

US Enhanced Inflation Index (Series-L)

The Bloomberg US Enhanced Inflation Index (Series-L) measures the combined performance of the US Treasury Inflation Protected Securities (TIPS) market and the US 7-10 Year breakeven inflation, as represented by the difference in performance of the US TIPS 7-10 Year Index and the duration adjusted performance of the US Treasury 7-10 Year Index. The index performance also accounts for a net total return swap funding cost for the 7-10 Year breakeven inflation exposure, which is reviewed annually. Federal Reserve holdings of US TIPS and US Treasury bonds are not index eligible and are excluded from the face amount outstanding of each bond in the index. The US Treasury Inflation Linked Bond Index was created in May 2020, with history backfilled to February 1, 2000.

Rules for Performance Calculation

Total Return

The US Enhanced Inflation index total return is defined as:

US TIPS Total Return + [US TIPS 7-10 Year Total Return - (Duration Adjustment * US Treasury 7-10 Year Total Return)] - funding cost

Or using Bloomberg Terminal® tickers:

I01551US + [I35595US - (Duration Adjustment * LT09TRUU)] - funding cost

Duration Adjustment

The duration adjustment is reset on a monthly basis and is calculated as:

Macaulay Duration US TIPS 7-10 Year Index / Macaulay Duration US Treasury 7-10 Year Index

Where Macaulay Duration is the last business day value of the previous month for Bloomberg Terminal® field BX229 of the respective index, i.e.

Duration Adjustment = [I35595 (BX229 previous month end)] / [LT09STAT (BX229 previous month end)]

Funding Cost

The funding cost is reset annually, it is derived from the average of three dealer quotes for the net funding costs of entering a total return swap to receive the US TIPS 7-10 Year Total Return and pay the duration adjusted US Treasury 7-10 Year Total Return. This is applied as a 1/12th deduction to the total return on a monthly basis or a 1/360th on a daily basis.

Rules for Inclusion

Country Eligibility

Only includes TIPS (I01551US, I35595US) or Treasury bonds (LT09TRUU) issued by the United States.

Eligible Currencies

Principal and interest must be denominated in USD.

Quality

Securities must be rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, S&P and Fitch; when a rating from only two agencies is available, the lower is used; when only one agency rates a bond, that rating is used. In cases where explicit bond level ratings may not be available, other sources may be used to classify securities by credit quality:

- Local currency Treasury issues are classified using the middle issuer level rating from each agency for all outstanding bonds, even if bond level ratings are available.

- Amount Outstanding**
- USD TIPS 500mn minimum par amount outstanding (not adjusted for inflation indexation - IO1551US, I35595US).
 - USD Treasury bonds 300mn minimum par amount outstanding (LT09TRUU)
 - US TIPS and US Treasuries held in the Federal Reserve SOMA account (both purchases at issuance and net secondary market transactions) are deducted from the total amount outstanding. New issuance bought at auction by the Federal Reserve does not enter the index.

Net secondary market purchases/sales are adjusted in the Projected Universe of the index weekly, typically on Fridays, and in the Returns Universe once a month, based on the amount outstanding in the Projected Universe at prior month-end.¹

Coupon Fixed-rate nominal coupon.

- Maturity**
- US TIPS Index (IO1551US) - at least 1 year until final maturity.
 - US TIPS 7-10 Year Index (I35595US) – between 7 and up to, but not including, 10 years remaining to final maturity.
 - US Treasury 7-10 Year Index (LT09TRUU) – between 7 and up to, but not including, 10 years remaining to final maturity.

Security Types	Included	Excluded
	<ul style="list-style-type: none"> • US TIPS eligible bonds must be capital-indexed and linked to a commonly used domestic inflation index • US Treasury public obligations • Bullet, puttable, sinkable/amortizing and callable bonds 	<ul style="list-style-type: none"> • Floating-rate bonds • Non-government inflation-linked bonds • STRIPS, Treasury bills, bellwethers • Private placements, retail bonds

Rebalancing Rules

Frequency For each index, Bloomberg maintains two universes of securities: the Returns (Backward) and the Projected (Forward) Universes. The composition of the Returns Universe is rebalanced at each month-end and represents the fixed set of bonds on which index returns are calculated for the next month. The Projected Universe is a forward-looking projection that changes daily to reflect issues dropping out of and entering the index but is not used for return calculations. On the last business day of the month (the rebalancing date), the composition of the latest Projected Universe becomes the Returns Universe for the following month.

