

# Bloomberg MSCI China USD Credit ESG - Weighted Index

The Bloomberg MSCI China USD Credit ESG -Weighted Index tracks the performance of fixed-rate US dollar -denominated debt of government -related and corporate Chinese issuers. 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 Asia Ex -Japan USD Credit China Index . The index was created in July 2022, with index history backfilled to July 1, 2019.

## Rules for Inclusion

<b>Sector</b>	<ul style="list-style-type: none"> <li>• Corporate (industrials, financial institutions, utilities).</li> <li>• Government-related (foreign agencies, sovereign, supranational and local authorities).</li> <li>• Under the index classification schema, an issuer is classified as government-related (as opposed to corporate) if it is more than 50% government owned, carries a government guarantee or is government sponsored.</li> </ul>
<b>Eligible Currencies</b>	Principal and coupon must be denominated in USD.
<b>Country</b>	Issuer country of risk must be China.
<b>Quality</b>	<ul style="list-style-type: none"> <li>• Investment grade, high yield and unrated securities are permitted. Bonds in default are excluded.</li> <li>• Bonds are rated using the middle rating of Moody's, S&amp;P, and Fitch. When a rating from only two agencies is available, the lower is used; when a rating from only one agency is available, that rating is used to determine index eligibility. In cases where explicit bond level ratings may not be available, other sources may be used to classify securities by credit quality:</li> <li>• Expected ratings at issuance may be used to ensure timely index inclusion or to properly classify split-rated issuers.</li> <li>• Unrated securities may use an issuer rating for index classification purposes if available.</li> </ul>
<b>Coupon</b>	<ul style="list-style-type: none"> <li>• Fixed-rate coupon.</li> <li>• Fixed-to-floating rate bonds are eligible during their fixed-rate term only.</li> <li>• Bonds with a step-up coupon that changes according to a predetermined schedule are eligible.</li> </ul>
<b>Amount Outstanding</b>	At the security level, USD 150mn minimum par amount outstanding.
<b>Maturity</b>	<ul style="list-style-type: none"> <li>• At least one year until final maturity for new and continuing issuers, regardless of optionality.</li> <li>• Bonds that convert from fixed to floating rate, including fixed-to-float perpetual, will exit the index one year prior to conversion to floating rate. Fixed-rate perpetual are not included.</li> </ul>

**Market of Issue** Publicly issued in the global and local markets .

**Placement Type** SEC registered and 144A/Reg S bonds are eligible .

**Security Types**

**Included**

- Fixed-rate bullet, puttable, and callable bonds
- Fixed-to-float (including fixed-to-variable) securities
- Contingent capital

**Excluded**

- Bonds with equity type features (e.g. warrants, convertibles, preferreds)
- Inflation-linked bonds
- Private placements
- Floating-rate issues
- Defaulted bonds
- Bonds with no available internal or third-party pricing source

## Environment, Social and Governance (ESG) Rules

**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

<b>Frequency</b>	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.
<b>Index Changes</b>	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.
<b>Reinvestment of Cash Flows</b>	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.
<b>New Issues</b>	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

<b>Sources &amp; Frequency</b>	Bonds are priced on a daily basis by Bloomberg's evaluated pricing service, BVAL.
<b>Pricing Quotes</b>	Bonds are quoted as a percentage of par.
<b>Timing</b>	<ul style="list-style-type: none"> <li>Asia Investment Grade :           <p>Prior to January 14, 2021, bonds are priced at 3pm (New York time). On early market closes, prices are taken as of 1pm (New York time), unless otherwise noted.</p> <p>From January 14, 2021 and onwards, bonds are priced at 4pm (New York time). On early market closes, prices are taken as of 2pm (New York time), unless otherwise noted.</p> </li> <li>Asia High Yield: 5pm (Tokyo time).</li> <li>If the last business day of the month is a US holiday, prices from the previous business day are used.</li> </ul>
<b>Bid or Offer Side</b>	Bonds in the index are priced on the bid side.
<b>Settlement Assumptions</b>	<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.

**Currency Hedging** Returns hedged to various non -USD currencies are published for the Bloomberg MSCI China USD Credit ESG-Weighted Index . The indices' FX hedging methodology takes rolling 1 -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 MSCI China USD Credit ESG-Weighted Index follows the US bond market holiday schedule .

## Accessing Index Data

**Bloomberg Terminal®** Bloomberg benchmarks are the global standard for capital markets investors.

- INDE<GO> - The Bloomberg Indices dashboard page, which contains daily, monthly, and year -to-date index returns for key indices from each index family as well as a link to index publications.
- 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.
- DES<GO> - The index description page provides transparency into an individual index including membership information, aggregated characteristics and returns, and historical performance.
- INP<GO> - The Bloomberg Indices Publications page, which includes methodologies, factsheets, monthly reports, announcements and technical notes. A user may also subscribe to index publications via the "Actions" button.
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**Bloomberg Indices Website**  
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The index website makes available limited index information including:

- Index methodology and factsheets
- Current performance numbers for select indices

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- Index data is also available via authorized redistributors

**Index Ticker** B37196US: Total Return USD Unhedged

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