

---

# FTSE Market Based Allocation Index Series

---



## Contents

---

<b>FTSE Market Based Allocation Index Series .....</b>	<b>3</b>
<b>1. What is the FTSE Market Based Allocation Index Series? .....</b>	<b>3</b>
<b>2. What indexes are currently available within the FTSE Market Based Allocation Index Series? .....</b>	<b>3</b>
<b>3. How can these indexes be used?.....</b>	<b>3</b>
<b>4. In what sense are these indexes “market based” and what are the key metrics for defining risk? .....</b>	<b>4</b>
<b>5. What’s the rationale for using Morningstar Fund Database to derive asset allocation levels? .....</b>	<b>4</b>
<b>6. What are the actual 3-year volatility levels for funds within each fund cohort? .....</b>	<b>4</b>
<b>7. What asset classes are included within the series, and which indexes are used to represent the performance of these asset classes?.....</b>	<b>5</b>
<b>8. How often are the asset allocation weights reviewed?.....</b>	<b>5</b>
<b>9. Will the indexes be re-weighted intra review to address drifts from assigned asset allocation weights?.....</b>	<b>5</b>
<b>10. How much history is available for the FTSE Market Based Allocation Index Series? .....</b>	<b>5</b>
<b>11. What are the governance standards? .....</b>	<b>6</b>
<b>12. What are the index codes and Bloomberg tickers? .....</b>	<b>6</b>

## FAQs

# FTSE Market Based Allocation Index Series

---

## 1. What is the FTSE Market Based Allocation Index Series?

The FTSE Market Based Allocation Index Series is a set of multi-asset benchmarks designed for investors with differing risk tolerance levels. The asset allocation weights for the indexes are calculated using the asset allocation weights of real-world multi asset funds, grouped into cohorts by their historical volatility levels.

## 2. What indexes are currently available within the FTSE Market Based Allocation Index Series?

Currently, the index series include the 5 indexes specifically designed for US investors.

- FTSE US Market Based Allocation Conservative Index
- FTSE US Market Based Allocation Moderately Conservative Index
- FTSE US Market Based Allocation Moderate Index
- FTSE US Market Based Allocation Moderately Aggressive Index
- FTSE US Market Based Allocation Aggressive Index

## 3. How can these indexes be used?

The primary purpose of the FTSE Market Based Allocation Index Series is to provide fund managers, wealth managers, and financial advisors with a measure of performance against which to compare their multi-asset investment portfolios.

The asset allocation weights associated with these indexes are also reference data for CIOs/Asset Allocators/Portfolio Managers.

The indexes can also serve as basis for constructing passively managed multi-asset portfolios, as the asset allocation levels within each index can be replicated using existing index-based funds/ETFs in the market.

#### 4. In what sense are these indexes “market based” and what are the key metrics for defining risk?

The index asset allocation weights reflect snapshots of average allocations of real-world multi-asset funds at a given point of time. First, we identify all asset allocation funds (closed ended + open ended, non-passive) that are reported in the Morningstar fund database. We then group these funds into 5 quintiles based on their 3-year volatility level, and the average asset allocation level for each quintile becomes the weights we apply to our indexes.

Index	Eligible Morningstar fund universe	Asset allocation calculation method
Conservative Index	Asset allocation funds, 5 <sup>th</sup> quintile volatility ranking	Simple average asset allocations of eligible funds relevant to the specific index
Moderately Conservative index	Asset allocation funds, 4 <sup>th</sup> quintile volatility ranking	
Moderate Index	Asset allocation funds, 3 <sup>rd</sup> quintile volatility ranking	
Moderately Aggressive Index	Asset allocation funds, 2 <sup>nd</sup> quintile volatility ranking	
Aggressive Index	Asset allocation funds, 1 <sup>st</sup> quintile volatility ranking	

To ensure that the asset allocation levels are keeping up with market trends, the weights are reviewed semi-annually, and the indexes are rebalanced quarterly to the target weights.

#### 5. What’s the rationale for using Morningstar Fund Database to derive asset allocation levels?

The Morningstar Fund Database contains asset allocation information for a broad set of asset allocation funds in the US. The range and depths of the database allows us to derive asset allocation levels that are statistically robust and representative of the broader market.

