

FTSE Hedge Brazil All Equity REITs Index

v1.0



**FTSE
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An LSEG Business

Contents

Section 1 Introduction	3
Section 2 Management responsibilities	4
Section 3 FTSE Russell index policies	5
Section 4 Eligible securities	7
Section 5 Index qualification criteria	8
Section 6 Periodic review of constituent companies	9
Section 7 Changes to constituent companies.....	10
Section 8 Corporate actions and events	11
Appendix A Further information	12

Section 1

Introduction

1. Introduction

- 1.1 This document sets out the Ground Rules for the construction and management of the FTSE Hedge Brazil All Equity REITs Index.
- 1.2 The FTSE Hedge Brazil All Equity REITs Index is designed to reflect the performance of Brazil-listed equity REITs with sufficient liquidity.
- 1.3 The FTSE Hedge Brazil All Equity REITs Index is calculated in Brazilian Real.
- 1.4 The FTSE Hedge Brazil All Equity REITs Index does not take account of ESG factors in its index design.
- 1.5 Index constituents are weighted on investable market capitalisation.
- 1.6 The total return index is published at the end of each working day. The total return indices are based on ex-dividend adjustments.
- 1.7 Unless specifically detailed in this document, all areas of the methodology regarding the management of the FTSE Hedge Brazil All Equity REITs Index follow the FTSE Global Equity Index Series Ground Rules. The FTSE Hedge Brazil All Equity REITs Index methodology should therefore be read in conjunction with the FTSE Global Equity Index Series Ground Rules. These rules are available on www.lseg.com/en/ftse-russell/.
- 1.8 **FTSE Russell**

FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited.
- 1.9 FTSE Russell hereby notifies users of the index that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index and therefore, any financial contracts or other financial instruments that reference the index or investment funds which use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.
- 1.10 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell for any losses, damages, claims and expenses suffered by any person as a result of:
 - any reliance on these Ground Rules;
 - any inaccuracies in these Ground Rules;
 - any non-application or misapplication of the policies or procedures described in these Ground Rules; and/or
 - any inaccuracies in the compilation of the index or any constituent data.

Section 2

Management responsibilities

2. Management responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index¹.

2.1.2 FTSE is responsible for the daily calculation, production and operation of the index and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the index series and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews; and
- disseminate the indices.

2.2 Hedge Investments

2.2.1 Hedge Investments is responsible for identifying and classifying Brazilian Equity REITs based on both internal industry expertise and data extracted from Fundos Net, a platform maintained by Brazil's Stock Exchange (B3) and the Securities and Exchange Commission (CVM). Using this information, Hedge Investments determines which REITs qualify as Equity REITs within the context of the FTSE Hedge Brazil All Equity REITs Index methodology.

2.3 Amendments to these Ground Rules

2.3.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

¹ The term administrator is used in this document in the same sense as it is defined in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).

Section 3

FTSE Russell index policies

3. FTSE Russell index policies

These Ground Rules should be read in conjunction with the following policy documents, which can be accessed using the links below:

3.1 Corporate Actions and Events Guide

- 3.1.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate Actions and Events Guide.pdf](#)

3.2 Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles, which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy advisory board for discussion before approval by the FTSE Russell Product governance board.

The Statement of Principles can be accessed using the following link:

[Statement of Principles.pdf](#)

3.3 Index Policy for Trading Halts and Market Closures

- 3.3.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

[Index Policy for Trading Halts and Market Closures.pdf](#)

3.4 Index Policy in the Event Clients are Unable to Trade a Market or a Security

- 3.4.1 Details of FTSE Russell's treatment can be accessed using the following link:

[Index Policy in the Event Clients are Unable to Trade a Market or a Security.pdf](#)

3.5 Recalculation Policy and Guidelines

- 3.5.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index recalculation guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the FTSE Hedge Brazil All Equity REITs Index will be notified through appropriate media.

For further information, refer to the FTSE Russell Recalculation Policy and Guidelines document, which is available from the FTSE Russell website using the link below or by contacting info@ftserussell.com.

[Recalculation Policy and Guidelines Equity Indices.pdf](#)

3.6 Policy for Benchmark Methodology Changes

- 3.6.1 Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

3.7 FTSE Russell Governance Framework

- 3.7.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

3.8 Real Time Status Definitions

- 3.8.1 Please refer to the following guide for details of real time status definitions for indices which are calculated in real time.

