

21 February 2020

Government Bond Index-Emerging Markets Global CORE (GBI-EM Global CORE)

Product Overview

Highlights

The GBI-EM Global Diversified Core (GBI-EM Global Core) is designed to track the performance of bonds issued by emerging market governments and denominated in the local currency of the issuer. The GBI-EM Core is designed to be investible and is based on the well-established methodology and composition of the flagship GBI-EM Global Diversified index. The main enhancement of the GBI-EM Global Core is that it applies a maximum country weight of 10% (cap) and minimum country weight of 1% to 3% (floor) based on the country's eligible debt outstanding. The index includes only those countries that are accessible by most of the international investor base and selects bonds from each of the emerging market countries set forth below that are fixed-rate, domestic currency government bonds with greater than 13 months to maturity.

The composition of the GBI-EM Global Core only contains countries that meet our criteria for an Emerging Market. Please see full list of countries from four regions, Asia, Europe, Latin America, and Middle East/Africa in Table 1.

Index Criteria

Amount Outstanding:	Local issues with a current face amount outstanding of \$1 billion or more, as well as Global issues with \$500 million or more are considered for inclusion.
Instrument Type:	Includes: Fixed-rate and zero-coupon bonds. Excludes: Floating-rate bonds, capitalization/amortizing bonds, bonds with callable, puttable, or convertible features.
Remaining Maturity:	Inclusion: Greater than 2.5 years remaining maturity on rebalance date. Exclusion: Less than 13 months remaining maturity on rebalance date.
Currency:	All eligible currencies are available within the set of eligible countries.
Country Eligibility:	Index Entry: A country's GNI per capita is below the Index Income Ceiling (IIC) level for three consecutive years OR its Index Purchasing-Power-Parity Ratio (IPR) is below the EM threshold for three consecutive years. Index Exit: In order to leave the EM sovereign universe, a country has to meet ALL of the below conditions for three consecutive years: 1) GNI per capita should be above the IIC threshold, 2) IPR should be above the EM threshold, and 3) Sovereign rating should be at or above A3/A-/A-.
Capital Controls:	Excludes countries with explicit capital controls or where a foreign investor faces constraints in: <ul style="list-style-type: none"> - Holdings or transacting in bonds - Purchase or sale of spot FX

Index Characteristics and Methodology

Pricing:	Mid prices are taken from a third party pricing source, PricingDirect.
Aggregate Return:	Index/Country level total return is calculated as a market-weighted average of bond returns using mid prices.
Rebalancing:	Rebalances on the last weekday of the month. If FX rates from WM Reuters are unavailable on the last weekday of the month (i.e. Good Friday), indices are rebalanced on the previous business day.
Coupon Reinvestment:	All coupons received are immediately reinvested into the respective local market in the index.
FX Rates:	All FX rates used for hedged/unhedged returns are as of 4pm London time provided by WM/Reuters.
Credit Rating:	Lowest of S&P/Moody's/Fitch Rating.
Weighting:	Diversified, market capitalization based weighting subject to maximum country weight of 10% (cap) and minimum country weight of 1% to 3% (floor) based on the country's eligible debt outstanding amount.

Appendix

Defining the universe of GBI-EM instruments

The GBI-EM consists of regularly traded, fixed-rate, domestic currency government bonds which international investors can readily access. The index excludes countries where local market investing is subject to explicit capital controls, but eligibility consideration does not factor in regulatory/tax hurdles. The GBI-EM Global Core is classified as an investable index.

Eligibility for local currency issues is determined using the following criteria:

Instrument type

The GBI-EM indices only include fixed coupon instruments. Floating-rate and capitalization/amortizing bonds are not eligible for index inclusion. Additionally, bonds with callable, puttable or convertible features are not part of the indices.

Liquidity

A key feature that distinguishes our indices from other index products is the strict enforcement of liquidity criteria in the selection of instruments. Yet, while the notion of liquidity differs from market to market, J.P. Morgan indices include only securities, subject to several considerations including but not limited to:

- *Pricing:* Bonds must trade with enough frequency to prevent stale price quotations.
- *Availability:* Bonds must be regularly traded in size at acceptable bid-offer spreads and readily redeemable for cash. A reasonable two-way market must exist for the instrument to be included in the index portfolio.
- *Replication costs:* Investors should be able to replicate the index without incurring excessive transaction costs.

GBI-EM Global CORE

The GBI-EM Global Core Index series follows similar logic, methodology and calculations as the flagship benchmarks in the GBI-EM Global Index series. The composition of bonds, index criteria, and all surrounding governing rules of inclusion/exclusion follow the composition and rules in the flagship GBI-EM Global indices. Any change in composition within the flagship GBI-EM Global Diversified will also be reflected in the GBI-EM Global Core.

Table 1: Universe of GBI-EM Global Core Countries

Asia	
China	•
Indonesia	•
Malaysia	•
Philippines	•
Thailand	•
Europe	
Czech Republic	•
Hungary	•
Poland	•
Romania	•
Russia	•
Turkey	•
Latin America	
Brazil	•
Chile	•
Colombia	•
Dominican Rep.	•
Mexico	•
Peru	•
Uruguay	•
Africa	
South Africa	•
No. of Countries	19

Source: J.P. Morgan as of Feb 28th 2020

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