

EMBI Global Diversified Baa3/BBB-/BB+

- The Emerging Market Bond Index Global Diversified (EMBI Global Diversified) is a uniquely weighted USD-denominated emerging markets sovereign index. It has a diversified allocation scheme which allows a more even distribution of weights among the countries in the index.
- The EMBI Global Diversified has the same instrument composition as the market-cap-weighted EMBI Global.
- The EMBI Global Diversified has become the most widely followed benchmark in its class. (AUM \$242bn as of December 2014).
- The index was launched in July 1999 with daily historical index levels and statistics back filled to Dec 1993.

Overview

The EMBI Global Diversified is the most widely followed USD EM sovereign index in the industry. The comprehensive composition and diversification amongst countries in the index provide users with an optimally balanced benchmark.

The EMBI Global Diversified limits the weights of the index countries by only including a specified portion of those countries' eligible current face amounts of debt outstanding. Relative to the EMBI Global, countries with larger current face amounts outstanding will have reduced market cap weights while countries with smaller current face amounts will have larger market cap weights.

Diversified version weighting methodology

From each country's total EMBI Global eligible debt stock, the EMBI Global Diversified includes:

- 100% of the first US\$5bn of the eligible debt stock
- 75% of the eligible debt stock that exceeds US\$5bn, but does not exceed US\$10bn
- 50% of the eligible debt stock that exceeds US\$10bn, but does not exceed US\$15bn
- 25% of the eligible debt stock that exceeds US\$15bn, but does not exceed US\$25bn
- 10% of the eligible debt stock that exceeds US\$25bn, but does not exceed US\$35bn
- 0% of the eligible debt stock that exceeds US\$35bn

For a country with \$50bn eligible debt stock, only 30% of it would be included in the index. The ratio for this country is then applied to all bond issues within that country to derive the diversified amount at instrument level.

Index Facts	
Inception Date:	Dec 1993.
Launch Date:	Jul 1999.
Rebalance date:	Last US business day of the month.
Holiday:	Follows US bond market calendar set by Emerging Markets Trader Association (EMTA).
Pricing Source:	Bid/offer price from third party evaluation vendor (PricingDirect).
FX spot/forward rate:	WM/Reuters 4pm London Rate.
Coupon	All coupons received are immediately reinvested into the index.
Reinvestment:	
Hedging Strategy:	Assume a 1-month currency forward position that begins on rebalance day and ends on next rebalance day.

Index Criteria	EMBI+	EMBI Global	EMBIG Diversified
Country	Rated Baa1/BBB+ or under by Moody's/S&P	GNI per capita must be below the Index Income Ceiling (IIC)* for 3 consecutive years	GNI per capita must be below the Index Income Ceiling (IIC)* for 3 consecutive years
Liquidity	Must pass a series of liquidity tests (a minimum bid/ask price and specific number of interdealer broker quotes)	Daily available pricing from a third party valuation vendor	Daily available pricing from a third party valuation vendor
Instrument Type	All fixed, floaters, amortizers and capitalizers	All fixed, floaters, amortizers, capitalizers and loans	All fixed, floaters, amortizers, capitalizers and loans
Min Face Amount Outstanding	US\$500mm	US\$500mm	US\$500mm
Maturity required for initial entry	At least 2.5 years till maturity	At least 2.5 years till maturity	At least 2.5 years till maturity
Maturity required to maintain inclusion	At least 1 year till maturity	At least 1 year till maturity	At least 1 year till maturity
Includes quasi-sovereign?		✓	✓
Face Amount Diversification?			✓

*JPMorgan defines the Index Income Ceiling (IIC) as the GNI per capital level that is adjusted every year by the growth rate of the World GNI per capita, Atlas method (current US\$), provided by the World Bank annually.

EMBI Global Diversified Rebalancing

Index rebalancing occurs monthly on the last US business day of each month, while estimated composition changes are typically sent out 3-5 business days prior to rebalance. A

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J.P.Morgan Fixed Income Index Product Guide
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J.P.Morgan

new issue that meets the EMBI Global Diversified admission requirements is added to the index on the upcoming rebalance date, provided its settlement date falls before the 15th of the month. A new issue whose settlement date falls on or after the 15th of the current month is added to the index on the subsequent rebalance, at the end of the next month.

