

# FTSE Dividend Select Equal Weight Index Series

v1.6



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## Section 1

# Introduction

## 1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE Dividend Select Equal Weight Index Series.
- 1.2 The FTSE Dividend Select Equal Weight Index Series is designed to reflect the performance of companies that have increased their dividend payments over a period of ten or more years and have relatively high risk-adjusted price momentum.
  - 1.2.1 The FTSE Dividend Select Equal Weight Index Series does not take account of ESG factors in its index design.
- 1.3 These Ground Rules should be read in conjunction with the Russell US Equity Indices Construction and Methodology and the Corporate Actions and Events Guide for Non Market Cap Weighted Indices which are available at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/). Unless stated in these Ground Rules, the FTSE Dividend Select Equal Weight Index Series will follow the same process as the Russell US Equity Indices Construction and Methodology.
- 1.4 Price and Total Return Indices will be calculated on an end of day basis.
- 1.5 The base currency of the benchmark is US Dollars. Index values may also be published in other currencies.
- 1.6 The indices may be calculated in real time.
- 1.7 **FTSE Russell**
- 1.8 FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings.
- 1.9 FTSE Russell hereby notifies users of the index series that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index series and therefore, any financial contracts or other financial instruments that reference the index series or investment funds which use the index series to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.
- 1.10 Index users who choose to follow this index series or to buy products that claim to follow this index series should assess the merits of the index series rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell (or any person concerned with the preparation or publication of these Ground Rules) for any losses, damages, claims and expenses suffered by any person as a result of:
  - any reliance on these Ground Rules, and/or
  - any inaccuracies in these Ground Rules, and/or
  - any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
  - any inaccuracies in the compilation of the index series or any constituent data.



## Section 2

# Management responsibilities

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## 2. Management responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series.<sup>1</sup>

2.1.2 FTSE is responsible for the daily calculation, production and operation of the Index Series and will:

2.1.3 maintain records of the index weightings of all constituents;

- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out periodic index reviews of the Index Series and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
- disseminate the indices.

### 2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index series. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.2.2 As provided for in the Statement of Principles for FTSE Russell Equity Indices, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.

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<sup>1</sup> The term administrator is used in this document in the same sense as it is defined in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).

## Section 3

# FTSE Russell index policies

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### 3. FTSE Russell index policies

These Ground Rules should be read in conjunction with the following policy documents which can be accessed using the links below:

#### 3.1 Corporate Actions and Events Guide

3.2 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Non Market Cap Weighted Indices using the following link:

[Corporate Actions and Events Guide for Non Market Cap Weighted Indices.pdf](#)

#### 3.3 Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by FTSE Russell's Index Governance Board.

The Statement of Principles can be accessed using the following link:

[Statement of Principles.pdf](#)

#### 3.4 Queries and Complaints

FTSE Russell's complaints procedure can be accessed using the following link:

[Benchmark Determination Complaints Handling Policy.pdf](#)

#### 3.5 Index Policy for Trading Halts and Market Closures

3.5.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

[Index Policy for Trading Halts and Market Closures.pdf](#)

#### 3.6 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.6.1 Details of FTSE Russell's treatment can be accessed using the following link:

[Index Policy in the Event Clients are Unable to Trade a Market or a Security.pdf](#)

### **3.7 Recalculation Policy and Guidelines**

- 3.7.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the FTSE Dividend Select Equal Weight Index Series will be notified through appropriate media.

For further information refer to the FTSE Russell Recalculation Policy and Guidelines document which is available from the FTSE Russell website using the link below or by contacting [info@ftserussell.com](mailto:info@ftserussell.com).

[Recalculation Policy and Guidelines Equity Indices.pdf](#)

### **3.8 Policy for Benchmark Methodology Changes**

- 3.8.1 Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

### **3.9 FTSE Russell Governance Framework**

- 3.9.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

### **3.10 Real Time Status Definitions**

- 3.10.1 Please refer to the following guide for details of real time status definitions for indices which are calculated in real time.

