



FTSE High Dividend Low Volatility Index Series – Ground Rule Update

29 February 2024

FTSE Russell would like to inform clients of the following updates to the FTSE High Dividend Low Volatility Index Series Ground Rules which are effective immediately.

Section 5: Periodic review of constituents

- 5.2.3 Stocks which have no available trailing 12-month dividend yield will not be eligible for inclusion. **For FTSE Emerging High Dividend Low Volatility Index, each stock will be tested for liquidity by calculation of its recent 3-month average of daily trading value (ADTV). The current index constituents which ADTV less than USD 3.75 million will be removed from the index; the non-current index constituents which ADTV less than USD 5 million will not be eligible for inclusion.**
- 5.2.4 The constituents of each FTSE High Dividend Low Volatility Index are the 2/3 of stocks selected by yield (Rule 5.2.1) with the lowest realised volatility **(apart from the FTSE Emerging High Dividend Low Volatility Index containing a part of constituents from last review because of partial implementation).**
- 5.5 **Weighting methodology FTSE Emerging High Dividend Low Volatility Index**
- 5.5.1 Constituents of the FTSE Emerging High Dividend Low Volatility Index are weighted by trailing 12-month dividend yield.
- 5.5.2 At the annual review, a partial review adjustment factor is calculated by referencing the 150 selections of each current and previous index review. The partial review adjustment factor is determined using the scenarios in the table below.

Scenario	Partial Review Adjustment Factor
Constituent in the 150 selections of the current & previous index reviews	1
Constituent in the 150 selections of the current index review only	0.5
Constituent in the 150 selections of the previous index review only	0.5
Constituent not in the 150 selections of both the current & previous index reviews	0
Constituent in the 150 selections of the previous index review only but is no longer a member of the eligible universe of the current index review	0
Constituent in the 150 selections of the previous index review only but has a zero trailing 12-month dividend yield or fails liquidity test in the current index review	0

The partial review adjustment factor is applied to each constituent's trailing 12-month dividend yield prior to the review capping.

- 5.5.3 To contain the constituent number, after applying partial implementation, if the constituent number exceeds 200, set a maximum number of 200 by removing the constituent with the lowest weight before capping until the number becomes 200.
- 5.5.4 The weight of each constituent is capped annually, such that the maximum individual company weight does not exceed 4.5%, the maximum ICB industry weights does not exceed 25% and the maximum stock capacity ratio is set to 40, benchmarking the investable market capitalisation weights of the underlying index.

Hence, the maximum individual stock weight W_i^{Max} of stock i in the FTSE Emerging High Dividend Low Volatility Index is the lower of 4.5% and 40 times its index weight $W_{M,i}$ in the FTSE Emerging Index.

$$W_i^{Max} = \text{Min}(4.5\%, 40 \times W_{M_i});$$

- 5.5.5 If a solution satisfying the stock level, company level and industry level capping limits cannot be achieved, the industry maximum limit is increased by 0.5% and the capping reapplied. This process is repeated until a feasible solution is reached.

An updated copy of the FTSE High Dividend Low Volatility Index Series Ground Rules (v2.4) is now available using the following link: [ftse-high-dividend-low-volatility-index-ground-rules.pdf](#)

Or on the FTSE Russell website: www.lseg.com/en/ftse-russell/

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