

US Credit Index

The Bloomberg US Credit Index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes non-US agencies, sovereigns, supranationals and local authorities. The US Credit Index was called the US Corporate Index until July 2000, when it was renamed to reflect its inclusion of both corporate and non-corporate issuers. The US Credit Index is a subset of the US Government/Credit Index and US Aggregate Index. Index history is available back to 1973.

Rules for Inclusion

- Sector**
- Corporate (industrial, financial institutions, utility).
 - Government-related (foreign agencies, sovereign, supranational and local authority, including taxable municipals).
 - Under the indices' classification schema, an issuer is classified as government-related (as opposed to corporate) if it is 50% or more government owned, carries a government guarantee or is government sponsored.

Eligible Currencies Principal and interest must be denominated in USD.

- Quality**
- 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. In cases where explicit bond level ratings may not be available, other sources may be used to classify securities by credit quality:
- Expected ratings at issuance may be used to ensure timely index inclusion or to properly classify split-rated issuers.
 - 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 All securities must have USD300mn minimum par amount outstanding.

- Coupon**
- Fixed-rate coupon.
 - 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.

- Maturity**
- At least one year until final maturity, regardless of optionality.
 - Bonds that convert from fixed to floating rate, including fixed-to-float perpetual, 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. • Build America Bonds (BAB) with the tax credit to the issuer are eligible; those with tax credits issued to investors are considered tax exempt. • Dividend Received Deduction (DRD) and Qualified Dividend Income (QDI) eligible securities are excluded. 	
Market of Issue	<ul style="list-style-type: none"> • SEC-registered securities, bonds exempt from registration at the time of issuance and SEC Rule 144A securities with registration rights are eligible. A security with both SEC Regulation-S (Reg-S) and SEC Rule 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. • Global bonds are included. • Bonds that were previously SEC-registered or 144A with registration rights but later deregistered by the issuer remain index eligible. 	
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 • Taxable municipal securities, including Build America Bonds (BAB) • Original issue zero coupon and underwritten MTN • Enhanced equipment trust certificates (EETC) • Certificates of deposit • Fixed-rate and fixed-to-float (including fixed-to-variable) securities 	<ul style="list-style-type: none"> • Contingent capital securities, including traditional CoCos and contingent write-down securities • Bonds with equity type features (eg, warrants, convertibles, preferreds, DRD/QDI-eligible issues) • Tax-exempt municipal securities • Inflation-linked bonds, floating-rate issues • Private placements, retail bonds • USD25/USD50 par bonds • Structured notes, pass-through certificates • Illiquid securities with no available internal or third-party pricing 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 Index-eligible bonds are priced on a daily basis by Bloomberg's evaluated pricing service, BVAL.

Pricing Quotes Bonds are marked on a dollar price basis.

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 Credit 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 Credit Index follows the US bond market holiday schedule.

Index History

April 1, 2017 Liquidity constraint raised to USD300mn from USD250m for Treasury, Government-Related and Corporate securities.

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

April 1, 2013	Loan Participation Notes (LPNs) eligible for the index.
January 1, 2008	Fixed-to-floating rate perpetual securities without a coupon step-up on their first call date eligible for inclusion.
July 1, 2005	Fitch ratings added to Moody's and S&P to determine index eligibility and classification.
January 1, 2005	Index sector classification scheme moves from a three-pillar structure (government, credit, securitized) to a more globally consistent four-pillar structure (treasury, government-related, corporate and securitized).
July 1, 2004	Liquidity constraint raised to USD250mn from USD 200mn.
October 1, 2003	Liquidity constraint raised to USD 200mn from USD150mn. Capital and senior unsecured securities with fixed-to-variable coupons, and taxable municipal bonds added to the index. Lower of Moody's and S&P rating used to determine index eligibility instead of Moody's only for split-rated issuers.
July 1, 2000	US Corporate Index renamed the US Credit Index. All Yankee corporates absorbed into their respective industry and sector classifications.144A bonds with registration rights added to the index.
July 1, 1999	Liquidity constraint raised to USD150mn from USD100mn.
January 1, 1994	Liquidity constraint raised to USD100mn from USD50mn.
January 1, 1992	Liquidity constraint raised to USD50mn from USD25mn. Bullet asset backed issues moved from the finance sector of the US Corporate Index to the US ABS Index.
August 1, 1988	Liquidity constraint raised to USD25mn from USD1mn.
January 1, 1973	Inception date of the US Credit Index (originally named the US Corporate 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 a more or less stringent set of constraints to any existing index.	<ul style="list-style-type: none"> • US Credit ex Baa
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 Credit; 50% MBS
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 Credit 2% Issuer Capped Index
ESG Screened/Weighted	Applies Environmental, Social and Governance filters and/or tilts to a standard index.	<ul style="list-style-type: none"> • MSCI US Credit Socially Responsible Index

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 Credit 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"> ● US Credit 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.
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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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Data Distribution	<p>Index subscribers may choose to receive index data in files. Files may include:</p> <ul style="list-style-type: none"> ● 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 ● Index data is also available via authorized redistributors
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Index Ticker	LUCRTRUU: Total Return USD Unhedged
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- Index-Linked Insurance Products
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- Mutual Funds
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