

# FTSE Global Minimum Variance Index Series

v4.3



**FTSE  
RUSSELL**

An LSEG Business

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## Section 1

# Introduction

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## 1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE Global Minimum Variance Index Series calculated by FTSE International Limited (FTSE). Copies of these Ground Rules are available from FTSE.
- 1.2 The FTSE Global Minimum Variance Index Series have been designed to create a series of indices that minimise index volatility, based on historical return information, thereby offering potential improvements to the risk/reward trade-off of the index.
- 1.3 The FTSE4Good Developed Minimum Variance Index Series takes account of ESG factors in its index design. The remaining benchmarks within the FTSE Global Minimum Variance Index Series Family do not take account of ESG factors in the index design and do not pursue any ESG objectives. Please see the Ground Rules for the FTSE4Good Index Series for details of the relevant ESG factors.
- 1.4 These Ground Rules should be read in conjunction with the underlying index Ground Rules which are available at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 1.5 The FTSE Global Minimum Variance Index Series consists of the following indices:
  - FTSE Developed Minimum Variance Index
  - FTSE Developed Europe Minimum Variance Index
  - FTSE Developed Europe ex UK Minimum Variance Index
  - FTSE Developed Eurozone Minimum Variance Index
  - FTSE Developed ex Japan Minimum Variance Index
  - FTSE Developed ex USA Minimum Variance Index
  - FTSE Developed Asia Pacific Minimum Variance Index
  - FTSE Developed Asia Pacific ex Japan Minimum Variance Index
  - FTSE Developed Asia Pacific ex Japan ex Korea Minimum Variance Index
  - FTSE Developed Asia Pacific ex Korea Minimum Variance Index
  - FTSE Developed World ex Korea ex Israel Minimum Variance Index
  - FTSE Developed ex Selected Countries Minimum Variance Index
  - FTSE All-World Minimum Variance Index
  - FTSE North America Minimum Variance Index
  - FTSE Emerging Minimum Variance Index
  - FTSE Developed Shariah Minimum Variance Index

FTSE4Good Developed Minimum Variance Index

FTSE Australia 300 Minimum Variance Index

FTSE Japan Minimum Variance Index

FTSE Korea Minimum Variance Index

FTSE Thailand Mid/Small Cap Minimum Variance Index

FTSE UK Minimum Variance Index

FTSE USA Minimum Variance Index

FTSE China A Free Minimum Variance Index

Russell 1000 Minimum Variance Index

Russell 2000 Minimum Variance Index

1.6 Price and Total Return Indices will be calculated on an end of day and real time basis. The Total Return Indices include income based on ex dividend adjustments.

1.7 Index values are calculated in US Dollars and may also be published in other currencies.

## **1.8 FTSE Russell**

1.8.1 FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, The Yield Book Inc and Beyond Ratings.

1.9 FTSE Russell hereby notifies users of the index series that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index series and therefore, any financial contracts or other financial instruments that reference the index series or investment funds which use the index series to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.

1.10 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell (or any person concerned with the preparation or publication of these Ground Rules) for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules, and/or
- any inaccuracies in these Ground Rules, and/or
- any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
- any inaccuracies in the compilation of the Index or any constituent data.

## Section 2

# Management responsibilities

## 2. Management responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series.<sup>1</sup>

2.1.2 FTSE is responsible for the daily calculation, production and operation of the Index Series and will:

- maintain records of the index weightings of all constituents and reserve companies;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the Index Series and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
- disseminate the indices.

2.1.3 FTSE is also responsible for monitoring the performance of the FTSE Global Minimum Variance Index Series throughout the day and will determine whether the status of each index should be Firm, Indicative or Held (see Appendix B).

### 2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index series. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.2.2 As provided for in the Statement of Principles, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.

<sup>1</sup> The term administrator is used in this document in the same sense as it is defined in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).

