

FTSE TMX Canada Investment Grade 1-10 Year Laddered Corporate Bond Index - Ground Rule Update

29 June 2017

FTSE Russell would like to inform clients of the following Ground Rule update. This change is effective immediately.

Section 5: Periodic Changes to the Portfolios

5.3.2 The target number of bonds in a rung will be 10. If fewer than the target number of bonds qualify as eligible, the rung will be created with as many bonds as qualify. All bonds will be weighted equally.

At the annual reconstitution, bonds are added when creating a new rung on the ladder or when an existing rung has fewer than the target number of bonds.

The process for adding new bonds is to repeat the following steps until the desired number of bonds is added:

- Identify eligible bonds with the desired maturity range (9-10 years for a new ladder rung)
- Order the bonds first by most recent issue date, then by maturity, and select the longest maturity bonds in the range up to the desired number, giving preference to those issued most recently.
- If the next bond on the list will cause any industry sector's exposure to exceed 60% in the rung, skip this bond and evaluate the following bond on the list

Section 6: Changes to Constituents

6.2 If no replacement bond(s) can be found, the weight of the removed bond(s) will be equally distributed amongst the constituents in the same rung of the ladder.

An updated copy of the FTSE TMX Canada Investment Grade 1-10 Year Laddered Corporate Bond Index Ground Rules (v1.9) is now available on the FTSE Russell website : www.ftserussell.com

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