

FTSE Russell introduces innovative thematic indexes for growing global technology sector

- Multi and single theme technology focused indexes launched for artificial intelligence, fintech, video gaming, internet of things (IoT) and cybersecurity themes, amongst others
- FTSE Russell utilize cutting-edge natural language processing techniques to identify stocks for inclusion in indexes
- Globally, technology related funds now account for half of total thematic assets under management (AUM)

FTSE Russell, a leading global index, data and analytics provider, has launched a comprehensive range of technology focused thematic indexes based on universes including the FTSE Global All Cap, Russell 3000, FTSE All-Share Ex Investment Trusts, and FTSE AIM All-Share.

Investors can gain broad exposure to multiple technology themes through the new FTSE Global Technology SuperTheme Index, or via more targeted single theme benchmarks such as the FTSE Global Artificial Intelligence Index, FTSE Global Robotics & Automation Index or the FTSE Global Fintech & Blockchain Index.

FTSE Russell's index methodology is driven by its Dynamic Classification Algorithm (the Algorithm), which utilises state of the art natural language processing (NLP) techniques for its new thematic range. A dynamic approach is used to help identify and select companies with exposure to specific themes. The Algorithm will use a set of keywords, which may be updated with the development of the theme over time, to discover relevant companies by screening a variety of unstructured content, such as company descriptions. The unconstrained approach offers a more flexible way to construct an index than reliance on sector classifications or revenue profiles.

The methodology is consistent with FTSE Russell's transparent and rules-based approach. All FTSE Russell thematic indexes follow a liquidity weighting scheme. Together with a weight cap mechanism which limits the weight of an individual constituent at 5% of the index, the thematic offering is designed to provide a liquid diversified investable opportunity set.

The FTSE Global Technology SuperTheme Index has delivered a cumulative 5-year return of 271%, with single themes such as the FTSE Global Artificial Intelligence Index achieving a 42.9% return over the last year.

Globally, thematic assets under management (AUM) has exceeded \$600 billion, with a 5-year annual growth rate of 50%. ETFs and open-ended active funds account for most of this growth, with technology related funds now accounting for half of total thematic assets under management. Furthermore, industry surveys point to strong interest in thematic investments in coming years.

The indexes have a range of applications for investors, from serving as the basis of thematic ETFs, to measuring portfolio performance or informing active management stock selection. The products can also be used to support the development of derivatives product used to hedge specific exposures.

Arne Staal, CEO, FTSE Russell comments:

“Technology has become the dominant theme for thematic equity investors in recent years. With an increasingly wide variety of sub-themes, we’ve designed global and regional technology focused benchmarks that offer investors multi-theme exposure and therefore greater portfolio diversification, but also more surgical exposures to specific emerging themes such as artificial intelligence or blockchain. These new thematic indexes are built using innovative natural language processing techniques to identify companies for inclusion which also meet FTSE Russell’s high transparency and rules-based standards.”

Emerald Yau, Head of Equity Index Product Management, Asia, FTSE Russell comments:

“Themes are ever evolving and we expect our thematic offering to also evolve as markets and economies develop. In looking at our thematic products, we’ve sought to identify longer-term structural trends with a sufficiently diversified pool of eligible constituents. We have developed innovative new index methodology, deploying sophisticated natural language processing techniques which allow for a dynamic and flexible approach in comparison to alternatives that rely on rigid sector classification or revenue data. Our new thematic offering combines an unconstrained, country- and sector-agnostic approach to index construction, with a disciplined and transparent governance framework.”

For more information, please click [here](#).

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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 \$16 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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Press Release

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