

# 20XX Term High Yield and Income Index Series

## Introduction

The Bloomberg 20XX Term High Yield and Income Index is a targeted maturity benchmark that measures the performance of the USD-denominated, fixed-rate, taxable high yield and BBB-rated investment corporate bond market maturing between January 1, 20XX and December 15, 20XX. The index is comprised of high yield bonds until 1.5 years prior to index maturity. After that point, the index will become a composite index, comprised of sub-indices of high yield and BBB-rated corporate bonds also maturing between January 1, 20XX and December 15, 20XX. Note for the 2021, 2022, 2023 maturity indices, BBB-rated securities were added to the index 2.5 years prior to maturity and remained eligible until index maturity. Refer to the rebalancing rules below for a description of how the weights between the high yield and BBB components are determined.

The index limits issuer exposure to a maximum of 3% of total market value of the index and redistributes the excess market value amongst the high yield and investment grade subindices on a pro-rata basis. In the final year, principal and interest collected in the index are reinvested pro-rata for the first six months of the year. In the final six months, principal from maturing and called bonds will be represented in the index by a cash component, which is not reinvested and does not earn any interest, until the final maturity date on December 15, 20XX. Securities in the index are subcomponents of the standard US Corporate and US High Yield indices. The 20XX Term High Yield and Income Index Series was created in January 2019 with indices added on an ongoing basis.

This document is intended to be read in conjunction with the [Bloomberg US Corporate Index Methodology](#), [Bloomberg US Corporate High Yield Index Methodology](#) and the [Bloomberg Fixed Income Methodology](#). These documents collectively constitute the index methodology for this index series.

The features specific to this index series are set out below.

## Eligibility Requirements

<b>Eligible Currencies</b>	Principal and interest must be denominated in USD.
<b>Sector</b>	Corporate issuers only
<b>Credit Rating</b>	Investment Grade and High Yield bonds are eligible
<b>Minimum Amount Outstanding</b>	For high yield, USD250mn minimum par amount outstanding. For investment grade, USD300mn.
<b>Coupon</b>	<ul style="list-style-type: none"> <li>• Fixed-rate coupon</li> <li>• PIK bonds and toggle notes are eligible. Partial PIKs are excluded.</li> <li>• Bonds with a step-up coupon that changes according to a predetermined schedule are eligible.</li> </ul>
<b>Price Floor</b>	Bonds with a clean price below \$60 are excluded from the index and subject to a 3 month lock-out period before they are eligible for inclusion again. During the final 1.5 years of the maturity of the index, bonds that fall below \$60 will remain out of the index permanently. Note that for the 2021, 2022, 2023 indices, bonds that fell below \$60 during the final 2.5 years of maturity were permanently removed.

<b>Maturity</b>	Bonds that mature between January 1, 20xx and December 15, 20xx of the maturity year. For example, the 2021 index is comprised of securities that mature between January 1st, 2021 and December 15th, 2021. Due to this maturity constraint, there may be securities in the index series that are not in the US Corporate Index or the US Corporate High Yield Index.	
<b>Security Types</b>	<p>Included</p> <ul style="list-style-type: none"> <li>● Bullet, putable, sinkable/amortizing and callable bonds</li> <li>● Original issue zero coupon bonds</li> <li>● Pay-in-kind (PIK) bonds and toggle notes</li> <li>● Underwritten MTN</li> <li>● Enhanced equipment trust certificates (EETC)</li> <li>● Certificates of deposit</li> </ul>	<p>Excluded</p> <ul style="list-style-type: none"> <li>● For high yield, debt issued by emerging markets corporate issuers</li> <li>● Defaulted 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, DRD/QDI-eligible issues)</li> <li>● Partial pay-in-kind (PIK) bonds</li> <li>● Eurodollar issues</li> <li>● Inflation-linked bonds, floating-rate issues</li> <li>● Private placements, retail bonds</li> <li>● USD 25/USD50 par bonds</li> <li>● Structured notes, pass-through certificates</li> <li>● Illiquid securities with no available internal or third-party pricing source</li> <li>● Fixed-to-float (including fixed-to-variable) securities</li> </ul>
<b>Minimum Liquidity Requirements</b>	See Minimum Amount Outstanding specified above	
<b>Rebalance Date</b>	Monthly	

