

J.P. Morgan EMU Government Bond Index 1-3 Year

Index Methodology and Profile

Highlights

The J.P. Morgan EMU Government Bond Index 1-3 Year aims to track the performance of eligible fixed rate euro-denominated domestic government debt issued by euro zone countries whose bonds are maturing within the next 1 to 3 years. The Index is based on the composition and established methodology of the J.P. Morgan Economic and Monetary Union (EMU) Government Bond Index.

Index Criteria

Instrument Type	Included: Liquid, bullet, fixed-rate coupon bonds Excluded: Callable, puttable, inflation linked or convertible features
Remaining Maturity	Remaining maturity at rebalance is at least 13 months and less than 3 years
Amount Outstanding	Minimum €1billion
Currency	Euro denominated
Country Eligibility	Issued by a Eurozone country

Index Characteristics and Methodology

Pricing	Bid and Ask prices are taken from a third party pricing source ¹
Aggregate Return	Weighted average of bond returns using closing 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 Treatment	Immediately reinvested in to the respective local market returns
FX Rates	All FX rates are as of 4PM London time provided by WM Reuters
Credit Rating	No restrictions. Both investment-grade and sub-investment grade bonds are eligible

Defining the universe of EMU instruments

The EMU Government Bond Index consists of regularly traded, fixed-rate, domestic currency government bonds issued by members of the Eurozone, i.e. the Economic and Monetary Union (EMU).

Eligibility for euro-denominated domestic debt issues is determined using the following criteria:

Instrument type

The EMU index only includes liquid, bullet, fixed-rate coupon instruments. Floating-rate, inflation linked, and capitalizing/amortizing bonds are not eligible for index inclusion. Additionally, bonds with callable, puttable or convertible features are not part of the indices.

Liquidity

The EMU index only includes securities that satisfy liquidity considerations including but not limited to:

¹ PricingDirect Inc., a market-based professional valuation service and a wholly owned subsidiary of JPMorgan Chase & Co, is utilized as the primary source for instrument level pricing ensuring transparency around pricing sourcing and consistency/accuracy of index constituent valuations.

- **Pricing:** Bonds must trade with enough frequency to prevent stale price quotations. Regular pricing must be available through the primary third-party pricing source.
- **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.

Index Profile and Characteristics

- As of November 30th, 2017, the EMU Government Bond Index 1-3 Year contains 68 bonds from 10 countries (Figure 1).
- The index maintains an Investment Grade credit rating, with the average index rated A1 / A+ / A+ by Moody's / S&P / Fitch.
- The average index yield is -0.47% with an average duration of 1.98 years.

Figure 1: Summary of Country Weight Exposure

Country	Weight (%)
France	24.6
Italy	23.0
Germany	19.8
Spain	14.1
Netherlands	5.1
Belgium	3.8
Austria	3.5
Ireland	2.9
Portugal	1.8
Finland	1.5

Source: J.P. Morgan, as of November 30th, 2017

Global Index Research

www.jpmm.com

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