

# Construction Rules for the Morningstar® Global Markets Equal Weighted Index<sup>SM</sup>

## Morningstar Indexes

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## Overview

The Morningstar® Global Markets Equal Weighted Index<sup>SM</sup> consists of liquid equities that provide investors with accurate benchmarks for performance measurement, as well as offering discrete building blocks for portfolio construction. These indexes provide an accurate, comprehensive depiction of the performance and fundamental characteristics of global equity markets through a comprehensive portfolio of accessible and liquid stocks.

The Morningstar Global Index is designed with the following key objectives in mind:

- ▶ **Transparent and objective rules:** The construction of indexes should be governed by a clear and transparent set of well-documented rules for security selection and exclusion, reconstitution, and adjustments for corporate actions.
- ▶ **The right balance between comprehensive market coverage and full investability:** Indexes should reflect the actual investment opportunities available to active and passive managers. At the same time, they should reflect the overall economic importance of the company. The goal is to find the right balance between completeness and investability.
- ▶ **Nonoverlapping and hierarchical:** Indexes should include all qualified stocks in the broad market index. There should be no “sampling” or other process whereby some stocks are ignored or their influence reduced. Each stock in the broad market index is included in one and only one of the subcomponents at each level.
- ▶ **Facilitate asset allocation across geographic regions and countries:** The Morningstar Global Markets Equal Weighted Index should provide discrete building blocks that serve as asset class proxies based on economic segment (the U.S.; developed, excluding the U.S.; and emerging), geographical regions, and country.
- ▶ **Minimize index turnover:** Indexes incur turnover as they are rebalanced in line with their stated methodology, which results in high management costs and difficulty in tracking. The Morningstar indexes are designed to limit unnecessary turnover.

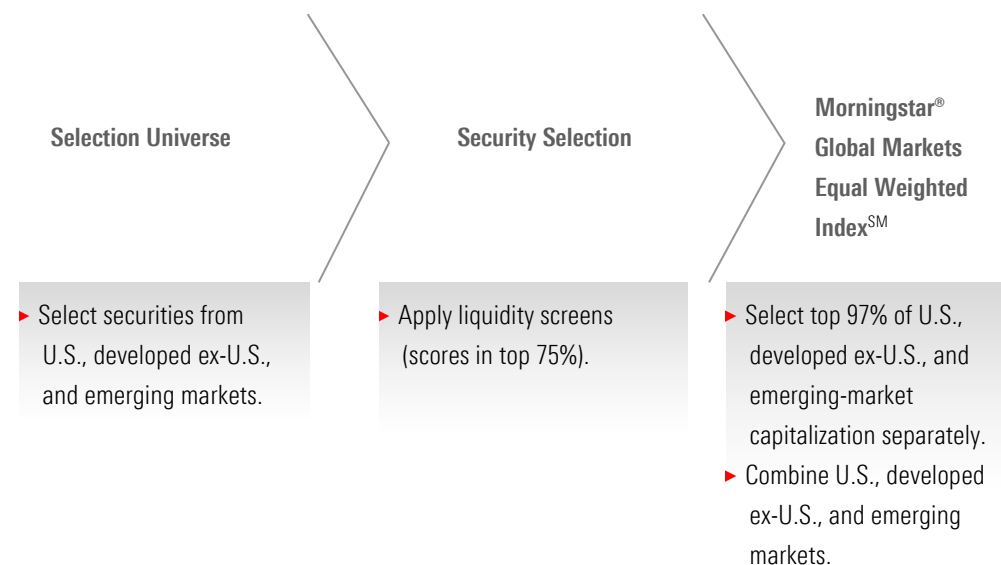
This index does not incorporate environmental, social, or governance, or ESG, criteria.

## Index Inception Date and Performance Inception Date

The inception date of the index is Aug. 30, 2022, and the performance inception date of the index is June 30, 1998, when the first back-tested index value was calculated.

## Index Construction

**Exhibit 1** Morningstar Global Markets Equal Weighted Index Construction Process



For additional details, refer to the "Assigning Stocks to the Index" section.

