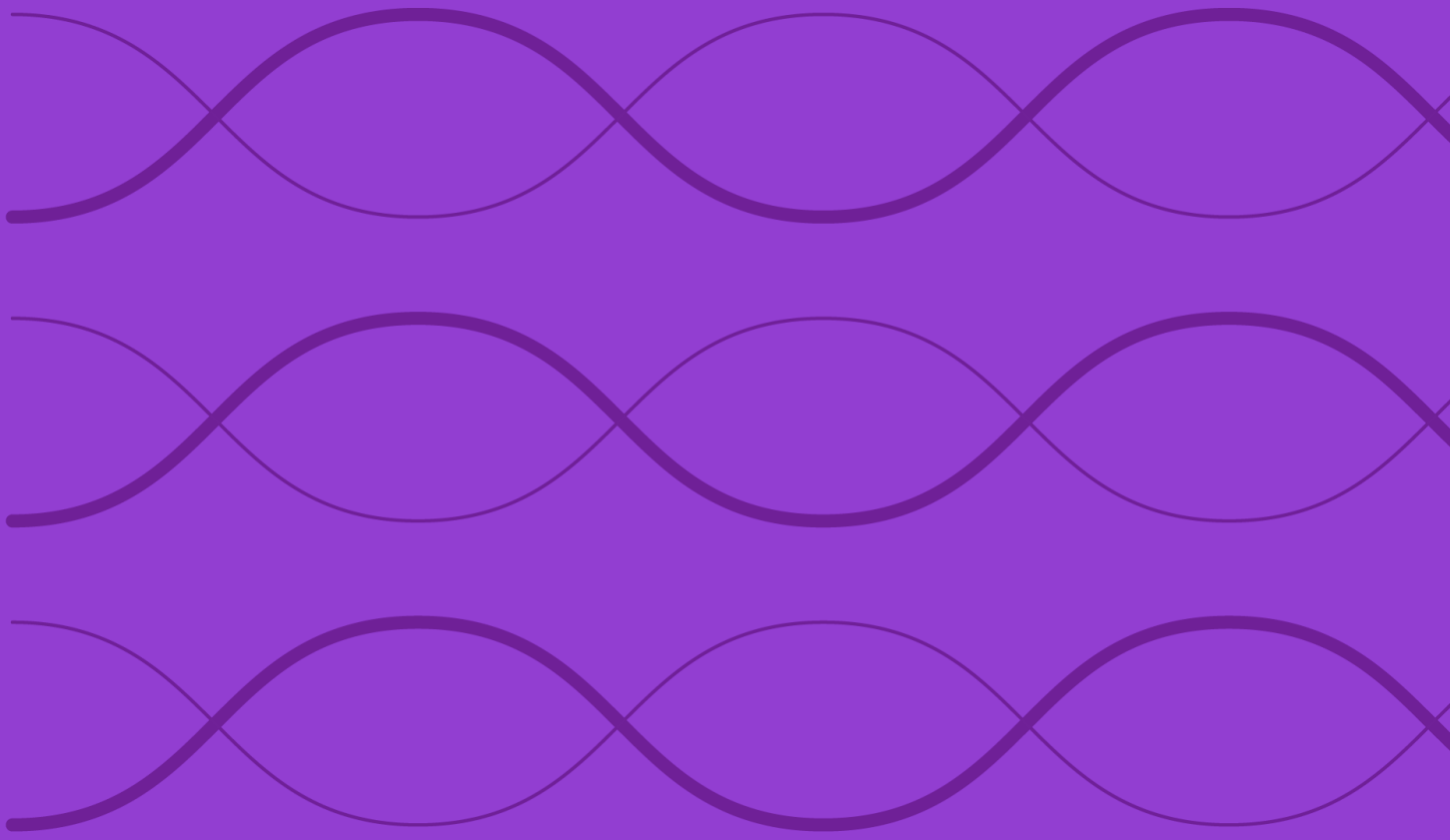
MORNINGSTAR Indexes

Construction Rules for the Morningstar Exponential Technologies Index



November 2026

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Overview

The Morningstar Exponential Technologies Index is designed to deliver unparalleled, thematically pure exposure to a range of key technology themes targeting the stocks of companies well positioned to benefit from innovative technologies with exponential growth potential. It draws on thematic exposure scores developed independently by Morningstar Equity Research. These scores reflect Morningstar Equity Research's forward-looking view of each company's potential to materially amplify revenue or reduce costs through the adoption of these themes over the next five years. Morningstar Indexes does not produce or influence these thematic exposure scores.

