

# Heitman Prime Real Estate Index Series

v1.7



**FTSE  
RUSSELL**

An LSEG Business

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## Section 1

# Introduction

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## 1. Introduction

1.1 This document sets out the ground rules for the construction and management of the Heitman Prime Real Estate Index Series, calculated by FTSE Russell.

1.2 The Heitman Prime Real Estate Index Series is designed to represent the performance of a selection of Real Estate stocks with capping at a regional and stock level within region.

1.3 The index series is calculated and published in USD.

1.3.1 The Heitman Prime Real Estate Index Series does not take account of ESG factors in its design.

### 1.4 FTSE Russell

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.

1.5 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 should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.

1.6 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 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

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## 2. Management responsibilities

### 2.1 FTSE International Limited (FTSE)

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

2.2 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;
- apply the changes resulting from the index reviews as required by the ground rules; and
- disseminate the index series.

2.3 The Heitman Prime Real Estate Index Series will be reviewed annually in June.

### 2.4 Heitman Real Estate Securities, LLC (Heitman)

2.4.1 Heitman specifies the constituents for the Heitman Prime Real Estate Index Series and has engaged FTSE Russell to calculate, produce and operate the index series.

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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).

## Section 3

# Eligible securities

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### 3. Eligible securities

3.1 Heitman provides a list of constituents for the Heitman Prime Real Estate Index Series.

3.2 Heitman will select the list of constituent securities for the Heitman Prime Real Estate Index Series based upon the following characteristics.

- Securities that are listed in markets defined as eligible in the FTSE Global All Cap Index Series, which is part of the FTSE Global Equity Index Series.
- Securities are screened for size with a minimum average free float market capitalisation of USD 750 million, average figures are taken over the previous year (using average month-end values). The cut-off date for security inclusion is 15 May annually.
- Securities are screened for liquidity with a minimum average daily trading volume of USD 2 million. Average daily trading volume is calculated for the annual review using data from April in the previous year to May.
- Securities issued by companies that have more than 75% of their gross asset value in prime markets. Prime markets are determined by Heitman as the 30 top global gateway cities that benefit from global physical and/or financial trade, have high barriers to entry, dominate their regions or countries, or provide high-value niche goods and services. Several global industry recognised indexes are used to derive the prime markets, including Global Cities Index and IBM Most Competitive Cities Index.
- Securities issued by companies that have more than 50% of their AUM in prime assets.
- Prime assets are physical property assets that are determined by Heitman based on factors including location, physical specification, sustainability, tenant quality and income stability. In practice, prime assets are also ones that command high prices/values in both absolute and relative terms and are competitively sought after.
- Securities issued by companies that own properties across one or more of the following property types: office, industrial, residential, retail, diversified and hotel.
- The above security screening produces approximately 75 to 95 securities in total to be provided to FTSE Russell.

3.3 The Heitman Prime Real Estate Index Series will comprise the following indexes:

Heitman Prime Real Estate Index

Heitman Prime Real Estate Net Tax Index

Heitman Prime Real Estate Net Tax (LGIM) Index

Heitman Prime Real Estate 100% Hedged to GBP Net Tax (LGIM) Index

Heitman Prime Real Estate Net Tax (UKPN) Index

Heitman Prime Real Estate 100% Hedged to GBP Net Tax (UKPN) Index

3.4 The Heitman Prime Real Estate Index will be calculated in real time.

## Section 4

# Review of constituents

## 4. Review of constituents

### 4.1 Review dates

- 4.1.1 The Heitman Prime Real Estate Index is reviewed annually in June.
- 4.1.2 The annual review will be undertaken using data from the close of the last business day in May.
- 4.1.3 Heitman Real Estate Securities, LLC is responsible for conducting the annual review of eligible securities for the Heitman Prime Real Estate Index (see rule 3.2).
- 4.1.4 FTSE Russell is responsible for weighting the index constituents (see rule 4.2).

### 4.2 Index weighting

- 4.2.1 Each stock in the Heitman Prime Real Estate Index Series will be equally weighted annually in June using prices as at the close of business on the second Friday in June and the starting shares in issue figure and investability weight taken on the next working day following the third Friday of June.
- 4.2.2 The Heitman Prime Real Estate Index Series will be capped by region annually in June with a maximum and minimum weight of 45% and 10% respectively for the three regions, Americas, Asia and Europe.

### 4.3 Quarterly application of the annual review

- 4.3.1 The annual review of the Heitman Prime Real Estate Index is implemented through the year rather than at one point in time. To achieve this, the index is divided into four equal tranches. Each tranche is managed as a separate portfolio and rebalanced according to the following schedule with changes effective as of the close of the third Friday of the quarter. Prices as of the second Friday of the quarter and shares in issue and free float as of the review effective date will be used for the quarterly tranche rebalance process.
  - Tranche 1          June
  - Tranche 2          September
  - Tranche 3          December
  - Tranche 4          March
- 4.3.2 In June, tranche 1 includes all the additions to the index as a result of the annual index review, at their review weights. Security weights remain unchanged for tranches 2, 3 and 4. In September, tranche 2 is reviewed to the June weights and any securities that were added to the index as a result of the annual index review are now added to tranche 2, while tranches 3 and 4 remain unchanged. This process continues for tranche 3 in December and tranche 4 in March. Deletions from the index as a result of the annual review will be implemented tranche by tranche, with the deletion occurring in tranche 1 in June, tranche 2 in September, tranche 3 in December and tranche 4 in March.

