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# Russell RAFI™ Index Series

## Universe Change

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### Executive summary

- As a result of the December 2018 decommission of Russell Global Indexes (RGI), Russell RAFI will transition its starting universe from RGI to FTSE Global Equity Index Series (GEIS)
- Transition will occur at the March 2019 Index Review
- No other methodology or distribution changes will occur



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## Section 1

# Overview

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### 1. How does the RGI decommission impact the Russell RAFI Index Series?

FTSE Russell has announced that the Russell Global Indexes (RGI) will be decommissioned at the end of 2018 and all RGI-derived indexes will migrate to a corresponding FTSE Global Equity Index Series (GEIS) universe. As Russell RAFI Indexes use RGI as the underlying universe, a change to both Russell RAFI's universe and Index Review date will occur.

### 2. What are the key changes?

Several key changes will occur:

- The index universe will change from Russell Global Index which comprises of large, mid and small cap constituents to FTSE Global Total Cap Index. The FTSE Global Total Cap Index consists of large, mid, small and micro cap constituents.
- Due to country classification differences between FTSE and legacy Russell, country classification changes will occur. The criteria by which the FTSE Global Equity Index Series Universe classifies countries differs from that of the RGI. For more information please visit the GEIS ground rules here: [FTSE GEIS Ground Rules](#), [RGI Ground Rules](#).
- The Annual Index Review date will change from June to March, effective March 2019.

### 3. How does the RGI universe map to the GEIS universe?

The starting universe for all Russell RAFI Index will change from Russell Global Index to FTSE Global Total Cap Index. The below table provides details regarding the components of the universe changes:

Global	Component of current starting universe (Russell Global Index)	Component of new starting universe (FTSE Global Total Cap Index)
Russell RAFI Global	Russell Global Index	FTSE Global Total Cap Index
Russell RAFI Global Large Company	Russell Global Index	FTSE Global Total Cap Index
Russell RAFI Global Small Company	Russell Global Index	FTSE Global Total Cap Index
Russell RAFI Global ex US	Russell Global ex US Index	FTSE Global ex US Total Cap Index
Russell RAFI Global ex US Large Company	Russell Global ex US Index	FTSE Global ex US Total Cap Index
Russell RAFI Global ex US Small Company	Russell Global ex US Index	FTSE Global ex US Total Cap Index
<b>Regional</b>		
Russell RAFI Developed	Russell Developed Index	FTSE Developed Total Cap Index
Russell RAFI Developed Large Company	Russell Developed Index	FTSE Developed Total Cap Index
Russell RAFI Developed Small Company	Russell Developed Index	FTSE Developed Total Cap Index
Russell RAFI Developed ex US	Russell Developed ex US Index	FTSE Developed ex US Total Cap Index
Russell RAFI Developed ex US Large Company	Russell Developed ex US Index	FTSE Developed ex US Total Cap Index
Russell RAFI Developed ex US Small Company	Russell Developed ex US Index	FTSE Developed ex US Total Cap Index
Russell RAFI Europe	Russell Europe Index	FTSE Europe Total Cap Index
Russell RAFI Europe Large Company	Russell Europe Index	FTSE Europe Total Cap Index
Russell RAFI Europe Small Company	Russell Europe Index	FTSE Europe Total Cap Index
Russell RAFI Developed Europe	Russell Developed Europe Index	FTSE Developed Europe Total Cap Index
Russell RAFI Developed Europe Large Company	Russell Developed Europe Index	FTSE Developed Europe Total Cap Index
Russell RAFI Developed Europe Small Company	Russell Developed Europe Index	FTSE Developed Europe Total Cap Index
Russell RAFI Emerging Markets	Russell Emerging Markets Index	FTSE Emerging Total Cap Index
Russell RAFI Emerging Markets Large Company	Russell Emerging Markets Index	FTSE Emerging Total Cap Index
Russell RAFI Emerging Markets Small Company	Russell Emerging Markets Index	FTSE Emerging Total Cap Index
<b>Country Indexes</b>		
Russell RAFI Canada	Russell Canada Index	FTSE Canada Total Cap Index
Russell RAFI Japan	Russell Japan Index	FTSE Japan Total Cap Index
Russell RAFI US	Russell 3000 Index	FTSE USA Total Cap Index
Russell RAFI US Large Company	Russell 3000 Index	FTSE USA Total Cap Index
Russell RAFI US Small Company	Russell 3000 Index	FTSE USA Total Cap Index
<b>Real Estate</b>		
Russell RAFI Global Select Real Estate Index	Russell Global Index	FTSE Global Total Cap Index
Russell RAFI Global ex US Select Real Estate Index	Russell Global ex US Index	FTSE Global ex US Total Cap Index
Russell RAFI US Select Real Estate Index	Russell 3000 Index	FTSE USA Total Cap Index

## 4. What are the key index construction differences?

Key index construction differences between FTSE GEIS and RGI are noted in the table below. Please refer to the ground rules for additional index methodology details: [FTSE GEIS Ground Rules](#), [RGI Ground Rules](#).