## Section 3

# FTSE Russell Index policies

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## 3. FTSE Russell Index policies

These Ground Rules should be read in conjunction with the following policy documents which can be accessed using the links below:

### 3.1 Corporate Actions and Events Guide

3.2 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Non Market Cap Weighted Indices using the following link:

[Corporate Actions and Events Guide for Non Market Cap Weighted Indices.pdf](#)

### 3.3 Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by FTSE Russell's Index Governance Board.

The Statement of Principles can be accessed using the following link:

[Statement of Principles.pdf](#)

### 3.4 Queries and Complaints

A constituent or prospective constituent company (or professional advisor acting on behalf of the company), a national organisation or a group of no fewer than ten users of the Indices from different organisations acting in their professional capacity may appeal against decisions taken by FTSE Russell.

FTSE Russell's complaints procedure can be accessed using the following link:

[Benchmark Determination Complaints Handling Policy.pdf](#)

### 3.5 Index Policy for Trading Halts and Market Closures

3.5.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

[Index Policy for Trading Halts and Market Closures.pdf](#)

### 3.6 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.6.1 Details of FTSE Russell's treatment can be accessed using the following link:

[Index Policy in the Event Clients are Unable to Trade a Market or a Security.pdf](#)

### **3.7 Recalculation Policy and Guidelines**

- 3.7.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the FTSE Global Minimum Variance Index Series will be notified through appropriate media.

For further information refer to the FTSE Russell Recalculation Policy and Guidelines document which is available from the FTSE Russell website using the link below or by contacting [info@ftserussell.com](mailto:info@ftserussell.com).

[Recalculation Policy and Guidelines Equity Indices.pdf](#)

### **3.8 Policy for Benchmark Methodology Changes**

- 3.8.1 Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

### **3.9 FTSE Russell Governance Framework**

- 3.9.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

### **3.10 Real Time Status Definitions**

- 3.10.1 For indices that are calculated in real time, please refer to the following guide for details of real time status definitions:

[Real Time Status Definitions.pdf](#)

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<sup>2</sup> IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

<sup>3</sup> Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

<sup>4</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

## Section 4

# Eligible securities

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## 4. Eligible securities

- 4.1 The FTSE Global Minimum Variance Index Series will consist of constituents of the corresponding underlying universe at the time of the semi-annual review.<sup>5</sup>
- 4.2 The FTSE Developed ex Selected Countries Minimum Variance Index will consist of constituents of the FTSE Developed Index, excluding:
- constituents from Hong Kong, Greece\*, Ireland, Israel, South Korea, Poland and Portugal
  - constituents that are classified in the Industry Classification Benchmark (ICB)<sup>6</sup> Subsectors Tobacco (ICB 45103010) and Cannabis Producers (20103020)
  - constituents whose company full market capitalisation (before the application of any investability weighting) is less than HKD 5bn as of the close of business on the Monday 4 weeks prior to the review effective date
- \* Greece will be excluded in case it is classified as a developed country.
- 4.3 All aspects of the management of index calculation, underlying constituent review and company classification for constituents of the FTSE Global Minimum Variance Index Series are as described in the underlying index Ground Rules.

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<sup>5</sup> Saudi Arabia was assigned Secondary Emerging market status in March 2019. Securities will be eligible for inclusion in the FTSE Global Minimum Variance Index Series from September 2019.

China A Shares (available under the Northbound China Stock Connect Scheme) were assigned Secondary Emerging market status beginning in June 2019. Securities became eligible for inclusion in the FTSE Global Minimum Variance Index Series from September 2019.

<sup>6</sup> Russell US related indices migrated to the new ICB classification system in September 2020. FTSE related indices migrated to the new ICB classification system in March 2021.



## Section 5

# SI data inputs

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## 5. SI data inputs

- 5.1.1 Further information on SI data provided by FTSE Russell and third parties used in this index series can be found in the following guide:

[Guide to FTSE and Third Party Sustainable Investment Data used in FTSE Russell Indices](#)

### 5.2 Sustainable Investment Metrics

- 5.2.1 Please see the FTSE Russell [Sustainable Investment Metrics](#) website for the scores and values of the environmental, social and governance (ESG) factors listed in Annex II to Delegated Regulation (EU) 2020/1816 which are taken into account in the benchmark methodology for the benchmarks within this index series.

