

# US Municipal Index

The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. It includes general obligation and revenue bonds, which both can be pre-refunded years later and get reclassified as such. Many of the subindices of the Municipal Index have historical data to January 1980. In addition, several subindices based on maturity and revenue source have been created, some with inception dates after January 1980 but no later than July 1, 1993. In January 1996, Bloomberg also began publishing a non-investment grade municipal bond index and "enhanced" state-specific indices for Arizona, Connecticut, Maryland, Massachusetts, Minnesota, and Ohio. These indices are published separately from the Bloomberg Municipal Bond Index. In 2005, Bloomberg began publishing Managed Money Municipal Indices and Insurance Mandate Municipal Indices.

## Rules for Inclusion

<b>Currency</b>	Principal and interest must be denominated in USD.	
<b>Quality</b>	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.	
<b>Amount Outstanding</b>	Par value of at least \$7mn; issued as part of a transaction at least \$75mn.	
<b>Coupon</b>	Fixed-rate coupon.	
<b>Maturity</b>	<ul style="list-style-type: none"> <li>• At least 1 year until final maturity</li> <li>• Bonds with a dated-date of January 1, 1991 and later are eligible for inclusion into the benchmark.</li> </ul>	
<b>Taxability</b>	Only fully tax-exempt issues are eligible.	
<b>Security Types</b>	<b>Included</b> <ul style="list-style-type: none"> <li>• Federal tax exempt municipal bonds</li> <li>• Original issue zero coupon bonds</li> <li>• Fully refunded bonds</li> </ul>	<b>Excluded</b> <ul style="list-style-type: none"> <li>• Taxable Municipals</li> <li>• Floating-rate</li> <li>• Derivatives</li> <li>• Private placements</li> <li>• Limited offerings</li> <li>• Monetary defaults</li> <li>• Partially pre-refunded bonds</li> <li>• Bonds backed by LOC or GICs</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>	All bonds are priced daily using Bloomberg's evaluated pricing service, BVAL. Prior to 2000, the index was published weekly, and prior to 1998 it was published monthly.
<b>Pricing Quotes</b>	Bonds are quoted as a percentage of par.
<b>Timing</b>	<ul style="list-style-type: none"> <li>• 4 p.m. (New York time) for all securities</li> <li>• On early market close, prices are taken as of 2 p.m. (New York time), unless otherwise noted</li> <li>• If the last business day of the month is a public holiday, prices from the previous business day are used.</li> </ul>
<b>Bid or Offer Side</b>	Bonds in the index are priced on the bid side.
<b>Settlement Assumptions</b>	<ul style="list-style-type: none"> <li>• T+1 calendar day settlement basis for all securities.</li> <li>• 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.</li> </ul>
<b>Verification</b>	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.
<b>Currency Hedging</b>	Returns are only published in USD.

**Calendar** The US Municipal Index follows the US bond market holiday schedule.

## Index History

<b>2010 January</b>	Insured Index required Aa3 as minimum monoline issuer rating. Newly issued zeroes after December 1, 2009, with accreted value of over \$7mn allowed into index. Pre-refunded bond rating no longer forced to AAA and must have an index rating of investment grade to be in main index.
<b>2005 June</b>	Fitch ratings included to determine index eligibility. The middle rating will be used if all three agencies rate the issue differently. If two of the rating agencies have equivalent ratings (other than non-rated) for an issue, that rating will be selected. If only two agencies have ratings, the more conservative of the two ratings will be chosen. If only one rates the bond, it must be investment grade.
<b>2005 January</b>	Increased the liquidity constraint on the index from \$50/\$5mn to \$75/\$7mn. Added mandatory put bonds and partially pre-refunded bonds with new securities to the index. Changed the quality constraint to the lower of Moody's or S&P ratings.
<b>2004 October</b>	All pre-funded bonds given Aaa rating (non-re-rated showed up with underlying rating).
<b>2000 January</b>	Increased the liquidity constraint on the index from \$50/\$3mn to \$50/\$5mn. Added certificates of participation to the index. Expanded the classification scheme to include special tax and lease revenue bonds.
<b>1996 January</b>	Added alternative minimum tax (AMT) and zero coupon bonds.
<b>1993 July</b>	Implemented bond-by-bond market capitalization weightings and revised rules.
<b>1990 January</b>	Implemented stratified market capitalization weightings; enlarged index through addition of Insured Sector; 3, 7, and 15 year indices added to all sectors; added several purpose class sectors to revenue and general obligation sectors.
<b>1988 January</b>	Added pre-refunded sector, Transportation added to revenue sector, 5-year index added to all sectors.
<b>1980 January</b>	US Municipal Bond Index inception.

## 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:

<b>Sub-Index Type</b>	<b>Description</b>	<b>Examples</b>
<b>Enhanced Constraint</b>	Applies a more or less stringent set of constraints to any existing index.	<ul style="list-style-type: none"> <li>• US Municipal Index: 10 Year (8-12)</li> <li>• US Municipal: State GO</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>• 50% US Aggregate/50% US Municipal Index</li> <li>• 65% US Municipal Index / 35% US Municipal HY Index</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>• US Municipal High Yield 2% Issuer Capped</li> </ul>

## 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.
  - 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](http://www.bloomberg.com/indices))
- The index website makes available limited index information including:
- Index methodology and factsheets
  - Current performance numbers for select indices

- Data Distribution**
- Index subscribers may choose to receive index data in files. Files may include:
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  - Automatic delivery of files via email or SFTP following the completion of the index production process after market close
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- Index Ticker** LMBITRUU: Total Return USD Unhedged

## Index Licensing

Bloomberg requires index data licenses for services and products linked to the Indices

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- OTC Derivative Products
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