#### 6. What are the actual 3-year volatility levels for funds within each fund cohort?

The volatility levels of the funds do fluctuate from time to time with the market conditions. As of the September 2018 review, the volatility ranges of the fund cohorts used for the FTSE Market Based Allocation Index Series are summarized as follows:

Fund cohorts	3y Return volatility range, annualized, for all funds within eligible fund universe		
	Low (%)	Median (%)	High (%)
Conservative cohort	1.8	4.5	5.6
Moderately conservative cohort	5.6	6.6	7.3
Moderate cohort	7.3	7.9	8.7
Moderately Aggressive cohort	8.7	9.6	10.3
Aggressive cohort	10.3	11.0	21.2

Source: FTSE Russell. Indicative review was conducted in September 2018 based on Morningstar fund data as at end of June 2018. Review results are indicative only and are not applied to the indexes. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

## 7. What asset classes are included within the series, and which indexes are used to represent the performance of these asset classes?

The asset classes represented in the FTSE Market Based Allocation Index Series are relevant to US fund managers and wealth managers. The performance of each asset class is represented by either a flagship FTSE Russell index or Federal Funds Rate (component Index):

Asset class	Component index
US Equities	Russell 3000® Index
Developed ex US Equities	FTSE Developed All Cap ex US Index
Emerging Market Equities	FTSE Emerging All Cap Index
US Government / Agency Bonds	FTSE USBIG® Treasury/ Agency Index
US Collateralized Bonds	FTSE USBIG® Collateralized Index
US Corporate Bonds	FTSE USBIG® Corporate Index
Global ex US Bonds	FTSE Non-USD World Government Bond Index
Cash	Fed Funds Rate
Other investments	Fed Funds Rate (for calculating Benchmark indexes, 2% is added to this rate)

## 8. How often are the asset allocation weights reviewed?

The asset allocation levels are reviewed semiannually in March and September, based on Morningstar data as of the close of business on the last business day of the previous quarter.

Changes in asset allocation levels are provided to clients after the close on the second Friday of the review month and implemented after the close on the third Friday (effective the following Monday) of the review month.

## 9. Will the indexes be re-weighted intra review to address drifts from assigned asset allocation weights?

In June and December, each index in the series is rebalanced back to the asset allocation levels set as of the immediate prior review. The rebalance is implemented after the close on the third Friday (effective the following Monday) of June and December.

## 10. How much history is available for the FTSE Market Based Allocation Index Series?

Asset allocation weights and index performance history is available from March 2007.<sup>1</sup>

<sup>1</sup> Data prior to index launch represents hypothetical, historical performance. Please see the end for important legal disclosures.

## 11. What are the governance standards?

To oversee the FTSE Market Based Allocation Index Series, 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 defense risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks and the European benchmark regulation.

## 12. What are the index codes and Bloomberg tickers?

Index code	BBG ticker	Index name
FUSMBAC	FUSMBAC	FTSE US Market Based Allocation Conservative Total Return Index
FUSMBAMC	FUSMBAMC	FTSE US Market Based Allocation Moderately Conservative Total Return Index
FUSMBAM	FUSMBAM	FTSE US Market Based Allocation Moderate Total Return Index
FUSMBAMA	FUSMBAMA	FTSE US Market Based Allocation Moderately Aggressive Total Return Index
FUSMBAA	FUSMBAA	FTSE US Market Based Allocation Aggressive Total Return Index

## **For more information about our indexes, please visit [ftserussell.com](http://ftserussell.com).**

---

© 2019 London Stock Exchange Group plc and its applicable group undertakings (the “LSE Group”). The LSE Group includes (1) FTSE International Limited (“FTSE”), (2) Frank Russell Company (“Russell”), (3) FTSE Global Debt Capital Markets Inc. and FTSE Global Debt Capital Markets Limited (together, “FTSE Canada”), (4) MTSNext Limited (“MTSNext”), (5) Mergent, Inc. (“Mergent”), (6) FTSE Fixed Income LLC (“FTSE FI”) and (7) The Yield Book Inc (“YB”). All rights reserved.

