

Construction and methodology



Russell Pure Style Index Series

v2.7



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Section 1

Introduction

1.0 Introduction

1.1 The Russell Pure Style Indices

1.1.1 The Russell Pure Style Indices are built using the industry-standard Russell Style indices¹ as their basis. Russell Pure Style indices are strongly consistent with the Russell Style indices, however they are alternatively-weighted and offer greater distinction between the pure growth and pure value indices than their respective, market-cap weighted growth and value indices. Consistent with its design objective, the Russell Pure Style methodology has historically demonstrated greater growth or value style factor capture than the Russell Style indices.

1.2 The Russell Pure Style Indices do not take account of ESG factors in its index design.

1.3 Available indices

1.3.1 The following indices are available for the Russell Pure Style indices:

Russell Top 200® Pure Growth Index Russell Top 200® Pure Value Index

Russell Midcap® Pure Growth Index Russell Midcap® Pure Value Index

Russell 1000® Pure Growth Index Russell 1000® Pure Value Index

Russell 2000® Pure Growth Index Russell 2000® Pure Value Index

1.4 The base currency of the benchmark is US Dollars. Index values may also be published in other currencies.

1.5 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 Please see the Russell U.S. indices construction and methodology for complete rules used to define the total stock universe on which the Russell Pure Styles indices are based. The Russell Style indices are constructed based on a composite value score (CVS) computed from three characteristics: 50% book to price (value characteristic), 25% sales per share growth (growth characteristic), and 25% medium-term growth forecast (growth characteristic). Value/Growth style probabilities are then assigned using a nonlinear algorithm.

- 1.5.1 FTSE Russell hereby notifies users of the index 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 and therefore, any financial contracts or other financial instruments that reference the index or investment funds which use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.
- 1.5.2 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 for any losses, damages, claims and expenses suffered by any person as a result of:
- any reliance on this Construction and Methodology, and/or
 - any errors or inaccuracies in this Construction and Methodology, and/or
 - any non-application or misapplication of the policies or procedures described in this Construction and Methodology, and/or
 - any errors or inaccuracies in the compilation of the index or any constituent data.



Section 2

Management Responsibilities

2.0 Management Responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index series².

2.1.2 FTSE Russell 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 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 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

3.0 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 Corporate Actions and Events Guide

3.1.1 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](#)

3.2 Queries and Complaints

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

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

3.3 Index Policy for Trading Halts and Market Closures

3.3.1 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](#)

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

3.4.1 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](#)

3.5 Recalculation Policy and Guidelines

3.5.1 The Russell Pure Styles Index Series is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the index series are notified through appropriate media.

3.5.2 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.

[Recalculation Policy and Guidelines Equity Indices.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 **FTSE Russell Governance Framework**

3.7.1 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 Benchmarks³, the European benchmark regulation⁴ and the UK benchmark regulation⁵. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

³ IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013

⁴ 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

⁵ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019

Section 4

Detailed construction and methodology

4.0 Detailed construction and methodology

- 4.1.1 The initial parent indices for the Russell Pure Style Indices are the Russell Top 200, Russell Midcap, Russell 1000, and Russell 2000 indices. If the parent index includes multiple share classes for a given company, only the primary share class will be included in the index, i.e. each company will have only one share class represented in the Russell Pure Style Indices.
- 4.1.2 The liquidity screen removes the securities that have a liquidity measure below the bottom 10% of the securities included in the Russell 2000 index based on the 20-day average daily dollar trading value (ADDTV).⁶ This cut-off is applied to all Russell Pure Style indices, including those based on the Russell 1000, Top 200, and Midcap indices.
- 4.1.3 ADDTV is for this purpose defined as the accumulated trading value over the past twenty trading days, divided by twenty. Trading days are based on the US calendar, and as such excludes US exchange holidays. For additional information on ADDTV, refer to the Russell Global Index construction and methodology document available on ftserussell.com.
- 4.1.4 The Russell Pure Style indices are constructed by first selecting the constituents in the parent index that have a value probability equal to 1.0 and a growth probability equal to 1.0. This eliminates any security included in both the value and growth indices. In order to further concentrate the Russell Pure Style indices, the list of constituents is narrowed to securities with the highest composite value score (CVS)⁷, up to the 50th percentile⁸ for the Russell Midcap and Russell 2000 index variants (this step is not required for the Russell Top 200 index variants, since each of the Russell Top 200 Pure Style indices had fewer than 100 constituents as of June 30, 2014).
- 4.1.5 The Russell Pure Style index constituents are weighted in proportion to their CVS. Let iMax be the security with the largest CVS overall, i.e. highest-ranked Pure Value stock based on CVS. Let iStart be the security immediately below the cutoff for inclusion in the Pure Value index (at or below the 50th

⁶ For the purposes of creating the initial index history, the 20-day trading window for the liquidity screen ran through the end of the recon year – nominally June 30. Following the index inception date of April 7, 2015, the 20-day trading window runs through the recon cut date – nominally May 31.

