

# S&P Dow Jones Indices

A Division of **S&P Global**

# TalkingPoints

## The S&P 500® Bond Mega 30 Index Series



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The indices in the S&P 500 Bond Mega 30 Index Series are designed to measure 30 of the largest bonds from the S&P 500 Investment Grade Corporate Bond Index and the S&P 500 High Yield Corporate Bond Index. The index series is designed to be a more liquid and investable subset of the S&P 500 Bond Index.

### 1. What is the S&P 500 Bond Mega 30 Index Series?

The S&P 500 has been the flagship index tracking the U.S. equity market for over 50 years. Over the past few years, corporations have issued large amounts of debt, likely taking advantage of the lower interest rate environment. The S&P 500 Bond Index Series seeks to track debt issued by companies in the S&P 500.

The S&P 500 Bond Mega 30 Investment Grade Index is composed of 30 bonds, representing the largest investment-grade bond issues of the S&P 500. The bonds are selected from the S&P 500 Investment Grade Corporate Bond Index.

The S&P 500 Bond Mega 30 High Yield Index is composed of 30 bonds, representing the largest high-yield bond issues from the S&P 500. The bonds are selected from the S&P 500 High Yield Corporate Bond Index.

In addition, there are two maturity-based indices that track the 30 largest bond issues in the three- to five-year and five- to seven-year maturity ranges for both investment-grade and high-yield issuers.

## 2. What are some of the key benefits of the S&P 500 Bond Mega 30 Index Series?

Over the past few years, the growing debt pool issued by corporations has driven the need for independent indices to track different aspects of that market. The new S&P 500 Mega Bond Indices track bonds with larger issue sizes that typically trade with greater frequency and enhanced transparency, and therefore tend to have higher liquidity.

- **Liquidity:** To help ensure liquidity, the largest bond by par amount outstanding is used for each issuer.
- **Composition:** Comprises bonds from the widely followed, large-cap companies tracked in the S&P 500 with one bond per issuer represented.
- **High Quality:** As of Feb. 5, 2018, the weighted average rating for the S&P 500 Bond Mega 30 Investment Grade Index was A-/A3/A-, and for the S&P 500 Bond Mega 30 High Yield Index the weighted average rating is BB/Ba2/BB+ by S&P Global Ratings/Moody's/Fitch, respectively.
- **Small Constituent Number:** Each index comprises 30 bonds for manageability.
- **Weighting:** Each index is equal weighted to avoid overexposure to any one issuer.

- **Performance:** The indices closely replicate performance of their significantly broader parents S&P 500 Investment Grade Corporate Bond Index and the S&P 500 High Yield Corporate Bond Index.
- **Transparency:** The index aims to make opaque bond markets more transparent by focusing on issuers that are already familiar to market participants. Results are published on [www.spdji.com](http://www.spdji.com) and constituents can be found [here](#).

## 3. What indices are available in the index series?

The following indices are available in the S&P 500 Bond Mega 30 Index Series.

