

J.P. Morgan EM Aggregate Sukuk Index

Index Methodology and Profile

Highlights

The J.P. Morgan EM Aggregate Sukuk Index aims to track the performance of liquid, USD-denominated Sukuk instruments across emerging markets. The index includes Investment Grade, High Yield and Unrated sovereign, quasi-sovereign, supranational and corporate securities with at least \$500 million in face amount outstanding. The index applies a screening methodology to only include instruments that are classified as AAOIFI compliant. The returns and statistics are available since January 2017.

Index Criteria

Instrument Type	Includes: Fixed-rate, floating and zero-coupon bonds, capitalization/amortizing bonds, bonds with callable or puttable features Excludes: CoCos
Remaining Maturity	Entry: Only those instruments with at least 2.5 years until maturity are considered for inclusion Exit: Before January 2021, at each month-end rebalance, instruments that fall below 1 year to maturity are excluded from the index. After January 2021, at each month-end rebalance, instruments that fall below 6 months to maturity are excluded from the index
Minimum Issue Size	Only issues with a current face amount outstanding of \$500 million or more are considered for inclusion ¹
Currency Denomination	Only USD-denominated sukuk are included
Issuers	Sovereign, quasi-sovereign, corporate and supranational issuers are eligible for the index
Regulation S	Starting November 29 th , 2024, instruments issued solely under Regulation S will not require a seasoning period and will be eligible for inclusion in the month of their first settlement, as long as they meet all other specified instrument eligibility criteria.

Index Characteristics and Methodology

Pricing	Bid and Ask prices are taken from a third party pricing source, PricingDirect
Aggregate Return	Weighted average of instrument returns using bid prices
Rebalancing	Rebalances on the last US business day of the month
Coupon Reinvestment	All coupons received are immediately reinvested into the index
FX Rates	All FX rates used for hedged/unhedged returns are as of 4pm London time provided by WM/Reuters
Hedging Strategy	Assume a 1-month currency forward position that begins on rebalance day and ends on next rebalance day
Capping Methodology	The index applies a dual capping methodology, with an initial 8% cap applied to larger issuers, and a secondary 4.5% cap applied to ensure the aggregate weight of the larger issuers is below 36%
Holiday Calendar	Follows US bond market calendar set by Emerging Markets Trader Association (EMTA)
Bloomberg Ticker	JPEIEMAS

¹ – A sukuk is removed from the index when its current outstanding amount falls below \$500 million

Sukuk Criteria

Sukuk	Only issues that are flagged as Sukuk are eligible for inclusion in the index. The list of eligible securities is defined as of 5 business days before month-end, according to the EMTA US bond market calendar
AAOIFI Compliance	Only issues identified as AAOIFI compliant by the data vendor are eligible. Starting from June 30th, 2023 the source of the AAOIFI designation is Ideal Ratings

Appendix

Defining the universe of eligible countries

Sovereign and quasi-sovereign entities that are part of the J.P. Morgan EM indices are eligible for inclusion.

Corporate entities must be domiciled within Africa, Asia ex-Japan, Eastern Europe, Middle East, and Latin America as defined in J.P. Morgan indices.

Supranational issuers from an EM defined region are eligible for index inclusion starting from the September 30, 2022 rebalance.

Instrument type

The J.P. Morgan EM Aggregate Sukuk Index includes fixed-rate, floating and zero-coupon bonds, capitalization/amortizing bonds, bonds with callable and puttable features. Bonds must be labeled as Sukuk and AAOIFI compliant, and have to satisfy the minimum amount outstanding criterion of \$500 million. CoCos are excluded from the index.

Issuer type

The J.P. Morgan EM Aggregate Sukuk Index contains only those bonds issued by sovereign, quasi-sovereign, corporate and supranational entities from index-eligible countries.

Weighting Methodology

The J.P. Morgan EM Aggregate Sukuk Index applies a dual capping methodology, where all issuers are initially capped at 8%. The index is then recalculated until all issuers are below the cap. The issuers above 4.5% are ranked by Amount Outstanding and the aggregate of these issuers must be below the 36% threshold, the highest ranked issuer that breaches the threshold and all remaining issuers in the index are capped at 4.5% after reweighting is applied.

Global Index Research

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