

S&P Dow Jones Indices

A Division of **S&P Global**

Talking Points

A New Way to Look at Corporate Bonds



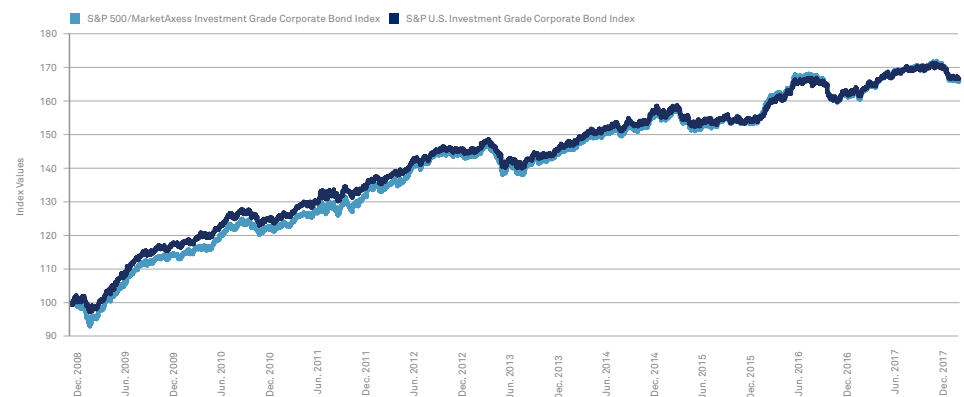
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The S&P 500/MarketAxess Investment Grade Corporate Bond Index seeks to measure the performance of the largest, most frequently traded bonds issued by high-quality companies in the S&P 500.

1. How does this index compare to broader U.S. investment-grade corporate bond indices?

The S&P 500/MarketAxess Investment Grade Corporate Bond Index captures similar characteristics of the broader U.S. investment-grade market, such as total return, yield, and duration. However, by focusing on the largest, most frequently traded bonds of well-known companies in the S&P 500, the index provides improved relative liquidity versus issues in the broader corporate bond market.

Exhibit 1: S&P 500/MarketAxess Investment Grade Corporate Bond Index (TR) Performance



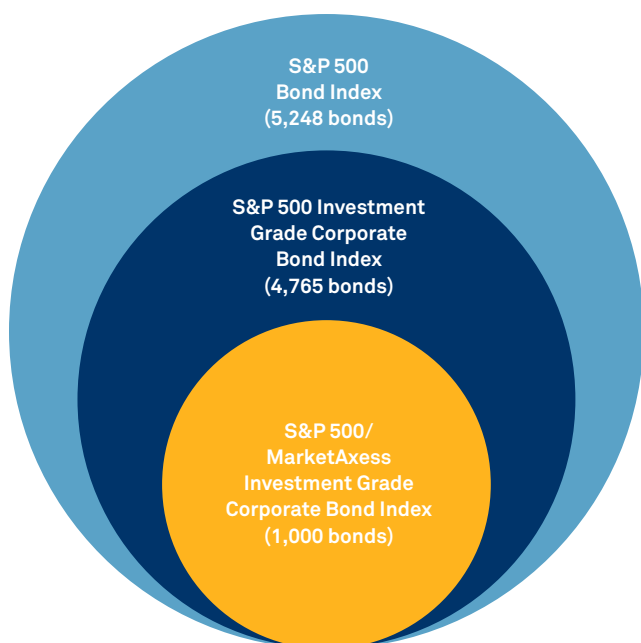
Source: S&P Dow Jones Indices LLC. Data as of March 21, 2018. Data was rebased at 100 on Dec. 31, 2008. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

2. How is the S&P 500/MarketAxess Investment Grade Corporate Bond Index constructed?

The S&P 500/MarketAxess Investment Grade Corporate Bond Index is a subindex of the larger S&P 500 Investment Grade Corporate Bond Index. The index was created in an effort to identify the largest, most frequently traded, high-quality bonds issued by members of the S&P 500. The first step in designing the index was to isolate only high-quality issuers.

