US High Yield Caa and Above Liquid Index

The Bloomberg Barclays 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.

<table>
<tr><td>Sector</td><td colspan="2">Corporate (industrial, financial institutions, utility) issues only.</td></tr>
<tr><td>Eligible Currencies</td><td colspan="2">Principal and interest must be denominated in USD.</td></tr>
<tr><td>Quality</td><td colspan="2">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:
• 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.</td></tr>
<tr><td>Amount Outstanding</td><td colspan="2">USD750mn minimum par amount outstanding.</td></tr>
<tr><td>Coupon</td><td colspan="2">• 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.</td></tr>
<tr><td>Maturity</td><td colspan="2">• 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.</td></tr>
<tr><td>Seniority of Debt</td><td colspan="2">Senior and subordinated issues are included.</td></tr>
<tr><td>Taxability</td><td colspan="2">• Only fully taxable issues are eligible.
• Dividend Received Deduction (DRD) and Qualified Dividend Income (QDI) eligible securities are excluded.</td></tr>
<tr><td>Market of Issue</td><td colspan="2">• 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.</td></tr>
<tr><td>Security Types</td><td>Included
• Bullet, putable, sinkable/amortizing and callable bonds
• Original issue zero coupon bonds
• Pay-in-kind (PIK) bonds and toggle notes</td><td>Excluded
• 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</td></tr>
</table>

	• Fixed-rate and fixed-to-float (including fixed-to-variable) capital securities	• Bonds with equity type features (eg, warrants, convertibles, preferreds, DRD/QDI-eligible issues) • Eurodollar issues • Inflation-linked bonds, floating-rate issues • Partial pay-in-kind (PIK) bonds • Private placements, retail bonds • Structured notes, pass-through certificates • Illiquid securities with no available pricing • Securities with China as their country of risk

Rebalancing Rules

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	All index-eligible bonds are priced on a daily basis by Bloomberg's evaluated pricing service, BVAL.
Pricing Quotes	Prices are quoted as a percentage of par.
Timing	• 3pm (New York time) each day. • On early market closes, prices are taken as of 1pm (New York time) unless otherwise noted. • If the last business day of the month is a US holiday, prices from the previous day are used.
Bid or Offer Side	Bonds in the index are priced on the bid side, including new corporate issues entering the index.
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 interested to be calculated.

Pricing and Related Issues

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 using input from various sources.
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.

Monthly Returns in USD, 2013-2019 (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013	–	–	0.95	2.05	-1.17	-2.74	2.08	-0.79	1.25	2.93	0.43	0.51	5.48
2014	0.58	2.31	0.04	0.61	1.04	0.93	-1.65	2.10	-2.36	1.85	-0.59	-0.93	3.86
2015	0.70	2.43	-0.86	1.04	0.29	-1.83	-0.57	-1.56	-2.92	3.07	-2.14	-2.58	-5.01
2016	-1.56	0.96	4.42	3.96	0.43	0.75	2.73	1.99	0.64	0.03	-0.32	1.85	16.89
2017	1.25	1.61	-0.16	1.06	0.83	0.21	1.28	0.13	0.83	0.52	-0.12	0.20	7.89
2018	0.46	-0.95	-0.59	0.54	-0.20	0.31	1.29	0.80	0.49	-1.72	-0.68	-1.90	-2.17
2019	4.97	1.63	1.09	1.24	–	–	–	–	–	–	–	–	9.18

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Accessing Index Data

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Bloomberg Total Return Index Value Ticker

Ticker (USD Unhedged)	Index
I34803US	US High Yield Caa and Above Liquid Index

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New York
+1-212-318-2000

London
+44-20-7330-7500

Singapore
+65-6212-1000

Hong Kong
+852-2977-6000

Tokyo
+81-3-3201-8900

Sydney
+61-2-9777-8600

indexhelp@bloomberg.net

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