

Construction Rules for the Morningstar Global Target Market Exposure Sector Indexes



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Overview

The Morningstar Global Target Market Exposure Sector Indexes are designed to facilitate accurate performance benchmarking and efficient portfolio construction across 11 sectors and 145 industries as defined by the Morningstar Global Equity Classification Structure (GECS), a single, unified sector classification scheme which categorizes companies based on their primary lines of business. These indexes are derived from the Morningstar Global Target Market Indexes. Morningstar GECS is an exhaustive and mutually exclusive taxonomy. At the foundation of the framework are 145 industry classifications, which then map to 55 industry groups. These industry groupings are bucketed into 11 sectors, each of which falls into one of three super sectors. 3 Super Sectors 11 Sectors 55 Industry Groups 145 Industries Each equity security is mapped to the industry that best reflects its largest source of revenue and income, based on public filings and Morningstar equity analyst input. Morningstar also considers business descriptions, assets, and competitors when revenue does not paint a clear picture. Industry assignments are reviewed annually or whenever there is a major corporate action. These indexes do not incorporate environmental, social, or governance criteria.

Index Inception and Performance Start Date

The inception date and performance inception date when the first back-tested values were calculated are shown in Appendix 3.

Index Construction

Methodology Summary

Starting Universe

- Appropriate benchmark from the Morningstar Global Target Market Exposure Indexes
 - Standard indexes in these family cover stocks representing the top 85% of the investable market.

Eligibility

- The Morningstar equity data team maps each company to the industry that best reflects its largest source of revenue and income
- Stocks must have a GECS industry assignment to qualify for inclusion

Portfolio Construction

- All eligible stocks with an industry or sector classification corresponding to the exposure targeted by each index are selected
- The indexes are weighted by float market capitalization

Morningstar Global
Target Market
Exposure Sector
Indexes

Starting Universe

At each reconstitution, securities for the indexes are derived from the Morningstar Global Target Market Exposure Index (benchmark). The standard cap indexes in this family target stocks representing the top 85% of the investable market by float-adjusted market capitalization. For more details on benchmark construction, refer to the [Construction Rules for the Morningstar Global Target Market Exposure Indexes](#).

Eligibility

Each benchmark constituent is considered for one of the 145 industries and 11 sectors, which are then consolidated into three Super Sectors which are a broader representation of Morningstar sectors.

- Cyclical Super Sector
 - Basic materials
 - Consumer cyclical
 - Financial services
 - Real estate
- Defensive Super Sector
 - Consumer defensive
 - Healthcare
 - Utilities
- Sensitive Super Sector
 - Communication services

- Energy
- Industrials
- Technology

The industry indexes are listed in Appendix 3. For more details regarding sectors and Super Sectors, please refer to the [Morningstar Global Equity Classification Structure rulebook](#).

Portfolio Construction

Number of Stocks

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

Index Weighting

The index is float market capitalization weighted. 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, semi-annually. Adjustments are made on the Monday following the third Friday of June and December. If the Monday is a holiday, reconstitution occurs on the Tuesday immediately following. 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 immediately following 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](#).

Refer to Appendix 2 for details on reconstitution and rebalancing.

Corporate Actions

The treatment of corporate actions will be as per the float market capitalization weighted indexes. For more details, please refer to the “Treatment for float market capitalization indexes” section in the [Morningstar Indexes Corporate Actions Methodology rulebook](#).

Methodology Review and Index Cessation 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, 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 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 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 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 Indexes Methodology Committee, and in all instances, the application of a nonstandard process will be reported to the Morningstar Indexes Oversight Committee.

Appendixes

Appendix 1: Modifications to the Rulebook

Section	Description of Change	Update Date
Entire Rulebook	Updated to new version	June 2023
Data Correction and Precision	Computational and Reporting Precision Section removed	May 2025

Appendix 2: Glossary

Terms	Description
Reconstitution	During each reconstitution, the steps mentioned in the index construction process are performed, resulting in membership reset.
Rebalance	During each rebalance, the weights are adjusted for updated free-float and shares outstanding data.

