

# **Bloomberg US Analyst Recommendations Index Methodology**

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**Bloomberg**

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## Introduction

The Bloomberg US Analyst Recommendations Index (the "Index") aims to track the performance of the best ranked US companies by equity research analysts. Bloomberg collects analysts' recommendations for various financial institutions to build a proprietary "ANR" score for each company. The largest 500 Index members of the Bloomberg US Large & Mid Cap Index (US Index) are ranked by their ANR score and the best 50 are eligible to be part of the Bloomberg US Analyst Recommendations Index.

## Section 1: Overview

Name	Bloomberg US Analyst Recommendations Index
Ticker	USANR Index (Price Return) USANRT Index (Total Return) USANRN Index (Net Return)
Currency	USD
Inception Date	December 1, 2021
Base Date	March 30, 2015
Publication	Weekdays

## Section 2: Eligibility

### Parent Index

In order to be eligible for the Bloomberg US Analyst Recommendations Index, a security must be among the largest 500 members of the Bloomberg US Large & Mid Cap Index (Ticker: US Index).

### Analyst Recommendation (ANR) Score<sup>1</sup>

To be eligible for the Index, a company must have an ANR score.

NOTE: ANR Score can be found on Terminal using **<Security ticker> Equity ANR <GO>**

### Minimum Number of Analyst Recommendations

A company must have an ANR score calculated based on at least 11 analyst recommendations to be eligible.

A company may have multiple listed securities with different number of recommendations. Bloomberg Index Services Limited (BISL) assesses a company based on its security with the most analyst recommendations.

## Section 3: Selection

### ANR Score

All companies that satisfy the index eligibility process are ranked by their ANR score. Only the companies with the best 50 ANR scores are added to the Index.

Note: In case of equality at the 50<sup>th</sup> rank, all companies with the same score are eligible for inclusion, allowing the Index to have more than 50 members.

<sup>1</sup> Determination of a company's ANR score is described in the Appendix 3.

## Section 4: Weighting

Companies selected to be Index Members based on their ANR scores are weighted by their free-float market capitalization. Company weights may be subject to capping.

### Capping

Any excess weight from capping is redistributed proportionally to all the remaining uncapped securities until the conditions below are satisfied.

#### Company Diversification

Each security's weight is capped so that a company's weight in the Index is comprised between:

- at least 1% and;
- less than 5%.

The capping is re-set at each quarterly Index Rebalancing. For more information, refer to the Section 5.

#### Sector Diversification

The sum of all Index members' weights within each level 1 sector<sup>2</sup> is capped to a maximum of 35%.

The capping is re-set at each quarterly Index Rebalancing. For more information, refer to the Section 5.

If the company and sector diversification requirements described above cannot be satisfied, the rules will be relaxed in the following order:

1. Maximum sector's weight will be relaxed to 40%.  
If the company and sector diversifications requirements are still not met, then:
2. Minimum issuer's weight will be relaxed to at least 0.5%

## Section 5: Maintenance

To ensure that the Index accurately reflects the aggregate performance of its constituent members, the Index is reconstituted and rebalanced quarterly in March, June, September and December and maintained on a daily basis for corporate actions.

### *Selection Date*

The Index Eligibility Process is applied using data as of the last Wednesday day in January, April, July and October.

### *Index Announcement Date*

Pro-forma changes will be announced with 10 full business day advance notification and announcement date shall be the last Wednesday of February, May, August and November

### *Index Effective Date*

The Index reconstitutions and rebalances go effective after the close of trading on the 2nd Wednesday of March, June, September and December.

<sup>2</sup> As defined by the Bloomberg Industry Classification System (BICS). For more information, please refer to the Appendix 2.

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Selection Date (Eligibility)	Last Wednesday	X			X			X			X		
Announcement Date	Last Wednesday		X			X			X			X	
Effective Date	2 <sup>nd</sup> Wednesday			X			X			X			X

Refer to the [Bloomberg Global Equity Non-Market Cap Weighted Indices - Corporate Action Methodology](#) for the general treatment of corporate actions, unless stated otherwise in the sections below.

