

## INDEX OBJECTIVES

[ELSUKI Index]

The Freedom Smart-Beta UK Dividend Index is a rules-based, systematic strategy index comprised of UK equities.

The Index uses consensus forecast gross cash dividends for each constituent company, in relation to the total for the index, to determine the size of each holding. The index is therefore dividend weighted and rebalanced monthly to reflect changing consensus estimates.

### Key Points

- 1 Income focused
- 2 Forward-looking
- 3 Systematic approach

### Index Facts

Index Code	ELSUKI
Asset Class	UK Equity
Base Currency	GBP
Rebalancing	Monthly
Components	UK equities
Launch Date	31 <sup>st</sup> March 2021
ISIN	DE000SL0C0N4

### Overview

This index strategy:

- Is dividend weighted for an income focus
- Uses forward-looking dividend estimates to capture dividend potential
- Systematic, rules-based approach with monthly rebalancing

### Applications

This strategy could provide:

- A reference benchmark for UK Equity Income strategies
- A forward-looking, consensus based approach that is updated monthly
- Avoids value-trap risk of yield-ranked methodologies

### Licensing

- For research purposes.
- For use by funds, ETPs and portfolio providers.

## THE THEORY

Reinvested dividends are a material contributor to equity market total returns. Rather than evaluating companies' dividend potential by historic dividend payments, this approach evaluates companies by their expected dividends. The weighting scheme adapts dynamically as the relative contribution of expected dividends adjusts. This systematic, income-seeking "smart beta" index-based approach gives investors freedom from burdensome company research requirements.

## 1. INCOME FOCUSED

The index strategy is income focused as the weighting of UK securities within the index is determined by their dividend contribution, rather than their market capitalization or their yield ranking.



## 2. FORWARD-LOOKING

Rather than evaluating companies' dividend potential by historic dividend payments, this approach evaluates companies by their expected dividends. As dividend expectations change, the index adapts automatically.



## 3. SYSTEMATIC, RULES-BASED APPROACH

A systematic, rules-based approach with monthly rebalancing means that the methodology is objective and data-led, rather than vulnerable to behavioural biases of subjective managers.



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