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

Index Inception and Performance Start Date

The index inception date is December 1, 2014, and the performance start date, when the first back-tested index value was calculated, is December 20, 2013.

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Index Construction

Methodology Summary

Starting Universe

- Morningstar Global Markets Index
  - Represents the top 97% of investable market cap across developed and emerging markets globally

Eligibility

- Companies must have a theme exposure score provided by Morningstar equity research
- Stocks must meet minimum size and liquidity requirements

Theme Exposure

- Thematic exposure scores (0-4) are provided by Morningstar Equity Research for each eligible company based on:
  - Its role in the value chain
  - Whether it will likely experience a net profit increase from its exposure to the theme
  - The portion of revenue it will likely derive from the theme over the next five years

Portfolio Construction

- Companies are ranked on their thematic exposure scores, and the top ranked 200 companies are selected for inclusion
- Smaller stocks are favored when there is a tie
- The index is weighted by float market capitalization, subject to constraints.
- The index is reconstituted annually and rebalanced quarterly

Morningstar Exponential Technologies Index

Starting Universe

At each reconstitution, securities for the Morningstar Exponential Technologies Index are derived from the Morningstar Global Markets Index (benchmark). For more details on benchmark construction, refer to the construction rules of the Morningstar Global Markets Indexes.

Thematic Score Inputs

The index methodology applies a number of data inputs, including thematic exposure scores.

Thematic exposure scores are produced solely by Morningstar Equity Research, a business unit that is organizationally separate from, and operates independently of, Morningstar Indexes. Equity Research develops the scoring framework and determines these scores using its own methodology, described in Appendix 3, and delivers them to Morningstar Indexes as final data points ready to be used in the construction and reconstitution of the index. Morningstar Indexes does not develop, assign, review, adjust, or override any score or determination, and does not participate in Equity Research's deliberations.

Morningstar Indexes applies the scores as received, together with the other data inputs, using the rules in this document. Eligibility, tier classification, ranking, and weighting are the results of applying these rules mechanically; Morningstar Indexes does not exercise any judgment about any company's expected future exposure to these themes.

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Timing and missing data: Scores delivered on or before the last trading day of November are used for the reconstitution. Scores received after that date are first used at the next reconstitution (or rebalance in the case of an IPO). A company without a delivered score is ineligible.

Thematic exposure scores are research data inputs. They are not investment recommendations, are not tailored to any person's circumstances, and a security's inclusion in the index is not a recommendation to buy, sell, or hold.

Eligibility

To be eligible for inclusion in the index, all securities must meet the following criteria in sequence:

- Companies with average three-month trailing daily trading volume less than $2 million or free-float market capitalizations of $300 million or less are deemed ineligible for the index. Current index constituents are eliminated if they have average three-month trading volume less than $1.5 million or free-float market capitalization of $200 million or less.
- If a company has more than one eligible share class:
  - If one of those share classes is already a constituent of the index, that share class is used.
  - Otherwise, the most liquid share class determined by Morningstar Indexes is used.
- Each company must receive a score of 1 or higher on at least one of the targeted themes. Appendix 3 provides further details on the themes targeted and the scoring process.
- Only companies under full analyst coverage are eligible for inclusion. Coverage decisions are made by Morningstar Equity Research independently from Morningstar Indexes.

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Note: The thematic exposure scores are provided by Morningstar Equity Research. Morningstar Equity Research is independent of Morningstar Indexes (see Thematic Score Inputs). Morningstar Indexes does not develop, determine, review, or influence these scores, and applies them as received. Further details are provided in Appendix 3.

