

# Voya FTSE Russell Custom Factor Index Series

v1.3

The Voya FTSE Russell Custom Factor Index Series is not, and is not intended to be, used by supervised entities in the European Union or the United Kingdom and accordingly, the European Benchmark Regulation\* and the UK Benchmark Regulation# do not apply to the index series. Consequently, supervised entities within the European Union and the United Kingdom are not permitted to use any of the indices within the index series as a benchmark as set out in article 3(1)(7) of the European Benchmark Regulation.

For the avoidance of doubt, neither FTSE International Limited nor any other member of the London Stock Exchange Group plc group of companies is the benchmark administrator (as defined in article 3(1)(6) of the European Benchmark Regulation) of the index series.

*[\\*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 Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019 \(which amends the European benchmark regulation in the United Kingdom\)](#)*



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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 Voya FTSE Russell Custom Factor Index Series. Copies of the Ground Rules are available from [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 1.2 The Voya FTSE Russell Custom Factor Index Series is designed to reflect the performance of stocks representing different factor characteristics.
- 1.3 The Voya FTSE Russell Custom Factor Index Series does not take account of ESG factors in its index design.
- 1.4 These Ground Rules should be read in conjunction with the:
- FTSE Global Factor Index Series Ground Rules; and
  - FTSE Russell Corporate Actions and Events Guide for Non Market Capitalisation Weighted Indices which are available at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 1.5 The indices are calculated on an end-of-day basis.
- 1.6 The indices are calculated in US Dollars and may be published in other currencies.
- 1.7 A price and total return index will be available. Total return indices include income based on ex-dividend adjustments.

### 1.8 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, The Yield Book Inc and Beyond Ratings.

### 1.9 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](#)

- 1.10 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 that 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.
- 1.11 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 index series<sup>1</sup>.

2.1.2 FTSE is responsible for the daily calculation, production and operation of the index series, 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 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; 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 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 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.

<sup>1</sup> FTSE is not the benchmark administrator of the index series as the term administrator is defined in the [IOSCO Principles for Financial Benchmarks](#) and [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 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 the FTSE Russell Product Governance Board.

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

[Statement\\_of\\_Principles.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 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](#)

### 3.4 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](#)

### 3.5 Recalculation Policy and Guidelines

3.5.1 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 Voya FTSE Russell Custom Factor 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](#)

### **3.6 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](#)

### **3.7 FTSE Russell Governance Framework**

3.7.1 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](#)

### **3.8 Real Time Status Definitions**

3.8.1 For indices that are calculated in real time, please refer to the following guide for details of real time status definitions:

[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

4.1.1 The eligible securities of each Voya FTSE Russell Custom Factor Index are the constituents of the corresponding underlying universe.

### 4.2 Multiple lines

4.2.1 All lines of the same company that are eligible securities are eligible for inclusion in the index.

### 4.3 Underlying indices

4.3.1 Voya FTSE Russell Custom Factor Indices consist of constituents of the corresponding underlying index universe in the table below.

Index name	Index type	Underlying universe
FTSE Developed ex US Select Factor Index	Fixed Tilt	FTSE Developed ex US
FTSE Emerging Plus Korea Select Factor Index	Fixed Tilt	FTSE Emerging Plus Korea
Russell 1000 Select Factor Index	Fixed Tilt	Russell 1000
Russell Midcap Value Select Factor Index	Fixed Tilt	Russell Midcap Value



## Section 5

# Index construction

## 5. Index construction

### 5.1 ESG Screened Target Exposure Index construction

5.1.1 The Voya FTSE Russell Custom Factor Indices follow the fixed tilt factor index construction methodology detailed in the FTSE Global Factor Index Series Ground Rules.

