

METHODOLOGY OVERVIEW

Russell Dividend Growth Index Series



Measuring companies with consistent dividend growth

The Russell Dividend Growth Indices include stocks of companies that have successfully increased their dividend payments over a period of ten years.

Dividend growth stocks have been gaining interest among market participants for their potential to provide high risk-adjusted returns. Increasing dividends are viewed by some investors as an indicator of management confidence in future earnings and commitment to creating shareholder value in addition to balance sheet and market performance strength.

Stocks in the base index are screened for liquidity and dividend payment history status, then selected and equal weighted subject to a maximum sector weight of 30%. To maintain appropriate weightings, index constituents are rebalanced to equal weight on a quarterly basis.

The resulting indices are ideal tools for research, for analyzing this interesting market segment and for the creation of tradable products such as ETFs.

Russell Dividend Growth Indices features and benefits

- **Consistent dividend increases.** The index methodology identifies companies that have consistently increased their dividend payments over ten years.
- **Diversified.** The methodology combines a simple equal weight and a sector capping approach resulting in a better diversified index.
- **Liquid.** Constituents are screened for liquidity based on 20-day average daily dollar traded volume (ADDTV).
- **Accessible.** The indices provide equal-weighted coverage of available dividend growth stocks.
- **Objective.** FTSE Russell indexes are constructed using a transparent rules-based methodology to be used as the basis of investable products and as research and measurement tools.

Available indices

Russell 1000® Dividend Growth Index

Russell 2000® Dividend Growth Index

Russell 3000® Dividend Growth Index

Russell Top 200® Dividend Growth Index

Russell Midcap® Dividend Growth Index

Russell 3000 Dividend Elite Index*

Leaders in index design

At FTSE Russell, we offer a comprehensive series of equity indices which give investors an accurate view of the markets.

Since launching the first small cap index in 1984, the Russell 2000 Index, FTSE Russell has been viewed as a leading innovator in index design, consistently setting industry standards that are relevant today.

* Russell 3000 Dividend Elite Index represents the performance of companies that have regularly increased their dividend payments over a period of 35 years



Construction and methodology¹

- Begin by selecting a base index, e.g. Russell 2000® Index.
- Apply liquidity screen. Russell 2000 index constituents are ranked in order of 20-day average dollar traded volume (ADDTV) and companies with ADDTV below the 20th percentile are removed. This threshold, computed from the Russell 2000 constituents, is then also applied to the Russell US Dividend Growth Indices. For each universe, constituents that are at or above the threshold comprise the set of constituents eligible for further screening.
- Remaining securities are assessed for dividend growth over time. Eligible stocks must have increasing per-share regular cash dividends for ten consecutive years. (*35 years for Russell 3000 Dividend Elite Index)
- Where there are fewer than 40 eligible constituents, companies with nine years of increasing dividends are added to the remaining list in descending order of dividend yield, until the total number of remaining constituents is 40. If there are still fewer than 40, constituents with eight years of increasing dividends are likewise added. If after this step there are still fewer than 40, no further additions are made.
- Weight remaining stocks equally. Where any sector represents 30% or more of the index remove constituents from that sector in ascending order of dividend yield until the sector represents less than 30%.
- If the total number of remaining constituents is fewer than 40, add constituents with nine years of increasing dividends to sectors with weights below 30%, in descending order of dividend yield, until there are 40 constituents. If there are still fewer than 40, repeat using constituents with eight years of increasing dividends. If there still are fewer than 40 constituents, the process is not continued further.

Reconstitution

The Russell Dividend Growth Indices are completely reconstituted in June of each year. In March, September and December constituent weightings are rebalanced to equal weight.

¹ For additional information, refer to the index construction and methodology:
https://www.lseg.com/content/dam/ftse-russell/en_us/documents/ground-rules/russell-dividend-growth-indexes-ground-rules.pdf

About FTSE Russell

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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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