

Bloomberg MSCI US Liquid Corporates 1-5 Year Sustainable Index

The Bloomberg MSCI US Liquid Corporates 1-5 Year Sustainable Index contains fixed-rate, investment grade, taxable, USD-denominated securities issued by US corporate issuers with an MSCI ESG rating of BBB or higher. Securities issued by corporations whose business activities are inconsistent with socially responsible investing criteria are excluded. The index includes publicly issued securities from industrial, utility, and financial companies that meet specific maturity, credit quality, liquidity and ESG requirements. To be included, securities must have been issued within the previous two years. The index limits the exposure of each issuer to 5% of the total market value and redistributes the excess market value index-wide on a pro rata basis. The US Liquid Corporates 1-5 Year Sustainable Index is a component of the US Corporate Index and was launched in November 2021, with history backfilled to January 1, 2016.

Rules for Inclusion

Sector	Corporate (industrial, utility, and financial institutions) issuers only.
Currency	Principal and coupon must be denominated in USD.
Country	Issuer country of risk must be US.
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 properly classify split-rated issuers. 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	USD1bn minimum par amount outstanding.
Coupon	<ul style="list-style-type: none"> Fixed-rate coupon. 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"> Remaining years to maturity must be between 1 and 4.9999 years, regardless of optionality. Bonds that convert from fixed to floating rate, including fixed-to-float perpetual, will exit the index prior to conversion to floating-rate. Fixed-rate perpetual bonds are not included.
Seasoning	Time since issuance (dated date) less than two years.

Minimum	<ul style="list-style-type: none"> • Minimum piece of less than or equal to USD50,000. 	
Piece/Increment	<ul style="list-style-type: none"> • Minimum increment of less than or equal to USD1,000. 	
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 registration rights are index 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. • Global bonds are included. 	
Seniority of Debt	Senior and subordinated issues are included.	
Security Types	<p>Included</p> <ul style="list-style-type: none"> • Bullet, putable and callable bonds • Original issue zero coupon bonds and underwritten MTN • 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"> • Sinkable 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) • Taxable and tax-exempt municipal securities • Covered bonds • Fixed-rate perpetuals, floating-rate issues • Structured notes, pass-through certificates • Private placements, retail bonds • Illiquid securities with no available internal or third party pricing source

Environment, Social and Governance (ESG) Rules

MSCI ESG Rating	<p>The following criteria apply:</p> <ul style="list-style-type: none"> • Securities must have an MSCI ESG Rating of BBB or higher. • Unrated issuers from sectors with ratings are excluded. • Prior to April 2021, ratings were applied at the ticker level. Every bond within the same ticker had the same MSCI ESG Rating. • MSCI ESG ratings are generally updated annually, but may be reviewed more frequently as needed.
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Business Involvement Screens

The index excludes issuers involved in the following business lines/activities as per the standard Bloomberg MSCI SRI screen:

- Adult Entertainment
- Alcohol
- Gambling
- Tobacco
- Conventional Weapons
- Civilian Firearms
- Nuclear Weapons
- Controversial Weapons
 - Cluster Munitions
 - Landmines
 - Depleted Uranium
 - Biological/Chemical
 - Blinding Lasers
 - Non-Detectable Fragments
 - Incendiary
- Nuclear Power
- Thermal Coal
- Fossil Fuels
- Genetically Modified Organisms (GMO)

Involvement is defined for each restricted activity and may be based on % of revenue, total revenue, or any tie regardless of revenue (see Figures 7-8 on pages 14-16 for standard screen threshold in [ESG Methodology](#)).

MSCI ESG Controversies Screens

Excludes any issuer with a “Red” MSCI ESG Controversies score (equal to zero), which measures an issuer’s involvement in major ESG controversies and how well they adhere to international norms and principles.

Rebalancing Rules & Issuer Capping Methodology**Issuer Capping Methodology**

Issuers that exceed 5% of the market value of the uncapped Bloomberg MSCI US Liquid Corporates 1-5 Year Sustainable Index are limited at 5%. The excess market value over the 5% cap will be redistributed on a pro rata basis to all other issuers’ bonds in the index that are under the 5% cap. The process is repeated until no issuer exceeds the 5% limit. For example, an issuer that represents 6% of the uncapped index will have 1% of the index’s market value redistributed to each bond from all issuers under the 5% cap on a pro rata basis. The 5% 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, ticker changes, etc.) are reflected daily in both the Projected and Returns Universes 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/announced, but not necessarily settled, on or before the month-end rebalancing date, qualify for inclusion in the following month's index if 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.

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 1 p.m. (New York time), unless otherwise noted.
- If the last business day of the month is a US 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.
- 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.

Calendar

The Bloomberg MSCI US Liquid Corporates 1-5 Year Sustainable Index follows the US bond market holiday schedule.

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.
Bloomberg Indices Website (www.bloomberg.com/indices)	<p>The index website makes available limited index information including:</p> <ul style="list-style-type: none"> • Index methodology and factsheets • Current performance numbers for select indices
Data Distribution	<p>Index subscribers may choose to receive index data in files. Files may include:</p> <ul style="list-style-type: none"> • 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	I36690US: Total Return USD Unhedged

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Bloomberg requires index data licenses for services and products linked to the Indices

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