Past and upcoming corporate actions at security level can be found using `<ticker> CACS <GO>` and `<ticker> DVD <GO>` functions on the Bloomberg Terminal.

### Spin-off

Child being spun-off from an Index member is added on the ex-date and remains in the Index if the Child security qualifies to be part of the Parent Index (Bloomberg US Large & Mid Cap Index). If this condition is not met, the security is typically removed from the Index at the open of the 5th trading from the ex-date.

### IPO

Newly listed Securities are not eligible for fast-track addition to the Index.

IPOs are assessed for potential addition to the Index as part of the next semi-annual Index Reconstitution.

Note that a minimum trading period of 3 months is part of the requirements for addition to the Parent Index.

### Replacement Policy

An Index member being acquired by a non-Index member is not replace at the time of the event.

## Section 6: Stakeholder Engagement, Risks and Limitations

### Risks

The following is a summary of certain risks associated with the Index but is not meant to be an exhaustive list of all risks associated with the Index. Although the Index is designed to be representative of the markets it is measuring, it may not be representative of every use case. There is also inherent, though transparent, judgment in its construction, as outlined in this Methodology. The Index is designed for general applicability and not to address the individual circumstances and needs of users. BISL does not advise about the usefulness of the Index to a particular circumstance; users are therefore encouraged to seek their own counsel for such matters. This Methodology is subject to change, which may impact its usefulness to users. Although efforts will be made to alert users of any change, every individual user may not be aware of them. Such changes may also significantly impact the usefulness of the Index. BISL may also decide to cease publication of this Index. BISL maintains internal policies regarding user transitions, but no guarantee is given that an adequate alternative is available generally or for a particular use case. Markets for stocks, as with all markets, can be volatile. As the Index is designed to measure this market, it could be materially impacted by market movements, thus significantly affecting the use or usefulness of the Index for some or all users. Also, certain equity markets are less liquid than others – even the most liquid markets may suffer periods of illiquidity. Illiquidity can have an impact on the quality or amount of data available to BISL for calculation and may cause the Index to produce unpredictable results.

### Limitations of the index

Though the Index is designed to be representative of the markets it measures or otherwise aligns with its stated objective, it may not be representative in every case or achieve its stated objective in all instances. It is designed and calculated strictly to follow the rules of this Methodology, and any Index level or other output is limited in its usefulness to such design and calculation.

Markets can be volatile, including those market interests that the Index measures or upon which the Index is dependent to achieve its stated objective. For example, illiquidity can have an impact on the quality or amount of data available to the administrator for calculation and may cause the Index to produce unpredictable or unanticipated results.

In addition, market trends and changes to market structure may render the objective of the Index unachievable or to become impractical to replicate by investors.

In particular, the Index measures global equity markets. As with all equity investing, the Index is exposed to market risk. The value of equities fluctuate with the changes in economic forecasts, interest rate policies established by central banks and perceived geopolitical risk. The Index does not take into account the cost of replication and as a result a tracking portfolio's returns will underperform the Index with all else equal. As the Index is designed to measure those markets, it could be materially impacted by market movements, thus significantly impacting the use or usefulness of the fixings for some or all users.

In addition, certain sub-indices may be designed to measure smaller subsets of the Index such as specific styles, size, and sector. Some of these sub-indices have very few qualifying constituents and may have none for a period of time. During such period, the sub-index will continue to be published at its last value, effectively reporting a 0% return, until new constituents qualify. If no constituents are expected to qualify (due to changes in market structure and other factors), the sub-index may be discontinued. In such an event, this discontinuation will be announced to index users.