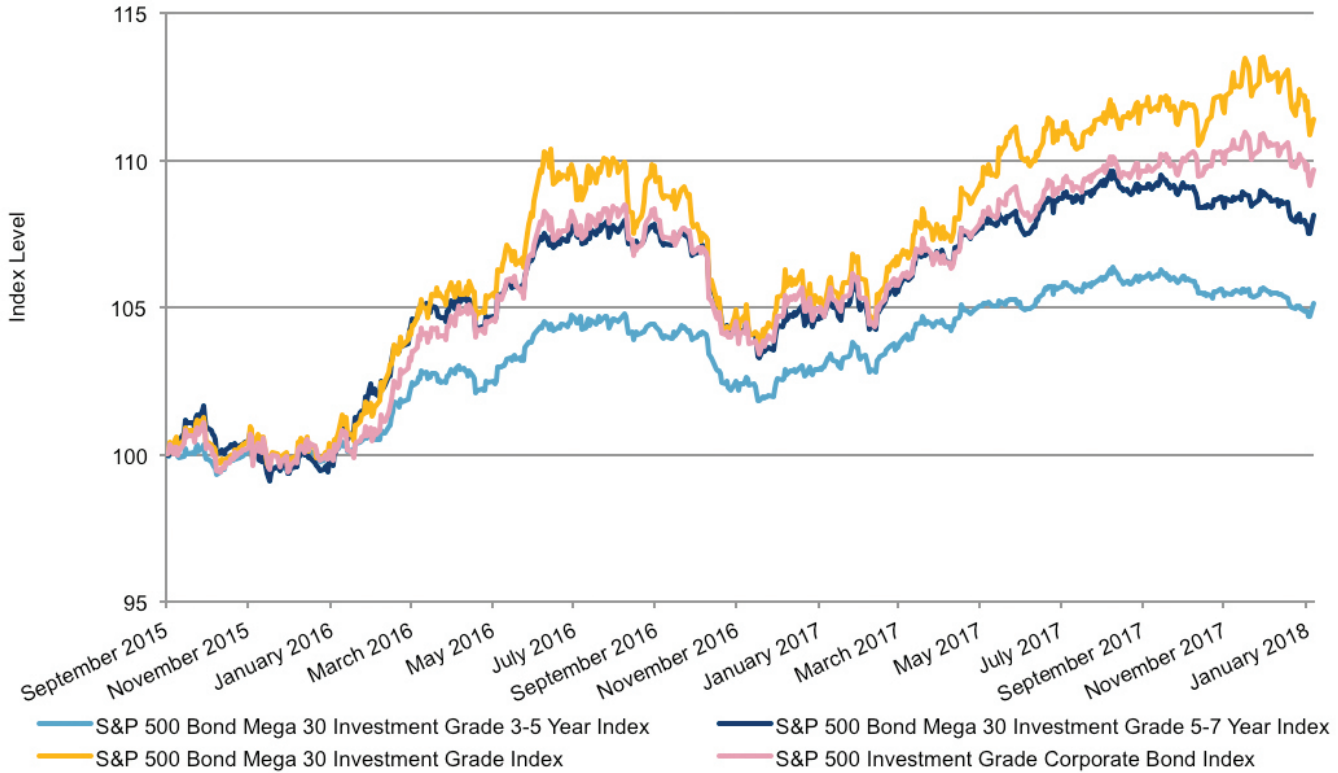
- S&P 500 Bond Mega 30 Investment Grade Index
- S&P 500 Bond Mega 30 Investment Grade 3-5 Year Index
- S&P 500 Bond Mega 30 Investment Grade 5-7 Year Index
- S&P 500 Bond Mega 30 High Yield Index
- S&P 500 Bond Mega 30 High Yield 3-5 Year Index
- S&P 500 Bond Mega 30 High Yield 5-7 Year Index

### Exhibit 1: Eligibility Criteria of the S&P 500 Bond Mega 30 Investment Grade Index and S&P 500 Bond Mega 30 High Yield Index

FEATURE	CRITERIA
Currency	USD
Coupon Type	Fixed, step-up, zero, and fixed-to-float can be included
Optionality	Bullets, callable, and puttable
Maturity	Each bond must have a maturity greater than or equal to one month from the rebalancing date; 3-5 and 5-7 year maturity indices are available
Size	Investment-grade bonds, a minimum par of USD 250 million. High-yield bonds, a minimum par of USD 100 million.
Eligible Issuers	Issuers of the S&P 500 Bond Index
Rating	Lowest investment-grade and high-yield ratings are provided by S&P Global Ratings, Moody's, and Fitch, respectively. Investment-grade rating is a minimum of BBB-/Baa3/BBB-. High-yield rating must fall on or between BB+/Ba1/BB+ and C/Ca/C.
Weighting	Equal weighted
Index Calculation	Daily
Index Rebalancing	Monthly, effective after the close of the last calendar day of the month