### Assigning Stocks to the Index

#### Selection Universe

At each reconstitution, the global equity universe is defined based on the criteria for the U.S. and global ex-U.S. universe. For more details, refer to the construction rules for the [Morningstar US Market](#) and [Morningstar Global Markets ex-US](#) indexes (derived indexes).

#### Security Selection

To be eligible for the index, all constituents of the U.S. and ex-U.S. universe must meet the following criteria:

- ▶ Trading frequency
- ▶ Dollar trading volume and turnover
- ▶ Free-float market-capitalization requirements

Each security that meets these general criteria is considered for inclusion in one of three economic segment indexes: U.S., developed ex-U.S., or emerging. The country classification process determines membership in the appropriate index. Each security that passes all of the screens will be assigned one of the following capitalization bands: large, mid-, or small. For more details on the criteria, country classification, and capitalization band, refer to the previously mentioned construction rules of the derived indexes.

Subsequently, individual regional and country indexes are derived from the constituents of the Morningstar Global Markets Equal Weighted Index.

### Calculating the Economic Segment-Level Capitalization Breakpoints

For each economic segment (U.S., developed ex-U.S., and emerging), the companies are ordered by market capitalization in descending order. Next, the cumulative market-capitalization percentage is calculated for each stock within its economic segment. The market capitalization of the largest stock whose cumulative market-capitalization percentage is greater than the following percentages is taken as the capitalization breakpoint for that capitalization band.

- ▶ Large Cap: 70%
- ▶ Mid-Cap: 90%
- ▶ Small Cap: 97%

There are buffers around these targets, which differ for the U.S. and ex-U.S. regions. For further details, refer to the construction rules for the derived indexes.

### Number of Stocks

The number of stocks in the index is subject to the selection and eligibility criteria at the time of reconstitution.

### Index Weighting

The index is equal weighted. For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#).

## Index Maintenance and Calculation

### Scheduled Maintenance

The index is reconstituted — i.e., the membership is reset — “Semi-annually”. Adjustments are made on “the Monday following the third Friday of June and December”. If Monday is a holiday, reconstitution is effective on the immediate following business day. The market data used for reconstitution is as of the last trading day of April and October.

The index is rebalanced — i.e. the number of free float shares of each constituent security is adjusted — “Quarterly”. Adjustments are made on “the Monday following the third Friday of March, June, September, and December”. If the Monday is a holiday, reconstitution occurs on the Tuesday immediately following. Market data used for reconstitution is as of the last trading day of “February, May, August, and November”.

Refer to Appendix 1 for details on reconstitution and rebalancing.

### Corporate Action

The treatment of corporate actions can be found in 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 Cessation Policy**

The index methodology is continually reviewed to ensure it achieves all stated objectives. These reviews take into account 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 Process](#).

Morningstar also notifies all index subscribers and stakeholders that circumstances might arise that require a material change to the index, or a possible cessation. Circumstances that could lead to an index cessation include, but are not limited to, market structure change, product definition change, inadequate supply of data, insufficient revenue associated with the index, insufficient number of clients using the index, and/or other external factors beyond the control of the Morningstar Index Committee.

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 Cessation Process](#).

### **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 affect index daily highs or lows, they are corrected retroactively as soon as is feasible.

#### **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 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.

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

#### **Computational and Reporting Precision**

For reporting purposes, index values are rounded to two decimal places and divisors are rounded to appropriate decimal places.

