

Construction Rules for the  
Morningstar<sup>®</sup> Transatlantic Auto,  
Banks Luxury Tech and Telecom  
ESG Screened Select 60 Capped

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## Overview

The Morningstar® Transatlantic Auto Banks Luxury Tech and Telecom ESG Screened Select 60 Capped Index is designed to provide exposure to Eurozone and US stocks in the Auto Manufacturers, Banks including Capital markets, Luxury goods, Technology and Telecommunication services industries, while applying ESG screens for product involvement, ESG risk ratings and controversies.

## Index Inception and Performance Start Date

The index inception date is March 06, 2025, and the performance start date, when the first back-tested index value was calculated, is June 19,2015.

## Index Construction

### Methodology Summary

#### Starting Universe

- Select primary share class of constituents from Morningstar Developed Markets Index, which have a country of classification as the US or a Eurozone country

#### Eligibility

- Security must not be non-compliant with the principles of the United Nations Global Compact
- Eliminate constituents having a controversy rating as 5.
- No involvement in Tobacco production
- Remove bottom 30% of high ESG risk score by count

#### Portfolio Construction

- Select securities from Auto Manufacturers, Banks including Capital Markets, Luxury Goods, Technology and Telecom Industries
- Select top 30 securities by Float Market Cap in each region
- Float market cap weight
- Individual security weight capped at 10%
- 50%-50% weighting to US and Eurozone
- Semi-Annual reconstitution
- Quarterly rebalance

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### Starting Universe

At each reconstitution, constituents of the Morningstar® Transatlantic Auto, Banks Luxury Tech and Telecom ESG Screened Select 60 Capped are derived from the Morningstar Developed Markets Index (benchmark). For more details on benchmark construction, refer to the construction rules for the [Morningstar Developed Market Index](#).

### Eligibility

To be eligible for index inclusion, all constituents must meet the following criteria:

- Select primary share class of companies with country of classification as US and Eurozone countries.
- The security must not have a missing ESG Risk Rating.
- The security must not have a missing or severe controversy score (or a level of 5).
- The security must not be non-compliant with the principles of the United Nations Global Compact.
- The security must not have any involvement in Tobacco Production.

## Portfolio Construction

- Sort securities based on ESG risk and float market Cap and eliminate the bottom 30% securities (by count) with the highest risk scores. In case of same ESG risk scores, remove securities with lower float market cap.
- Target securities from the Auto Manufacturers, Banks including Capital Markets, Luxury Goods, Technology and Telecom Industries.

### *Number of Stocks*

The index targets a fixed constituent count of 60 and selects securities with highest float market capitalisation after eligibility and screening with 30 constituents in each region (US and Eurozone). However, if fewer than the targeted number of securities from the starting universe meet eligibility criteria, or if securities are added or deleted as a result of corporate actions after reconstitution, the constituent count may deviate from the targeted number. During reconstitution, if the number of eligible securities is less than the targeted constituent count, all eligible securities are selected. The reconstitution schedule is provided in the "Index Maintenance and Calculation" section.

### *Index Weighting*

The index is float-adjusted market capitalization-weighted, with individual security weight capped at 10% through simple distribution approach. The US and Eurozone region each receive an equal 50% weight allocation. For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#).

## Index Maintenance and Calculation

### Reconstitution and Rebalancing

#### Semi-annual Reconstruction (June and December)

The index is reconstituted, where the membership is reset, semi-annually on the third Friday of June and December. Adjustments are implemented after Friday's market close and reflected the following Monday. The market data used for reconstitution is as of the last trading day of May and November.

#### Quarterly Rebalance

The index is rebalanced quarterly on the third Friday of March, June, September, and December. Adjustments are implemented after Friday's market close and reflected the following Monday. If Monday is an index holiday, the rebalance is reflected the next business day. The market data used for rebalancing is as of the last trading day of February, May, August, and November. During quarterly reviews, we apply index weighting scheme to remaining securities. Parent Index eligibility is maintained during quarterly reviews.

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-adjusted market capitalization-weighted indexes corporate action methodology. For more details, please refer to the [Morningstar Indexes Corporate Actions Methodology](#).

