

US High Yield RBI Series 1 Index

This document is intended to be read in conjunction with the [USD Bellwether Swap Indices](#) and the [US Corporate High Yield Index](#), these documents collectively constitute the index methodology for this Index.

The US High Yield Replicating Bond Index (RBI) Series 1 Index is designed to track the Total Return of the Bloomberg US High Yield Index using a derivatives-based replication. The RBI uses a portfolio of USD Bellwether Swap Indices to match duration risk and the CDX HY 5 Year Total Return Basket to match spread risk. The RBI follow the Bloomberg Indices' monthly rebalancing conventions. The index was launched in April 2007, with history backfilled to August 1, 2006.

Description of Index Constituents The RBI consists of a portfolio of USD Bellwether Swap Indices and the OTR CDX HY 5 Year Total Return Index.

Index Ticker I14660US: US High Yield RBI Basket Series 1

Eligibility Requirements

Currency USD

Minimum Liquidity Requirements None

USD Bellwether Swap Portfolio The US High Yield RBI Series 1 consists of a portfolio of 06M, 2Yr, 5Yr, 10Yr, 20Yr and 30Yr Bellwether Swap Indices weighted to match the beginning of the month Key Rate Duration (KRDs) profile of the US Corporate High Yield Index.

CDX HY 5 Year Total Return Basket The RBI consists of a cashless position selling protection on the CDX HY 5Yr (On the Run series) with returns measured by the change in monthly mark-to-market divided by the notional (default adjusted) amount at the beginning of the month. The CDX Total Return basket rolls on the last business day of the month in March and September.

Funding Component A Cash Investment in the 03M Bellwether Swap Index makes it a funded strategy, and comparable with return of a traditional cash index.

Pricing Methodology The Bellwether Swap Indices portfolio returns is calculated by the weighted total return of the curve duration matched Bellwether Swap Indices. The returns of the 03M Bellwether Swap Index are then added to make the RBI a funded index.

The CDX HY 5 Year On The Run Basket return is calculated as the total mark-to-market gain on the month per unit of the beginning of the month notional amounts.

US HY RBI Index Total Return = Bellwether Swaps Portfolio Total Return + 03M Bellwether Swap Index Total Return + CDX HY 5Yr Basket Total Return

Construction and Rebalancing Rules

Frequency For each index, Bloomberg maintains two universes: the Returns (Backward) and the Projected (Forward) Universes. The composition of the Returns Universe is rebalanced at each month-end and represents the fixed weights of index/instrument on which index returns are calculated for the next month. The Projected Universe is a forward-looking projection where the weights in the Futures basket change daily to reflect the characteristics of the target cash index, but are not used for return calculations. On the last business day of the month (the rebalancing date), the weights of the latest Projected Universe becomes the Returns Universe for the following month.

Index KRDs Matching and Weight Calculation The USD Bellwether Swap Indices KRDs relative to the SOFR Swap curve are weighted to match the corresponding KRD exposure of the US High Yield Index relative to the SOFR swap curve.

The total investment in the RBI must equal the market value of the US Corporate HY Index, any residual capital left over from swaps is invested in cash (03M Bellwether Swap Index). In other words, the hedge ratios for the six swaps and cash add up to 100%. The amount invested in cash may be negative, representing a borrowing.

CDX HY 5 Year Weight Calculation The weight of the CDX HY 5 Year Total Return Basket is calculated by matching Option Adjusted Spread Duration (OASD) of the CDX to the OASD of the US High Yield Index. The weight of the CDX is capped at 100%.

*OASD is calculated with respect to the SOFR swap curve.

US High Yield RBI Series 1 CDX HY 5Y Weights Calculation as of 30th April 2024

US High Yield Index	CDX HY 5Yr Basket	
OASD	OASD	MV Weight in RBI
A	B	A / B
3.29	4.28	76.74%

Pricing and Related Issues

Sources & Frequency

- All Swap tenors are priced daily using Bloomberg BGN pricing source.
- CDX are priced daily using Bloomberg BEST pricing source. Bloomberg's Expanded Source of Ticks, 'BEST', selects CDS pricing using four tiers, or categories, of CDS prices. BEST will use the price source with the most recent time-stamp within the highest tier. Within each tier individual CDS price sources are further organized by most reliable to least. BEST is an end-of-day source.

Pricing Quotes

Par Swap rates are priced.

Timing

- 4:00 pm. (New York time)
- If the last business day of the month is a public holiday, prices from the previous business day are used.

Market Side

Swaps in the RBI are priced on the mid side.

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 US HY RBI Index follows the US bond market holiday schedule.

Environmental, Social and Governance (ESG) Disclosures

The Index does not take into account any ESG factors or pursue any ESG objectives, please refer to the [Global Fixed Income Methodology](#) ESG disclosures.

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