancing and reconstitutions, restatements, market classification and contingency management.

2.5.2. Where an Index-impacting event occurs the resolution of which is not clear from these rules, and that due to time constraints cannot be discussed with the ISMA committee, the OPS-Com is empowered to decide on the most appropriate action to take to resolve the event. The action will be disclosed to the ISMA for its review.

2.5.3. The OPS-Com will consist of at least six voting members (including the chair) each of whom must be employed in the Morningstar Indexes team and have significant experience in index operations, methodology or calculations.

2.5.4. The OPS-Com will meet at least monthly in person or by telephone.

¹ Outlined in Article 52(1) and (2) of Directive 2009/65/EC
(<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32009L0065>)



2.6. Index Methodology Changes

- 2.6.1. Members of the ISMA, L&G AM and other stakeholders may at any time recommend changes to these rules (including the Index construction criteria) by submitting any proposed changes for consideration and approval in advance of the ISMA next meeting. Proposals can be sent to ISMA using the contact details provided in Section 8.
- 2.6.2. Proposed changes that the ISMA deems material will be publicly consulted on, according to the policy detailed within the Morningstar Indexes Methodology Change Policy, available from <https://indexes.morningstar.com>.
- 2.6.3. Following any required consultation and approval by the ISMA, such changes shall be implemented by way of an update to these rules, which shall be published on <https://indexes.morningstar.com>.
- 2.6.4. Except in exceptional circumstances, or as otherwise advised in any consultation, new rules and adjustments to these rules will become effective after the following periodic review of the Index.



3. Index construction

3.1. Selection Criteria

Starting Universe & Geographic Eligibility

- 3.1.1. At each reconstitution, securities are derived from the Morningstar Developed Markets Target Market Exposure Index (the “Parent Index”).

Securities Eligibility

- 3.1.2. Securities within the bottom 5% of float market capitalization with the lowest GARP Score are removed from the eligible universe. The last security to cross the threshold would additionally be excluded.
- 3.1.3. Securities which are not covered by Morningstar Global Equity Risk Model would be excluded from the Index additionally.
- 3.1.4. Securities which do not have a 3-month AMDTV (Average Median Daily Traded Value) would be excluded as well.

Data Availability

- 3.1.5. Securities with missing L&G GARP scores are assigned a 0 (neutral).²
- 3.1.6. The country level transaction costs are provided by L&G AM. Countries with missing transaction costs (including both buy and sell costs) are assigned a mean value of the countries within the Developed Markets.
- 3.1.7. The eligible universe refers to the Parent Index after applying the exclusions outlined in this Section 3.1.

² For more information on the L&G GARP scores, see Appendix B.
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3.2. Constituent Selection and UCITS-Compliant Weighting

Factor Tilt Portfolio

- 3.2.1. The company weights remaining in the eligible universe above after applying the selection criteria outlined in Section 3.1 are tilted based on the GARP scores as below:

$$W_{\text{GARP},i} = w_{b^*,i} (1 + \text{L\&G GARP Score}_i/3)^k$$

where w_b : The float market capitalization weights of a security within the eligible universe

The power k starts at 2 and is increased till the active share of the tilted portfolio with the Parent Index is greater than or equal to 40%.

- 3.2.2. To redistribute the active share within securities proportionally, the maximum factor tilted weight calculated in step 3.2.1 is capped at the eligible universe weight, $w_{b^*,i} + 5\%$.
- 3.2.3. The additional weight would be redistributed within securities with a positive GARP score in the tilted portfolio proportionately and the weight of the portfolio would be rescaled to 100%. If no solution, can be found the weight would be redistributed iteratively within the 0 and the negative GARP score segment.

This would be the *Factor Tilt Index*.

Constituent Weighting

- 3.2.4. The weighting of the final Index follows an optimised framework which uses the Morningstar Standard Global Equity Risk Model (USD) targeting the following constraints:

- 3.2.4.1. Objective: Minimize active share of the Index relative to Factor Tilt Index mentioned in section 3.2.1.

