

# FTSE Long Short Index Series

v1.3



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## Section 1

# Introduction

## 1. Introduction

- 1.1 This document sets out the ground rules for the construction and management of the FTSE Long Short Index Series.
- 1.2 The FTSE Long Short Index Series represents the performance of an investment approach that involves taking a long position in a particular strategy, market theme or sector that is represented by a FTSE Russell index, combined with an equal short position in the market of the index used for the long position.
- 1.3 The base currency of the indices is the same as their underlying index. Index values may also be published in other currencies.
- 1.4 For more information on the underlying indices, please refer to the relevant FTSE Russell ground rules at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 1.5 The FTSE Long Short Index Series does not take account of ESG factors in its index design.
- 1.6 FTSE Russell**
- 1.6.1 FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings.
- 1.6.2 FTSE Russell hereby notifies users of the index series that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index series and therefore, any financial contracts or other financial instruments that reference the index series or investment funds which use the index series to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.
- 1.6.3 Index users who choose to follow this index series or to buy products that claim to follow this index series should assess the merits of the index series' rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell for any losses, damages, claims and expenses suffered by any person as a result of:
- any reliance on these ground rules;
  - any inaccuracies in these ground rules;
  - any non-application or misapplication of the policies or procedures described in these ground rules; and/or
  - any inaccuracies in the compilation of the index series or any constituent data.
- 1.7 This index series is published at the end of each working day. The Total Return Indices are based on ex-dividend adjustments.

## Section 2

# Management responsibilities

## 2. Management responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series<sup>1</sup>.

2.1.2 FTSE will maintain records and disseminate the index.

2.1.3 MerQube is the calculation agent of the index series as defined by the IOSCO Principles and is responsible for its daily calculation.

### 2.2 Status of these ground rules

2.2.1 These ground rules set out the methodology and provide information about the publication of the FTSE Long Short Index Series.

### 2.3 Amendments to these ground rules

2.3.1 These ground rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index series. Any proposals for significant amendments to these ground rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.3.2 As provided for in the Statement of Principles for FTSE Russell Equity Indices, where FTSE Russell determines that the ground rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the ground rules, or to set a precedent for future action, but FTSE Russell will consider whether the ground rules should subsequently be updated to provide greater clarity.

<sup>1</sup> The term administrator is used in this document in the same sense as it is defined in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).

## Section 3

# FTSE Russell index policies

### 3. FTSE Russell index policies

These ground rules should be read in conjunction with the following policy documents, which can be accessed using the links below:

#### 3.1 **Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)**

Indices need to keep abreast of changing markets and the ground rules cannot anticipate every eventuality. Where the ground rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by the FTSE Russell Index Governance Board.

The Statement of Principles can be accessed using the following link:

[Statement\\_of\\_Principles.pdf](#)

#### 3.2 **Queries, Complaints and Appeals**

3.3 A constituent or prospective constituent company (or professional adviser acting on behalf of the company), a national organisation or a group of no fewer than 10 users of the indices from different organisations acting in their professional capacity may appeal against decisions taken by FTSE Russell.

FTSE Russell's complaints procedure can be accessed using the following link:

[Benchmark\\_Determination\\_Complaints\\_Handling\\_Policy.pdf](#)

3.4 FTSE Russell's appeal process can be accessed using the following link:

[Appeals\\_Against\\_Decisions.pdf](#)

#### 3.5 **Index Policy for Trading Halts and Market Closures**

3.5.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

[Index\\_Policy\\_for\\_Trading\\_Halts\\_and\\_Market\\_Closures.pdf](#)

#### 3.6 **Index Policy in the Event Clients are Unable to Trade a Market or a Security**

3.6.1 Details of FTSE Russell's treatment can be accessed using the following link:

[Index\\_Policy\\_in\\_the\\_Event\\_Clients\\_are\\_Unable\\_to\\_Trade\\_a\\_Market\\_or\\_a\\_Security.pdf](#)

### **3.7 Recalculation Policy and Guidelines**

- 3.7.1 The FTSE Long Short Index Series is recalculated whenever errors or distortions occur that are deemed to be significant, including, but not limited to, recalculation of index components. Users of the FTSE Long Short Index Series II are notified through appropriate media.