Appendix 3: Morningstar Target Market Exposure Sector Indexes

Index	Target Exposure %	Inception Date	Calculation Inception Date
Morningstar Developed Markets Europe Real Estate Target Market Exposure Index	Top 85	6/20/2008	5/6/2021
Morningstar Developed Markets Europe Technology Target Market Exposure Index	Top 85	6/20/2008	5/6/2021
Morningstar Developed Markets Europe Utilities Target Market Exposure Index	Top 85	6/20/2008	5/7/2021
Morningstar Asia Pacific Basic Materials Target Market Exposure Index	Top 85	6/20/2008	5/7/2021
Morningstar Asia Pacific Consumer Cyclical Target Market Exposure Index	Top 85	6/20/2008	5/7/2021
Morningstar Asia Pacific Consumer Defensive Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Asia Pacific Financial Services Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Asia Pacific Healthcare Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Asia Pacific Industrials Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Asia Pacific Real Estate Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Developed Markets Financial Services Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Developed Markets Energy Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Developed Markets Consumer Cyclical Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Developed Markets Financial Services & Real Estate Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Developed Markets Communication Services Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Developed Markets Healthcare Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Developed Markets Industrials Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Developed Markets Real Estate Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Developed Markets Technology & Communication Services Target Market Exposure Index	Top 85	6/20/2008	5/18/2021
Morningstar Developed Markets Technology Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Developed Markets Utilities Target Market Exposure Index	Top 85	6/20/2008	5/10/2021

Morningstar Developed Markets Europe Basic Materials Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Developed Markets Europe Communication Services Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Developed Markets Basic Materials Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Developed Markets Basic Materials & Energy Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Emerging Markets Utilities Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Emerging Markets Technology Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Developed Markets Europe Consumer Cyclical Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Emerging Markets Real Estate Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Emerging Markets Industrials Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Emerging Markets Healthcare Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Emerging Markets Financial Services Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Emerging Markets Energy Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Emerging Markets Consumer Defensive Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Emerging Markets Consumer Cyclical Target Market Exposure Index	Top 85	6/20/2008	5/18/2021
Morningstar Emerging Markets Communication Services Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Emerging Markets Basic Materials Target Market Exposure Index	Top 85	6/20/2008	5/18/2021
Morningstar Global Utilities Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Global Technology Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Global Technology & Communication Services Target Market Exposure Index	Top 85	6/20/2008	5/18/2021
Morningstar Global Real Estate Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Developed Markets Europe Consumer Defensive Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Global Industrials Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Global Healthcare Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Global Financial Services Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Global Financial Services & Real Estate Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Global Energy Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Global Consumer Defensive Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Global Consumer Cyclical Target Market Exposure Index	Top 85	6/20/2008	5/18/2021
Morningstar Global Communication Services Target Market Exposure Index	Top 85	6/20/2008	5/11/2021
Morningstar Global Basic Materials Target Market Exposure Index	Top 85	6/20/2008	5/18/2021
Morningstar Global Basic Materials & Energy Target Market Exposure Index	Top 85	6/20/2008	5/18/2021
Morningstar Developed Markets Europe Energy Target Market Exposure Index	Top 85	6/20/2008	5/14/2021
Morningstar Developed Markets Europe Financial Services Target Market Exposure Index	Top 85	6/20/2008	5/14/2021
Morningstar Developed Markets Europe Healthcare Target Market Exposure Index	Top 85	6/20/2008	5/14/2021
Morningstar Developed Markets Europe Industrials Target Market Exposure Index	Top 85	6/20/2008	5/14/2021
Morningstar Asia Pacific Utilities Target Market Exposure Index	Top 85	6/20/2008	5/14/2021
Morningstar Developed Markets Consumer Defensive Target Market Exposure Index	Top 85	6/20/2008	5/20/2021
Morningstar Developed Markets ex-North America Basic Materials Target Market Exposure Index	Top 85	6/20/2008	8/31/2022

