

# Bloomberg MSCI USD High Yield Liquid Corporate ESG Weighted SRI Index

The Bloomberg MSCI USD High Yield Liquid Corporate ESG Weighted SRI Bond Index is a fixed-rate, high-yield corporate, taxable, USD-denominated securities issued by corporate issuers, and applies additional ESG criteria for security eligibility. The index negatively screens issues that are involved in business activities that are restricted because they are inconsistent with certain values-based business involvement criteria. Additionally, the index includes bonds with minimum USD500mn amount outstanding. The index was created in October 2020, with history backfilled to January 1, 2014.

## Rules for Inclusion

<b>Sector</b>	Corporate (industrial, utility and financial institutions) issuers only.
<b>Eligible Currencies</b>	Principal and interest must be denominated in USD.
<b>Quality</b>	<p>Securities must be rated high yield (Ba1/BB+/BB+ or below) using the middle rating of Moody's, S&amp;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"> <li>• Expected ratings at issuance may be used to ensure timely index inclusion or to properly classify split-rated issuers.</li> <li>• 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.</li> </ul>
<b>Amount Outstanding</b>	USD 500mn minimum par amount outstanding.
<b>Coupon</b>	<ul style="list-style-type: none"> <li>• Fixed-rate coupon.</li> <li>• Callable fixed-to-floating rate bonds are eligible during their fixed-rate term only.</li> <li>• Bonds with a step-up coupon that changes according to a predetermined schedule are eligible.</li> </ul>
<b>Maturity</b>	<ul style="list-style-type: none"> <li>• At least one year until final maturity, regardless of optionality.</li> <li>• 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.</li> </ul>
<b>Country Eligibility</b>	Bonds with EM country of risk are excluded.
<b>EM Country Definition</b>	<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"> <li>• 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 <i>non-advanced</i> country.</li> </ul>

- Additional countries that bond investors classify as EM due to factors such as investability concerns, the presence of capital controls, and/or geographic considerations may also be included on the list and are also reviewed on an annual basis. As of April 2014, 4 additional markets are included in the Bloomberg EM country list: Czech Republic, Israel, South Korea and Taiwan.

<b>Taxability</b>	Only fully taxable issues are eligible.
<b>Seniority of Debt</b>	Senior and subordinated issues are included.
<b>Market of Issue</b>	Publicly issued in the global and regional markets.

<b>Security Types</b>	<b>Included</b>	<b>Excluded</b>
	<ul style="list-style-type: none"> <li>• Bullet, puttable, sinkable/amortizing and callable bonds</li> <li>• Original issue zero coupon</li> <li>• Underwritten MTN</li> <li>• Fixed-rate and fixed-to-float (including fixed-to-variable) capital securities</li> </ul>	<ul style="list-style-type: none"> <li>• Treasury, government related, securitized and covered bonds</li> <li>• Contingent capital securities, including traditional CoCos and contingent write-down securities, with explicit capital ratio or solvency/ balance sheet-based triggers</li> <li>• Bonds with equity type features (eg, warrants, convertibles, preferreds)</li> <li>• Inflation-linked bonds, floating-rate issues</li> <li>• Private placements, retail bonds</li> <li>• Structured notes, pass-through certificates</li> <li>• Illiquid securities with no available internal or third-party pricing source</li> </ul>

## Environment, Social and Governance (ESG) Rules

<b>MSCI ESG Rating</b>	<p>The following criteria apply starting June 2019:</p> <ul style="list-style-type: none"> <li>• Securities must have an MSCI ESG Rating of BB or higher.</li> <li>• Factor tilts are based on beginning of the month's ratings</li> <li>• Prior to April 8, 2021, MSCI ESG Ratings, Controversy Scores and Business Involvement data were applied at the ticker level, where every bond within the same ticker would have the same MSCI ESG Rating, with MSCI mapping ESG data from the entity with the largest debt outstanding (by market value) to all companies with the same Bloomberg ticker.</li> <li>• From April 9, 2021, MSCI ESG data is applied at the bond level which may result in bonds with the same Bloomberg ticker having different MSCI ESG Ratings.</li> <li>• MSCI ESG Ratings are generally updated annually, but may be reviewed more frequently as needed.</li> </ul>
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<b>Business Involvement Screens</b>	<p>The index excludes issuers involved in the following business lines/activities as per the standard Bloomberg MSCI SRI screen:</p> <ul style="list-style-type: none"> <li>• Alcohol</li> <li>• Tobacco</li> <li>• Gambling</li> </ul>
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- Adult Entertainment
- Genetically Modified organisms (GMO)
- Nuclear Power
- Civilian Firearms
- Conventional Weapons
- Nuclear Weapons
- Thermal Coal
- Fossil Fuels
- Controversial Weapons
  - Landmine Manufacturing
  - Cluster Bomb Manufacturing
  - Depleted Uranium Weapons
  - Chemical and Biological Weapons Components

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 on the [Bloomberg Terminal](#) or on the [website](#)).

From February 2020 until September 2021, the index additionally excluded issuers with greater than 5% revenue from the business activities related to:

- Thermal Coal
- Generation of Thermal Coal
- Oil Sands

In addition, the index also excludes issuers that:

- Generate any revenue from Biological, Conventional or Nuclear weapons.
- Have any ties to civilian firearms

**MSCI ESG Controversies** Starting June 2019, excludes any issuer with a “Red” MSCI ESG Controversy score (equal to zero), which measures an issuer’s involvement in major ESG controversies and how well they adhere to international norms and principles. Issuers with an ESG Impact Score of NR are also excluded from June 2019.

#### Factor Tilts

The weight of each index eligible issuer (and security) is adjusted by a fixed multiplier (see table), which is determined by its MSCI ESG Rating (AAA, AA, A, BBB, BB).

ESG Rating	Tilt
AAA, AA, A	2.0x
BBB, BB	1.0x

## Rebalancing Rules

#### Issuer Capping Methodology

Issuers that exceed 5% of the market value of the uncapped Bloomberg MSCI USD High Yield Liquid Corporate ESG Weighted SRI 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. 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 required security reference information and pricing are readily available.

## Pricing and Related Issues

### Sources & Frequency

All bonds in the index are priced daily using 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 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. 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.

**Calendar** The Bloomberg MSCI USD High Yield Liquid Corporate ESG Weighted SRI 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](http://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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- Clients may receive standard files or may customize file contents
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**Index Ticker** I35895US: Total Return USD Unhedged

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- Index-Linked Insurance Products
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- Mutual Funds
- Separately Managed Accounts (SMAs)

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