

# FTSE Global Equity Index Series (GEIS)

## Executive summary

- FTSE GEIS offers a robust global equity index framework with the versatility to tailor your investment view
- The series targets coverage of over 99% of the investable market capitalisation and includes over 19,000 large, mid, small and micro-cap securities across 49 developed and emerging markets globally
- Its modular design simplifies precise targeting by size, country, region, industry and style across specific markets and market segments
- Engage with a rules-based, flexible, unbiased and transparent methodology that delivers an inclusive perspective from committees of internal and external experts, from a trusted partner whose global index series is tracked by over US\$1.9 trillion in benchmarked assets



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# FTSE GEIS: Frequently asked questions

## 1. What is the scope of FTSE GEIS?

The foundation for FTSE Russell's global, regional, country and sector indices is the FTSE Global Equity Index Series (GEIS). The series draws from a universe of over 19,000 securities in 49 different markets and captures more than 99% of the world's investable market capitalisation.

It represents every equity and industry relevant to international investors' needs and has a modular structure to provide the maximum breadth of options for choosing benchmarks or structuring portfolios:

- The universe is divided into Developed, Advanced Emerging, and Secondary Emerging segments, with indices calculated at a regional, market, and industry level. The FTSE Emerging Index is the aggregate of the Advanced and Secondary Emerging markets.
- Indices are also calculated on a size level, from the all-encompassing FTSE Global Total Cap Index (large / mid / small / micro), FTSE Global All Cap Index (large / mid / small) and FTSE All-World (large / mid) to single-size indices (Large, Mid, Small, Micro).

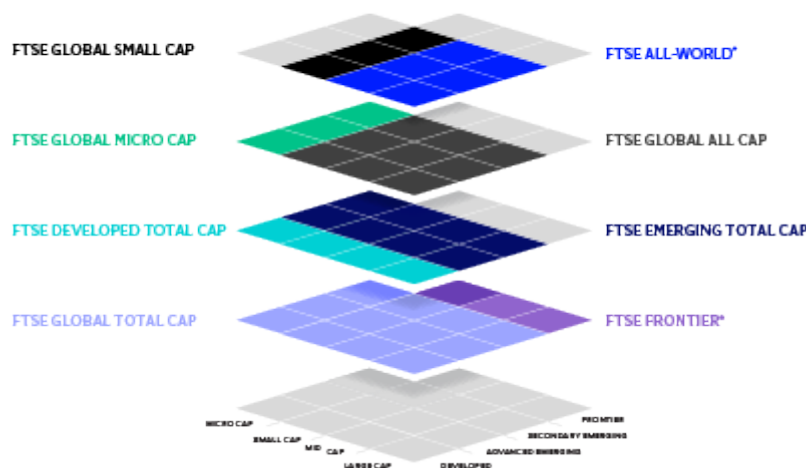
The FTSE Global Equity Index Series is:

**Representative:** It reflects the investment opportunity set.

**Comprehensive:** It seeks exhaustive coverage of the investable universe.

**Investable:** Free-float and liquidity screened.

### FTSE Global Equity Index Series



\*The FTSE Frontier Index Series is maintained separately from FTSE GEIS. For more information please reference the FTSE Frontier Index Series Ground Rules.

## 2. How does FTSE Russell manage FTSE GEIS?

The FTSE Global Equity Index Series targets coverage of over 99% of the global investable opportunity set including large, mid, small, and micro-cap companies across both developed and emerging markets.

FTSE Russell employs a region-relative approach to defining the global investment universe. This reduces the influence that some of the world's largest markets could have on the index's representation of smaller markets.

#### Process Overview

**Step 1:** Stocks from 49 markets are screened for eligibility, weighted by market capitalisation and classified as Developed, Advanced Emerging, Secondary Emerging.

**Step 2:** Companies are assigned to a single country based on an assessment of a number of factors<sup>1</sup>.

**Step 3:** Companies are grouped according to their FTSE nationality into eight regional universes and then ranked in descending order by their total market cap and allocated to large, mid, small or micro-cap based on a combination of their regional rank, size and current index membership. Buffer zones are also applied to ensure existing constituents are only moved between market capitalisation tiers (e.g. from small to mid-cap) when material shifts in size occur. This is a common practice that helps mitigate unnecessary turnover.

