

Russell 3000[®] Fixed Income Index

v1.2



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Section 1

Introduction

1. Introduction

1.1 Russell 3000® Fixed Income Index

- 1.1.1 This document sets out the Ground Rules for the construction and management of the Russell 3000 Fixed Income Index.
- 1.1.2 The Russell 3000 Fixed Income Index is a multi-sector benchmark tracking investment-grade and high-yield USD corporate bonds issued by public companies that are also members of the Russell 3000 Index and subsidiaries of these companies, where subsidiary is a majority owned corporation by the Russell 3000 issuer or its U.S. subsidiaries as defined by Refinitiv Hierarchical Methodology and summarised in Section 4 Issuer Mapping and Corporate Actions of this Ground Rules. The Russell 3000 Fixed Income Index derives its issuers from the members of the Russell 3000 Index.
- 1.1.3 The Russell 3000 Fixed Income Index provides ICB sector assignment. Subsidiaries are mapped to their parents for the purpose of ICB sector assignment. These Ground Rules should be read in conjunction with the Russell U.S. Equity Indices Construction and Methodology and Industry Classification Benchmark (ICB) Ground Rules which can be accessed using the following links:

[Russell-US-indices.pdf](#)

[ICB_Rules_new.pdf](#)

1.2 Index construction

1.2.1 Annual reconstitution

The issuers of the Russell 3000 Fixed Income Index and its sub-indices are reconstituted in alignment with the Russell 3000 Index. The Russell 3000 Index is reconstituted annually in June of each year.

1.2.2 Quarterly issuer reviews

Quarterly review updates include addition of debt of IPO issuers that may become eligible for the Russell 3000 Index as a result of quarterly IPO additions. These are reflected as of March, September, and December month-end rebalancing.

1.2.3 Monthly rebalancing

Constituents are rebalanced at month-end in accordance with the FTSE Fixed Income Index Guide (Index Profile-Monthly rebalancing). Monthly rebalancing also reflects changes in the Russell 3000 Fixed Income Index issuers' corporate actions applied to Russell 3000 Index throughout the month and are reflected at month-end rebalancing. These changes may include, but are not limited to, mergers, acquisitions, and spin-offs.

Rebalancing activities are reflected on month-end, except when month-end coincides with the quarter-end or annual reconstitution, in which case such changes are captured through quarterly reviews and annual reconstitution respectively.

1.3 The following sub-indices are calculated

- A. Based on issuer universe and membership in Russell 1000® and Russell 2000® indices
 - i. Russell 1000 Fixed Income Index
 - ii. Russell 2000 Fixed Income Index
- B. Based on ICB sectors. Subsidiaries of non-public entities are mapped to their public parent for the purpose of ICB sector assignment.
 - i. Russell Fixed Income Basic Materials Index
 - ii. Russell Fixed Income Consumer Discretionary Index
 - iii. Russell Fixed Income Consumer Staples Index
 - iv. Russell Fixed Income Energy Index
 - v. Russell Fixed Income Financials Index
 - vi. Russell Fixed Income Health Care Index
 - vii. Russell Fixed Income Industrials Index
 - viii. Russell Fixed Income Real Estate Index
 - ix. Russell Fixed Income Technology Index
 - x. Russell Fixed Income Telecommunication Index
 - xi. Russell Fixed Income Utilities Index
- C. Based on quality.
 - i. Russell Fixed Income Investment-Grade Index
 - AAA, AA, A, BBB
 - ii. Russell Fixed Income High-Yield Index
 - BB, B, CCC, CC, C
 - iii. Russell Fixed Income AAA Index
 - iv. Russell Fixed Income AA Index
 - v. Russell Fixed Income A Index
 - vi. Russell Fixed Income BBB Index
 - vii. Russell Fixed Income BB Index
 - viii. Russell Fixed Income B Index
 - ix. Russell Fixed Income CCC Index
 - x. Russell Fixed Income CC Index
 - xi. Russell Fixed Income C Index
- D. Based on maturity
 - i. Russell Fixed Income 1-3 years Index
 - ii. Russell Fixed Income 3-5 years Index
 - iii. Russell Fixed Income 5-7 years Index
 - iv. Russell Fixed Income 7-10 years Index
 - v. Russell Fixed Income 10+ years Index

E. Based on fixed income sector classification according to Global Industry Code (GLIC) and Corporate Bond Sector Code (COBS) designation. The FTSE Russell Fixed income sector classification is detailed in the FTSE Fixed Income Index Guide, available at www.lseg.com/en/ftse-russell/.

