

SOLUTION OVERVIEW

Russell High Efficiency Defensive Index[®] Series

A lens into the first and only index series to offer target tracking error to the Russell US Indexes

Overview:

The Russell High Efficiency Defensive Index[®] (HEDI) Series is designed to deliver an efficient, transparent, and turnover-controlled capture of the Low Volatility and Quality variables from the Russell Stability Indexes at various levels of tracking error. These indexes offer a non cap-weighted implementation of the Russell Defensive Index[®]. In addition, the indexes are the first and only index series to offer target tracking error to the industry leading Russell benchmarks, a key benefit to pension plans, foundations and endowments.

The Russell High Efficiency Defensive Index goes beyond a single solution by providing low and moderate tracking-error targets that can be used to accommodate investor's risk budgets. Stocks are weighted in direct proportion to factor signal scores, which results in higher informational efficiency and higher Sharpe and Information Ratios compared to capitalization-weighted indexes. Rebalancing buffers and turnover minimization techniques achieve a significant reduction in turnover compared to other passive alternatives, thus facilitating a cost-effective index replication.

Index Offering:

Full list of indices can be found in the [Russell High Efficiency Defensive Index Series Ground Rules](#).

- Russell 1000 High Efficiency[™] Defensive Index[®] – Low Target Tracking Error (R1 HEDI Low)
- Russell 1000 High Efficiency[™] Defensive Index[®] – Moderate Tracking Error (R1 HEDI Mod)
- Russell 2000 High Efficiency[™] Defensive Index[®] – Low Target Tracking Error (R2 HEDI Low)
- Russell 2000 High Efficiency[™] Defensive Index[®] – Moderate Tracking Error (R2 HEDI Mod)
- Russell 3000 High Efficiency[™] Defensive Index[®] – Low Target Tracking Error (R3 HEDI Low)
- Russell 3000 High Efficiency[™] Defensive Index[®] – Moderate Target Tracking Error (R3 HEDI Low)

A trusted partner

Approximately \$12.1 trillion is benchmarked to the Russell US Indexes*, which provide comprehensive representation of the US equity market and its size and style segments.

Relevant

The Russell US Indexes are modular and flexible in their design, enabling customizable asset allocation structure.

Representative

Comprehensive coverage of the large cap segment of the US equity market, suitable as a benchmark for actively managed investments or as the foundation of index-linked products such as mutual funds and ETFs.

Reliable

Maintained using transparent, objective rules including annual reconstitution, quarterly IPO additions, and daily corporate action adjustments to ensure the index remains representative.

* Source: Data as of December 31, 2021 as reported on April 1, 2022 by eVestment for institutional assets, Morningstar for retail mutual funds, insurance products, and ETFs, and additional passive assets directly collected by FTSE Russell. AUM data includes blended benchmarks and excludes futures and options. Passive assets directly collected by FTSE Russell have been removed from third party sources to prevent double counting. No assurances are given by FTSE Russell as to the accuracy of the data.

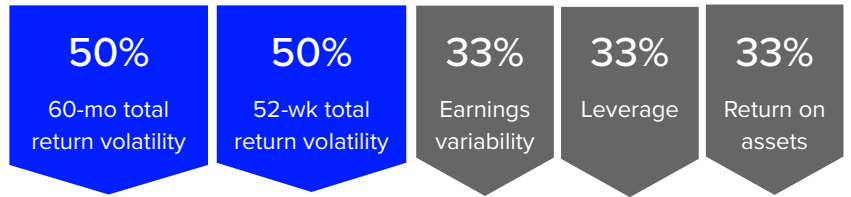


**FTSE
RUSSELL**
An LSEG Business

Index Construction

Step 1

Rank and score all stocks in the index on each variable independently, starting with the Russell 1000® or Russell 2000® Index



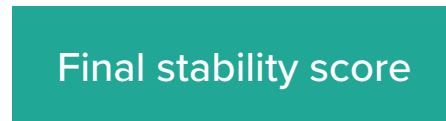
Step 2

Calculate a volatility score and quality score for each stock



Step 3

Equally weight volatility and quality scores to create rescaled stability score



Step 4

Calculate benchmark-relative weights for each stock accounting for investment capacity



Periodic Review

The indexes under the Russell High Efficiency Defensive Index Series are reviewed periodically, in line with the respective underlying universe. The Russell HEDI Index Series is rebalanced quarterly at the close of the third Friday of March, September, and December. June's rebalance is completed at the same time as the annual reconstitution of the parent index. Rebalance related index changes are announced four trading days prior to each rebalance date.

