

## JACI

Baa1/BBB+/BBB+

- The J.P. Morgan Asia Credit Index (JACI) provides investors with a benchmark that tracks US dollar denominated debt instruments in the Asia ex Japan region.
- The JACI attempts to ensure an investable and liquid benchmark by providing exposure to Corporate, Sovereign and Quasi-Sovereign entities from the region.
- There are two versions of the index:
  - JACI
  - JACI Diversified
- The JACI Diversified shares the inclusion criteria and composition of the JACI, which is the traditional market cap weighted index. The Diversified version limits the weights of the large countries in the index by capping the amount of eligible debt outstanding.

### Overview

JACI is the most widely followed benchmark index for US Dollar denominated bonds issued in the Asia ex Japan region. The JACI follows a traditional market capitalization technique similar to the EMBI and the CEMBI series.

JACI Diversified shares the inclusion criteria and composition of the JACI. However, the Diversified version limits the weights of larger countries in the index by capping the amount of eligible debt outstanding. This helps in reducing concentration risk within the benchmark.

The JACI Diversified closely follows the diversification scheme of the flagship EMBI and CEMBI series where the eligible country's amount outstanding is capped at double the average notional of all the countries in the index.

### Diversified version weighting methodology

Diversification methodology anchors on the average size of countries in the index and the debt stock of the largest country in the index. To calculate the diversified (adjusted) face amount for each country, we define:

$$\text{Index Country Average (ICA)} = \frac{\sum(\text{Ctry Face Amount})}{\text{No. of Countries in the index}}$$

Based on the ICA, the diversified face amount for any country in the index is derived. The below formula

Index Facts	
Inception Date	Sep 2005
Launch Date	Jul 2006
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 Reinvestment	All coupons received are immediately reinvested into the index.
Hedging Strategy	Assume a 1-month currency forward position that begins on rebalance day and ends on next rebalance day

Benchmark Criteria	
Country/ Region	Asia (ex-Japan)
Issuer	Corporate, Sovereign and Quasi-Sovereign
Minimum Face Amount Outstanding	USD 150 mm
Instrument Type	All fixed, floaters, amortizers and capitalizes
Maturity requirement for initial entry	At least 2 ½ years until maturity
Remaining Maturity	At least 1 year until maturity
Default treatment	Defaulted bonds are excluded
Liquidity Criteria	Daily available pricing from PricingDirect
Jurisdiction	International Law

summarizes the calculation of diversified country face amount:

Diversified Country Face Amount=

$$\begin{cases} \text{ICA} * 2 & , \text{ if } \text{FA}_{max} \\ \text{ICA} + \frac{\text{ICA}}{\text{FA}_{max} - \text{ICA}} * (\text{Ctry FA} - \text{ICA}) & , \text{ if } \text{Ctry FA} > \text{ICA} \\ \text{Ctry FA} & , \text{ if } \text{Ctry FA} \leq \text{ICA} \end{cases}$$

where Ctry FA represents the non-diversified country face amount and FA<sub>max</sub> represent the Face Amount of the Largest Country.

Subsequently, the diversified face amount determined using the above step is then converted to a market value, which is then converted to an index weight percentage based on the proportion of the total index market capitalization that the country represents.

## JACI Rebalancing

**Index rebalancing occurs monthly on the last US business day of each month.** Country inclusion/exclusion eligibility is reviewed each month before rebalance. It will follow the “15th of the month rule” which states that if a new issue settles before the 15th of a given month, it will be eligible for inclusion into the index at the coming month end. If the new issue settles on or after the 15th of a given month, it will not be considered for inclusion until the following month end

For an existing issue in the index, any additional issuance or buyback will be reflected at the upcoming rebalance. Issues that are not already in the index due to their size, but become eligible due to taps will be treated as new issues. Defaulted bonds are *excluded* from the index.

On a monthly basis an estimated composition file for the JACI / JACI Diversified is released 3-5 days prior to the actual rebalance of the index.

## JACI ETF

**iShares J.P. Morgan USD Asia Credit Bond Fund:** The ETF tracks JACI CORE index, which is a customized variant of the flagship JACI. Specifically, the inclusions criteria are more restrictive, with a minimum amount outstanding on an instrument set to \$350 mn, and minimum maturity 30 months at the time of entry to index, instruments with less than 24 months remaining to maturity are removed. The ETF can be found under the Bloomberg ticker **AJAC SP** (AUM \$40 million).

## Where to find the JACI?

### Bloomberg

JPMX <GO>→Emerging Markets→Corporate  
 →JACI and JACI Diversified

### Dataquery

www.jpmm.com (Analyze ->Cross-Asset->Data  
 Query->Indices->Credit->JACI and JACI  
 Diversified)

### Morgan Markets

www.jpmm.com (Research->Index->Emerging  
 Markets->Sovereign/Quasi Sovereign/Credit->JACI)

### Publication

JACI Attribution Report, Index Movers Daily, EMBI  
 Monitor (Monthly), CEMBI Monitor (monthly)

JACI Profile (as of April 2018)		
<b>By Country</b>		
<b>China</b>	50.5%	2289.7%
<b>Indonesia</b>	10.1%	1295.9%
<b>Korea</b>	9.0%	1215.1%
<b>Hong Kong</b>	8.7%	1214.3%
<b>India</b>	6.5%	1160.0%
<b>Philippines</b>	4.7%	881.0%
<b>Malaysia</b>	3.1%	582.4%
<b>Singapore</b>	2.8%	520.5%
<b>Thailand</b>	1.3%	240.8%
<b>Sri Lanka</b>	1.0%	188.8%
<b>Pakistan</b>	0.7%	135.2%
<b>Macau</b>	0.6%	106.4%
<b>Mongolia</b>	0.5%	84.8%
<b>Taiwan</b>	0.2%	40.5%
<b>Vietnam</b>	0.2%	39.3%
<b>Maldives</b>	0.03%	5.3%
<b>By Credit Bucket</b>		
<b>Investment Grade</b>	77.0%	76.4%
<b>Non-Investment Grade</b>	23.0%	23.6%
<b>By Sector</b>		
<b>Corporate</b>	63.2%	58.7%
<b>Quasi</b>	23.6%	21.0%
<b>Sovereign</b>	13.2%	20.2%

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