- 1.4** The Russell 3000 Fixed Income Index does not take account of ESG factors in its design.
- 1.4.1** 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 that it is possible that factors, including external factors beyond the control of FTSE Russell, may necessitate changes to, or the cessation, of the index and therefore, any financial contracts or other financial instruments that reference the index or investment funds which use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.
- 1.6** Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's 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 members of the FTSE Russell Policy Advisory Board (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 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 index series¹.

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

- A. maintain records of all the constituents
- B. be responsible for the addition and deletion of bonds and changes of nominal amounts, in accordance with the Ground Rules
- C. disseminate the indices.

2.2 Status of these Ground Rules

2.2.1 These Ground Rules set out the methodology and provide information about the publication of the Russell 3000 Fixed Income Index

2.3 Amendments to these Ground Rules

2.3.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they best reflect the aim 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.

2.3.2 As provided for in the Statement of Principles for FTSE Russell Fixed Income 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.

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 or by contacting info@ftserussell.com. These policies are reviewed annually, and any changes are approved by the FTSE Russell Index Governance Board.

3.1 Statement of Principles for FTSE Fixed Income 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 for FTSE Fixed Income Indices 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 the FTSE Russell Index Governance Board.

The Statement of Principles for Fixed Income Indices can be accessed using the following link:

[Statement of Principles Fixed Income Indices.pdf](#)

3.2 Queries and Complaints

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

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

3.3 Recalculation Policy and Guidelines

The Recalculation Policy and Guidelines for Fixed Income Indices document is available from the FTSE Russell website using the link below or by contacting info@ftserussell.com.

[Fixed Income Recalculation Policy and Guidelines.pdf](#)

3.4 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](#)

3.5 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](#)

3.6 Russell U.S. Equity Indices Construction and Methodology

Details of Russell 3000 Index construction methodology can be accessed using the following link:

[Russell-US-indices.pdf \(ftserussell.com\)](#)

3.7 Industry Classification Benchmark (ICB) Ground Rules

Details of classification methodology can be accessed using the following link:

[ICB_Rules_new.pdf \(ftserussell.com\)](#)

3.8 Real Time Status Definitions

3.8.1 Please refer to the following guide for details of real time status definitions for indices that 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

Issuer mapping and corporate actions

4. Issuer mapping and corporate actions

- 4.1** FTSE Russell maintains a mapping between the stocks of corporate entities tracked by its equity indices and the debt of the corporate entities and their subsidiaries, tracked by its fixed income indices.
- 4.1.1** An organisation is considered to be a subsidiary in the following situations and in accordance with Refinitiv Hierarchical Methodology:
- A. If an organisation is reported as subsidiary of another company or its subsidiary in an official filing only, regardless of holding percentage;
 - B. If an organisation is reported as majority owned by another company or its subsidiary in an official filing only, regardless of holding percentage;
 - C. If an organisation is reported as indirect subsidiary of another company or its subsidiary in an official filing only, regardless of holding percentage, while direct parent is not known;
 - D. If an organisation is reported as indirectly majority owned by another company or its subsidiary in an official filing only, regardless of holding percentage, while the direct owner is not known;
 - E. If an organisation is held more than 50% voting stocks by another organisation or subsidiary of such organisation;
 - F. If no wording “subsidiary” “majority owned” is mentioned in an official filing only, and an organisation is indirectly held more than 50% by another organisation or subsidiary of such organisation while direct holding is not known.
- 4.2** Debt issued by corporate entities with stocks eligible for the Russell 3000 Index, and their subsidiaries are included in the Russell 3000 Fixed Income Index and corresponding sub-indices.
- 4.2.1** The ICB code assigned for the corporate entity within the Russell 3000 Fixed Income Index is assigned for the debt of its subsidiary in the Russell 3000 Fixed Income Index and its sub-indices.
- 4.2.2** In the event that a subsidiary of a corporate entity with a stock eligible for the Russell 3000 Index no longer meets subsidiary definition because of a corporate action, such as a spin off or divestment, its bonds will exit the Russell 3000 Fixed Income Index at the next monthly rebalance after the effective date of the corporate action.
- 4.2.3** In the event that a subsidiary of a corporate entity with a stock eligible for the Russell 3000 Index newly meets subsidiary definition, due to a corporate action, such as an acquisition or increased ownership stake, it will be added to the Russell 3000 Fixed Income Index at the next monthly rebalance after the effective date of the corporate action.
- 4.2.4** In the event that an existing subsidiary of a corporate entity with a stock eligible for the Russell 3000 Index issues index-eligible debt for the first time, it will be added to the Russell 3000 Fixed Income at the next monthly rebalance.

