

Small Issuer Long Credit Index

The Bloomberg Small Issuer Long Credit Index is a subset of the US Long Credit Index, which measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related bond markets with a maturity greater than 10 years. It is composed of the US Corporate Index and a non-corporate component that includes non-US agencies, sovereigns, supranationals and local authorities constrained by maturity, and excludes large issuers. Index history is available back to April 2018.

Rules for Inclusion

Large Issuer Exclusion Step 1: Group bonds by tickers, then sort by total amount outstanding in descending order.

Step 2: Identify the ticker at 10th percentile and apply 50% scaling to the bonds' amount outstanding. Given the descending order, this ticker is considered a large issuer.

Step 3: Apply graduated scaling scheme to tickers below the 10th percentile from 45% to 0%, decreasing at 5% increment with each ticker. Tickers that are at least 10 ranks lower than 10th percentile are scaled at 0% and removed from the index. Tickers above the 10th percentile are scaled from 55% to 100%, increasing at 5% increment with each ticker. Tickers that are at least 10 ranks higher than 10th percentile are scaled at 100%. As a result, large issuers are removed from the index at a graduated scheme.

Sector

- Corporate (industrial, financial institutions, utility).
- Government-related (foreign agencies, sovereign, supranational and local authority, including taxable municipals).
- Under the indices' classification schema, an issuer is classified as government-related (as opposed to corporate) if it is 50% or more government owned, carries a government guarantee or is government sponsored.

Eligible Currencies

Principal and interest must be denominated in USD.

Quality

Securities must be rated investment grade (Baa3/BBB-/BBB- 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:

- 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

All securities must have USD300mn minimum par amount outstanding.

Coupon

- Fixed-rate coupon.
- 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.

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| Maturity | <ul style="list-style-type: none"> • Eligible bonds must have a maturity of 10 years or greater. • Bonds that convert from fixed to floating rate, including fixed-to-float perpetual, will exit the index 10 years prior to conversion to floating-rate. Fixed-rate perpetuals are not included. | |
| Taxability | <ul style="list-style-type: none"> • Only fully taxable issues are eligible. • Build America Bonds (BAB) with the tax credit to the issuer are eligible; those with tax credits issued to investors are considered tax exempt. • Dividend Received Deduction (DRD) and Qualified Dividend Income (QDI) eligible securities are excluded. | |
| Market of Issue | <ul style="list-style-type: none"> • 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 • Taxable municipal securities, including Build America Bonds (BAB) • Original issue zero coupon and underwritten MTN • Enhanced equipment trust certificates (EETC) • Certificates of deposit • Fixed-rate and fixed-to-float (including fixed-to-variable) securities | <ul style="list-style-type: none"> • Contingent capital securities, including traditional CoCos and contingent write-down securities • Bonds with equity type features (eg, warrants, convertibles, preferreds, DRD/QDI-eligible issues) • Tax-exempt municipal securities • Inflation-linked bonds, floating-rate issues • Private placements, retail bonds • USD25/USD50 par bonds • Structured notes, pass-through certificates • Illiquid securities with no available internal or third-party pricing source |

Rebalancing Rules

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| Frequency | For this index, Bloomberg maintains two separate indices to represent the Returns (Backward) and the Projected (Forward) Universes. The Projected Universe index is a forward-looking projection that gets updated one day before month-end, and the Returns Universe index is updated on the first day of the following month. |
| Index Changes | During the month, some indicative changes to securities (credit rating change, sector reclassification, and ticker changes) are reflected daily in the Projected and Returns Universe indices. |
| 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

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| 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 2 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 Small Issuer Long Credit 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)
- The index website makes available limited index information including:
- Index methodology and factsheets
 - Current performance numbers for select indices

- Data Distribution**
- Index subscribers may choose to receive index data in files. Files may include:
- 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 I33822: Total Return USD Unhedged

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