S&P Dow Jones Indices

A Division of S&P Global

iBoxx EUR Liquid High Yield Interest Rate Hedged Index Methodology

July 2026

S&P Dow Jones Indices: Index Methodology

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Introduction

The iBoxx EUR Liquid High Yield Interest Rate Hedged Index is designed to provide a duration hedge to the iBoxx EUR Liquid High Yield Index (“Underlying Index”), which reflects the performance of EUR denominated sub-investment grade, liquid corporate debt. The index aims to achieve a neutral duration (i.e. duration equal to zero) by taking a long position in the Underlying Index and short positions in German government bond futures contracts. The index is an integral part of the global range of iBoxx index families, which provides the marketplace with accurate and objective benchmarks with which to assess the market performance and investments.

The Underlying Index consists of sub-investment grade Euro-denominated liquid corporate bonds and the eligible contracts for the short position include 2, 5, and 10-year German government bond futures.

Bond Selection

The index has long positions in the iBoxx EUR Liquid High Yield Index and short positions in German government bond front-month quarterly futures contracts.

Long Position

The Underlying Index in the long position consists of sub-investment grade Euro-denominated liquid corporate bonds, rated by at least one of the following three rating services: Fitch Ratings, Moody's Investors Service, or S&P Global Ratings.

For more information on the iBoxx EUR Liquid High Yield Index, please refer to the methodology available at www.spglobal.com/spdji.

Short Position

The eligible front-month contracts for the short position include the 2, 5, and 10-year German government bond futures. The contracts follow a March quarterly cycle and expire in March, June, September, and December. The "cheapest-to-deliver" bonds (CTDs) for each futures contract are determined at every rebalancing.

Index Calculation

Bonds and Futures Pricing

The Eurex closing prices from 5:15 p.m. CET are used for the futures.

Data Source

For more information on pricing data, please refer to the *iBoxx Pricing Methodology*, available at www.spglobal.com/spdji.

Rebalancings

The iBoxx EUR Liquid High Yield Interest Rate Hedged Index rebalances monthly, effective after the close on the last business day of the month . Changes to outstanding amounts are only taken into account if they are publicly known three business days before the end of the month. Changes in ratings are only taken into account if they are publicly known two business days before the end of the month. New bonds issued are taken into account if they are publicly known to settle until the last calendar day of the month, inclusive, and if their rating has become known at least three trading days before the end of the month.

A preliminary membership list is published on the sixth calendar day of the month (moved to the next business day in case of holiday/weekend).

Three business days before the end of each month, a membership list with final amount outstanding for each bond is published.

Two business days before the end of each month, the rating information for the constituents is updated and the list is adjusted for all rating changes which are known to have taken place two trading days before the end of the month. Bonds which are known to have been upgraded to investment grade two trading days before the end of the month are not included in the membership, but bonds which are known to have been downgraded to sub-investment grade two trading days before the end of the month do get excluded from the membership. However, if any bonds which are part of the broader EUR universe become eligible two business days prior to rebalancing because of rating or amount changes, they will be included in the Index.

On the last business day of each month, S&P DJI publishes the final membership with closing prices for the bonds, and various bonds analytics based on the index prices of the bonds.

Rebalancing Procedures

On each rebalancing day each long position of the underlying index is paired to a certain number of specific futures contracts in a short position. These long/short pairs are then aggregated into the index.

The rebalancing process follows five steps as follows:

- Determining each futures contract's CTD
- Determine the duration for each j-years futures contract
- Each bond is assigned to the two neighboring futures contracts
- Determin each bond/future pair's delta distribution ratio, $\delta_{i,j,t-s}$,. The distribution weight is between 0 and 1

- Calculate the index

CTD Determination

The CTD is the least expensive bond that can be delivered upon expiry to satisfy the requirements of a futures contract, and is used as the proxy of a futures contract in determining the number of contracts required to fully hedge the index.