⁷ Please see the Russell U.S. indices construction and methodology for a detailed description of the Russell Style indices methodology.

⁸ 50th percentile is based on the number of securities that have a value probability of 1.0. If a security is at the 50th percentile, it will be excluded.

percentile CVS for Russell Midcap and Russell 2000 indices; Style Probability < 1 for Russell Top 200 indices).

4.1.6 The slope is calculated using the following formula:

$$\text{Slope} = 1 / (\text{CVS}(\text{iMax}) - \text{CVS}(\text{iStart}))$$

Let CVS(i) be the CVS score of security i. For securities between iMax and iStart, calculate the following⁹ :

$$\text{tentativePureValueWeight}(i) = \text{slope} * (\text{CVS}(i) - \text{CVS}(\text{iStart}))$$

The security weights are then normalized using the following formula:

$$\text{pureValueWeight}(i) = \frac{\text{tentativePureValueWeight}(i)}{\sum_i \text{tentativePureValueWeight}(i)}$$

4.1.7 Additionally, the sector weights for each Russell Pure Style index are capped at 10% above the weight in its corresponding Style index, e.g. each sector in the Russell 2000 Pure Growth index will not exceed 10% overweight in the respective sectors in the Russell 2000 Growth index. The excess weight will be re-allocated pro-rata to the sectors that do not exceed the 10% cap and rescaled accordingly. See hypothetical example below.

Hypothetical example of sector capping process (sorted from highest to lowest final index weight):

Sectors	Uncapped Russell 2000 pure growth index (1)	Final, capped Russell 2000 pure growth index (2)	Russell 2000 growth index (3)	Final sector overweight (max 10%), (2) vs. (3)
Health Care	36.4%	34.5%	24.5%	10.0%
Technology	26.4%	27.2%	24.2%	3.0%
Consumer Discretionary	15.5%	16.0%	17.3%	-1.3%
Industrials	10.9%	11.2%	13.4%	-2.2%
Energy	2.8%	2.9%	3.3%	-0.5%
Consumer Staples	2.6%	2.7%	3.5%	-0.8%
Financial Services	2.1%	2.2%	7.6%	-5.4%
Basic Materials	1.3%	1.3%	4.0%	-2.7%

⁹ In the rare instance that a security does not have a CVS score, e.g. security may not have a CVS score if it enters the index at annual reconstitution due to IPO or similar corporate action; the security is assigned the average tentative PureValueWeight. This substitution logic generally applies to the Russell Top 200 Pure Style indices only, since they include all stocks with a Value (or Growth) Probability of 1.



Section 5

Annual Reconstitution

5.0 Annual reconstitution

- 5.1.1 The Russell Pure Style Indices are reconstituted annually in June, consistent with the Russell Style indices. At reconstitution, the sector weights of each of the Russell Pure Style indices are capped at 10% above the sector weight of the corresponding Style index. No changes to capping are applied outside of the annual reconstitution.



Section 6

Industry Classification Benchmark (ICB)

6.0 Industry Classification Benchmark (ICB)¹⁰

6.1 Classification Structure

6.1.1 The Russell Equal Weight Index Series constituents are classified into Industries, Supersectors, Sectors and Subsectors, as defined by the Industry Classification Benchmark (ICB).

6.1.2 Details of the Industry Classification Benchmark are available from FTSE Russell and published on the FTSE Russell website (www.ftserussell.com) and can be accessed using the following link:

[Industry Classification Benchmark](#)

¹⁰ The Russell Pure Styles Index Series moved from the Russell Global Sectors (RGS) classification system to the ICB classification system in September 2020. Changes for the Russell Pure Style Indices became effective in June 2021.

Section 7

Corporate Actions and Events

7.0 Corporate Actions and Events

7.1 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.

7.2 Timing of Corporate Actions and Events

Please note that the exception detailed within the Timing of Corporate Actions and Events section of the Corporate Actions and Events Guide for the Russell 3000E applies to the Russell Pure Style Index Series.

Appendix A: Further Information

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 Russell Pure Style Index Series visit www.ftserussell.com or e-mail info@ftserussell.com. Contact details can also be found on this website.

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

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