Constraints:

- 3.2.4.2. No short positions allowed.
- 3.2.4.3. The active share of the Index should be less than or equal to 15% compared to the Factor Tilt Index mentioned in section 3.2.1.
- 3.2.4.4. The active share of Index should be less than or equal to 40% compared to the Parent Index.
- 3.2.4.5. Sector active weight constraints:
Lower bound = $\max(\text{Weight in the Parent Index} - 5\%, \text{Weight in the Parent Index} * 0.5)$
Upper bound = $\text{Weight in the Parent Index} + 5\%$
- 3.2.4.6. Country active weight constraints:
Lower bound = $\text{Weight in the Parent Index} - 5\%$
Upper bound = $\text{Weight in the Parent Index} + 5\%$
- 3.2.4.7. Region active weight constraints:
The Index must maintain region neutrality relative to the Parent Index.
Lower bound = Equal to the parent index regional weight
Upper bound = Equal to the parent index regional weight



For the Developed Markets variant, the Developed Middle East is combined with Developed Europe to achieve the above region neutrality.

3.2.4.8. The ex-ante tracking error is below 3.5%.

3.2.4.9. The one-way turnover is less than or equal to 7.5% at every rebalance.

3.2.4.10. The maximum-security weight constraints:

Lower bound = $\max(\text{Weight in the Parent Index} - 3\%, 0)$

Upper bound = $\min(\text{Weight in the Parent Index} + 3\%, \text{Weight in the Parent Index} * 20)$

3.2.4.11. The top 10 holdings aggregate weight in the Index should be less than or equal to 1.5 times the top 10 holdings aggregate weight in the Parent Index.

3.2.4.12. A 4.5-8-35 capping is applied.

3.2.4.13. The security weights are adjusted on their liquidity such that the security weights are traded within 5 days to trade with 20% AMDTV being traded within a day and the AUM assumption is USD 1billion.

3.2.4.14. The total transaction cost for the Index should be less than or equal to 0.025%. The transaction costs are based on L&G country level costs.

After the optimization, the company weights are redistributed within individual share classes proportionally based on the Parent Index weights. Based on this redistribution, a company's secondary share class which has been excluded in step 3.1.2 could have a final weight allocated.

Relaxation rules

3.2.5. If the optimiser runs into infeasibilities, then the following relaxation rules are applied:

3.2.5.1. The active asset weight is relaxed from 3% to 5% in steps of 0.5% initially.

3.2.5.2. The active share factor tilt portfolio would be relaxed from 15% to 45% in steps of 2.5% with the active asset weight constraints being reset.

3.2.5.3. The turnover would be relaxed from 7.5% to 30% in steps of 2.5% with the active asset weight and active share factor tilt portfolio being reset.

3.2.5.4. The turnover constraint has been excluded for the December 2025 effective date.

If the optimiser fails achieve an optimal solution even after relaxations for a particular rebalance period, the Index would not be rebalanced for that period. Morningstar Indexes team would modify the methodology in consultation with L&G AM, and following the approval by ISMA would be implemented at a date following the scheduled rebalance date.



4. Scheduled Review of the Index

4.1. Timings

4.1.1. The Index is reconstituted and rebalanced quarterly, using the process detailed in Section 3 above.

4.1.2. Dates applicable to reviews are detailed below:

Date	Name	
The Last Business Day of March, June, September, and December	Determination date	Date on which data is collected for use in the Index review.
Wednesday before the second Friday of April, July, October, and January	Review release date	Date on which the results of the review are published to licensees.
The Monday following third Friday of April, July, October, and January	Implementation date	Date on which the results of the review are implemented in the Index.

4.1.3. A business day is defined as any weekday, not including Saturday and Sunday.

4.2. Review process

4.2.1. At the determination date, share prices, shares in issue, L&G GARP scores and related data is captured.

4.2.2. The results of the quarterly review process are published on the review release date.

4.2.3. The results of the quarterly review process are implemented after the close of business on the implementation date.



5. Calculation of the Index

5.1. 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](#).

The L&G GARP scores are used as of the last business day of March, June, September and December, and the transaction costs are as of December every year.

Securities which are dropped from the Morningstar Parent Index universe during its quarterly rebalances in March, June, September and December, will also be dropped from the L&G AM derived Indexes on that date, before the L&G AM Index rebalance effective date.

5.2. Corporate Actions

5.2.1. The treatment of corporate actions will be as per alternative weighted indexes.

5.2.2. For more details, please refer to the “Treatment for alternate weighted indexes” section in the [Morningstar Equity Indexes Corporate Action Methodology](#).

5.3. Errors

5.3.1. Incorrect pricing and corporate action data for individual issues in the database will be corrected upon detection. In addition, an incorrect divisor of the Index, if discovered within five 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.

