



# **Nasdaq BulletShares<sup>®</sup> USD Corporate Bond Indexes Methodology**

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## Description

### Overview

Nasdaq BulletShares® USD Corporate Bond Indexes (“the Indexes”) measure the performance of maturity-targeted segments of the US dollar-denominated investment grade corporate bond market. The BulletShares® methodology allocates bonds from the Index family’s universe of eligible securities into the Nasdaq BulletShares® Indexes based on maturity or, in some cases, effective maturity date.

### History

The Indexes have available history back to their base dates, which begins as early as April 30, 2010 for the Indexes with maturity years 2018 - 2027. Each year, as one Index matures, a new Index is added. Invesco Indexing acquired the Nasdaq BulletShares® USD Corporate Bond Indexes in April 2018.

### Related Indexes

Nasdaq BulletShares® USD Corporate Bond Indexes include:

- Nasdaq BulletShares® USD Corporate Bond 2018 Index
- Nasdaq BulletShares® USD Corporate Bond 2019 Index
- Nasdaq BulletShares® USD Corporate Bond 2020 Index
- Nasdaq BulletShares® USD Corporate Bond 2021 Index
- Nasdaq BulletShares® USD Corporate Bond 2022 Index
- Nasdaq BulletShares® USD Corporate Bond 2023 Index
- Nasdaq BulletShares® USD Corporate Bond 2024 Index
- Nasdaq BulletShares® USD Corporate Bond 2025 Index
- Nasdaq BulletShares® USD Corporate Bond 2026 Index
- Nasdaq BulletShares® USD Corporate Bond 2027 Index
- Nasdaq BulletShares® USD Corporate Bond 2028 Index

Other related indexes include:

- Nasdaq BulletShares® USD High Yield Corporate Bond Indexes

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## Index Construction

### Universe of Eligible Securities

The eligible universe includes US dollar-denominated bonds issued by companies domiciled in the US, Canada, Western Europe<sup>1</sup> or Japan. The bonds must pay fixed amounts of taxable interest. Eligible bonds include fixed-coupon bonds; callable bonds; step-ups; event-driven, rating-driven and registration-driven bonds; amortizing bonds and sinking funds with fixed sinking schedules. The bonds must be investment grade with a credit rating of at least BBB- from Standard and Poor's or Fitch, or Baa3 by Moody's, and the bonds must be sufficiently liquid, with an outstanding face value of at least \$500 million (existing bonds in the eligible universe require \$400 million face value to remain). To ensure adequate investability, the following bond types are specifically excluded from Index consideration: non-SEC registered bonds (including Rule 144A bonds, Reg S bonds, private placements, Eurodollar bonds and EuroMTN bonds); retail bonds; floating rate bonds; zero coupon bonds; convertible bonds; bonds cum or ex-warrant; bonds with one cash flow only; new bonds that have already been called; inflation or other index-linked bonds; corporate bonds guaranteed by an agency, national or supranational government (including FDIC or TLGP); perpetual securities (including Trust Preferred); and securities for which the Index Calculation Agent is unable to, or is prohibited from providing an evaluated price.

### Index Creation

On a semi-annual basis (last calendar day of June and December), existing bonds in the eligible universe are distributed into Nasdaq BulletShares® USD Corporate Bond Indexes in accordance with their effective maturities. If no embedded issuer call option exists, then effective maturity is the actual year of maturity. If a bond contains an embedded issuer call option, with the first call date within 13 months of maturity and a par call price, then the effective maturity shall be its actual year of maturity. In other cases, the effective maturity shall be its actual year of maturity unless the yield to next call date is less than the yield to maturity, in which case its effective maturity shall be the year of the next call date.

### Security Weighting

Nasdaq BulletShares® USD Corporate Bond Indexes employ a market value weighting methodology to weight individual positions, subject to a 5% limit on individual issuers in each Index applied at each monthly rebalancing prior to the final maturing year of an Index. Once set, target weights are free to float due to market movement. Weights are reviewed and the Index rebalanced according to the rules described on page 5.

### Reinvestment

Market values of coupon payments, matured and called proceeds (including any accrued interest paid in connection with the redemption of the bond) are deemed reinvested as of the payment date in 13-week U.S. Treasury Bills until the next Index rebalance. In the latter half of the maturing year, all reinvestments will remain in the U.S. Treasury Bill until the termination of the Index. In the last two months of the maturing year, the U.S. Treasury Bill that matures soonest after year end will be used.

<sup>1</sup> Western Europe here includes: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and United Kingdom.

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## Updates

### **Index Reconstitution and Rebalancing**

Prior to the maturing year of an Index, the Index is reconstituted on a semi-annual basis on the last calendar day of June and December and rebalanced monthly on the last calendar day of each month.

During Index reconstitution, each BulletShares® USD Corporate Bond Index is reconstituted to reflect changes in the eligible universe, as well as changes in the deemed effective maturities of callable bonds as determined by the processes set forth above.