## Section 7: Benchmark Oversight and Governance

### Benchmark governance, audit and review structure

BISL uses three primary committees to provide overall governance and effective oversight of its benchmark administration activities:

- The Product, Risk & Operations Committee ("**PROC**") is responsible for the first line of control over the creation, design, production and dissemination of benchmark indices, strategy indices and fixings administered by the BISL.<sup>3</sup>
- The oversight function is provided by Bloomberg's Benchmark Oversight Committee ("**BOC**"). The BOC is independent of the PROC and is responsible for the review and challenge of the Board and the PROC regarding relevant aspects of the provision of Benchmarks by BISL, as set out in the UK BMR.
- The Risk Committee ("**RiskCo**") advises the Board, the PROC and the BOC on the Company's overall risk appetite, tolerance and strategy and oversees the Company's risk exposure and risk strategy.

On a quarterly basis, the PROC reports to the BOC on governance matters, including but not limited to client complaints, the launch of new benchmarks, operational incidents (including errors & restatements), major announcements and material changes concerning the benchmarks, the results of any reviews of the benchmarks (internal or external) and material stakeholder engagements

### Index and data reviews

BISL reviews the Methodology on a periodic basis, and at least annually, to determine whether it continues to:

- (i) be robust and reliable;
- (ii) have clear rules, including regarding discretion;
- (iii) be rigorous, continuous and capable of validation;
- (iv) be resilient and ensures the Index can be calculated in the widest range of possible circumstances, without compromising its integrity; and
- (v) be traceable and verifiable.

In doing so, BISL will assess whether the Index continues to represent the market that it is intended to measure. More frequent reviews may result from extreme market events and/or material changes to the underlying market. Non-exhaustive examples of extreme market events include trading events such as trading interruptions or unexpected market closures, resulting in unusual market illiquidity or market volatility; exchange closures, government interventions, a pandemic or a natural catastrophe resulting in exceptional periods of stress.

<sup>3</sup> Note that administrators of significant (but not critical) benchmarks may opt not to disclose (i) the roles performed by any persons involved in reviewing and approving the methodology and (ii) a description of the procedure for the nomination and removal of the persons involved in reviewing and approving the methodology.

Criteria for data inputs include reliable delivery and active underlying markets. Whether an applicable market is active depends on whether there are sufficient numbers of transactions (or other indications of price, such as indicative quotes) in the applicable constituents (or similar underlying constituent elements) that a price (or other value, as applicable) may be supplied for such constituent(s).

Other than as set forth in this Methodology (read in conjunction with the [Bloomberg Global Equity Index Methodology](#)), there are no minimum liquidity requirement for Index constituents and/or minimum requirements or standards for the quantity or quality of the input data. The review will be conducted by product managers of the Index in connection with the periodic rebalancing of the Index or as otherwise appropriate. Please see the [Bloomberg Global Equity Index Methodology](#) for further information on calculation of the Index in the event of market disruption.

Any resulting change to this Methodology will be subject to the review of the PROC under the oversight of the BOC, each of which committees shall be provided all relevant information and materials it requests relating to the change. Details regarding the PROC and BOC are described above. Any relevant changes will be reflected and tracked in updated versions of this Methodology.

BISL will consult with users of the Index on changes to the Methodology and seek user input. The stakeholder engagement will set forth the rationale for any proposed changes (including whether the representativeness of the Index or its appropriateness as a reference for financial instruments or contracts would be at risk if the proposed changes are not made), the key elements of the Methodology that would, in BISL's view, be affected by the proposed change, as well as the timeframe and process for responses. BISL will provide at least two weeks' notice prior to any change going into effect. In the event of exigent market circumstances or if required by law or regulation, this period may be shorter. Subject to requests for confidentiality, stakeholder feedback and BISL's responses will be made accessible upon request.