[Real Time Status Definitions.pdf](#)

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<sup>2</sup> IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

<sup>3</sup> Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

<sup>4</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

## Section 4

# Eligible securities

### 4. Eligible securities

#### 4.1 The eligible securities of each index are the constituents of the relevant parent FTSE Dividend Growth Index.

FTSE Dividend Select Equal Weight Index	Parent Index
Russell 1000 <sup>®</sup> Dividend Select Equal Weight Index	Russell 1000 <sup>®</sup> Dividend Growth Index <sup>5</sup>
Russell 2000 <sup>®</sup> Dividend Select Equal Weight Index	Russell 2000 <sup>®</sup> Dividend Growth Index
Russell Midcap <sup>®</sup> Dividend Select Equal Weight Index	Russell Midcap <sup>®</sup> Dividend Growth Index

<sup>5</sup> The Russell US Indices moved from the Russell Global Sectors (RGS) classification system to the ICB classification system in September 2020. The FTSE Dividend Select Equal Weight Index Series moved to use new ICB in March 2021.

## Section 5

# Variable construction

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## 5. Variable construction

5.1 The data cut-off date for the calculation of all data is the close of business on the last business day of the month prior to the review month.

### 5.2 Momentum

5.2.1 Momentum is calculated as the simple average of 6-month risk-adjusted price momentum and 12-month risk-adjusted price momentum.

5.2.2 6-month risk-adjusted price momentum is defined as the cumulative local price return over the 6 months prior to the data cut-off date divided by the annualized standard deviation of weekly local price returns (Wednesday to Wednesday) over the 3 years prior to the data cut-off date.

5.2.3 12-month risk-adjusted price momentum is the cumulative local price return over the 12 months prior to the data cut-off date divided by the annualized standard deviation of weekly local price returns (Wednesday to Wednesday) over the 3 years prior to the data cut-off date.

5.2.4 A minimum 3 year return history is required to calculate both the 6-month and 12-month risk-adjusted price momentum. Securities with less than three years of return history will be ineligible.



## Section 6

# Index construction

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## 6. Index construction

- 6.1 Securities with momentum data from the parent index will be eligible to be included in the index.
- 6.2 If the eligible universe contains 40 or fewer securities, then the FTSE Dividend Select Equal Weight Index will consist of the same securities as the eligible universe.
- 6.3 If the eligible universe consists of more than 80 securities, 50% of the eligible universe is included in the FTSE Dividend Select Equal Weight Index. If there are fewer than 80 securities in the eligible universe, 40 are included in the FTSE Dividend Select Equal Weight Index.
- 6.4 Securities are selected in descending order of momentum in proportion to the number of securities in each ICB industry in the eligible universe. Where the proportionate number of securities in an ICB industry has a non-integer component, it is rounded up to the nearest integer.
- 6.5 Index constituents are equally weighted at review.

## Section 7

# Periodic review of constituents

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## 7. Periodic review of constituents

### 7.1 Review and price cut-off dates

7.1.1 The FTSE Dividend Select Equal Weight Indices are reviewed quarterly.

7.1.2 In June, the review is implemented in conjunction with the Russell US Indices annual reconstitution. The FTSE Dividend Select Equal Weight Indices are implemented on the last Friday in June, with the following exceptions: if the last Friday in June is the 29th or 30th, reconstitution will be implemented on the Friday prior. A full calendar for reconstitution is made available each Spring on [ftserussell.com](https://ftserussell.com).

7.1.3 In March, September, and December the review will be implemented after the close of business on the third Friday (i.e. effective the following Monday) of the review month.

7.1.4 At each quarterly review the Indices are equally weighted based on prices at close of eleven business days prior to the review implementation date using shares in issue and investability weights as designated to take effect after close on the review implementation date (i.e. taking effect on the review effective date).