An exception applies to a new issue that is released as part of a debt exchange program. At the month-end rebalancing date immediately following this event, the amount of debt retired in this exchange would be removed from the EMBI Global, and the new issue would be added to the index (provided official exchange results are made available in a timely manner). Additionally, an instrument that is issued purely in reliance on Regulation S will be ineligible for inclusion in the EMBI Indices until it is seasoned (that is, until the expiration of the relevant Regulation S restricted period). The date at which the seasoning restriction is lifted will effectively be the new "issue" date, at which point the 15th of the month rule will apply. For country inclusion, a country's GNI per capita must be below the *Index Income Ceiling (IIC)* for three consecutive years to be eligible for inclusion to the EMBI Global Diversified. JPMorgan defines the *Index Income Ceiling (IIC)* as the GNI per capita level that is adjusted every year by the growth rate of the World GNI per capita, Atlas method (current US\$), provided by the World Bank annually. An existing country may be considered for removal from the index if its GNI per capita is above the *Index Income Ceiling (IIC)* for three consecutive years as well as the country's long term foreign currency sovereign credit rating (the available ratings from all three agencies: S&P, Moody's & Fitch) is A-/A3/A- (inclusive) or above for three consecutive years.

EMBI Global Diversified ETF

iShares J.P. Morgan USD Emerging Markets Bond Fund:

The ETF tracks the EMBIG CORE index, which is a customized variant of the flagship EMBIG Diversified. Specifically, the inclusion criteria are more restrictive, with a minimum amount outstanding on an instrument set to \$1bn, and instruments with less than 24 months remaining to maturity are removed. The ETF can be found under the Bloomberg ticker **EMB** (AUM \$4.2 billion) and **IEMB LN** (AUM \$3.7 billion).

Where to find the EMBIG Diversified?