**Step 4:** Investability screens are applied to eliminate stocks considered unavailable to institutional investors.

**Step 5:** Index weights are determined based on market cap, adjusted for available float and Foreign Ownership Restrictions and Minimum Foreign Headroom Requirements.

The [FTSE GEIS ground rules](#) provide details of how the series is managed. This is freely available and published on [FTSE Russell Indices, Insights & Data | LSEG](#).

### 3. When is FTSE GEIS reviewed?

#### An overview of the review process

##### Semi-annual review

At each semi-annual review in March and September, the regional universe of eligible companies is established based on data as of the quarter end preceding the review quarter (e.g. for a review in September, the data used will be as at closing on the last business day in June).

##### Regions

Asia Pacific ex China ex Japan

Japan

China

Developed Europe

Emerging Europe

Latin America

Middle East & Africa

North America

The companies are valued and ranked by full market capitalisation (price\*shares in issue) and their relevant weights are then calculated - this creates the regional universe. The top 98% of the regional universe is selected to become the index universe and investability weights are then assigned to all constituents in the index universe in accordance with free float rules. Where there are multiple lines of equity capital in a company, all of them are included and priced separately, providing they pass index eligibility screens in their own right. Market caps are aggregated when evaluating size index membership.

Each security is tested for liquidity semi-annually in March and September by calculation of its monthly median of daily trading volume. The index constituents are then selected for each size segment using market cap cut-offs. To reduce turnover, existing and potential constituents are

<sup>1</sup> Factors include country of incorporation, country of domicile for tax purposes and location of headquarters.

subject to a series of 'buffer zones' to determine the cut-off points between Large, Mid, Small and Micro Cap.

#### **Quarterly Reviews**

FTSE Russell also undertakes quarterly reviews of FTSE GEIS June and December in respect of changes such as IPOs, changes in shares in issue, free float changes and ICB classification changes.

#### **Review effective date**

Implementation of any index review changes will happen after the close of trading on the third Friday in March, June, September and December.

#### **Index changes outside of reviews**

Certain corporate events (e.g. a significant IPO, merger, de-merger or de-listing) will trigger a constituent to be added or deleted from an index between reviews.

## 4. What security types are available in FTSE GEIS?

Most publicly-listed companies are eligible for FTSE GEIS and this includes companies whose business it is to hold equity and other investments. However, companies classified by the Industrial Classification Benchmark (ICB) in Closed End Investments (30204000) and Open End and Miscellaneous Investment Vehicles (30205000) are not eligible for inclusion.

Eligible security types include ordinary and preferred shares listed on a qualifying stock exchange or a recognised market. Convertible preference shares and loan stocks are excluded until converted.

## 5. What eligible security screens does FTSE GEIS apply?

Constituents of the FTSE Global Equity Index Series are adjusted for free float and foreign ownership limits. Surveillance screens are applied to the securities in accordance with our guidelines. Going forward, regulations as part of the Holding Foreign Companies Accountable Act may also be applied.

## 6. Are there any minimum hurdles on a company's voting rights?

FTSE Russell solicited feedback from index users and other stakeholders in June 2017 on whether FTSE Russell indices should include a minimum hurdle rate for the percentage of a company's voting rights in the hands of non-restricted shareholders.

Companies assigned a developed market nationality are required to have more than 5% of the company's voting rights in the hands of unrestricted shareholders. This hurdle is applied to all standard FTSE Russell Indices.

## 7. How does FTSE Russell classify markets?

FTSE Russell places great importance on applying a transparent, objective and consistent approach when determining the market status of markets. Market status is determined by:

- 22 FTSE Quality-of-Market criteria:
  - 5 market & regulatory environments
  - 7 clearing, settlement & custody markets
  - 9 equity markets
  - 1 foreign exchange market

- There is a minimum size and stock requirement for markets to be classified as Developed or Emerging
- As well as the 22 FTSE Quality of Markets criteria, a Gross National Income (GNI - Atlas Methodology) rating of 'High' is required to attain Developed market status

The Equity Country Classification process is supported by the FTSE Equity Country Classification Advisory Committee and the FTSE Russell Policy Advisory Board, with the final approval of any changes provided by the FTSE Russell Index Governance Board. The guiding principles for this formal market classification process, along with the FTSE Quality of Markets Matrix against which markets are objectively judged and compared, are published on the [FTSE Russell Indices, Insights & Data | LSEG](#).

