

FTSE Global All Cap with Equity Mid Cap Overlay Convertible Bond Index Methodology

LSEG Convertible Indices

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Section 1

Introduction

This document covers the construction of the FTSE Global All Cap Focus with Equity Mid Cap Overlay Convertible Bond Index.

The FTSE Global All Cap Focus Convertible Index is referred in this document as the 'Base' Index.

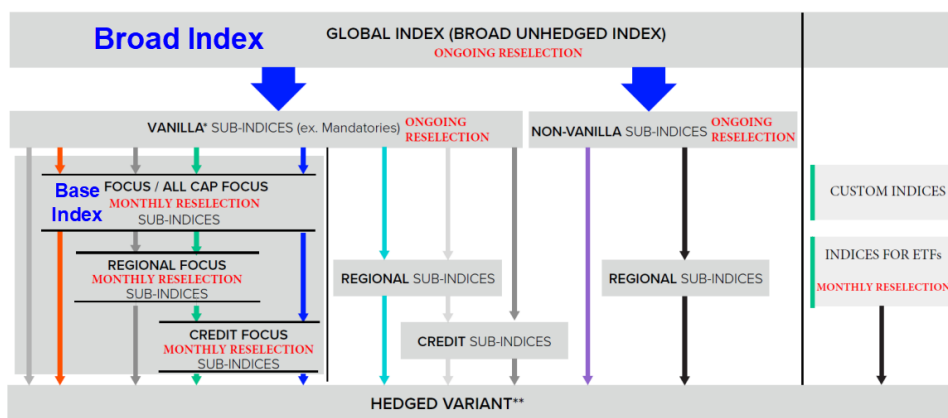
The FTSE Global Convertible Index is referred in this document as 'Broad' Index.

The Methodology for the selection and maintenance of the Base and Broad Indices is described in the [FTSE Convertible Index Methodology](#).

Defined terms used in this document have the meaning ascribed to them in the Base / Broad Index Methodology unless explicitly defined here.

Index variants are:

- FTSE Global All Cap Focus with Equity Mid Cap Overlay Convertible Bond Index (EUR)
- FTSE Global All Cap Focus with Equity Mid Cap Overlay Convertible Bond Index (EUR) Hedged
- FTSE Global All Cap Focus with Equity Mid Cap Overlay Convertible Bond Index (USD)
- FTSE Global All Cap Focus with Equity Mid Cap Overlay Convertible Bond Index (USD) Hedged
- FTSE Global All Cap Focus with Equity Mid Cap Overlay Convertible Bond Index (CHF)
- FTSE Global All Cap Focus with Equity Mid Cap Overlay Convertible Bond Index (CHF) Hedged
- FTSE Global All Cap Focus with Equity Mid Cap Overlay Convertible Bond Index (GBP)
- FTSE Global All Cap Focus with Equity Mid Cap Overlay Convertible Bond Index (GBP) Hedged



*Those Sub-Indices that were not Vanilla from the start became Vanilla at different times, see a full list of available sub-indices and the relevant Vanilla dates [here](#).

**Some indices do not have a hedged variant.

Section 2

Selection method

2.1 Overview

FTSE Global All Cap with Equity Mid Cap Overlay Convertible Bond Index is a sub-index of the Base Index. This sub-Index aims to track the market of Balanced convertible bonds issued by the 'Mid Cap' sized issuers.

The base date for the Index is set to 9th Jan 2019. The Index value at EoD on the base date is set to 100.

2.2 Selection Process

The overall rebalancing process is fully aligned with the Focus Reselection calendar.

The Index is constructed AFTER the composition of the Base index is determined at monthly rebalancing.

After the composition of the Base index is determined:

- Remaining Index constituents are tested against the Retention Equity Market Capitalisation Threshold. The testing period replicates that of the Base index testing period.
- Base Index constituents not present in the Index are tested against the Addition Equity Market Capitalisation Threshold and checked for time to maturity. The testing period replicates that of Base index for each tested constituent. To be confirmed as an Add, the issue must have a maturity date that is more than six months after the Focus Monthly Review Effective Date for the current Focus Monthly Review.

