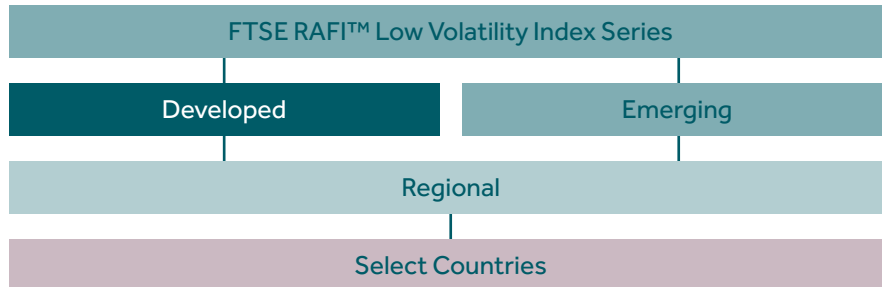


# FTSE RAFI™ Low Volatility Index Series

## Objective

The FTSE RAFI™ Low Volatility Index Series Series is part of FTSE's range of alternatively weighted indexes. The index series is designed to measure the performance of a basket of low volatility stocks screened for value. It employs a fundamental weighting methodology whereby constituent weights are determined using fundamental measures of company size rather than market capitalization.

## Index series coverage



## Index construction overview

The FTSE RAFI™ Low Volatility Index Series consists of low volatility companies that are not overpriced. Low volatility stocks are identified both from an industry and region/country perspective.

The FTSE RAFI™ Low Volatility Index Series is reviewed annually before the first Friday in March. Changes arising from the annual review are implemented in four stages after the close of business on the third Friday of March, June, September and December each year.

## Features

- Targets low volatility stocks which have passed screens for value and liquidity.
- By using fundamental measures of company size to sever the link between market capitalization and portfolio weight – and contra-trading against these – The FTSE RAFI™ Low Volatility Index Series seeks to deliver a return premium versus the market benchmark over the long term.
- The index series uses a transparent, rules-based construction process.
- Liquidity screening ensures the indexes can be used for the creation of index tracking products such as ETFs.
- Price and Total Return indexes are calculated on a real-time and end-of-day basis.
- The index series is calculated and published in multiple currencies.
- The universe of eligible constituents is the FTSE Global All Cap Index.

## Index design

1.

**Universe selection:** For FTSE RAFI™ Low Volatility Index Series, the regional constituents of the FTSE Global All Cap Index are used.



2.

**Fundamental weighting and ranking:** The universe of companies is ranked by the average of the four fundamental measures of company size: book value, cash flow, sales, and dividends. The purpose of this step is to eliminate the return drag from cap-weighted indexing.



3.

**Fundamental screening:** Companies that are expensive relative to their fundamental value, within their sector and country group, are flagged for removal. The purpose of this step is to eliminate expensive stocks that would adversely impact performance.



4.

**Low volatility screening:** The remaining companies are screened for volatility. The least volatile stocks from each country then region/industry group are selected to form the index constituents. The purpose of this step is to emphasize broad diversification across sectors and countries.



5.

**Index weighting:** The index constituents of low volatility stocks are weighted in proportion to their fundamental value. This is to ensure that the index is not excessively concentrated in a small number of stocks, retains a high level of capacity and liquidity, facilitates replication, and reduces transaction costs.



6.

**Index rebalancing:** The index is reviewed annually. Changes arising from the annual March review are applied in four stages: March, June, September and December. The purpose of this step is to improve implementation by spreading rebalancing related trading throughout the year.

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

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