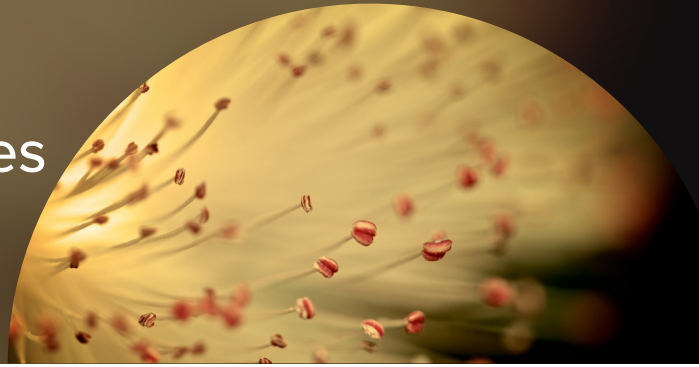


INDEX OVERVIEW

FTSE GDP-Weighted Government Bond Index Series

Geographic allocation proportional to economic output



Overview

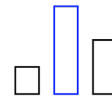
The global sovereign debt market is one of the largest in the world, and its structure can introduce distinct portfolio allocation considerations relative to other asset classes. The traditional method of fixed income benchmarking, using market-weighted indices, is operationally efficient: it is self-rebalancing and does not require forced trades. By design, it reflects the size of outstanding debt markets, which can result in higher allocations to more indebted sovereign issuers.

The FTSE GDP-Weighted Government Bond Index Series offers a range of solutions that reallocate issuer weights based on real economic output. The indices measure the performance of fixed-rate, local currency sovereign bonds, with country weights determined in proportion to each country's PPP-adjusted GDP.

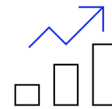
Purchasing Power Parity (PPP) adjustment provides a "pure" view of economic output and growth, filtering currency volatility and offering a stable comparison that accurately reflects the production strength of smaller markets. The index series includes the following indices, along with additional segmentations and customisation capabilities:

- FTSE GDP-Weighted World Government Bond Index
- FTSE GDP-Weighted Emerging Markets Government Bond Index
- FTSE GDP-Weighted World Government Bond Index – Developed Markets
- FTSE GDP-Weighted Non-USD World Government Bond Index

Key features



Provides a transparent alternative to conventional market value-weighted indices, where traditional approaches favour high indebtedness



GDP-weighting reduces concentration risk relative to the base index by diversifying exposure away from highly indebted sovereign issuers



Increases exposure to high-growth and emerging market countries, with reduced concentration in the US and euro area relative to traditional market-weighted indices

The index series increases the proportional weight of emerging markets, which are structurally underrepresented in traditional market-weighted benchmarks due to lower currency valuations and debt issuance, while allocating greater portfolio exposure over time to markets with higher real economic output. This helps to mitigate the impact of currency fluctuations through purchasing power parity adjustment in the GDP data.

Rebalancing mechanism

- Semi-annual updates to GDP data sourced from the International Monetary Fund’s (IMF) World Economic Outlook (WEO) report
- Monthly rebalancing prevents excessive weight drift while allowing weights to reflect interim market movements
- Bonds within each country are scaled pro rata according to their original weights in the underlying benchmark

Category	Description
Eligibility Criteria	Same as the respective underlying benchmark
Monthly reconstitution	The profile is reconstituted at the beginning of each month to align with new issues and existing issue criteria. The profile is kept consistent throughout the month.
Rebalance frequency	Monthly
Rebalancing Methodology	Country weights are determined in proportion to each country’s GDP relative to the total GDP of included countries. Bonds are scaled pro rata by market value within each country.
Intra-month weighting	Weights are allowed to drift within each month based on daily returns
GDP data source	IMF World Economic Outlook. Gross domestic product (GDP), current prices, purchasing power parity (PPP) international dollar
GDP-Weighting Process	<ul style="list-style-type: none"> - Determine GDP weights of each country as a % of total GDP of included countries - Determine a scale factor for each country as a ratio of the country GDP weight to the country original profile weight - Multiply par amount and market value of each bond by the assigned country scale factor - Recalculate risk and return metrics

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Market participants look to us for our expertise in developing and managing global index solutions across asset classes. Asset owners, asset managers, ETF providers and investment banks choose FTSE Russell solutions to benchmark their investment performance and create investment funds, ETFs, structured products, and index-based derivatives. Our clients use our solutions for asset allocation, investment strategy analysis and risk management, and value us for our robust governance process and operational integrity.

For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

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