

Construction Rules for the Morningstar Global ADR Extended Indexes



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Overview

The Morningstar® Global ADR Extended Indexes are designed to track the performance of American depository receipts and US cross listings of Canadian companies represented in the Morningstar Global Target Market Exposure Indexes, which cover developed and emerging markets. These indexes contain Level 1, Level 2, and Level 3 ADRs.

These indexes do not incorporate environmental, social, or governance criteria.

Index Inception and Performance Start Date

The inception dates and performance inception dates are provided in Appendix 3.

Index Construction

Methodology Summary

Starting Universe

- Parent benchmark from Morningstar Target Market Exposure Indexes
- Constituents of the benchmark are substituted with corresponding ADR for each constituent, where available.
- Constituents with COC="CA" are substituted with corresponding cross listings in the US, where available.

Eligibility

- Constituents without ADR or Canadian cross listings in the US are excluded.
- Eligible securities must meet the minimum trading day screen
- Eligible securities must meet the minimum liquidity screen

Portfolio Construction

- Constituents are weighted by float-adjusted market cap
- Semi-annual reconstitution and quarterly rebalance

Morningstar Global
ADR Extended
Indexes

Starting Universe

At each reconstitution, constituents of the Morningstar Global ADR Extended Indexes are derived from their respective parent index (benchmark) as shown in Appendix 4. For more details on benchmark construction, refer to the [Construction Rules for Morningstar Target Market Exposure Indexes](#).

Eligibility

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

- For the substitution, securities must be classified as
 - Either L1, L2, or L3 ADR, OR
 - US cross-listings of Canadian companies represented in the parent index are also eligible for inclusion, provided they are listed on the NYSE, Nasdaq, or the NYSE Market¹.
- Constituents of the parent index that do not meet the previous criteria are excluded.
- Securities that have more than 10 nontrading days in the three calendar months immediately before reconstitution are excluded.

¹ US listings details have been backfilled prior to June 26, 2018.

- Securities must have three-month average monthly median daily traded value, or AMMDTV,² of at least USD 500,000.
 - Buffer rules: Current index constituents must have three-month AMMDTV of at least USD 400,000³.
- In case there are multiple ADRs for a constituent of the parent index, the most liquid ADR will be selected.
- Constituents added to the parent index during the rebalance will be checked for ADR listings. If an ADR is available, the security will be included in the index.

Portfolio Construction

Each security that meets the selection criteria above is targeted for inclusion.

Number of Stocks

The number of stocks in the index is variable, subject to the size of the starting universe and the application of eligibility criteria at the time of reconstitution.

Index Weighting

The index is weighted based on the float-adjusted market capitalization of the ADRs and Canadian cross-listings. For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#).

² AMMDTV is calculated by averaging the median daily trading volume for each of the three months.

³ The buffers mentioned in the portfolio construction were not applied at the Dec. 23, 2024, reconstitution to simulate an initial construction for all the indexes in the family.

Index Maintenance and Calculation

Reconstitution and Rebalancing

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 April and October.

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.

Index files are published according to the global calendar schedule. For more information, please refer to the [Morningstar Indexes Holiday Calendar](#).

IPO Treatment

At each reconstitution in June and December, securities with initial public offerings listed on or before the last trading day of April and October are eligible for inclusion in Morningstar indexes if they meet all other eligibility criteria. The liquidity criteria are assessed on a pro-rata basis based on the IPO date.

At each rebalance in March and September, significant IPOs are included in the indexes. Significant IPOs are broadly defined as securities that meet the general liquidity and investability criteria and have full market value (in USD) greater than or equal to twice the mid-small segment cutoff of the respective economic segment from the previous reconstitution. The data cutoff date for significant IPOs is the last trading day of February and August.

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, geopolitical 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 or 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: 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 2: Index Inception Date and Performance Start Date

Index Name	Performance Start Date	Inception Date
Morningstar Global ADR Extended Index	16-Dec-2011	06-May-2025
Morningstar Developed Markets ADR Extended Index	16-Dec-2011	06-May-2025
Morningstar Developed Markets ex-North America ADR Extended Index	16-Dec-2011	06-May-2025
Morningstar Emerging Markets ADR Extended Index	16-Dec-2011	06-May-2025

Appendix 3: Morningstar Global ADR Extended Indexes

Index Name	Parent Index	Target Market Coverage
Morningstar Global ADR Extended	Morningstar Global ex-US Target Market Exposure	85%
Morningstar Developed Markets ADR Extended	Morningstar Developed Markets ex-US Target Market Exposure	85%
Morningstar Developed Markets ex-North America ADR Extended	Morningstar Developed Markets ex-North America Target Market Exposure	85%
Morningstar Emerging Markets ADR Extended	Morningstar Emerging Markets Target Market Exposure	85%

Appendix 4: DR Fees Adjustment

The net dividend of ADR securities used in the Index calculation, is adjusted to reflect the impact of DR fees⁴. Net Dividend is calculated as follows:

$$\text{Net Dividend} = (\text{Gross Dividend} - \text{DR Fees}) * (1 - \text{Withholding Tax Rate})$$

⁴ DR fees are incorporated into net dividend calculations from September 01, 2021, period. No DR fees adjustments have been applied to dividend amounts for periods prior to this date.

Where:

Gross Dividend: The total dividend declared by the underlying company

DR Fees: Fees charged by the Depository Bank for maintaining the ADR and administering corporate actions.

Withholding Tax Rate: The applicable rate based on the issuer's country of domicile and prevailing tax treaties.

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.

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