

Methodology Book for

- MSCI CAD Aggregate Bond Index**
- MSCI CAD Aggregate Short Term Bond Index**
- MSCI CAD Aggregate Long Term Bond Index**

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1 General Methodology Overview

The MSCI CAD Aggregate Bond Indexes¹ (‘the Indexes’) are constructed to measure the performance of fixed coupon paying CAD denominated investment grade rated bonds from sovereign, sub-sovereign, supranational, government agency and corporate issuers in in the global fixed income markets.

The Indexes are rules based and conform to a general construction guideline as described in this methodology document.

¹ The Index is governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. The Methodology Set for the Indexes can be accessed from MSCI’s webpage <https://www.msci.com/index-methodology> in the section ‘Search Methodology by Index Name or Index Code’.

2 Index Construction

Issuer Type: The Index includes CAD denominated bonds issued by the following issuers –

- Sovereigns
- Sub-Sovereigns
- Supranationals
- Government Agencies
- Corporates

Credit Rating: Each index constituent must be rated by either by S&P, Fitch or Moody’s. For bonds that are rated by two rating agencies, the lower rating will be used to determine the index inclusion criteria. For bonds that are rated by all three rating agencies, the median rating will be used to determine the index inclusion criteria.

The table below summarizes higher and lower rating thresholds for the Index.

S&P Rating		Moody’s Rating		Fitch Rating	
Higher Rating Threshold	Lower Rating Threshold	Higher Rating Threshold	Lower Rating Threshold	Higher Rating Threshold	Lower Rating Threshold
AAA	BBB-	Aaa	Baa3	AAA	BBB-

Security Type: The Index includes securities selected from the CAD denominated credit universe. In general, the universe includes bullet fixed coupon paying bonds. Maple Bonds are eligible for inclusion as well.

Maturity: The indexes are constructed by applying the following maturity filters-

Index Name	Maturity Filter
MSCI CAD Aggregate Bond Index	All eligible constituents in this Index and any new additions must have a maturity greater than or equal to 1 year as measured from the Rebalancing Date.
MSCI CAD Aggregate Short Term Bond Index	All eligible constituents in this Index must have a maturity greater than or equal to 1 year and less than 5 years , as measured from the Rebalancing Date.
MSCI CAD Aggregate Long Term Bond Index	All eligible constituents in this Index must have a maturity greater or equal than 10 years , as measured from the Rebalancing Date.

Size: Index constituents must have security size greater than or equal to CAD 100 million.

Corporate Event: New additions to the index must not have any known corporate events which will result in notional amount outstanding of the bond falling below the minimum bond size criteria over the next 1 month as measured from the Rebalancing Date.



Weighting: Index constituents will be weighted by market value² within the indexes.

Pricing: MSCI uses bid side pricing from its data vendors. Securities not priced by any of the designated pricing sources are ineligible for index inclusion.

Settlement: MSCI applies standard same-day (T+0) index settlement convention, unless otherwise specified.

² Please refer to MSCI Fixed Income Index calculation methodology at www.msci.com/index-methodology for further details on security level market value calculation.

3 Index Rebalancing & Maintenance

- The Index undergoes a monthly review, with the rebalancing impact taking effect on the first business day of each month (termed as Rebalancing Date). To elaborate, bonds are incorporated into the index at the close of the last business day of every month, but the impact on returns is observed on the first business day of the subsequent month.
- The rebalanced Index composition is determined by the most recent data available three days prior to the Rebalancing Date, termed as the Cut-Off Date. If a security in the universe satisfies any inclusion or exclusion criteria after the Cut-Off Date, it will typically become effective at the next monthly rebalancing, provided conditions remain constant. In extraordinary circumstances, such as cases of input data correction, MSCI has the discretion to shorten the Cut-Off Date for Index rebalancing from T-3 to T-2, T-1, or T. In such scenarios, MSCI will inform Index clients of these changes through an announcement.
- MSCI will disclose proforma index rebalancing results starting the second business day of each month. MSCI will freeze the proforma index rebalancing results as of the Cut-Off Date.
- Bonds are either added to or removed from the index solely on monthly rebalancing dates. For existing index components, any changes to index eligibility will only be reflected in the subsequent monthly rebalancing.
- Any cash that accumulates within the index each month is re-invested across the index constituents on a pro-rata basis, on the Rebalancing Date. Essentially, cash in the index is cleared out on rebalancing, and the opening index portfolio on the Rebalancing Date commences with zero accrued cash balance.
- Specific variants of the total return calculation of the index on the Rebalancing Date may be adjusted for transaction costs ³as securities are added to the index at the offer price.

For further information on index total return calculation and corporate events handling please refer to the MSCI Fixed Income Index Calculation Methodology⁴. For the holiday calendar used in the indexes, please refer to the MSCI Fixed Income Data Methodology⁵

³ Refer to the MSCI Fixed Income Index Calculation Methodology for detail. Available at <https://www.msci.com/index-methodology>

⁴ Refer to the MSCI Fixed Income Index Calculation Methodology for detail. Available at <https://www.msci.com/index-methodology>

⁵ Refer to the MSCI Fixed Income Index Calculation Methodology for detail. Available at <https://www.msci.com/index-methodology>

Appendix I: Methodology Set

The Indexes are governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document as mentioned below:

- Description of methodology set –
<https://www.msci.com/index/methodology/latest/FIInfo>
- MSCI Fixed Income Data Methodology –
<https://www.msci.com/index/methodology/latest/FIDATA>
- MSCI Fixed Income Calculation Methodology –
<https://www.msci.com/index/methodology/latest/FIINDEXCALC>
- MSCI Fixed Income Glossary of Terms –
<https://www.msci.com/index/methodology/latest/FIGLOSS>
- MSCI Fixed Income Index Policies –
<https://www.msci.com/index/methodology/latest/FIINDEXPOLICY>

The Methodology Set for the Indexes can also be accessed from MSCI’s webpage <https://www.msci.com/index-methodology> in the section ‘Search Methodology by Index Name or Index Code’.



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The process for submitting a formal index complaint can be found on the index regulation page of MSCI's website at: www.msci.com/index-regulation.

To learn more, please visit www.msci.com.

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