

# Bloomberg MSCI Liquid China Credit Sustainability Index

The Bloomberg MSCI Liquid China Credit Sustainability Index tracks the liquid investment -grade portion of the CNY -denominated credit market and applies additional ESG criteria. The index contains fixed -rate Government -Related (excluding policy banks) and Corporate bonds that are traded in the China Interbank Bond Market. Issuers must have an investment -grade rating by at least one rating agency (Moody's, S&P, and Fitch) and issues must have at least 1 year until final maturity for inclusion. Newly eligible issues are added on a quarterly basis based on past 3 month's reported trade volume. The index includes issuers with MSCI ESG Ratings of BB or higher and excludes those issuers with a "red" MSCI ESG Controversy Score. Issuers are capped at 10% weight per issuer. The index was created in July 2022, with index history backfilled to March 1, 2019.

## Rules for Inclusion

<b>Eligible Currencies</b>	Principal and coupon must be denominated in CNY.
<b>Sector</b>	<ul style="list-style-type: none"> <li>• Corporate (Financial Institutions, Industrial, Utilities).</li> <li>• Government-related (Agency, Local Authority, Sovereign, Supranational).</li> <li>• Under the indices' classification schema, an issuer is classified as government-related (as opposed to corporate) if it is 50% or more government owned, carries a government guarantee or is government sponsored.</li> </ul>
<b>Amount Outstanding</b>	<ul style="list-style-type: none"> <li>• Government-related CNY 5 billion.</li> <li>• Corporate CNY 1.5 billion.</li> </ul>
<b>Quality</b>	Investment grade by at least one rating agency (Moody's, S&P, and Fitch). Unrated bonds may use an implied issuer rating when not rated by a credit rating agency.
<b>Maturity</b>	At least 1 year until final maturity for inclusion into the index, bonds exit the index when maturity is less than 1 month.
<b>Coupon</b>	Fixed-rate coupon only.
<b>Seniority of debt</b>	Senior debt only.
<b>Market</b>	Debt issued in China Interbank Bond Market.
<b>Liquidity</b>	<ul style="list-style-type: none"> <li>• Lookback period of 3 months excluding trading activity during the first 10 business days after bond issuance.</li> <li>• Bonds must have reported trade volume on at least 10% of business days.</li> <li>• Aggregated reported trade volume must be greater than or equal to CNY 250 million.</li> </ul>

## Environment, Social and Governance (ESG) Rules

### MSCI ESG Rating

- Securities must have an MSCI ESG Rating of BB or higher.
- Unrated issuers from sectors with ratings are excluded.
- Assignment of MSCI ESG Ratings and Business Involvement data to issuers in the Bloomberg MSCI Liquid China Credit Sustainability Index has historically been done at the Bloomberg ticker level. Prior to April 14, 2021, MSCI ESG Ratings, Controversy Scores and Business Involvement data were applied at the ticker level, where every bond within the same ticker would have the same MSCI ESG Rating, with MSCI mapping ESG data from the entity with the largest debt outstanding (by market value) to all companies with the same Bloomberg ticker.
- From April 15, 2021, MSCI ESG data is applied at the bond level which may result in bonds with the same Bloomberg ticker having different MSCI ESG Ratings.
- MSCI ESG Ratings are generally updated annually, but may be reviewed more frequently as needed.

### MSCI ESG Controversies Screen

Excludes any issuer with a “Red” MSCI ESG Controversies score (equal to zero), which measures an issuer’s involvement in major ESG controversies and how well they adhere to international norms and principles.

## 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.

### 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

<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>	5 p.m. (Shanghai time) for all securities .
<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>
<b>Verification</b>	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.
<b>Currency Hedging</b>	Returns hedged to various non-CNY currencies are published for the Bloomberg MSCI Liquid China Credit Sustainability 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.
<b>Calendar</b>	The Bloomberg MSCI Liquid China Credit Sustainability Index follows the China 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.
- 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.

### Bloomberg Indices Website ([www.bloomberg.com/indices](http://www.bloomberg.com/indices))

The index website makes available limited index information including:

- 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:

- 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

B37195CN: Total Return CNY Unhedged

## Index Licensing

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

- |   |                                   |                                      |
|---|-----------------------------------|--------------------------------------|
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