

# Bloomberg MSCI US Aggregate ESG Select Index

The Bloomberg MSCI US Aggregate ESG Select Index is a fixed-rate, investment grade bond benchmark that follows the rules of the Bloomberg US Aggregate Index and applies additional sector and ESG criteria for security eligibility. In addition, treasury, securitized, and class 2 government-related (agency, local authority, sovereign, supranational) and corporate (industrial, utility, and financial) sectors are weighted to match the individual sector exposures of the Bloomberg US Aggregate Index. The index was launched in September 2017, with history available back to January 2008.

## Fixed Income Rules for Inclusion

<b>Sector</b>	Treasury, government-related, corporate, and securities issuer, except for the following industrial sectors: <ul style="list-style-type: none"> <li>• All issuers classified as Independent or Integrated Energy.</li> <li>• All issuers classified as Metals and Mining.</li> </ul>
<b>Eligible Currencies</b>	Principal and interest must be denominated in USD.
<b>Quality</b>	Securities must be rated investment grade (Baa3/BBB-/BBB- or higher) 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. In cases where explicit bond level ratings may not be available, other sources may be used to classify securities by credit quality: <ul style="list-style-type: none"> <li>• Local currency treasury and hard currency sovereign issues are classified using the middle issuer level rating from each agency for all outstanding bonds, even if bond level ratings are available.</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. Unrated subordinated securities are included if a subordinated issuer rating is available.</li> </ul>
<b>Amount Outstanding</b>	<ul style="list-style-type: none"> <li>• For Treasury, government-related and corporate securities, USD300mn minimum par amount outstanding.</li> <li>• For MBS pass-throughs, pool aggregates must have USD1bn par amount outstanding.</li> <li>• For ABS, USD500mn minimum deal size and USD25mn minimum tranche size.</li> <li>• For CMBS, USD500mn minimum deal size with at least USD300mn amount outstanding remaining in the deal and USD25mn minimum tranche size.</li> <li>• US Treasuries held in the Federal Reserve SOMA account (both purchases at issuance and net secondary market transactions) are deducted from the total amount outstanding. New issuance bought at auction by the Federal Reserve does not enter the index. Net secondary market purchases/sales are adjusted in the Projected Universe of the index weekly, typically on Fridays, and in the Returns Universe once a month, based on the amount outstanding in the Projected Universe at prior month-end.<sup>1</sup></li> </ul>
<b>Coupon</b>	<ul style="list-style-type: none"> <li>• Fixed-rate coupon.</li> <li>• Callable fixed-to-floating rate bonds are eligible during their fixed-rate term only.</li> </ul>

<sup>1</sup> All float adjustment updates to the US Treasury amount outstanding in the Projected Universe are made on or prior to T-3 (3 business days before month-end using the U.S. calendar). Further details about indices' treatment of SOMA holdings of US Treasuries can be found in this [note](#).

	<ul style="list-style-type: none"> <li>Bonds with a step-up coupon that changes according to a predetermined schedule are eligible.</li> </ul>	
<b>Seniority of Debt</b>	Senior and subordinated issues are included.	
<b>Maturity</b>	<ul style="list-style-type: none"> <li>At least one year until final maturity, regardless of optionality.</li> <li>MBS must have a weighted average maturity of at least one year. CMBS and ABS must have a remaining average life of at least one year.</li> <li>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.</li> </ul>	
<b>Taxability</b>	<ul style="list-style-type: none"> <li>Only fully taxable issues are eligible.</li> <li>Build America Bonds (BAB) with the tax credit to the issuer are eligible; those with tax credits issued to investors are considered tax exempt.</li> <li>Dividend Received Deduction (DRD) and Qualified Dividend Income (QDI) eligible securities are excluded.</li> </ul>	
<b>Market of Issue</b>	<ul style="list-style-type: none"> <li>SEC-registered securities, bonds exempt from registration at the time of issuance and SEC Rule 144A securities with registration rights are eligible. A security with both SEC Regulation-S (Reg-S) and SEC Rule 144A tranches is treated as one security for index purposes. The 144A tranche is used to prevent double-counting and represents the combined amount outstanding of the 144A and Reg-S tranches.</li> <li>Global bonds are included.</li> <li>Bonds that were previously SEC-registered or 144A with registration rights but later deregistered by the issuer remain index eligible.</li> </ul>	
<b>Security Types</b>	<ul style="list-style-type: none"> <li>Included</li> <li>Bullet, putable, sinkable/amortizing and callable bonds</li> <li>Taxable municipal securities, including Build America Bonds (BAB)</li> <li>Original issue zero coupon and underwritten MTN</li> <li>Enhanced equipment trust certificates (ETEC)</li> <li>Certificates of deposit</li> <li>Fixed-rate and fixed-to-float (including fixed-to-variable) capital securities</li> <li>Covered bonds (as of January 1, 2011)</li> <li>US agency CMBS (as of July 1, 2014)</li> </ul>	<ul style="list-style-type: none"> <li>Excluded</li> <li>Contingent capital securities, including traditional CoCos and contingent write-down securities</li> <li>Bonds with equity type features (eg, warrants, convertibles, preferreds, DRD/QDI-eligible issues)</li> <li>Tax-exempt municipal securities</li> <li>Inflation-linked bonds, floating-rate issues</li> <li>Private placements, retail bonds</li> <li>USD25/USD50 par bonds</li> <li>Structured notes, pass-through certificates</li> <li>Non-ERISA eligible CMBS issues</li> <li>CMBS A1A tranches (as of January 1, 2011)</li> <li>Illiquid securities with no available internal or third-party pricing source</li> </ul>

