

MSCI Emerging Markets Corporate Bond Index Methodology

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1 General Methodology Overview

The MSCI Emerging Markets Corporate Bond Index ('the Index') is constructed to measure the performance of USD denominated bonds issued by the Emerging Markets (EM) Corporate Issuers. The Index construction is rules-based and conforms to the general construction guideline as described in this methodology document.

The spirit of the Index design is to be representative of the market, as well as to be replicable by the global institutional investors. Broadly, the Index methodology selects fix coupon paying USD bonds from the relevant issuers. The eligible bonds are further screened for maturity and size as outlined in relevant sections of this methodology document. In addition, the Index methodology incorporates country capping at 10% and issuer capping at 3% to avoid concentration risk.

2 Index Construction

Issuer Type: Each index constituent must be issued by a corporate entity. Government owned corporate entities are eligible as long as state ownership is less than 100%.

Issuer Country of Exposure: Each Index constituent must belong to issuer whose country of exposure is determined as an Emerging Market. Emerging Market is defined based on the Economic Development Pillar of the MSCI Fixed Income Market Classification Framework¹.

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

Security Type: The Index includes securities selected from the dollar denominated credit universe. In general, the universe includes bullet fixed rate bonds.

Maturity: Each index constituent must have a maturity greater than or equal to 1 year as measured from the Rebalancing Date (defined below). New additions to the index must have a maturity greater than or equal to 1 ½ years as measured from the Rebalancing Date.

Size: Index constituents must have security size greater than or equal to USD 300 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 Index.

Additionally, constituent weights are capped at 10% at country of exposure to mitigate

¹ Please refer to MSCI Fixed Income Market Classification Framework document for further details. Available at: <https://www.msci.com/our-solutions/indexes/market-classification>

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.



concentration risk and issuer ticker weights are capped at 3%. The excess weight after capping is redistributed across the remaining index constituent in proportion of their market value.

Note that the capping of the country or issuer weight is calculated for the pro-forma Index as of the effective date, based on the closing prices as of the Index Review Cut-Off Date.

In cases where the pro-forma country or issuer weight breaches the cap because of market price movements or corporate events between the Cut-Off Date and the Effective Date, the capping is not applied again. Similarly, even if any country weight breaches the cap because of market price movements or corporate events between two monthly reviews, capping is not reapplied.

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.

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 costs³ as 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>

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