Methodology of SSE Credit Bond Coupon Strategy Index Series

SSE Credit Bond Coupon Strategy Index Series selects bonds with higher coupon rates and yields to maturity from credit bonds with different maturities and credit ratings listed on Shanghai Stock Exchange market. The index series aims to reflect the performance of credit bonds with higher coupon rates.

1. Index Name and Index Code

Index Name	Shortened Name	Index Code
SSE 0-3 Year High Grade Credit Bond Coupon Strategy Index	SSE 0-3 High Grade Credit Coupon Strategy	950315
SSE 0-3 Year Medium-High Grade Credit Bond Coupon Strategy Index	SSE 0-3 Medium-High Credit Coupon Strategy	950316
SSE 0-5 Year High Grade Credit Bond Coupon Strategy Index	SSE 0-5 High Grade Credit Coupon Strategy	950317
SSE 0-5 Year Medium-High Grade Credit Bond Coupon Strategy Index	SSE 0-5 Medium-High Credit Coupon Strategy	950318

2. Base Date and Base Index

The base date is Dec. 30, 2016. The base index is 100.

3. Index Eligibility

3.1 Index Universe

- Bond Type: Corporate bond and enterprise bond listed on Shanghai Stock Exchange market, excluding private-placement bond and option-embedded bond. The bond currency is RMB.
- Interest-bearing Pattern: Fixed rate or bullet.

3.2 Constituents Selection

(1) Select bonds on the following basis from index universe as candidates of the indices.

Index Code	Shortened Name	Remaining Term to Maturity	Maturity	Credit Rating
950315	SSE 0-3 High Grade Credit Coupon Strategy	No more than 3 years	No more than 3 years	AA+ and above, CSI implied rating AA+ and above
950316	SSE 0-3 Medium-High Credit Coupon Strategy	No more than 3 years	No more than 3 years	AA+ and above, CSI implied rating AA+ or AA
950317	SSE 0-5 High Grade Credit Coupon Strategy	No more than 5 years	No more than 5 years	AA+ and above, CSI implied rating AA+ and above
950318	SSE 0-5 Medium-High Credit Coupon Strategy	No more than 5 years	No more than 5 years	AA+ and above, CSI implied rating AA+ or AA

(2) The candidates are comprehensively grouped according to the remaining term to maturity, maturity and CSI implied rating. Rank the bonds in each group by the coupon rate and the average yield to maturity in the last 5 days separately from high to low, and select the top 50% as constituents.

4   Index Calculation

The calculation of this index series conforms to the Paasche weighted composite price index formula:

$$\text{Index} = \left[\frac{\text{Bond Market Value} + \text{Coupon Payments}}{\text{Divisior}}\right] \times 100$$

Where, $\text{Bond Market Value} = \sum(\text{Full Price} \times \text{Issued Amount})$

$$\text{Full Price} = \text{Clean Price} + \text{Accrued Interest}$$

The price in index calculation is based on CSI bond valuation price. As for other data in index calculation and divisor adjustment, please refer to Index Calculation and Maintenance Methodology for further details.

5   Constituents Adjustment

5.1 Regular Adjustment

The index series is adjusted and rebalanced monthly. The effective date of

monthly adjustment is the first trading day of each month. The data cutoff date of monthly adjustment is the previous trading day of the effective date.

5.2 Temporary Adjustment

In the event of delisting, the constituents will be removed from the index on the event effective date as appropriate. As for other events, please refer to Index Calculation and Maintenance Methodology for further details.