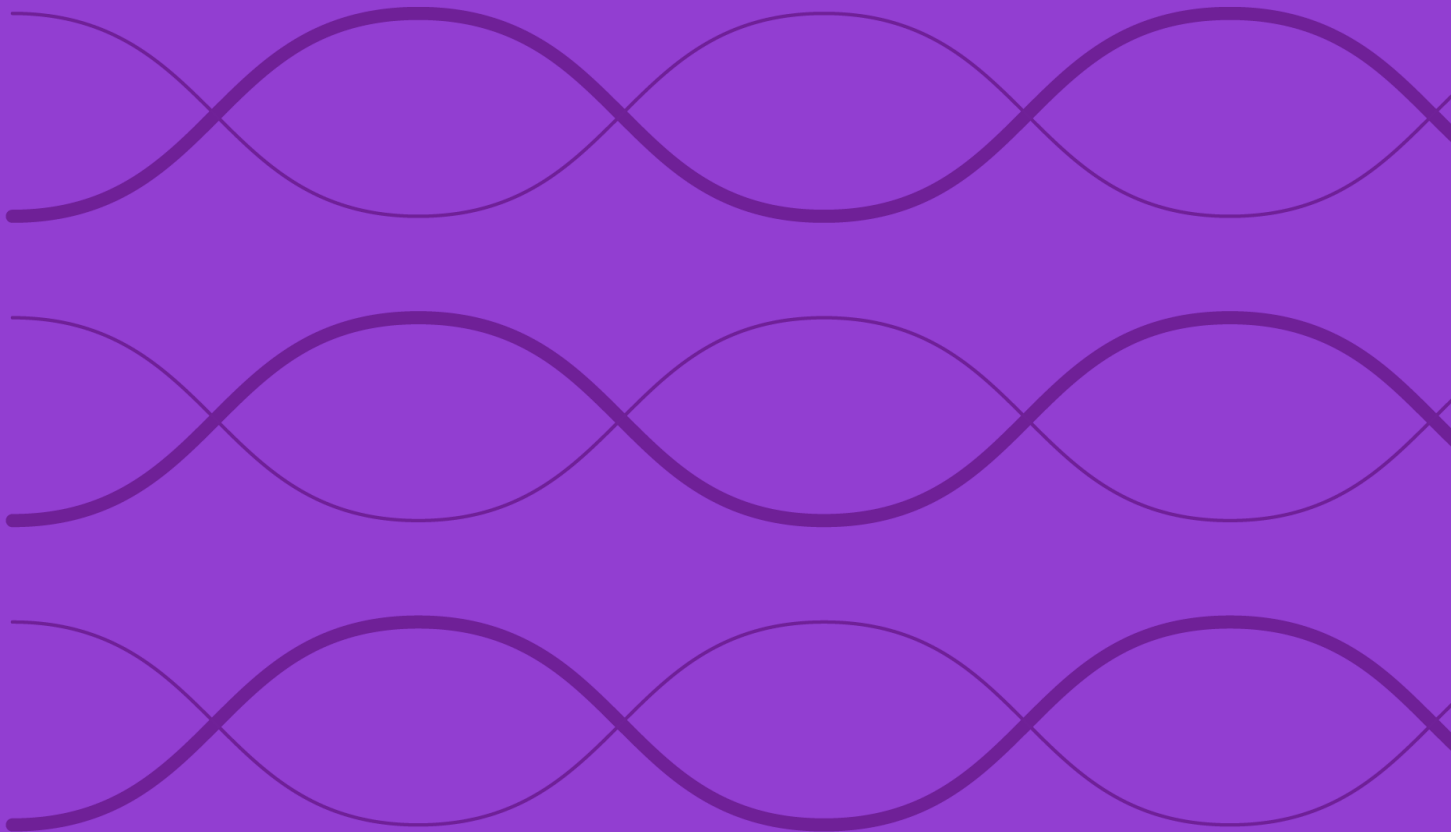


Construction Rules for the Morningstar Global Artificial Intelligence Select Index



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About Morningstar IndexesError! Bookmark not defined.

Overview

The Morningstar Global Artificial Intelligence Select Index is designed to deliver unparalleled, thematically pure exposure to companies involved with artificial intelligence (AI) technologies by drawing on the in-depth knowledge and forward-looking insights of Morningstar's equity research team. It targets stocks with exposure to generative AI, AI data & infrastructure, AI software, and AI services.

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

Index Inception and Performance Start Date

The index inception date is May 14, 2024 and the performance start date, when the first back-tested index value was calculated, is December 17, 2021.

