

J.P. Morgan GBI-EM Global Diversified Select Index

Methodology and Factsheet

Highlights

The J.P. Morgan GBI-EM Global Diversified Select Index 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 Global Diversified Select Index is designed to be investible and is based on the well-established methodology and composition of the flagship GBI-EM Global Diversified Index (GBI-EM GD). As such, 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 that are fixed-rate, domestic currency government bonds.

Additionally, the GBI-EM Global Diversified Select Index does not include new markets that are below 1% market value weights of the flagship Index.

Returns and statistics for the GBI-EM Global Diversified Select Index are available from September 2015.

Index Criteria

Instrument Type:	Local Currency denominated fixed coupon instruments.
Remaining maturity:	Inclusion: Greater than 2.5 years remaining maturity on rebalance date. Exclusion: Less than 6 months remaining maturity on rebalance date.
Amount Outstanding:	Local issues with a current face amount outstanding of \$2 billion or more, as well as Global issues with \$500 million or more are considered for inclusion.
Currency:	All eligible currencies are available within the set of eligible countries.
Country Eligibility:	Index Entry: A country is eligible for the EM sovereign debt indices if either a) The GNI per capita of the country's economy is below the index income threshold (IIC) for three consecutive years or b) the nation's cost of living (purchasing power) is below the EM threshold (IPR) for three consecutive years. Additionally, for inclusion in this index, new markets require a weight of at least 1% in the flagship index. Index Exit: A country's GNI per capita is above the Index Income Ceiling (IIC) for three consecutive years as well as the country's long term local 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. Treatment around country removals, timing, currency adoption, re-entry of an excluded country and extraordinary event will all inherit the flagship GBI-EM Global Diversified rules. An existing indexed country would not be removed if its weight drops below 1% in the flagship.
Capital Controls:	The Index excludes countries with explicit capital controls, but does not factor in regulatory/tax hurdles in assessing eligibility, unless such regulatory or tax hurdles significantly hinder investors' ability to replicate the index.

Source: J.P. Morgan

Index Characteristics and Methodology

Global Index Research

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See page 3 for important disclosures.

Pricing:	Bid and Ask 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 WN Reuters are unavailable on the last weekday of the month (i.e., Good Friday), indices are rebalanced on the previous business day.
Coupon Treatment:	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.
Credit Rating:	Median of S&P, Moody's, and Fitch Rating as of month end rebalance date.
Weighting:	Market capitalization-based weighting subject to a maximum weight of 10% (cap) per country and adjusted in accordance with the GBI-EM diversification methodology (Link).
Tax Rates:	The "to-worst" tax rates used are determined based on official government/tax authority sources, J.P. Morgan Tax Intelligence and investor consultations.
Bloomberg Ticker	JGENDNTU

Appendix

Defining the universe of eligible countries

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.

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 capitalizing/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.

Index Methodology

The Index 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 J.P. Morgan GBI-EM Global Diversified Select Index.

For any questions or for additional information, please contact index.research@jpmorgan.com

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