



# **MSCI USD, EUR, GBP & CAD IG AGGREGATE BOND SELECT INDEX METHODOLOGY**

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## 1 General Methodology Overview

The MSCI USD, EUR, GBP & CAD IG Aggregate Select Bond Index (here on the “Index”) is constructed to measure the performance of investment grade rated bonds from sovereign, sub-sovereign, supranational, government agency and corporate issuers in the global fixed income markets. The index includes fix coupon paying bonds denominated in USD, EUR, GBP and CAD. The eligible bonds are further screened for maturity and size as outlined in relevant sections of this methodology document.

## 2 Index Construction

### 2.1 General guidelines

**Issuer Type:** The Index includes USD, EUR, GBP and CAD denominated bonds issued by the following issuers –

- Sovereigns
- Sub-Sovereigns
- Supranationals
- Government Agencies
- Corporates (including government owned corporates)

**Security Type:** In general, the eligible bond universe includes all bullet, callable, and puttable fixed rate coupon bonds. Issues with tax-advantages, index-linked and perpetual bonds are excluded. Capital securities, such as preferred stock, are not eligible to be part of the index. The table below summarizes the eligible and ineligible security types.

Eligible Security Types	Ineligible Security Types
Senior and Subordinated Issues	Floating Rate Coupon Bonds
Puttable and Callable Bonds	Zero Coupon Bonds
Bullet Bonds	Inflation Protected Bonds
Bonds with Step-up / Step-down Coupons	Perpetual Bonds
144a bonds with registration rights	Bonds with sinking fund provision
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 effective date of index rebalancing (Rebalancing Date <sup>1</sup> )	RegS bonds
	Private Placements
	Dual Currency
	Strips (IO/PO)
	PIKs and Hybrids <sup>2</sup>
	Covered Bonds

<sup>1</sup> Refer to section “Index Rebalancing & Maintenance” for more details on Rebalancing Date.

<sup>2</sup> Equity linked hybrid bonds are ineligible (e.g. - convertible bonds, warrants, preferred shares etc.)

**Credit Rating:** Eligible index constituents must be rated by either by S&P or Moody’s. For bonds that are rated by both S&P and Moody’s, the lower rating will be used to determine the index inclusion criteria. The Index only considers investment grade (IG) bonds as eligible for inclusion.

**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.

**Weighting:** Index constituents will be weighted by market value<sup>3</sup> within the index.

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

**Settlement:** MSCI applies standard same-day (T+0) index settlement convention, unless otherwise specified.

**Size:** At rebalancing, eligible index constituents must have a notional amount outstanding greater than or equal to the thresholds tabulated below.

Index	Security Size Threshold
USD	USD 300 million
EUR	EUR 300 million
GBP	GBP 200 million
CAD	CAD 150 million

<sup>3</sup> Please refer to MSCI Fixed Income Index calculation methodology for further details on calculation of market value.

### 3 Index Rebalancing & Maintenance

The composition of the Index is reviewed **monthly**, with Rebalancing Date being first business date of the month.

The pro-forma Index is in general announced **three** business days before the effective date of rebalancing or Rebalancing Date (first business day of the month).

Bonds are added to or deleted from the index only on monthly rebalancing dates, except in case of an exchange event. For the existing index components any changes to index eligibility will only be reflected in the next monthly rebalancing.

At each Monthly Index Review, the Eligible Universe is updated, and the composition of the Index is re-assessed. Any inclusion or exclusion criteria satisfied for a given security in the universe, after the cut-off date (T-3), will generally become effective at the following monthly rebalancing; should conditions remain unchanged.

Any cash that accrues within the index in each month is re-invested on a pro-rata basis across the index constituents, on the Rebalancing Date. In essence, cash in the Index is removed on rebalancing and the opening Index on the Rebalancing Date starts with zero accrued cash balance.

For further information on index total return calculation and corporate events handling please refer to the MSCI Fixed Income Index Calculation Methodology<sup>4</sup>.

For the holiday calendar used in the index, please refer to the MSCI Fixed Income Data Methodology.<sup>5</sup>

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<sup>4</sup> MSCI Fixed Income Index Calculation Methodology - [www.msci.com/index-methodology](http://www.msci.com/index-methodology)

<sup>5</sup> MSCI Fixed Income Data Methodology - [www.msci.com/index-methodology](http://www.msci.com/index-methodology)

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