

SOLUTION OVERVIEW

Russell 3000[®] Fixed Income Index

An alternative benchmark for the US corporate credit market



An innovative, modular approach to measuring the US corporate credit market that supports multi-asset solutions.

The Russell 3000 Fixed Income Index tracks the US corporate bond market by focusing on the debt of the large, publicly traded companies (and the debt of their US-domiciled subsidiaries) that make up the Russell 3000[®] equity index. The Russell 1000[®] Fixed Income Index and the Russell 2000[®] Fixed Income Index membership corresponds to the equivalent equity sub-indices of the Russell 3000.

Following a modular approach to index construction, the Russell 3000 Fixed Income Index, Russell 1000 Fixed Income Index and Russell 2000 Fixed Income Index offer a sophisticated degree of granularity. They include sub-indices by term, quality, Global Industry Code (GLIC) and Corporate Bond Sector (COBS), as well as high-yield and investment grade groupings.

To support multi-asset strategies and cross-sector research, the Russell 3000 Fixed Income Index tracks performance by ICB industry classification. Parity in industry classification between the Russell equity and fixed income indices facilitates a holistic approach to portfolio construction, enabling multi-asset strategies and consistent overlay strategies.

Crossover construction:

Using a ratings-agnostic design, the index aims to capture the return associated with fallen angels/rising stars strategies, while lowering the turnover related to the forced selling that results from bonds crossing over from investment-grade and high-yield segments during times of rating volatility.

Domestically focused:

This index of nearly 100% domestic US bond issuers helps investors to separate sovereign from corporate credit risk, potentially reducing exposure to volatility from idiosyncratic geopolitical risks.

Supports multi-asset strategies:

A consistent approach to issuer and sector assignment across Russell indices facilitates holistic portfolio construction, enabling multi-asset and overlay strategies.



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Russell Fixed Income Indices

Russell 1000 Fixed Income Index + Russell 2000 Fixed Income Index = Russell 3000 Fixed Income Index



Rich data sets

Corporate bond pricing within the index series is provided by LSEG Data & Analytics, a recognized reliable pricing source and one of the world's largest providers of financial market data and infrastructure. The indices are underpinned by a comprehensive set of daily and monthly, issue-level and index-level files, containing a robust set of performance and analytics metrics.

Rigorous governance framework

FTSE Russell is committed to global best practice standards in index governance. The index ground rules are publicly available and continually evaluated to ensure the index remains a relevant and reliable performance measure for the market.

Russell 3000 Fixed Income Index

Through an innovative approach to index construction, Russell 3000 Fixed Income Index delivers the balance of relevance and comprehensiveness demanded by clients in construction, and is uniquely positioned for multi-asset strategies.

Index characteristics	Russell 3000 Fixed Income Index
Currency	USD
Coupon	Fixed-rate, semi-annual and zero coupon
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.
Min deal size/ Issue size	USD 250 million
Minimum credit quality	Minimum quality: C by S&P and Ca by Moody's (excludes defaulted and non-rated bonds) ¹
Composition	Cash-pay, Zero-to-Full (ZTF), Pay-in-Kind (PIK), step-coupon bonds, and Rule 144A bonds. Private placements, collateralized, asset-backed securities, fixed-rate perpetual bonds and eurodollar bonds are excluded.
Redemption features	Bullet, sinking fund, puttable, extendable, or callable
Weighting	Market capitalization
Annual reconstitution and quarterly reviews	² The issuers of the Russell 3000 Fixed Income Index and its sub-indices are reconstituted annually in alignment with the Russell 3000 Index; in quarterly reviews we assess the eligible debt of eligible initial public offerings Quarterly reviews are reflected in the March, September and December month-end rebalancing. June reconstitution is completed at the same time as the annual Russell equity index reconstitution.
Rebalancing	Once a month at the end of the month
Reinvestment of cash flow	At daily average of the one-month Eurodeposit rate, calculated from the actual scheduled payment date of the cash flow through the end of the reporting period ³
Base date	December 31, 2012

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Key benchmark features & benefits:

The Russell 3000 Fixed Income Index captures the crossover bond segment that is often associated with excess returns. Through the inclusion of both IG and HY sectors, the index provides for bond transition from IG to HY and vice-versa, with a possible reduction in ratings or migration-related turnover.

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The Russell 3000 Fixed Income Index and its sub-indices derive their membership from the Russell 3000 and its sub-indices, delivering issuer parity and classification alignment between fixed income and equity indices, and facilitating multi-asset strategies and a holistic approach to portfolio construction.

Traditional approaches to indexing corporate credit can expose investors to non-US assets, and may increase risk. By focusing on the US domestic market, the Russell 3000 Fixed Income Index is positioned for more precise investment strategies, allowing for greater control over foreign exposure.

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Powered by robust pricing and analytics solutions, the index offers a comprehensive daily index history from December 31, 2012, as well as a robust set of performance metrics and analytics.

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