
FTSE Market Based Allocation Index Series



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FAQs

FTSE Market Based Allocation Index Series

1. What is the FTSE Market Based Allocation Index Series?

The FTSE Market Based Allocation Index Series is a set of multi-asset benchmarks designed for investors with differing risk tolerance levels. The asset allocation weights for the indexes are calculated using the asset allocation weights of real-world multi asset funds, grouped into cohorts by their historical volatility levels.

2. What indexes are currently available within the FTSE Market Based Allocation Index Series?

Currently, the index series include the 5 indexes specifically designed for US investors.

- FTSE US Market Based Allocation Conservative Index
- FTSE US Market Based Allocation Moderately Conservative Index
- FTSE US Market Based Allocation Moderate Index
- FTSE US Market Based Allocation Moderately Aggressive Index
- FTSE US Market Based Allocation Aggressive Index

3. How can these indexes be used?

The primary purpose of the FTSE Market Based Allocation Index Series is to provide fund managers, wealth managers, and financial advisors with a measure of performance against which to compare their multi-asset investment portfolios.

The asset allocation weights associated with these indexes are also reference data for CIOs/Asset Allocators/Portfolio Managers.

The indexes can also serve as basis for constructing passively managed multi-asset portfolios, as the asset allocation levels within each index can be replicated using existing index-based funds/ETFs in the market.

4. In what sense are these indexes “market based” and what are the key metrics for defining risk?

The index asset allocation weights reflect snapshots of average allocations of real-world multi-asset funds at a given point of time. First, we identify all asset allocation funds (closed ended + open ended, non-passive) that are reported in the Morningstar fund database. We then group these funds into 5 quintiles based on their 3-year volatility level, and the average asset allocation level for each quintile becomes the weights we apply to our indexes.

Index	Eligible Morningstar fund universe	Asset allocation calculation method
Conservative Index	Asset allocation funds, 5 th quintile volatility ranking	Simple average asset allocations of eligible funds relevant to the specific index
Moderately Conservative index	Asset allocation funds, 4 th quintile volatility ranking	
Moderate Index	Asset allocation funds, 3 rd quintile volatility ranking	
Moderately Aggressive Index	Asset allocation funds, 2 nd quintile volatility ranking	
Aggressive Index	Asset allocation funds, 1 st quintile volatility ranking	

To ensure that the asset allocation levels are keeping up with market trends, the weights are reviewed semi-annually, and the indexes are rebalanced quarterly to the target weights.

5. What’s the rationale for using Morningstar Fund Database to derive asset allocation levels?

The Morningstar Fund Database contains asset allocation information for a broad set of asset allocation funds in the US. The range and depths of the database allows us to derive asset allocation levels that are statistically robust and representative of the broader market.

6. What are the actual 3-year volatility levels for funds within each fund cohort?

The volatility levels of the funds do fluctuate from time to time with the market conditions. As of the September 2018 review, the volatility ranges of the fund cohorts used for the FTSE Market Based Allocation Index Series are summarized as follows:

Fund cohorts	3y Return volatility range, annualized, for all funds within eligible fund universe		
	Low (%)	Median (%)	High (%)
Conservative cohort	1.8	4.5	5.6
Moderately conservative cohort	5.6	6.6	7.3
Moderate cohort	7.3	7.9	8.7
Moderately Aggressive cohort	8.7	9.6	10.3
Aggressive cohort	10.3	11.0	21.2

Source: FTSE Russell. Indicative review was conducted in September 2018 based on Morningstar fund data as at end of June 2018. Review results are indicative only and are not applied to the indexes. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

7. What asset classes are included within the series, and which indexes are used to represent the performance of these asset classes?

The asset classes represented in the FTSE Market Based Allocation Index Series are relevant to US fund managers and wealth managers. The performance of each asset class is represented by either a flagship FTSE Russell index or Federal Funds Rate (component Index):

Asset class	Component index
US Equities	Russell 3000® Index
Developed ex US Equities	FTSE Developed All Cap ex US Index
Emerging Market Equities	FTSE Emerging All Cap Index
US Government / Agency Bonds	FTSE USBIG® Treasury/ Agency Index
US Collateralized Bonds	FTSE USBIG® Collateralized Index
US Corporate Bonds	FTSE USBIG® Corporate Index
Global ex US Bonds	FTSE Non-USD World Government Bond Index
Cash	Fed Funds Rate
Other investments	Fed Funds Rate (for calculating Benchmark indexes, 2% is added to this rate)

8. How often are the asset allocation weights reviewed?

The asset allocation levels are reviewed semiannually in March and September, based on Morningstar data as of the close of business on the last business day of the previous quarter.

Changes in asset allocation levels are provided to clients after the close on the second Friday of the review month and implemented after the close on the third Friday (effective the following Monday) of the review month.

9. Will the indexes be re-weighted intra review to address drifts from assigned asset allocation weights?

In June and December, each index in the series is rebalanced back to the asset allocation levels set as of the immediate prior review. The rebalance is implemented after the close on the third Friday (effective the following Monday) of June and December.

10. How much history is available for the FTSE Market Based Allocation Index Series?

Asset allocation weights and index performance history is available from March 2007.¹

¹ Data prior to index launch represents hypothetical, historical performance. Please see the end for important legal disclosures.

11. What are the governance standards?

To oversee the FTSE Market Based Allocation Index Series, 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 defense risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks and the European benchmark regulation.

12. What are the index codes and Bloomberg tickers?

Index code	BBG ticker	Index name
FUSMBAC	FUSMBAC	FTSE US Market Based Allocation Conservative Total Return Index
FUSMBAMC	FUSMBAMC	FTSE US Market Based Allocation Moderately Conservative Total Return Index
FUSMBAM	FUSMBAM	FTSE US Market Based Allocation Moderate Total Return Index
FUSMBAMA	FUSMBAMA	FTSE US Market Based Allocation Moderately Aggressive Total Return Index
FUSMBAA	FUSMBAA	FTSE US Market Based Allocation Aggressive Total Return Index

For more information about our indexes, please visit ftserussell.com.

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FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. 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 investment funds, ETFs, structured products and index-based derivatives. FTSE Russell indexes also provide clients with tools for asset allocation, investment strategy analysis and risk management.

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