5.1.2 The table below summarises the targets and constraints applied to each Voya FTSE Russell Custom Factor Indices.

**Table two: targets and constraints for Voya FTSE Russell Custom Factor Indices**

Index	Tilt strengths							Constraints						Review
	V	Q	M	LV	S	Y	C	Narrow	P	Q	Min stock weight (b.p.)	Max stock weight (%)	Max two-way T/O (%)	
FTSE Developed ex US Select Factor Index	1	1.5	1	1.5	0.5	0	0	N	0.2	0.05	10	–	–	MS
FTSE Emerging Plus Korea Select Factor Index	1	1	1	1	0.5	0	0	N	0.2	0.05	10	–	–	MS
Russell 1000 Select Factor Index	1	1	1	1	0.5	0	0	N	0.2	0.05	2	–	–	JD
Russell Midcap Value Select Factor Index	1	1	1	1	0.5	0	0	N	0.2	0.05	10	5	–	JD

### Notes

V = Value  
 Q = Quality  
 M = Momentum  
 LV = Low volatility  
 S = Small size  
 Y = Yield  
 C = Composite  
 P = Relative  
 Q = Absolute

Review: M = March, J = June, S = September and D = December

## Section 6

# Periodic review of constituents

## 6. Periodic review of constituents

### 6.1 Review and price dates

6.1.1 Voya FTSE Russell Custom Factor Indices are reviewed based on the stock prices available at the close of Wednesday before the first Friday of the review month (price cut-off date), incorporating underlying index constituent changes according to the implementation dates shown in rules 6.1.2 and 6.1.3.

Factor indices derived from a Russell 1000 Value or Russell Midcap Value underlying are reviewed based on the stock prices available at close of Wednesday before the second Friday in June (price cut-off date) incorporating underlying index constituent changes according to the Russell implementation dates shown in rule 6.1.3. The December review is based on the stock prices available at close of Wednesday before the first Friday, incorporating underlying index constituent changes according to the Russell implementation dates shown in rule 6.1.3<sup>5</sup>.

6.1.2 For factor indices derived from a FTSE underlying index, the review will be implemented after the close of business on the third Friday of the review month.

6.1.3 For factor indices derived from a Russell 1000 or Russell Midcap Value underlying the review will be implemented on the same date as the Russell annual reconstitution. For details of the implementation dates of Russell 1000 and Russell Midcap Value, please refer to the Russell US Equity Indices Construction and methodology available at [Russell-US](#).

<sup>5</sup> The Russell Midcap Select Factor Index changed its underlying universe from Russell Midcap to Russell Midcap Value and changed the size factor tilt from 0 to 0.5, effective at the March 2023 index review, which was an additional off-cycle rebalance. The index name was changed at the March 2023 index review to align with the new parent index.

## Section 7

# Changes to constituent companies

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## 7. Changes to constituent companies

### 7.1 Intra-review additions

7.1.1 Additions to each FTSE Russell underlying index will be considered for inclusion at the next review of the relevant Voya FTSE Russell Custom Factor Index, respectively.

### 7.2 Intra-review deletions

7.2.1 A constituent will be removed from a Voya FTSE Russell Custom Factor Index if it is also removed from its corresponding underlying index. The deletion will be concurrent with the deletion from the underlying index and its weight will be distributed pro-rata amongst the remaining constituents in their respective Voya FTSE Russell Custom Factor Index.

## Section 8

# Corporate actions and events

## 8. Corporate actions and events

8.1 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 Voya FTSE Russell Custom Factor Index will remain unchanged pre and post such an event.

8.2 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); 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.

### 8.3 Suspension of dealing

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

### 8.4 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 9

# Indices algorithm and calculation method

## 9. Indices algorithm and calculation method

### 9.1 Prices

9.1.1 The Voya FTSE Russell Custom Factor 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

9.2.1 The Voya FTSE Russell Custom Factor 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 Russell US ESG Target Exposure 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 to be applied to a security to correctly weight that security in the index. The weight adjustment 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

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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](#)

The FTSE Russell Sustainable Investment Metrics website can be found using the following link:

[Sustainable Investment Metrics](#)

Further information on the Voya FTSE Russell Custom Factor Index Series is available from FTSE Russell.

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

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

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