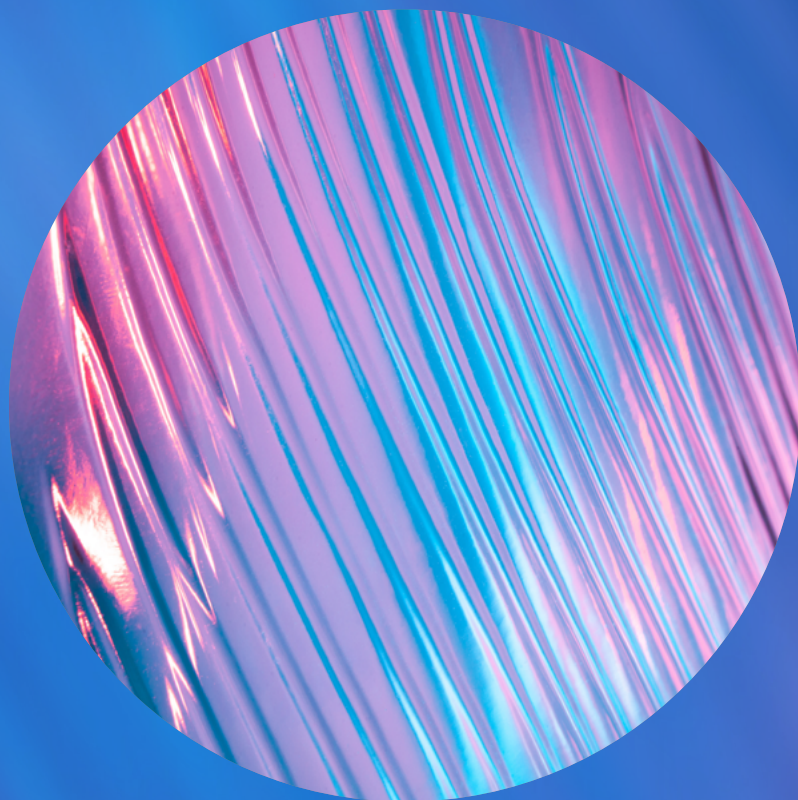




Why your index matters



When selecting products such as a tracker fund or exchange-traded fund (ETF), did you know that a better-constructed index can help achieve your investment goals with greater precision?

Here's why your index matters.



First, what is an index?

Measures performance or characteristics of a set of assets – equities (shares), bonds, real estate, commodities, currencies or digital assets.

Serve as **performance targets** in tracker funds.

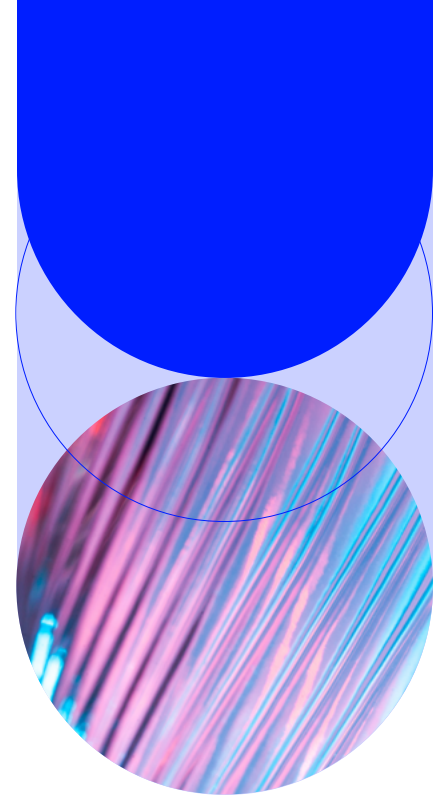
Barometers of market sentiment and help analysts identify and define trends.

An index is like a recipe in a cookery book

When used as the basis of a tracker fund or ETF, an index is like a recipe: it gives you the ingredients and instructions to produce a fund or ETF.

As an index provider, we produce hundreds of index 'recipes' investors can replicate and follow step-by-step. On our website, you can find them written as the 'ground rules' of each index series. We provide these because it's vital for investors to understand how indices are designed, built and maintained. By understanding the index better, you can decide if it helps you meet your investment goals.

"...it's vital for investors to understand how indices are designed, built and maintained."



What are ground rules?