Bloomberg

JPMX <GO>→Emerging Markets→External Sovereigns
→EMBIG Div

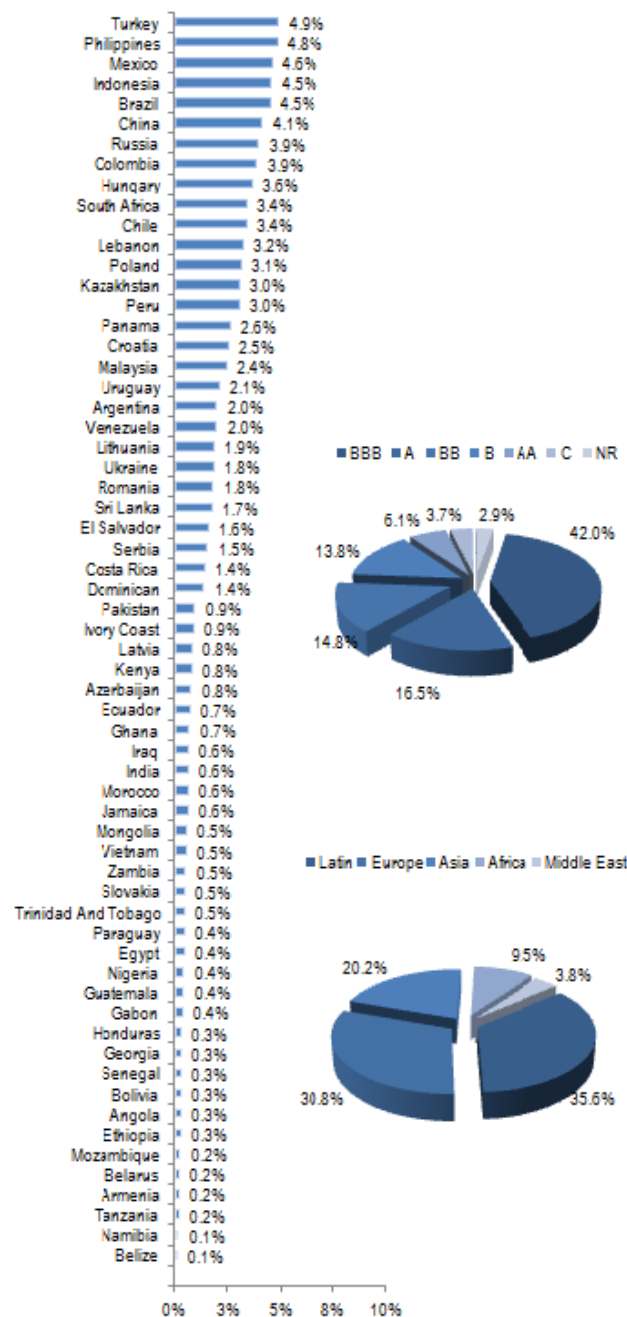
Reuters

EMBI10-EMBI12 contains index and statistical data.

Publication

Index Movers Daily; EMBI Monitor (Monthly), Index Quarterly Attribution

EMBI Global Diversified Profile (as of December 2014)



Dataquery

<https://markets.jpmorgan.com/#dataquery> (Emerging Markets->Indices->External Debt Indices->EMBI Global Div.)

Morgan Markets

https://markets.jpmorgan.com/#research.bond_index (Index->Emerging Markets ->Sovereign/Quasi-Sovereign -> EMBIG Div)

EMBI Global Baa3/BBB-/BBB-

- The Emerging Market Bond Index Global (EMBI Global) was the first comprehensive EM sovereign index in the market, after the EMBI+. It provides full coverage of the EM asset class with representative countries, investable instruments (sovereign and quasi-sovereign), and transparent rules.
- The EMBI Global includes only USD-denominated emerging markets sovereign bonds and uses a traditional, market capitalization weighted method for country allocation.
- The index was launched in July 1999 with daily historical index levels and statistics backfilled to Dec 1993.

Overview

The EMBI Global was created after the EMBI+, which had more stringent liquidity rules and restrictions. Given the strict nature of the EMBI+, not all emerging markets countries and instruments were represented. To expand the coverage, the EMBI Global was created to capture a broader, more comprehensive universe of emerging markets issues. It is a traditional, market capitalization weighted index which includes both fixed and floating rate instruments, including callable or puttable instruments, as well as capitalizing/amortizing bonds or loans denominated in USD. Only those bonds issued by sovereign and quasi-sovereign entities are eligible for index inclusion. For index purposes, a *quasi-sovereign* is defined as an entity that is 100% guaranteed or 100% owned by the national government, and resides in the index eligible country.

EMBI Global Rebalancing

Index rebalancing occurs monthly on the last US business day of each month, while estimated composition changes are typically sent out 3-5 business days prior to rebalance. A new issue that meets the EMBI Global inclusion criteria is added to the index on the rebalance date, provided its settlement date falls before the 15th of the month. A new issue whose settlement date falls on or after the 15th of the month is added to the index on the last business day of the next month.

An exception applies to a new issue that is released as part of a debt exchange program. At the month-end rebalancing date immediately following this event, the amount of debt retired in this exchange would be removed from the EMBI Global, and the new issue would be added to the index (provided official exchange results are made available in a timely manner). Additionally, an instrument that is issued

Index Facts	
Inception Date	Dec 1993
Launch Date	Jul 1999
Rebalance date	last US business day of the month Follows US bond market calendar set by Emerging Markets Trader Association (EMTA)
Holiday	Bid/offer price from third party evaluation vendor (PricingDirect).
Pricing Source	WM/Reuters 4pm London Rate
FX spot/forward rate	All coupons received are immediately reinvested into the index. Assume a 1-month currency forward position that begins on rebalance day and ends on next rebalance day
Coupon Reinvestment	
Hedging Strategy	

Index Criteria	EMBI+	EMBI Global	EMBIG Diversified
Country†	Rated Baa1/BBB+ or under by Moody's/S&P	GNI per capita must be below the Index Income Ceiling (IIC)* for 3 consecutive years	GNI per capita must be below the Index Income Ceiling (IIC)* for 3 consecutive years
Liquidity	Must pass a series of liquidity tests (a minimum bid/ask price and specific number of interdealer broker quotes)	Daily available pricing from a third party valuation vendor	Daily available pricing from a third party valuation vendor
Instrument Type	All fixed, floaters, amortizers and capitalizers	All fixed, floaters, amortizers, capitalizers and loans	All fixed, floaters, amortizers, capitalizers and loans
Min Face Amount Outstanding	US\$500mm	US\$500mm	US\$500mm
Maturity required for initial entry	At least 2.5 years till maturity	At least 2.5 years till maturity	At least 2.5 years till maturity
Maturity required to maintain inclusion	At least 1 year till maturity	At least 1 year till maturity	At least 1 year till maturity
Includes quasi-sovereign?		✓	✓
Face Amount Diversification?			✓

