

Global Corporate 1-3 Year Very Liquid Index (VLI)

The Bloomberg Global Corporate 1-3 Year Very Liquid Index is designed to track a more liquid subset of the Global Aggregate Corporate Index, which measures the market of investment grade, fixed-rate, taxable corporate bonds. The index follows the same inclusion rules as the flagship Global Aggregate Corporate Index, but bonds must have been issued within the previous five years and have at least one and up to, but not including, three years to final maturity. The index includes only the three largest bonds, based on amount outstanding, from each issuer and limits the exposure of each issuer to 2% of the total market value of the index, redistributing the excess market value index-wide on a pro rata basis. The Global Corporate 1-3 Year Very Liquid Index was created in June 2015, with history backfilled to June 2010.

Rules for Inclusion

Sector	Corporate (industrial, utility and financial institutions) issuers only.
Eligible Currencies	<ul style="list-style-type: none"> Principal and coupon must be denominated in one of the following eligible currencies: <ul style="list-style-type: none"> Americas: CAD, USD EMEA: CHF, CZK, DKK, EUR, GBP, NOK, PLN, SEK Asian-Pacific: AUD, HKD, JPY, KRW, MYR, NZD, SGD, THB Eligible currencies will not necessarily have debt included in the index if no securities satisfy the inclusion rules. CLP, MXN, ILS, and RUB-denominated corporate bonds are not eligible, however treasury bonds from these markets are eligible for the flagship, multi-currency Global Aggregate Index provided necessary inclusion rules are met. New currency inclusion is reviewed annually through the index governance process. To be considered for inclusion, new currency candidates must be rated investment grade and sufficiently tradable, convertible and hedgeable for international investors.
Quality	<p>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:</p> <ul style="list-style-type: none"> Expected ratings at issuance may be used to ensure timely index inclusion or to classify split-rated issuers properly. 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.
Coupon	<ul style="list-style-type: none"> Fixed-rate coupon (including zero coupon). Callable fixed-to-floating rate bonds are eligible during their fixed-rate term only. Bonds with a step-up coupon that changes according to a predetermined schedule are eligible.

Amount Outstanding	Fixed minimum issue sizes are set for all local currency markets:	
	<ul style="list-style-type: none"> • 750mn: USD, CAD, EUR, CHF, AUD • 500mn: GBP • 87.5bn: JPY • 5bn: DKK, NOK, PLN, HKD, MYR • 6.25bn: SEK • 25bn: CZK, THB • 1.25bn: NZD, SGD • 500bn: KRW 	
Largest Issue Constraint	Only the three largest securities, based on amount outstanding, from each issuer are included. In cases in which two securities from the same issuer have the same amount outstanding, the most seasoned security is selected. In cases in which two securities have the same amount outstanding and seasoning, the first alphanumeric CUSIP is selected.	
Issue Date	Eligible bonds must have been issued within the past five years.	
Maturity	<ul style="list-style-type: none"> • Securities must have at least 1 and up to, but not including, 3 years remaining to final maturity. • 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. 	
Taxability	<ul style="list-style-type: none"> • Only fully taxable issues are eligible. • Dividend Received Deduction (DRD) and Qualified Dividend Income (QDI) eligible securities are excluded. 	
Market of Issue	Publicly issued in the global and regional markets.	
Seniority of Debt	Senior and subordinated issues are included.	
Security Types	<p>Included</p> <ul style="list-style-type: none"> • Bullet, putable, sinkable/amortizing and callable bonds • Original issue zero coupon bonds • Bonds issued through underwritten MTN programs • Enhanced equipment trust certificates (EETC) • Certificates of deposit • Fixed-rate and fixed-to-float (including fixed-to-variable) capital securities 	<p>Excluded</p> <ul style="list-style-type: none"> • Contingent capital securities, including traditional CoCos and contingent write-down securities, with explicit capital ratio or solvency/balance sheet-based triggers • Bonds with equity type features (e.g., warrants, convertibles, preferreds, DRD/QDI-eligible issues) • Inflation-linked bonds, floating-rate issues • Fixed-rate perpetuals • Private placements, retail bonds • USD 25/USD 50 par bonds • Structured notes, pass-through certificates

Rebalancing Rules & Issuer Capping Methodology

Issuer Capping Methodology

Issuers that exceed 2% of the market value of the uncapped Global Corporate 1-3 Year Very Liquid Index are limited at 2%. The excess market value over the 2% cap will be redistributed on a pro rata basis to all other issuers' bonds in the index that are under the 2% cap. The process is repeated until no issuer exceeds the 2% limit. For example, an issuer that represents 3% of the uncapped index will have 1% of the index's market value redistributed to each bond from all issuers under the 2% cap on a pro rata basis. The 2% issuer cap is applied each month as the index is rebalanced.

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

Sources & Frequency

All index-eligible bonds are priced on a daily basis by Bloomberg's evaluated pricing service, BVAL, except CHF-denominated bonds (which are priced by SIX) and JPY-denominated corporates (which are priced by JSDA).

Timing

Prices are snapped at the following times:

- North American currency bonds: 4pm (New York time); 4pm (Toronto time) for CAD-denominated securities. USD-denominated bonds prior to January 14, 2021 used 3pm New York time pricing snap.
- Pan European currency bonds: 4:15pm (London time); 4pm (London time) for CHF-denominated securities.
- Asian currency bonds: 5pm (Sydney time) for AUD-denominated and NZD-denominated securities; 3pm (Tokyo time) for JPY-denominated securities; 5pm (Tokyo time) for all other securities.

If the last business day of the month is a public holiday in a major regional market, prices from the previous business day are used to price bonds in the particular market.

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. 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. Index users may also challenge price levels, which are then reviewed and updated as needed.
Currency Hedging	Returns hedged to various currencies are published for multi-currency indices. The indices' FX hedging methodology takes rolling one-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 Global Corporate 1-3 Year Very Liquid Index is a global, multi-currency index that is generated every business day of the year except for January 1, the only holiday common to all regional calendars. During holidays observed by local markets, the index will still be generated using prices from the previous business day. FX rates are updated daily using WM Reuters 4pm (London) rates. FX forwards are also sourced from WM Company.

Accessing Index Data

Bloomberg Terminal®	<p>Bloomberg benchmarks are the global standard for capital markets investors.</p> <ul style="list-style-type: none"> • 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.
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Data Distribution	Index subscribers may choose to receive index data in files. Files may include:

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- 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

B13LTRUH: Total Return USD Hedged

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