

# **Bloomberg US Pharma Top 3 EW 2x Daily Leveraged Net Return Index**

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## Introduction

This methodology (the "Methodology") has been made available by Bloomberg Index Services Limited ("BISL") and sets out the rules, criteria, risk factors and other information application to the Bloomberg US Pharma Top 3 EW 2x Daily Leveraged Net Return Index. Capitalized terms used in this Methodology but not otherwise defined have the meanings set forth in Appendix I (Glossary).

## Objectives and Key Features

The Bloomberg US Pharma Top 3 EW 2x Daily Leveraged Net Return Index provides 2x leveraged long exposure to the underlying index, taking into account the funding cost with funding percentage of 100%. There are no minimum liquidity requirements. The indices are listed in Section 2 ("*Index Specifications*").

The Index Value is calculated by tracking the value of the Underlying Index and the Funding Index on each Index Business Day.

## Section 1: Calculation

### Index Value

The Index Value on the Index Base Date shall be the Index Base Value. Thereafter, the Index Value with respect to each subsequent Index Business Day,  $t$ , shall be calculated in accordance with the following formula, subject to Section 1 ("*Rounding*"):

$$I_t = I_{t-1} \times \left[ 1 + L \times \left( \frac{P_t^{UI}}{P_{t-1}^{UI}} - 1 \right) - F \times \left( \frac{P_{t-l}^{FI}}{P_{t-l-1}^{FI}} - 1 \right) \right] \quad (1)$$

Where:

$t - 1$  means the Index Business Day immediately preceding Business Day  $t$ ;

$I_t$  and  $I_{t-1}$  mean the Index Values on Index Business Day  $t$  and  $t - 1$  respectively;

$L$  means the Leverage Factor;

$P_t^{UI}$  and  $P_{t-1}^{UI}$  mean the Level of the Underlying Index on Index Business Days  $t$  and  $t - 1$  respectively;

$F$  means the Funding Percentage;

$P_{t-l}^{FI}$  and  $P_{t-l-1}^{FI}$  mean the Level of the Funding Index on Index Business Days  $t - l$  and  $t - l - 1$  respectively;

$l$  means the lag as defined in Section 2.

### Rounding

The Index Values shall be calculated without rounding and published to 2 decimal places.

## Section 2: Index Specifications

<b>Bloomberg Ticker</b>	BUP3N2X
<b>Index Base Date</b>	2015-03-30
<b>Index Base Value</b>	1000.0000
<b>Index Commencement Date</b>	2024-07-19
<b>Index Business Days</b>	Monday to Friday
<b>Index Currency</b>	USD
<b>Underlying Index</b>	Bloomberg US Pharma Top 3 EW Net Return Index (Bloomberg Ticker: BUP3N1X)
<b>Leverage Factor</b>	2
<b>Funding Index</b>	Bloomberg Fed Funds Effective Rate Total Return Index*
<b>Funding Percentage</b>	100%
<b>Funding Index Lag</b>	1

Constituent	Pricing Days	Price Source
Bloomberg US Pharma Top 3 EW Net Return Index	Monday to Friday	The unrounded Index Level as calculated by BISL
Bloomberg Fed Funds Effective Rate Total Return Index*	Monday to Friday	The unrounded Index Level as calculated by BISL

\* The calculation of the Bloomberg Fed Funds Effective Rate Total Return Index follows the methodology specified in the [Bloomberg Overnight Cash Indices Methodology](#).

## Section 3: Backtest assumptions

The rules outlined above are applied historically.

## Section 4: 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.

Additionally, as a Leveraged Net Return Index, movements in either direction are magnified, and volatility will be larger relative to the underlying index.

### 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. Leverage increases exposure to return volatility.

In addition, changes to the availability and/or accuracy of trade, liquidity or forward rates data, may render the objective of the Index unachievable or to become impractical to replicate by investors. They are for the indicative purpose.

In particular, the Index measures a leveraged net total return (funded) position in equities. As with all investing, the Index is exposed to market risk. The value of underlying index and funding rates fluctuate with the changes in economic forecasts, interest rate policies established by central banks and perceived geo-political 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.

## **Section 5: Benchmark oversight and governance**

### **Benchmark governance, audit, and review structure**

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

### **Index and Methodology Changes**

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

### **Expert judgement and Discretion**

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

### **Conflicts of interest**

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

### **Restatement policy**

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

### **Cessation Policy**

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

### **Market Disruption Events**

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

## Appendix I: Glossary

Constituents	The Underlying Index and the Funding Rate (Index).
Days Per Year	The number of days considered to be in a year for the day count convention of the Funding Rate.
Funding Rate	The rate used to fund the position in the Underlying Index.
Index	Has the meaning set forth in the Introduction.
Index Base Date	The first date on which an Index publishes a value.
Index Base Value	The value of an Index on and prior to the Index Base Date.
Index Business Day	The days on which the Index is calculated.
Index Commencement Day	The date on which an index is first published.
Index Currency	The currency in which an index is published.
Index Value	The value of the Index on an Index Business Day.
Price	On a Pricing Day, the value of a Constituent as determined from the Price Source. Otherwise, the value of such Constituent as determined from the Price Source with respect to the immediately preceding Pricing Day.
Price Source	The source of pricing to be used for each Constituent.
Pricing Day	The days on which Prices for a Constituent are considered to be available.

## Appendix IV: ESG Disclosures

<b>EXPLANATION OF HOW ESG FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY</b>	
<b>1.</b> Name of the benchmark administrator.	Bloomberg Index Services Limited ("BISL")
<b>2.</b> Type of benchmark	Equity
<b>3.</b> Name of the benchmark or family of benchmarks.	Bloomberg US Pharma Top 3 EW 2x Daily Leveraged Net Return Index
<b>4.</b> Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?	No
<p><b>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.</p> <p>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:	Selection, weighting or exclusion:  N/A
b) List of social factors considered:	Selection, weighting or exclusion:  N/A
c) List of governance factors considered:	Selection, weighting or exclusion:  N/A
<p><b>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.</p> <p>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:	N/A
b) List of social factors considered:	N/A
c) List of governance factors considered:	N/A
<b>7.</b> Data and standards used.	
a) Data input.	N/A
b) Verification of data and guaranteeing the quality of those data.	N/A
c) Reference standards	N/A
<i>Describe the international standards used in the benchmark methodology.</i>	
<b>Date on which information has been last updated and reason for the update:</b>	July 2024, initial publication.

## Version History

Version	Date	Notes
1.0	July 2024	Initial publication.
1.1	July 2024	Update to Index Name, including "Net Return".



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