*JPMorgan defines the Index Income Ceiling (IIC) as the GNI per capital level that is adjusted every year by the growth rate of the World GNI per capita, Atlas method (current US\$), provided by the World Bank annually.

purely in reliance on Regulation S will be ineligible for inclusion in the EMBI Indices until it is seasoned (that is, until the expiration of the relevant Regulation S restricted period). The date at which the seasoning restriction is lifted will effectively be the new "issue" date, at which point the 15th of the month rule will apply. Once added, an instrument may remain in the index until 12 months before it matures.

For country inclusion, a country's GNI per capita must be below the *Index Income Ceiling (IIC)* for three consecutive years to be eligible for inclusion to the EMBI Global. JPMorgan defines the *Index Income Ceiling (IIC)* as the GNI per capita level that is adjusted every year by the growth rate of the World GNI per capita, Atlas method (current US\$), provided by the World Bank annually. An existing country may be considered for removal from the index if its GNI per capita is above the *Index Income Ceiling (IIC)* for three consecutive years as well as the country's long term foreign currency sovereign credit rating (the available ratings from all three agencies: S&P, Moody's & Fitch) is A-/A3/A- (inclusive) or above for three consecutive years.

Where to find the EMBI Global?

Bloomberg

JPMX <GO>→Emerging Markets→External Sovereigns →EMBI Global

Reuters

Page EMBI02-EMBI04 contains index and statistical data.

Dataquery

<https://markets.jpmorgan.com/#dataquery> (Emerging Markets->Indices->External Debt Indices->EMBIGLOBAL)