4.3.3 The following is an example of the quarterly application of annual review. It provides a simple illustration of how the quarterly implementation impacts a security's weight in the Heitman Prime Real Estate Index.

Security XYZ - weight = 40%

Security XYZ at inception

|                  |                  |                  |                  |   |
|------------------|------------------|------------------|------------------|---|
| Tranche 1<br>40% | Tranche 2<br>40% | Tranche 3<br>40% | Tranche 4<br>40% | Final weight in the index (average of all four tranches)<br>= 40% |
|------------------|------------------|------------------|------------------|---|

At review, security XYZ has a new weight of 30%, implemented in tranche 1: Final weight in the index (average of all four tranches)

|      |                  |                  |                  |                  |       |
|------|------------------|------------------|------------------|------------------|-------|
| June | Tranche 1<br>30% | Tranche 2<br>40% | Tranche 3<br>40% | Tranche 4<br>40% | 37.5% |
|------|------------------|------------------|------------------|------------------|-------|

The new review weight of 30% is applied in tranche 2:

|           |                  |                  |                  |                  |     |
|-----------|------------------|------------------|------------------|------------------|-----|
| September | Tranche 1<br>30% | Tranche 2<br>30% | Tranche 3<br>40% | Tranche 4<br>40% | 35% |
|-----------|------------------|------------------|------------------|------------------|-----|

The new review weight of 30% is applied in tranche 3:

|          |                  |                  |                  |                  |       |
|----------|------------------|------------------|------------------|------------------|-------|
| December | Tranche 1<br>30% | Tranche 2<br>30% | Tranche 3<br>30% | Tranche 4<br>40% | 32.5% |
|----------|------------------|------------------|------------------|------------------|-------|

The new review weight of 30% is applied in tranche 4:

|       |                  |                  |                  |                  |     |
|-------|------------------|------------------|------------------|------------------|-----|
| March | Tranche 1<br>30% | Tranche 2<br>30% | Tranche 3<br>30% | Tranche 4<br>30% | 30% |
|-------|------------------|------------------|------------------|------------------|-----|



4.3.4 Though a security’s weight is set during the annual review, its weight in the index will fluctuate with price movement. The following is an example of the quarterly review implementation and price performance impact to a security’s weight in the Heitman Prime Real Estate Index.

Security XYZ - weight = 40%

Security XYZ at inception

|                  |                  |                  |                  |   |
|------------------|------------------|------------------|------------------|---|
| Tranche 1<br>40% | Tranche 2<br>40% | Tranche 3<br>40% | Tranche 4<br>40% | Final weight in the index (average of all 4 tranches) = 40% |
|------------------|------------------|------------------|------------------|---|

At review Security XYZ has a new weight of 30%, implemented in tranche 1:

Final weight in the index  
(average of all four tranches)

|      |                  |                  |                  |                  |       |
|------|------------------|------------------|------------------|------------------|-------|
| June | Tranche 1<br>30% | Tranche 2<br>40% | Tranche 3<br>40% | Tranche 4<br>40% | 37.5% |
|------|------------------|------------------|------------------|------------------|-------|

The new review weight of 30% is applied in tranche 2: while a price decrease of 20% has occurred within the remaining tranches:

|           |                  |                  |                  |                  |       |
|-----------|------------------|------------------|------------------|------------------|-------|
| September | Tranche 1<br>24% | Tranche 2<br>30% | Tranche 3<br>32% | Tranche 4<br>32% | 29.5% |
|-----------|------------------|------------------|------------------|------------------|-------|

The new review weight of 30% is applied in tranche 3: while a price increase of 10% has occurred within the remaining tranches:

|          |                    |                  |                  |                    |       |
|----------|--------------------|------------------|------------------|--------------------|-------|
| December | Tranche 1<br>26.4% | Tranche 2<br>33% | Tranche 3<br>30% | Tranche 4<br>35.2% | 31.2% |
|----------|--------------------|------------------|------------------|--------------------|-------|

The new review weight of 30% is applied in tranche 4: while a price increase of 5% has occurred within the remaining tranches:

|       |                    |                    |                    |                  |       |
|-------|--------------------|--------------------|--------------------|------------------|-------|
| March | Tranche 1<br>27.7% | Tranche 2<br>34.7% | Tranche 3<br>31.5% | Tranche 4<br>30% | 31.0% |
|-------|--------------------|--------------------|--------------------|------------------|-------|

4.3.5 Once the new weight is determined for each security, the weights are normalised such that they sum to 1.

## Section 5

# Changes to constituent companies

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## 5. Changes to constituent companies

### 5.1 Intra-review additions

5.1.1 There will be no intra-review additions. Additions are only eligible for inclusion at the next annual review.

### 5.2 Intra-review deletions

5.2.1 If a constituent is removed from the Heitman Prime Real Estate Index Series, it will not be replaced and the deleted stock weight will be allocated across the remaining constituents.

## Section 6

# Corporate actions and events

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## 6. Corporate actions and events

6.1 If a constituent in the Heitman Prime Real Estate Index Series 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 Heitman Prime Real Estate Index Series remains unchanged pre and post such an event.

6.2 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 Indexes 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. 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 Russell will provide notice advising of the timing of the change.

### 6.3 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 Indexes.

## Appendix A

# Further information

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

[Glossary.pdf](#)

Further information on the Heitman Prime Real Estate 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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