FTSE Russell® is a trading name of FTSE, Russell, FTSE Canada, MTSNext, Mergent, FTSE FI, YB. “FTSE®”, “Russell®”, “FTSE Russell®”, “MTS®”, “FTSE4Good®”, “ICB®”, “Mergent®”, “The Yield Book®” and all other trademarks and service marks used herein (whether registered or unregistered) are trademarks and/or service marks owned or licensed by the applicable member of the LSE Group or their respective licensors and are owned, or used under licence, by FTSE, Russell, MTSNext, FTSE Canada, Mergent, FTSE FI, YB. FTSE International Limited is authorised and regulated by the Financial Conduct Authority as a benchmark administrator.

All information is provided for information purposes only. All information and data contained in this publication is obtained by the LSE Group, from sources believed by it to be accurate and reliable. Because of the possibility of human and mechanical error as well as other factors, however, such information and data is provided “as is” without warranty of any kind. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the accuracy, timeliness, completeness, merchantability of any information or of results to be obtained from the use of the FTSE Russell Indexes or the fitness or suitability of the FTSE Russell Indexes for any particular purpose to which they might be put. Any representation of historical data accessible through FTSE Russell Indexes is provided for information purposes only and is not a reliable indicator of future performance.

No responsibility or liability can be accepted by any member of the LSE Group nor their respective directors, officers, employees, partners or licensors for (a) any loss or damage in whole or in part caused by, resulting from, or relating to any error (negligent or otherwise) or other circumstance involved in procuring, collecting, compiling, interpreting, analysing, editing, transcribing, transmitting, communicating or delivering any such information or data or from use of this document or links to this document or (b) any direct, indirect, special, consequential or incidental damages whatsoever, even if any member of the LSE Group is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, such information.

Past performance is no guarantee of future results. Charts and graphs are provided for illustrative purposes only. Index returns shown may not represent the results of the actual trading of investable assets. Certain returns shown may reflect back-tested performance. All performance presented prior to the index inception date is back-tested performance. Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect when the index was officially launched. However, back- tested data may reflect the application of the index methodology with the benefit of hindsight, and the historic calculations of an index may change from month to month based on revisions to the underlying economic data used in the calculation of the index.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing contained in this document or accessible through FTSE Russell Indexes, including statistical data and industry reports, should be taken as constituting financial or investment advice or a financial promotion.

No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the applicable member of the LSE Group. Use and distribution of the LSE Group index data and the use of their data to create financial products require a licence with FTSE, Russell, FTSE Canada, MTSNext, Mergent, FTSE FI, YB and/or their respective licensors.

## About FTSE Russell

FTSE Russell is a leading global index provider creating and managing a wide range of indexes, data and analytic solutions to meet client needs across asset classes, style and strategies. Covering 98% of the investable market, FTSE Russell indexes offer a true picture of global markets, combined with the specialist knowledge gained from developing local benchmarks around the world.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create investment funds, ETFs, structured products and index-based derivatives. FTSE Russell indexes also provide clients with tools for asset allocation, investment strategy analysis and risk management.

A core set of universal principles guides FTSE Russell index design and management: a transparent rules-based methodology is informed by independent committees of leading market participants. FTSE Russell is focused on index innovation and customer partnership applying the highest industry standards and embracing the IOSCO Principles. FTSE Russell is wholly owned by London Stock Exchange Group.

For more information, visit [ftserussell.com](http://ftserussell.com).

## About Morningstar

Morningstar is the copyright owner of the Morningstar information used by FTSE Russell to calculate the data included in this document. All rights reserved 2017. The Morningstar information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

To learn more, visit [ftserussell.com](http://ftserussell.com); email [info@ftserussell.com](mailto:info@ftserussell.com); or call your regional Client Service Team office:

### EMEA

+44 (0) 20 7866 1810

### North America

+1 877 503 6437

### Asia-Pacific

Hong Kong +852 2164 3333

Tokyo +81 (3) 4563 6346

Sydney +61 (0) 2 8823 3521