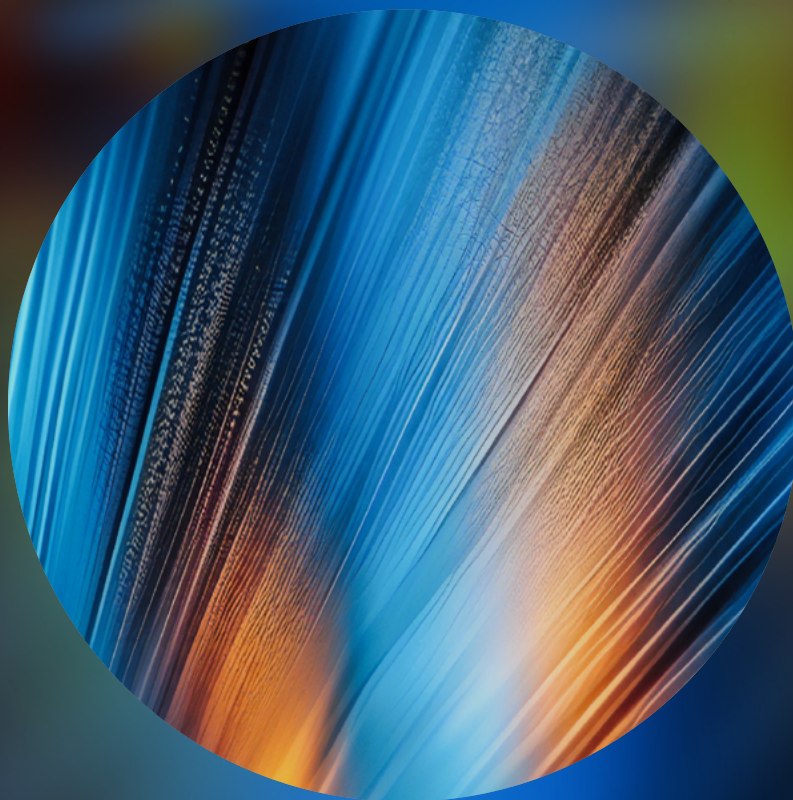




**FTSE
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An LSEG Business

How your index matters



Many indices have similar-sounding objectives, like tracking the largest US stocks, recording the performance of emerging market equities, or measuring the real estate investment trusts (REITs) market.



However, there can be unexpected differences between indices that seem similar but come from different providers.

Here's how your choice of index matters.

Is there a difference? US large-cap equities

Let's look at two competing indices that track this key segment of the stock market:

Russell Top 500 Index	S&P 500 indices
Representation	
"Provides unbiased representation of the largest 500 U.S. companies."	Known as a "gauge of large-cap US equities" and "includes 500 leading companies."
Method	
Includes largest 500 companies from the broader Russell 3000 index, which is reconstituted entirely each June.	Aims to include "500 leading companies," selected by a committee at S&P Dow Jones Indices. This adds a layer of subjectivity to the selection process.

Do those differences affect performance?

Yes. Past performance tells the story. From 2013 to 2023, the Russell Top 500 outperformed the S&P 500 in seven out of 11 years, sometimes by as much as 2.75%. In other years, the S&P 500 led by up to 1.70%.

2013–2023

Russell Top 500 Index
outperformed S&P 500
7 of those years
by up to **2.75%**

Eligibility. How are the companies qualified?

Each index differs in its criteria.

