

# **S&P U.S. Aggregate Bond Index** *Methodology*

March 2016

# Table of Contents

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Introduction	3
<b>Index Family</b>	<b>3</b>
Eligibility Criteria	5
<b>Index Eligibility</b>	<b>5</b>
Index Construction	7
<b>Index Calculations</b>	<b>7</b>
Index Maintenance	8
<b>Rebalancing</b>	<b>8</b>
<b>Base Date and History Availability</b>	<b>9</b>
Index Governance	10
<b>Index Committee</b>	<b>10</b>
Index Policy	11
<b>Announcements</b>	<b>11</b>
<b>Holiday Schedule</b>	<b>11</b>
<b>End-of-Day Calculation</b>	<b>11</b>
<b>Index Releases</b>	<b>11</b>
<b>Recalculation Policy</b>	<b>11</b>
Index Dissemination	13
<b>Tickers</b>	<b>13</b>
<b>FTP</b>	<b>13</b>
<b>Web site</b>	<b>13</b>
Appendix I	14
<b>Defined Terms</b>	<b>14</b>
Appendix II	15
<b>Methodology Changes</b>	<b>15</b>

S&P Dow Jones Indices' Contact Information	16
<b>Index Management</b>	<b>16</b>
<b>Product Management</b>	<b>16</b>
<b>Media Relations</b>	<b>16</b>
<b>Client Services</b>	<b>16</b>
Disclaimer	17

# Introduction

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The S&P U.S. Aggregate Bond Index is a broad, comprehensive, market value-weighted index designed to measure the performance of the investment grade U.S. fixed income market including U.S. Treasuries, quasi-governments, supranationals and non-U.S. governments, corporates, covered bonds and residential mortgage pass-throughs. Non-residential mortgage collateralized debt, such as commercial mortgage-backed securities and asset-backed securities, as well as all collateralized mortgage obligations are excluded from the index.

The index is rules based, although the Index Committee reserves the right to exercise discretion, when necessary. The hallmark of a rules-based index is transparency and, broadly speaking, predictability. As an aide to transparency, this document sets out the rules by which the index is governed, index calculation and management procedures, and the various formulae used to calculate index returns and other statistics.

## Index Family

The S&P U.S. Aggregate Bond Index is designed to be broad-based and is comprised of constituents from the following indices:

- **S&P/BGCantor U.S. Treasury Bond Index.** The index is a broad, comprehensive, market value-weighted index that seeks to measure the performance of the U.S. Treasury Bond and Note market.
- **S&P U.S. Agency Index.** The index is comprised of a universe of U.S. dollar-denominated investment grade U.S. agency debentures and seeks to measure the performance of the U.S. agency market.
- **S&P U.S. Supranational & Foreign Government Bond Index.** The index is comprised of a universe of U.S. dollar denominated investment grade supranational and non-U.S. government debentures.
- **S&P Taxable Municipal Bond Select Index.** The index is a broad, comprehensive, market value-weighted index designed to measure the performance of the investment grade U.S. taxable municipal bond market with a minimum par amount of US\$10 million.
- **S&P U.S. Covered Bond Index.** The index is comprised of a universe of U.S. dollar-denominated investment grade U.S. domestic market covered debt.
- **S&P U.S. Investment Grade Corporate Bond Index.** The index is comprised of investment grade corporate bonds issued in U.S. dollars by U.S. or foreign corporations.

- **S&P U.S. Mortgage-Backed Securities Index.** The index is comprised of a universe of residential mortgage pass-through securities publicly issued by U.S. agencies in the U.S. domestic market.

*For more information on the indices described above, please refer to each index's respective methodology document available at [www.spdji.com](http://www.spdji.com).*

*Please refer to Appendix I for a list of defined terms used throughout this document.*

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

# Eligibility Criteria

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## **Index Eligibility**

**Index Universe.** To be eligible for inclusion in the S&P U.S. Aggregate Bond Index, a bond must be a constituent in at least one of the following indices:

- S&P/BGCantor U.S. Treasury Bond Index
- S&P U.S. Agency Index
- S&P U.S. Supranational & Foreign Government Bond Index
- S&P Taxable Municipal Bond Select Index
- S&P U.S. Covered Bond Index
- S&P U.S. Investment Grade Corporate Bond Index
- S&P U.S. Mortgage-Backed Securities Index

**Currency.** Bonds must be issued in U.S. dollars.

**Maturity.** Each bond must have a maturity greater than one month from the rebalancing date. No bonds mature in the index.

**Timing of Changes.** The index is rebalanced on a monthly basis, on the last business day of each month in conjunction with the underlying indices.

