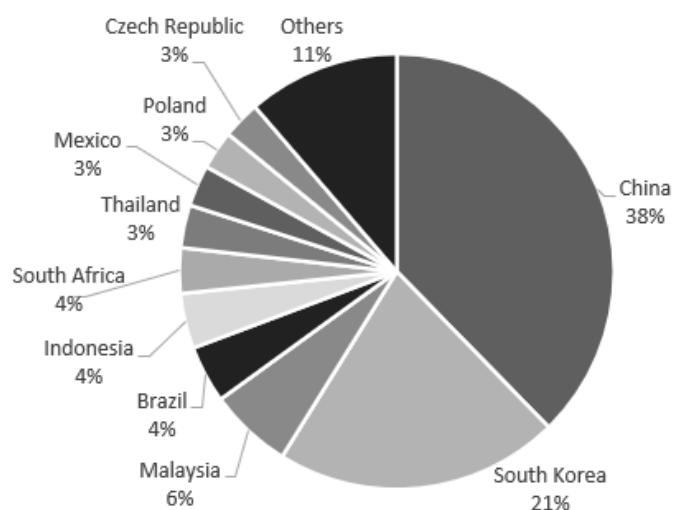


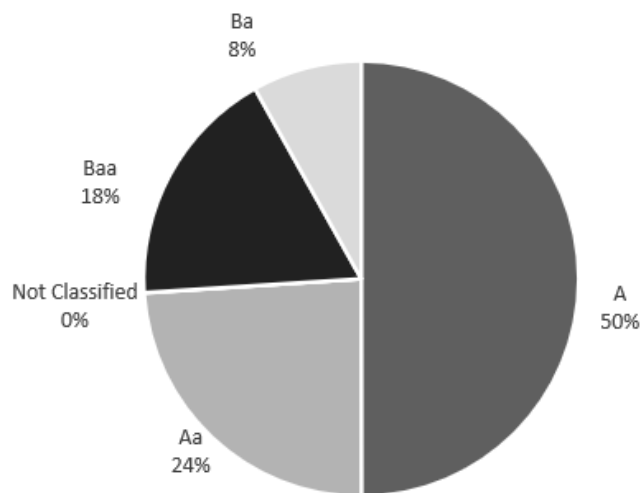
## EM Local Currency Government Bond ESG Weighted Index

The Bloomberg Barclays Emerging Markets Local Currency Government Index is designed to provide a broad measure of the performance of local currency Emerging Markets (EM) debt. The index uses environmental, social, and governance (ESG) ratings to tilt issuer allocations above or below their baseline market weights. Fixed income inclusion rules of the index are equivalent to those of the Bloomberg Barclays EM Local Currency Government Bond Index. The index was created in May 2021, with history backfilled to July 1, 2019.

Composition by Top 10 Countries (MV%) - May 31, 2021



Composition by Index Rating (MV%) - May 31, 2021



### Rules for Inclusion

#### EM Country Definition

Bloomberg uses a fixed list of emerging market countries that is reviewed annually to define country eligibility in dedicated EM hard currency, local currency, and inflation-linked benchmarks. Criteria for inclusion in the EM country list are rules-based and include:

- Countries that meet one of the following two criteria: World Bank Income group classifications of low/middle income OR International Monetary Fund (IMF) classification as a non-advanced country.
- Additional countries that bond investors classify as EM due to factors such as investability concerns, the presence of capital controls, and/or geographic considerations may also be included on the list and are also reviewed on an annual basis. As of April 2014, 4 additional markets are included in the Bloomberg EM country list: Czech Republic, Israel, South Korea and Taiwan.

#### Country Eligibility

In addition to being defined as an Emerging Market under Bloomberg Barclays EM country definition, inclusion in the EM Local Currency Government Index is also based on market size and an evaluation of market investability. As of February 2017, eligible countries include:

- Asian-Pacific: Indonesia, Malaysia, Philippines, S. Korea, Thailand
- Europe/Middle East/Africa: Czech Republic, Hungary, Israel, Poland, Romania, Russia, S. Africa, Turkey
- Latin America: Brazil, Chile, Colombia, Mexico, Peru

Note: Croatia and Egypt were eligible through March 31, 2014, but excluded as of April 1, 2014.

#### Minimum Market Size

Total internal debt outstanding > 1 year to maturity of at least USD5bn equivalent.

#### Sector

Treasury issues only

#### Currency

Principal and coupons must be denominated in the native currency of the issuer. Globally settled bonds that are denominated in native currency, but settle in USD are eligible.

#### Quality

- Investment grade, high yield and unrated securities are permitted.

