

Bloomberg Barclays MSCI Global High Yield ESG Weighted Index

The Bloomberg Barclays MSCI Global High Yield ESG Weighted Index is a multi-currency, high yield bond benchmark that uses environmental, social, and governance (ESG) ratings to tilt issuer allocations above or below their baseline market weights. The index follows the fixed income rules of the Bloomberg Barclays Global High Yield Index, which is the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices. The index was created in November 2019, with history backfilled to July 1, 2019.

Rules for Inclusion

Sector	<ul style="list-style-type: none"> Corporate (industrial, utility and financial institutions) issuers. Sovereign, agency (government owned, government guaranteed and government sponsored entities), and local authority bonds from EM issuers only. 		
Eligible Currencies	Principal and coupon must be denominated in one of the following currencies: USD, EUR, GBP, CHF, DKK, NOK, SEK.		
Quality	<ul style="list-style-type: none"> Securities must be rated high yield (Ba1/BB+/BB+ or below) using the middle rating of Moody's, S&P and Fitch; when a rating from only two agencies is available, the lower is used; when only one agency rates a bond, that rating is used. A limited number of unrated securities are included in the US High Yield and EM Hard Currency High Yield sub-components of the Global High Yield Index. The Pan-European High Yield Index component excludes unrated securities. In cases where explicit bond-level ratings may not be available, expected ratings at issuance may be used to ensure timely index inclusion or to classify split-rated issuers properly. 		
Amount Outstanding	Fixed minimum issue sizes are set for all local currency markets: <ul style="list-style-type: none"> US High Yield: USD150mn Pan-European High Yield: EUR100mn, GBP50mn, CHF100mn, DKK500mn, NOK500mn, SEK1bn EM Hard Currency High Yield: USD500mn, EUR500mn, GBP500mn 		
Coupon	<ul style="list-style-type: none"> US High Yield and Pan-European High Yield Indices: fixed-rate, pay-in-kind (PIK) and toggle notes are eligible. EM Hard Currency High Yield Index: fixed-rate and floating-rate (USD-denominated securities only) securities are eligible. Callable fixed-to-floating rate bonds are eligible during their fixed-rate term only. Bonds with a step-up coupon that changes according to a predetermined schedule are eligible. 		
Maturity	<ul style="list-style-type: none"> At least one year until final maturity, regardless of optionality. Bonds that convert from fixed to floating rate, including fixed-to-float perpetuals, will exit the index one year prior to conversion to floating rate. Fixed-rate perpetuals are not included. 		
Taxability	<ul style="list-style-type: none"> Only fully taxable issues are eligible. Dividend Received Deduction (DRD) and Qualified Dividend Income (QDI) eligible securities are excluded. 		
Market of Issue	<ul style="list-style-type: none"> US High Yield Index: securities must be SEC-registered, SEC Rule 144A with or without registration rights. Pan-European High Yield and EM Hard Currency High Yield Indices: securities must be publicly issued in the global and regional markets. 		
Seniority of Debt	Senior and subordinated issues are included.		
Security Types	<table border="0"> <tr> <td style="vertical-align: top;"> Included <ul style="list-style-type: none"> Bullet, puttable, sinkable/amortizing and callable bonds Original issue zero coupon bonds </td> <td style="vertical-align: top;"> Excluded <ul style="list-style-type: none"> Contingent capital securities, including traditional CoCos and contingent write-down securities, with </td> </tr> </table>	Included <ul style="list-style-type: none"> Bullet, puttable, sinkable/amortizing and callable bonds Original issue zero coupon bonds 	Excluded <ul style="list-style-type: none"> Contingent capital securities, including traditional CoCos and contingent write-down securities, with
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Rules for Inclusion

- Fixed-rate and fixed-to-float (including fixed-to-variable) capital securities
- Defaulted EM sovereign bonds
- Loan participation notes
- explicit capital ratio or solvency/balance sheet-based triggers
- Bonds with equity type features (eg, warrants, convertibles, preferreds, DRD/QDI-eligible issues)
- Inflation-linked bonds
- Private placements, retail bonds
- USD 25/USD 50 par bonds
- Securities where reliable pricing is unavailable
- Defaulted corporate issues
- Partial pay-in-kind (PIK) bonds
- Structures notes, pass-through certificates

Market Value Adjustments Based on ESG Rating and Momentum

Factor Tilts	The weight of each index eligible issuer (and security) is adjusted by a fixed multiplier (see table), which is determined by its MSCI ESG Rating (AAA, AA, A, BBB, BB, B, CCC, NR) and its MSCI ESG Ratings momentum (Positive, Neutral, Negative since its last evaluation). Security weights are then normalized using these adjusted market values.	ESG Rating	Tilt	ESG Rating Momentum	Tilt
		AAA,AA,A	1.5x	Positive	2.0x
		BBB	1.0x	Neutral	1.0x
		BB	0.8x	Negative	0.5x
		B	0.67x		
		CCC	0.50x		
		NR	0.75x		
		MBS/ABS/CMBS	1.0x		

- Timing and Coverage**
- Factor tilts are based on beginning of the month ratings, so rating changes during the month would not affect index weights and returns until the next index rebalancing date.
 - MSCI ESG Ratings are available for treasury, government-related, corporate, and covered bond issuers. They are not applied to MBS, ABS, and CMBS issues. However, all unrated issuers remain eligible for ESG-Weighted indices.
 - Ratings are applied at the Bloomberg Barclays ticker level, and every bond within the same ticker will have the same ESG Rating.
 - MSCI ESG Ratings are generally updated annually throughout the year, but may be reviewed more frequently as needed.