Then, additional criteria were applied, such as increasing the minimum par amount and requiring evidence of recent trade data. The result is an index that is designed to track the largest high-quality issues with improved relative liquidity versus issues in the broader U.S. investment-grade corporate bond market (see Exhibit 2).

Exhibit 2: Construction of the S&P 500/MarketAxess Investment Grade Corporate Bond Index



S&P 500 Bond Index

- Designed to be the corporate bond counterpart to the iconic S&P 500
- Market-value-weighted, the index seeks to measure the performance of U.S. corporate debt issued by companies in the S&P 500

S&P 500 Investment Grade Corporate Bond Index

- Excludes all high-yield constituents (approximately 500 bonds)

S&P 500/MarketAxess Investment Grade Corporate Bond Index

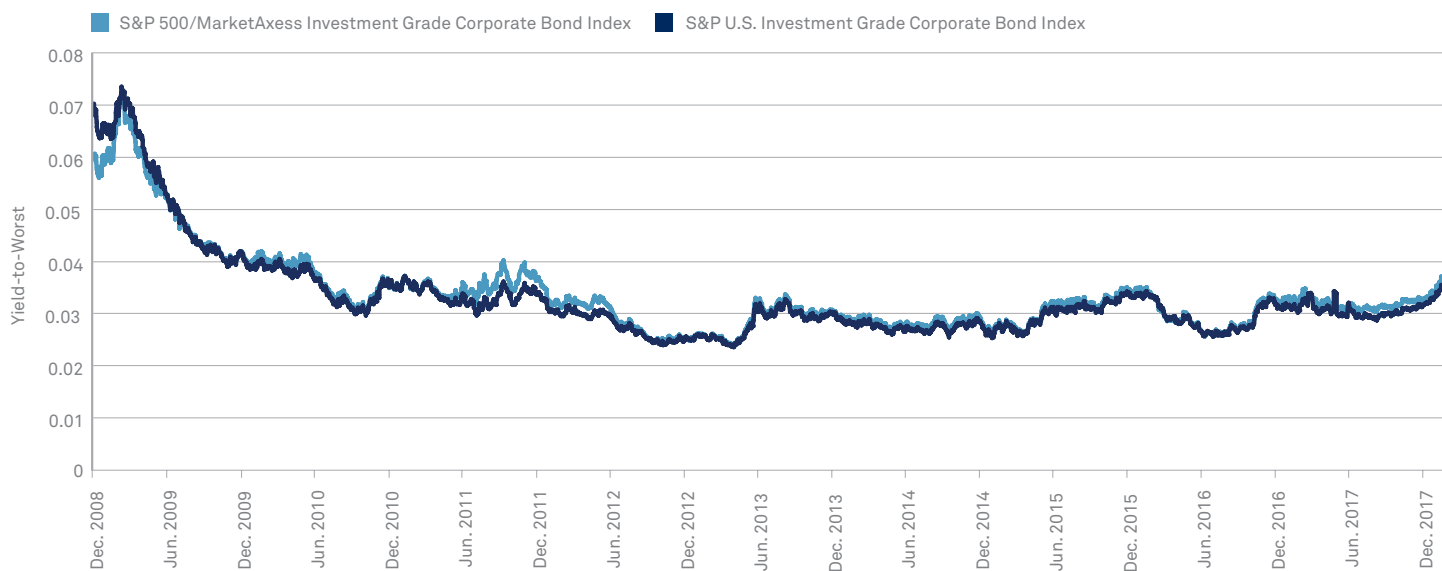
- Constituents must be TRACE eligible, with volume reported in the last 60 days
- Minimum par amount of USD 750 million
- Maximum of 1,000 constituents

Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2017. Chart is provided for illustrative purposes.

