

MSCI CORPORATE BOND INDEXES METHODOLOGY

December 2019

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1 General Methodology Overview

MSCI Corporate Bond Indexes aim to serve as a measure of performance of the credit markets. The indexes are designed to represent relative performance at various levels of the investment process.

The MSCI Corporate Bond Indexes conform to a general construction guideline as described in this methodology. They are rules based with consideration to the following factors:

- Size
- Maturity
- Credit Rating

The indexes are designed to be replicable irrespective of the institutional investor's domicile. This requirement makes the bond eligibility requirements stricter than a broader index. One of the primary requirements of constituents in such an index is that they have sufficient liquidity.

2 Index Construction Guidelines

2.1 Universe Construction

The MSCI Corporate Bond Index includes securities selected from the global credit universe. In general, the universe includes all bullet, callable, and puttable fixed rate coupon bonds. Issues with tax-advantages, index-linked and perpetual bonds are excluded. In terms of capital structure, only senior secured, senior unsecured and subordinated (both junior and senior) debt are included. Capital securities, such as preferred stock, are not eligible to be part of the index. Note that credit universe construction may have variations across currencies and credit rating buckets.

The bond types that are eligible and ineligible for the construction of the USD IG Credit universe are tabulated below.

Eligible Bond Types	Ineligible Bond Types
Corporate Debt only	Floating Rate Coupon Bonds
Senior and Subordinated Issues	Zero Coupon Bonds
Puttable and Callable Bonds	Inflation Protected Bonds
Bullet Bonds	Perpetual Bonds
Bonds with Step-up / Step-down Coupons	Bonds with sinking fund provision
144a bonds with registration rights	PIKs
Fixed to Floating Rate Bonds are eligible for inclusion during their fixed rate term only. They are excluded 1 year prior to the conversion date as measured from the Rebalancing Date.	Private Placements
	Dual Currency
	Strippable Bonds (IO/PO)
	Hybrids (Convertibles / Preferred Shares / Warrants etc.)
	Bonds with Equity Clawback provision

2.2 MSCI Corporate Bond Index

Securities are included in the MSCI Corporate Bond Index based on the following criteria:

Credit Rating: Each index constituent must be rated by either by S&P or Moody’s.

In the Investment Grade (IG) Credit Index, the minimum rating criteria used for inclusion in the index is BBB- and Baa3 for S&P and Moody’s respectively. For a bond rated by both S&P and Moody’s, the lower rating will be used as the inclusion criteria.

Country of Domicile: Bonds included in the index must be from issuers domiciled in Developed Markets as per MSCI Market Classification¹.

Size: Each bond included in the index will have notional amount outstanding greater than or equal to the cut-offs (as per index’s universe definition) tabulated below.

Credit Universe	Bond Amount Outstanding Cut-off
USD IG	USD 750 million

Each bond included in the index will belong to an issuer with total amount outstanding² greater than or equal to the cut-offs (as per index’s universe definition) tabulated below.

Credit Universe	Issuer Amount Outstanding Cut-off
USD IG	USD 2 billion

Maturity: Each index constituent must have a maturity greater than or equal to 1 year as measured from the Rebalancing Date (defined below). New additions to the index must have a maturity greater than or equal to 1 ½ years as measured from the Rebalancing Date.

Corporate Event: New additions to the index must not have any known corporate events which will result in notional amount outstanding of the bond fall below the

¹ As per MSCI Global Investable Market Indexes (GIMI) Methodology.

² Please refer to MSCI Fixed Income Data Methodology document for details on the calculation of Issuer amount outstanding

minimum bond size criteria over the next 1 month as measured from the Rebalancing Date.

Weighting: MSCI Corporate Bond Index is an issuance weighted index. Index constituents will be weighted by market value³ within the index.

Pricing: MSCI uses bid side pricing from data vendors. Bonds included in the index are priced to par. Bonds not priced by the designated pricing source are ineligible for index inclusion.

Settlement: Standard index settlement convention will be same-day (T+0), unless otherwise specified.

³Please refer to MSCI Fixed Income Index calculation methodology for details on calculation of market value.

3 Index Rebalancing & Maintenance

- The composition of the MSCI Corporate Bond Index is reviewed **monthly**, with Rebalancing Date being first business date of the month.
- Change in the index composition is based on latest data available as of three days prior to the Rebalancing Date which is defined as the Cut-Off Date
- MSCI will announce proforma index rebalancing results as of the Cut-Off Date.
- Bonds are added to or deleted from the index only on monthly rebalancing dates, except in case of an exchange type event⁴. For the existing index components any changes to index eligibility will only be reflected in the next monthly rebalancing.
- Any inclusion or exclusion criteria satisfied for a given security in the universe, after the Cut-Off Date, will generally become effective at the following monthly rebalancing; should conditions remain unchanged.
- Any cash that accrues within the index in a given month is re-invested on a pro-rata basis across the index constituents, on the Rebalancing Date. In essence, cash in the index is swept out on rebalancing and the opening index portfolio on the Rebalancing Date starts with zero accrued cash balance.
- Certain variants of total return calculation of the index on the Rebalancing Date may be adjusted for transaction cost⁵ as securities that are added to the index are added at the offer price and securities that are maintained or deleted at the bid price.

For further information on index total return calculation, corporate events handling, and holiday calendar please refer to the MSCI Fixed Income Index Calculation Methodology⁶.

MSCI leverages GICS^{®7} sector classification framework for MSCI Corporate Bond Indexes as well. Please refer to MSCI GICS Methodology for details.

⁴ Refer to the MSCI Fixed Income Index Calculation Methodology for detail

⁵ Refer to the MSCI Fixed Income Index Calculation Methodology for detail

⁶ The methodology is available at: <https://www.msci.com/index-methodology>

⁷ GICS, the global industry classification standard, jointly developed by MSCI Inc. and S&P Global.

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