## Appendix

### Appendix 1: Glossary

Terms	Description
<b>Reconstitution</b>	<p>Each reconstitution involves the following:</p> <ul style="list-style-type: none"> <li>• Updating the global market's investable equity universe.</li> <li>• Reviewing the economic segment- and country-level size segment breakpoints.</li> <li>• Assigning companies to capitalization bands taking into account the buffer zones.</li> <li>• Changes in index shares (free float, total shares outstanding, index-specific adjustment factor) of each constituent.</li> </ul>
<b>Rebalance</b>	<p>Each rebalancing involves the following:</p> <ul style="list-style-type: none"> <li>• Changes in index shares (free float, total shares outstanding, index-specific adjustment factor) of each Constituent.</li> <li>• Addition of U.S. spin-offs/IPOs to the global markets index</li> </ul>
<b>World Bank Country Classification</b>	<p>For operational and analytical purposes, the World Bank's main criterion for classifying economies is gross national income per capita. The bank's analytical income categories (low, middle, and high) are based on the bank's operational lending categories (civil works preferences, International Development Association eligibility, etc.). These operational guidelines were established decades ago, based on the view that since poorer countries deserve better conditions from the bank, comparative estimates of economic capacity needed to be established. GNI, a broad measure, was considered to be the best single indicator of economic capacity and progress; at the same time it was recognized that GNI does not, by itself, constitute or measure welfare or success in development. GNI per capita is therefore the bank's main criterion of classifying countries.</p> <p>Source: World Bank</p>
<b>Country Market Capitalization and Country Market Capitalization/GDP Ratio</b>	<p>The size of a country's equity markets should be material, or above \$5 billion. The market should exhibit financial depth; that is, the ratio of the size of the country's equity markets to its gross domestic product should be high. Countries that fall in the bottom 20% are removed from index eligibility.</p>
<b>Additional Country Inclusion Criteria</b>	<p>The following criteria are taken into account when determining country eligibility:</p> <ul style="list-style-type: none"> <li>• The country's allowance of foreign investors to easily enter and exit the market, as well as to repatriate capital and dividends.</li> <li>• Timely and accurate availability of real-time and historical market data.</li> <li>• The level of interest attracted by the market from international investors.</li> </ul>

### Appendix 2: Developed- and Emerging-Market Classification

Countries are classified as developed if they meet all of the following criteria:

- ▶ Annual per capita GNI falls in the high-income category, as defined by the World Bank, for the most recent three consecutive years. As of 2014, the World Bank defines countries with per capita GNI in excess of \$12,736 as high income.
- ▶ The country must not have in place any broad-based discriminatory controls against nondomiciled investors for the most recent three years.
- ▶ The country's stock markets must exhibit these characteristics:
  - ▶ Transparency
  - ▶ Market regulation
  - ▶ Operational efficiency
  - ▶ Absence of broad-based investment restrictions

Countries that do not meet all of the above criteria fall into the emerging-markets economic segment. For example, a country may be classified as high income by the World Bank, but because of a lack of transparency within local markets, it falls into the emerging-markets economic segment.

Classification	Country	Classification	Country
<b>Developed</b>	Australia	<b>Emerging</b>	Brazil
	Austria		Chile
	Belgium		China
	Canada		Colombia
	Denmark		Czech Republic
	Finland		Egypt
	France		Greece
	Germany		Hungary
	Hong Kong		India
	Ireland		Indonesia
	Israel		Kuwait
	Italy		Malaysia
	Japan		Mexico
	Netherlands		Pakistan
	New Zealand		Peru
	Norway		Philippines
	Poland		Qatar
	Singapore		Saudi Arabia
	Spain		South Africa
	Sweden		South Korea
Switzerland	Taiwan		
United Kingdom	Thailand		
	Turkey		
	United Arab Emirates		

### Appendix 3: Eligible Securities

Equity and equitylike securities are eligible for the index. Security eligibility is reviewed semiannually during April and October.

Classification	Country	Security Class
<b>Developed Market</b>	Australia	Ordinary Shares
		Preferred Shares
		Stapled Securities
	Austria	Ordinary Shares
		Preferred Shares
		Units/Certificates
	Belgium	Ordinary Shares
		Preferred Shares
	Canada	Ordinary Shares
		Units of Income Trusts
		Stapled Securities

Denmark	Ordinary Shares
Finland	Ordinary Shares
France	Ordinary Shares Preferred Shares Certificats d'Investissement Certificats Coopératif d'Investissement
Germany	Ordinary Shares Preferred Shares
Hong Kong	Ordinary Shares Business Trusts Stapled Securities
Ireland	Ordinary Shares Units
Israel	Common Shares Preferred Shares
Italy	Ordinary Shares Preferred Shares Savings Shares
Japan	Ordinary Shares
Netherlands	Ordinary Shares Preferred Shares Certificates
New Zealand	Ordinary Shares Preferred Shares Certificates
Norway	Ordinary Shares Certificates
Poland	Ordinary Shares
Portugal	Ordinary Shares
Singapore	Ordinary Shares Business Trust
Spain	Ordinary Shares Preferred Shares
Sweden	Ordinary Shares Swedish Depositary Receipts
Switzerland	Ordinary Shares Preferred Shares Certificates
United Kingdom	Ordinary Shares Units
United States	Ordinary Shares Tracking Stock