3. What are the primary benefits of the index?

The S&P 500/MarketAxess Investment Grade Corporate Bond Index attempts to simplify the bond market through its relationship to the S&P 500. Because most investors are familiar with the iconic index that is designed to track large-cap U.S. equities, the S&P 500 Bond Index can make the corporate bond market more approachable, given that investors are generally already familiar with the corporations whose debt is being measured by the index. The S&P 500/MarketAxess Investment Grade Corporate Bond Index takes this representation further by focusing on high-quality issuers and bonds that offer increased relative liquidity. In summary, the index:

- Consists of high-quality issuers from the S&P 500—companies with global revenue streams, strong balance sheets, and a demonstrated capacity to service debt payments;
- Seeks to track the largest-issued bonds by size—these issues tend to trade in larger volume and with higher frequency, hence offering greater depth of liquidity;
- Offers a more efficient way to view the broader U.S. investment-grade corporate bond market by tracking fewer bonds, with the aim of achieving similar or better performance than the benchmark; and
- Could provide a consistent stream of coupon yield and high risk-adjusted return as a function of its high-quality membership (see Exhibit 3).

Exhibit 3: Yield-to-Worst of the S&P 500/MarketAxess Investment Grade Corporate Bond Index

Source: S&P Dow Jones Indices LLC. Data as of Feb. 28, 2018. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Exhibit 4: S&P 500/MarketAxess Investment Grade Corporate Bond Index Quick Facts

Weighting Method	Market Value Weighted
Rebalancing Frequency	Monthly
Calculation Frequency	Real time
Launch Date	Jan. 9, 2017
First Value Date	Dec. 31, 2008

Source: S&P Dow Jones Indices LLC. Data as of Feb. 28, 2018. Table is provided for illustrative purposes.

Exhibit 5: S&P 500/MarketAxess Investment Grade Corporate Bond Index Characteristics

Number of Constituents	1,000
Market Value Outstanding (USD Millions)	1,738,071.27
Weighted Average Maturity	11.37 Years
Weighted Average Coupon	3.69%
Yield-to-Maturity	3.71%
Yield-to-Worst	3.71%
Effective Duration	7.64
Option-Adjusted Spread	97.80

Source: S&P Dow Jones Indices LLC. Data as of Feb. 28, 2018. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Exhibit 6: S&P 500/MarketAxess Investment Grade Corporate Bond Index (TR)

Index Level	Returns (%)			Annualized Returns (%)		
	1 Month	3 Months	YTD	1 Year	3 Years	5 Years
166.71	-1.90%	-1.83%	-2.97%	1.95%	2.19%	2.92%

Source: S&P Dow Jones Indices LLC. Data as of Feb. 28, 2018. Index performance based on total return in AUD. Past performance is no guarantee of future results. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Performance Disclosure

The S&P 500/MarketAxess Investment Grade Corporate Bond Index was launched on January 9, 2017. The S&P U.S. Investment Grade Corporate Bond Index was launched on July 31, 2017. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was in effect on the index Launch Date. Complete index methodology details are available at www.spdji.com.

S&P Dow Jones Indices defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the Index is set at a fixed value for calculation purposes. The Launch Date designates the date upon which the values of an index are first considered live: index values provided for any date or time period prior to the index's Launch Date are considered back-tested. S&P Dow Jones Indices defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company's public website or its datafeed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed "Date of introduction") is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index's public release date.

Past performance of the Index is not an indication of future results. Prospective application of the methodology used to construct the Index may not result in performance commensurate with the back-test returns shown. The back-test period does not necessarily correspond to the entire available history of the Index. Please refer to the methodology paper for the Index, available at www.spdji.com for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations.

Another limitation of using back-tested information is that the back-tested calculation is generally prepared with the benefit of hindsight. Back-tested information reflects the application of the index methodology and selection of index constituents in hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. For example, there are numerous factors related to the equities, fixed income, or commodities markets in general which cannot be, and have not been accounted for in the preparation of the index information set forth, all of which can affect actual performance.

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