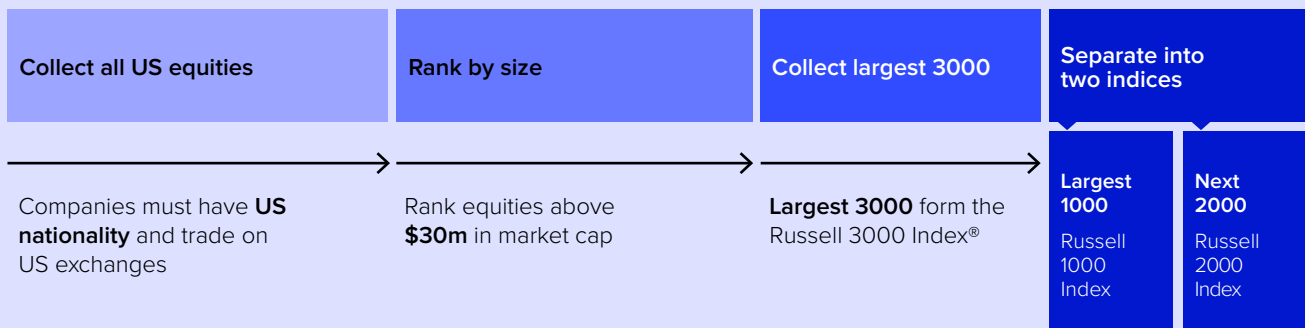
These are key reference documents for anyone wishing to understand the index methodology. They describe the

- **Index's objective** and its intended use
- **Management responsibilities** of the entities responsible for calculating, producing and operating the index
- **Relevant index policies** (such as the calculation method or the management of corporate events and actions), the inclusion criteria, any screens for index inclusion and the index review frequency.

EXAMPLE

How we build the Russell 1000 and 2000 indices

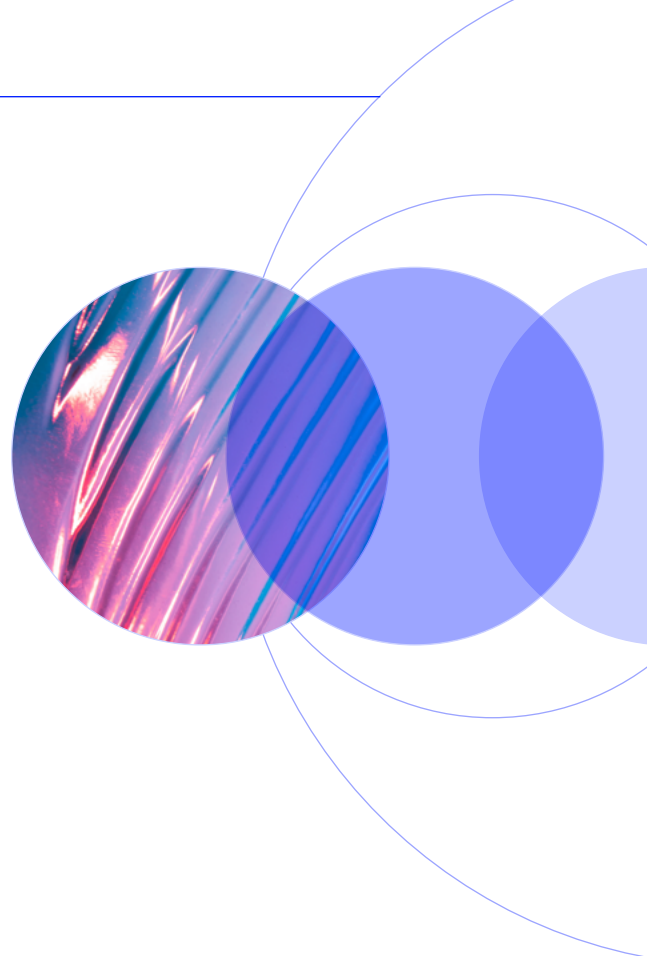
The Russell 1000 Index® and Russell 2000 Index® are widely used benchmarks for larger and smaller US stocks. This flow chart is an example of the ground rules used to build them.



How is an index maintained?

Financial markets change all the time. New companies join stock exchanges and are listed, while others are taken over or go out of business. Companies pay dividends and conduct stock splits. Bonds mature and others are issued. An index must account for all these changes.

We publish policies and procedures to explain how we maintain indices. Our index oversight follows the recommendations of internal governance bodies and considers the feedback from external advisory committees. Sometimes we consult the broader user base on more fundamental changes to index methodologies.



What makes a good index?

It should include the following qualities:

Objective

How constituents are selected should be objective and fair.

Transparent

Users can understand how the index is put together.

Representative

It represents performance of the market or market segment it's trying to measure.

Reliable

It has a disciplined, reliable maintenance process.

Replicable

If designed for use in a tracker product, it should embed rules to support liquidity.

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

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