

# SOLUTION OVERVIEW

## FTSE Euro FRN Investment Grade Bond Index (EuroFIG)

### Rate Sensitive Index Solutions



### Overview

During periods of rising policy rates, low duration investment vehicles, like treasury bills and Floating Rate Notes (FRNs), insulate investors against the “death by duration” in longer maturity bonds. Frequent coupon adjustments in FRNs give investors protection against rising yields, in contrast to straight bonds with fixed coupons and long duration. The charts below reinforce positive performance in the FTSE EuroFIG Index during a period of rising rates.

### Key benefits

#### Interest rate insensitivity

Little interest rate sensitivity due to flexible cash flows. FRN coupons adjust to market rates changes, with its price normally fluctuating less than fixed-rate bonds of similar maturity.

#### Yield enhancement

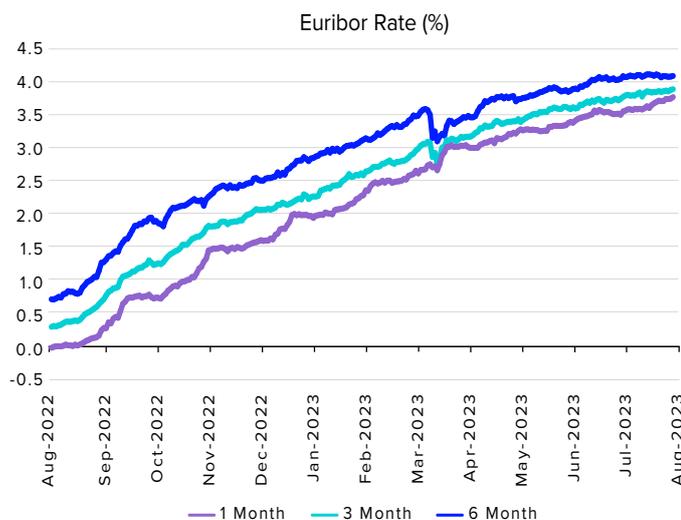
The yield on FRNs will vary based on prevailing rates and spread level. There is therefore potential to earn above market returns relative to more traditional fixed income investments.

#### Diversification

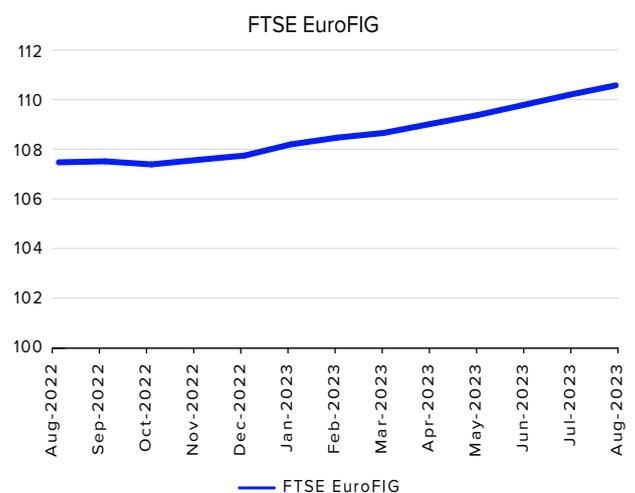
Low or negative correlation to other rate-sensitive market segments allows portfolio diversification.

#### Reduced duration

FRN coupons reset frequently, therefore offering low duration and protection of value, in comparison to fixed rate assets.



Source: FTSE Russell, data as of 01 August 2023.



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The FTSE Euro FRN Investment-Grade Bond Index (EuroFIG) is a multi-sector benchmark for investment-grade, Euro-denominated, government-sponsored, collateralised, and corporate floating rate notes (FRNs). Sub-indices are available by sector, maturity, and rating.

	<b>FTSE Euro FRN Investment Grade Bond Index</b>
<b>UNIVERSE</b>	<p><b>1</b> Corporate, securitised, government securities:</p> <ul style="list-style-type: none"> <li>- Linked to 6-month, 3-month and 1-month, Euribor and ESTR-based fixed margin over Index</li> <li>- Step Down/Up Coupons - Margin over Index</li> <li>- Floating</li> </ul> <p>Includes: Bullet, sinking fund, puttable, extendable, or callable Excludes: Domestic sovereign, fixed-to-float (during floating period), private placements, perpetuals</p>
<b>AMOUNT OUTSTANDING</b>	EUR 300mn minimum par amount outstanding
<b>MATURITY</b>	<p><b>2</b> Entry – at least 18 months to maturity Exit – less than one month to maturity</p>
<b>RATING MINIMUM</b>	BBB – by S&P or Baa3 by Moody's
<b>PRICING</b>	<p><b>3</b> REPS</p>
<b>INTRA-MONTH REINVESTMENT OF CASH FLOW</b>	Intra-month cash flows from interest and principal payments are not reinvested as part of monthly index total return calculations
<b>SETTLEMENT</b>	T+0
<b>REBALANCING CUT-OFF</b>	Once a month at the end of the month
<b>BASE DATE</b>	December 31, 2010

## Key Features

- 1** Broad universe of EUR FRN securities which captures more of the market
- 2** Minimum maturity on entry provides benefits of:
  - Lower turnover costs
  - Slightly less interest rate risk with lower duration
- 3** LSEG bid-side evaluated pricing takes various input sources for a more representative price, as opposed to a simple average of multi-sourced bid side prices from market-makers which can be less representative depending on liquidity of the bond, or result in step changes as the number of contributors changes

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