

# Pan-European High Yield Index

The Bloomberg Pan-European High Yield Index measures the market of non-investment grade, fixed-rate corporate bonds denominated in the following currencies: euro, pounds sterling, Danish krone, Norwegian krone, Swedish krona, and Swiss franc. Inclusion is based on the currency of issue, and not the domicile of the issuer. The index excludes emerging market debt. It was created in 1999 and is part of the Global High Yield Index.

## Rules for Inclusion

<b>Sector</b>	Corporate (industrial, utility and financial institutions) issuers.
<b>Eligible Currencies</b>	Principal and coupon must be denominated in one of the following currencies: EUR, GBP, CHF, DKK, NOK, SEK.
<b>Quality</b>	<ul style="list-style-type: none"> <li>• Securities must be rated high yield (Ba1/BB+/BB+ or below) using the middle rating of Moody's, S&amp;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.</li> <li>• In cases where explicit bond-level ratings may not be available, expected ratings at issuance may be used to ensure timely index inclusion or to classify split-rated issuers properly.</li> <li>• Unrated securities are excluded.</li> </ul>
<b>Amount Outstanding</b>	<p>Fixed minimum issue sizes are set for all local currency markets:</p> <ul style="list-style-type: none"> <li>• EUR100mn, GBP50mn, CHF100mn, DKK500mn, NOK500mn, SEK1bn</li> </ul>
<b>Coupon</b>	<ul style="list-style-type: none"> <li>• Fixed-rate, pay-in-kind (PIK) and toggle notes are eligible.</li> <li>• Callable 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.</li> </ul>
<b>Maturity</b>	<ul style="list-style-type: none"> <li>• At least one year until final maturity, regardless of optionality.</li> <li>• Bonds that convert from fixed to floating rate, including fixed-to-float perpetuals, will exit the index one year prior to conversion to floating rate. Fixed-rate perpetuals are not included.</li> </ul>
<b>Taxability</b>	<ul style="list-style-type: none"> <li>• Only fully taxable issues are eligible.</li> <li>• Dividend Received Deduction (DRD) and Qualified Dividend Income (QDI) eligible securities are excluded.</li> </ul>
<b>Market of Issue</b>	Securities must be publicly issued in the global and regional markets.
<b>Seniority of Debt</b>	Senior and subordinated issues are included.

<b>Security Types</b>	Included	Excluded
	<ul style="list-style-type: none"> <li>• Bullet, puttable, sinkable/amortizing and callable bonds</li> <li>• Original issue zero coupon bonds</li> <li>• Fixed-rate and fixed-to-float (including fixed-to-variable) capital securities</li> </ul>	<ul style="list-style-type: none"> <li>• Contingent capital securities, including traditional CoCos and contingent write-down securities, with explicit capital ratio or solvency/balance sheet-based triggers</li> <li>• Bonds with equity type features (eg, warrants, convertibles, preferreds, DRD/QDI-eligible issues)</li> <li>• Inflation-linked bonds</li> <li>• Private placements, retail bonds</li> <li>• Securities where reliable pricing is unavailable</li> <li>• Defaulted issues</li> <li>• Partial pay-in-kind (PIK) bonds</li> <li>• Structured notes, pass-through certificates</li> <li>• Unrated securities</li> </ul>

## Rebalancing Rules

<b>Frequency</b>	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.
<b>Index Changes</b>	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.
<b>Reinvestment of Cash Flows</b>	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.
<b>New Issues</b>	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