- 4.3** Asset-backed securities where the ultimate corporate borrower is a corporate entity with stocks eligible for the Russell 3000 Index are not eligible for the Russell 3000 Fixed Income Index.
- 4.4** A borrower country of risk is assigned for each bond that is eligible for the FTSE fixed income indices. In some instances, the fixed income country assignment for bonds issued by a parent company that is eligible for the Russell 3000 Index may not be assigned as the US due to the nationality rules for the Russell 3000 Index. In these instances, corresponding bonds from the same corporate entity will be eligible for the FTSE Russell 3000 Fixed Income Index. The fixed income country assignment for bonds issued by subsidiaries of a corporate entity with a stock eligible for the Russell 3000 Index that are not assigned as the US are not eligible for the FTSE Russell 3000 Fixed Income Index.

Section 5

Determining style

5. Determining style

5.1 Within Russell 3000 Fixed Income, FTSE Russell assigns the debt of eligible corporate issuers to value and growth sub-indices consistent with the Russell U.S. Equity Indices methodology. The FTSE Russell U.S. Equity Indices Construction and Methodology can be accessed using the following link:

[Russell-US-indexes.pdf](#)

5.2 Russell Fixed Income Value and Growth Sub-indices

5.2.1 At each reconstitution, debt issued by corporate entities with stock eligible for the Russell 3000 Index, is assigned to value and growth sub-indices, where the debt issued by an eligible corporation is allocated on a pro-rata basis to value and growth fixed income sub-indices based on share weight.

5.2.2 The pro-rata allocation of debt to growth and value subindices is calculated as a ratio of share weight of the market value of the corresponding stock of the eligible corporate entity assigned to each style in corresponding equity index divided by the total market value of the outstanding stock for the eligible corporate entity.

5.2.3 Every rebalancing, share weights of the market value of corresponding stock are adjusted for corporate actions. The debt issued by eligible initial public offering (IPO) corporations is added quarterly.

Section 6

Composition and design criteria

6. Composition and design criteria

6.1 The Russell 3000 Fixed Income Index is a multi-sector benchmark tracking investment-grade and high-yield USD corporate bonds issued by domestic, public companies that are also members of the Russell 3000 Index and domestic subsidiaries of such companies. The index comprises of US Dollar-denominated, fixed-rate debt and includes cash-pay, deferred-interest securities, and debt issued under 144A in unregistered form.

