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# **FTSE Nareit Custom Composite Index**

v1.2

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## Section 1

# Introduction

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### 1.0 Introduction

#### 1.1 FTSE Nareit Custom Composite Index

- 1.1.1 The FTSE Nareit Custom Composite Index uses the FTSE Nareit US Real Estate Index Series Classification System which consists of three levels - investment sectors, property sectors and property subsectors. Sector weights are determined by the client.
- 1.1.2 These Ground Rules should be read in conjunction with the FTSE Nareit US Real Estate Index Series Ground Rules and associated index policy documents which are available at [www.ftserussell.com](http://www.ftserussell.com). Unless stated in these Ground Rules, the index will follow the same process as the Russell US Indices.

#### 1.2 FTSE Russell

- 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.
- 1.2.1 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.
- 1.2.2 Index users who choose to follow this index series or to buy products that claim to follow this index series 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 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

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## 2.0 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;
- 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.

### 2.2 Arizona State Retirement System

2.2.1 The client or nominated consultant will provide the sector weights by the second Friday of each review month.

### 2.3 Amendments to These Ground Rules

2.3.1 These Ground Rules shall be subject to regular review 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.

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<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).

- 2.3.2 As provided for in the Statement of Principles for FTSE Russell Equity Indices, 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 Rules should subsequently be updated to provide greater clarity.

## Section 3

# FTSE Russell Index Policies

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### 3.0 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 Queries and Complaints

- 3.1.1 A constituent or prospective constituent company (or professional advisor acting on behalf of the company), a national organization or a group of no fewer than ten users of the Indices from different organizations 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](#)

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

- 3.2.1 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](#)

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

- 3.3.1 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](#)

#### 3.4 Recalculation Policy and Guidelines

- 3.4.1 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 Nareit Custom Composite Index 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](#)

#### 3.5 Policy for Benchmark Methodology Changes

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

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

### 3.6 **FTSE Russell Governance Framework**

- 3.6.1 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 ensure compliance with the IOSCO Principles for Financial Benchmarks<sup>2</sup> and the European benchmark regulation<sup>3</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.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

## Section 4

# Sector Weights

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### 4.0 Sector Weights

- 4.1 The FTSE Nareit Custom Composite Index uses the FTSE Nareit US Real Estate Index Series Classification System which consists of three levels - investment sectors, property sectors and property subsectors. Further details can be found in the FTSE Nareit US Real Estate Index Series Ground Rules using the following link:

[FTSE Nareit US Real Estate Index Series.pdf](#)

### 4.2 Sectors included

FTSE Nareit Equity Apartments  
 FTSE Nareit Equity Single Family Homes  
 FTSE Nareit Equity Manufactured Homes  
 FTSE Nareit Equity Self Storage  
 FTSE Nareit Equity Industrial  
 FTSE Nareit Equity Regional Malls  
 FTSE Nareit Equity Shopping Centers  
 FTSE Nareit Equity Office  
 FTSE Nareit Equity Health Care  
 FTSE Nareit Equity Lodging/Resorts  
 FTSE Nareit Infrastructure REITs  
 FTSE Nareit Equity Data Centers  
 FTSE Nareit Equity Free Standing  
 FTSE Nareit Equity Speciality  
 FTSE Nareit Equity Diversified  
 FTSE Nareit Timber REITs

- 4.3 Sector weights will be provided by the client by the second Friday of each review month.
- 4.3.1 New sector weights will use prices from the last business day of the review month and be effective on the first business day of the following month.





## Section 5

# Periodic Review of Constituents

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### 5.0 Periodic Review of Constituents

- 5.1 The FTSE Custom Composite Index is reviewed on a quarterly basis in March, June, September and December.

## Section 6

# Corporate Actions and Events

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### 6.0 Corporate Actions and Events

- 6.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate Actions and Events Guide.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.

- 6.2 All corporate actions and events will be treated in line with the underlying index.



## Appendix A: 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](#)

For further information on the FTSE Nareit Custom Composite Indices please email FTSE Russell client services at [info@ftserussell.com](mailto:info@ftserussell.com).

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