

# FTSE Nareit Custom DHIS and Housing Capped Index

v1.2



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## Section 1

# Introduction

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## 1. Introduction

- 1.1 This document describes the rules used to calculate the FTSE Nareit Custom DHIS and Housing Capped Index.
- 1.2 The FTSE Nareit Custom DHIS and Housing Capped Index is designed as performance benchmarks for DHIS and Housing sectors in FTSE Nareit US Real Estate Index Series.
- 1.3 The FTSE Nareit Custom DHIS and Housing Capped Index does not take account of ESG factors in its design.
- 1.4 These Ground Rules should be read in conjunction with the FTSE Nareit US Real Estate Index Series Ground Rules which are available at [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 1.5 A Total Return Index will be calculated on an end of day basis in USD.

### 1.6 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.

- 1.6.1 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 indices and therefore, any financial contracts or other financial instruments that reference the indices 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 indices.
- 1.6.2 Index users who choose to follow these indices or to buy products that claim to follow these indices should assess the merits of the index series' 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 indices 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 FTSE Nareit Custom DHIS and Housing Capped Index 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 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 for FTSE Russell Equity Indices, where FTSE Russell or the FTSE Russell Regional Advisory Committees determine 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

## 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 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.

Please use the following link for a copy of FTSE Russell's Statement of Principles.

[Statement\\_of\\_Principles.pdf](#)

### 3.2 Statement of Principles for FTSE Fixed Income Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles for FTSE Fixed Income Indices 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 the FTSE Russell Product Index Governance Board.

The Statement of Principles for Fixed Income Indices can be accessed using the following link:

[Statement\\_of\\_Principles\\_Fixed\\_Income\\_Indices.pdf](#)

### 3.3 Queries and Complaints

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

[Benchmark\\_Determination\\_Complaints\\_Handling\\_Policy.pdf](#)

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

3.4.1 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](#)

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

3.5.1 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](#)

### **3.6 Policy for Benchmark Methodology Changes**

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

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

### **3.7 Equity 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 Nareit Custom DHIS and Housing 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](#)

### **3.8 Fixed Income Recalculation Policy and Guidelines**

The Recalculation Policy and Guidelines for Fixed Income Indices document is available from the FTSE Russell website using the link below or by contacting [info@ftserussell.com](mailto:info@ftserussell.com).

[Fixed Income Recalculation Policy and Guidelines.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](#)

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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

# Component indices

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## 4. Component indices

4.1 The index is composite of FTSE Nareit Custom DHIS Capped Index and FTSE Nareit Custom Housing Capped Index at 3:1 ratio. Both components are subsector indices of the FTSE Nareit All Equity REITS index.

4.1.1 The FTSE Nareit Custom DHIS Capped Index consists of following constituents from subsectors of FTSE Nareit All Equity REITS Index:

- Equity Data Center (property subsector code = N1001)
- Equity Health Care (property subsector code = N721)
- Equity Industrial (property subsector code = N741)
- Equity Self Storage (property subsector code = N731)

4.1.2 The FTSE Nareit Custom Housing Capped Index consists of constituents from the following subsectors of FTSE Nareit All Equity REITS Index:

- Equity Apartments (property subsector code = N751)
- Equity Manufactured Homes (property subsector code = N752)
- Equity Single Family Homes (property subsector code = N753)

## Section 5

# Periodic review

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## 5. Periodic review

- 5.1 The component indices are subsets of the FTSE Nareit All Equity REITS index and follow the review dates and methodologies as defined in FTSE Nareit US Real Estate Index Series ground rules available from [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/).
- 5.2 The companies in the component indices are weighted by investable market capitalisation and are capped at 20% annually in December.
- 5.3 The price date for the application of capping will be the close of the second Friday of the December using shares in issue and investability weights effective after the close on the third Friday of December.
- 5.4 The components allocation levels for the FTSE Nareit Custom DHIS and Housing Capped Index will be set to 75% and 25% annually in December for the FTSE Nareit Custom DHIS Capped Index and the FTSE Nareit Custom Housing Capped Index respectively.  
  
Changes in components allocation levels will be implemented after the close on the third Friday (i.e. effective the following Monday) of December.

## Section 6

# Corporate actions and events

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## 6. 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 Investability weightings

6.2.1 Changes to free float for constituent securities are covered in the Corporate Actions and Events Guide.

### 6.3 Suspension of dealing

Suspension of Dealing rules can be found within the Corporate Actions and Events Guide.

## Section 7

# Calculation algorithm

## 7. Calculation algorithm

### 7.1 Calculation frequency

7.1.1 The FTSE Nareit Custom DHIS and Housing Capped Index will be calculated on an end of day basis and displayed to eight decimal points.

### 7.2 Index calculation

7.2.1 The FTSE Nareit Custom DHIS and Housing Capped Index are calculated using the algorithm described below:

$$I_t = (1 + R_{D,t} \times 0.75 + R_{H,t} \times 0.25) \times I_{t-e}$$

Where:

$I_t$  = The Benchmark Index value at time  $t$

$I_{t-e}$  = The Benchmark Index value at annual ratio reset time  $t-e$

$R_{D,t}$  = The total return of the FTSE Nareit Custom DHIS Capped Index at time  $t$  since the last annual ratio reset time  $t-e$

$R_{H,t}$  = The total return of the FTSE Nareit Custom Housing Capped Index at time  $t$  since the last annual ratio reset time  $t-e$

## Appendix A

# Further information

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

[Glossary.pdf](#)

For further information on the FTSE Nareit Custom DHIS and Housing Capped Index Ground Rules visit [www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/) or e-mail [info@ftserussell.com](mailto:info@ftserussell.com). Contact details can also be found on this website.

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