Index Construction

Methodology Summary



Starting Universe

At each reconstitution, constituents of the Morningstar Global Artificial Intelligence Select Index are derived from the Morningstar Global Markets Index (benchmark), which covers stocks representing the top 97% of the global investable market by market capitalization. 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's country of classification must not be India or China.
- The company must have a valid non-zero (4, 3, 2, or 1) exposure score to at least one of these subthemes¹:
 - Generative AI
 - AI Data and Infrastructure
 - AI Services

¹ The December 2022 exposure scores have been used for the December 2021 reconstitution.

- AI Software
- The company must have an average three-month trailing daily trading volume of at least \$2 million and a free-float market capitalization of at least \$300 million.
 - Buffer rules: Current index constituents must have an average three-month daily trading volume of at least \$1.6 million and a free-float market capitalization of at least \$240 million.
- Selection occurs at the company level. If a company has more than one eligible share class:
 - Select the share class that is a current index constituent.
 - Otherwise, select the most liquid share class, as determined by Morningstar Indexes.

Portfolio Construction

- Eligible securities are assigned a Tier 1, Tier 2 or Tier 3 rating based on the following criteria:
 - Tier 1: Companies with score greater than or equal to 2 on the Generative AI subtheme are assigned to Tier 1.
 - Tier 2: All companies with a score greater than or equal to 2 across any one of the three other subthemes (AI Data and Infrastructure, AI Services, or AI Software) are assigned to Tier 2. Companies with an aggregate score of greater than or equal to 3 across all four subthemes are also assigned to Tier 2.
 - Tier 3: All companies not assigned to Tier 1 or Tier 2 and with a non-zero score on at least one of the four subthemes are assigned to Tier 3.
- Companies are then ranked to emphasize thematic purity and exposure to the Generative AI subtheme. The ranking criteria are given below by descending order of absolute preference:
 - Tier 1 companies are preferred over Tier 2 companies, Tier 2 companies are preferred over Tier 3 companies
 - Generative AI score (highest to lowest)
 - Aggregate score across all 4 subthemes (highest to lowest)
 - Current index constituents are given preference
 - Company total market capitalization, preferring smaller over larger
- Companies ranked in the top 50 are targeted for inclusion in the index.

Number of Stocks

The index targets 50 stocks 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 reconstitution schedule is available in the "Index Maintenance and Calculation" section.

Index Weighting

- Step 1: The index is weighted by float-adjusted market-capitalization.
- Step 2: 10% capping is applied to the aggregate weight of Tier 3 securities and the excess weight is redistributed to Tier 1 and Tier 2.
- Step 3: Security weighting caps (6% for Tier 1, 3% for Tier 2, 3% for Tier 3) are applied with redistribution within each tier. The tier security caps are increased in steps of 1bps individually in case of infeasibility.
- Step 4: If the aggregate weight of securities with weight greater than or equal to 4.5% exceeds 22.5%, then 4.5-6-22.5 capping is applied for securities in Tier 1 and 2. This means no single constituent can have a weight greater than 6%, and the sum of those with weights greater than or equal to 4.5% cannot exceed 22.5%. For this step, the weight redistribution is within Tier 1 and Tier 2 as a single group leading to the possibility that the 3% security cap for Tier 2 might be breached.
- Step 5: If the 3% security cap is breached for Tier 2, then 3% security capping is applied to only Tier 2 securities with weighting redistribution within Tier 2.

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—annually in December. Adjustments are made on the Monday following the third Friday of December. If the Monday is a holiday, reconstitution occurs on the next business day.

The index is rebalanced quarterly and implemented after the close of business on the third Friday of March, June, and September and is effective the following Monday. If Monday is a holiday, rebalance is effective on the next business day. During each rebalance, membership in the parent index (Morningstar Global Markets Index) is checked at the company level and the weights are rebalanced as per the weighting scheme using updated float market capitalization data.

The market data used for reconstitution and rebalancing is as of the last trading day of February, May, August, and November. The theme scores used for reconstitution are those available on the last trading day of November.

A daily check is implemented to ensure that the combined weight of all constituents with individual weights with weight greater than and equal to 5% does not exceed 25%. If this condition is breached, the index will be adjusted as follows: the smallest constituent above 5% will be capped at 4.5%, along with any other constituent whose weight falls between 4.5% and 5%. This process will be repeated iteratively until the total weight of constituents greater than and equal to 5% is less than 25%. The excess weight will be redistributed to constituents with weights below the 4.5% limit. Adjustments will be applied at the open of T+2. During the standard reconstitution or rebalance pro forma period, monitoring switches from the live portfolio to the pro forma portfolio. Any required adjustments are reflected in the next business day's pro forma file and implemented on the scheduled rebalance/reconstitution effective date. No changes are made to pro forma files within two business days of the reconstitution or rebalance effective date (T-2).