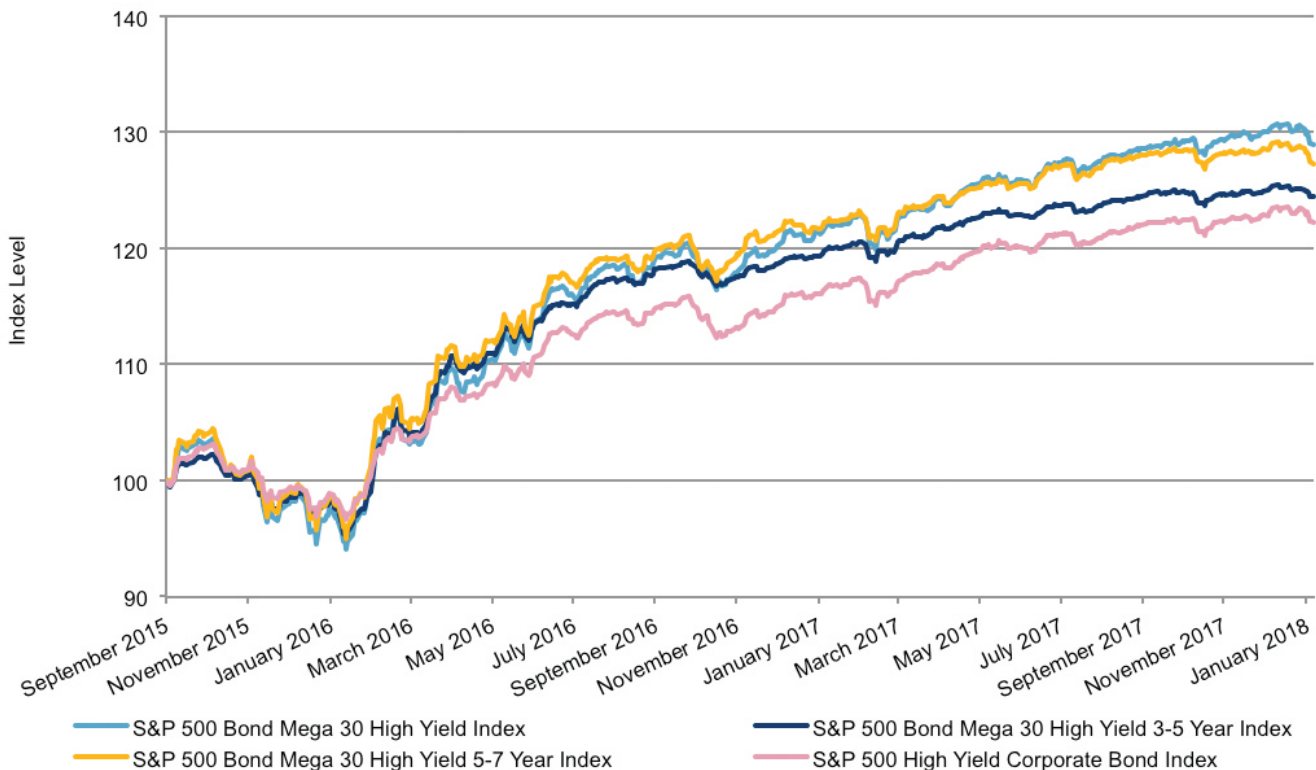
Source: S&P Dow Jones Indices LLC. Table is provided for illustrative purposes.

