
Construction Rules for the Morningstar[®] Dividend Composite IndexSM and Morningstar[®] Dividend Leaders IndexSM

Morningstar Indexes

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Overview

The Morningstar Dividend Composite and Morningstar Dividend Leaders indexes are designed to track dividend-paying U.S. securities. Each index is a subset of the Morningstar US Market Index, a broad market index representing 97% of U.S. equity market capitalization. The Morningstar Dividend Composite Index is a broad benchmark that consists of securities that pay qualified income, screened for dividend consistency and sustainability. The Morningstar Dividend Leaders Index is the top 100 stocks by yield from the composite index.

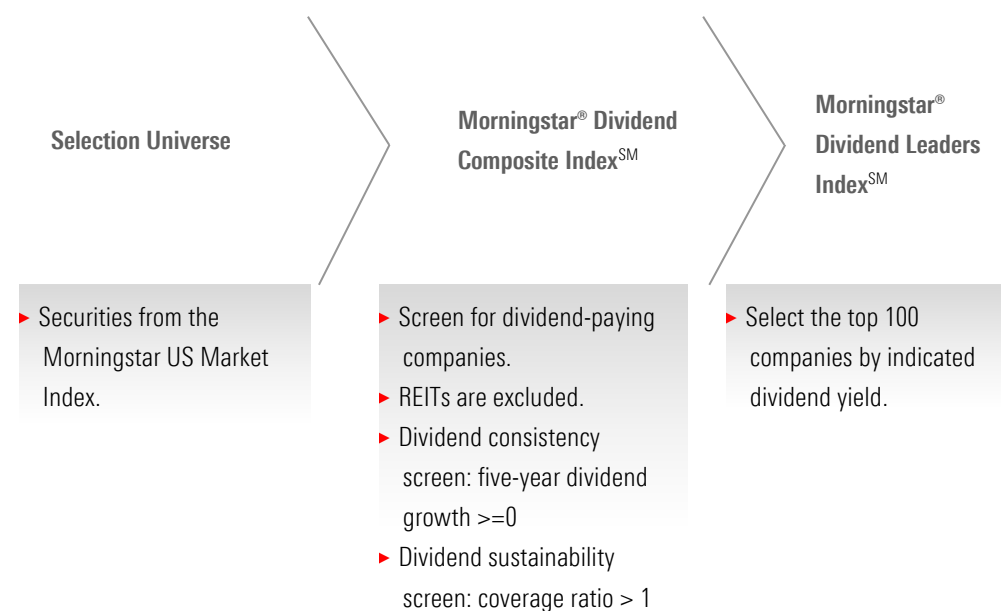
This index does not incorporate Environmental, Social, or Governance (ESG) criteria.

Index Inception Date and Performance Inception Date

The inception date of the indexes is May 3, 2006, and the performance inception date of the indexes is June 30, 1997, when the first back-tested index value was calculated.

Index Construction

Exhibit 1 Morningstar Dividend Composite and Morningstar Dividend Leaders Indexes Construction Process



For additional details, refer to the "Assigning Stocks to the Index" section.

Assigning Stocks to the Index

Selection Universe

At each reconstitution, securities for the indexes are derived from the Morningstar US Market Index (benchmark). For more details on benchmark construction, refer to the construction rules of the [Morningstar US Market Index](#).

Security Selection

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

- ▶ Security's dividend must be qualified income; for example, real estate investment trusts are excluded.
- ▶ Company should have a five-year indicated dividend per share growth greater than or equal to 0.
- ▶ Company should have a coverage ratio greater than 1.
- ▶ Index selection
 - ▶ The stocks that meet all of the above criteria comprise the Morningstar Dividend Composite Index.
 - ▶ The top 100 stocks by indicated dividend yield are selected from the composite index for inclusion in the Morningstar Dividend Leaders Index. The higher coverage ratio breaks all ties.

Number of Stocks

The number of stocks in the Morningstar Dividend Composite Index is subject to the selection and eligibility criteria at the time of reconstitution.

The Morningstar Dividend Leaders Index contains 100 stocks based on a transparent ranking system subject to selection and eligibility criteria at reconstitution. However, if securities fall short of the selection and eligibility criteria, or if securities are added or deleted as a result of corporate actions after reconstitution, the index can have more or fewer than 100 securities. During reconstitution, if the number of securities is less than the target, 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 indexes are indicated dividend dollar weighted with 5-10-50 capping. For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#).

Index Maintenance and Calculation**Scheduled Maintenance**

The indexes are reconstituted annually and implemented after the close of business on the third Friday of June and effective the following Monday. If Monday is a holiday, reconstitution is effective on the immediate following business day. The market data used for reconstitution is as of the last trading day of May.

The indexes are rebalanced quarterly and implemented after the close of business on the third Friday of March, June, September, and December and effective the following Monday. If Monday is a holiday, rebalance is effective on the immediate following business day. The market data used for rebalancing is as of the last trading day of February, May, August, and November.

Refer to Appendix 1 for details on reconstitution and rebalancing.

Corporate Action

The treatment of corporate actions can be found 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](#).

Methodology Review and Index Cessation Policy

The index methodology is continually reviewed to ensure it achieves all stated objectives. These reviews take into account corporate action treatment, selection, 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 Process](#).

Morningstar also notifies all subscribers and stakeholders of the index that circumstances might arise that require a material change to the index, or a possible cessation of the index. Circumstances that could lead to an index cessation include, but are not limited to, market structure change, product definition change, inadequate supply of data, insufficient revenue associated with the index, insufficient number of clients using the index, and/or other external factors beyond the control of the Morningstar Index Committee.

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 affect index daily highs or lows, they are corrected retroactively as soon as is feasible.

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 five 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](#).

Computational and Reporting Precision

For reporting purposes, index values are rounded to two decimal places and divisors are rounded to appropriate decimal places.

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 rebalancing, the weights are adjusted for updated free-float and shares outstanding data.

About Morningstar, Inc.

Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia. Morningstar offers an extensive line of products and services for individual investors, financial advisors, asset managers, and retirement plan providers and sponsors. Morningstar provides data on approximately 510,000 investment offerings, including stocks, mutual funds, and similar vehicles, along with real-time global market data on more than 17 million equities, indexes, futures, options, commodities, and precious metals, in addition to foreign exchange and Treasury markets. Morningstar also offers investment management services through its investment advisory subsidiaries.

About Morningstar Indexes

Morningstar® Indexes combine the science and art of indexing to give investors a clearer view into the world's financial markets. Our indexes are based on transparent, rules-based methodologies that are thoroughly back-tested and supported by original research. Covering all major asset classes, our indexes originate from the Morningstar Investment Research Ecosystem — our network of accomplished analysts and researchers working to interpret and improve the investment landscape. Clients such as exchange-traded fund providers and other asset management firms work with our team of experts to create distinct, investor-focused products based on our indexes. Morningstar Indexes also serve as a precise benchmarking resource.

Morningstar Index Product Committee

The Morningstar Index Product Committee is comprised of members who possess a wide array of knowledge in relation to Indexes. The Product Committee is responsible for the governance over the creation and maintenance of all Morningstar branded Indexes, ensuring the highest standards are continuously met. Any matters arising from exceptional or undocumented events will be resolved at the discretion of the Morningstar Index Product Committee.

Morningstar Index Oversight Committee

The Morningstar Index Oversight Committee is comprised of informed and qualified professionals who are responsible for the process governance of Morningstar branded Indexes. The Oversight Committee assesses and where appropriate challenges the decisions of Morningstar Indexes with regards to benchmark decisions.

For More Information

For any queries, reach out to us via our [communication page](#).



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