

J.P. Morgan USD Emerging Markets High Yield Bond Index

Methodology and Factsheet

Highlights

The J. P. Morgan USD Emerging Markets High Yield Bond Index (USD EM High Yield) tracks liquid, US Dollar emerging market fixed and floating rate debt instruments issued by corporate, sovereign, and quasi-sovereign¹ entities. The index tracks instruments that are classified as non-investment grade (HY) in the established [J.P. Morgan EMBI Global Diversified Core](#) and [J.P. Morgan CEMBI Broad Diversified Core](#) indices. The index first combines the eligible universes and then applies a unique diversification methodology, which limits the weights of larger index countries by only including a specified portion of those countries' eligible current face amounts of debt outstanding and applying a 10% country cap, thus providing a more even distribution of weights across the countries in the index². The returns and statistics are available since December 2011.

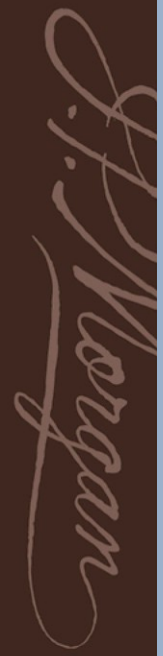
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1. Quasi-sovereign entities are defined as being 100% guaranteed or 100% owned by the national government
2. Diversification is applied to the index effective May 29th, 2026, on a going forward basis

See page 7 for important disclosures.



Index Criteria

Instrument Type:	<p>Includes both fixed and floating rate securities along with capitalizing/amortizing bonds. Excludes convertibles, inflation-linked instruments.</p> <p>Defaulted corporate issues are excluded from the index.</p>
Issuer Type:	<p>Corporate, sovereign and quasi-sovereigns instruments are eligible in the index. Quasi sovereign entities are defined as being 100% guaranteed or 100% owned by the government.</p> <p>Corporate issuers must be one of the following: (1) guaranteed by EM entity (must be 100%), or (2) Majority% of the issuer’s assets are within EM economies, or (3) Issuer’s operational HQ and centralized decision making occurs in EM country.</p>
Remaining Maturity:	<p>Sovereign, quasi-sovereign, and corporate instruments with at least 2.5 years until maturity are considered for inclusion. Once added, an instrument may remain in the index until 12 months before it matures.</p>
Amount Outstanding:	<p>Sovereign and quasi-sovereign issues with a current face amount outstanding of \$1 billion or more are considered for inclusion. Corporate issues with a current face amount outstanding of \$500 million or more are considered for inclusion.</p>
Currency:	<p>Only USD denominated bonds are included. Instruments where the amount of coupon or redemption payment is linked to an exchange rate are not eligible for inclusion.</p>
Country:	<p>Sovereign and Quasi-sovereign entities: Country’s GNI per capita must be below the Index Income Ceiling (IIC) for 3 consecutive years or Index PPP ratio (IPR) is below the EM threshold for 3 consecutive years. Countries are removed from the index if the IIC level and the country’s sovereign credit rating is BBB-/Baa3 or above. Starting March 2024, additional country exclusion rules are applied consistent with the J.P. Morgan EMBIG Core methodology.</p> <p>Corporate entities must be domiciled within: Africa, Asia ex-Japan/New Zealand/Australia, Latin America, Eastern Europe, and Middle East</p>
Credit Rating:	<p>Only high yield instruments are eligible. An instrument is classified as high yield when the middle rating from S&P, Moody’s, and Fitch is sub-investment grade. When a rating from only two agencies is available, the lower has to be sub-investment grade; and when only one agency rates a bond, that rating is used.</p>

Index Characteristics and Methodology

Pricing:	Bid and Ask prices are taken from a third party pricing source, Pricing Direct.
Aggregate Return:	Index/Country level total return is calculated as a market-weighted average of bond returns using bid prices.
Rebalancing:	Rebalances on the last US business day of the month.
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.
Hedging Strategy	Assume a 1-month currency forward position that begins on rebalance day and ends on next rebalance day
Weighting	Market capitalization based weighting

Appendix

Defining the universe of eligible countries

For sovereign and quasi-sovereign entities, following the 2018 Index Governance Review, a country will be eligible for the EM sovereign suite of indices if it either meets the GNI per capita-based Index Income Ceiling (IIC) criterion or the PPP-based Index PPP Ratio (IPR) criterion. J.P. Morgan defines the Index Income Ceiling (IIC) as the GNI per capita level that is adjusted every year by the growth rate of the World GNI per capita, Atlas method (current US\$), provided by the World Bank annually. An existing country may be considered for removal from the index if its GNI per capita is above the Index Income Ceiling (IIC) for three consecutive years and the country's long-term foreign 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. The 2026 IIC level is \$24,325.

For the IPR, it is calculated, as below, from the one-year lagged GDP data available in IMF's World Economic Outlook publication. The EM IPR threshold is an indexed number which mimics the changes to the World IPR. $IPR = \text{GDP (current prices, USD)} / \text{GDP (current prices, PPP dollars)} * 100$. The IPR criterion states that a country's IPR should be below the EM threshold for three consecutive years, to be eligible. The 2026 IPR level is 53.3.