Classification	Country Name	Security Class
<b>Emerging Market</b>	Brazil	Ordinary Shares
		Preferred Shares
		Units
	Chile	Ordinary Shares
		Preferred Shares
	China	B Shares
		A Shares
		H Shares*
		P Chip*
		Red Chip*
Colombia	Ordinary Shares	
	Preferred Shares	
Czech Republic	Ordinary Shares	
Egypt	Ordinary Shares	

Greece	Ordinary Shares
	Preferred Shares
India	Ordinary Shares
Indonesia	Ordinary Shares
Kuwait	Ordinary Shares
	Preferred Shares
Malaysia	Ordinary Shares
Mexico	Ordinary Shares
	Units
	Certificate of Participation
Pakistan	Ordinary Shares
Peru	Ordinary Shares
	Preferred Shares
	Investment Shares
Philippines	Ordinary Shares
	Philippine Depositary Receipts
Qatar	Ordinary Shares
Russia	Ordinary Shares
	Preferred Shares
Saudi Arabia	Ordinary Shares
South Africa	Ordinary Shares
	Preferred Shares
	Units
South Korea	Ordinary Shares
	Preferred Shares
Taiwan	Ordinary Shares
	Preferred Shares
Thailand	Ordinary Shares
	Preferred Shares
Turkey	Ordinary Shares
United Arab Emirates	Ordinary Shares

\*The H shares, P chip, and the Red chip securities are listed at the Hong Kong stock exchange.

#### **Appendix 4: Eligible Exchanges**

Securities listed on eligible market segments are eligible for the index. Exchange eligibility is reviewed semiannually during April and October.



Classification	Country	Eligible Exchange	Eligible Market Segment	Ineligible Market Segment
<b>Developed Market</b>	Australia	Australian Securities Exchange	Official List	
	Austria	Vienna Stock Exchange	Prime Market Standard Market Mid Market-Regulated	Mid Market-MTF
	Belgium	Euronext Brussels	Euronext Alternext	Free Market Segment
	Canada	Toronto Stock Exchange	Official List	
	Denmark	Copenhagen Stock Exchange First North	Main Market	
	Finland	Helsinki Stock Exchange First North	Main Market	
	France	Euronext Paris	Euronext Alternext	Free Market Segment
	Germany	Deutsche Borse Xetra	Prime Standard General Standard	Entry Standard
	Hong Kong	Hong Kong Stock Exchange	Main Board Growth Enterprise Market(GEM)	
	Ireland	Irish Stock Exchange	Main Securities Market Enterprise Securities Market	
	Israel	Tel Aviv Stock Exchange		
	Italy	Borsa Italiana	MTA	MIB AIM Italia-MAC
	Japan	Tokyo Stock Exchange Nagoya Stock Exchange	First Section Second Section Mothers JASDAQ First Section Second Section Centrex	Other
	Netherlands	Euronext Amsterdam	Euronext Alternext	
	New Zealand	New Zealand Stock Exchange	Main Board Alternative Market	Fonterra Shareholders' Market
	Norway	Oslo Stock Exchange	Oslo Bors Oslo Axess	
	Poland	Warsaw Stock Exchange	Basic Market Parallel Market	
	Portugal	Euronext Lisbon	Euronext Alternext	
	Singapore	Singapore Stock Exchange	Main Board CATALIST	
	Spain	Madrid Stock Exchange		
	Sweden	Stockholm Stock Exchange First North AktieTorget Nordic Growth Market	Main Market	
	Switzerland	SIX Swiss Exchange		
	United Kingdom	London Stock Exchange	Main Market AIM Market	
	United States	NYSE, NYSE Market LLC, NASDAQ		

Source: Morningstar.

