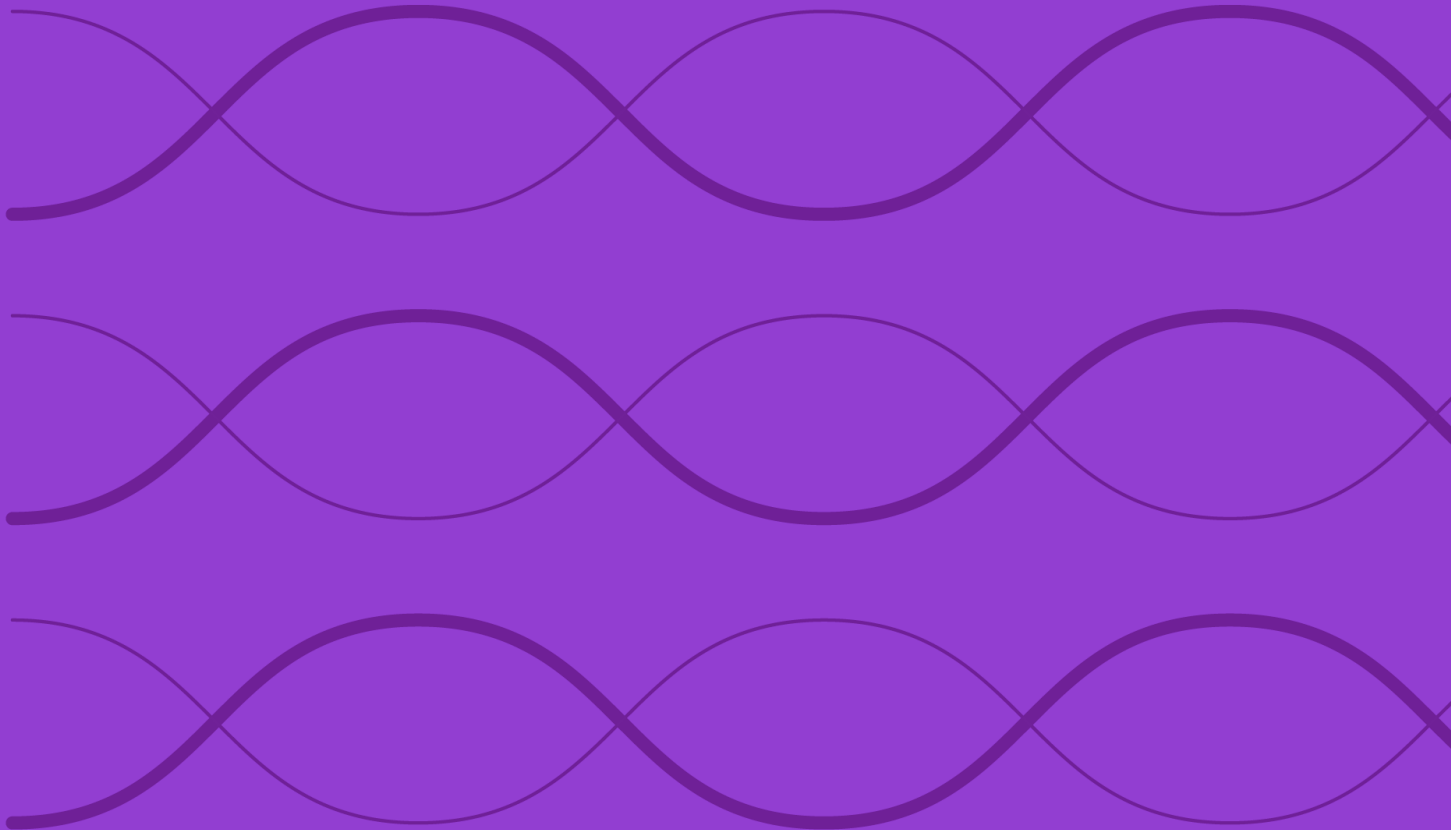


Construction Rules for the Morningstar® Global Aerospace & Defense Select 50 Index



Overview	3
Index Construction	4
Methodology Summary	4
Starting Universe	4
Eligibility	4
Portfolio Construction	5
Index Maintenance and Calculation	6
Reconstitution and Rebalancing	6
Corporate Actions	6
Index Calculation and Price Data	6
Methodology Review and Index Decommissioning Policy	7
Data Correction and Precision	8
Intraday Index Data Corrections	8
Index-Related Data and Divisor Corrections	8
Exceptions	8
Appendixes	9
Appendix 1: Glossary	9
Appendix 2: Morningstar® Global Aerospace & Defense Select 50 Index Decrement Indexes	9
Appendix 3: Decrement Levels	9
About Morningstar Indexes	11

Overview

The Morningstar® Global Aerospace & Defense Select 50 Index measures performance of 50 largest companies across United States, China, Korea, Japan, Singapore and Developed Europe region. These companies manufacture aerospace and defense products, including aircraft and aircraft parts, tanks, guided missiles, space vehicles, ships and marine equipment, and other aerospace and defense components and systems. The index also includes companies supporting these products through repair and maintenance services and defense products.

