

SOLUTION OVERVIEW

FTSE Canada Syndicated NHA MBS 975 Index

Enhancing access to the Canadian mortgage-backed securities market

Index overview

The FTSE Canada Syndicated NHA MBS 975 Index is an important extension to the first dedicated index for Canada's MBS market - FTSE Canada NHA MBS 975 Index that was launched in 2020.

The FTSE Canada Syndicated NHA MBS 975 Index refines the tracking of the portion of the MBS market that is more broadly distributed/available to investors in the secondary market, i.e. securities that are marketed by a syndicate of dealers. It also provides a benchmark for investors to use in the management of their MBS portfolios and offers price transparency into the Canadian mortgage market.

The index tracks the syndicated issuance of Canada's National Housing Act Mortgage-Backed Securities (NHA MBS) 975 pool securities, issued by a syndicate of 3 or more dealers. NHA MBS 975 securities are AAA-rated Government Federal classified securities, which provide investors with a stream of principal and interest payments, guaranteed by the Canada Mortgage and Housing Corporation (CMHC).

Differentiation of Canada's Syndicated NHA MBS 975 market segment

Asset Diversification	Risk Mitigation	Yield Advantage	Accessibility
Syndicated NHA MBS transactions have grown significantly in recent years. The index will provide investors with an opportunity to track and access the Canadian mortgage market and provides asset allocation diversification from other fixed income exposure.	The timely payment of principal and interest on NHA MBS are fully guaranteed by the Canadian Mortgage and Housing Corporation (CMHC). The prepayment risk is also mitigated by the prepayment penalty provision.	NHA MBS tends to exhibit a wider spread and higher yield relative to Canada Mortgage Bonds and Federal Non-Agency bonds, while maintaining an AAA rating.	Syndicated MBS are issued by a syndicate of 3 or more dealers, which allows for a wider distribution in the secondary market compared to other MBS that could stay on banks' balance sheets.

Features

Transparent, consistent methodology

All FTSE Canada Fixed Income Indexes are built and maintained using rules-based, transparent methodology. The Syndicated NHA MBS 975 Index offers transparency integral to the evolution of the market.

Representative

The FTSE Canada Syndicated NHA MBS 975 Index reflects new entries and exits on a daily basis, and all cash flows (coupon, principal payments, penalty for prepayments) as they are reported.

Modular construction

The modular construction of the FTSE Canada Syndicated NHA MBS 975 Index provides granularity and transparency to the MBS market. It utilizes industry-standard LLM Model for issue level, and facilitates robust market research and analytics with a rich set of constituent-level and index-level data.

Rich historical data

Over 10 years of history to December 31, 2009 is available, providing a rich set of constituent-level and index-level data to help investors track the market.



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Methodology overview

	FTSE Canada Syndicated NHA MBS 975 Index
Currency	CAD
Security Inclusion	Syndicated MBS from the 975 Pool of the NHA MBS in Canada
Maturity	At least 1 year
Minimum Amount Outstanding	At least \$200MM at issuance
Minimum Number of Dealers	Issued by a syndicate of 3 or more dealers
Minimum Number of Buyers	Minimum 8 buyers at issue
Rating	Min investment grade; NHA MBS are AAA rated*
Weighting	Market Cap
Rebalancing	<ul style="list-style-type: none"> - New syndicated deals enter on the Deal Settlement Date, after all eligibility criteria are verified. - Amount outstanding adjustments are reflected on the 5th business day each month, after market information from Computershare becomes available. - Securities exit the index on the day they drop below one year to maturity.
Pricing	FTSE Canada Multi-Dealer Pricing Methodology
Settlement	T+0**
Base Date	December 31, 2009
Sub-indexes Available	Overall / 1-3 / 3-5 / 5+ Years
Important Dates for Index Changes	<ul style="list-style-type: none"> - MBS coupon cash flow payment is reflected on the 1st business day of the month**. - Penalty Interest Payment and Principal Paydown at par are reflected on the 5th business day of the month. - Amount outstanding adjustments are reflected once market information is available on the 5th business day of each month.
Issue Level Analytics	Utilizes industry standard LLM Model

