



Russell Indexes Reconstitution 2016

This year's Russell Indexes Reconstitution will take place after the close on June 24, 2016.

Performed annually, reconstitution ensures that the Russell Indexes continue to accurately reflect the current state of equity markets and their market segments, including market capitalization (e.g., large and small cap), sector breakdowns, and style structure. The 2016 schedule is provided below along with a list of methodology enhancements effective as of this year's reconstitution.

Reconstitution 2016 Schedule

Rank day	May 27
Preliminary membership lists (including adds and deletes)	June 10
Preliminary reconstitution analysis reports	June 10
Reconstitution adds and deletes appear in daily change file	June 13
Updates to membership lists (including adds and deletes)	June 17 and 24
Reconstitution is final after the close	June 24

All indexes based on the Russell Global and U.S. indexes, including Russell Fundamental, Russell Equal Weight, Russell Stability, Russell Geographic Exposure, Russell-IdealRatings Islamic and Russell-Axioma Factor indexes are impacted by the membership changes of their respective parent indexes. Addition and deletion lists are not generated for each index series; however, membership changes are published up to eight days in advance of the effective date within the daily change files and predictive month end holdings files.

A detailed schedule of index deliverables can be found in the Reconstitution Calendar available in the "Reference Documents" section on DDS and the "Reference Materials" section on the Product Portal (FTSE Russell's file delivery sites).

What's New for Reconstitution 2016?

Rank date

To promote an accurate, seamless reconstitution process, given the limited amount of time between the last trading day in May and this year's reconstitution date in June, the rank date used for index membership eligibility will be Friday, May 27, 2016. Please note that this only impacts the 2016 reconstitution schedule. Any future changes to rank dates used will be communicated accordingly.

As a point of clarification, fundamental characteristic data used for index builds (e.g., style and stability attributes) will continue to be based on data as of May month end.

Fundamental characteristic data

For US index builds that require fundamental characteristic data (e.g., style, stability, etc.), FTSE Russell has historically relied on Compustat as the primary data source. As the result of a recent comparison of vendor coverage and quality, we will transition to using Worldscope as our primary data source as of reconstitution 2016.

Methodology enhancements

Primary vehicle: As of reconstitution 2016, share classes not qualifying for eligibility independently will no longer be aggregated with the shares of the primary pricing vehicle and will be removed from available shares. The only exception to this rule is Berkshire Hathaway class A, which will continue to be rolled up into its primary share class.

Market capitalization adjustments (float adjustments):

- **Officers' and directors' holdings:** All officers' and director's holdings will now be excluded entirely from our calculation of available shares. The 10% threshold will no longer apply.
- **Large private holdings:** Large private holdings will continue to be removed from available shares if they exceed 10% of a company's total shares outstanding.
- **Institutional holdings:** Institutional holdings will be excluded from our calculation of available shares if they represent greater than 30% of a company's shares, in which case they are defined as strategic. In cases where a firm has a direct relationship to the company, such as board representation, regardless of amount, all shares held will be excluded from our calculation of available shares as per the officers and directors exclusion rule.
- **Publicly listed companies:** Corporate holdings of publicly listed companies will be removed from our calculation of available shares. Institutional investor holdings will be considered as available unless the 30% threshold is surpassed, regardless of listing.
- **ESOP or LESOP shares:** ESOP or LESOP shares will be considered unavailable and removed entirely from our calculation of available shares. The 10% threshold will no longer apply.
- **Government pensions:** Government pensions will be treated the same as institutional holdings and excluded if they hold greater than 30% of a company's shares.

Book value adjustments for book-to-price ratio calculation/style ranking: A company's reported book value will no longer be adjusted to reflect write-offs stemming from FAS 106 & 109. These write-offs no longer have impact.

Definitions of "Red Chip" and "P Chip": FTSE Russell will conduct research using information on strategic holders, assets, and revenue to determine "Red Chip" and "P Chip" designations. Please see the updated Russell Global Construction and Methodology document for details.

High shareholding concentration: Where a company is the subject of a high shareholding concentration warning notice by a regulatory authority to the effect that the company is in the hands of a limited number of shareholders those companies are removed from eligibility.

Assets and revenue reporting requirements for country assignment determination: FTSE Russell will now accept the statements "substantially all" or "majority of" as confirmatory when determining the primary location of assets and/or revenue. The previous exclusion of these statements forced a sometimes undesirable default to the company's location of headquarters. This enhancement will better support the utilization of a company's primary location of assets or revenue to determine country assignment where appropriate.

