

FTSE Target Sampling Index Series

v1.0

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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 Target Sampling Index Series.
- 1.2 The FTSE Target Sampling Index Series is designed to represent the underlying universe by selecting a fixed and smaller set of securities.
- 1.3 These Ground Rules should be read in conjunction with the following index rules and guides, which are available at www.lseg.com/en/ftse-russell/:
- FTSE Global Equity Index Series Ground Rules.
 - The Corporate Actions and Events Guide for Market Capitalisation Weighted Indices.
 - Russell US Indexes Construction and Methodology.
 - FTSE ASEAN Extended Index Series.
- 1.4 Price return and total return will be calculated on an end-of-day basis.
- 1.5 The FTSE Target Sampling Index Series does not take account of ESG factors in its design.
- 1.6 The base currency is US Dollars for global or regional indices and local currency for single country indices. Index values may also be published in other currencies.

The following indices are calculated:

FTSE Target Sampling Index Series	Currency
Russell 1000 Target Sampling Index	USD
Russell 2000 Target Sampling Index	USD
FTSE All-World Target Sampling Index	USD
FTSE Developed Target Sampling Index	USD
FTSE Developed Europe Target Sampling Index	EUR
FTSE Emerging Target Sampling Index	USD
FTSE Asia Pacific ex Japan Target Sampling Index	USD
FTSE ASEAN Extended Target Sampling Index	USD

1.7 The indices may be calculated in real time.

1.8 FTSE Russell

1.8.1 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.

1.8.2 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;
- any inaccuracies in these Ground Rules;
- 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

2. Management responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index¹.

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

- 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 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; and
- 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. 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 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.

¹ 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

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 Queries and Complaints

FTSE Russell's complaints procedure can be accessed using the following link:
[Benchmark Determination Complaints Handling Policy.pdf](#)

3.2 Index Policy for Trading Halts and Market Closures

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](#)

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

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](#)

3.4 Recalculation Policy and Guidelines

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 Target Sampling Index Series will be notified through appropriate media.

For further information, please refer to the FTSE Russell Recalculation Policy and Guidelines document, which is available on the FTSE Russell website using the link below:

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

3.5 Policy for Benchmark Methodology Changes

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

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

3.6 FTSE Russell Governance Framework

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 Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE_Russell_Governance_Framework.pdf](#)

3.7 Real Time Status Definitions

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](#)

² IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013

³ 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

⁴ 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 underlying index:

FTSE Target Sampling Index Series	Underlying Index
Russell 1000 Target Sampling Index	Russell 1000 Index
Russell 2000 Target Sampling Index	Russell 2000 Index
FTSE All-World Target Sampling Index	FTSE All-World Index
FTSE Developed Target Sampling Index	FTSE Developed Index
FTSE Developed Europe Target Sampling Index	FTSE Developed Europe Index
FTSE Emerging Target Sampling Index	FTSE Emerging Index
FTSE Asia Pacific ex Japan Target Sampling Index	FTSE Asia Pacific ex Japan Index
FTSE ASEAN Extended Target Sampling Index	FTSE ASEAN Extended Index

4.2 Multiple lines

If a company consists of multiple lines, only one eligible line is included. The eligible line is the line with the highest investable market capitalisation.

Section 5

Index construction

5. Index construction

5.1 Constituent selection

5.1.1 Define the strata and index characteristics for the Target Sampling indices.

Index Name	Strata	Number of securities (N)	Company-level capping	P
Russell 1000 Target Sampling Index	Industry and Sector	100	10%	0.05
Russell 2000 Target Sampling Index	Industry and Sector	200	-	0.05
FTSE All-World Target Sampling Index	Country and Industry	500	5%	0.05
FTSE Developed Target Sampling Index	Country and Industry	200	5%	0.05
FTSE Developed Europe Target Sampling Index	Country and Industry	50	5%	0.05
FTSE Emerging Target Sampling Index	Country and Industry	100	10%	0.05
FTSE Asia Pacific ex Japan Target Sampling Index	Country and Industry	100	10%	0.05
FTSE ASEAN Extended Target Sampling Index	Country and Industry	50	10%	0.05

5.1.2 The eligible securities are ranked in descending order of investable market capitalisation within the underlying index.

5.1.3 Target weights for each stratum within the index are determined to match the corresponding stratum weights of the underlying index.

5.1.4 Beginning with the top-ranked remaining security, a security is selected if the weight of its associated stratum in the index is below the target weight.

5.1.5 The constituent weights are recalculated upon the inclusion of each new security, with constituents weighted by investable market capitalisation.

- 5.1.6 The process described in Rules 5.1.4 and 5.1.5 is repeated N times to ensure that the target number of constituents is selected.

For illustration purposes, consider an Emerging Markets Target Sampling Index with a target of 100 constituents, where strata are defined by both country and industry.

Assume the top five ranked securities have already been selected, and their weights have been calculated based on investable market capitalisation. At this stage, the index contains five constituents. From a country perspective, both China and Japan are underweight relative to the underlying index. From an industry perspective, Technology is overweight while Energy is underweight.

To evaluate the next security for inclusion, consider the sixth-ranked security, which belongs to China and Technology, and the seventh-ranked security, which belongs to Japan and Energy. In this round, the sixth-ranked security will be skipped because Technology is already overweight. The seventh-ranked security will be included, as both Japan and Energy are underweight.