**Size.** The minimum par amount required for bonds to be eligible in each of the indices forming the index universe is detailed in each index's respective methodology document available at [www.spdji.com](http://www.spdji.com).

**Pricing.** The pricing source for each of the indices forming the index universe is detailed in each index's respective methodology document available at [www.spdji.com](http://www.spdji.com).

**Ratings.** Ratings criteria are as follows:

- **New Issues.** New issues must be rated by at least one rating agency (S&P, Moody's or Fitch) to be considered at the next rebalancing.
- **Non-rated and Defaulted Bonds.** Bonds that are not rated are removed at the first rebalancing. Defaulted bonds are removed at the first rebalancing.
- **Investment Grade.** The minimum credit rating for inclusion is BBB-/Baa3/BBB-. For an issue rated by S&P, Moody's, and Fitch, the lowest of the three ratings is used as the issue's credit rating. When there are two ratings, the

lower of the two ratings must be considered investment grade. When there is only one rating, that rating must be considered investment grade.

For ratings based sub-indices, the above rules are applied to the appropriate ratings band.

*For more information on the indices forming the index universe, please refer to each index's respective methodology document available at [www.spdji.com](http://www.spdji.com).*

# Index Construction

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## **Index Calculations**

The S&P U.S. Aggregate Bond Index is market-value-weighted. The total return is calculated by aggregating the interest return, reflecting the return due to paid and accrued interest, and price return, reflecting the gains or losses due to changes in end-of-day price.

*For further details regarding Index Calculations please refer to S&P Dow Jones Indices' Fixed Income Index Mathematics Methodology available at [www.spdji.com](http://www.spdji.com).*

# Index Maintenance

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The index is maintained in accordance with the following rules:

- Par amounts of index bonds are adjusted on the rebalancing date to reflect any changes that have occurred since the previous rebalancing date, due to partial calls, tenders, etc. However, where there is notification at any time during the month that a callable index bond will be called in its entirety, the relevant index bond is removed from the index on the next rebalancing date.
- Any index bond that is downgraded below investment grade between rebalancing dates is removed at the next rebalancing date.
- When an index bond is in default or misses an interest payment, the price reported by the pricing source, as detailed in the index methodologies of the indices forming the index universe, is used. However, the Index Committee may determine that the bond be removed from the index at a different price and may specify a price of \$0.00. The decision of the Index Committee is final.
- If an index bond is no longer priced by the pricing source, the last available price is used. However, the Index Committee may determine that a different price be used. The decision of the Index Committee is final. For clarity, index bonds that are no longer priced by the respective pricing source fail to meet the pricing eligibility factor as detailed in the index methodologies of the indices forming the index universe and are removed at the next rebalancing date.

*For more information on the indices forming the index universe, please refer to each index's respective methodology document available at [www.spdji.com](http://www.spdji.com).*

## **Rebalancing**

The index is normally reviewed and rebalanced on a monthly basis. The Index Committee, nevertheless, reserves the right to make adjustments to the index at any time that it believes appropriate.

Publicly available information, up to and including the close on the fourth business day preceding the last business day of the month (the reference date), is considered in the rebalancing. Additions, deletions and other changes to the index arising from the monthly rebalancing are published, after the close of business, three business days prior to the last business day of the month (the announcement date).

Index changes are not normally subject to revision and become effective after the close on the last business day of the month (the rebalancing date).

### Base Date and History Availability

Index history availability, base date and base value are shown in the table below.

Index	Launch Date	First Value Date	Base Date	Base Value
S&P U.S. Aggregate Bond Index	07/15/2014	04/30/2002	04/30/2010	100

# Index Governance

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## **Index Committee**

S&P Dow Jones Indices' Fixed Income Index Committee maintains the index. All committee members are full-time professionals at S&P Dow Jones Indices. Meetings are held quarterly and whenever deemed appropriate.

The Index Committee oversees the management of the index, including determinations of intra-rebalancing changes, maintenance and inclusion policies, and other matters affecting the maintenance and calculation of the index.

In fulfilling its responsibilities, the Index Committee has full and complete discretion to (i) amend, apply, or exempt the application of index rules and policies as circumstances may require and (ii) add, remove, or by-pass any bond in determining the composition of the index.

The Index Committee may rely on any information or documentation submitted to it or gathered by it that the Index Committee believes to be accurate. The Index Committee reserves the right to reinterpret publicly available information and to make changes to the index based on a new interpretation of that information at its sole discretion. All Index Committee discussions are confidential.

