



Methodology overview

FTSE
Russell

FTSE Dividend Growth Index Series

Measuring companies with consistent dividend growth

The FTSE Dividend Growth Indexes include stocks of companies that have successfully increased their dividend payments over a period of ten years.

Dividend growth stocks have been gaining interest among market participants for their potential to provide high risk-adjusted returns. Increasing dividends are viewed by some investors as an indicator of management confidence in future earnings and commitment to creating shareholder value in addition to balance sheet and market performance strength.

Stocks in the base index are screened for liquidity and dividend payment history status, then selected and equal weighted subject to a maximum sector weight of 30%. To maintain appropriate weightings, index constituents are rebalanced to equal weight on a quarterly basis.

The resulting indexes are ideal tools for research, for analyzing this interesting market segment and for the creation of tradable products such as ETFs.

FTSE Dividend Growth Indexes features and benefits

- **Consistent dividend increases.** The index methodology identifies companies that have consistently increased their dividend payments over ten years.
- **Diversified.** The methodology combines a simple equal weight and a sector capping approach resulting in a better diversified index.
- **Liquid.** Constituents are screened for liquidity based on 20-day average daily dollar traded volume (ADDTV).
- **Accessible.** The indexes provide equal-weighted coverage of available dividend growth stocks.
- **Objective.** FTSE Russell indexes are constructed using a transparent rules-based methodology to be used as the basis of investable products and as research and measurement tools.

Available indexes

- Russell 1000® Dividend Growth Index
- Russell 2000® Dividend Growth Index
- Russell 3000® Dividend Growth Index
- Russell Top 200® Dividend Growth Index
- Russell Midcap® Dividend Growth Index

Leaders in index design

At FTSE Russell, we offer a comprehensive series of equity indexes which give investors an accurate view of the markets.

Since launching the first small cap index in 1984, the Russell 2000 Index, FTSE Russell has been viewed as a leading innovator in index design, consistently setting industry standards that are relevant today.

Construction and methodology¹

- Begin by selecting a base index, e.g. Russell 2000® Index.
- Apply liquidity screen. Russell 2000 index constituents are ranked in order of 20-day average dollar traded volume (ADDTV) and companies with ADDTV below the 20th percentile are removed. This threshold, computed from the Russell 2000 constituents, is then also applied to the Russell US Dividend Growth Indexes. For each universe, constituents that are at or above the threshold comprise the set of constituents eligible for further screening.
- Remaining securities are assessed for dividend growth over time. Eligible stocks must have increasing per-share regular cash dividends for ten consecutive years.
- Where there are fewer than 40 eligible constituents, companies with nine years of increasing dividends are added to the remaining list in descending order of dividend yield, until the total number of remaining constituents is 40. If there are still fewer than 40, constituents with eight years of increasing dividends are likewise added. If after this step there are still fewer than 40, no further additions are made.
- Weight remaining stocks equally. Where any sector represents 30% or more of the index remove constituents from that sector in ascending order of dividend yield until the sector represents less than 30%.
- If the total number of remaining constituents is fewer than 40, add constituents with nine years of increasing dividends to sectors with weights below 30%, in descending order of dividend yield, until there are 40 constituents. If there are still fewer than 40, repeat using constituents with eight years of increasing dividends. If there still are fewer than 40 constituents, the process is not continued further.

Reconstitution

The FTSE Dividend Growth Indexes are completely reconstituted in June of each year. In March, September and December constituent weightings are rebalanced to equal weight.

¹ For additional information, refer to the index construction and methodology:
<http://www.ftse.com/products/indices/ftse-dividend-growth>

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

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FTSE Russell is a leading global index provider creating and managing a wide range of indexes, data and analytic solutions to meet client needs across asset classes, style and strategies. Covering 98% of the investable market, FTSE Russell indexes offer a true picture of global markets, combined with the specialist knowledge gained from developing local benchmarks around the world.

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.

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 index innovation and customer partnership applying the highest industry standards and embracing the IOSCO Principles. FTSE Russell is wholly owned by London Stock Exchange Group.

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