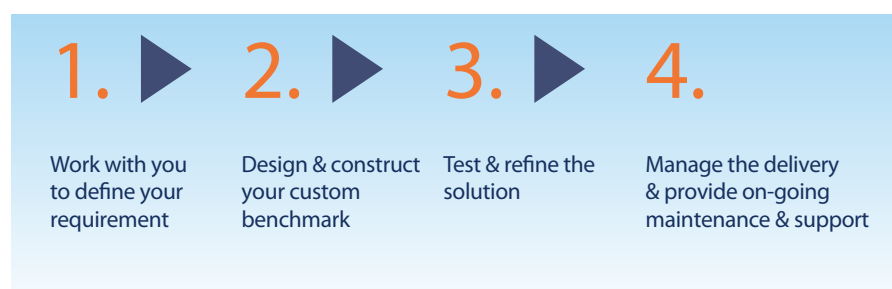


FTSE CUSTOM

FTSE Custom is focused on providing precision index solutions for clients. From pension funds to derivatives desks, we understand that clients are looking for more tailored measures of performance, and require increasingly complex and sophisticated index solutions for the basis of fund measurement, derivatives and structured products.

As with all FTSE indices, you can be assured that your custom index will be underpinned by FTSE's world class index design standards of transparency, clarity, independence and technical excellence.

4 STEPS TO YOUR CUSTOM INDEX:



The specialist FTSE Custom team will collaborate with you to understand your exact requirements and create an appropriate tailored solution to meet your specific brief. From initial consultation through to design and ongoing local maintenance and support, FTSE offers a comprehensive end to end service.

With your own dedicated Custom specialist, you will also have a constant point of contact to ensure that your enquiry is efficiently managed to deliver the right solution at the right time.

OUTSOURCING YOUR IN-HOUSE INDEX CALCULATIONS

As an independent and internationally respected index specialist, the FTSE brand can give credibility to your indices. Outsourcing your in-house index calculations to a specialist can save you time and money, and give you the added security of verification by an independent third party.

TYPICAL CUSTOM SCREENING CRITERIA

- Capping/exclusions by stock, sector, country or region
- New country indices
- Currency hedging
- Tax adjusted
- Alternative weightings
- Responsible Investment
- Shariah
- Fixed Income
- Composite
- Private company
- Real time
- Non market cap weighted
- Enhanced dividend yield
- Quantitative

Custom indices can be based on our standard indices, or on a tailored universe specific to your market requirements. We can also tailor products and information for asset owners and fund managers to aid your individual performance reporting requirements.



WHY FTSE CUSTOM?

Consultative approach

FTSE Custom will collaborate with you to understand your exact requirements and create an appropriate tailored solution to meet your specific brief

Dedicated Team

Benefit from a specialist Custom team and a dedicated FTSE Custom specialist

Flexibility

Benefit from our extensive and constantly evolving database of over 70,000 stocks from 91 countries, along with a wide range of screening criteria

Innovation

FTSE's multi-faceted range of data, research and quantitative capabilities means we can create a cutting edge design solution for you.

CASE STUDY ONE

Buy Side Market Response Index Solution

The challenge – Develop a unique capping methodology to produce a more evenly distributed portfolio based on a specified underlying FTSE universe. The objective is to reduce risk by limiting exposure to large, dominant stocks obtaining a more balanced representation of the universe, by applying the same capping factor to each stock. The index also satisfied the criteria which stated that the sum of all stocks with weights over 5% must not exceed 25%, in order to give a better representation of the investment mandate.



Solution – Build a quantitative capping methodology model, providing the optimum capping factor at each review point and calculate the index to the specified requirements. FTSE back tested the methodology over a 5 year back history against the performance of an uncapped index. This enabled the index to be better distributed, and comply with the investment mandate.



Outcome – An investment fund is being launched off the success of the back testing of the index.

A NEW QUANTITATIVE SOLUTION

By combining the expertise of FTSE's Custom and Quantitative Solutions teams, FTSE can create tailor-made benchmark solutions specifically aimed at the issuance of ETFs, CFDs and other structured products.

Some examples of our quantitative strategy based indices, based on an investment strategy or trading algorithm include the FTSE 100 Short Index and the FTSE 100 Covered Call indices.

MEETING YOUR INDEX REQUIREMENTS

FTSE's Custom and Quantitative Solutions Teams can provide:

- indices specifically aimed at the issuance of ETFs, CFDs and other structured products
- alpha generating ideas
- multi-asset class composite solutions
- Index modeling, design and build based on:
 - o screenings of fundamental data
 - o algorithmic trading models

A HOLISTIC SERVICE

Our Custom and Quantitative Solutions service includes:

- technical consultancy and pre-sales advice, offering a tailored design service on the client's premises
- independent validation and certification of client designed models
- market consultation to test feasibility of ideas

TYPES OF QUANTITATIVE INDICES

- **FTSE Short Indices**
- **FTSE Leveraged Indices**
- **Long/Short** – Trading algorithm determines whether the position goes long or short. Uses statistical significance of autoregression and moving average to determine direction of strategy
- **Industry neutral weightings** – Constituents top quartile screened by forward dividend yield, dividend cover and 5yr CAGR in EPS
- **Technical Strategy Indices** – Strategies based on Technical Analysis indicators

FTSE DIFFERENCE

FTSE's core business is the creation of indices, with over 120,000 calculating daily. By being at the heart of the markets that we serve, we can understand the needs of our clients and deliver the best solutions.

The "Calculated by" FTSE Custom stamp allows our clients to leverage the fact that their index solutions are calculated by FTSE Custom an independent, third party whose expertise lays solely in index calculation. The FTSE Custom stamp is made available to all clients who rely on FTSE Custom to calculate and distribute their index solution.



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