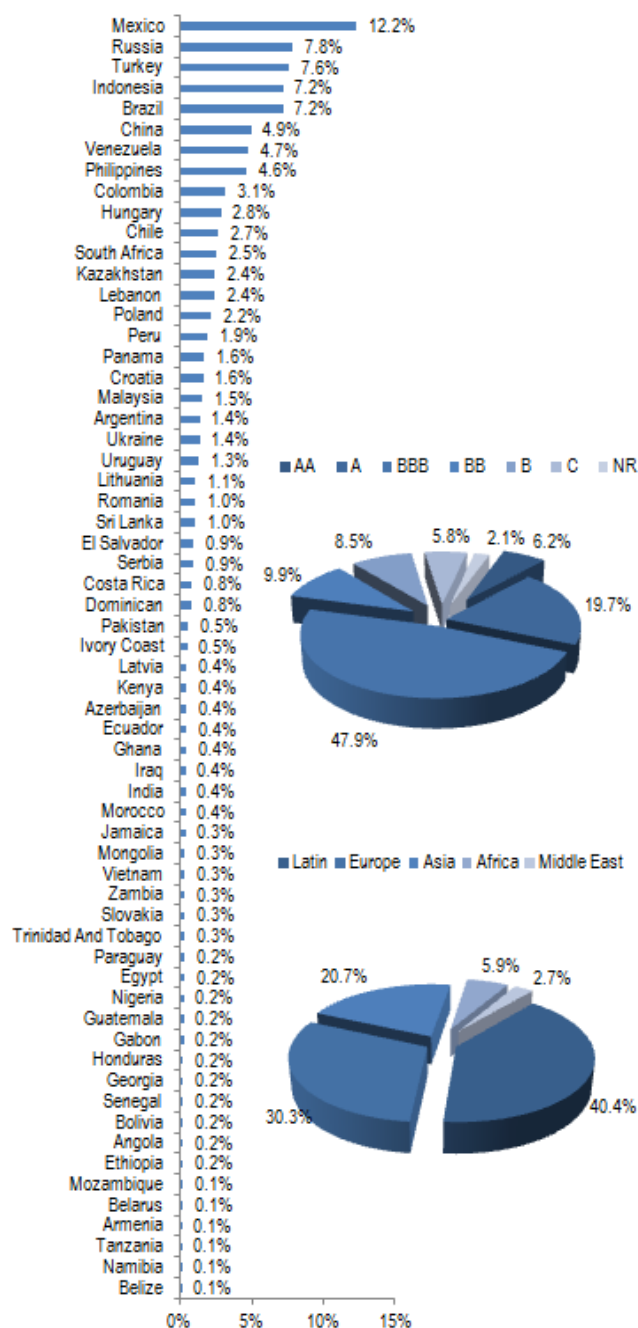
Morgan Markets

https://markets.jpmorgan.com/#research.bond_index (Index->Emerging Markets ->Sovereign/Quasi-Sovereign ->EMBIG)

Publication

Index Movers Daily; EMBI Monitor (Monthly), Index Quarterly Attribution

EMBI Global Profile (as of December 2014)



EMBI+

Baa3/BBB-/BBB-

- The Emerging Market Bond Index Plus (EMBI+) is a traditional, market capitalization weighted USD-denominated sovereign emerging markets index with a unique liquidity ranking methodology to provide investors with the most liquid set of issues within the asset class.
- It was the first broad liquid EM index to be introduced to the market in 1995 after the Brady-only EMBI, and has since served as a flagship benchmark for EM investors.
- The liquidity ranking criteria for the EMBI+ uses a multi-factor formula to rank the liquidity of each bond in determining the EMBI+ composition, allowing only the most liquid bonds to be included.

Overview

The EMBI+ is our most liquid US-dollar emerging market debt benchmark which includes both fixed and floating rate instruments, as well as capitalizing/amortizing bonds. A country must be rated Baa1/BBB+ or *below* in its long-term foreign currency rating for its instruments to enter and remain in the index. When a country receives a rating of A-/A3 or higher from *both* Moody's and S&P, it is dropped from the EMBI+ at the next month-end rebalancing.

The EMBI+ contains only bonds and/or loans issued by sovereign entities from index-eligible countries. Quasi-sovereigns are *not* eligible for the EMBI+. Instruments issued by municipalities or provinces are also not eligible for inclusion.

Liquidity Ranking

The EMBI+ tracks the universe of emerging markets bonds with stricter liquidity requirement rules for inclusion. The following attributes are used to determine liquidity ranking: (1) size of issue, (2) average monthly bid/ask spread and (3) number of designated brokers providing daily quotes. (Details in the table on the right)

For a bond to be added to the EMBI+, a bond must be rated:

- L1 for 1 month, or
- L2 or higher for 3 consecutive months, or
- L3 or higher for 6 consecutive months

For a bond to be dropped from the EMBI+, it must be rated:

- L4 for 6 consecutive months, or
- L5 for 1 month

Index Facts

Inception Date	Dec 1993
Launch Date	Jul 1995
Rebalance date	Last US business day of the month.
Holiday	Follows US bond market calendar set by Emerging Markets Trader Association (EMTA).
Pricing Source	Bid/offer price from third party evaluation vendor (PricingDirect).
FX spot/forward rate	WM/Reuters 4pm London Rate
Coupon	All coupons received are immediately reinvested into the index.
Reinvestment.	
Hedging Strategy.	Assume a 1-month currency forward position that begins on rebalance day and ends on next rebalance day

Index Criteria	EMBI+	EMBI Global	EMBIG Diversified
Country	Rated Baa1/BBB+ or under by Moody's/S&P	GNI per capita must be below the Index Income Ceiling (IIC) for 3 consecutive years	GNI per capita must be below the Index Income Ceiling (IIC) for 3 consecutive years
Liquidity	Must pass a series of liquidity tests (a minimum bid/ask price and specific number of interdealer broker quotes)	Daily available pricing from a third party valuation vendor	Daily available pricing from a third party valuation vendor
Instrument Type	All fixed, floaters, amortizers and capitalizers	All fixed, floaters, amortizers, capitalizers and loans	All fixed, floaters, amortizers, capitalizers and loans
Min Face Amount Outstanding	US\$500mm	US\$500mm	US\$500mm
Maturity required for initial entry	At least 2.5 years till maturity	At least 2.5 years till maturity	At least 2.5 years till maturity
Maturity required to maintain inclusion	At least 1 year till maturity	At least 1 year till maturity	At least 1 year till maturity
Includes quasi-sovereign?		✓	✓
Face Amount Diversification?			✓

