



IHS Markit™

# iBoxx iShares \$ High Yield Corporate Bond Index Guide

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# 1 iBoxx iShares \$ High Yield Corporate Bond Index

The iBoxx iShares \$ High Yield Corporate Bond Index is designed to reflect the performance of USD denominated high yield corporate debt, offering broad coverage of the USD high yield liquid bond universe. The index is an integral part of the global iBoxx index family, which provides the marketplace with accurate and objective indices by which to assess the performance of bond markets and investments.

The iBoxx iShares \$ High Yield Corporate Bond Index tracks the holdings of the iShares iBoxx \$ High Yield Corporate Bond ETF (“HYG ETF”) as more fully described herein. The index will be rebalanced once a month at the month-end (“rebalancing date”) and adjusts its constituents to match the portfolio of the HYG ETF (subject to the limitations set forth in section 3.2.1 below). The iBoxx iShares \$ High Yield Corporate Bond Index will cross reference the iBoxx USD High Yield Developed Markets Index and the portfolio held by the HYG ETF. For the bonds held in common, constituents are weighted using the notional amount in the HYG portfolio, subject to constraints to keep the composition within certain risk parameter boundaries of the iBoxx USD Liquid High Yield Index. Data relating to the HYG portfolio, including constituent names and the par value of holdings, is provided by BlackRock, the manager of the HYG ETF.

All iBoxx indices are priced based on multiple data inputs. The iBoxx iShares \$ High Yield Corporate Bond Index index follows the pricing methodology as described in the document Markit iBoxx Pricing Rules publicly available under Methodology on [www.ihsmarkit.com](http://www.ihsmarkit.com).

This document covers the index selection rules and calculation methodology.

## 1.1 Index governance

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In order to ensure the independence and the objectivity of the iBoxx iShares \$ High Yield Corporate Bond Index, the index rules and their enforcement will be governed by two distinct Index Advisory Committees, in line with the governance structure for the main iBoxx index families.

### 1.1.1 Technical Committee

The Technical Committee is composed of representatives from market makers/banks. The main purpose of this group is to provide assistance in the identification of eligible constituents, especially in the instance where the eligibility or the classification of a bond is unclear or contentious. Additionally, the Technical Committee discusses any market developments which may warrant index rule changes, and provide recommendations on changes to the rules or additional indices. It also reviews the impact of financial sanctions on the eligibility of countries or specific index constituents.

### 1.1.2 Oversight Committee

The Oversight Committee is comprised of representatives from a broad range of asset managers, consultants and industry bodies. The purpose of this committee is to review the recommendations

made by the Technical Committee and also to provide consultation on any market developments which may warrant rule changes.

## 1.2 Publication of the index

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All indices are calculated as end-of-day and distributed once daily. The indices are calculated every weekday except on common U.S. bank holidays. In addition, the indices are calculated with the previous trading day's close on the last calendar day of each month if that day is not a trading day.

IHS Markit publishes an index calculation calendar which is available in the indices section on [www.ihsmarkit.com](http://www.ihsmarkit.com) under Calendar for data subscribers. Index data and bond price information is also available from the main information vendors.

Bond and index analytical values are calculated each trading day using the daily closing prices. Closing index values and key statistics are published at the end of each business day in the indices section on [www.ihsmarkit.com](http://www.ihsmarkit.com) for data subscribers.

## 2 Bond selection rules

The bonds selected for inclusion in the index are comprised of the intersection of the iBoxx USD High Yield Developed Markets Index and the portfolio holdings of HYG. The list of portfolio holdings and corresponding notional amounts are made available by BlackRock for reference in the determination of the constituents and weights.

However, section 3.2.1 of this guide sets out the circumstance under which the constituency and weights of the iBoxx iShares \$ High Yield Corporate Bond Index will differ from the holdings of HYG.

### **Index weights**

The index is weighted by the notional amount of each bond held in the HYG portfolio. These notional values are then used in determining the market value of each bond. The weight of a given bond in the index is the market value of the bond divided by the overall market value of the index.

