

# Russell Global Indexes Construction & Methodology

## Purpose

- Offers investors an accurate and complete global equity market performance benchmark
- Serves as a proxy for asset allocation purposes
- Provides a purchasable and replicable vehicle for passive investment portfolios with global exposures

## Construction of the Investable Equity Universe

- Screen companies globally by total market capitalization
- Apply minimum size and liquidity standards

## Determining Index Membership

- Assign securities to their home countries—each security is included in one, and only one, country

- Take the top 98% of companies in the U.S. (Russell 3000 Index), the top 98% of companies in Japan (Russell/Nomura Total Market Index), and the top 98% of companies in the rest of the world
- Derive each security's weight in the index using float-adjusted market capitalization

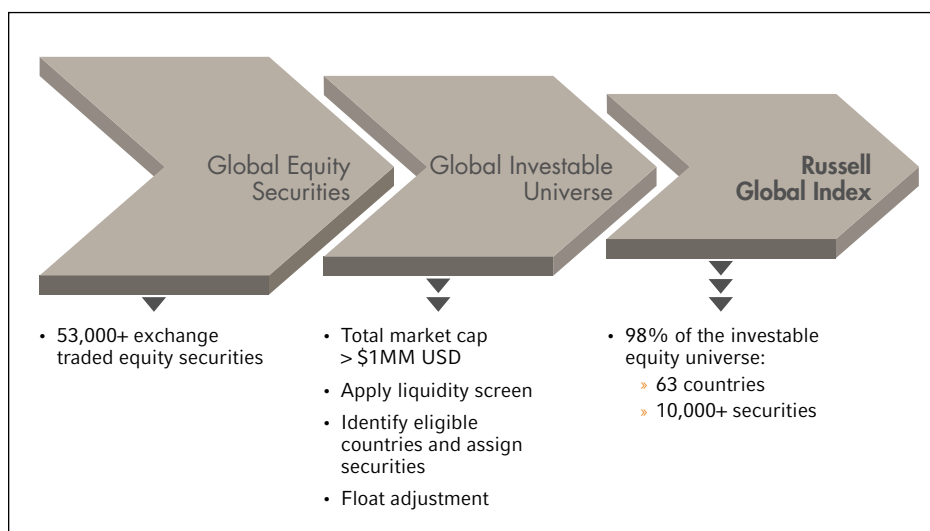
## Modularity

- Modular index construction supports a broad spectrum of sub-indexes based on country, region, sector, size or any other customized needs. All sub-indexes add up to the top level global index with no gaps or overlaps.

## Index Construction Summary

The Russell Global Index represents the investable global equity market and its segments comprehensively. It consists of more than 10,000 securities in 63 countries and offers over 300 key subindexes. Consistent with the design of the family of Russell U.S. Equity Indexes, it is constructed using float-adjusted market capitalization weights and represents 98% of the investable global equity market.

## Creating the Russell Global Index



### Classifications

- Combine macroeconomic and market criteria to create robust classification methodologies for developed and emerging markets countries
- Global-relative approach to index construction results in a classification system that assigns capitalization tiers (small, mid, large) to all companies regardless of domicile, industry or sector

### Exclusions

- Unavailable shares that are restricted by corporate governance or held by strategic investors
- Securities in countries that do not allow foreign investment
- Fixed income-like securities
- Warrants and rights, trust receipts and royalty trusts, limited liability companies, bulletin board, pink sheet stocks (some global exceptions occur), closed-end investment companies, limited partnerships, exchange traded funds
- Securities with a market capitalization of under \$1,000,000 USD
- Securities with an average daily trading volume of less than \$150,000 USD
- Qualified Foreign Institutional Investor (QFII) shares in China

### Special Rules in Individual Countries

- Rules are designed to reflect country specific regulations as well as the characteristics of local capital markets
- China and Hong Kong Special Administrative Region are both recognized as different investment universes
- Russell recognizes shares represented by special depository receipts in countries such as Russia, Israel, the Philippines and others as investable. These underlying shares are added back to free float after the foreign ownership limit adjustment has been applied. Market prices are used to calculate performance

### Maintenance

- Daily adjustments for stock splits, dividends and de-listings
- Month-end adjustment of stock buybacks and equity offerings
- Quarterly review of IPO additions
- Annual reconstitution of index

For more information about Russell Indexes call 877-503-6437 or visit [www.russell.com/indexes](http://www.russell.com/indexes)

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This document is meant to be an overview of our global index methodology and does not contain complete information about the construction and methodology of the Russell Global Indexes. For a complete and controlling description of the Russell Global Indexes methodology, please consult the comprehensive Russell Global Indexes Construction and Methodology document available at [russell.com](http://russell.com) or from your client service representative.

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A complete description of index construction and methodology is available at [www.russell.com/indexes](http://www.russell.com/indexes)