To further improve transparency, FTSE Russell also publishes a watchlist of markets likely to be reclassified, enabling index users to monitor possible upcoming changes.

## 8. How often does FTSE Russell review equity market classifications and when are changes implemented?

FTSE Russell conducts an annual review of all markets included in its global indices as well as those being considered for possible inclusion in September, with an Interim Update in March. Markets already in the indices are assessed against minimum standards for each category and prior to any reclassification or removal are placed on a watchlist. Markets that are currently Unclassified are assessed against the minimum standards for each category and if appropriate, will be added to the watchlist for possible future inclusion.

In March and September of each year, FTSE Russell publishes a watchlist of markets being monitored for possible promotion or demotion. Further details can be found in the [FTSE Russell Equity Country Classification Process document](#).

## 9. How does FTSE Russell classify companies to a specific industry or sector?

Constituents within FTSE Russell's indices are classified according to the Industrial Classification Benchmark ([ICB](#)), which is a globally recognised standard operated and managed by FTSE Russell for categorising companies and securities. The ICB structure enables the comparison of companies across four levels of classification:

- 11 Industries
- 20 Supersectors
- 45 Sectors
- 173 Subsectors

The [ICB classification system](#) allocates companies to the Subsector whose definition closely describes the nature of its business as determined from the source of its revenue or the source of the majority of its revenue where available.

## 10. How does FTSE GEIS define large, mid, small and micro-cap companies?

Broadly speaking, FTSE Russell's approach is to calculate the total market capitalisation of a universe of eligible constituents and then apply percentage bands to split constituents into large, mid, small, and micro-cap. In simple terms for FTSE GEIS, at the regional review, the top 98% of the index universe is selected. This universe is then categorised with the top 70% of the eligible universe of companies being classified as Large-cap, the next 20% as Mid-cap and the final 10% as Small-cap. Buffers exist between the bandings to ensure that turnover is minimised. A security will be included in the Micro-cap Index if it meets the minimum investable market cap threshold, and it is ineligible for the other size segments.

## 11. Are IPOs included in the indices?

FTSE Russell operates a Fast Entry process for Initial Public Offerings (IPO's). If other eligibility criteria are also met, an IPO will be eligible for Fast Entry if its full market capitalisation is at least the full market capitalisation of the smallest company within the top 68% of the index universe in its respective region for Large-cap, and within the top 86% of the index universe in its respective region for Mid-cap. Eligible companies are included in the index after the close of business on the fifth day of trading. IPOs that do not meet the Fast Entry requirements are evaluated for index eligibility at a subsequent index review.

## 12. What does All-World, All Cap or Total Cap mean?

There is an All Cap, Large Cap, Mid Cap, Small Cap and Micro Cap index for every country and region within FTSE GEIS. The aggregate of the constituents of the Large, Mid and Small Cap indices is known as "All-cap". There is also an aggregate Large and Mid Cap index for every country and region within FTSE GEIS (known as the FTSE All-World Index Series). Additionally, the aggregate of the constituents of the Large, Mid, Small and Micro Cap indices is known as "Total Cap".

## 13. What index return types are available?

Total, Price, Net, 100% Hedged, and Net Hedged indices are available.

## 14. What currencies are the indices calculated in?

Indices within FTSE GEIS are calculated in USD, GBP, EUR, JPY, AUD, CNY, HKD, CAD. Additional currencies may also be available.

## 15. When was FTSE GEIS launched and how much history is available?

FTSE GEIS was launched on 22 September 2003. Index history for the FTSE Global All Cap Index begins on 31 December 2002.

The FTSE Global Micro Cap Index and FTSE Global Total Cap Index were launched in March 2018. The FTSE All-World Index (Large and Mid Cap) was launched in June 2000.

## 16. Where can I find more information on the indices?

Every index family is described on [FTSE Russell Indices, Insights & Data | LSEG](#) and its detailed Ground Rules and a selection of recent factsheets are freely available.

If you have any questions and would like to speak to a client services individual directly, please do not hesitate to contact us on the numbers below, or via email at [info@ftserussell.com](mailto:info@ftserussell.com)

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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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