

US Corporate Aaa - A Capped Index

The Bloomberg US Corporate Aaa - A Capped Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It is based on the US Corporate Index, and includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers. To be eligible, bonds must also have at least USD500mn amount outstanding and have an index rating of A- or higher. The index limits issuer exposure to a maximum of 3% and redistributes the excess market value index-wide on a pro rata basis. The index was created in June 2010, with index history backfilled to August 1, 1995.

The full Bloomberg Fixed Income Index methodology document is available [here](#).

Rules for Inclusion

Sector	Corporate (industrial, utility and financial institutions) issuers only.
Eligible Currencies	Principal and interest must be denominated in USD.
Quality	<p>Securities must be rated A- 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	USD500mn minimum par amount outstanding.
Coupon	<ul style="list-style-type: none"> Fixed-rate 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.
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 perpetual, will exit the index one year prior to conversion to floating-rate. Fixed-rate perpetual bonds 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**
- SEC-registered securities, bonds exempt from registration at the time of issuance and SEC Rule 144A securities with registration rights are 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.
 - Bonds that were previously SEC-registered or 144A with registration rights but later deregistered by the issuer remain index eligible.

Seniority of Debt Senior and subordinated issues are included.

Security Types	Included	Excluded
	<ul style="list-style-type: none"> • Bullet, puttable, sinkable/amortizing and callable bonds • Original issue zero coupon bonds • Underwritten MTN • Enhanced equipment trust certificates (EETC) • Certificates of deposit • Fixed-rate and fixed-to-float (including fixed-to-variable) capital securities 	<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 (eg, warrants, convertibles, preferreds, DRD/QDI-eligible issues) • Inflation-linked bonds, floating-rate issues • Taxable and tax-exempt municipal securities, covered bonds • Private placements with no SEC registration rights, retail bonds • USD25/USD50 par bonds • Structured notes, pass-through certificates • Illiquid securities with no available internal or third-party pricing source

Rebalancing Rules

Issuer Capping Methodology Issuers that exceed 3% of the market value of the uncapped US Corporate Aaa - A Index are limited at 3%. The excess market value over the 3% cap is redistributed on a pro rata basis to all other issuers' bonds in the index that are under the 3% cap. The process is repeated until no issuer exceeds the 3% limit. For example, an issuer that represents 4% of the uncapped index will have 1% of the index's market value redistributed to each bond from all issuers under the 3% cap on a pro rata basis. The 3% 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

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

- Bonds are priced at 4 p.m. (Eastern time). On early close days, prices are taken as of 1 p.m. unless otherwise noted.
- Historically, prior to January 14, 2021, bonds were priced at 3 p.m.; and on early market closes, bonds were priced at 1 p.m. (Eastern time). On early closes days between January 14, 2021 through November 25, 2021, 2 p.m. prices were used.
- 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; 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 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 Corporate 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 Corporate Aaa - A Capped 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.
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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	BQF1TRUU: Total Return USD Unhedged

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