## Rebalancing Rules

### 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, prior to July 1st, 20XX, cash is effectively reinvested into the returns universe for the following month so that index results over two or more months reflect monthly compounding. Principal cash flows distributed within the target maturity window of July 1st, 20XX through December 15, 20XX will be deposited into a cash index. Cash accumulated in this vehicle will be held until the final maturity of the index without accumulating a return.

### Issuer Capping Methodology

All issuers (viewed at the ticker level) that exceed 3% of the market value of the uncapped index at the subcomponent level are capped at 3%. The excess market value over the 3% cap is redistributed on a pro-rata basis to the subindex that the bond belongs to (either High Yield or BBB). This process is repeated until no issuer exceeds the 3% limit. For example, a high yield issuer that represents 4.5% of the uncapped high yield subindex will have 1.5% of the index's market value redistributed to each bond from all other issuers in this subindex under the 3% cap on a pro-rata basis. In the event a 3% cap is not possible due to lack of issuers, the cap will be increased in .50% increments until the index could be calculated.

### Assigning of Weights to High Yield and BBB components

In most circumstances, the index will be completely comprised of the high yield subindex until 1.5 years prior to the final maturity date of the index (December 15, 20xx). On August 1st, [20XX minus 1.5 years], the index will enter the composite index phase, where the index will be comprised of the high yield and BBB subindices. The weight of the BBB index at each month is determined by the overall % change in market value of the high yield subindex from the fixing date (T-4) before month end relative to the market value of the high yield subindex on June 30th, 20XX. The BBB index's weight will only change from the previous month if the monthly % change of the high yield index market value is negative and is less than the market value on June 30th, 20XX.

If the index's market value falls below \$30bn prior to June 30th, [20XX minus 1.5 years], this will trigger the composite index phase early. In this scenario, the weight of the BBB index at each month is determined by the overall % change in market value of the high yield subindex from the fixing date (T-4) before month end relative to \$30bn. The BBB index weight will only change from the previous month if the monthly % change of the high yield index market value is negative and is less than \$30bn.

Note that the 2021, 2022 and 2023 indices used a threshold of 2.5 years instead of the 1.5 year threshold specified above.

### Target Maturity Window

The last rebalance date will be on June 30th, 20XX. In the following 6 months before the index matures, normal rebalancing will stop and existing bond weights will float based on changes in market value, with the exception being for bonds with a clean price below \$60, which will be removed at the following month-end.

## Accessing Index Data

Ticker	Index Name
I34441US	2021 Term High Yield and Income
I34442US	2022 Term High Yield and Income
I34443US	2023 Term High Yield and Income
I34444US	2024 Term High Yield and Income
I34445US	2025 Term High Yield and Income
I35474US	2026 Term High Yield and Income
I36045US	2027 Term High Yield and Income
I36659US	2028 Term High Yield and Income
I36660US	2029 Term High Yield and Income
I37639US	2030 Term High Yield and Income
I38553US	2031 Term High Yield and Income

## Publication Currency

Bloomberg may offer this index in additional currencies for both unhedged and hedged indices.

- See Appendix 2 of the [Bloomberg Fixed Income Index Methodology](#) for Currency Hedging and Currency Returns.
- See Appendix 12 of the [Bloomberg Fixed Income Index Methodology](#) for Index Identification and Publication Currency.

## Environmental, Social and Governance (ESG) Disclosures

This Index does not take into account any ESG factors or pursue any ESG objectives. Please refer to the [Bloomberg Fixed Income Methodology](#) for ESG disclosures.

## Document Version History

Date	Update
February 2024	Publication in new format, 2031 index added

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