

FTSE Goldman Sachs Emerging Markets USD Government Bond Index

v1.9



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Section 1

Introduction

1. Introduction

1.1 The FTSE Goldman Sachs Emerging Markets USD Government Bond Index

- 1.1.1 The FTSE Goldman Sachs Emerging Markets USD Government Bond Index comprises US-Dollar denominated sovereign, sovereign guaranteed and government-sponsored bonds providing a broad measure of sovereign and government-related emerging markets¹ while excluding countries with relatively weak governance, high inflation growth and unfavorable import measures.
- 1.1.2 The index is created from the FTSE Emerging Markets Broad Bond Index (EMUSDBBI). The sovereign, sovereign guaranteed and government-sponsored sectors of the index are used as the base universe of bonds (Base Index). The base universe is then screened for larger issuers based on minimum bonds outstanding, representing the more liquid portion of the emerging markets, and applying Worldwide Governance Indicators (WGI)². The bonds are then ranked within their respective countries based on WGI. Bonds from the lowest ranked 10% of countries as measured by WGI are reweighted where their initial market capitalization are reduced by half. The market capitalization of the remaining 90% of countries with more favorable governance are left unchanged. The bonds are then divided into two maturity buckets based on the weighted average life of the Base Index, after which the weights of the maturity buckets are adjusted to match the weighted average effective duration of the Base Index. Within each maturity bucket, constituents are assigned weights in proportion to their market capitalization. A 5% market weight cap is applied to each country.
- 1.2 The FTSE Goldman Sachs Emerging Markets USD Government Bond Index does not take account of ESG factors in its design.
- 1.3 **FTSE Russell**

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- 1.4 FTSE Russell hereby notifies users of the index that it is possible that factors, including external factors beyond the control of FTSE Russell, may necessitate changes to, or the cessation, of the index and therefore, any financial contracts or other financial instruments that reference the index or investment funds which use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.
- 1.4.1 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell or any members of the FTSE Russell Policy Advisory Board (or any person concerned with the

¹ For more information on the methodology for classifying a country to be emerging, please see the Emerging Markets Indexes section of the *Index Guide* on the web at <http://www.yieldbook.com/m/indices>.

² For more information on Worldwide Governance Indicators, see <http://info.worldbank.org/governance/wgi>.

preparation or publication of these Ground Rules) for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules;
- any inaccuracies in these Ground Rules;
- any non-application or misapplication of the policies or procedures described in these Ground Rules; and/or
- any inaccuracies in the compilation of the index or any constituent data.

Section 2

Management responsibilities

2. Management responsibilities

2.1 FTSE International Limited (FTSE) is the administrator of the index³.

2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they best reflect the aim of the index series. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.2.2 As provided for in the Statement of Principles for FTSE Russell Fixed Income Indices, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.

³ The term administrator is used in this document in the same sense as it is defined in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).

Section 3

FTSE Russell index policies

3. FTSE Russell index policies

These Ground Rules should be read in conjunction with the following policy documents, which can be accessed using the links below or by contacting fi.index@lseg.com. These policies are reviewed annually and any changes are approved by the FTSE Russell Index Governance Board.

3.1 Statement of Principles for FTSE Fixed Income Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles for FTSE Fixed Income Indices, which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by the FTSE Russell Index Governance Board.

The Statement of Principles for Fixed Income Indices can be accessed using the following link:

[Statement of Principles Fixed Income Indices.pdf](#)

3.2 Queries and Complaints

FTSE Russell's complaints procedure can be accessed using the following link:

[Benchmark Determination Complaints Handling Policy.pdf](#)

3.3 Recalculation Policy and Guidelines

The Recalculation Policy and Guidelines for Fixed Income Indices document is available from the FTSE Russell website using the link below or by contacting fi.index@lseg.com.

[Fixed Income Recalculation Policy and Guidelines.pdf](#)

3.4 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.4.1 Details of FTSE Russell's treatment can be accessed using the following link:

[Index Policy in the Event Clients are Unable to Trade a Market or a Security.pdf](#)

3.5 Policy for Benchmark Methodology Changes

3.5.1 Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

3.6 FTSE Russell Governance Framework

3.6.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks⁴, the European benchmark regulation⁵ and the UK benchmark regulation⁶. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

⁴ IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

⁵ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

⁶ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

Section 4

Composition and design criteria

4. Composition and design criteria

4.1 Figure one details the design criteria and calculation assumptions for the FTSE Emerging Markets Broad Bond Index. Additional design criteria and calculation assumptions for the FTSE Goldman Sachs Emerging Markets USD Government Bond Index are outlined in figure two.