[Real Time Status Definitions.pdf](#)

² IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

³ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

⁴ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

Section 4

Eligible securities

4. Eligible securities

- 4.1.1 The universe of eligible constituents is all the Brazilian securities with an ICB sector classification of 351020 – Real Estate Investment Trusts, that are current constituents of the FTSE Global Total Cap Index Series, which is part of the FTSE Global Equity Index Series (GEIS).

Section 5

Index qualification criteria

5. Index qualification criteria

- 5.1 The FTSE Hedge Brazil All Equity REITs Index follows the same Index qualification criteria as defined in the FTSE Global Equity Index Series. Please refer to the FTSE Global Equity Index Series Ground Rules for more information. These rules are available on www.lseg.com/en/ftse-russell/.

Section 6

Periodic review of constituent companies

6. Periodic review of constituent companies

6.1 Review dates

- 6.1.1 The FTSE Hedge Brazil All Equity REITs Index will be reviewed quarterly in March, June, September and December using market data at the close of business on the Wednesday before the first Friday of the review month.
- 6.1.2 Changes to the index will be implemented after close of business on the third Friday (i.e. effective from the open on Monday) of March, June, September and December.
- 6.1.3 FTSE Russell will be responsible for publicising the outcome of the periodic review.

6.2 Steps for conducting a review

- 6.2.1 Eligible securities are taken from the FTSE Global Total Cap Index Series.
- 6.2.2 These have been screened for size, liquidity and free float as part of the FTSE Global Equity Index Series review.
- 6.2.3 Brazilian REITs are selected based on the Industry Classification Benchmark(ICB). Only securities under sector 351020 - Real Estate Investment Trusts - are eligible for inclusion; all others are excluded. Further details on ICB classifications can be found in the [Industry Classification Benchmark \(Equity\)](#) documentation.
- 6.2.4 Non-Equity REITS are excluded based on an exclusion list provided by Hedge Investments, leveraging proprietary research and classification methodology.
- 6.2.5 A liquidity screen is applied to exclude securities with a 6-month average daily traded value(ADTV) of less than BRL 1 million as of end of month prior to the review month. For newly listed securities with less than six months of trading history, the ADTV will be calculated over the available trading period.

Section 7

Changes to constituent companies

7. Changes to constituent companies

7.1 New issues

7.1.1 The FTSE Hedge Brazil All Equity REITs Index will not have intra-review additions, with the exceptions detailed in rule 8.4.1.

7.1.2 The new issues will be reviewed for index inclusion at the next quarterly review. When a stock is added to the universe i.e. FTSE Global Total Cap Index Series, it will be considered for inclusion at the next quarterly review of the FTSE Hedge Brazil All Equity REITs Index.

7.2 Intra-review changes (deletions)

A stock will be deleted from the FTSE Hedge Brazil All Equity REITs Index when the constituent is removed from the FTSE Global Total Cap Index Series.

Section 8

Corporate actions and events

8. Corporate actions and events

- 8.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate Actions and Events Guide.pdf](#)

A corporate action is an action on shareholders with a prescribed ex-date. The share price will be subject to an adjustment on the ex-date. These include the following:

- capital repayments;
- rights issues/entitlement offers;
- stock conversion;
- splits (sub-division)/reverse splits (consolidation); and
- scrip issues (capitalisation or bonus issue).

A corporate event is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required FTSE Russell will provide notice advising of the timing of the change.

8.2 Shares in issue

Changes to the number of shares in issue for constituent securities are covered in the Corporate Actions and Events Guide.

8.3 Mergers, restructuring and complex takeovers

8.3.1 Mergers/takeovers between constituents

If the effect of a merger or takeover is that one constituent in the FTSE Hedge Brazil All Equity REITs Index is absorbed by another constituent, the resulting company will remain a constituent of FTSE Hedge Brazil All Equity REITs Index at the combined weight.

8.3.2 Mergers/takeovers between a constituent and a non-constituent

If a constituent company in the FTSE Hedge Brazil All Equity REITs Index is taken over by a non-constituent company, the original constituent will be removed from the index.

8.4 Splits/demergers

- 8.4.1 If an index constituent has a complex reorganisation or demerger, the newly spun-off company will remain eligible for inclusion in FTSE Hedge Brazil All Equity REITs Index if they meet rule 6.2.3.

8.5 Suspension of dealing

Suspension of dealing rules can be found within the Corporate Actions and Events Guide.

Appendix A

Further information

A Glossary of Terms used in FTSE Russell's Ground Rule documents can be found using the following link:

[Glossary.pdf](#)

Further information on the FTSE Hedge Brazil All Equity REITs Index is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at info@ftserussell.com.

Website: www.lseg.com/en/ftse-russell/

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