After the seventh-ranked security is included in the index, the sixth-ranked security remains eligible for consideration in subsequent rounds. This process is repeated 100 times to ensure the target number of securities has been selected.

*Relaxation of threshold

If no eligible security can be found based on the target weight specified in Rule 5.1.3, the target weights will be increased by target weight $\times P$ and Rule 5.1.4 will be reapplied. This process will be repeated until an eligible security is identified. Once identified, the target weights will be reset to the original values specified in Rule 5.1.3 before proceeding to evaluate the next security.

- 5.1.7 Existing index constituents have the target weights increased by target weight $\times P$ compared to non-existing securities. The P parameter is defined in the Rule 5.1.1.

5.2 Weighting scheme

- 5.2.1 For the FTSE Target Sampling Index, each security is weighted in proportion to investable market capitalisation.

- 5.2.2 If index capping is applicable, it will be applied to the Rule 5.1.5 after the selection of top $\text{floor}\left(\frac{1}{\text{capping weight}}\right) + 1$ constituents.

For illustration purposes, if the company-level capping is set at 15%, then $1 / 0.15 = 6.67$, so capping will begin after the 7th constituent is added. At that point, any constituent exceeding the 15% cap will have its weight reduced, and the excess weight will be redistributed among the remaining selected constituents. This iterative process continues until the full target number of securities has been selected.

Please see section 5.1.1 for specific company-level capping placed for each index.

Section 6

Periodic review of constituents

6. Periodic review of constituents

6.1 Review and price dates

6.1.1 FTSE Global Target Sampling Indices are reviewed periodically.

Index name	Review months
Russell 1000 Target Sampling Index	June
Russell 2000 Target Sampling Index	June
FTSE All-World Target Sampling Index	March, September
FTSE Developed Target Sampling Index	March, September
FTSE Developed Europe Target Sampling Index	March, September
FTSE Emerging Target Sampling Index	March, September
FTSE Asia Pacific ex Japan Target Sampling Index	March, September
FTSE ASEAN Extended Target Sampling Index	March, September

6.1.2 For non-Russell US based Indices are reviewed periodically based on the stock prices available at the close of Wednesday before first Friday of the review month (price cut-off date) incorporating underlying index constituent changes according to the implementation dates shown in rules 6.1.4.

6.1.3 For indices derived from a Russell 1000 or Russell 2000 are reviewed periodically based on the stock prices available at close of Wednesday before second Friday in June (price cut-off date) incorporating underlying index constituent changes according to the Russell implementation dates shown in rule 6.1.5.

6.1.4 For Target Sampling indices derived from the FTSE underlying index the review will be implemented after the close of business on the third Friday of the review month.

6.1.5 For Target Sampling indices derived from a Russell 1000 or Russell 2000 underlying index, the review will be implemented on the same date as the Russell reconstitution. For details of the implementation dates of Russell 1000 and Russell 2000, please refer to the Russell US Equity Indices Construction and Methodology available at [Russell-US](#).

6.2 Review capping

6.2.1 Company level capping is applied at the reviews of corresponding indices using stock prices available at the price cut off date as specified in rule 6.1.2 and 6.1.3.

Section 7

Changes to constituent companies

7. Changes to constituent companies

7.1 Intra-review additions

7.1.1 The FTSE Target Sampling Index Series will not accept intra-review additions. Additions to the index will be considered for inclusion at the next index review.

7.2 Intra-review deletions

7.2.1 A constituent will be removed from the FTSE Target Sampling Index if it is removed from the corresponding underlying universe. The deletion will be concurrent with the deletion from the underlying universe and its weight will be distributed pro-rata amongst the remaining constituents in the index.

Section 8

Corporate actions and events

8. Corporate actions and events

8.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Market Cap Weighted Indices using the following link: [Corporate Actions and Events Guide for Market Capitalisation 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. These include the following:

- capital repayments;
- rights issues/entitlement offers;
- stock conversion;
- splits (sub-division)/reverse splits (consolidation); and
- 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 will provide notice advising of the timing of the change.

8.2 Shares in issue

Changes to the number of shares in issue for constituent securities are covered in the Corporate Actions and Events Guide.

8.3 Takeovers, mergers and spin-offs

The treatment of takeovers, mergers and spin-offs can be found within the respective Corporate Actions and Events Guide for Market Cap Weighted Indices.

If an existing constituent is acquired by a non-constituent, the resulting entity will be deleted from the FTSE Target Sampling Index Series. The eligibility of the resulting entity will be assessed in full at the following review.

8.4 Suspension of dealing

Suspension of dealing rules can be found within the Corporate Actions and Events Guide.

Section 9

Index algorithm and calculation method

9. Index algorithm and calculation method

9.1 Prices

9.1.1 The FTSE Target Sampling Index Series uses 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](#)

9.2 Calculation frequency

The FTSE Target Sampling Index Series will be calculated on an end-of-day basis and displayed to eight decimal points.

9.3 Index calculation

9.3.1 The FTSE Target Sampling Index Series is 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) to be applied to a security to correctly weight that security in the index. This factor maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion in the index; and
- 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

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 Target Sampling Index Series is available from FTSE Russell.

For contact details please visit the FTSE Russell website or email FTSE Russell client services at info@ftserussell.com.

Website: www.lseg.com/en/ftse-russell/

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