Futures Contract Duration Determination

The duration of the futures contract is determined as follows:

$$MD^{F}_{j,t-s} = MD^{CTD}_{j,t-s}$$

Distribution Weight Determination

The "*delta distribution ratio*" is determined for each bond and futures combination:

1. For all bonds with a duration less than the duration of the 2-year futures contract or a duration greater than the duration of the 10-Year futures contract, the "*delta distribution ratio*" is 1
2. For all bonds where the duration is in between the duration of two neighboring futures contracts the "*delta distribution ratio"* is calculated as

$$\delta_{i,j,t-s} = 1 - \frac{abs(MD_{i,t-s} - MD^{F}_{j,t-s})}{MD^{F}_{j+1,t-s} - MD^{F}_{j,t-s}}$$

and

$$\delta_{i,j+1,t-s} = 1 - \delta_{i,j,t-s}$$

Where

$$MD^{F}_{j,t-s} \leq MD_{i,t-s} \leq MD^{F}_{j+1,t-s}$$

Step 1: Calculate the Number of Used Futures Contracts

Determine each futures contract notional as:

$$N^{F}_{j,t-s} = \frac{CF^{CTD}_{j,t-s} \times \sum_{i=1}^{n} (\delta_{i,j,t-s} \times BMV_{i,t-s} \times MD_{i,t-s})}{P^{CTD}_{j,t-s} \times MD^{CTD}_{j,t-s}}$$

Step 2: Calculate the Number of Futures Contracts

Determine the number of futures contracts as:

$$\#\,contracts_{j,t-s} = round\left(\frac{N^{F}_{j,t-s}}{FCS_{j,t-s}}, 0\right)$$

and the notional based on this number is calculated as:

$$N^{F,rounded}_{j,t-s} = \#\,contracts_{j,t-s} \times FCS_{j,t-s}$$

Step 3: Calculate the Each Futures Contract Ratio

$$w_{j,t-s}^{S} = \frac{N_{j,t-s}^{F,rounded}}{\sum_{i=1}^{n} BMV_{i,t-s}}$$

Step 4: Calculate the Index Level

$$IL_t = IL_{t-s} \times (1 + \frac{IL_t^{long}}{IL_{t-s}^{long}} - \sum_{j \in S_F} w_{j,t-s}^{s}[P_{j,t}^{F} - P_{j,t-s}^{F}])$$

For specific index formulae please refer to the iBoxx Bond Calculus, available at [www.spglobal.com/spdji.](http://www.spglobal.com/spdji)

Roll Process

On the rebalancing day prior to the delivery month, the futures contract rolls into the new front-month quarterly futures contract.

Monthly Re-Investment

Cash from the long position and net profits from the short futures positions are reinvested in the Underlying Index. Net losses from the short futures positions are deducted from the long position.

Index History

The Index history starts on 31 December 2007. The index has a base value of 100 on that date. The index relaunched on February 19, 2024.

Settlement Conventions

All iBoxx indices calculate using the assumption of T+0 settlement days.

Index Calendar

S&P DJI publishes an index calculation calendar to provide an overview of the index calculation holidays of the iBoxx indices, available at www.spglobal.com/spdji.

Index Publication

The iBoxx EUR Liquid High Yield Interest Rate Hedged Index is calculated as end-of-day index and distributed once daily after market close.

Bond and index analytical values are calculated end of day Monday to Friday using that day's closing prices. In addition, bond and index analytical values are calculated using the previous trading day's closing prices on the last calendar day of each month if that day is not a regular trading day as well as on common bank holidays as published in the iBoxx index calculation calendar. Index data is also available from the main information vendors.

Closing index values and key statistics are published at the end of each calculation day in the *Indices* section of the website for registered users.

Data Publication and Access

The table below summarizes the publication of iBoxx EUR Liquid High Yield Interest Rate Hedged Index on the SFTP server.

Frequency	File Type	Access
Daily	Underlying file – Bond level	SFTP Server
	Indices file – Index level	SFTP Server / Bloomberg for index levels only
Daily from the 6th calendar day of the month (or the next index publication day if the 6th calendar day falls on a nonbusiness day)	Forwards	SFTP Server
Monthly	End of Month Components	SFTP Server

The index identifiers for the publication channels are:

Index Name	Return Type	ISIN	SEDOL	BBG
iBoxx EUR Liquid High Yield Interest Rate Hedged Index	TRI	GB00BRWSXK10	BRWSXK1	IBXXMJAH

Annual Index Review

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective.