## 3 Index calculation

### 3.1 Bond prices

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For more details please refer to the *Markit iBoxx Pricing Rules* document, available in the *Methodology* section of the Markit iBoxx Documentation page on [www.ihsmarkit.com](http://www.ihsmarkit.com).

### 3.2 Rebalancing process

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The iBoxx iShares \$ High Yield Corporate Bond index is rebalanced monthly on the last business day of the month. Only HYG holdings received at the close of the last business day of the month will be considered in the re-balancing process. New bonds issued are taken into account if they are publicly known to settle until the last calendar day of the month, inclusive, and if their rating and amount outstanding has become known at least three trading days before the end of the month.

Three preview lists of eligible holdings are published on ten (t-10), five (t-5), and three (t-3) trading days before end of the month.

On the last business day of each month the constituents of the index are determined. The new index membership (incl. the closing prices for the bonds and various bonds analytics based on the index prices of the bonds) becomes effective and is published on the first business day of the following month (t+1).

#### 3.2.1 Rebalancing procedure

Once the rebalanced iBoxx USD High Yield Developed Markets Index constituents and the portfolio holdings of HYG are finalized, the two compositions are compared. The set of bonds shared by both lists of constituents are included as the starting point of the index.

If the holdings of HYG include any RegS securities, the Index Administrator will include the equivalent 144A bond, given the bond is otherwise in the iBoxx USD High Yield Developed Markets Index.

#### Deviation limits

The bond constituents are subject to verification limiting the extent to which the iBoxx iShares \$ High Yield Corporate Bond index can deviate from the Markit iBoxx USD Liquid High Yield index as set out below:

1. Rating
  - > Markit iBoxx USD Liquid High Yield Index and iBoxx iShares \$ High Yield Corporate Bond Index weight difference for each rating bucket should not exceed 5%
  - Applicable rating buckets include the iBoxx Ratings of BB, B, CCC, CC and C. For more information on how the average rating is determined, please refer to the *Markit iBoxx*

*Rating Rules.* Rules can be found on [www.ihsmarket.com](http://www.ihsmarket.com) under *Documentation – iBoxx → Methodology.*

2. Sector
  - > Markit iBoxx USD Liquid High Yield Index and iBoxx iShares \$ High Yield Corporate Bond Index weight difference for each sector should not exceed 5%
3. Average Duration
  - > Markit iBoxx USD Liquid High Yield Index and iBoxx iShares \$ High Yield Corporate Bond Index average duration difference should not exceed 1 year
4. Average Yield
  - > Markit iBoxx USD Liquid High Yield Index and iBoxx iShares \$ High Yield Corporate Bond Index average yield difference should not exceed 1%
5. Number of holdings
  - > The iBoxx iShares \$ High Yield Corporate Bond Index should contain at least 50% of the Markit iBoxx USD Liquid High Yield Index holdings
6. Mutually exclusive holdings
  - > Bonds not part of the Markit iBoxx USD Liquid High Yield Index composition cannot exceed an aggregate weighting of 5% of the iBoxx iShares \$ High Yield Corporate Bond Index

In the case any of the above deviation limits are breached, the composition shall revert to the composition and respective weights of the Markit iBoxx USD Liquid High Yield Index.

### **Disruption event**

The index administrator, acting in a commercially reasonable manner, may at its sole discretion determine that it is appropriate to depart from the methodologies, timelines and/or procedures set forth in the index documentation in order to obtain a result that preserves the economic intent of the Index.

1. If HYG has experienced trading disruptions or ceased trading on the exchange of its primary listing, the Index Administrator may, at its sole discretion, revise the composition and weights of the index to that of the Markit iBoxx USD Liquid High Yield Index.
2. If the index administrator is unable to obtain HYG holdings (needed to determine the index composition) at the close of the last business day of the month, the composition and weights of the Markit iBoxx USD Liquid High Yield Index will be utilized.

In making such modifications however, the index administrator will make reasonable effort to ensure that such modifications or changes result in a methodology that is consistent with the commercial purpose of the index.

## **3.3 Index calculus**

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For specific index formulas please refer to the *Markit iBoxx Bond Index Calculus* document, available in the *Methodology* section of the iBoxx Documentation page on [www.ihsmarket.com](http://www.ihsmarket.com).