Design criteria and calculation assumptions for the Russell 3000 Fixed Income Index

Coupon	Fixed-rate, fixed-to-floating rate, zero coupon and fixed-rate bonds that step up according to a predetermined schedule
Minimum maturity	At least one year to maturity. Fixed-to-floating rate bonds are removed one year prior to the fixed-to-floating rate start date. Extendable bonds are removed one year prior to original maturity date.
Minimum amount outstanding	USD 250 million
Minimum credit quality	Minimum quality: C by S&P and Ca by Moody's (excludes defaulted and non-rated bonds)
Composition	Cash-pay, Zero-to-Full (ZTF), Pay-in-Kind (PIK), step-coupon bonds that step up according to a predetermined schedule, and Rule 144A bonds. Private placements, collateralised, asset-backed securities, fixed-rate perpetual bonds, Eurodollar bonds are excluded.
Redemption features	Bullet, sinking fund, puttable, extendable, or callable
Weighting	Market capitalisation
Annual Reconstitution and Quarterly Reviews	The issuers of the Russell 3000 Fixed Income Index and its sub-indices are reconstituted in alignment with the Russell 3000 Index annually; quarterly reviews are to assess eligible debt of eligible initial public offerings. Quarterly reviews are reflected in March, September and December month-end rebalancing. June reconstitution is completed at the same time as the annual reconstitution, and reflected in July profiles.
Rebalancing	Once a month at the end of the month
Reinvestment of cash flows	Intra-month cash flows from interest and principal payments are not reinvested as part of monthly index total return calculations.
Pricing	LSEG Pricing Service
Calculation frequency	Daily
Settlement date	Monthly: Settlement is on the last calendar day of the month. Daily: Same day settlement except if the last business day of the month is not the last calendar day of the month; then, settlement is on the last calendar day of the month.
Fixing date	Each month, the upcoming month's index constituents are "fixed" on the profile fixing date. Each year's scheduled fixing dates are published on the website.
Base date	December 31, 2012

6.2 Holiday calendar

6.2.1 The index is calculated Monday through Friday except Christmas Day (observed) and New Year's Day (observed). Each local market will observe its own holiday calendar; if a local market is on holiday, the closing prices used for that day will be the closing prices from the previous day.

6.3 Index quality

6.3.1 An index quality is assigned to each index bond as of profile fixing. The quality is first mapped to the Standard & Poor's Financial Services LLC ("S&P") rating. If a bond is not rated by S&P but it is rated by Moody's Investors Service, Inc ("Moody's"), the S&P equivalent of the Moody's rating is assigned to the index quality. If a bond is rated by neither S&P nor Moody's, the bond is not assigned an index quality. If a bond is rated as investment-grade by one rating agency and high-yield by the other, the S&P equivalent of the investment-grade rating is assigned to the index quality. These ratings remain unchanged for the entire performance month.

6.4 Return computation

6.4.1 Total returns are computed on the assumption that each security is purchased at the beginning of the period and sold at the end of the period. An issue's total rate of return is the percentage change in its total value over the measurement period. The components of total return for each security are price change, principal payments, coupon payments and accrued interest. The total returns are market capitalisation-weighted using the security's beginning-of-period market value (see Figure 1).

Figure 1. Total rate of return calculation methodology

Beginning-of-period value	-	(Beginning price + Beginning accrued) x Beginning par amount outstanding
End-of-period value	-	[(Ending price + Ending accrued) x (Beginning par amount outstanding – Principal payments)] + Coupon payments + Principal payments
Total rate of return (%)	-	[(End-of-period value/Beginning-of-period value) – 1] x 100

A note on precision: Returns are computed to at least six decimal places but reported to a maximum of four. In addition, owing to rounding inaccuracies inherent in computer floating-point arithmetic, the last digit in any reported value may sometimes be off by one from its true value.

Figure 2. Tickers for the Russell 3000 Fixed Income

Ticker	Index
SBRFIU	Russell 3000 Fixed Income Index
SBR1FIU	Russell 1000 Fixed Income Index
SBR2FIU	Russell 2000 Fixed Income Index

6.5 Chronological summary of events

Figure 3. Russell Fixed Income

Year	Monthly highlights
2022	October: Launched the Russell 3000 Fixed Income Index and its sub-indices, the Russell 1000 Fixed Income Index and Russell 2000 Fixed Income Index.

6.6 Related indices

6.6.1 The Russell 3000 Fixed Income Index and its sub-indices derive their issuers from Russell 3000 and its subsets and have aligned reconstitution and rebalancing with its equity counterpart.

Appendix A

Further information

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

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

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