### Index Calculation and Price Data

Details about index calculations and price data can be found in their respective rulebooks: [Morningstar Indexes Calculation Methodology](#) and [Morningstar Equity Indexes Price Methodology](#).

### **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 Indexes 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 generally be corrected upon detection. In addition, an incorrect divisor of an index, 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 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 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: ESG Screens

Category	Name	Backfill Date*	Missing data Treatment #
Product Involvement	Tobacco Production	23-Dec-2019	Missing values for Tobacco Production have been retained in the portfolio prior to Dec-19

\* The missing data prior to the backfill date have been backfilled based on the earliest data available.

# Missing data treatment is applied after the data backfill process is completed.

### Appendix 2: Morningstar Transatlantic Auto Banks Luxury Tech and Telecom ESG Screened Select 60 Capped Decrement Indexes

Index Name	Underlying Index	Base value	Base Date	Performance Inception Date	Inception Date
Morningstar® Transatlantic Auto, Banks Luxury Tech and Telecom ESG Screened Select 60 Capped Decrement 50 Point GR	Morningstar® Transatlantic Auto, Banks Luxury Tech and Telecom ESG Screened Select 60 Capped GR	850	Feb. 19, 2025	Jun. 19, 2015	Mar. 06, 2025
Morningstar® Transatlantic Auto, Banks Luxury Tech and Telecom ESG Screened Select 60 Capped Decrement 5% NR	Morningstar® Transatlantic Auto, Banks Luxury Tech and Telecom ESG Screened Select 60 Capped NR	1000	Jun. 19, 2015	Jun. 19, 2015	Mar. 06, 2025

### Appendix 3: Decrement Levels

The index levels are adjusted by deducting a predetermined value of index points from the gross return, or GR, or fixed percentage point from the net return, or NR, levels of the base index. These constant markdowns are applied to the base index daily.

Return Variant of the Base Index	Base Currency	Decrement Type	Decrement Frequency	Decrement Application	Decrement Value	Day Count Convention
Net Total Return Gross Total Return	EUR	Fixed Percentage Decrement or Fixed Point Decrement based on the index version.	Daily	Geometric application for both decrement types.	5% decrement based on the Net Total Return 50-point decrement based on Gross Total Return	*ACT/365

\*ACT is the number of calendar days between two calculation days.

### Formula for Fixed Point Decrement Geometric Decrement Calculation

$$IV_t = (IV_{t-1} \times (U_t \div U_{t-1})) - (D \times (Act(t-1, t) \div DayCount))$$

Where:

$IV_t$  = The value of the Fixed Point Decrement Index for calculation day  $t$

$IV_{t-1}$  = The value of the Fixed Point Decrement Index for day  $t-1$

$U_t$  = The value of the base Index for calculation day  $t$

$U_{t-1}$  = The value of the base Index for calculation day  $t-1$

$Act(t-1, t)$  = Number of calendar days between calculation day  $t-1$  and calculation day  $t$

$D$  = The Decrement value expressed in Index points

$DayCount$  = Set to 365

### Formula for Fixed Percentage Decrement Geometric Decrement Calculation

$$IV_t = IV_{t-1} \times (U_t \div U_{t-1}) - (c \times (Act(t-1, t) \div DayCount))$$

Where:

$IV_t$  = The value of the Fixed Percentage Decrement Index for calculation day  $t$

$IV_{t-1}$  = The value of the Fixed Percentage Decrement Index for day  $t-1$

$U_t$  = The value of the base Index for calculation day  $t$

$U_{t-1}$  = The value of the base Index for calculation day  $t-1$

$Act(t-1, t)$  = Number of calendar days between calculation day  $t-1$  and calculation day  $t$

$c$  = The Decrement value expressed in Fixed Percentage

$DayCount$  = Set to 365

## 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 U.K. and EU benchmark regulations, or 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 U.K. and European BMR, providing independent oversight of all aspects of the governance of benchmark administration as required by the relevant 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.

[www.indexes.morningstar.com](http://www.indexes.morningstar.com)

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