

INDEX METHODOLOGY

Northern Trust

50 South La Salle Street
Chicago, Illinois 60603
Nt_index_services@ntrs.com
northerntrust.com

INTRODUCTION

The Northern Trust US Corporate Bond Index Family measures the performance of a universe of US dollar denominated corporate bonds issued in the United States.

The indices are currently constructed, calculated, and disseminated by Interactive Data Corporation (IDC).

INDEX ELIGIBILITY

The Northern Trust US Corporate Bond Index

Currency: A security must be issued in U.S. dollars to be eligible for inclusion in the index.

Market of Issue: Each security must be publicly issued in the U.S. and SEC registered or eligible for resale under 144A of the Securities Act of 1933, to be eligible for inclusion in the index.

Rating: Each security must be presently rated and not in default statusⁱ to be eligible for inclusion in the index. Securities that enter into default post-rebalance are removed at the next scheduled rebalance date.

Maturity: Each security must have a final maturity greater than or equal to one year from the rebalancing date to be eligible for inclusion in the index.

Size: Each security must have \$100 million or more in outstanding principal at each rebalance to be eligible for inclusion in the index.

Bond Type:

Inclusions: Fixed and floating rate debentures, Medium Term Notes (MTN), callable and puttable bonds, original issue zero-coupon bonds, 144A securities with or without registration rights, convertible, warrant-bearing and contingent capital securities, callable perpetual securities provided they are at least 1 year from the first call date, Fixed to floating capital securities (hybrids), Payment in Kind (PIK) bonds, step-up coupons and those that change according to a predetermined schedule.

Exclusions: Non-corporate bonds, strips, inflation-linked bonds, securitized and covered bonds, private placements not governed under 144A of the Securities Act of 1933, bonds offered under Reg S, bonds with equity like features (warrants, convertibles, contingent capital securities), Certificates of Deposit (CD), Enhanced Equipment Trust Certificates (EETC), Dividends Received Deduction (DRD) and Qualified Dividend Income (QDI)-eligible, USD 25/USD 50 par bonds/retail bonds, Eurodollars.

Debt Seniority: Senior and subordinated bonds are eligible for inclusion in the index, however covered bonds are to be excluded.

Pricing: Daily pricing is provided by Interactive Data Corporation (IDC)

SUB-INDEX ELIGIBILITY

The Northern Trust Investment Grade US Corporate Bond Index

The Northern Trust Investment Grade US Corporate Bond Index is a sub-index of the Northern Trust US Corporate Bond index with additional constraints and exclusions.

Ratings: The minimum credit rating for inclusion in the index is Baa3/BBB-/BBB-. For issues rated by all three ratings agencies, a composite rating is created by using the average of the three ratings. When two ratings are present, the lower of the two ratings are used to determine eligibility. At minimum, a single investment grade rating is required for a security to be eligible for the index. Bonds that are downgraded below investment grade or that enter into default post-rebalance, are removed at the next scheduled rebalance.

Maturity: Each security must have a final maturity of at least two years and up to (but not including) ten years, at the time of each rebalance.

Size: Each security must have \$250 million or more in outstanding principal at each rebalance to be eligible for inclusion in the index.

Bond Type:

Inclusions: All security types present in the Northern Trust US Corporate Bond Index will be eligible for inclusion in the Northern Trust Investment Grade US Corporate Bond Index unless denoted in the exclusions category below

Exclusions: Floating rate notes, 144A securities without registration rights, fixed to floating rate capital securities (hybrids) which convert within two years of the rebalance date, perpetual securities, illiquid securities with no external pricing source.

INDEX CONSTRUCTION

The construction of each index begins with a securities screen to determine eligibility for inclusion in the index (see “Index Eligibility” section above). Once all eligible securities have been identified, a market value weighting schemeⁱⁱ is applied to derive each index constituents’



weight.

REBALANCING

The Northern Trust US Corporate Bond Index Family is rebalanced monthlyⁱⁱⁱ on the last business day of the month in which U.S. bond markets are open for trading^{iv}, and becomes effective immediately after the market close. Intra-period adjustments may be made at the discretion of the index provider in connection with errors, changes in eligibility, and corporate actions.

All changes to constituents and weightings will be announced to the public at least two (2) days prior to rebalancing, and again with definitive weights after the close of the rebalance date, before the following business day's market open.

Disclaimer: Returns of the indexes do not typically reflect the deduction of investment management fees, trading costs or other expenses. It is not possible to invest directly in an index. Indexes are the property of their respective owners, all rights reserved

ⁱ As defined by any of the three major credit agencies

ⁱⁱ Market value weighting is calculated based on a constituent's current market value of debt outstanding (including accrued interest), divided by the total market value of all debt outstanding (including accrued interest) within the eligible universe.

ⁱⁱⁱ Data used to strike the forward index is locked down for construction purposes eight business days prior to month end.

^{iv} Per the US holiday schedule posted at www.sifma.org/services/holiday-schedule/

