

Emerging Markets USD Sovereign & Agency 3% Country Capped Bond Index

The Bloomberg Emerging Markets USD Sovereign & Agency 3% Country Capped Bond Index is a hard currency emerging markets debt benchmark that includes fixed and floating-rate USD-denominated debt issued from sovereign and agency EM issuers. Eligible countries must be included on the Bloomberg EM country list, except for the following countries that are specifically excluded from the index: Bahamas, Bahrain, Belarus, Bermuda, Israel, Kuwait, Oman, Qatar, Saudi Arabia, South Korea, and UAE. Country weights are capped at 3% based on amount outstanding, with any excess weight allocated on a pro rata basis across the index. The index was created in September 2015, with history backfilled to April 1, 2013.

Rules for Inclusion

Sector	<p>Sovereign and agency (government owned, government guaranteed, and government sponsored entities) issuers. Local authority, supranational and corporate EM issuers are not eligible.</p> <ul style="list-style-type: none"> Under Bloomberg's classification schema, an issuer is classified as government-related (as opposed to corporate) if it is more than 50% government owned, carries a government guarantee or is government sponsored. For flagship EM hard currency indices, Bloomberg defines quasi-sovereigns as any non-sovereign government-related issuer inclusive of both government-related and local authority debt.
Eligible Currencies	Principal and interest must be denominated in USD.
Country Inclusion	<p>Bloomberg uses a fixed list of emerging market countries that is reviewed annually to define country eligibility in dedicated EM hard currency, local currency, and inflation-linked benchmarks. Criteria for inclusion in the EM country list are rules-based and include:</p> <ul style="list-style-type: none"> Countries that meet one of the following two criteria: World Bank Income group classifications of low/middle income, OR International Monetary Fund (IMF) classification as a non-advanced country. Additional countries that bond investors classify as EM due to factors such as instability concerns, the presence of capital controls, and/or geographic considerations may also be included on the list and are reviewed on an annual basis. As of April 2014, four additional markets are included in the Bloomberg EM country list: Czech Republic, Israel, South Korea, and Taiwan. <p>The Bloomberg Emerging Markets USD Sovereign & Agency 3% Country Capped Bond Index includes all countries on the EM country list except for: Bahamas, Bahrain, Bermuda, Israel, Kuwait, Oman, Qatar, Saudi Arabia, South Korea, and UAE, and from April 1, 2022, Belarus.</p>
Quality	Investment grade, high yield and unrated securities are permitted. Unrated bonds may use an implied issuer rating when not rated by a credit rating agency (Moody's, S&P, and Fitch).
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.

Amount Outstanding	USD 500mn minimum par amount outstanding.
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.
Market of Issue	Publicly issued in global and regional markets.
Security Type	Brady bonds, Eurobonds, globals, loans, and local issues are permitted. Warrants are excluded.
Placement Type	SEC registered and 144A/Reg S bonds are eligible.
Defaults	Defaulted sovereigns remain in the index until they are restructured, defeased, exchanged, or no longer outstanding.

Rebalancing Rules

Country Capping Methodology	All countries that exceed 3% of the amount outstanding of the uncapped Emerging Markets USD Sovereign & Agency Index are limited to 3%. The excess amount outstanding over the 3% cap will be redistributed on a pro rata basis to all other countries' bonds in the index that are under the 3% cap. The process is repeated until no country exceeds the 3% limit. For example, a country that represents 5.5% of the uncapped index will have 2.5% of the amount outstanding redistributed to each bond from all countries under the 3% cap on a pro rata basis. The 3% country cap is applied at monthly rebalancing.
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.
EM Country List	EM country list is evaluated once per year during the Bloomberg annual index governance process.

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	<ul style="list-style-type: none">• 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. <p>If the last business day of the month is a public holiday, prices from the previous business day are used.</p>
Bid or Offer Side	Bonds in the index are priced on the bid side.
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 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 Emerging Markets USD Sovereign & Agency 3% Country Capped Bond 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	BEMUTRUU: Total Return USD Unhedged

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