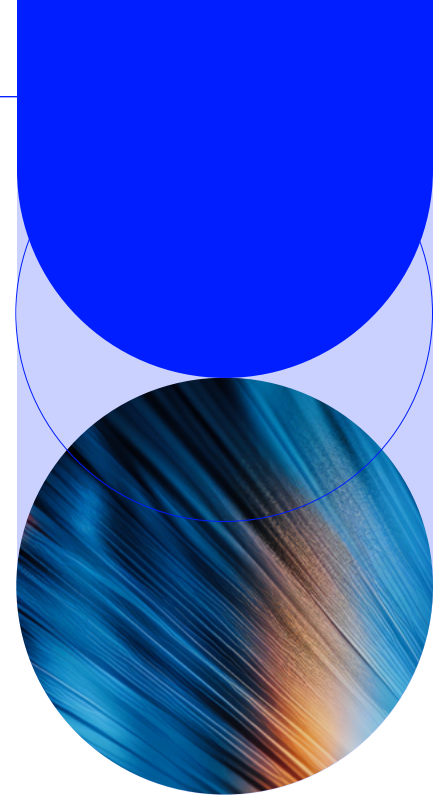
Russell Top 500 Index	S&P 500 indices
Nationality	
"Provides unbiased representation of the largest 500 U.S. companies."	Each has its own way of determining whether a company qualifies as a US stock.
Profitability	
No such requirement	Company must have positive earnings over four consecutive quarters (including the latest quarter)
Voting rights	
Requires at least 5% of voting rights be held by ordinary shareholders	No shareholder rule
Sector balancing	
No such requirement	Relative to the S&P total market index



Maintenance is important, too

This can make a big difference to returns.

Russell Top 500 Index	S&P 500 indices
Update schedule	
Fully reconstituted every June	No set schedule
Adding new companies (IPOs)	
New IPOs added quarterly	No set schedule, and companies must trade for 12 months before being eligible



How are countries classified?

How your index provider classifies countries can determine the markets you'll be exposed to via index tracker products.

We divide global markets into four categories: developed, advanced emerging, secondary emerging and frontier. We review classifications semi-annually and publish a 'watchlist' of likely future changes.

MARKET STATUS	
Developed	Advanced Emerging
Secondary Emerging	Frontier

FTSE All-World Index comprises large- and mid-cap stocks from developed, advanced emerging and secondary emerging countries.

FTSE Developed Index includes large- and mid-cap stocks solely from developed countries.

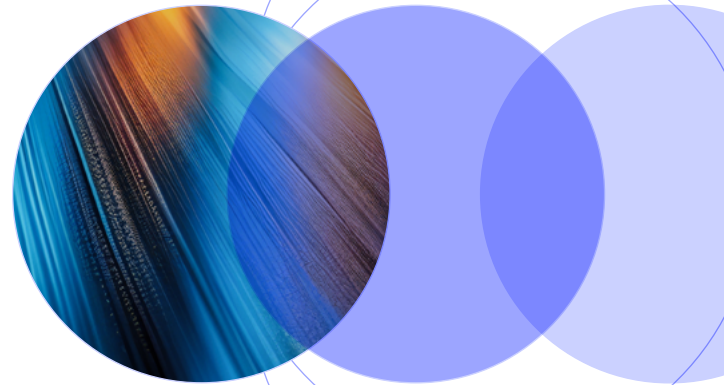
FTSE Emerging Index encompasses large- and mid-cap stocks from both advanced emerging and secondary emerging countries.

Not all index providers classify countries the same way. One provider's definition of an emerging market may differ from another. This can influence the exposure and performance of investments.

Which REITs should you watch?

Our real estate investment trust (REIT) indices are constructed and overseen by global real estate industry experts.

These indices include companies that own, trade and develop income-generating properties and cover markets around the world, including those classified as developed and emerging. You can find the criteria for which REITs are included in the table. However, bear in mind that other REIT indices might use different criteria.



Common stock listed in an eligible country and on eligible stock exchange

Not LLP, LP, MLP, PTP, LLC or BDC

Classified in an eligible ICB Industry or Subsector

For a complete list of eligible ICB classifications, please refer to the FTSE EPRA NAREIT Ground Rules

Derive at least 75% of EBITDA from relevant real-estate activities

Detailed annual report in English

Minimum size

Minimum liquidity

Minimum free float (5%)

Minimum voting rights (5%)

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.

Contact us

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