<b>Sources &amp; Frequency</b>	Index-eligible bonds are priced on a daily basis by Bloomberg's evaluated pricing service, BVAL.
<b>Pricing Quotes</b>	Prices are quoted as a percentage of par.
<b>Timing</b>	<ul style="list-style-type: none"> <li>• 4:15pm (London time) for EUR, GBP, DKK, NOK, SEK; 4pm (London time) for CHF-denominated securities.</li> <li>• If the last business day of the month is a public holiday in a major regional market, prices from the previous business day are used to price bonds in the particular market.</li> </ul>
<b>Bid or Offer Side</b>	Bonds in the index are priced on the bid side.
<b>Settlement Assumptions</b>	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.
<b>Verification</b>	Daily price moves for each security are analyzed by the index pricing team. Index users may also challenge price levels, which are then reviewed and updated as needed.
<b>Currency Hedging</b>	Returns hedged to various currencies are published for multi-currency indices. 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.
<b>Calendar</b>	Follows the UK holiday calendar. When local or regional currency markets are on holiday, the index is still generated using prices from the previous business day of the affected market. FX rates are updated daily using WM Reuters 4pm (London) rates. FX forwards are also sourced from WM Company.

## Index History

<b>June 1, 2014</b>	Global classification scheme modified to incorporate new sectors, sector name changes and sector retirements.
<b>April 1, 2014</b>	Fixed local currency minimum issue sizes set for local currency high yield bond markets where they were previously pegged to a euro equivalent.
<b>April 1, 2013</b>	The indices moved to a single list of countries defined as Emerging Markets. Issuers of high yield debt with a country of risk on the new EM country list excluded from high yield benchmarks and added to EM hard currency indices, provided all other index inclusion rules were met.
<b>October 1, 2009</b>	Pay-in-kind (PIK) securities added.
<b>January 1, 2008</b>	Fixed-to-floating rate perpetual securities without a coupon step-up on their first call date eligible for inclusion.
<b>January 1, 2006</b>	Minimum amount outstanding raised from EUR50mn to EUR100mn equivalent.

<b>July 1, 2005</b>	Fitch ratings added to Moody's and S&P to determine index eligibility based on the middle rating from each agency.
<b>October 1, 2003</b>	Lower of Moody's and S&P rating used to determine index eligibility; previously Moody's was used as the primary rating with S&P rating used in cases where a Moody's rating was unavailable.
<b>January 1, 1999</b>	Inception date of the Pan-European High Yield 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
<b>Enhanced Constraint</b>	Applies a more or less stringent set of constraints to any existing index.	<ul style="list-style-type: none"> <li>• Pan-European High Yield Ba</li> <li>• Pan-European High Yield 1-5 Year</li> </ul>
<b>Composites</b>	Investors assign their own weights to sectors or other index sub-components within an overall index.	<ul style="list-style-type: none"> <li>• 75% Pan-European High Yield Ba; 25% Pan-European High Yield below Ba</li> </ul>
<b>Issuer Constrained</b>	Indices that cap issuer exposure to a fixed percentage. Options available for applying issuer caps and redistributing excess MV to other issuers.	<ul style="list-style-type: none"> <li>• Pan-European High Yield 2% Issuer Capped</li> </ul>
<b>Mirror Futures Index (MFI)</b>	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"> <li>• Pan-European High Yield Mirror Futures Index</li> </ul>
<b>Duration Hedged</b>	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"> <li>• Pan-European High Yield Duration Hedged Index</li> </ul>

## Accessing Index Data

<b>Bloomberg Terminal®</b>	<p>Bloomberg benchmarks are the global standard for capital markets investors.</p> <ul style="list-style-type: none"> <li>• INDE&lt;GO&gt; - 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.</li> <li>• IN&lt;GO&gt; - 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.</li> <li>• DES&lt;GO&gt; - The index description page provides transparency into an individual index including membership information, aggregated characteristics and returns, and historical performance.</li> <li>• INP&lt;GO&gt; - 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.</li> <li>• PORT&lt;GO&gt; - Bloomberg's Portfolio &amp; Risk Analytics solution includes tools to analyze the risk, return, and current structure of indices. Analyze the performance of a portfolio versus a benchmark</li> </ul>
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or use models for performance attribution, tracking error analysis, value-at-risk, scenario analysis, and optimization.

**Bloomberg Indices Website**  
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The index website makes available limited index information including:

- Index methodology and factsheets
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**Index Ticker**

LPOITREU: Total Return EUR Unhedged

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