

# FTSE High Yield (Treasury Rate-Hedged) Index

Credit | US Dollars

The FTSE High Yield (Treasury Rate-Hedged) Index is a US Dollar-denominated index that measures the performance of high-yield debt issued by corporations domiciled in the US or Canada. The index consists of a long position in high-yield bonds and a duration dollar-matched short position in US Treasury securities. The high-yield portion of the index consists of cash-pay bonds, including Rule 144A bonds, issued by corporations. No more than two issues per parent issuer are included and each high-yield issuer is limited to 2% of the market value of the high-yield position of the index. The index's short position in US Treasury securities is constructed using three US Treasury securities corresponding to the 2-, 5-, and 10-year US Treasury futures contracts in an attempt to approximate the maturity distribution of the overall index.

The index's short position in US Treasury securities is designed to hedge the duration and yield curve exposure of the long position in the high-yield bonds in the FTSE High Yield (Treasury Rate-Hedged) Index. This approach seeks to mitigate the potential negative impact of rising US Treasury interest rates on the performance of high yield bonds. Conversely, the approach may limit the potential positive impact of falling interest rates.

## INDEX PROFILE

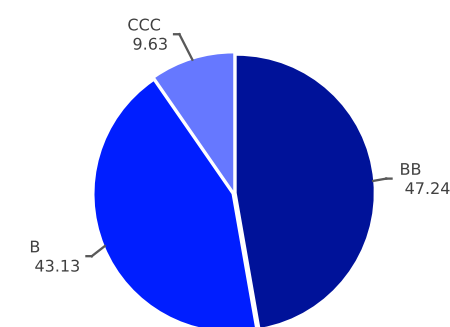
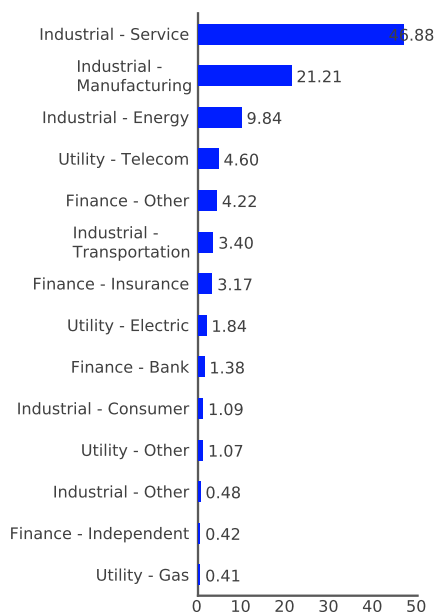
Description	# of Issues	Effective Duration (Years)	Average Life (Years) <sup>1</sup>	Average Credit Rating <sup>1</sup>	Average Coupon (%) <sup>1</sup>	Yield to Maturity (%)
Index <sup>2</sup>	230	0.037	-	-	1.97	9.14
High-Yield	226	3.567	4.986	B+	6.37	8.06
US Treasury	3	3.28	3.64	AA+	4.3	4.51
Cash <sup>3</sup>	1	-	-	-	-	5.51

<sup>1</sup>Market weighted averages.

<sup>2</sup>Methods for calculating statistics for the High Yield (Treasury Rate-Hedged) Index where the suffixes HY, TSY, CASH represent High Yield, US Treasury, and Cash Collateral components respectively.

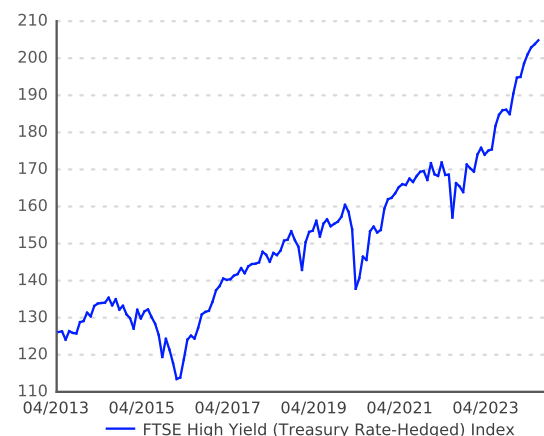
<sup>3</sup>Cash represents proceeds from the short position in US Treasury securities. Returns on cash are based on the 1 month term repo rate provided by the Citi Finance desk.

## INDUSTRY AND QUALITY COMPOSITION (Market Weight %)



**Index Quality:** Index quality is defined to be the rating assigned by Standard and Poor's Financial Services LLC ("S&P") when it exists. If a bond is not rated by S&P but it is rated by Moody's Investor Service, Inc ("Moody's"), the S&P equivalent of the Moody's rating is assigned. If a bond is split-rated, that is rated investment grade by S&P or Moody's and high yield by the other, index quality is taken to be S&P equivalent of the investment grade rating.

## HISTORICAL INDEX LEVEL (Unhedged)



ANNUALIZED RETURNS (in %)

	USD
YTD*	5.18
1 Year	12.75
3 Years	6.93
5 Years	5.68
Since Inception	4.51

\* Not annualized

DESIGN CRITERIA AND CALCULATION METHODOLOGY

Coupon:	Fixed-rate and non-convertible
Currency:	USD
Minimum Maturity:	At least one year
Minimum Issue Size:	The outstanding amount of an issue must total at least USD 1 billion in order to be considered eligible for inclusion.
Number of Issues:	For each high yield issuer, no more than two issues are included. The selection is first based on the largest par amount outstanding and then the most recent issue date.
Issue Dates:	The bonds in the high yield index must be issued within the last 5 years. Bonds downgraded from investment-grade enter the index if issued within the last 4 years.
Minimum Quality:	An index quality is assigned to each index bond each month. The quality is first mapped to the S&P rating. If a bond is not rated by S&P but it is rated by Moody's, the S&P equivalent of the Moody's rating is assigned to the index quality. Maximum rating: BB+ by S&P and Ba1 by Moody's Minimum rating: C by S&P and Ca by Moody's
Weighting:	Market capitalization prior to applying any capping constraints for diversification
Issuer Cap:	Market weight per issuer to be less than or equal to 2% of the market value of the index
Reinvestment of cash flows:	Intra-month cash flows from interest and principal payments are not reinvested as part of monthly index total return calculations.
Pricing:	For High-Yield Corporate Bonds: IDC bid-side 4:00 p.m. (New York) For US Treasury Bonds: Refinitiv bid-side 3:00 p.m. (New York)
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.
Base Date:	March 31, 2008

VENDOR CODES

CFIHYHG FTSE High Yield (Treasury Rate-Hedged) Index

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