7.1.5 The calculation will take into account any corporate actions/events that take effect after close of eleven business days prior to the review implementation date up to and including the review effective date if they have been announced and confirmed by the eleven business days prior to the review implementation date.

7.1.6 Corporate actions/events announced after close of eleven business days prior to the review implementation date that become effective up to and including the review effective date will not result in any further adjustment.

## Section 8

# Changes to constituent companies

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## 8. Changes to constituent companies

### 8.1 Intra-review additions

8.1.1 Additions to the corresponding parent index will be considered for inclusion in the relevant FTSE Dividend Select Equal Weight Indices at the next annual review.

### 8.2 Intra-review deletions

8.2.1 A constituent will be removed from a FTSE Dividend Select Equal Weight Index if it is also removed from its corresponding parent index. The deletion will be concurrent with the deletion from the parent index and its weight will be distributed pro-rata amongst the remaining constituents in their respective FTSE Dividend Select Equal Weight Index.

## Section 9

# Corporate actions and events

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## 9. Corporate actions and events

9.1 If a constituent in the underlying index has a stock split, stock consolidation, rights issue, bonus issue, a change in the number of shares in issue or a change in free float (with the exception of tender offers), the constituent's weighting in the corresponding FTSE Dividend Select Equal Weight Index will remain unchanged pre and post such an event.

9.2 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Non Market Cap Weighted Indices using the following link:

[Corporate Actions and Events Guide for Non Market Cap Weighted Indices.pdf](#)

A Corporate 'Action' is an action on shareholders with a prescribed ex date. The share price will be subject to an adjustment on the ex date. The index will be adjusted in line with the ex date.

These include the following:

- Capital Repayments
- Rights Issues/Entitlement Offers
- Stock Conversion
- Splits (sub-division)/Reverse splits (consolidation)
- Scrip issues (Capitalisation or Bonus Issue)

A Corporate 'Event' is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required FTSE Russell will provide notice advising of the timing of the change.

### 9.3 Suspension of dealing

Suspension of Dealing rules can be found within the Corporate Actions and Events Guide for Non Market Cap Weighted Indices.

### 9.4 Takeovers, mergers and demergers

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide for Non Market Cap Weighted Indices.

## Section 10

# Indices algorithm and calculation method

## 10. Indices algorithm and calculation method

### 10.1 Prices

10.1.1 The FTSE Dividend Select Equal Weight Index Series use actual closing mid-market or last trade prices, where available, for securities with local market quotations. Further details can be accessed using the following link:

[Closing Prices Used For Index Calculation.pdf](#)

### 10.2 Calculation frequency

10.2.1 The FTSE Dividend Select Equal Weight Index Series will be calculated on an end of day basis and displayed to eight decimal points.

### 10.3 Index calculation

10.3.1 The FTSE Dividend Select Equal Weight Indices are calculated using the algorithm described below:

$$\sum_{i=1}^N \frac{(p_i \times e_i \times s_i \times f_i \times c_i)}{d}$$

Where,

- $i=1,2,\dots,N$
- $N$  is the number of securities in the Index.
- $p_i$  is the latest trade price of the component security (or the price at the close of the index on the previous day).
- $e_i$  is the exchange rate required to convert the security's currency into the index's base currency.
- $s_i$  is the number of shares in issue used by FTSE Russell for the security, as defined in these Ground Rules.
- $f_i$  is the Investability Weighting Factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the underlying index.
- $c_i$  is the Weight Adjustment Factor (WAF) applied to a security to correctly weight that security in the index. The WAF maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion in the index.
- $d$  is the divisor, a figure that represents the total issued share capital of the Index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the index.

## Appendix A

# Further information

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A Glossary of Terms used in FTSE Russell's Ground Rules documents can be found using the following link:

[Glossary.pdf](#)

Further information on the FTSE Dividend Select Equal Weight Index Series is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at [info@ftserussell.com](mailto:info@ftserussell.com).

**Website:** [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)

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