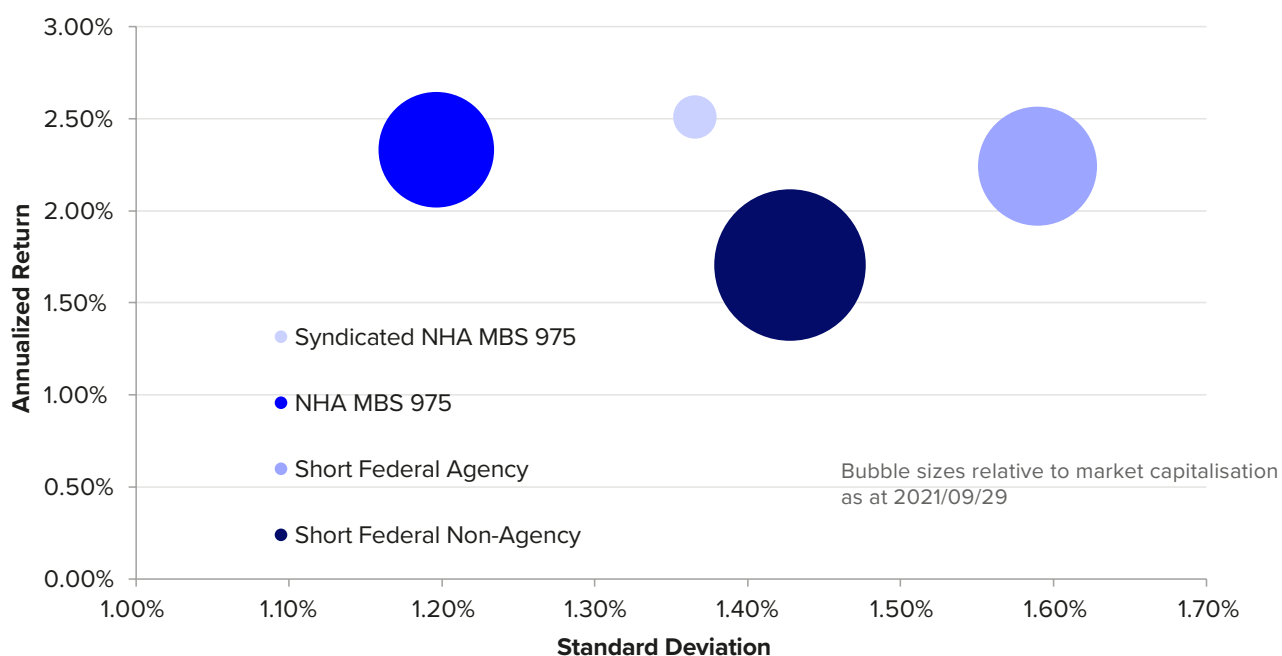
* NHA MBS are backed by a full guarantee (the CMHC Guarantee) provided by the Canada Mortgage and Housing Corporation (CMHC) in its capacity as an agent of Her Majesty in Right of Canada. Canadian sovereign rating of AAA

** Note: NHA MBS usually pays with a 11-14 day delay. T+0 settlement rule is applied for accruals and cash.

Index characteristics

(as of 2021/09/29)	Average YTM	Mod Duration	Effective Term	Average Coupon	Number of Bonds	Market Cap (\$CAD mm)
Syndicated NHA MBS 975 Index	1.02	2.83	3.65	1.24	34	18,861
NHA MBS 975 Index	0.94	2.53	3.20	1.31	397	133,660
Short Federal Agency Bond Index	0.85	2.85	2.95	2.17	19	141,802
Short Federal Non-Agency Bond Index	0.68	2.59	2.64	1.01	21	229,707

Monthly Risk/Return Profile (2009/12/31 - 2021/09/29)



Source: FTSE Russell as at September 29, 2021. Past performance is no guarantee of future results. Returns shown before the index launch date reflect hypothetical performance. Please see disclaimer for important legal information.

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