Because the reconstitution of the Morningstar Global Artificial Intelligence Select Index is less frequent than the parent index (Morningstar Global Markets Index), the securities excluded from the parent index at the reconstitution effective date are also deleted from the Morningstar Global Artificial Intelligence Select Index at the same date. It will not be replaced, and its weight is reallocated among existing constituents in proportion to its existing weight.

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 market-capitalization-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](#).

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 if discovered within two days of its occurrence will 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: Theme Definitions

The Morningstar Equity Research Artificial Intelligence steering committee identifies relevant subthemes to help the index effectively represent companies with exposure to leading-edge artificial intelligence technologies. These subthemes are reviewed annually and may change over time as they evolve and new subthemes emerge.

Generative AI

Definition

Two key aspects of AI are training and inference. AI training involves feeding labeled data into an AI model and iterating on the calculations and algorithms required to make more accurate predictions. AI inference is the stage where an AI model receives an unlabeled input and is asked to make a prediction or generate an output based upon the request.

Generative AI is a subset of AI that is used to create new and original content. This compares with “traditional AI” models that are used to solve specific tasks or make predictions based on existing data. Large language models, such as ChatGPT, are a type of generative AI model that focuses on producing humanlike text.

Exposure Examples

- Companies offering generative AI search functions.
- “Hyperscalers” or cloud computing leaders that offer infrastructure as a service and host cloud workloads and/or their own AI models.
- Semiconductor vendors that supply the chips and software needed for AI training and inference.

AI Data and Infrastructure

Definition

Encompasses the various technological components needed to manufacture, design, maintain, host, support, and improve AI models.

Exposure Examples

- Semiconductor processors: chips required in AI training and inference, such as GPUs, CPUs, FPGAs, and/or custom ASICs, including those designed in house by cloud computing vendors.
- Semiconductor supply chain: includes the outsourced chip manufacturers (foundries), chip equipment vendors, and peripheral chipmakers required to support the performance of semiconductor processors.
- Data center infrastructure: includes the servers, storage, networking gear, and connectivity solutions required to route data traffic and connect AI processors into a cohesive system to run AI workloads.
- Data management: includes the databases and related software tools required to store the data required in AI models.

AI Software

Definition

Includes enterprise and consumer software that will include AI models to enhance the user experience and/or improve efficiency and productivity.

Exposure Examples

- Enterprise software: supporting business functions such as sales, marketing, finance, human resources, IT management, customer service, or other business workloads. Also supports enterprise creative applications such as graphic design, engineering design, or other types of product lifecycle management.
- Consumer software: any type of consumer-facing application where AI is used to improve the user experience.

AI Services

Definition

Includes consultancies and outsourced business process companies. Such companies may aid businesses in implementing AI. These companies may also reduce headcount and improve internal efficiencies by using AI to reduce or remove monotonous workloads.

Exposure Examples

- IT services: consulting businesses that advise enterprises how to build or implement AI.
- IT Services: outsourced business process companies that may perform regular, somewhat monotonous tasks that may be replaced by AI in the future.

Appendix 2: Thematic Exposure Scoring Framework

The Morningstar Equity Research Artificial Intelligence steering committee trains analysts on the subthemes and scoring framework. Rather than relying solely on historical data points, analysts provide forward-looking data points that translate to thematic exposure scores of 0, 1, 2, 3, or 4 across each subtheme. To garner a thematic exposure score above zero for a given subtheme, a company must be classified as a producer of related goods or services or a supplier of those producers. Additionally, Morningstar equity analysts must classify the company as being highly likely to enjoy a material net profit increase from its exposure to that subtheme over the next five years. Analysts then estimate the percentage of revenue a company will derive from its exposure to each subtheme at a point in time five years forward. These estimates translate into thematic exposure scores in the following manner:

- 0 – less than 10% of revenue of a company
- 1 – 10%-25% of revenue for a producer or supplier company
- 2 – 25%-50% of revenue for a producer or supplier company
- 3 – greater than 50% of revenue for a supplier company
- 4 – greater than 50% of revenue for a producer company

The Morningstar Equity Research Artificial Intelligence steering committee then provides a quality control review of each company's thematic exposure scores to optimize internal consistency. During this step, committee members engage in discussions with analysts and directors to test the rationale behind submitted data points. Once the quality control process has been completed, thematic exposure scores are submitted to the Morningstar Indexes team for index reconstitution purposes.

Appendix 3: Modifications to the Rulebook

Section	Description of Change	Update Date
Data Correction and Precision	Computational and Reporting Precision Section removed	June 2025
Index Maintenance and Calculation	Daily cap monitoring check added (effective from Dec. 22, 2025, on)	November 2025
Index Maintenance and Calculation	The daily cap monitoring process was revised to reference the pro forma portfolio during reconstitution and rebalance pro forma periods. This updated logic will be effective from September 9, 2026, on.	August 2026

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 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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