Classification	Country	Eligible Exchange	Eligible Market Segment	Ineligible Market Segment
<b>Emerging Market</b>	Brazil	BM&F Bovespa SA	Traditional Level 1 Level 2 Novo Mercado	
	Chile	Santiago Stock Exchange		
	China	Shenzhen Stock Exchange Shanghai Stock Exchange Shenzhen-Hong Kong Stock Connect Shanghai-Hong Kong Stock Connect		ChiNext
	Colombia	Colombian Securities Exchange		
	Czech Republic	Prague Stock Exchange	Prime Market Standard Market	Start Market
	Egypt	The Egyptian Exchange		
	Greece	Athens Stock Exchange	Main Market Alternative Market	Low Dispersion Surveillance Under Suspension Under Deletion
	Hungary	Budapest Stock Exchange	Primary Market Standard Market	T Market
	India	Bombay Stock Exchange National Stock Exchange		
	Indonesia	Jakarta Stock Exchange	Main Board Development Board	
	Kuwait	Boursa Kuwait	Premier Market Main Market	
	Malaysia	Kuala Lumpur Stock Exchange	Main Market Ace Market	PN-17 GN-3
	Mexico	Mexican Stock Exchange	Capitals Market	
	Pakistan	Karachi Stock Exchange		
	Peru	Lima Stock Exchange		
	Philippines	Philippine Stock Exchange	Main Board	
	Qatar	Qatar Stock Exchange		
	Russian Federation	MICEX		
	Saudi Arabia	Saudi Arabia Exchange		
	South Africa	Johannesburg Stock Exchange	Main Board AltX	
	South Korea	Korea Exchange	KOSPI KOSDAQ	KONEX
	Taiwan	GreTai Securities Market Taiwan Stock Exchange	Main Board Main Board	Emerging Market Board Alternate Trading Method
	Thailand	The Stock Exchange of Thailand	Local Stock  Market for Alternative Investment	Companies to be Delisted Foreign Common Stock
	Turkey	Istanbul Stock Exchange	National Market Second National Market New Economy Market (ECM Companies)	
	United Arab Emirates	Abu Dhabi Securities Exchange Dubai Financial Market NASDAQ Dubai		

Source: Morningstar.

### Appendix 5: Inception and Calculation Inception Dates

Index	Inception Date	Calculation Inception Date
Morningstar Brazil Equal Weighted Index	1998-06-30	2022-08-30

### About Morningstar, Inc.

Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia. Morningstar offers an extensive line of products and services for individual investors, financial advisors, asset managers, and retirement plan providers and sponsors. Morningstar provides data on approximately 510,000 investment offerings, including stocks, mutual funds, and similar vehicles, along with real-time global market data on more than 17 million equities, indexes, futures, options, commodities, and precious metals, in addition to foreign exchange and Treasury markets. Morningstar also offers investment management services through its investment advisory subsidiaries.

### About Morningstar Indexes

Morningstar® Indexes combine the science and art of indexing to give investors a clearer view into the world's financial markets. Our indexes are based on transparent, rules-based methodologies that are thoroughly back-tested and supported by original research. Covering all major asset classes, our indexes originate from the Morningstar Investment Research Ecosystem — our network of accomplished analysts and researchers working to interpret and improve the investment landscape. Clients such as exchange-traded fund providers and other asset management firms work with our team of experts to create distinct, investor-focused products based on our indexes. Morningstar Indexes also serve as a precise benchmarking resource.

### Morningstar Index Product Committee

The Morningstar Index Product Committee is comprised of members who possess a wide array of knowledge in relation to Indexes. The Product Committee is responsible for the governance over the creation and maintenance of all Morningstar branded Indexes, ensuring the highest standards are continuously met. Any matters arising from exceptional or undocumented events will be resolved at the discretion of the Morningstar Index Product Committee.

### Morningstar Index Oversight Committee

The Morningstar Index Oversight Committee is comprised of informed and qualified professionals who are responsible for the process governance of Morningstar branded Indexes. The Oversight Committee assesses and where appropriate challenges the decisions of Morningstar Indexes with regards to benchmark decisions.

### For More Information

For any queries, reach out to us via [indexes@morningstar.com](mailto:indexes@morningstar.com).



22 West Washington Street

Chicago, IL 60602 USA

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