Morningstar Developed Markets ex-North America Communication Services Target Market Exposure Index	Top 85	6/20/2008	8/31/2022
Morningstar Developed Markets ex-North America Consumer Cyclical Target Market Exposure Index	Top 85	6/20/2008	8/31/2022
Morningstar Developed Markets ex-North America Consumer Defensive Target Market Exposure Index	Top 85	6/20/2008	8/31/2022
Morningstar Developed Markets ex-North America Industrials Target Market Exposure Index	Top 85	6/20/2008	8/31/2022
Morningstar Developed Markets ex-North America Technology Target Market Exposure Index	Top 85	6/20/2008	8/31/2022
Morningstar Developed Markets ex-North America Utilities Target Market Exposure Index	Top 85	6/20/2008	8/31/2022
Morningstar Developed Markets ex-North America Energy Target Market Exposure Index	Top 85	6/20/2008	8/31/2022
Morningstar Developed Markets ex-North America Financial Services Target Market Exposure Index	Top 85	6/20/2008	8/31/2022
Morningstar Developed Markets ex-North America Healthcare Target Market Exposure Index	Top 85	6/20/2008	8/31/2022
Morningstar Developed Markets ex-North America Real Estate Target Market Exposure Index	Top 85	6/20/2008	8/31/2022
Morningstar Asia Pacific Communication Services Target Market Exposure Index	Top 85	6/20/2008	5/7/2021
Morningstar Asia Pacific Energy Target Market Exposure Index	Top 85	6/20/2008	5/10/2021
Morningstar Transatlantic* Target Market Exposure Index	Top 85	6/20/2008	11/11/2022
Morningstar Eurozone and US Target Market Exposure Index	Top 85	6/20/2008	11/11/2022
Morningstar US Small Cap Consumer Defensive Target Market Exposure Index	Top 85	6/20/2008	6/20/2023
Morningstar US Small Cap Utilities Target Market Exposure Index	Top 85	6/20/2008	6/20/2023
Morningstar US Small Cap Real Estate Target Market Exposure Index	Top 85	6/20/2008	6/20/2023
Morningstar US Small Cap Technology Target Market Exposure Index	Top 85	6/20/2008	6/20/2023
Morningstar US Small Cap Basic Materials Target Market Exposure Index	Top 85	6/20/2008	6/20/2023
Morningstar US Small Cap Healthcare Target Market Exposure Index	Top 85	6/20/2008	6/20/2023
Morningstar US Small Cap Industrials Target Market Exposure Index	Top 85	6/20/2008	6/20/2023
Morningstar US Small Cap Financial Services Target Market Exposure Index	Top 85	6/20/2008	6/20/2023
Morningstar US Small Cap Consumer Cyclical Target Market Exposure Index	Top 85	6/20/2008	6/20/2023
Morningstar US Small Cap Communication Services Target Market Exposure Index	Top 85	6/20/2008	6/20/2023
Morningstar US Small Cap Energy Target Market Exposure Index	Top 85	6/20/2008	6/20/2023
Morningstar US REIT Target Market Exposure Index	Top 85	6/20/2008	11/24/2023
Morningstar UK REIT Target Market Exposure Index	Top 85	6/20/2008	11/24/2023
Morningstar Developed Eurozone Real Estate Target Market Exposure Index	Top 85	6/20/2008	11/24/2023
Morningstar US Real Estate Target Market Exposure Index	Top 85	6/20/2008	11/29/2023
Morningstar Global REIT Target Market Exposure Index	Top 85	6/20/2008	11/29/2023
Morningstar Asia Pacific REIT Target Market Exposure Index	Top 85	6/20/2008	11/29/2023
Morningstar Developed Markets REIT Target Market Exposure Index	Top 85	6/20/2008	11/29/2023
Morningstar UK Real Estate Target Market Exposure Index	Top 85	6/20/2008	1/18/2024
Morningstar Developed Markets Eurozone REIT Target Market Exposure Index	Top 85	6/20/2008	1/18/2024
Morningstar Emerging Markets Europe Middle East & Africa Target Market Exposure Index	Top 85	6/20/2008	4/16/2025
Morningstar US Consumer Cyclical Target Market Exposure Index	Top 85	6/20/2008	4/28/2025
Morningstar US Real Estate Target Market Exposure Index	Top 85	6/20/2008	4/28/2025
Morningstar US Utilities Target Market Exposure Index	Top 85	6/20/2008	4/28/2025

Morningstar US Energy Target Market Exposure Index	Top 85	6/20/2008	4/28/2025
Morningstar US Industrials Target Market Exposure Index	Top 85	6/20/2008	4/28/2025
Morningstar US Financial Services Target Market Exposure Index	Top 85	6/20/2008	4/28/2025
Morningstar US Healthcare Target Market Exposure Index	Top 85	6/20/2008	4/28/2025
Morningstar US Technology Target Market Exposure Index	Top 85	6/20/2008	4/28/2025
Morningstar US Consumer Defensive Target Market Exposure Index	Top 85	6/20/2008	4/28/2025
Morningstar US Communication Services Target Market Exposure Index	Top 85	6/20/2008	4/28/2025
Morningstar US Basic Materials Target Market Exposure Index	Top 85	6/20/2008	4/28/2025
Morningstar Canada Basic Materials Target Market Exposure Index	Top 85	6/20/2008	4/28/2025
Morningstar Canada Industrials Target Market Exposure Index	Top 85	6/20/2008	4/28/2025
Morningstar Canada Energy Target Market Exposure Index	Top 85	6/20/2008	4/28/2025
Morningstar Canada Financial Services Target Market Exposure Index	Top 85	6/20/2008	4/28/2025
Morningstar UK Real Estate All Cap Target Market Exposure Index	Top 99	6/30/1998	1/27/2026

***Transatlantic indexes cover broad European and US equity markets.**

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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