Rebalancing Rules

Frequency

For each index, Bloomberg maintains two universes of securities: the Returns (Backward) and the Projected (Forward) Universes. The composition of the Returns Universe is rebalanced at each month-end and represents the fixed set of bonds on which index returns are calculated for the next month. The Projected Universe is a forward-looking projection that changes daily to reflect issues dropping out of and entering the index but is not used for return calculations. On the last business day of the month (the rebalancing date), the composition of the latest Projected Universe becomes the Returns Universe for the following month.

Index Changes

During the month, indicative changes to securities (credit rating change, sector reclassification, amount outstanding changes, corporate actions, and ticker changes) are reflected daily in the Projected and Returns Universe of the index. These changes may cause bonds to enter or fall out of the Projected Universe of the index on a daily basis, but will affect the composition of the Returns Universe at month-end only, when the index is next rebalanced.

Rebalancing Rules

Reinvestment of Cash Flows	Intra-month cash flows from interest and principal payments contribute to monthly index returns but are not reinvested at a short-term reinvestment rate between rebalance dates. At each rebalancing, cash is effectively reinvested into the returns universe for the following month so that index results over two or more months reflect monthly compounding.
New Issues	Qualifying securities issued, but not necessarily settled on or before the month-end rebalancing date, qualify for inclusion in the following month's index if the required security reference information and pricing are readily available.

Pricing and Related Issues

Sources & Frequency	All index-eligible bonds are priced on a daily basis by Bloomberg's evaluated pricing service, BVAL.
Pricing Quotes	Prices are quoted as a percentage of par.
Timing	Prices are snapped at the following times: <ul style="list-style-type: none"> • USD-denominated bonds: 3pm (New York time). • Pan-European currency bonds: 4:15pm (London time); 4pm (London time) for CHF-denominated securities. If the last business day of the month is a public holiday in a major regional market, prices from the previous business day are used to price bonds in the particular market.
Bid or Offer Side	Bonds in the index are priced on the bid side. The initial price for new corporate issues entering the index is the offer side; after the first month, the bid price is used.
Settlement Assumptions	T+1 calendar day settlement basis. At month-end, settlement is assumed to be the first calendar day of the following month, even if the last business day is not the last day of the month, to allow for one full month of accrued interest to be calculated.
Verification	Daily price moves for each security are analyzed by the index pricing team. Index users may also challenge price levels, which are then reviewed and updated as needed using input from various sources.
Currency Hedging	Returns hedged to various currencies are published for multi-currency indices. The indices' FX hedging methodology takes rolling one-month forward contracts that are reset at the end of each month and hedges each non-reporting currency-denominated bond in the index into the reporting currency terms. No adjustment is made to the hedge during the month to account for price movements of constituent securities in the returns universe of the index.
Calendar	The Bloomberg Barclays MSCI Global High Yield ESG Weighted Index follows the US and London bond market holiday schedule.

Accessing Index Data

Bloomberg Terminal®	<p>Bloomberg benchmarks are the global standard for capital markets investors.</p> <ul style="list-style-type: none"> • INDEX<Go> – The Bloomberg Indices landing page is a dashboard for index-related information on the terminal. Find daily and monthly index returns for key indices from each index family as well as index publications including methodologies, factsheets, monthly reports, updates and alerts. • IN<Go> – The Bloomberg Index Browser displays the latest performance results and statistics for the indices as well as history. IN presents the indices that make up Bloomberg's global, multi-asset class index families into a hierarchical view, facilitating navigation and comparisons. The "My Indices" tab allows a user to focus on a set of favorite indices. • PORT<Go> – Bloomberg's Portfolio & Risk Analytics solution includes tools to analyze the risk, return, and current structure of indices. Analyze the performance of a portfolio versus a benchmark or use models for performance attribution, tracking error analysis, value-at-risk, scenario analysis, and optimization. • DES<Go> – The index description page provides transparency into an individual index including membership information, aggregated characteristics and returns, and historical performance.
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Accessing Index Data

Bloomberg Indices Website (www.bloomberg.com/professional/product/indices)	The index website makes available limited index information including: <ul style="list-style-type: none">• Index methodology and factsheets• Current performance numbers for select indices
Data Distribution	Index subscribers may choose to receive index data in files. Files may include: <ul style="list-style-type: none">• Index level and/or constituent level returns and characteristics for any indices• Automatic delivery of files via email or SFTP following the completion of the index production process after market close• Clients may receive standard files or may customize file contents• Index data is also available via authorized redistributors
Index Ticker	I35311US: Total Return USD Unhedged

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