Index overview

FTSE Russell

FTSE ASFA Australia Index Series

A more precise way to measure after-tax performance

Superannuation funds in Australia rely on indexes to benchmark their fund's performance, communicate this to their members, and to assess the performance of their fund managers.

Traditionally, superannuation funds have used indexes calculated on a pre-tax basis for benchmarking purposes. This can create a misalignment between superannuation funds and their fund managers as some investment decisions are attractive on a pre-tax basis but harm after-tax performance.

As a result, an increasing number of superannuation funds are measuring their fund managers on an after-tax basis using the FTSE ASFA Australia Index Series.

The FTSE ASFA Australia Index Series provides a range of benchmarking and customised solutions for superannuation funds and institutional investors, to better align investment decisions with tax positions.

Tax-adjusted indexes for Australian investors

FTSE Russell works with some of the largest pension funds globally to build benchmarking solutions that accommodate a wide range of needs. The FTSE ASFA partnership focuses on providing Australian superannuation funds, their fund managers and other stakeholders with the necessary tools to assist the industry in after-tax performance measurement and reporting. The FTSE ASFA Australia Index Series offers a broad investable coverage of the Australian equity market in addition to tax-adjusted indexes for superannuation funds and other types of Australian investors. It combines unique tax features with FTSE Russell's rules-based methodologies and global standards.

The FTSE ASFA Australia Index Series is designed primarily for benchmarking purposes with the ability to customise at the portfolio level for a more tailored solution. The series is also used as the basis for the creation of index-linked products such as Exchange Traded Funds (ETFs), structured products and other derivatives.

First industry standard after-tax benchmarks

Industry standard tax-adjusted benchmarks did not exist for Australian investors until the launch of the FTSE ASFA Australia Index Series in 2009, due to the complexities involved in developing the methodology in this area. FTSE Russell's independence and focus on providing tailored benchmarking solutions assures Australian superannuation funds are using an objective and valid point of reference for measuring after-tax performance. Now superannuation funds can share a common basis with their fund managers and other stakeholders for greater transparency and focus on tax efficient investing.

A clearer picture for all investors

A clearer picture of performance is important to all types of investors. FTSE Russell uses varying tax rates to calculate a franking credit and buy-back adjusted version of the FTSE ASFA Australia Index Series for:

- Tax exempt investors
- Superannuation funds

Daily or annual franking credit-adjusted indexes

Franking credits are refunded by the Australian Taxation Office (ATO) at the end of the financial year. In 2018, FTSE Russell launched the cumulative franked indexes, which accumulates franking credits on a daily basis and reinvests the credits at the end of the financial year. Daily franking credit-adjusted indexes that reinvest franking credits on a daily basis are also available.

Customised after-tax solutions

FTSE Russell understands that there is not necessarily a 'one size fits all' when it comes to measuring after-tax performance. Investors have different requirements and FTSE Russell can develop customised solutions to meet your needs. The Custom team at FTSE Russell will work with you to create an after-tax benchmark to suit your specific objectives or mandates.

Informed opinions

The depth and breadth of data included in the FTSE ASFA Australia Index Series provides granularity for performance attribution at the tax level. This facilitates more informed discussions between superannuation funds, fund managers and other stakeholders, when measuring the performance of a portfolio against an after-tax benchmark. FTSE Russell places great importance on the transparency of its index design. Index ground rules are accessible at all times at ftserussell.com/australia.

Accurate representation of the Australian market

Unlike other Australian equity indexes, FTSE Russell excludes CHESS depositary interests (CDIs) and investment trusts from the FTSE ASFA Australia Index Series to minimise duplicate holdings of companies within a diversified portfolio. Additionally, investors will be better positioned to capture investment opportunities associated with small cap companies included in the dynamic FTSE All-Share® Index. Constituents in the FTSE All-Share Index will not be fixed, allowing the indexes to expand and contract with the market.