Index Changes During the month, indicative changes to securities (credit rating change, sector reclassification, amount outstanding changes, corporate actions, and ticker changes) are reflected daily in the Projected and Returns Universe of the index. These changes may cause bonds to enter or fall out of the Projected Universe of the index on a daily basis, but will affect the composition of the Returns Universe at month-end only, when the index is next rebalanced.

Reinvestment of Cash Flows Intra-month cash flows from interest and principal payments contribute to monthly index returns but are not reinvested at a short-term reinvestment rate between rebalance dates. At each rebalancing, cash is effectively reinvested into the returns universe for the following month so that index results over two or more months reflect monthly compounding.

¹ All float adjustment updates to the US Treasury amount outstanding in the Projected Universe are made on or prior to T-3 (3 business days before month-end using the U.S. calendar). Further details about indices' treatment of SOMA holdings of US Treasuries can be found in this [note](#).

New Issues Qualifying securities issued, but not necessarily settled on or before the month-end rebalancing date, qualify for inclusion in the following month's index if the required security reference information and pricing are readily available.

Pricing and Related Issues

Sources & Frequency All index-eligible bonds are priced daily basis by Bloomberg's evaluated pricing service, BVAL.

Timing

- Prior to January 14, 2021, bonds are priced at 3pm (New York time). On early market closes, prices are taken as of 1pm (New York time), unless otherwise noted.
- From January 14, 2021 and onwards, bonds are priced at 4pm (New York time). On early market closes, prices are taken as of 1pm (New York time), unless otherwise noted.
- If the last business day is a public holiday, prices from the previous business day are used.

Bid or Offer Side TIPS bonds in the index are priced on the mid side, nominal bonds are priced on the bid side.

Settlement Assumptions

- T+1 calendar day settlement basis.
- At month-end, settlement is assumed to be the first calendar day of the following month, even if the last business day is not the last day of the month, to allow for one full month of accrued interest to be calculated.

Verification Daily price moves for each security are analyzed by the index pricing team. Index users may also challenge price levels, which are then reviewed and updated as needed.

Calendar The US TIPS Index (Series-L) and US Treasury 7-10 Year Index follow the US bond market holiday schedule.

Accessing Index Data

Bloomberg Terminal® Bloomberg benchmarks are the global standard for capital markets investors.

- INDE<GO> - The Bloomberg Indices dashboard page, which contains daily, monthly, and year-to-date index returns for key indices from each index family as well as a link to index publications.
- IN<GO> - The Bloomberg Index Browser displays the latest performance results and statistics for the indices as well as history. IN presents the indices that make up Bloomberg's global, multi-asset class index families into a hierarchical view, facilitating navigation and comparisons. The "My Indices" tab allows a user to focus on a set of favorite indices.
- DES<GO> - The index description page provides transparency into an individual index including membership information, aggregated characteristics and returns, and historical performance.
- INP<GO> - The Bloomberg Indices Publications page, which includes methodologies, factsheets, monthly reports, announcements and technical notes. A user may also subscribe to index publications via the "Actions" button.
- PORT<GO> - Bloomberg's Portfolio & Risk Analytics solution includes tools to analyze the risk, return, and current structure of indices. Analyze the performance of a portfolio versus a benchmark or use models for performance attribution, tracking error analysis, value-at-risk, scenario analysis, and optimization.

Bloomberg Indices**Website****(www.bloomberg.com/
indices)**

The index website makes available limited index information including:

- Index methodology and factsheets
- Current performance numbers for select indices

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- Index level and/or constituent level returns and characteristics for any indices
- Automatic delivery of files via email or SFTP following the completion of the index production process after market close
- Clients may receive standard files or may customize file contents
- Index data is also available via authorized redistributors

Index Ticker

I35616US: Total Return USD Unhedged

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- OTC Derivative Products
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