## Section 6

# Periodic review of constituent companies

## 6. Periodic review of constituent companies

### 6.1 Review dates

6.1.1 The semi-annual review will be implemented after the close of trading on the third Friday of the months set out in the following table, except the June review of the Russell 1000 Minimum Variance, which is implemented in conjunction with the Russell US Equity Indices reconstitution:

| FTSE Index   | Review Months     |
|--|-------------------|
| FTSE Developed Minimum Variance Index                                | March & September |
| FTSE Developed Europe Minimum Variance Index                         | March & September |
| FTSE Developed Europe ex UK Minimum Variance Index                   | March & September |
| FTSE Developed Eurozone Minimum Variance Index                       | March & September |
| FTSE Developed ex Japan Minimum Variance Index                       | March & September |
| FTSE Developed ex USA Minimum Variance Index                         | March & September |
| FTSE Developed Asia Pacific Minimum Variance Index                   | March & September |
| FTSE Developed Asia Pacific ex Japan Minimum Variance Index          | March & September |
| FTSE Developed Asia Pacific ex Japan ex Korea Minimum Variance Index | March & September |
| FTSE Developed Asia Pacific ex Korea Minimum Variance Index          | March & September |
| FTSE Developed World ex Korea ex Israel Minimum Variance Index       | March & September |
| FTSE Developed ex Selected Countries Minimum Variance Index          | March & September |
| FTSE All-World Minimum Variance Index                                | March & September |
| FTSE North America Minimum Variance Index                            | March & September |
| FTSE Emerging Minimum Variance Index                                 | March & September |
| FTSE Developed Shariah Minimum Variance Index                        | March & September |
| FTSE4Good Developed Minimum Variance Index                           | June & December   |
| FTSE Australia 300 Minimum Variance Index                            | March & September |
| FTSE Japan Minimum Variance Index                                    | March & September |
| FTSE Korea Minimum Variance Index                                    | March & September |
| FTSE Thailand Mid/Small Cap Minimum Variance Index                   | March & September |
| FTSE UK Minimum Variance Index                                       | March & September |
| FTSE USA Minimum Variance Index                                      | March & September |

| FTSE Index                                | Review Months     |
|---|-------------------|
| FTSE China A Free Minimum Variance Index  | March & September |
| Russell 1000 Minimum Variance Index       | June & December   |
| Russell 2000 Minimum Variance Index       | June & December   |
| FTSE/JSE Top 40 Minimum Variance Index    | March & September |
| FTSE/JSE All-Share Minimum Variance Index | March & September |

## 6.2 Review procedure

For each index comprising the FTSE Global Minimum Variance Index Series, an optimisation algorithm is used to determine the weighting scheme applied to the constituents of the corresponding underlying index. The algorithm will be applied at the security level. Closing price data on the Wednesday before the first Friday of a review month are used to determine the weighting scheme in the FTSE Global Minimum Variance Index, based on the underlying constituents effective from the Monday following the third Friday of the same month, except the June review of the Russell 1000 Minimum Variance and Russell 2000 Minimum Variance Index, which are based on the underlying constituents effective on the Russell 1000 Index and Russell 2000 Index annual reconstitution date.

## Section 7

# Weighting methodology

## 7. Weighting methodology

### 7.1 Covariance matrix

In the following “FTSE Global Minimum Variance Index” refers to a component index of the FTSE Global Minimum Variance Index Series.

Daily arithmetic business day total returns are used to derive the covariance matrix. These are defined by:

$$r_{i,t} = \frac{e_{i,t} \times (p_{i,t} + d_{i,t})}{e_{i,t-1} \times p_{i,t-1}} - 1$$

where  $e_{i,t}$  is the exchange rate converting prices in local currencies to a common currency (see table below),  $p_{i,t}$  is the adjusted price and  $d_{i,t}$  is the adjusted dividend for the  $i^{\text{th}}$  stock at time  $t$ .