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



6. Exceptions and amendments to these Rules

6.1. Exceptions

- 6.1.1. Morningstar Indexes shall apply the method described above for the composition and calculation of the Index. However, it cannot be excluded that changes to the market environment, or to relevant supervisory, legal, financial or tax legislation may require unforeseen changes to be made to the Index.
- 6.1.2. Wherever exceptions are required, Morningstar Indexes will endeavour to ensure a calculation method is applied that is as consistent as possible with the method and objectives described in this document.

6.2. Amendments

- 6.2.1. Morningstar Indexes notifies users of the Index that whilst it is the policy of Morningstar Indexes as administrator to consult fully on any material change to the Index, it is possible that circumstances, particularly external events beyond the control of Morningstar Indexes may necessitate immediate changes to, or the cessation of, the Index. Therefore, any financial contracts or other financial instruments that reference the Index, or any market participants that use the Index in valuations should plan to be able to manage the possibility of changes to, or cessation of, the Index. Please consult the Morningstar Indexes Decommissioning Policy³ and Methodology Change Policy⁴ for further details.
- 6.2.2. The ISMA may prescribe changes to the selection criteria and other rules governing the Index and the method applied to calculate the Index, which it deems to be necessary and desirable in order to prevent material errors or to remedy, correct or supplement the rules currently described in these rules.
- 6.2.3. Morningstar Indexes shall ensure that any amendments to the methodology are updated and published as soon as possible after any changes to the Index are implemented, and shall notify all persons who have licensed the use of the Index as far in advance of such implementation as reasonably practicable.

³ <https://indexes.morningstar.com/docs/governance/index-cessation-process>

⁴ <https://indexes.morningstar.com/docs/governance/methodology-change-policy>



7. Legal

- 7.1.1. L&G AM or any successor thereto (the “Index Owner”) owns solely and exclusively the intellectual property rights in the L&G Developed Markets GARP Index and its methodology (excluding methodological elements not developed specifically for the creation of the L&G Developed Markets GARP Index). Any use or publication of such intellectual property, as well as of the L&G AM trademark or any other L&G AM related methodologies, provisions or values, must be with the prior written consent of the Index Owner.
- 7.1.2. Morningstar Indexes and L&G AM assume no obligation, duty or liability to any person in relation to the Index, save as provided in any written agreement with such person. Morningstar Indexes and L&G AM make no express or implied warranty as to:
- a) the advisability of purchasing or assuming any risk in connection with any transaction related to the Index;
 - b) the levels at which the Index stands at any particular time on any particular date;
 - c) the results to be obtained by any party from the use of the Index or any data included in it for the purposes of issuing securities or carrying out any financial transaction; and
 - d) any other matter.

7.2. Licensing

- 7.2.1. Licenses to use the Index as the underlying value for investment products and derivative instruments may be issued to stock exchanges, banks, financial services providers and investment houses by the Index Owner.



8. Contact Details

- 8.1.1. The Index Owner, L&G AM. More information is available at <https://am.landg.com>.
- 8.1.2. The index administrator and calculator, Morningstar Indexes, can be contacted at indexes@morningstar.com. More information is available at <https://indexes.morningstar.com>.



Appendix A: Index Information

L&G Developed Markets GARP Index

Name	Return Type	Currency Type	Base Value	Performance Start Date	Inception Date	Parent Indexes
L&G Developed Markets GARP Index	PR, NR, TR	GBP, EUR, CHF, USD, SGD, JPY, NZD & CAD	1000*	19 December 2014	13 March 2026	Morningstar Developed Markets Target Market Exposure Index.



Appendix B: L&G GARP Scores

The L&G GARP scores are constructed from a combination of regional and sector z-scores and have a domain between -3 and +3.

GARP

Growth style investing focuses on those firms with high realised growth in company fundamentals, thus likely to achieve future sustainable capital appreciation. L&G's approach is based on a holistic view of a company's financial statements to identify historical growth in profitability, sales and free cash flow which is expected to persist in the future.

L&G augments the growth style described above with a valuation element to derive growth at reasonable price (GARP).



Appendix C: ESG factors

EXPLANATION OF HOW ESG FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY⁵	
Item 1. Name of the benchmark administrator	Morningstar Indexes GmbH
Item 2. Type of benchmark or family of benchmarks	Equity
Item 3. Name of the benchmark or family of benchmarks	L&G Developed Markets GARP Index
Item 4. Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?	No
Date on which information has last been updated and reason for the update:	Version Number 1 - 13 March 2026 First Publication.

⁵ Disclosure in compliance with the Commission Delegated Regulation (EU) 2020/1817: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R1817&from=EN>.

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