*For information on [Quality Assurance and Internal Reviews of Methodology](#), please refer to S&P Dow Jones Indices' [Fixed Income Policies & Practices](#) document located on our Web site, [www.spdji.com](http://www.spdji.com).*

# Index Policy

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## **Announcements**

Announcements of any relevant information pertaining to the index are made at approximately 06:00 PM New York Time. Press releases are posted on the S&P Dow Jones Indices Web site at [www.spdji.com](http://www.spdji.com).

## **Holiday Schedule**

The index is calculated when the Securities Industry and Financial Markets Association (SIFMA<sup>®</sup>) declares the U.S. fixed income markets to be open.

*A complete holiday schedule for the year is available on S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com).*

## **End-of-Day Calculation**

Index levels are calculated at the end of each business day, at approximately 06:00 PM New York Time, via S&P Dow Jones Indices' Web site. This may be subject to change.

## **Index Releases**

Releases are issued by S&P Dow Jones Indices at the end of the business day. The release time is generally 06:00 PM New York Time.

## **Recalculation Policy**

S&P Dow Jones Indices reserves the right to recalculate an index under certain limited circumstances. S&P Dow Jones Indices may choose to recalculate and republish an index if it is found to be incorrect or inconsistent within two trading days of the publication of the index level in question for one of the following reasons:

1. Index methodology event
2. Late announcement
3. Revised source data

Any other restatement or recalculation of an index is only done under extraordinary circumstances to reduce or avoid possible market impact or disruption as solely determined by the Index Committee.

*For more information on the recalculation policy please refer to S&P Dow Jones Indices' Fixed Income Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).*

*For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Fixed Income Policies & Practices document located on our Web site, [www.spdji.com](http://www.spdji.com).*

# Index Dissemination

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Index levels are available through S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com), major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

## **Tickers**

<b>Index (Total Return)</b>	<b>Ticker</b>
S&P U.S. Aggregate Bond Index	SPUSAGGT

## **FTP**

Daily index levels and index data are available via FTP subscription.

*For product information, please contact S&P Dow Jones Indices, [www.spdji.com/contact-us](http://www.spdji.com/contact-us).*

## **Web site**

*For further information, please refer to S&P Dow Jones Indices' Web site at [www.spdji.com](http://www.spdji.com).*

# Appendix I

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## Defined Terms

**Announcement Date.** The date on which changes to the index are published, as further described in *Index Maintenance*.

**Business Day.** As determined by the Securities Industry and Financial Markets Association (SIFMA<sup>®</sup>).

**Close.** The end of a calendar or business day for the purpose of calculating index values and other statistics, currently 06:00 PM New York Time.

**Eligible Bond.** A bond that meets all of the eligibility criteria, based on publicly available information as of the close of the business day preceding the announcement date, but is not already an index bond.

**Index.** S&P U.S. Aggregate Bond Index.

**Index Bond.** A bond that is included in the index.

**Par Amount.** The total par or “face value” amount outstanding of an index bond or an eligible bond as determined by the Index Committee, net of partial calls, tenders and mandatory sinking fund payments.

**Rebalancing Date.** The last business day of each month, when the changes to the index published on the announcement date become effective, as further described in *Index Maintenance*.

# Appendix II

## Methodology Changes

Methodology changes since January 1, 2015 are as follows:

Change	Effective Date (After Close)	Methodology	
		Previous	Updated
Additional Component Index	03/31/2016	<p>The S&amp;P U.S. Aggregate Bond Index is comprised of constituents of the following indices:</p> <ul style="list-style-type: none"> <li>• S&amp;P/BG Cantor U.S. Treasury Bond Index</li> <li>• S&amp;P U.S. Agency Index</li> <li>• S&amp;P Taxable Municipal Bond Select Index</li> <li>• S&amp;P U.S. Covered Bond Index</li> <li>• S&amp;P U.S. Investment Grade Corporate Bond Index</li> <li>• S&amp;P U.S. Mortgage-Backed Securities Index</li> </ul>	<p>The S&amp;P U.S. Aggregate Bond Index is comprised of constituents of the following indices:</p> <ul style="list-style-type: none"> <li>• S&amp;P/BG Cantor U.S. Treasury Bond Index</li> <li>• S&amp;P U.S. Agency Index</li> <li>• S&amp;P U.S. Supranational &amp; Foreign Government Bond Index</li> <li>• S&amp;P Taxable Municipal Bond Select Index</li> <li>• S&amp;P U.S. Covered Bond Index</li> <li>• S&amp;P U.S. Investment Grade Corporate Bond Index</li> <li>• S&amp;P U.S. Mortgage-Backed Securities Index</li> </ul>

# S&P Dow Jones Indices' Contact Information

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## **Client Services**

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