Corporate entities must be domiciled within Africa, Asia ex-Japan/New Zealand/Australia, Eastern Europe, Middle East, and Latin America.

Instrument Type

The USD EM High Yield Bond Index includes both fixed and floating rate instruments, as well as capitalizing/amortizing bonds. Bonds with embedded options and warrants are eligible for inclusion if a) the options/warrants are attached to instruments that would otherwise be included in the index and b) the quotation convention—as recommended by the Emerging Markets Traders Association (EMTA)—is for instrument prices to be quoted cumulative options or warrants. Convertible bonds are not eligible for inclusion into the index. Corporate issues that are defaulted are excluded from the index.

Issuer type

The USD EM High Yield Bond Index contains instruments issued by corporate, sovereign and quasi-sovereign entities from index-eligible countries. Historically, any quasi-sovereign issue was considered eligible for inclusion. As of May 31, 2002, we strengthened our definition of “quasi-sovereign” as an entity that is 100% guaranteed or 100% owned by the national government, and resides in the index eligible country.

Weighting Methodology

The USDEM High Yield Bond Index tracks instruments in the established J.P. Morgan EMBI Global Diversified Core and J.P. Morgan CEMBI Broad Diversified Core, combines the composition, and applies a unique diversification methodology.

The diversification methodology limits the weights of those index countries with larger debt stock by only including a specified portion of these countries’ eligible current face amounts of debt outstanding while also applying a 10% country cap. Once the instrument allocations are derived for each country, the current settlement price for each instrument is applied to its index allocation to calculate the market capitalization of each issue in the index. The weight of each instrument in the USD Emerging Markets High Yield Bond Index is then determined by dividing its market capitalization by the total market capitalization for all the index’s instrument allocations. The result represents the weight of each issue expressed as a percentage of the index. By allocating their portfolios according to these exact instrument weights, and accounting for coupon reinvestments and instrument allocation changes, investors can replicate the performance of the USD Emerging Markets High Yield Bond Index.

The diversification methodology of the USD Emerging Markets High Yield Bond Index anchors on the average size of the countries in the index and the debt stock size of the largest country in the index.

We define **Index Country Average (ICA)** = $\Sigma(\text{Ctry Face Amount}) / (\text{No. of Countries in the index})$

Based on the ICA, the diversified face amount for any country in the index is derived according to the following rules:

1. The largest country based on face amount will be capped at double the average country debt stock in the index (ICA * 2). This is the maximum threshold and sets the scale to determine the diversified face amounts of other countries in the index.
2. If a country's debt stock is below the index country average (ICA), the entire amount will be eligible for inclusion.
3. Countries whose debt stock falls between the index country average (ICA) and double the average (ICA * 2) will be linearly interpolated.

Subsequently, the diversified (adjusted) face amount determined using the above step is then converted to a market value (based on dirty price), which is then converted to an index weight percentage based on the proportion of the total index market capitalization that the country represents. Any excess weight above the cap will be redistributed to smaller countries that are below the cap to limit concentration risk.

Diversified Country Face Amount=

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

where Ctry FA represents the non-diversified country face amount and FA_{max} represents the face amount of the largest country.

Finally, a threshold (a maximum cap of 10%) is applied at the country level to improve diversification; i.e. sum of all the issuer weights within the country must be equal to or less than the maximum cap/threshold. Excess weight is re-distributed to other countries below the threshold. The maximum cap/threshold will be reviewed on a periodic basis and adjusted accordingly.

Legacy Weighting Methodology (From inception to May 29, 2026)

The USD EM High Yield Bond Index combines the HY portion of the J.P. Morgan EMBI Global Diversified Core and J.P. Morgan CEMBI Broad Diversified Core using a market weighted approach. Constituents are included in the index with a full non-diversified notional. Once the instrument allocations are derived for each country, the current settlement price for each instrument is applied to its index allocation to calculate the market capitalization of each issue in the index.

The weight of each instrument in the USD EM High Yield Bond Index is then determined by dividing its market capitalization by the total market capitalization for all the index's instrument allocations. The result represents the weight of each issue expressed as a percentage of the index. By allocating their portfolios according to these exact instrument weights, and accounting for coupon reinvestments and instrument allocation changes, investors can replicate the performance of the J. P. Morgan USD Emerging Markets High Yield Bond Index.

New Issue Timing

A new issue that meets the USD EM High Yield Bond Index admission requirements will be assessed for inclusion in the month-end rebalance of the same month provided its settlement date falls on or before that month-end rebalance date. Any taps or tenders will be assessed similarly for index inclusion based on their settlement date. A new issue whose settlement date falls after the first month-end rebalance date is added to the index on the rebalance day of the next month.

An exception concerns Reg S securities. An instrument that is issued purely in reliance on Regulation S of the US Securities Act of 1933 and not pursuant to Rule 144A will be ineligible for inclusion in the index until it is seasoned (that is, until the expiration of the relevant Regulation S restricted period). The date at which the seasoning restriction is lifted will effectively be the new "issue" date, at which point the settlement date rule will apply.

If an announcement is made for a bond to be called, it is removed the month-end prior to its call date on the basis of having less than 12 months remaining until maturity. If an announcement is not made in time for the bond to be removed the prior month-end, it will be removed the first month-end following the announcement.

For any questions or for additional information, please contact
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