The following currency base applies to the determination of the covariance matrix for each index:

| Index  | Currency |
|--|----------|
| FTSE Developed Minimum Variance Index                                | USD      |
| FTSE Developed Europe Minimum Variance Index                         | EUR      |
| FTSE Developed Europe ex UK Minimum Variance Index                   | GBP      |
| FTSE Developed Eurozone Minimum Variance Index                       | EUR      |
| FTSE Developed ex Japan Minimum Variance Index                       | JPY      |
| FTSE Developed ex USA Minimum Variance Index                         | USD      |
| FTSE Developed Asia Pacific Minimum Variance Index                   | USD      |
| FTSE Developed Asia Pacific ex Japan Minimum Variance Index          | USD      |
| FTSE Developed Asia Pacific ex Japan ex Korea Minimum Variance Index | USD      |
| FTSE Developed Asia Pacific ex Korea Minimum Variance Index          | USD      |
| FTSE Developed World ex Korea ex Israel Minimum Variance Index       | USD      |
| FTSE Developed ex Selected Countries Minimum Variance Index          | HKD      |
| FTSE All-World Minimum Variance Index                                | USD      |
| FTSE North America Minimum Variance Index                            | USD      |
| FTSE Emerging Minimum Variance Index                                 | USD      |
| FTSE Developed Shariah Minimum Variance Index                        | USD      |
| FTSE4Good Developed Minimum Variance Index                           | USD      |
| FTSE Australia 300 Minimum Variance Index                            | AUD      |
| FTSE Japan Minimum Variance Index                                    | JPY      |

| Index  | Currency |
|--|----------|
| FTSE Korea Minimum Variance Index                  | KRW      |
| FTSE Thailand Mid/Small Cap Minimum Variance Index | THB      |
| FTSE UK Minimum Variance Index                     | GBP      |
| FTSE USA Minimum Variance Index                    | USD      |
| FTSE China A Free Minimum Variance Index           | CNY      |
| Russell 1000 Minimum Variance Index                | USD      |
| Russell 2000 Minimum Variance Index                | USD      |
| FTSE/JSE Top 40 Minimum Variance Index             | ZAR      |
| FTSE/JSE All-Share Minimum Variance Index          | ZAR      |

The volatility and correlation estimation period is defined by the number of business days in the two years prior to a review date.

**Volatility:**  $\delta_{i,T} = \sqrt{\frac{1}{T_\delta - 1} \sum_{t=T-T_\delta+1}^T (r_{i,t} - \bar{r}_i)^2}$

where  $T_\delta$  = volatility estimation period (approx 500 to 520 days).

**Correlation:**  $\rho_{ij,T} = \frac{\left[ \frac{1}{(T_\rho - 1)} \sum_{t=T-T_\rho+1}^T (r_{i,t} - \bar{r}_i)(r_{j,t} - \bar{r}_j) \right]}{\delta_{i,T} \delta_{j,T}}$

where  $T_\rho$  = correlation estimation period (approx 500 to 520 days).

Empirical Covariance Matrix:  $\Omega_{ij,T} = \delta_{i,T} \delta_{j,T} \rho_{ij,T}$

**Minimum Number of Observations:** The minimum number of daily returns contained in the two-year period prior to a review date is 360. Stocks not meeting this threshold have their weights set to zero and are not included in the FTSE Global Minimum Variance Index.

**Minimum Number of Coincident Observations:** Correlations are calculated using at least 300 coincident observations. If this is not achieved, the stock that has 300 coincident observations with the fewest other stocks in the covariance matrix is removed. If this yields more than one stock, the stock with highest volatility is removed. The removal of stocks continues until the correlation between any two remaining stocks can be calculated using at least 300 coincident returns. Stocks that are removed have their weights set to zero and are not included in the FTSE Global Minimum Variance Index.

**PCA Covariance Matrix:** A covariance matrix based on a Principal Component Analysis (PCA) of the  $N \times N$  empirical covariance matrix is used.

Let  $\lambda_1, \dots, \lambda_K$  be the  $K$  eigenvalues of the empirical correlation matrix  $\rho_{ij,T}$  that are bigger than  $1 + N/T_\delta + 2\sqrt{N/T_\delta}$  and let  $\bar{A}_1, \dots, \bar{A}_K$  be their associated eigenvectors each with  $N$  elements.

Let  $D_{nm}$  be the  $K \times K$  diagonal matrix with  $D_{nn} = \lambda_n$  and  $P_{nj}$  be the  $K \times N$  matrix whose  $n^{th}$  row is given by  $\bar{A}_n$ . One then constructs the  $N \times N$  PCA correlation matrix as  $\phi = P^T D P$ . The diagonal elements of  $\phi$  are additionally constrained to be equal to one.