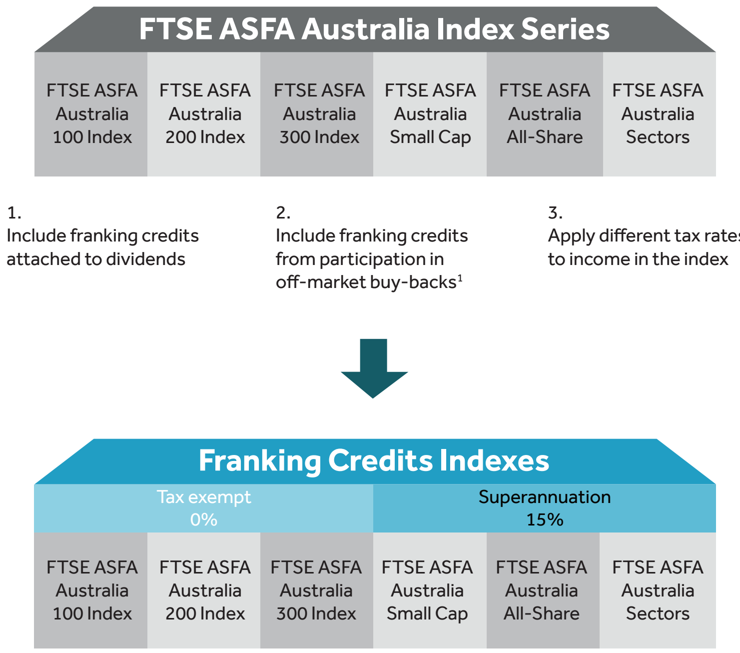
Tested to be liquid and tradable

Investors require liquidity and tradability. FTSE Russell's free float methodology ensures that constituent weights within the index reflect the shares available to investors. The calculation reflects the investability of a company, without subjecting investors to unnecessary re-balancing and transaction costs. Additionally, companies must trade a sufficient level of their available shares in issue prior to a review to be eligible for inclusion, but also to remain in the index series.

Independent committee

Since the launch in 2009 the FTSE ASFA Australia Advisory Committee was instrumental in working with FTSE Russell to ensure that the indexes were calculated in accordance with best practice and are relevant to market requirements. In 2014 the oversight support of the Index Series was moved to the FTSE Asia Pacific Regional Advisory Committee to ensure they continue to meet your needs. The committee is made up of senior investment professionals and finance industry experts acting independently to advise on the creation of new indexes, enhancements to the methodology and to ensure that the index series evolves with any changes in the market environment.

Index family structure



Index features

FTSE ASFA Australia Index Series Tax bracket			
Index feature	**Tax exempt**	**Superannuation**	**Super Dividends[2]**
Applies tax to declared dividends	✓	✓	✓
Includes franking credits attached to dividends	✓	✓	✓
Includes franking credits from participating in off-market-buy-backs (OMBBs)[3]	✓	✓	
Daily or annually cumulative franking credits[4]	✓ (Daily or Annually)	✓ (Daily or Annually)	

1 To meet the specific needs of several clients FTSE Russell has developed a suite of indexes for the Tax Exempt and Superannuation Fund tax bracket which exclude off-market buy-backs.

2 Super Dividends indexes only apply tax to declared dividends, and when compared with the superannuation indexes allow superannuation funds to assess the impact of franking credits on performance.

3 Indexes excluding OMBBs are available.

4 Annually cumulative franked indexes were launched in 2018.

ASFA

The Association of Superannuation Funds of Australia (ASFA) has been operating since 1962 and is the peak policy, research and advocacy body for Australia's superannuation industry.

ASFA's purpose is to work alongside government bodies and superannuation funds to achieve both good public policy and industry best practice. As a not-for-profit, it exists to ensure these translate into the best outcome for all retirees – ASFA's focus always leads back to fund members.

ASFA is apolitical, which allows the association to work closely and credibly with politicians, regulators and the media.

ASFA represents the APRA regulated superannuation industry with members from corporate, industry, retail and public sector funds, and service providers. ASFA doesn't advocate one sector's interests over another, rather they analyse the system as a whole and develop policy accordingly.

For more information about our indexes, please visit ftserussell.com.

To learn more, visit ftserussell.com; email info@ftserussell.com; or call your regional Client Service Team office:

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