## Rules for Inclusion

- Local currency treasury bonds are classified using the middle issuer level rating of Moody's, S&P and Fitch for all outstanding bonds, even if bond-level ratings are unavailable.

### Amount Outstanding

Fixed local currency minimums set for each market:

- 1bn: BRL, PEN, RON
- 2bn: TRY, ILS, MYR, PLN, ZAR
- 10bn: CZK, MXN, THB
- 20bn: RUB, PHP
- 100bn: CLP
- 200bn: HUF
- 500bn: KRW
- 1trn: COP
- 2trn: IDR

### Coupon

- Fixed rate coupon only
- Original zero coupon issues are included
- Inflation-linked bonds are excluded

### Maturity

At least one year until final maturity for new and continuing issues, regardless of optionality.

### Security Type

#### Included

- Nominal bonds, including treasury bills
- Fixed-rate coupon bonds

#### Excluded

- Inflation-linked, floating-rate issues and global depository notes
- Sinkable Russian OFZ bonds issued prior to 2009
- Retail bonds
- Illiquid securities where reliable pricing is unavailable

### Market of Issue

Publicly issued in the global and local markets. Private placements are not eligible.

### Taxability

Only fully taxable issues are eligible.

## 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		

### 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. However, all unrated issuers remain eligible for ESG-Weighted indices.
- Ratings are applied at bond-level.
- 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

## Market Value Adjustments Based on ESG Rating and Momentum

	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 Universes 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.
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.
EM Country List	EM country list is evaluated once a year during the Bloomberg annual index governance process.

## 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	Bonds are quoted as a percentage of par.
Timing	<ul style="list-style-type: none"> <li>Latin America: 4pm (New York time)</li> <li>Europe/Middle East/Africa: 4:15pm (London time)</li> <li>Asia-Pacific: 5pm (Tokyo time)</li> </ul> <p>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.</p>
Bid or Offer Side	<ul style="list-style-type: none"> <li>Bonds in the index are priced on the bid side.</li> <li>The initial price for new issues entering the index is on the offer side; after the first month, the bid price is used.</li> </ul>
Settlement Assumptions	<ul style="list-style-type: none"> <li>T+1 calendar day settlement basis.</li> <li>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.</li> </ul>
Verification	Daily price moves for each security are analyzed by the index pricing team to identify outliers. Index users may also challenge price levels, which are then reviewed and updated as needed using input from various sources.
Calendar	The EM Local Currency Government Bond Index is a multi-currency index that is generated every business day of the year except for January 1, the only holiday common to all regional calendars. During holidays observed by local markets, the index will be generated using prices from the previous business day. FX rates are updated daily using WM Reuters 4pm (London) rates. FX forwards are also sourced from WM Company.

## Monthly Returns in USD Unhedged, 2019-2021 (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	-	-	-	-	-	-	0.78	-1.84	0.39	1.74	-0.79	2.71	2.96
2020	-0.69	-1.11	-5.83	2.45	1.18	0.90	2.24	0.02	-0.23	1.30	3.08	2.40	5.52
2021	-0.77	-1.60	-1.95	2.03	1.79	-	-	-	-	-	-	-	-4.27

## Accessing Index Data

Bloomberg Professional® service	<p>Bloomberg benchmarks are the global standard for capital markets investors.</p> <ul style="list-style-type: none"> <li>• INP&lt;Go&gt; The Bloomberg Indices publication 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.</li> <li>• IN&lt;Go&gt; - 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.</li> <li>• PORT&lt;Go&gt; - Bloomberg's Portfolio &amp; 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.</li> <li>• DES&lt;Go&gt; - The index description page provides transparency into an individual index including membership information, aggregated characteristics and returns, and historical performance.</li> </ul>
Bloomberg Indices Website (www.bloombergindices.com)	<p>The index website makes available limited index information including:</p> <ul style="list-style-type: none"> <li>• Index methodology and factsheets</li> <li>• Current performance numbers for select indices</li> </ul>
Data Distribution	<p>Index subscribers may choose to receive index data in files. Files may include:</p> <ul style="list-style-type: none"> <li>• Index level and/or constituent level returns and characteristics for any indices.</li> <li>• Automatic delivery of files via email or SFTP following the completion of the index production process after market close.</li> <li>• Clients may receive standard files or may customize file contents.</li> <li>• Index data is also available via authorized redistributors.</li> </ul>
Index Ticker (USD Unhedged)	I36233US Index: EM Local Currency Government Bond ESG-Weighted Index

## Index Licensing

Bloomberg requires index data licenses for services and products linked to the Indices

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May 31, 2021

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