Transparency and Governance

Managed according to a publicly available, transparent rule set and in accordance with FTSE Russell's global best practice standards of index governance.

About FTSE Russell

FTSE Russell is a leading global provider of index and benchmark solutions, spanning diverse asset classes and investment objectives. As a trusted investment partner we help investors make better-informed investment decisions, manage risk, and seize opportunities.

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.

Contact Us

To learn more, visit lseg.com/ftse-russell; email info@ftserussell.com; or call your regional Client Service team office:

EMEA +44 (0) 20 7866 1810

Asia-Pacific

North America +1 877 503 6437

Hong Kong +852 2164 3333

Tokyo +81 (3) 6441 1430

Sydney +61 (0)2 7228 5659

Disclaimer

© 2024 London Stock Exchange Group plc and its applicable group undertakings ("LSEG"). LSEG 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) FTSE Fixed Income Europe Limited ("FTSE FI Europe"), (5) FTSE Fixed Income LLC ("FTSE FI"), (6) FTSE (Beijing) Consulting Limited ("WOFE") (7) Refinitiv Benchmark Services (UK) Limited ("RBSL"), (8) Refinitiv Limited ("RL") and (9) Beyond Ratings S.A.S. ("BR"). All rights reserved.

FTSE Russell® is a trading name of FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, WOFE, RBSL, RL, and BR. "FTSE®", "Russell®", "FTSE Russell®", "FTSE4Good®", "ICB®", "Refinitiv", "Beyond Ratings®", "WMM™", "FR™" 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 LSEG or their respective licensors and are owned, or used under licence, by FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, WOFE, RBSL, RL or BR. FTSE International Limited is authorised and regulated by the Financial Conduct Authority as a benchmark administrator. Refinitiv Benchmark Services (UK) 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 LSEG, from sources believed by it to be accurate and reliable. Because of the possibility of human and mechanical inaccuracy as well as other factors, however, such information and data is provided "as is" without warranty of any kind. No member of LSEG 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 LSEG Products, or of results to be obtained from the use of LSEG products, including but not limited to indices, rates, data and analytics, or the fitness or suitability of the LSEG products for any particular purpose to which they might be put. The user of the information assumes the entire risk of any use it may make or permit to be made of the information.

No responsibility or liability can be accepted by any member of LSEG 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 inaccuracy (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 LSEG is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, such information.

No member of LSEG nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing in this document should be taken as constituting financial or investment advice. No member of LSEG nor their respective directors, officers, employees, partners or licensors make any representation regarding the advisability of investing in any asset or whether such investment creates any legal or compliance risks for the investor. A decision to invest in any such asset should not be made in reliance on any information herein. Indices and rates cannot be invested in directly. Inclusion of an asset in an index or rate is not a recommendation to buy, sell or hold that asset nor confirmation that any particular investor may lawfully buy, sell or hold the asset or an index or rate containing the asset. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

Past performance is no guarantee of future results. Charts and graphs are provided for illustrative purposes only. Index and/or rate 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 or rate 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 or rate was officially launched. However, back-tested data may reflect the application of the index or rate methodology with the benefit of hindsight, and the historic calculations of an index or rate may change from month to month based on revisions to the underlying economic data used in the calculation of the index or rate.

This document may contain forward-looking assessments. These are based upon a number of assumptions concerning future conditions that ultimately may prove to be inaccurate. Such forward-looking assessments are subject to risks and uncertainties and may be affected by various factors that may cause actual results to differ materially. No member of LSEG nor their licensors assume any duty to and do not undertake to update forward-looking assessments.

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 LSEG. Use and distribution of LSEG data requires a licence from LSEG and/or its licensors.



**FTSE
RUSSELL**
An LSEG Business