Portfolio Construction[1]

- Theme leaders

  To ensure a minimum level of representation across each theme), up to the 10 top scoring stocks within each theme as provided by Morningstar Equity Research, are prioritized for inclusion using the ranking criteria below in descending order of preference:

  - Highest thematic score
  - Current index constituents are given preference
  - Company total market capitalization, preferring smaller over larger

  The same security may meet the leaders selection criteria across multiple themes. This can result in fewer than 70 (10*7 themes) securities selected in this step.

- Cross-theme ranking:
  All eligible constituents, excluding the constituents already selected in the previous step, are ranked in the order that emphasizes exposure across exponential technology themes. The ranking criteria are given below in descending order of preference:

  - Number of themes in which a constituent scores 4
  - Number of themes in which a constituent scores 3
  - Number of themes in which a constituent scores 2.
  - Number of themes in which a constituent scores 1.
  - Current index constituents are given preference.
  - Company total market capitalization, preferring smaller over larger.

  From the above ranked list, constituents are then added to the list of constituents from the theme leaders in the previous step, until 200 constituents are included.

Number of Stocks

The index targets 200 stocks based on a transparent ranking system subject to selection and eligibility criteria at reconstitution. The index can have more or fewer than the targeted number if securities fall short of the selection and

[1] The index is transitioning to a capped float-adjusted market capitalization weighting scheme (from equal weighting), adopting a quarterly rebalancing schedule (from annual), and targeting an updated set of themes. The transition will be implemented in two phases: The first phase will take place after the close of September 19, 2025, via a one-time, off-cycle reconstitution, where the weightings will move approximately halfway between their pre-reconstitution level and the final target. The second phase will be implemented during the regular annual reconstitution in December 2025. During the interim period between the two reconstitutions, the index may include more than 200 stocks.

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eligibility criteria, or if securities are added or deleted as a result of corporate actions after reconstitution. During reconstitution, if the number of securities is less than the target, all eligible securities would be selected, and the weight of the constituents will be determined based on the index weighting scheme. The schedule for reconstitution and corporate actions is available in the "Index Maintenance and Calculation" section.

Index Weighting

The index is weighted by float-adjusted market capitalization, subject to the following constraints at the time of each rebalance:

- 90% of index weight must have a 5-year forward non-overlapping revenue exposure forecast of at least 25% (i.e. a score of 2 (as provided by Morningstar Equity Research) in at least one theme).
- Individual security weight is capped at 4%
- Core exposure to each theme is capped at 25%, where the aggregate weight of the stocks that receive a score of 2 or higher count toward core exposure to that theme.

Please refer to Appendix 4 for more details on weighting and capping.

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Index Maintenance and Calculation

Reconstitution and Rebalancing

The index is reconstituted, where the membership is reset, annually. Adjustments are made on the Monday following the third Friday of December. If the Monday is a holiday, reconstitution occurs on the next business day. The market data used for reconstitution is as of the last trading day of November.

Note, the index will undergo a one-time off-cycle reconstitution after the close of September 19, 2025, to facilitate the transition to the updated methodology. Please refer to the footnote in the Portfolio Construction section and this notification for further details.

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.

A daily check is implemented to ensure stocks with weight greater than and equal to 5% do not sum to more than 25%. If this condition is breached, the index will be adjusted to cap individual security weightings at 4% at the open of T+2. During the standard reconstitution or rebalance pro forma period, monitoring switches from the live portfolio to the pro forma portfolio. Any required adjustments are reflected in the next business day's pro forma file and implemented on the scheduled rebalance/reconstitution effective date. No changes are made to pro forma files within two business days of the reconstitution or rebalance effective date (T-2).

Because the reconstitution of the Morningstar Exponential Technologies Index is less frequent than the parent index, the securities excluded from the parent index at the reconstitution effective date are also deleted from Morningstar Exponential Technologies Index.

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

IPO Treatment

Large IPOs are reviewed for inclusion quarterly. At the end of February, May, August, and November, Morningstar Indexes monitors the Morningstar PitchBook Global Unicorn 500 Index to identify constituents that have completed an IPO since the prior review.