The PCA covariance matrix is then defined by:  $C_{ij,T} = \delta_{i,T} \delta_{j,T} \phi_{ij,T}$

## 7.2 Objective function

Objective: Minimise portfolio volatility  $\sigma^2 = \sum_{i=1}^N \sum_{j=1}^N w_i C_{ij,T} w_j$

Where  $w_i$  is the weight of the  $i^{th}$  stock.

### 7.3 Constraints

Weights are determined in order to minimise the objective function, subject to the following constraints:

Long Only Constraint:  $w_i \geq 0 \forall_i$

Fully Invested:  $\sum_{i=1}^N w_i = 1$

Upper Stock Limit:  $w_i \leq w_{\max} \forall_i$

Maximum Weight Multiple: The maximum multiple of the underlying market capitalisation weight in the FTSE Global Minimum Variance Index is 20 times. The maximum weight multiple of the FTSE Thailand Mid/Small Cap Minimum Variance Index is 10 times.

Country Constraint: Let the weight of a given country be X% in the underlying index. Then that country's weight in the Minimum Variance Index will be bounded by:

$$\text{Max}(0.9 X - 5.0, 0.0) \text{ and } \text{Min}(1.1 X + 5.0, 100.0)$$

Where the upper stock limit/maximum weight multiple is inconsistent with the lower country bound, the lower country bound is replaced by the sum of the minimum of the upper stock limit and the weight implied by the maximum weight multiple over all eligible stocks.

Upper ICB Industry Group Sector Limit: Maximum weight contribution of a particular Industrial Group should be less than or equal to  $S_{\max}\%$ .

Diversification Target:  $\sum_{i=1}^N w_i^2 = \frac{1}{H}$ . This constraint ensures that there are at least H stocks in the index at rebalance.

Effective Zero Weight Threshold: Any optimised stock weight that is less than 1 basis points is treated as having a zero weight in the FTSE Global Minimum Variance Index. Any resulting excess weight will be redistributed amongst the remaining stocks and may cause slight breaches of the above constraints.

The precise values of the variable constraints for each of the indices in the series are summarised in the following table:

| FTSE Index   | Upper Stock Limit | Diversification Target | ICB Group Sector Limit |
|--|-------------------|------------------------|------------------------|
| FTSE Developed Minimum Variance Index                                | 1.0%              | 1000                   | 20%                    |
| FTSE Developed Europe Minimum Variance Index                         | 1.5%              | 250                    | 20%                    |
| FTSE Developed Europe ex UK Minimum Variance Index                   | 2.0%              | 200                    | 20%                    |
| FTSE Developed Eurozone Minimum Variance Index                       | 2.0%              | 150                    | 20%                    |
| FTSE Developed ex Japan Minimum Variance Index                       | 1.5%              | 700                    | 20%                    |
| FTSE Developed ex USA Minimum Variance Index                         | 1.5%              | 700                    | 20%                    |
| FTSE Developed Asia Pacific Minimum Variance Index                   | 1.5%              | 400                    | 20%                    |
| FTSE Developed Asia Pacific ex Japan Minimum Variance Index          | 2.0%              | 150                    | 20%                    |
| FTSE Developed Asia Pacific ex Japan ex Korea Minimum Variance Index | 2.0%              | 100                    | 20%                    |
| FTSE Developed Asia Pacific ex Korea Minimum Variance Index          | 1.5%              | 350                    | 20%                    |
| FTSE Developed World ex Korea ex Israel Minimum Variance Index       | 1.5%              | 900                    | 20%                    |
| FTSE Developed ex Selected Countries Minimum Variance Index          | 1.5%              | 900                    | 20%                    |
| FTSE All-World Minimum Variance Index                                | 1.0%              | 1900                   | 20%                    |
| FTSE North America Minimum Variance Index                            | 1.5%              | 350                    | 20%                    |
| FTSE Emerging Minimum Variance Index                                 | 1.5%              | 800                    | 20%                    |
| FTSE Developed Shariah Minimum Variance Index                        | 1.5%              | 400                    | 20%                    |
| FTSE4Good Developed Minimum Variance Index                           | 1.5%              | 350                    | 20%                    |