## 3.4 Treatment of the special intra-month events

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Data for the application of corporate actions in the index may not be fully or timely available at all times, e.g. the final call prices for make-whole calls or the actual pay-in-kind percentage for PIK-payment options. In such cases, IHS Markit will estimate the approximate value based on the available data at the time of calculation.

### 3.4.1 Full redemptions: exercised calls, puts and buybacks

If a bond is fully redeemed intra-month, the bond effectively ceases to exist. In all calculations, the redeemed bond is treated as cash based on the last price, the call price or repurchase price, as applicable. The redemption factor, redemption and the redemption price are used to treat these events in the index and analytics calculation. In addition, the clean price of the bond is set to the redemption price, and the interest accrued until the redemption date is treated as an irregular coupon payment.

### 3.4.2 Cash

Cash from coupon payments and redemptions is held as cash in the index and reinvested into the index at the rebalancing day. During the month the cash component is not earning any interest.

### 3.4.3 Bonds trading flat of accrued

If a bond is identified as trading flat of accrued, the accrued interest of the bond is set to 0 in the total return index calculation and is excluded from the calculation of all bond and index analytical values.

Bonds will be considered trading flat of accrued in any of the following situations:

- a bond has been assigned a default rating and/or
- issuer has announced a failure to pay a coupon and/or
- issuer has announced an intention not to make a payment on an upcoming coupon (grace period).

## 3.5 Index history

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The index history starts on 31 January 2013. The index var\_has\_have a base value of 100 on that date.

## 3.6 Settlement conventions

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All iBoxx indices are calculated using the assumption of T+0 settlement days.



## 3.7 Calendar

IHS Markit publishes an index calculation calendar in the *iBoxx Calendars* section of the iBoxx Documentation page on [www.ihsmarkit.com](http://www.ihsmarkit.com). This calendar provides an overview of the index calculation holidays of the iBoxx bond index families in a given year.

## 3.8 Data publication and access

The table below summarizes the publication of the iBoxx iShares \$ High Yield Corporate Bond Index in the *Indices* section of the IHS Markit website [www.ihsmarkit.com](http://www.ihsmarkit.com) for registered users and on the FTP server.

Frequency	File Type	Access
Daily	Underlying file – Bond level	FTP Server
	Indices files – Index level	FTP Server / IHS Markit website / Bloomberg (index levels only)
Weekly	Preview components	FTP Server / IHS Markit website
Monthly	End of month components	FTP Server / IHS Markit website

Below is a summary of the IDs for each publication channel:

Index Name	Return Type	ISIN	SEDOL	Ticker	RIC
iBoxx iShares \$ High Yield Corporate Bond Index	TRI	GB00BF9QJD94	BF9QJD9	IBXXIBHY	.IBXXIBHY
iBoxx iShares \$ High Yield Corporate Bond Index	CPI	GB00BF9QJF19	BF9QJF1	IBXXBHYP	.IBXXBHYP

## 3.9 Index restatement

Index restatement follows the policy described in the *Markit iBoxx Index Restatement Policy* document, available in the *Methodology* section of the Markit iBoxx Documentation page on [www.ihsmarkit.com](http://www.ihsmarkit.com).

### **3.10 Index review**

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Index methodology reviews for the index in this guide are performed on a periodic basis. Any material changes to the methodology governing the indices are published on IHS Markit website.

## 4 Changes to the Index

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May 2018

Introduction of the iBoxx iShares \$ High Yield Corporate Bond Index

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## 5 Further information

### Glossary of key terms

The Markit iBoxx Glossary document of key terms is available in the *Methodology* section of the iBoxx *Documentation* page on [www.ihsmarkit.com](http://www.ihsmarkit.com).

### Contractual and content issues

For contractual or content issues please contact:

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### Technical issues and client support

For technical issues and client support please contact:

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### Formal complaints

Formal complaints can be sent electronically to our dedicated e-mail address [complaints\\_indices@ihsmarkit.com](mailto:complaints_indices@ihsmarkit.com).

For any general index enquiries, please contact iBoxx indices support group at [indices@ihsmarkit.com](mailto:indices@ihsmarkit.com).

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