Figure one: design criteria and calculation assumptions for the FTSE Emerging Markets Broad Bond Index

Coupon	Fixed rate, fixed-to-floating bonds
Currency	USD
Minimum maturity	At least one year Fixed-to-floating bonds are removed one year prior to the fixed-to-floating rate start date
Minimum issue size	Foreign sovereign: USD 500 million Sovereign guaranteed/government sponsored/regional, governments/corporate: USD 250 million
Minimum credit quality	C by S&P and Ca by Moody's
Composition	<u>Securities included:</u> investment-grade and high-yield US Dollar-denominated debt issued by governments, regional governments, government-sponsored entities and corporations domiciled in emerging markets – unless otherwise stated in figure two. <u>Securities excluded:</u> variable rate, floating rate, callable zero-coupon bonds, index-linked, retail directed, bills, stripped zero coupon, convertibles, savings and private placements
Accessibility	Limited to bonds and markets that foreign investors can fully access and whose returns they can easily replicate.
Weighting	Market capitalization
Rebalancing	Once a month at the end of the month
Reinvestment of cash flows	Intra-month cash flows from interest and principal payments are not reinvested as part of monthly index total return calculations ⁷ .
Calculation frequency	Daily
Settlement date	Monthly: settlement is on the last calendar day of the month. Daily: same-day settlement except if the last business day of the month is not the last calendar day of the month; then, settlement is on the last calendar day of the month.
Fixing date	Each month, the upcoming month's index constituents are fixed on the profile fixing date ⁸ . Each year's scheduled fixing dates are published on the website.

⁷ Prior to November 1, 2022, reinvestment income was included in the total return calculation.

⁸ Fixing dates provide a clear reference point for index users to know in advance of any changes to the composition of the index for the upcoming month. On each fixing date, publicly available securities information is used to determine index eligibility and indicative values for the following month's index profile.

Figure two: additional design criteria and calculation assumptions for the FTSE Goldman Sachs Emerging Markets USD Government Bond Index

Minimum issue size and bond count⁹	USD 500 million minimum outstanding per issue Minimum two bonds per issuer
Composition	<u>Securities included:</u> bonds issued by sovereign government, sovereign government-sponsored entities and sovereign government-guaranteed entities. <u>Securities excluded¹⁰:</u> Sukuk
Pricing	Thomson Reuters mid-market price Americas: 16:00 New York Supplemental Europe, Middle East and Africa: 16:15 London Asia-Pacific: 18:00 Tokyo Secondary pricing source, FTSE index price FTSE prices used for historical calculations (from February 28, 2007 to August 26, 2018)
Reconstitution	Each month, after filtering for minimum issuer size based on minimum bonds outstanding, representing the more liquid portion of the market, securities are ranked, capped and weighted through an iterative process to make sure all criteria are met. <ol style="list-style-type: none">WGI ranking and reweighting – the bond universe reweight is determined by the average of six Worldwide Governance Indicators (WGI) pillars determined annually in May¹¹. The countries within the lowest 10% average rank are reweighted such that their market capitalizations are reduced by half¹², while countries in the remaining 90% are left unchanged.Duration adjustment – bonds are divided into two maturity buckets based on weighted average life of the Base Index, after which weights of each maturity bucket are adjusted to match the weighted average effective duration of the Base Index. Within each maturity bucket, constituents are assigned weights in proportion to their market capitalization.Country capping – bonds are capped at 5% weight per country to help manage the concentration risk.An iterative process of steps 2 and 3 are repeated until both criteria are met.For the non-quarter-end months, bonds that no longer meet the liquidity, rating or maturity requirements are removed from the index. Newly issued bonds from the qualified issuers of the most recent quarterly rebalancing are included. The monthly profiles will reflect the latest par amount and market value of all included bonds. <p>Reweightings utilize pricing and amounts outstanding of the Base Index in order to reconstruct index holdings and weights.</p> <p>In the event that the number of index eligible countries is 20 or less, no countries will be removed or reweighted using the WGI factor. Countries would be market value weighted subject to the 5% country weight cap. The rankings are recalculated quarterly at the end of February, May, August and November to determine the countries for inclusion in the following quarter's index profile.</p>
Capping	5% on country weights
Index base date¹³	February 28, 2007

4.2 Timing

- 4.2.1 Indexes are calculated Monday through Friday except Christmas Day (observed) and New Year's Day (observed). When a market observes a holiday, the closing prices from the previous available day are used as the closing prices for index calculations on such holiday for that market.

