

US Corporate High Yield Index

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded. The US Corporate High Yield Index is a component of the US Universal and Global High Yield Indices. The index was created in 1986, with history backfilled to July 1, 1983.

Rules for Inclusion

Sector	Corporate (industrial, financial institutions, utility) issues only.
Eligible Currencies	Principal and interest must be denominated in USD.
Quality	<p>Securities must be rated high yield (Ba1/BB+/BB+ or below) 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. In cases where explicit bond level ratings may not be available, other sources may be used to classify securities by credit quality:</p> <ul style="list-style-type: none"> • Expected ratings at issuance may be used to ensure timely index inclusion or to classify split-rated issuers properly. • Unrated securities may use an issuer rating for index classification purposes if available. Unrated subordinated securities are included if a subordinated issuer rating is available.
Amount Outstanding	USD150mn minimum par amount outstanding.
Coupon	<ul style="list-style-type: none"> • Fixed-rate coupon. • Pay-in-kind (PIK) bonds and toggle notes are eligible. Partial PIKs are excluded. • Callable fixed-to-floating rate and fixed-to-variable bonds are eligible during their fixed-rate term only. • Bonds with a step-up coupon that changes according to a predetermined schedule are eligible.
Maturity	<ul style="list-style-type: none"> • At least one year until final maturity, regardless of optionality. • 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. • Sub-indices based on maturity are inclusive of lower bounds. Intermediate maturity bands include bonds with maturities of 1 to 9.9999 years. Long maturity bands include maturities of 10 years or greater.

Taxability	<ul style="list-style-type: none"> • Only fully taxable issues are eligible. • Dividend Received Deduction (DRD) and Qualified Dividend Income (QDI) eligible securities are excluded. 	
Market of Issue	<ul style="list-style-type: none"> • SEC-registered bonds, bonds exempt from registration at the time of issuance and SEC Rule 144A securities (with or without registration rights) are eligible. • A security with both SEC Regulation-S (Reg-S) and SEC 144A tranches is treated as one security for index purposes. The 144A tranche is used to prevent double-counting and represents the combined amount outstanding of the 144A and Reg-S tranches. 	
Seniority of Debt	Senior and subordinated issues are included.	
Security Types	Included	Excluded
	<ul style="list-style-type: none"> • Bullet, puttable, sinkable/amortizing and callable bonds • Original issue zero coupon bonds • Pay-in-kind (PIK) bonds and toggle notes • Fixed-rate and fixed-to-float (including fixed-to-variable) capital securities 	<ul style="list-style-type: none"> • Debt issued by emerging markets corporate issuers • Defaulted bonds • Contingent capital securities, including traditional CoCos and contingent write-down securities, with explicit capital ratio or solvency/balance sheet-based triggers • Bonds with equity type features (eg, warrants, convertibles, preferreds, DRD/QDI-eligible issues) • Partial pay-in-kind (PIK) bonds • Eurodollar issues • Inflation-linked bonds, floating-rate issues • Private placements, retail bonds • Structured notes, pass-through certificates • Illiquid securities with no available pricing

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 Bonds are priced on a daily basis by Bloomberg's evaluated pricing service, BVAL.

Pricing Quotes Bonds are quoted as a percentage of par.

Timing

- Prior to January 14, 2021, bonds are priced at 3 p.m. (New York time). On early market closes, prices are taken as of 1 p.m. (New York time), unless otherwise noted.
- From January 14, 2021, and onwards, bonds are priced at 4 p.m. (New York time). On early market closes, prices are taken as of 2 p.m. (New York time), unless otherwise noted.
- If the last business day of the month is a public holiday, prices from the previous business day are used.

Bid or Offer Side Bonds in the index are priced on the bid side. The initial price for new corporate issues entering the index is the offer side; after the first month, the bid price is used.

Settlement Assumptions

- T+1 calendar day settlement basis.
- 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-USD currencies are published for the US Corporate High Yield 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 US Corporate High Yield Index follows the US bond market holiday schedule.

Index History

January 14, 2021 Pricing time moved from 3 p.m. to 4 p.m. EST for USD prices. For early close days, prices are snapped at 2 p.m. EST.

June 1, 2014 Global classification scheme modified to incorporate new sectors, sector name changes and sector retirements.

April 1, 2013	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 index.
February 1, 2013	Rules for US High Yield Very Liquid Index (VLI) changed to include additional bonds per issuer, lower minimum liquidity, lengthened seasoning period and capped issuer exposures. Changes phased in over a six-month period, ending in July.
October 1, 2009	Pay-in-kind (PIK) securities added to the index.
January 1, 2008	Fixed-to-floating rate perpetual securities that do not have coupon rate step-ups on their first call date added to the index.
July 1, 2005	Fitch ratings added to Moody's and S&P to determine index eligibility.
October 1, 2003	Started using the most conservative rating of Moody's and S&P to determine index eligibility instead of Moody's only for split-rated securities.
July 1, 2000	Liquidity constraint of the index raised to USD150mn from USD100mn. Defaulted securities removed.
January 1, 1998	SEC Rule 144A bonds added to the index.
January 1, 1986	US Corporate High Yield Index introduced, with historical data backfilled to January 1983.

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 a more or less stringent set of constraints to any existing index.	<ul style="list-style-type: none"> • US Corporate HY Ba
Composites	Investors assign their own weights to sectors or other index sub-components within an overall index.	<ul style="list-style-type: none"> • 50% US Corporate HY; 50% US Corporate IG
Issuer Constrained	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"> • US Corporate HY 2% Issuer Cap
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"> • US High Yield Mirror Future 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"> • US High Yield Duration Hedged

Accessing Index Data

- Bloomberg Terminal®** Bloomberg benchmarks are the global standard for capital markets investors.
- 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.
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- Index methodology and factsheets
 - Current performance numbers for select indices

- Data Distribution**
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 - 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
 - Index data is also available via authorized redistributors

- Index Ticker** LF98TRUU: Total Return USD Unhedged

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