Index Governance

Index Committee

An Index Committee maintains the indices. All committee members are full-time professionals at S&P Dow Jones Indices. Meetings are held regularly. The Index Committee oversees the management of the indices, including determinations of intra-rebalancing changes, maintenance and inclusion policies, and other matters affecting the maintenance and calculation of the indices.

In fulfilling its responsibilities, the Index Committee has full and complete discretion to (i) amend, apply, or exempt the application of index rules and policies as circumstances may require and (ii) add, remove, or by-pass any bond in determining the composition of an index.

The Index Committee may rely on any information or documentation submitted to it or gathered by it that the Index Committee believes to be accurate. The Index Committee reserves the right to reinterpret publicly available information and to make changes to the indices based on a new interpretation of that information at its sole discretion. All Index Committee discussions are confidential.

The Index Committee is separate from and independent of other analytical groups at S&P Global. In particular, the Index Committee has no access to or influence on decisions by S&P Global Ratings analysts.

S&P Dow Jones Indices' Index Committees reserve the right to make exceptions when applying the methodology if the need arises. In any scenario where the treatment differs from the general rules stated in this document or supplemental documents, clients will receive sufficient notice, whenever possible.

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. In certain instances, S&P Dow Jones Indices may publish a consultation inviting comments from external parties.

For more information on index governance policies, please refer here.

Methodology Changes

Jul 27, 2026	Where applicable, S&P DJI updated the index naming conventions: • Removed “Markit” • Added “Index” • Replaced currency symbols with written references • Included “Years” or “Months” for maturity-based sub-indices
Feb 19, 2024	• Relaunch of the iBoxx EUR Liquid High Yield Interest Rate Hedged Index

Further Information

Client Support

For client support please contact index_services@spglobal.com.

Formal Complaints

Formal complaints should be emailed to spdji_compliance@spglobal.com.

Please note: spdji_compliance@spglobal.com should only be used to log formal complaints.

General Index Inquiries

For general index inquiries, please contact index_services@spglobal.com.

Annotations

[Basic Section Title]

$A_{j,t-s}^{CTD}$	denotes the accrued of the CTD of the *j-years* futures contract at the rebalancing day t-s
$BMV_{i,t-s}$	denotes the base market value of the *i-th* bond constituent at the rebalancing day t-s
$Cash_{i,t-s,t}$	denotes the cash accumulated of the *i-th* constituent in the period that starts from the rebalancing day t-s and ends on (including) day
$CF_{j,t-s}^{CTD}$	denotes the conversion factor of the CTD bond for the j-years futures contract
$\delta_{i,j,t-s}$	denotes the “delta distribution ratio” for bond i and j-years futures contract at the rebalancing day t-s
$FCS_{j,t-s}$	denotes the contract size ($ face value) of the j-years futures contract
IL_t	denotes the index level on day t
IL_t^{long}	denotes the index level of the long index on day t
$MD_{i,t-s}$	denotes the annual modified duration of the i-th bond constituent at the rebalancing day t-s
$MD_{j,t-s}^{CTD}$	denotes the annual modified duration of the CTD bond associated to the j-years futures contract at the rebalancing day t-s
$MV_{i,t}$	denotes the market value of the i-th bond constituent at day t
$N_{j,t-s}^{F}$	denotes notional of the j-years futures contract at the rebalancing day t-s
$P_{j,t-s}^{CTD}$	denotes the price of the CTD of the j-th futures contract at the rebalancing day t-s
$P_{j,t-s}^{F}$	denotes the price of the j-th futures contract at the rebalancing day t-s
S_F	denotes the set of eligible futures contracts (2-Year, 5-Year, 10-Year German government bond futures)
$W_{j,t-s}^{S}$	denotes the ratio of the j-years futures contract in the short position on the rebalancing day t-s

Disclaimer

Performance Disclosure/Back-Tested Data

Where applicable, S&P Dow Jones Indices and its index-related affiliates ("S&P DJI") defines various dates to assist our clients by 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 to a fixed value for calculation purposes. The Launch Date designates the date when 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 DJI 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 data feed 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.

Please refer to the methodology for the Index 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.

Information presented prior to an index's launch date is hypothetical back-tested performance, not actual performance, and is based on the index methodology in effect on the launch date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Also, the treatment of corporate actions in back-tested performance may differ from treatment for live indices due to limitations in replicating index management decisions. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results.

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