Morningstar Indexes provides Morningstar Equity Research with the list of companies identified through this review. Morningstar Equity Research independently determines whether and how to score each company and delivers any scores to Morningstar Indexes, which applies them as received in accordance with the Thematic Score Inputs rules. Morningstar Indexes does not influence whether a company is scored or the scores it receives. A company for which no score is delivered by the cutoff is not eligible for addition in that quarter. The resulting scores are used to determine eligibility. To qualify for inclusion, a company must also be a member of the parent index. Eligible securities are added after the close of the third Friday of March, June, September, and December.

For IPOs with less than three months of trading history, the three-month average daily trading volume requirement is waived.

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Corporate Actions

The treatment of corporate actions will be as per the float market-cap weighted indexes. For more details, please refer to the Treatment for Float Market-Cap Weighted section 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.

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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. Reviews by Morningstar Indexes cover the rules in this document only.

To the extent the index methodology incorporates thematic or research-based inputs from Morningstar Equity Research, Morningstar Sustainalytics or any other third party, index methodology reviews by Morningstar Indexes do not extend to the content of such third-party inputs or the methodology underlying such third party inputs. Any changes to third party inputs are made by the relevant provider and are reflected in this rulebook only in accordance with the Methodology Change Policy. Subscribers to the index will be notified before any index 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, 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 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.

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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.

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Appendixes

Appendix 1: Modifications to the Rulebook

Section	Description of Change	Update Date
Appendix 3	Themes included were updated.	December 2021
Appendix 3	Additional information was added to the scoring framework.	November 2022
Entire rulebook	Moved to new template.	March 2023
Portfolio Construction	Updated to reflect new selection criteria.	October 2023
Appendix 3	Updated thematic scoring framework.	October 2023
Portfolio Construction	Updated to reflect the change in weighing methodology (moving to capped float-adjusted market capitalization from equal weighting) and rebalancing schedule (move to quarterly from annual). Daily cap monitoring was also added (effective after the close of September 19, 2025). For further details, see this notification.	July 2025
Appendix 3	Themes included were updated.	July 2025
Appendix 4	Added appendix to explain the weighting and capping mechanism.	July 2025
Index Maintenance and Calculation	The daily cap monitoring process was revised to reference the pro forma portfolio during reconstitution and rebalance pro forma periods. This updated logic will be effective from September 9, 2026, on.	August 2026
Index Maintenance and Calculation	Added IPO Treatment section, which will be effective from the September 2026 rebalance, on.	September 2026
IPO Treatment	Updated the cutoff months from February, April, August, and October to February, May, August, and November	November 2026
Thematic Score Inputs	Section added to clarify the distinction between the role of Morningstar Equity Research and Morningstar Indexes.	November 2026

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 rebalancing, the weights are updated and the caps are enforced.

Appendix 3: Morningstar Global Equity Research Technology Theme Identification and Scoring

- Step 1

The Exponential Technologies Steering Committee within Morningstar's Global Equity Research team and operates independently of Morningstar Indexes, identifies technologies with the potential to provide significant economic benefits to their producers and suppliers of those producers. These themes are reviewed annually by the Equity Research team and can

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be subject to change over time as they evolve and new themes emerge. Any change to the subthemes applied in the index is made only in accordance with the Morningstar Index Methodology Change Policy.

As of June 2025, seven themes have been identified:

- **Artificial Intelligence:** The Artificial Intelligence theme encompasses the development, deployment, and integration of AI technologies across content creation, infrastructure, software, and services to drive innovation and efficiency. Related subthemes are Generative AI, AI Data and Infrastructure, AI Software and AI Services.
- **Energy Innovation:** The quest to abate global climate change and reduce greenhouse gases has led to a surge of new energy technologies, investment, and innovation. Related subthemes include Carbon Capture Technologies, Energy Storage, Hydrogen, Smart Grid Technologies, Next Gen Nuclear Technologies and Renewable Energy.
- **Fintech Innovation:** The search for and acknowledgement of nontraditional emerging funding sources, platforms, currency, and stored and transferred value. In some cases, traditional financial services companies are expanding their offerings with innovative, technology-enabled services to meet consumer preferences. On other cases, companies are building new platforms that could potentially transform the industry.
- **Healthcare Innovation:** The Healthcare theme focus on breakthrough innovations in bioinformatics, therapies, and medical devices that improve disease treatment, diagnostics, and overall human health, with the potential for exponential impact on longevity and quality of life. Related subthemes include Bioinformatics, Innovated Devices & Diagnostics and Innovative Therapies.
- **Cybersecurity and Defense Tech:** The Cybersecurity & Defense Tech theme focuses on protecting against cyberthreats and advancing military capabilities through cutting-edge technologies like AI, autonomous systems, and hypersonic weapons. These innovations enhance security, efficiency, and strategic advantage while reducing long-term operational costs. Related subthemes include Cybersecurity and Next Gen Defense Technologies.
- **Next Gen Transportation:** Technologies replacing traditional human-operated, internal combustion engine-based vehicles. This includes a wide variety of applications like traditional light vehicles, public transportation vehicles, scooters/bikes, and drones, to name just a few. Related subthemes include Autonomous Driving Technologies and Electric Vehicles.
- **Robotics:** The branch of technology that deals with the design, construction, operation, and application of robots. Advances in robotics have seemingly infinite potential applications, spanning technology, industrial, medical, and consumer-facing channels.