**Exhibit 2: Performance of S&P 500 Bond Mega 30 Investment Grade Indices (TR)**



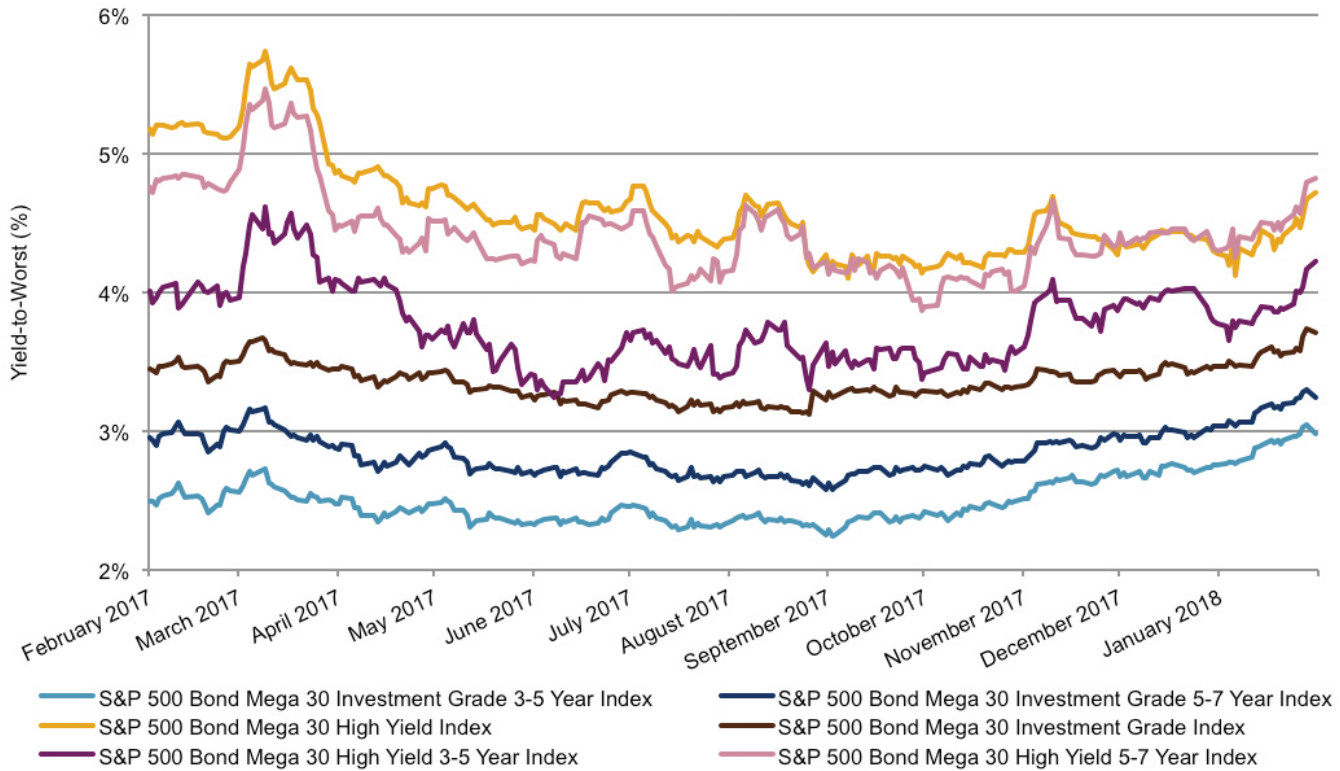
Source: S&P Dow Jones Indices LLC. Data as of Feb. 5, 2018. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

**Exhibit 3: Exhibit 3: Performance of S&P Bond Mega 30 High Yield Indices (TR)**



Source: S&P Dow Jones Indices LLC. Data as of Feb. 5, 2018. Index performance based on total return in USD. 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: Yield-to-Worst of S&P 500 Bond Mega 30 Indices**



Source: S&P Dow Jones Indices LLC. Data as of Feb. 5, 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 5: S&P 500 Bond Mega 30 Index Series Quick Facts**

Weighting Method	Equal Weighted
First Value Date	Sept. 30, 2015
Base Date	Sept. 30, 2015
Launch Date	Jan. 12, 2018
Base Value	100

Source: S&P Dow Jones Indices LLC. Data as of Feb. 5, 2018. Table is provided for illustrative purposes.