| FTSE Index   | Upper Stock Limit | Diversification Target | ICB Group Sector Limit |
|--|-------------------|------------------------|------------------------|
| FTSE Australia 300 Minimum Variance Index          | 2.0%              | 150                    | 20%                    |
| FTSE Japan Minimum Variance Index                  | 2.0%              | 200                    | 20%                    |
| FTSE Korea Minimum Variance Index                  | 4.5%              | 50                     | 20%                    |
| FTSE Thailand Mid/Small Cap Minimum Variance Index | 4.5%              | 30                     | 20%                    |
| FTSE UK Minimum Variance Index                     | 4.5%              | 60                     | 20%                    |
| FTSE USA Minimum Variance Index                    | 1.5%              | 300                    | 20%                    |
| FTSE China A Free Minimum Variance Index           | 2.0%              | 200                    | 20%                    |
| Russell 1000 Minimum Variance Index                | 1.5%              | 500                    | 20%                    |
| Russell 2000 Minimum Variance Index                | 1.5%              | 500                    | 20%                    |
| FTSE/JSE Top 40 Minimum Variance Index             | 7.5%              | 20                     | 20%                    |
| FTSE/JSE All-Share Minimum Variance Index          | 2.0%              | 80                     | 20%                    |

Upper stock weight limits for each index are determined by reference to the relevant diversification target.

| Diversification Target | Upper Stock Limit |
|------------------------|-------------------|
| <= 20                  | 7.5%              |
| > 20 & <= 75           | 4.5%              |
| > 75 & <= 200          | 2.0%              |
| > 200 & <= 900         | 1.5%              |
| > 900                  | 1.0%              |

The diversification target is set such that at least half the constituents of the underlying index are members of the corresponding FTSE Global Minimum Variance Index. Diversification constraints and consequently upper stock weight limits will be subject to review at each semi-annual review.

#### 7.4 Constraint relaxation

If the optimisation procedure described in sections 7.2 and 7.3 is unable to find a solution which satisfies the index constraints, then the diversification target is relaxed as described below and the optimisation is reattempted.

Diversification target relaxation: the diversification target  $H$  is reduced by  $\frac{H}{100}$  at each relaxation. The relaxation process is repeated iteratively until a solution is found.

#### 7.5 Suspensions: FTSE China A Free Minimum Variance Index Review

Existing suspended constituents of the FTSE China A Free Minimum Variance Index at the time of the index review remain members of the Index and take part in the optimisation with their weights constrained to be unchanged pre and post the index review.

Suspended stocks that are not constituents of the FTSE China A Free Minimum Variance Index at the index review are ineligible and do not form part of the optimisation and consequently will not be a constituent of the Minimum Variance Index following the index review.

The suspension status of a stock is determined on the price cut-off day.

## Section 8

# Changes to constituent companies

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## 8. Changes to constituent companies

### 8.1 Intra-review additions

- 8.1.1 Additions into a FTSE Global Minimum Variance Index will be considered for inclusion at the next semi-annual review.

### 8.2 Intra-review deletions

- 8.2.1 A constituent will be removed from a FTSE Global Minimum Variance Index if it is also removed from its corresponding underlying Index. The deletion will be concurrent with its deletion from the underlying Index and its weight will be distributed pro-rata amongst the remaining constituents in the FTSE Global Minimum Variance Index. If the index is a Russell derived FTSE Global Minimum Variance Index a minimum of 2 days notice will be provided and its weight will be distributed pro-rata amongst the remaining constituents in the relevant index.
- 8.2.2 A constituent will be removed from the FTSE Developed ex Selected Countries Minimum Variance Index if its company full market capitalisation (before the application of any investability weighting) is less than HKD 5bn as of the close of business on the Monday 4 weeks prior to the Monday after the third Friday in June and December. The removal will be made effective from the Monday after the third Friday in June and December.



## Section 9

# Corporate actions and events

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## 9. Corporate actions and events

9.1 If a constituent in the underlying Index has a stock split, stock consolidation, rights issue, bonus issue, a change in the number of shares in issue or a change in free float (with the exception of tender offers), the constituent's weighting in the corresponding FTSE Global Minimum Variance Index remains unchanged pre and post such an event.

