
FTSE Russell's CEO, Mark Makepeace, looks back 25 years to the FTSE 250's launch and at the future of indexation.

What are your memories from the launch of the FTSE 250?

I can't believe it's been 25 years since we first created the FTSE 250. Now of course when we launched it, it had a longer name. It was called the FTSE Mid-250, and what we were trying to do was identify whether or not a mid-cap existed in the UK. And we had some doubts as some people tried to convince us that there was only a large and a small cap effect in the UK. But the very first year we launched the FTSE 250, mid-cap stocks outperformed. Maybe, possibly, they're linked.

But when we launched the FTSE 250, what we were really trying to do was to extend the All-Share. Investors were telling us that there were just large and small cap. And the FTSE 100 had established itself as the measure of large cap. So we started from that base, and we wanted to extend the coverage of the All-Share, so we moved the All-Share around 100 or so stocks, and we then had to define what was mid-cap. And we quickly got down to defining mid-cap as somewhere between 200 to 250 stocks.

Now I don't think many people know this or remember this, but it actually went to a vote, a vote in our advisory committee. All the big users were there, and it was Legal and General's vote that tipped it from being 200 [stocks] to 250 stocks. So if you think the FTSE 250 is slightly too big in number, you should blame Legal and General.

In what ways has the industry changed since then?

This industry has just changed beyond all belief. When we launched the FTSE 250 25 years ago, none of us would have expected the industry to be this large. None of us foresaw just the increase year after year of passive investment, and none of us foresaw the financial crisis, and the impact that would have on fee compression. All of these things [has] just meant that indexation today has just boomed, and I think it's going to continue to increase in the coming years. There doesn't appear to be anything stopping it.

I still get excited by indexation and our industry, and it's because it's one of those industries where I think it really benefits investors. You know, we're reducing the cost of investment. We're increasing transparency. But also with

indexation today and things like smart beta, we're giving people new ideas and new options, and that's tremendous fun. You know, creating new indexes, talking about indexation is quite fun. [I] love it, and still I get out of bed early to make sure I get a full day in the office.

Was the FTSE 250 of today something you dared to imagine in 1992?

Well, FTSE's been a tremendous success, but people forget FTSE as a company was a startup. So back at the tail end of 1995, FTSE had just nine staff. So FTSE was a startup, and it was tremendous fun, but it was also a huge risk. I mean, none of us foresaw that FTSE would as a company grow to be as big as it is today. So when I think about young people and what advice to give them, my advice is always the same: do something you enjoy doing. None of us can foresee the future. Do something you enjoy doing. Do something you want to do every day, because if you enjoy it, you'll do it well. And that's always been my secret to success is doing something you'll enjoy doing.

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