Rating	Amount Outstanding	Average bid/ask spread	% of designated brokers providing daily quotes
L1	>=\$2bn	<=0.375 point	100%
L2	>=\$1bn	<=0.75 point	>50%
L3	>=\$500mm	<=1.5 point	>25%
L4	>=\$500mm	<=3 point	at least 1 broker
L5	>=\$500mm	>3 point	None

EMBI+ Rebalancing

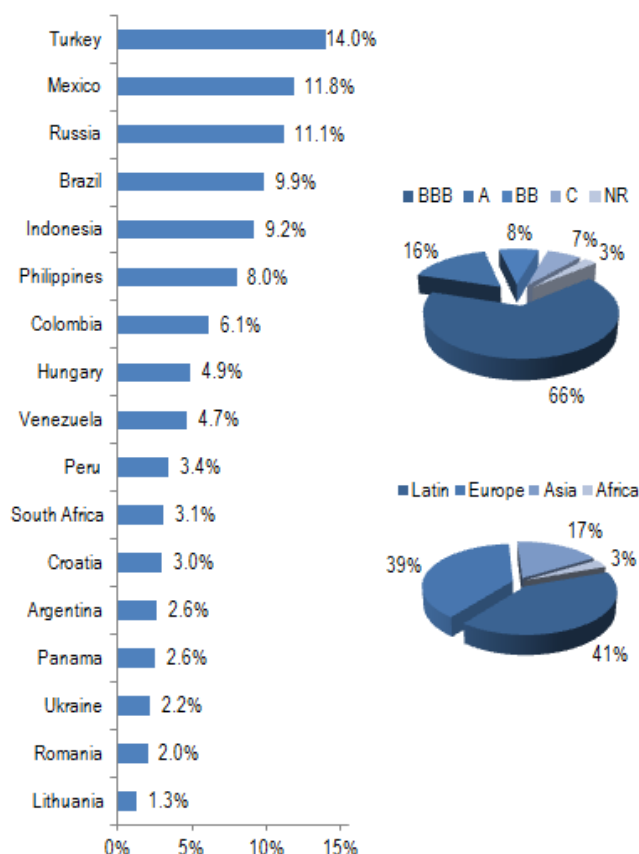
Index rebalancing occurs monthly on the last US business day of each month, while estimated composition changes are typically sent out 3-5 business days prior to rebalance. A new issue that meets the EMBI+ inclusion criteria is added to the index on the rebalance date, provided its settlement date falls before the 15th of the month. A new issue whose settlement date falls on or after the 15th of the month is added to the index on the last business day of the next month.

An exception applies to a new issue that is released as part of a debt exchange program. At the month-end rebalancing date, immediately following this event, the amount of debt retired in this exchange would be removed from the EMBI+, and the new issue would be added to the index (provided official exchange results are made available in a timely manner).

An instrument that is issued purely in reliance on Regulation S will be ineligible for inclusion in the EMBI Indices until it has seasoned (that is, until the expiration of the relevant Regulation S restricted period). The date at which the seasoning restriction is lifted will effectively be the new "issue" date, at which point the 15th of the month rule will apply.

Once added, an instrument may remain in the index until 12 months before it matures.

EMBI+ Profile (as of December 2014)



Where to find the EMBI+?

Bloomberg

JPMX <GO>→Emerging Markets→External Sovereigns
→EMBI+

Reuters

Page EMBI18, EMBI19 contains index and statistical data.

Dataquery

<https://markets.jpmorgan.com/#dataquery> (Emerging Markets->Indices->External Debt Indices->EMBIPLUS)

Morgan Markets

https://markets.jpmorgan.com/#research.bond_index
(Index->Emerging Markets->Sovereign/Quasi-Sovereign
->EMBI+)

Publication

Index Movers Daily; EMBI Monitor (Monthly)

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