Enhancements to corporate action implementation (effective immediately)

Spin-offs: When a spin-off results in the creation of an eligible security type that is listed on an eligible exchange, the spin-off company will remain in the index until the next index review, regardless of size.

When a spin-off results in the creation of an ineligible security type or an eligible security type that is listed only on an ineligible exchange, the new security will be added to the index on the ex date and then removed (with notice) at market price once "regular way" trade has commenced. If it has not commenced trading within 20 business days, the suspended company rule will apply.

Distributions in specie: In a case where one company (Company A) pays a dividend to the holders of another company's (Company B) shares and where FTSE Russell is able to value the distribution prior to the ex date, a price adjustment is made to Company A on ex date open. If no valuation of the distribution exists prior to the ex date, no price adjustment is applied.

If Company B is an index member, its shares will be increased according to the terms of the distribution. If Company B is not an index member, the distributed shares will be added to the index until they have been settled and listed, at which point they will be removed (with notice) at last traded price. If the settlement and listing dates have not been confirmed within 20 business days from ex date, FTSE Russell will remove the distributed shares (with notice) at their last traded price.

Other updates

Russell US Index currency hedged return calculation enhancement

Effective March 14, 2016, the currency hedging calculation will take into account currency holidays and currency settlements when interpolating the currency contracts.

Complete details of the enhanced hedged return calculation methodology can be found at the following link:
<http://www.ftse.com/products/indices/russell-us>.

Decommission Files

As announced December 18, 2015, the index reconstitution files listed below are being discontinued:

US indexes Legacy reconstitution files (holdings, values, daily changes)

US, Global, and Stability indexes Provisional returns and index value files

US and Global Final Reconstitution Analysis Reports (preliminary reports will continue to be available)

Treatment of scheduled market closure

As a reminder, in the event of a scheduled market closure during a scheduled index event (e.g., month-end share change, IPO addition or reconstitution), FTSE Russell will institute the index changes on the prior open trading day. For example, if a market is closed on a Friday during which an index event is scheduled, FTSE Russell will apply the scheduled index changes for that particular market effective the preceding Thursday. For additional information, please review the Index Policy for Security Suspensions and Market Closures by clicking on the following link:

http://www.ftse.com/Index_Policy_for_Trading_Halts_and_Market_Closures.pdf

For further details please consult the Russell U.S. Equity Indexes Construction and Methodology [document](#) or the Russell Global Indexes Construction and Methodology [document](#). Feel free to contact your client service team with questions.

File delivery calendar

Index series	Preliminary Addition and Deletion Lists	Preliminary Membership Lists	Preliminary Analysis Reports	Daily Provisional Holdings*	Daily Provisional Changes (date changes added to daily file)	Final Additions & Deletions, and Membership Lists (open June 27)**
Russell US-Standard***	June 10, 17, 24	June 10, 17, 24	June 10	NA	June 13	June 25
Russell US-Premier***	June 10, 17, 24	June 10, 17, 24	June 10	June 10	June 13	June 25
Russell Global-Standard***	June 10, 17, 24	June 10, 17, 24	June 10	NA	June 13	June 25
Russell Global-Premier***	June 10, 17, 24	June 10, 17, 24	June 10	June 10	June 13	June 25
Russell-Axioma Factor-Low Volatility	NA	NA	NA	June 22	June 22	June 25
Russell Dividend Growth	NA	NA	NA	June 13	June 13	June 25
Russell Equal Weight	NA	NA	NA	June 21	June 21	June 25
Russell Europe SMID 300	NA	NA	NA	June 20	June 20	June 25
Russell Fundamental****	NA	NA	NA	June 15	June 15	June 25
Russell Geographic Exposure	NA	NA	NA	June 20	June 20	June 25
Russell High Efficiency Defensive	NA	NA	NA	June 21	June 21	June 25
Russell-IdealRatings Islamic	NA	NA	NA	June 17	June 17	June 25
Russell Pure Style	NA	NA	NA	June 21	June 21	June 25
Russell UK Mid 150	NA	NA	NA	June 21	June 21	June 25

*Date of the first provisional holdings file or date of the first predictive month end holdings file.

**By 6 am Pacific Time

***Includes Russell Stability Indexes

****Includes Russell Fundamental Select Real Estate

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

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