⁹ Prior to 1 February 2025, minimum issue and issuer sizes were USD 500 million and USD 1 billion, respectively.

¹⁰ Prior to 1 February 2025, bonds rated below B- by S&P and B3 by Moody's were excluded from the index.

¹¹ Fundamental indicators for the previous calendar year are published each year, generally in April, by the International Monetary Fund (IMF) in its World Economic Outlook (WEO).

¹² Prior to 1 February 2025, bonds from countries with the lowest 10% WGI rank, followed by bonds from the remaining countries with the lowest 5% composite rank based on fundamental indicators provided by the IMF, were screened from the index.

¹³ Back-tested data from 28 February 2007 through 26 August 2018. Live data from 27 August 2018 through present.

4.3 Index quality

- 4.3.1 An index quality is assigned to each index bond as of profile fixing. The quality is first mapped to the Standard & Poor's Financial Services LLC (S&P) rating. If a bond is not rated by S&P but it is rated by Moody's Investors Service, Inc (Moody's), the S&P equivalent of the Moody's rating is assigned to the index quality. If a bond is rated by neither S&P nor Moody's, the bond is not assigned an index quality. If a bond is rated as investment grade by one rating agency and high yield by the other, the S&P equivalent of the investment-grade rating is assigned to the index quality. These ratings remain unchanged for the entire performance month.

4.4 Defaults

- 4.4.1 When an issuer defaults, is assigned a D rating by S&P regardless of whether that issuer has filed for bankruptcy protection or enters into Chapter 7 or Chapter 11 bankruptcy protection in the US (or equivalent in its local market), its bonds remain in the index until the end of the month. The bonds will be included in the calculation of the current month's average profile statistics of the index. The returns are calculated without coupon payment or accrued interest, where applicable.

4.5 Return computation

- 4.5.1 Total returns are computed on the assumption that each security is purchased at the beginning of the period and sold at the end of the period. An issue's total rate of return is the percentage change in its total value over the measurement period. The components of total return are price change, principal payments, coupon payments and accrued interest. The total returns are market capitalization weighted using the security's beginning-of-period market value (see figure four).

Figure three: total rate of return calculation methodology

Beginning-of-period value

(Beginning Price + Beginning Accrued) x Beginning Par Amount Outstanding

End-of-period value

[(Ending Price + Ending Accrued) x (Beginning Par Amount Outstanding - Principal Payments)] + Coupon Payments + Principal Payments

Total rate of return (%)

$$\left[\left(\frac{\text{End-of-Period Value}}{\text{Beginning-of-Period Value}} \right) - 1 \right] \times 100$$

A note on precision: returns are computed to at least six decimal places but reported to a maximum of five. In addition, owing to rounding inaccuracies inherent in computer floating-point arithmetic, the last digit in any reported value may sometimes be off by one from its true value.

Ticker for the FTSE Goldman Sachs Emerging Markets USD Government Bond Index

Ticker	Index
CFIIGEMD	FTSE Goldman Sachs Emerging Markets USD Government Bond Index, in USD terms

Chronological summary of events

FTSE Goldman Sachs Emerging Markets USD Government Bond Index summary of event

Year	Monthly highlights
2025	January: bonds subject to a WGI/fundamental screen are now subject to a 50% reweight.
2022	November: intra-month cash flows from interest and principal payments are not reinvested as part of monthly index total return calculations.

Appendix A

Further information

A Glossary of Terms used in FTSE Russell's ground rule documents can be found using the following link:

[Glossary of terms FTSE Fixed Income.pdf](#)

For contact details, please visit the FTSE Russell website or contact FTSE Russell client services at fi.index@lseg.com.

Website: www.lseg.com/en/ftse-russell/

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