- Step 2

  The Exponential Technologies Steering Committee trains analysts on the themes and scoring framework. Rather than relying on single point-in-time metrics, analysts provide forward-looking data points that translate to thematic exposure scores of 0, 1, 2, 3 or 4 across each theme or subtheme.

  To garner a thematic exposure score above zero for a given theme, a firm must be classified as being likely to enjoy a material net profit increase from its exposure to that theme over the next five years, based on Morningstar equity analysts'

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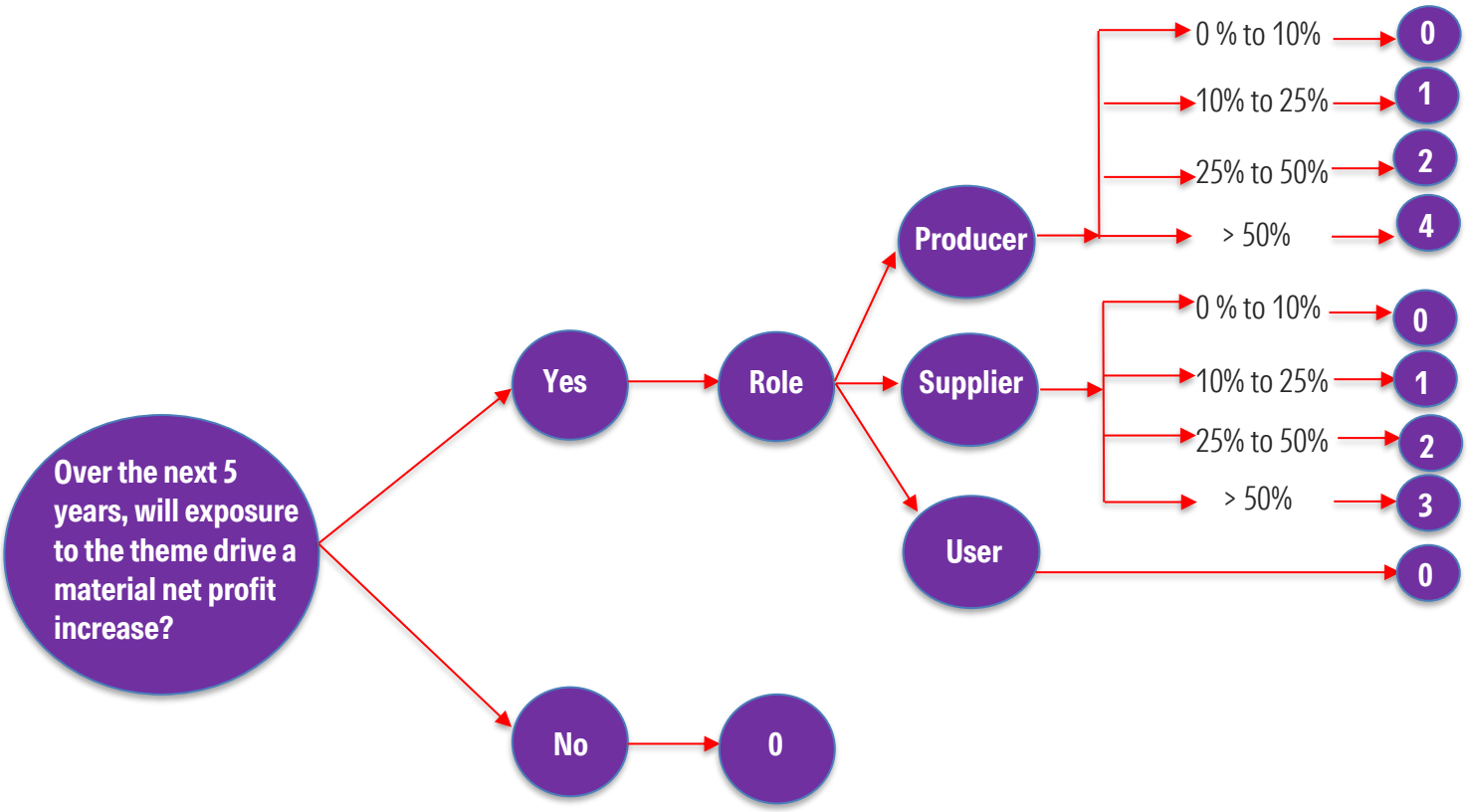
assessments. Analysts then estimate the percent of revenue a firm will likely derive from its exposure to each subtheme at a point in time five years forward and determine each firm's role in the supply chain. These inputs translate into thematic exposure scores in the following manner:

- 0 – A downstream user or less than 10% revenue for a producer or supplier
- 1 – 10%-25% revenue for a producer or supplier
- 2 – 25% -50% revenue for a producer or a supplier
- 3 – Greater than 50% revenue for a supplier
- 4 – Greater than 50% revenue for a producer

Exhibit 1: Thematic Scoring Framework



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Appendix 4: Security and Theme Exposure Capping

Securities are classified into two categories: Core and non-core. The core category includes securities with scores of 2 or higher on at least one theme, as provided by Morningstar Equity Research. The remaining constituents are categorized as non-core.

1. All constituents are weighted by float-adjusted market capitalization
2. The aggregate weight of securities classified as non-core is capped at 10% to ensure securities classified in the core category receive at least 90% of the index weight.
3. The weight of each security in the non-core category is capped at 4% of the total index weight. Excess weight is redistributed to the securities in the non-core category.
4. The weight of each security in the core category is capped at 4% of the total index weight. Additionally, core exposure to each theme is capped at 25% (Thematic Cap). Core exposure for each theme is calculated as aggregate weights of securities that receive a score of 2 or higher for that theme. Individual securities can be mapped to multiple themes. Security and theme capping is applied in the core category with redistribution within the core category as outlined below:
    - 4.1. Themes are ranked by the index's core theme exposure from highest to lowest.
    - 4.2. *Theme_cap* and *sec_cap* are set to 0 for all securities.
    - 4.3. If the highest ranked theme breaches 25% aggregate weight, the weight of that theme is capped at 25%.
    - 4.4. For securities of the capped theme, *theme_cap* is set to 1, and the excess weight is redistributed to the rest of securities (*theme_cap* =0) in proportion of their existing weights.
    - 4.5. Steps 4.3 and 4.4 are repeated for the rest of the themes until all themes are capped at 25%.
    - 4.6. Securities from first theme (from list in step 4.1) are checked for individual security cap of 4%, and securities that breach the cap are capped at 4% of the total Index weight. The excess weight is redistributed within securities of same theme with *sec_cap* =0. For all the securities in this theme, *sec_cap* is set to 1.
    - 4.7. Step 4.6 is repeated for all the themes until all securities are capped 4%.
    - 4.8. If core theme exposure for any theme is greater than 25% go to Step 4.2.
    - 4.9. If no feasible solution is found after 10 iterations, the thematic cap is increased by 5% and the steps above are repeated.

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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 index methodologies meet Morningstar Indexes' governance and methodology standards. 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. Exception handling does not extend to thematic exposure scores, which are provided by Morningstar Equity Research and applied as received.

Morningstar Index Oversight Committee

The Morningstar Index Oversight Committee is responsible for the index oversight function as per the requirements of the European 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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