9.2 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Non Market Cap Weighted Indices using the following link:

[Corporate Actions and Events Guide for Non Market Cap Weighted Indices.pdf](#)

A Corporate 'Action' is an action on shareholders with a prescribed ex date. The share price will be subject to an adjustment on the ex date. These include the following:

- Capital Repayments
- Rights Issues/Entitlement Offers
- Stock Conversion
- Splits (sub-division)/Reverse splits (consolidation)
- Scrip issues (Capitalisation or Bonus Issue)

A Corporate 'Event' is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required FTSE Russell will provide notice advising of the timing of the change.

### 9.3 Takeovers, mergers and demergers

The treatment of takeovers, mergers and demergers can be found within the Corporate Actions and Events Guide for Non Market Cap Weighted Indices.

## Section 10

# Index calculation

## 10. Index calculation

### 10.1 Calculation frequency

10.1.1 The FTSE Global Minimum Variance Index Series will be calculated in real time using real time prices.

### 10.2 Index calculation

10.2.1 The FTSE Global Minimum Variance Index Series will be displayed to two decimal points.

10.2.2 The FTSE Global Minimum Variance Index Series is calculated using the following formula:

$$\sum_{i=1}^N \frac{(p_i \times e_i \times s_i \times f_i \times c_i)}{d}$$

Where,

- $i=1,2,\dots,N$
- $N$  is the number of securities in the Minimum Variance Index.
- $p_i$  is the latest trade price of the component security (or the price at the close of the index on the previous day).
- $e_i$  is the exchange rate required to convert the security's currency into the index's base currency.
- $s_i$  is the number of shares in issue used by FTSE Russell for the security, as defined in these Ground Rules.
- $f_i$  is the Investability Weighting Factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the underlying index.
- $c_i$  is the Weight Adjustment Factor (WAF) to be applied to a security to correctly weight that security in the index. This factor maps the investable market capitalisation of each stock to a notional market capitalisation for inclusion in the index.
- $d$  is the divisor, a figure that represents the total issued share capital of the index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the index.

## Appendix A

# Index opening and closing hours

The following indices are calculated in real time, between the hours shown in the table. Closing values using the WM/Refinitiv Closing Spot Rates™ at 16:00 UK time are disseminated after these exchange rates have been applied to the close price for constituent stocks.

| Index   | Open  | Close |
|---|-------|-------|
| FTSE Developed Minimum Variance Index                       | 08:30 | 21:10 |
| FTSE USA Minimum Variance Index                             | 14:30 | 21:10 |
| FTSE Japan Minimum Variance Index                           | 00:30 | 06:45 |
| FTSE Developed Europe Minimum Variance Index                | 08:00 | 16:30 |
| FTSE Developed Europe ex UK Minimum Variance Index          | 08:30 | 16:30 |
| FTSE Developed Eurozone Minimum Variance Index              | 08:30 | 16:30 |
| FTSE Developed Asia Pacific Minimum Variance Index          | 00:30 | 13:30 |
| FTSE Developed Asia Pacific ex Japan Minimum Variance Index | 00:30 | 13:30 |

\*Note: Timings are UK hours.

Indices that disseminate until 21:10 will have the closing value disseminated at 21:30.

## Appendix B

# Status of index series

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The FTSE Global Minimum Variance Index Series may be calculated in real time.

For further details of real time definitions please refer to the following guide:

[Real Time Status Definitions.pdf](#)

The official opening and closing hours of the FTSE Global Minimum Variance Index Series are set out in Appendix A. Variations to the official hours of the indices will be published by FTSE Russell.

## Appendix C

# Further information

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A Glossary of Terms used in FTSE Russell's Ground Rule documents can be found using the following link:

[Glossary.pdf](#)

The FTSE Russell Sustainable Investment Metrics website can be found using the following link:

[Sustainable Investment Metrics](#)

Further information on the FTSE Global Minimum Variance Index Series is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at [info@ftserussell.com](mailto:info@ftserussell.com).

**Website:** [www.lseq.com/en/ftse-russell/](http://www.lseq.com/en/ftse-russell/)

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