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

Index Inception and Performance Start Date

The index inception date is June 10, 2026, and the performance start date, when the first back-tested index value was calculated, is June 20, 2008.

Index Construction

Methodology Summary

Starting Universe

- Securities are selected from Morningstar Global All Cap Target Market Exposure Index
 - Includes stocks representing the top 99% of the investable universe

Eligibility

- Securities from below Country of Classification/Region are eligible for inclusion
 - Developed Europe
 - China
 - Japan
 - Singapore
 - South Korea
 - United States
- Securities with Industry assigned as Aerospace & Defense are included.
- Security must have 3M ADTV of more than or equal to \$5mn.

Portfolio Construction

- Largest 45 securities from US and Developed Europe and largest 5 securities from rest of the countries by free float market cap are selected to be part of final portfolio.
- Securities are weighted by float market capitalization.
- Index is reconstituted semi-annually in June and December and rebalanced in March and September.

Morningstar® Global Aerospace & Defense Select 50 Index

Starting Universe

At each reconstitution, constituents of the Morningstar® Global Aerospace & Defense Select 50 Index are derived from the Morningstar Global All Cap Target Market Exposure Index (benchmark). For more details on benchmark construction, refer to the construction rules for the [Construction Rules for the Morningstar Global Target Market Exposure Indexes](#).

Eligibility

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

- Security must have Country of Classification or Region assigned from below list:
 - Developed Europe
 - China
 - Japan
 - Singapore
 - South Korea
 - United States
- Securities classified in “Aerospace & Defense” industry as per [Morningstar Global Equity Classification Structure](#) are eligible for inclusion.

- Security must have a simple average daily trading value (ADTV) of at least \$5Mn. ADTV is calculated as the mean product of the daily trading volume and daily closing price measured in USD currency over the trailing 3 months¹ through the reconstitution cut-off date.
- If a company has more than one eligible share class:
 - The share class that is currently in the index is used to represent the company in the index.
 - Otherwise, the most liquid share class, as determined by Morningstar Indexes, is used.

Portfolio Construction

- Eligible securities are ranked by their float market capitalization (highest to lowest). Top 45 securities from US and Developed Europe region and top 5 from rest of the countries (China, Japan, Singapore and South Korea) are selected to be part of the final index portfolio of 50 stocks.

Number of Stocks

The index targets a fixed number of 50 stocks based on a transparent ranking system subject to the application of eligibility criteria at reconstitution. 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. For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#).

¹ For the IPOs with trading history of less than 3 months, pro-rata ADTV is calculated.

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. If Monday is an index holiday, reconstitution is reflected the next business day. The market data used for reconstitution is as of the last trading day of May and November.

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](#).

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 rulebook](#).

Private companies that are constituents² of [Morningstar PitchBook Unicorn Top 20 Index](#) are monitored for initial public offerings (IPO). If any such company undergoes IPO and is classified within Aerospace & Defense industry, it will be added to the index at the open of T+5 (exchange trading days). The float market capitalization weight will be determined based on the closing price on T (first trading day of the newly listed security). This can result in constituent count of greater than 50.

At the subsequent reconstitution, the membership of the security will be determined as per rules outlined in section Eligibility and Portfolio Construction.

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](#).

² Based on expected listing date of Space Exploration Technologies Corp., its inclusion aligns with the June 2026 index reconstitution, and the company will be added to the portfolio during this reconstitution, subject to meeting the applicable eligibility criteria.

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, 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 decommissioning of the index or benchmark index could disrupt subscriber products that reference this index, all subscribers are encouraged to have robust fallback procedures in the event an index is decommissioned. 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

Index calculation data input defects—such as price, dividends, other mandatory corporate actions, or foreign-exchange rates—that do not affect the index shares and if discovered within two trading days are generally corrected, and the index is recalculated regardless of the performance impact.

Where such index calculation data input defects are discovered after two trading days, an index restatement will typically only occur if the impact on performance is material; otherwise, the correction is applied prospectively.

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: Glossary

Term	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: Morningstar® Global Aerospace & Defense Select 50 Index Decrement Indexes

Index Name	Underlying Index	Base value	Base Date	Performance Inception Date	Inception Date
Morningstar® Global Aerospace & Defense Select 50 Index Decrement 50 Point GR	Morningstar® Global Aerospace & Defense Select 50 Index GR	1000	Jun 20, 2008	Jun 20, 2008	Jun 10, 2026
Morningstar® Global Aerospace & Defense Select 50 Index Decrement 5% NR	Morningstar® Global Aerospace & Defense Select 50 Index NR	1000	Jun 20, 2008	Jun 20, 2008	Jun 10, 2026

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

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

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 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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