For further information please refer to the FTSE Russell Recalculation Policy and Guidelines document, which is available from the FTSE Russell website using the link below or by contacting [info@ftserussell.com](mailto:info@ftserussell.com).

[Recalculation Policy and Guidelines Equity Indices.pdf](#)

### **3.8 Policy for Benchmark Methodology Changes**

- 3.8.1 Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

### **3.9 FTSE Russell Governance Framework**

- 3.9.1 To oversee its indices, 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 defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

### **3.10 Real Time Status Definitions**

- 3.10.1 Please refer to the following guide for details of real time status definitions for indices that are calculated in real time.

[Real Time Status Definitions.pdf](#)

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<sup>2</sup> IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

<sup>3</sup> Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

<sup>4</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

## Section 4

# Calculation of indices

## 4. Calculation of indices

4.1.1 The Long Short Indices will only calculate on days where both of the underlying indices calculate. On days where only one of the underlying indices calculate, the Long Short Indices will not calculate.

4.1.2 The FTSE Long Short Indices are calculated as follows:

$$I(t) = I(t - 1) \times (w_A^o(t) \times r_A(t) + w_B^o(t) \times r_B(t) + 1)$$

where:

$I(t)$  is the value of the index at the time  $t$ .

$r_A(t)$  is the return of the component index  $A$  in the base currency of the composite index at the time  $t$ .

$r_B(t)$  is the return of the component index  $B$  in the base currency of the composite index at the time  $t$ .

$w_A^o(t)$  is the open weight of the index  $A$  at the time  $t$ .

$w_B^o(t)$  is the open weight of the index  $B$  at the time  $t$ .

Where:

$$w_A^o(t) = \begin{cases} w_A^o(t - 1) \times \frac{1 + r_A(t - 1)}{1 + R(t - 1)} & , t \text{ is not a rebalance effective day} \\ w_A^{o*} & , t \text{ is a rebalance effective day} \end{cases}$$

Where:

$R(t - 1)$  is the composite index return at  $t - 1$ :  $R(t - 1) = \frac{I(t-1)}{I(t-2)} - 1$

$w_A^{o*}$  is the review effective weight for component index  $A$   
(and the equivalent for  $w_B^o(t)$ ).

