

US High Yield Caa and Above Liquid Index

The Bloomberg US High Yield Caa and Above Liquid Index measures the USD-denominated, high yield, fixed-rate corporate bond market with an index rating of at least Caa3. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. The index excludes bonds with a country of risk of China. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded. The index limits exposure to any BCLASS level 3 to 10% and redistributes the excess market value index-wide on a pro rata basis. The US High Yield Caa and Above Liquid Index is a subset of the US Universal and Global High Yield Indices. The index was created on May 6, 2019 with an inception date of March 1, 2013.

Rules for Inclusion

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| Sector | Corporate (industrial, financial institutions, utility) issues only. |
| Eligible Currencies | Principal and interest must be denominated in USD. |
| Quality | <p>Securities must be rated high yield (Ba1/BB+/BB+ or below) and must have an index rating of at least Caa3 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. |
| Amount Outstanding | USD 750mn minimum par amount outstanding. |
| Coupon | <ul style="list-style-type: none"> Fixed-rate coupon. Pay-in-kind (PIK) bonds and toggle notes are eligible. Partial PIKs are excluded. Callable fixed-to-floating rate and fixed-to-variable bonds are eligible during their fixed-rate term only. Bonds with a step-up coupon that changes according to a predetermined schedule are eligible. |
| Maturity | <ul style="list-style-type: none"> At least one year until final maturity, regardless of optionality. 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. Sub-indices based on maturity are inclusive of lower bounds. Intermediate maturity bands include bonds with maturities of 1 to 9.999 years. Long maturity bands include maturities of 10 years or greater. |

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| 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 | <ul style="list-style-type: none"> SEC-registered bonds, bonds exempt from registration at the time of issuance and SEC Rule 144A securities (with or without registration rights) are eligible. A security with both SEC Regulation-S (Reg-S) and SEC 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. | |
| Seniority of Debt | Senior and subordinated issues are included. | |
| Security Types | <p>Included</p> <ul style="list-style-type: none"> Bullet, puttable, sinkable/amortizing and callable bonds Original issue zero coupon bonds Pay-in-kind (PIK) bonds and toggle notes Fixed-rate and fixed-to-float (including fixed-to-variable) capital securities | <p>Excluded</p> <ul style="list-style-type: none"> Debt issued by emerging markets corporate issuers Defaulted bonds 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 (eg, warrants, convertibles, preferreds, DRD/QDI-eligible issues) Partial pay-in-kind (PIK) bonds Eurodollar issues Inflation-linked bonds, floating-rate issues Private placements, retail bonds Structured notes, pass-through certificates Illiquid securities with no available pricing Securities with China as their country of risk Bonds with a Country of Risk equal to Russia would not be included from April 1, 2022. See the Index Announcement FI Implementation Update on Russian Sanctions for more details. |

Rebalancing Rules

Issuer Capping Methodology

All BCLASS level 3 classifications that exceed 10% of the market value of the uncapped US High Yield Caa and Above Liquid Index are limited at 10%. The excess market value over the 10% cap will be redistributed on a pro rata basis to all BCLASS level 3 classifications' bonds in the index that are under the 10% cap. The process is repeated until no BCLASS level 3 exceeds the 10% limit. For example, a BCLASS level 3 that represents 11% of the uncapped index will have 1% of the index's market value redistributed to each bond from all BCLASS level 3 under the 10% cap on a pro rata basis. The 10% BCLASS Level 3 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

Bonds are priced on a daily basis by Bloomberg's evaluated pricing service, BVAL.

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), unless otherwise noted. 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), unless otherwise noted. On early market closes, prices are taken as of 2 p.m. (New York time), unless otherwise noted.
- For bonds with a country of risk from any of the GCC (Gulf Corporation Council) countries, prices are taken as of 4:15 p.m. (London time).
- For bonds with a country of risk from any of the Asian countries excluding Japan, prices are taken as of 5 p.m. (Tokyo time).
- 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 unless otherwise noted; after the first month, the bid price is used.
- For new issues with a country of risk from any of the GCC (Gulf Corporation Council) countries or any Asian countries excluding Japan, the initial prices are taken from the bid side.

Settlement Assumptions

- T+1 calendar day settlement basis.
- 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.

Currency Hedging

Returns hedged to various non-USD currencies are published for the US High Yield Caa and Above Liquid Index. 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 US High Yield Caa and Above Liquid 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)

The index website makes available limited index information including:

- Index methodology and factsheets
- Current performance numbers for select indices

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- 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

I34803US: US High Yield Caa and Above Liquid

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