China Aggregate Index

The Bloomberg Barclays China Aggregate Index tracks the performance of the CNY-denominated fixed income market. The China Aggregate Index was launched in March 2004, with an inception date of January 1, 2004. It contains fixed-rate Treasury, government-related (including policy banks), and corporate securities that are listed on the China Interbank market.

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Sector Composition (MV%) as of February 21, 2017

- Policy banks: 32.4%
- Treasuries: 29.6%
- Corporates: 13.8%
- Govt-Related ex Policy banks: 24.1%

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Maturity Composition (MV%) as of February 21, 2017

- 10+ Yr: 15.3%
- 1-3 Yr: 26.3%
- 7-10 Yr: 18.9%
- 5-7 Yr: 15.3%
- 3-5 Yr: 24.1%

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Rules for Inclusion

**Eligible Currencies**
Principal and interest must be denominated in CNY.

**Amount Outstanding**
Par value of at least CNY 5Billion for Treasuries & Government-related, and CNY 1.5Billion for Corporates.

**Quality**
Bonds should not be in default to be included in the index.

**Maturity**
At least one year until final maturity.

**Coupon**
Fixed rate.

**Exchange**
Debt issued in China Interbank.

**Security Types**
- Included
  - Fixed rate
- Excluded
  - Floating-rate
  - Zero Coupon
  - Convertibles
  - Inflation-linked
  - Derivatives
  - Structured products
  - Securitized
Rules for Inclusion

- Warrants
- Private placements
- Retail Bond
- Bonds issued on Shanghai and Shenzhen exchanges
- Special bonds issued by Ministry of Finance

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. 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, ticker changes, etc.) are reflected daily in both 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.

New Issues

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

Pricing and Related Issues

Sources & Frequency

All index-eligible bonds are priced on a daily basis by Bloomberg’s evaluated pricing service, BVAL.

Pricing Quotes

Bonds are quoted as percentage of par.

Timing

- 4pm (Shanghai time) for all securities.
- If the last business day of the month is a public holiday, prices from the previous business day are used.

Bid or Offer Side

Bonds in the index 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 using input from various sources.

Currency Hedging

Returns hedged to various non-CNY currencies are published for the China Aggregate Index. Bloomberg Barclays’ FX hedging methodology takes rolling one-month forward contracts that are reset at the end of each month and hedges each non-reporting currency denominated bond in the index into the reporting currency terms. No adjustment is made to the hedge during the month to account for price movements of constituent securities in the returns universe of the index.
Pricing and Related Issues

Calendar

The China Aggregate Index follows the China bond market holiday schedule.

Monthly Returns in CNY Unhedged, 2004-2017 (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
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<tr>
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<td>-0.14</td>
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<td>0.67</td>
<td>0.40</td>
<td>0.71</td>
<td>-0.21</td>
<td>1.23</td>
<td>-0.04</td>
<td>0.15</td>
<td>0.83</td>
<td>-0.37</td>
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<td>0.21</td>
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<td>0.51</td>
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<td>0.98</td>
<td>0.99</td>
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<td>2015</td>
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<td>0.53</td>
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<td>0.67</td>
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<tr>
<td>2017</td>
<td>0.07</td>
<td>-0.43</td>
<td>0.06</td>
<td>-</td>
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<td>-</td>
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Sub-indices and Index Customizations

Bloomberg publishes numerous sub-indices of flagship indices and bespoke benchmarks created for specific index users. Several types of bespoke indices are available to select or customize the most appropriate benchmark for specific portfolio needs.

<table>
<thead>
<tr>
<th>Sub-Index type</th>
<th>Examples</th>
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<tr>
<td>Treasury &amp; Policy banks</td>
<td>Includes Treasury &amp; Policy Banks in the index.</td>
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<td>• Treasury &amp; Policy Banks (Index Ticker: I32561)</td>
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<tr>
<td>• Treasury and Policy Banks 1-10Years (Index Ticker : I32441)</td>
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Accessing Index Data

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- INDEX<Go> - The Bloomberg Indices Introduction page is a dashboard for index-related information on the terminal. Find daily and monthly index returns for key indices from each index family as well as index publications including methodologies, factsheets, monthly reports, updates and alerts.
- 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.
- PORT<Go> - Bloomberg’s Portfolio & Risk Analytics solution includes tools to analyze the risk, return, and current structure of indices. PORT includes tools to analyze performance of a portfolio versus a benchmark.
Accessing Index Data

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- Index methodology and factsheets
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- 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
CHINAAGG

Bloomberg Total Return Index Tickers

<table>
<thead>
<tr>
<th>Ticker</th>
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<tr>
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<td>CHINATPB</td>
<td>China Treasury + Policy Bank</td>
<td>I08279US</td>
<td>China Aggregate 1-3 Year</td>
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<td>China Treasury + Policy Bank 10+ Year</td>
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- OTC Derivative Products
- Bond Pricing Service
- Index-Linked Insurance Products
- Custom Index Solutions
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