## Section 5

# Periodic rebalancing

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## 5. Periodic rebalancing

### 5.1 Periodic rebalancing

5.1.1 The rebalance frequency for the FTSE Long Short Indices is detailed in Appendix B.



## Appendix A

# Underlying indices and weights

FTSE Long Short Index	Component index	Weight
Russell 1000 Invesco Dynamic MultiFactor Daily Long Short Total Return Index	Russell 1000 Invesco Dynamic MultiFactor Total Return Index	100%
	Russell 1000 Total Return Index	-100%
Russell 1000 Invesco Dynamic MultiFactor Monthly Long Short Total Return Index	Russell 1000 Invesco Dynamic MultiFactor Total Return Index	100%
	Russell 1000 Total Return Index	-100%
Russell 2000 Invesco Dynamic MultiFactor Daily Long Short Total Return Index	Russell 2000 Invesco Dynamic MultiFactor Total Return Index	100%
	Russell 2000 Total Return Index	-100%
Russell 2000 Invesco Dynamic MultiFactor Monthly Long Short Total Return Index	Russell 2000 Invesco Dynamic MultiFactor Total Return Index	100%
	Russell 2000 Total Return Index	-100%
FTSE Developed ex US Invesco Dynamic MultiFactor Daily Long Short Total Return Index	FTSE Developed ex US Invesco Dynamic MultiFactor Total Return Index	100%
	FTSE Developed ex US Total Return Index	-100%
FTSE Developed ex US Dynamic MultiFactor Monthly Long Short Total Return Index	FTSE Developed ex US Invesco Dynamic MultiFactor Total Return Index	100%
	FTSE Developed ex US Total Return Index	-100%
FTSE Emerging Invesco Dynamic MultiFactor Daily Long Short Total Return Index	FTSE Emerging Invesco Dynamic MultiFactor Total Return Index	100%
	FTSE Emerging Total Return Index	-100%
FTSE Emerging Dynamic MultiFactor Monthly Long Short Total Return Index	FTSE Emerging Invesco Dynamic MultiFactor Total Return Index	100%
	FTSE Emerging Total Return Index	-100%
FTSE Developed ex Korea ex Japan Invesco Dynamic MultiFactor Daily Long Short Total Return Index	FTSE Developed ex Korea ex Japan Invesco Dynamic MultiFactor Total Return Index	100%
	FTSE Developed ex Korea ex Japan Total Return Index	-100%
FTSE Developed ex Korea ex Japan Dynamic MultiFactor Monthly Long Short Total Return Index	FTSE Developed ex Korea ex Japan Invesco Dynamic MultiFactor Total Return Index	100%
	FTSE Developed ex Korea ex Japan Total Return Index	-100%
Russell 1000 Pure Size Target Exposure Factor Long Short Index	Russell 1000 Pure Size Target Exposure Factor Total Return Index	100%
	Russell 1000 Total Return Index	-100%
Russell 1000 Pure Value Target Exposure Factor Long Short Index	Russell 1000 Pure Value Target Exposure Factor Total Return Index	100%
	Russell 1000 Total Return Index	-100%
Russell 1000 Pure Momentum Target Exposure Factor Long Short Index	Russell 1000 Pure Momentum Target Exposure Factor Total Return Index	100%
	Russell 1000 Total Return Index	-100%
Russell 1000 Pure Low Volatility Target Exposure Factor Long Short Index	Russell 1000 Pure Low Volatility Target Exposure Factor Total Return Index	100%
	Russell 1000 Total Return Index	-100%
Russell 1000 Pure Quality Target Exposure Factor Long Short Index	Russell 1000 Pure Quality Target Exposure Factor Total Return Index	100%
	Russell 1000 Total Return Index	-100%

## Appendix B

# Rebalance frequency

FTSE Long Short Index	Re-weighting frequency
Russell 1000 Invesco Dynamic MultiFactor Daily Long Short Total Return Index	Re-weight daily
Russell 1000 Invesco Dynamic MultiFactor Monthly Long Short Total Return Index	Re-weight monthly (open of 4 <sup>th</sup> business day)
Russell 2000 Invesco Dynamic MultiFactor Daily Long Short Total Return Index	Re-weight daily
Russell 2000 Invesco Dynamic MultiFactor Monthly Long Short Total Return Index	Re-weight monthly (open of 4 <sup>th</sup> business day)
FTSE Developed ex US Invesco Dynamic MultiFactor Daily Long Short Total Return Index	Re-weight daily
FTSE Developed ex US Dynamic MultiFactor Monthly Long Short Total Return Index	Re-weight monthly (open of 4 <sup>th</sup> business day)
FTSE Emerging Invesco Dynamic MultiFactor Daily Long Short Total Return Index	Re-weight daily
FTSE Emerging Dynamic MultiFactor Monthly Long Short Total Return Index	Re-weight monthly (open of 4 <sup>th</sup> business day)
Russell 1000 Pure Size Target Exposure Factor Long Short Index	Re-weight monthly (open of 4 <sup>th</sup> business day)
Russell 1000 Pure Value Target Exposure Factor Long Short Index	Re-weight monthly (open of 4 <sup>th</sup> business day)
Russell 1000 Pure Momentum Target Exposure Factor Long Short Index	Re-weight monthly (open of 4 <sup>th</sup> business day)
Russell 1000 Pure Low Volatility Target Exposure Factor Long Short Index	Re-weight monthly (open of 4 <sup>th</sup> business day)
Russell 1000 Pure Quality Target Exposure Factor Long Short Index	Re-weight monthly (open of 4 <sup>th</sup> business day)

## Appendix C

# Further information

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A Glossary of Terms used in FTSE Russell's Ground Rule documents can be found using the following link:

[Glossary.pdf](#)

Further information on the FTSE Long Short Indices is available from FTSE Russell.

For contact details, please visit the FTSE Russell website or contact FTSE Russell client services at [info@ftserussell.com](mailto:info@ftserussell.com).

**Website:** [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)

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