In addition to material changes, BISL may from time to time terminate one or more Indices ("Discontinued Indices"), whether due to changes in market structure, a lack of requisite data, insufficient usage, or for other regulatory or practical concerns. The process for terminating such Discontinued Indices is as follows:

The PROC will review proposed terminations, taking into account the reasons for termination, the impact on users (if any), the availability of alternative products and other such factors. If termination is approved, users will be provided as much prior notice as is reasonable under the circumstances, typically 90 days. In the event there is little or no known usage identified, the Discontinued Indices may be terminated with less (or no) notice, as applicable. In the event the Discontinued Indices are licensed for use as the basis of an ETF or other widely-available financial product or is otherwise determined by BISL to be an important benchmark without reasonable substitutes, the notice period may be extended, as warranted. Any advance notice period is subject to BISL being reasonably able to continue administering and calculating such benchmark during such period (for example, BISL has access to requisite data on commercially reasonable terms, is not subject to any litigation or other claims, has adequate internal resources and capabilities, etc.). Terminations and associated user engagement decisions made by the PROC are subject to review by BISL's oversight function, the BOC.

## Expert judgement

The Index is rules-based, and its construction is designed to consistently produce values without the exercise of expert judgment or discretion. Nevertheless, BISL may use expert judgment or discretion with regards to the following:

- Index restatements
- Extraordinary circumstances during a market emergency
- Data interruptions, issues, and closures
- Significant acquisitions involving a non-Index company

When expert judgment or discretion is required, BISL undertakes to be consistent in its application, with recourse to written procedures outlined in this Methodology and internal procedures manuals. In certain circumstances exercises of expert judgment or discretion are reviewed by senior members of BISL management and Legal & Compliance teams, and are reported to the PROC, BISL's governance committee, which operates under the supervision of BISL's oversight function, the BOC. BISL also maintains and enforces a code of ethics to prevent conflicts of interest from inappropriately influencing index construction, production, and distribution, including the use of expert judgment or discretion.

## Data providers and data extrapolation

The Index is rules-based, and its construction is designed to consistently produce Index levels without the exercise of discretion. The Index is produced without the interpolation or extrapolation of input data.

In addition, BISL seeks to avoid contributions of input data that may be subject to the discretion of the source of such data and instead seeks to use input data that is readily available and/or distributed for a number of non-index or benchmark creation purposes. Accordingly, the index requires no 'contributors' to produce and no codes of conduct with any such sources are required.

**Conflicts of interest**

The Index confers on BISL discretion in making certain determinations, calculations and corrections from time to time. In making those determinations, calculations and corrections, BISL has no obligation to take the needs of any product investor or any other party into consideration. BISL is committed to avoiding and, where necessary, managing actual or potential conflicts of interest in the BISL decision-making process and has established a Conflicts of Interest Policy to minimize or resolve actual or potential conflicts of interest. BISL does not create, trade or market products.



## Appendix I: Bloomberg Industry Classification System (BICS)

### Methodology

Bloomberg classifies companies by tracking their primary business activities as measured by their primary source of revenue; it then groups them together according to market based industries. Members of groupings should exhibit similar behavior in market cycles and should be correlated. Each company is reviewed at least once a year and following significant changes such as an M&A.

### Data Driven

Bloomberg's experienced analyst teams utilize the full power of the Bloomberg terminal to classify companies based on various qualitative and quantitative measures. The lead quantitative measure for determining primary business activity is revenue. Secondary quantitative considerations include operating income and assets. Qualitative measures such as market perceptions are also considered if a strong consensus exists within the market or when quantitative measures are insufficient to determine the company's primary classification.

### Hierarchy structure and features

Bloomberg classifies every company to Level 4, Sub Industry and, where appropriate, classifies companies at more granular levels such as Segment Levels (Levels 5-7). This allows BICS to capture all levels of specialization within an industry and provides flexibility for users.

### Structure (applicable to equities)

- Level 1 – 11 Sectors
- Level 2 – 20 Industry Groups
- Level 3 – 59 Industries
- Level 4 – 214 Sub-Industries
- Level 5 – 693 Segments
- Level 6 – 576 Segments
- Level 7 – 174 Segment

### Level 1 Sectors

Communications	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care
Industrials	Materials	Real Estate	Technology	Utilities	

The complete BICS Hierarchy and more information on BICS can be found by searching "BICS" using the [DOCS <GO>](#) function.