During Index rebalance, each Index is rebalanced to reflect the current relative market values of its constituents and to incorporate any new bonds in the eligible universe that qualify for inclusion in accordance with the effective maturity process described above. Existing bonds deleted because of face value or credit rating changes will be excluded for the next three monthly rebalances (including the current rebalance) regardless of any further changes in face value or credit ratings.

During the maturing year of an Index, there is no reconstitution. The portfolio of bonds established in connection with the reconstitution at previous year end will be fixed for the remainder of the life of the Index. The normal rebalancing process (no new bonds added) continues until the end of June, after which the Index's constituents are set to float due to market value changes and are no longer rebalanced on a monthly basis. If the originally assigned effective maturity date has passed and no call announcement is made, the bond's effective maturity date will be reassessed and the bond will be reassigned at the next monthly rebalancing.

### **Index Termination**

Any remaining bonds or US Treasury Security in a Nasdaq BulletShares® USD Corporate Bond Index as of the end of the Index's year of maturity are valued as of the close of business on the last business day of December in the Index's designated year of maturity, and the Index is terminated as of December 31st, whether or not such date is the last business day.

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## Calculation Agent

The calculation agent for the Index (“the Calculator”) is Nasdaq. The Calculator is responsible for gathering securities information for the eligible universe and applying the Nasdaq BulletShares® USD Corporate Bond Index methodology to create individual Indexes. The Calculator is also responsible for determining an evaluated price for each security in the Indexes and for compiling, calculating, maintaining, and disseminating the values of the Indexes.

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## Index Key Dates

The key dates surrounding each rebalance are outlined in the table below. The Index Review Team (see Governance on page 7) may change these dates for reasons including market holidays. Any such changes will be publicly announced with as much advance notice as possible under the circumstances. All events take place after the close.

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<b>Event</b>	<b>Day</b>	<b>Description</b>
Reference Date	The 15 <sup>th</sup> calendar day of the month, or the first business day prior to the 15 <sup>th</sup> day	Data is captured for Index construction
Announcement Date	Six business days before the last calendar day of the month	Upcoming changes to the Index constituent list will be made publicly available
Pro-Forma Date	Five business days before the last calendar day of the month	Preliminary Index weights begin to be distributed to Index subscribers
Effective Date	Calendar month-end, whether or not the date is also a business day	Rebalanced Index weights are finalized

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## Index Policy

### Changes to Index Methodology

Best efforts are made to announce any changes to Index methodology well ahead of time via the Invesco Indexing website and via email to all Index clients.

### Holiday Schedule

The Index is calculated daily, throughout the calendar year. The Index follows the holiday schedule outlined by the Securities Industry and Financial Markets Association (SIFMA).

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## Governance

The Index is managed by the Index Review Team (IRT). The IRT consists solely of members of Invesco Indexing. The IRT meets at least annually to review and revise Index methodology described in this document as appropriate. The IRT meets at least monthly to review additions and deletions to the Index. All potential monthly changes to the Index are subject to the approval of the IRT, and the IRT may adjust the Index at its discretion when such changes are reasonable.

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## Return Types and Tickers

The Calculator computes the total return for the Index on a daily basis.

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Index Name	Bloomberg Ticker
Nasdaq BulletShares® USD Corporate Bond 2018 Index	BSCBI
Nasdaq BulletShares® USD Corporate Bond 2019 Index	BSCBJ
Nasdaq BulletShares® USD Corporate Bond 2020 Index	BSCBK
Nasdaq BulletShares® USD Corporate Bond 2021 Index	BSCBL
Nasdaq BulletShares® USD Corporate Bond 2022 Index	BSCBM
Nasdaq BulletShares® USD Corporate Bond 2023 Index	BSCBN
Nasdaq BulletShares® USD Corporate Bond 2024 Index	BSCBO
Nasdaq BulletShares® USD Corporate Bond 2025 Index	BSCBP
Nasdaq BulletShares® USD Corporate Bond 2026 Index	BSCBQ
Nasdaq BulletShares® USD Corporate Bond 2027 Index	BSCBR
Nasdaq BulletShares® USD Corporate Bond 2028 Index	BSCBS

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## Index Information and Data Dissemination

### Data Vendors

Daily Index levels are available from major quote vendors and at [www.invescoindexing.com](http://www.invescoindexing.com)

### FTP

Daily constituent data and Index level data are available via the Invesco Indexing secure FTP site for Index subscribers. Please contact Invesco Indexing customer service at [indexsupport@invesco.com](mailto:indexsupport@invesco.com) for more information.

### File Types

The Invesco Indexing secure FTP site for Index subscribers will distribute the standard overnight index files from the Calculator. These include:

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File Description	File Extension
Index Levels	yyyymmdd_IW38_ticker_VFI2EOD_01.txt
Constituent Details	yyyymmdd_IW38_ticker_WFI2EOD_01.txt
Constituent Details Pro-Forma	yyyymmdd_IW38_ticker_PROFI_01.txt

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### Website

Index information is available on the Invesco Indexing website at [www.invescoindexing.com](http://www.invescoindexing.com).



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