

FTSE Russell introduces Target Exposure Indexes

- New FTSE Russell Target Exposure Indexes are designed to meet investor demand for greater control and transparency of portfolio exposures over time
- Indexes are available for FTSE All-World and Russell 1000, amongst others
- LGIM among first to deploy a FTSE Target Exposure Index on behalf of a UK based pension fund
- Investors are increasingly looking for enhanced alignment between exposures and investment objectives

FTSE Russell, the global index, data and analytics provider, has today introduced FTSE Target Exposure indexes. The new indexes allow users to achieve explicit exposure objectives from risk factors, industries and countries, to sustainable investment goals.

The new FTSE Russell indexes provide precise alignment between investment exposures and investment objectives. They allow investors to precisely calibrate exposure to common risk factors such as Value, Quality, Low Volatility, Size and Momentum as well as industry and country classifications. Sustainable investing portfolio objectives such as the United Nations' Sustainable Development Goals (SDGs) may also be incorporated. The precise control of exposures, including the removal of un-wanted factor exposures, permits greater control over index tracking error.

The launch represents a natural evolution of FTSE Russell's factor framework by applying variable factor tilts over time to account for the changing attributes of stocks. Crucially, the indexes maintain the high levels of transparency associated with the FTSE Global Factor Index Series.

The FTSE Russell Target Exposure methodology has already been employed by a UK based defined benefit pension fund, with LGIM serving as the asset manager. The scheme moved its entire equity allocation to a multi-factor strategy that could limit draw-downs, apply specific risk parameters and control for the risks of unintended factors.

Andrew Dougan, Director, Research & Analytics, FTSE Russell said: "As assets tracking single and multi-factor indexes continue to grow rapidly, so too has the appetite for benchmarks designed to precisely meet specific investment objectives through efficient factor allocation over time. FTSE Russell's new Target Exposure indexes, now available on some of our most widely followed flagship products like the FTSE All-World, is the natural evolution of our factor framework and tilt methodology, increasing choice for customers".

Dr Fadi Zaher, Head of Index Research & Development, LGIM said "The Target Exposure indexes are an innovative solution to the challenges posed by unintended factor exposure in portfolios, which we at LGIM have



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studied extensively. The new indices represent the next generation of factor investing through an efficient, simple, and transparent methodology. We are delighted that a Defined Benefit pension scheme has chosen this defensive factor index as a solution.”

Factor based investing, often referred to as ‘smart beta’ is growing significantly. FTSE Russell’s 2019 annual smart beta survey found that 58% of institutional investors surveyed have implemented smart beta strategies, up 10% from 2018. Notably, it also found that nearly eight in 10 (78%) asset owners have implemented, are evaluating or plan to evaluate a smart beta index-based strategy.

To find out more or for a full list of indexes available as part of the FTSE Global Factor Index Series, please click here. <https://www.ftserussell.com/ftse-target-exposure-indexes>

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Notes to editors:

About FTSE Russell:

FTSE Russell is a global index leader that provides innovative benchmarking, analytics and data solutions for investors worldwide. FTSE Russell calculates thousands of indexes that measure and benchmark markets and asset classes in more than 70 countries, covering 98% of the investable market globally.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. Approximately \$15 trillion is currently benchmarked to FTSE Russell indexes. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create ETFs, structured products and index-based derivatives.

A core set of universal principles guides FTSE Russell index design and management: a transparent rules-based methodology is informed by independent committees of leading market participants. FTSE Russell is focused on applying the highest industry standards in index design and governance and embraces the IOSCO Principles. FTSE Russell is also focused on index innovation and customer partnerships as it seeks to enhance the breadth, depth and reach of its offering.

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