## Appendix II: Bloomberg Analyst Recommendations Score (ANR)

ANR consolidates contributor recommendations into a single consensus rating.

Contributors have their own rating scales, which are standardized by Bloomberg into numerical ratings.

"Strong Buy" rating (or equivalent) corresponds to a 5

"Buy" rating (or equivalent) corresponds to a 4

"Hold" rating (or equivalent) corresponds to a 3

"Sell" rating (or equivalent) corresponds to a 2

"Strong Sell" rating (or equivalent) corresponds to a 1

The consensus rating is the average of the standardized ratings on a scale of 1 to 5.

Note: An analyst's rating is excluded from the consensus if it has not been updated by the contributor for a year or longer

## Appendix III: ESG Disclosure

<b>EXPLANATION OF HOW ESG FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY</b>	
<b>Item 1.</b> Name of the benchmark administrator.	Bloomberg Index Services Limited ("BISL")
<b>Item 2.</b> Type of benchmark or family of benchmarks.	Equities
<b>Item 3.</b> Name of the benchmark or family of benchmarks.	Bloomberg US Analyst Recommendations
<b>Item 4.</b> Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?	No
<p><b>Item 5.</b> Where the response to Item 4 is positive, please list below, for each family of benchmarks, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816.</p> <p>Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets. The ESG factors shall be disclosed at an aggregated weighted average value at the level of the family of benchmarks.</p>	
(a) List of environmental factors considered:	Not applicable
(b) List of social factors considered:	Not applicable
(c) List of governance factors considered:	Not applicable
<p><b>Item 6.</b> Where the response to Item 4 is positive, please list below, for each benchmark, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816, depending on the relevant underlying asset concerned.</p> <p>Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets. The ESG factors shall not be disclosed for each constituent of the benchmark, but shall be disclosed at an aggregated weighted average value of the benchmark.</p> <p>Alternatively, all of this information may be provided in the form of a hyperlink to a website of the benchmark administrator included in this explanation. The information on the website shall be easily available and accessible. Benchmark administrators shall ensure that information published on their website remains available for five years.</p>	
(a) List of environmental factors considered:	Not applicable
(b) List of social factors considered:	Not applicable
(c) List of governance factors considered:	Not applicable
Hyperlink to the information on ESG factors for each benchmark:	Not applicable
<b>Item 7.</b> Data and standards used	
(a) Data input.	Not applicable
(i) Describe whether the data are reported, modelled or sourced internally or externally.	
(ii) Where the data are reported, modelled or sourced externally, please name the third party data provider.	
(b) Verification and quality of data. Describe how data are verified and how the quality of those data is ensured.	Not applicable
(c) Reference standards Describe the international standards used in the benchmark methodology.	Not applicable
<b>Date on which information has been last updated and reason for the update:</b>	October 2022, Update

## Methodology Book Changes

Date	Update
November 2021	Index creation
January 2022	Section 4: Clarifications regarding the weighting of the Index members Appendix III: Clarification of the ANR score determination
October 2022	Added Appendix IV: ESG Disclosure
July 2023	Section 5: Clarification of the Index Review process Section 6: Updated version of the Stakeholder Engagement, Risks and Limitations

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### Take the next step.

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or press the <HELP> key twice  
on the Bloomberg Terminal\*

[bloomberg.com/indices](https://www.bloomberg.com/indices)

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<b>Dubai</b> +971 4 364 1000	<b>London</b> +44 20 7330 7500	<b>San Francisco</b> +1 415 912 2960	<b>Sydney</b> +61 2 9777 8600
<b>Frankfurt</b> +49 69 9204 1210	<b>Mumbai</b> +91 22 6120 3600	<b>São Paulo</b> +55 11 2395 9000	<b>Tokyo</b> +81 3 4565 8900