In case of a constituent converting into a Basket, the Equity Market Capitalisation is determined by the basket component with the highest weight as determined at the EoD of the last testing day.

- Component Weight is calculated as: $\text{Basket Factor} * \text{EoD Equity Price} / \text{FX}$ to convert to common currency. The resulting Weight is rounded down to 2 decimal places.

In case of an equal component weight the Equity Market Capitalisation of each component is tested. All components must satisfy the relevant threshold for the Basket linked constituent to be retained / added.

All changes between rebalancing dates are driven by the Base index, except for the cases of Equity Market Capitalisation Proactive Deselection.

2.3 Equity Market Capitalisation Determination

Equity Market Capitalisation of a constituent is the Equity Market Capitalisation of the issuer of the shares the constituent converts into or the issuer of the shares that determine the value of the Exchange Property.

Equity Market Capitalisation is calculated for each applicable testing day on a full Market Capitalisation basis in US dollars using the number of Equity Shares outstanding at the EoD of the last testing day multiplied by the EoD Equity Price for the testing day.

In case of a Tech Add / Drop for change of underlying equity during the testing period, Equity Market Capitalisation determination will be based on Equity Shares Outstanding at the EoD of the last testing day for the issuer of the underlying equity added during the change of underlying Tech Add / Drop.

For Tech Add / Drop for change of underlying equity occurring outside of the testing period (daily testing) Equity Market Capitalisation determination will be based on Equity Shares outstanding at the EoD of the Tech Add / Drop.

In the unlikely circumstances of a delay in availability of the Equity Shares Outstanding during the Tech Add/Drop process, the constituent will be assumed to have the Equity Market Capitalisation prior to the Tech Add / Drop until the necessary data is available.

All calculations related to the Equity Market Capitalisation account for relevant share splits or consolidations.

2.4 Testing and Proactive Deselection Thresholds

2.4.1 Equity Market Capitalisation Testing Thresholds

Drop threshold – Equity Market Capitalisation of greater than or equal to (\geq) 5B USD for each of the testing days.

Addition threshold – Equity Market Capitalisation of less than or equal to (\leq) 4.5B USD for each of the applicable testing days.

2.4.2 Equity Overlay Proactive Deselection Threshold

Any constituent of the Index, where Equity Market Capitalisation is greater than or equal to (\geq) 6B USD for 5 consecutive weekdays, will be dropped from the Index.

Any issue failing a threshold on 2 consecutive weekdays will be included in the Index Status Report as a Possible Drop. Once announced, the issue will either remain on the Index Status Report until it is announced as a Drop or will be removed from the report the Workday after it no longer fails the threshold that triggered the announcement.

Equity Market Capitalisation testing between the reselections will be based on the number of shares outstanding used during the most reselect reselection cycle. The equity price and FX rate used will be the EoD Equity Price and FX rate for the testing day.

Drop Due to Equity Market Cap Proactive Deselection

Removal Basis	–	EoD Market Price on Drop Effective Date
	–	Equity Overlay Proactive Deselection Threshold

Timing Guidelines	–	Drop Notification Date: 1st Workday following the 5 th consecutive day of the issue failing the Equity Overlay Proactive Deselection Threshold
	–	Drop Announcement Date: The same as Drop Notification Date
	–	Drop Effective Date: 2 nd Workday following the Drop Notification Date

2.5 Expert Judgement

The number of the Equity Shares Outstanding is sourced from the specialist Corax team. FTSE Russell may apply expert judgment during the reselection period and delay application of the changes in the number of Equity Shares Outstanding provided by the Corax team. This may result in the issue remaining in the Index or being removed from the Index at the reselection.

Section 3

Calculation of Index

3.1 Index Calculation

The full process of the index calculation is detailed in [Convertible Indices Methodology](#).

3.2 Concentration Factors

The Index will inherit the concentration factor set for the Base index unless the number of constituents in the Index falls below 25% of the Base Index, in which case the concentration factor will be reviewed during the next reselection period following the event.

Individual Concentration Factors will be recalculated as set out in the Broad Index Methodology.

The calculation and application of Concentration Factors is described in the Broad Index Methodology.

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