

Russell Equal Weight Index Series

A unique equal weight approach

The Russell Equal Weight Index Series offers practical and unique index tools for market participants adopting non-market cap weighting methods. This innovative series offers an enhancement over traditional equal weight indexes, which apply the same weight to each security in the index, by providing sector equal weight exposure.

Russell's sector equal weight index methodology weights each sector¹ equally within the index and then weights securities within each sector equally. In addition to sector and security diversification, the Russell Equal Weight index methodology systematically moves weights in stocks that have performed well to stocks that have not performed as well. The effect of diversification within the Russell Equal Weight indexes is consistent across all size segments.

Of the alternative weighting strategies tested in FTSE Russell's 2018 financial advisor smart beta survey, equal weight was the most commonly used by US advisors (used by 36% of survey respondents).² Market participants can use the Russell Equal Weight Index Series to implement a sector- and stock-neutral view of the market through index-based investment products such as exchange traded funds (ETFs). The indexes can additionally be used to research or to benchmark market segments based on a sector- and stock-equal weighting methodology.

Leaders in index design

The underlying Russell equity indexes allow market participants to seamlessly track performance of distinct equity markets, asset classes and sector categories worldwide. Since launching its first US indexes in 1984, FTSE Russell has been viewed as a leading innovator in index design, consistently setting industry standards.

¹ The sector scheme used in the construction of the Russell Equal Weight Indexes is the Russell Global Sector Scheme (RGS), which consists of nine sectors: Consumer Discretionary, Consumer Staples, Energy, Financial Services, Health Care, Materials & Processing, Producer Durables, Technology and Utilities.

² Source: FTSE Russell, *Smart beta: 2018 survey findings from US, Canadian, and UK financial advisors*.

Available Indexes

US

- Russell 1000® Equal Weight
- Russell 2000® Equal Weight
- Russell Midcap® Equal Weight
- Russell Top 200® Equal Weight

US Sector

- Russell 1000® Equal Weight Technology

Russell Equal Weight Index features and benefits

- Leverages FTSE Russell's expertise in creating transparent, rules-based, rigorously maintained indexes.
- Sector equal-weighted to neutralize sector biases that traditional equal weighted index products exhibit.
- The weights of the securities are allowed to fluctuate with market movement intra-quarter.
- Systematically re-balancing the indexes quarterly pares back weights in stocks that have performed well and increases weights in stocks that have not performed as well.
- The index methodology forces a discipline of buying low and selling high within the index.

Constructing the Russell Equal Weight Indexes

Russell US Index Universe

Select parent index

Russell 1000® Index	Russell 2000® Index	Russell Top 200® Index	Russell Midcap® Index
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Nine Russell Global Sectors

Consumer Staples	Energy	Health Care	Producer Durables	Utilities
Consumer Discretionary	Financial Services	Materials & Processing	Technology	

Within each parent index, weight each Russell Global Sector equally (1/N)

Within each sector, weight each stock equally (1/n).
Include only one share class per company.

Apply capacity screen.

To be eligible for membership, the share position of a potential constituent cannot exceed 5% of the float-adjusted shares of a company when a notional value of \$5 billion is assumed to be invested in the portfolio

Russell Equal Weight Index Series

Quarterly index re-weighting and annual reconstitution

- Russell Equal Weight Indexes are re-weighted at the close of the third Friday of the month in March, September, and December.
- IPOs are added quarterly to reflect new opportunities in the market.
- June's re-weighting is completed at the same time as the annual reconstitution of the parent indexes.

Index characteristics

The Russell Equal Weight Indexes offer investors a series of investable indexes with the following essential characteristics:

Diversified

Provide exposure to each sector, without domination by a small group of stocks.

Reduced volatility

Equally weighted across nine Russell Global Sectors (RGS), controlling sector risk posed by traditional equal weighting methods.

Investable

A capacity screen is applied to remove stocks with limited availability

Accurate

Re-weighted on a quarterly basis to reflect market changes.

Rigorously maintained

Russell indexes are regularly and proactively maintained. Updates such as daily corporate actions, quarterly re-weighting and IPO inclusions and annual total reconstitution ensure that the indexes accurately represent the true opportunity set.

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

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About FTSE Russell

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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