	FTSE GEIS Universe	RGI Universe	Impact on Russell RAFI Index
<b>Index review frequency and timing</b>	Semi-annually in March and September	Annually in June	Index Review ed Annually in March
<b>Universe Country classification</b>	South Korea: Developed Egypt: Emerging Pakistan: Emerging Qatar: Emerging Poland*: Developed Kuwait*: Emerging Saudi Arabia**: Emerging China A***: Emerging	South Korea: Emerging Egypt: Frontier Pakistan: Frontier Qatar: Frontier Poland: Emerging Kuwait: Frontier Saudi Arabia: N/A  China A: N/A	Differences: South Korea and Poland will be classified as Developed countries and not Emerging.  Egypt, Pakistan, Qatar will be classified as Emerging.  Kuwait will be added to the Index as an Emerging country.

<b>Universe view</b>	Regional relative using 8 regions: Asia Pacific ex Japan, Japan, North America, Latin America, Developed Europe, Emerging Europe, Middle East & Africa, China A***	Global ex-US relative + Russell 3000 (US)	Regional relative using 7 regions: Asia Pacific ex Japan, Japan, North America, Latin America, Developed Europe, Emerging Europe, Middle East & Africa, China A w will be considered for inclusion in March 2020.
<b>Primary criteria used to identify country</b>	Country of incorporation/listing	Country of incorporation/headquarters/liquidity	Country of incorporation/listing
<b>Universe Liquidity Screen</b>	Median velocity rule	Median Average Daily Dollar Trading Volume (ADDTV), Average Trading Ratio (ATR)	Median velocity rule

\*Change implemented September 2018.

\*\*Change implemented March 2019.

\*\*\*Change implemented June 2019

## 5. Will the Russell RAFI methodology change?

No, with the exception of the universe and Index Review date change, no other methodology changes will occur.

In particular, the large cap and small cap breakpoints will not change. Russell RAFI will continue to have the same large vs small cap breakpoints using a global relative approach: Large company – top 87.5%; Small company – bottom 12.5%.

## 6. Where will the Large vs Small index breakpoints be implemented?

The Russell RAFI Global Large Company Index will consist of companies that rank above the 87.5 percentile in cumulative fundamental weight of the FTSE All-World Index. The remaining securities in the FTSE Global Total Cap Index (excluding the FTSE All-World Index) will be eligible for consideration in the Russell RAFI Small Company Index.

## 7. Are there any changes to the Russell RAFI Index history?

No, index history will continue uninterrupted. The Russell RAFI index history up until the universe transition in March 2019 will be based on the RGI universe.

## 8. Will file format changes occur?

There will be no file format changes. Clients will receive files in the same format previously received.

## 9. Will there be an increase in turnover following the change?

We expect there to be a slight increase in turnover for the first year due to the change in universe. The increase in turnover will be subject to the specific index in question given that the FTSE Global Total Cap Index has differing country classification criteria than the Russell Global Index.

## 10. What supporting documentation is available?

The following support materials are available on the website or by request.

- [Updated Russell RAFI Index Series Ground Rules](#) – To be available on the FTSE Russell website by the end of December 2018.
- Impact analysis related to the universe change will be available on the 20<sup>th</sup> December 2018 for the following indexes:
  - Global
    - Russell RAFI Global Index
  - Regional
    - Russell RAFI Developed ex US Index
    - Russell RAFI Developed ex US Large Company Index
    - Russell RAFI Developed ex US Small Company Index
    - Russell RAFI Emerging Markets Index
    - Russell RAFI Emerging Markets Large Company Index
    - Russell RAFI Emerging Markets Small Company Index
  - Country Indexes
    - Russell RAFI US Index
    - Russell RAFI US Large Company Index
    - Russell RAFI US Small Company Index

For additional Index analysis please contact your Relationship Manager at FTSE Russell.

## Section 2

# Implementation

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### 11. When will the changes be implemented?

The transition to a FTSE GEIS universe will occur at the 2019 March Index Review.

### 12. How will FTSE Country Classification changes be implemented, including Saudi Arabia and China A?

The existing country classification differences between RGI and FTSE GEIS will be implemented at the March 2019 Index Review.

Country	Effective Date in FTSE GEIS	Effective Date in Russell RAFI
South Korea	Currently in GEIS	March 2019
Egypt	Currently in GEIS	March 2019
Pakistan	Currently in GEIS	March 2019
Qatar	Currently in GEIS	March 2019
Poland	Currently in GEIS	March 2019
Kuwait	Currently in GEIS	March 2019
Saudi Arabia	March 2019	March 2020
China A	Tranches begin in June 2019, September 2019 and complete March 2020	March 2020*

For other country classification differences, the following rules are followed:

- To be included in the Russell RAFI Index Series, a country must be included in the FTSE Global Total Cap Universe for a calendar year.
- After a year of inclusion, the country will be eligible for inclusion in the Russell RAFI Indexes.
- The addition of these countries is done through four equal quarterly tranches

For more information, please refer to the [FTSE Country Classification](#).

\*The future index eligibility of China A Shares for the Russell RAFI Index Series will be assessed as part of the 2020 Annual Index Review process.

**13. Will Sector classification change from Russell Global Sectors (RGS) to the Industry Classification Benchmark (ICB) as part of the March Index Review change?**

No, RGS will continue to populate the Russell RAFI index files until the index transition to New ICB is communicated to clients.

**14. Will transition indexes be provided?**

No, transition indexes will not be provided.



## For more information about our indexes, please visit [ftserussell.com](http://ftserussell.com).

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