## Environment, Social and Governance (ESG) Rules

<b>MSCI ESG Rating</b>	<ul style="list-style-type: none"> <li>Securities must have an MSCI ESG Rating of BBB or higher.</li> <li>Unrated issuers are excluded.</li> </ul>
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	<ul style="list-style-type: none"> <li>• MSCI ESG Ratings are generally updated annually, but may be reviewed more frequently as needed.</li> </ul>
<b>MSCI ESG Controversy</b>	<ul style="list-style-type: none"> <li>• Securities must meet at least one of the conditions below:</li> <li>• Issuer has an ESG Controversy Score of 2 or higher; or</li> <li>• Issuer has an ESG Controversy Score of 1 and an ESG Rating of A or higher; or</li> <li>• Issuer has an ESG Controversy Score of 1 and an ESG Rating between BBB and B with a positive ESG Rating Momentum.</li> </ul>
<b>MSCI Business Involvement Screening Research (BISR)</b>	<ul style="list-style-type: none"> <li>• The index excludes issuers involved in the following business lines/activities:</li> <li>• All companies classified as an “Alcohol Producer” that earn either 10% or more revenue or more than \$1bn in revenue from alcohol-related activities.</li> <li>• All companies classified as a “Tobacco Producer” that earn either 10% or more revenue from tobacco-related activities.</li> <li>• All companies classified as “Gambling Operations” or “Gambling Support” that earn either 10% or more revenue or more than \$1bn in revenue from gambling-related activities.</li> <li>• All companies classified as “Nuclear Power Utility” that earn 10% or more revenue from nuclear power-related activities or involved in at least one of the following: <ul style="list-style-type: none"> <li>- enrichment of fuel for nuclear reactors</li> <li>- uranium mining</li> <li>- designing nuclear reactors.</li> </ul> </li> <li>• All companies involved in manufacturing “Conventional Weapon Systems” or “Conventional Weapon Components” that earn 10% or more revenue from these activities.</li> <li>• All companies classified as a “Cluster Bomb Manufacturer”.</li> <li>• All companies classified as a “Landmine Manufacturer”.</li> <li>• All companies classified as a manufacturer of “Depleted Uranium Weapons”.</li> <li>• All companies involved in manufacturing “Nuclear Weapons”, or “Nuclear Weapons Components”.</li> <li>• All companies involved in manufacturing “Chemical and Biological Weapons” or “Chemical and Biological Weapons Components”.</li> <li>• All companies classified as a “Civilian Firearm Producer” that earn more than 0% revenue from civilian firearms.</li> </ul>

## 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.

**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.

**Sector Neutrality** The application of screens based on Bloomberg Class 4 sectors, MSCI ESG Ratings, MSCI ESG Controversies, and MSCI ESG Business Involvement Screening Research (BISR) will alter the sector composition of the index versus the standard US Aggregate index. Sector weights are therefore adjusted to match the Treasury, Agency, Local Authority, Sovereign, Supranational, Industrial, Utility, Financial, and Securitized weights of the broad US Aggregate index. These sector weights are fixed as of month-end, and may drift intra-month as prices change and bonds are called or tendered.

## Pricing and Related Issues

**Sources & Frequency**

- Index-eligible bonds are priced on a daily basis by Bloomberg's evaluated pricing service, BVAL.
- MBS generics are priced daily based on a weighted average price of underlying pools. The pools are priced by BVAL on a same-day settlement basis.

**Pricing Quotes** Bonds are quoted as a percentage of par.

**Timing**

- Prior to January 14, 2021, bonds are priced at 3 p.m. (New York time). On early market closes, prices are taken as of 1 p.m. (New York time), unless otherwise noted.
- From January 14, 2021 and onwards, bonds are priced at 4 p.m. (New York time). On early market closes, prices are taken as of 2 p.m. (New York time), unless otherwise noted.
- If the last business day of the month is a public holiday, prices from the previous business day are used.

**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 for all bonds except MBS, which use same-day settlement. 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 to identify outliers. Index users may also challenge price levels, which are then reviewed and updated as needed.

**Calendar** The Bloomberg MSCI US Aggregate ESG Select 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.
  - 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:
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  - Index data is also available via authorized redistributors

- Index Ticker** I33432US: Bloomberg MSCI US Aggregate ESG Select Index

## Index Licensing

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- Mutual Funds
- Separately Managed Accounts (SMAs)

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