**Exhibit 6: S&P 500 Bond Mega 30 Index Series Tickers**

INDEX NAME	TICKER
S&P 500 Bond Mega 30 Investment Grade Index	SP5MBIGT
S&P 500 Bond Mega 30 Investment Grade 3-5 Year Index	SP5MI35T
S&P 500 Bond Mega 30 Investment Grade 5-7 Year Index	SP5MI57T
S&P 500 Bond Mega 30 High Yield Index	SP5MBHYT
S&P 500 Bond Mega 30 High Yield 3-5 Year Index	SP5MH35T
S&P 500 Bond Mega 30 High Yield 5-7 Year Index	SP5MH57T

Source: S&P Dow Jones Indices LLC. Table is provided for illustrative purposes.

**Exhibit 7: S&P 500 Bond Mega 30 Index Series Characteristics**

CHARACTERISTIC	S&P 500 BOND MEGA 30 INVESTMENT GRADE INDEX	S&P 500 BOND MEGA 30 HIGH YIELD INDEX
Number of Constituents	30	30
Total Par Value (USD Millions)	123,257.20	55,123.67
Market Value Outstanding (USD Millions)	131,056.07	524,946.77
Par Weighted Coupon	4.19%	5.28%
Weighted Average Maturity	15.68 years	8.15 years
Par Weighted Price	106.11	98.36
Yield to Maturity	3.67%	4.98%
Yield to Worst	3.71%	4.72%
Option-Adjusted Spread	97	218
Modified Duration	9.91	6.20
Effective Duration	9.80	5.43
Convexity	1.67	0.10
Weighted Average Rating	A-/A3/A-	BB/Ba2/BB+

Source: S&P Dow Jones Indices LLC. Data as of Feb. 5, 2018. Table is provided for illustrative purposes.

**Exhibit 8: S&P 500 Bond Mega 30 Index Series (TR)**

INDEX NAME	1-YEAR TOTAL RETURN (%)	SINCE FIRST VALUE DATE (SEPT. 30, 2015) (%)
S&P 500 Bond Mega 30 Investment Grade Index	6.06	11.38
S&P 500 Bond Mega 30 Investment Grade 3-5 Year Index	2.10	5.14
S&P 500 Bond Mega 30 Investment Grade 5-7 Year Index	3.30	8.14
S&P 500 Bond Mega 30 High Yield Index	5.90	28.98
S&P 500 Bond Mega 30 High Yield 3-5 Year Index	3.91	24.47
S&P 500 Bond Mega 30 High Yield 5-7 Year Index	3.30	27.25

Source: S&P Dow Jones Indices LLC. Data as of Feb. 5, 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.

**For more information on the S&P 500 Bond Mega 30 Index Series please go to [www.spdji.com](http://www.spdji.com), or visit the following links.**

[S&P 500 Bond Mega 30 Investment Grade Index](#)

[S&P 500 Bond Mega 30 Investment Grade 3-5 Year Index](#)

[S&P 500 Bond Mega 30 Investment Grade 5-7 Year Index](#)

[S&P 500 Bond Mega 30 High Yield Index](#)

[S&P 500 Bond Mega 30 High Yield 3-5 Year Index](#)

[S&P 500 Bond Mega 30 High Yield 5-7 Year Index](#)

## Performance Disclosure

The S&P 500 Bond Mega 30 Investment Grade Index, S&P 500 Bond Mega 30 Investment Grade 3-5 Year Index, S&P 500 Bond Mega 30 Investment Grade 5-7 Year Index, S&P 500 Bond Mega 30 High Yield Index, S&P 500 Bond Mega 30 High Yield 3-5 Year Index, and S&P 500 Bond Mega 30 High Yield 5-7 Year Index were launched on Jan. 12, 2018. 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](http://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](http://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.

The Index returns shown do not represent the results of actual trading of investable assets/securities. S&P Dow Jones Indices LLC maintains the Index and calculates the Index levels and performance shown or discussed, but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US \$100,000 investment for a 12-month period (or US \$10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US \$1,650), the net return would be 8.35% (or US \$8,350) for the year. Over a three year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US \$5,375, and a cumulative net return of 27.2% (or US \$27,200).

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