

Japanese Aggregate Index

The Japanese Aggregate Index contains fixed-rate investment-grade securities denominated in Japanese yen and registered as domestic bond. The index is composed primarily of local currency sovereign debt but also includes government-related, corporate, and securitized bonds. The Japanese Aggregate Index is a subset of the Asian-Pacific Aggregate and the Global Aggregate Index in its entirety. The Japanese Aggregate Index was launched on July 1, 2000.

Rules for Inclusion

Eligible Currencies	Principal and interest must be denominated in Japanese Yen.
Quality	<ul style="list-style-type: none"> • 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. • Japan's local currency sovereign rating is assigned to Japanese government, government-guaranteed agency, and local government securities denominated in JPY. • Expected ratings at issuance may be used when there are other index-eligible bonds from the same issuer that hold the same actual rating as the expected rating. • Unrated securities are included if an issuer rating is applicable.
Amount Outstanding	JPY 35bn minimum par amount outstanding for JPY-denominated securities.
Coupon	<ul style="list-style-type: none"> • Fixed-rate coupon. • Step-up coupons and those that change according to a predetermined schedule are also included. • Capital securities with coupons that convert from fixed to floating rate are index eligible, and their conversion date equals the maturity date. Fixed-to-floating rate perpetual capital securities that do not have coupon rate step-ups on their first call date will remain index eligible for their fixed-rate term and exit the index one year prior to their conversion to floating-coupon securities.
Maturity	<ul style="list-style-type: none"> • At least one year until final maturity, regardless of optionality. For securities with coupon that converts from fixed to floating rate, at least one year until the conversion date. • ABS must have a remaining average life of at least one year. • Fixed-to-floating rate perpetual securities are included in the index. These are included until one year before their first call date, providing they meet all other index criteria. • Sub-indices based on maturity are inclusive of lower bounds.
Taxability	Only fully taxable issues are eligible.
Market of Issue	Fully taxable, publicly issued in the global and regional markets.

Seniority of Debt

- Senior and subordinated issues are included.
- Capital securities (hybrid capital) are eligible during their fixed-rate term and exit the index one year prior to their conversion to floating-coupon securities. They must be fully taxable.
- Preferred securities are excluded.

Security Types

Included

- Fixed-rate bullet, puttable and callable bonds
- Soft bullets
- Original issue zero coupon and underwritten MTN
- Fixed-rate and fixed to floating capital securities

Excluded

- Bonds with equity-type features (e.g., warrants, convertibles, contingent capital securities)
- Private placements
- Floating-rate issues
- Strips
- Inflation-linked bonds
- Fixed-rate perpetuals
- Structured notes, Loan Participation Notes (LPN), Pass-through certificates
- JFHA RMBS
- Privately placed Japanese Government Bonds (JGB)
- Illiquid securities with no available internal or third-party price source

Rebalancing Rules**Frequency**

For each index, Bloomberg maintains two universes of securities: the Returns (Backward) and the Projected (Forward) Universes. The composition of the Returns Universe is rebalanced at each month-end and represents the fixed set of bonds on which index returns are calculated for the next month. The Projected Universe is a forward-looking projection that changes daily to reflect issues dropping out of and entering the index but is not used for return calculations. On the last business day of the month (the rebalancing date), the composition of the latest Projected Universe becomes the Returns Universe for the following month.

Index Changes

During the month, indicative changes to securities (credit rating change, sector reclassification, amount outstanding changes, corporate actions, and ticker changes) are reflected daily in the Projected and Returns Universe of the index. These changes may cause bonds to enter or fall out of the Projected Universe of the index on a daily basis, but will affect the composition of the Returns Universe at month-end only, when the index is next rebalanced.

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

Sources & Frequency	All index-eligible bonds are priced on a daily basis by Bloomberg's evaluated pricing service, BVAL, except JPY-denominated corporates (which are priced by JSDA).
Timing	Prices are updated daily at 3pm (Tokyo Time).
Bid or Offer Side	Bonds in the index are priced on the bid side. JGB uses mid prices.
Settlement Assumptions	T+1 calendar day settlement basis for all bonds. 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.
Currency Hedging	Returns hedged to various non-JPY currencies are published for the Japanese Aggregate Index. The indices' FX hedging methodology takes rolling one-month forward contracts that are reset at the end of each month and hedges each non-reporting currency-denominated bond in the index into the reporting currency terms. No adjustment is made to the hedge during the month to account for price movements of constituent securities in the Returns Universe of the index.
Calendar	The Japanese Aggregate Index follows the Japanese holiday calendar.

Index History

June 1, 2014	Global classification scheme modified to incorporate new sectors, sector name changes and sector retirements.
October 31, 2008	JFHA RMBS removed from Japanese Aggregate Index
April 1, 2007	JFHA RMBS added to Japanese Aggregate Index
July 1, 2005	Fitch ratings added to Moody's and S&P to determine index eligibility
January 1, 2005	Sector re-classification into Treasury, Government-Related, Corporate, and Securitized
October 1, 2003	Capital and senior unsecured securities with fixed-to-variable coupons added to the index
January 1, 2002	Liquidity constraint rose to JPY 35 billion from JPY 20 billion.
October 1, 2000	Asian-Pacific Aggregate Index, including Japanese Aggregate Index, joined the Global Aggregate Index.
July 1, 2000	Creation of Japanese Aggregate Index.

Sub-indices and Index Customizations

Bloomberg publishes numerous sub-indices of flagship indices and bespoke benchmarks created for specific index users. Several types of bespoke indices are available to select or customize the most appropriate benchmark for specific portfolio needs:

Sub-Index Type	Description	Examples
Enhanced Constraint	Applies more or less stringent constraints to any existing index.	<ul style="list-style-type: none"> Asian-Pacific Aggregate Aa
Composites	Investors assign their own weights to sectors or other index subcomponents within an overall index.	<ul style="list-style-type: none"> 50% JGB; 50% Global Treasury ex JGB
Alternative Weights	Uses other rules-based weighting schemes instead of market value weights.	<ul style="list-style-type: none"> Asian-Pacific Aggregate Float Adjusted
Mirror Futures Index (MFI)	An index consisting of 14 funded futures contracts weighted to match closely the beginning-of-month OAD of the index.	<ul style="list-style-type: none"> Japan Aggregate Mirror Futures Index
Duration Hedged	Indices constructed to reflect the underlying return of an index with its duration fully or partially hedged using its MFI.	<ul style="list-style-type: none"> Japan Aggregate Duration Hedged Index

Accessing Index Data

Bloomberg Terminal®	<p>Bloomberg benchmarks are the global standard for capital markets investors.</p> <ul style="list-style-type: none"> 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)	<p>The index website makes available limited index information including:</p> <ul style="list-style-type: none"> Index methodology and factsheets Current performance numbers for select indices

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- 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
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Index Ticker

LG24TRJU: Total Return JPY Unhedged

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