

Methodology of SSE AAA Aggregate Bond Index Series

SSE AAA Aggregate Bond Index Series selects eligible bonds listed on the Shanghai Stock Exchange market, which meet the criteria for remaining term and credit rating, as the index constituents, reflecting the overall performance of corresponding bonds in the SSE market.

1. Index Name and Index Code

Index Name	Shortened Name	Index Code
SSE AAA Aggregate Bond Index	SSE AAA Aggregate	950420
SSE Short Term AAA Aggregate Bond Index	SSE Short Term AAA Aggregate	950421
SSE 0-3 Year AAA Aggregate Bond Index	SSE 0-3 AAA Aggregate	950422
SSE 0-5 Year AAA Aggregate Bond Index	SSE 0-5 AAA Aggregate	950423
SSE 0-7 Year AAA Aggregate Bond Index	SSE 0-7 AAA Aggregate	950425
SSE 0-10 Year AAA Aggregate Bond Index	SSE 0-10AAA Aggregate	950426
SSE 3-5 Year AAA Aggregate Bond Index	SSE 3-5 AAA Aggregate	950427
SSE 5-7 Year AAA Aggregate Bond Index	SSE 5-7 AAA Aggregate	950428
SSE 5-10 Year AAA Aggregate Bond Index	SSE 5-10 AAA Aggregate	950429
SSE 7-10 Year AAA Aggregate Bond Index	SSE 7-10 AAA Aggregate	950430
SSE 10 Year Above AAA Aggregate Bond Index	SSE 10+ AAA Aggregate	950431

2. Base Date and Base Index

The index base date is Dec. 28, 2018. The base index is 100.

3. Index Eligibility

3.1 Index Universe

- Bond Type: Following bond listed on Exchange market or Inter-Bank market, excluding private-placement bond. The bond currency is RMB.

Interest rate bond: Treasury bond, local government bond, policy bank bond

Credit bond: Corporate bond, enterprise bond, MTN, commercial paper, financial bond exclude policy bank bond

- Interest-bearing Pattern: Fixed rate or bullet.
- Credit Rating: Interest rate bond: unlimited; Credit bond: issuer rating AAA, CSI Implied Rating AA+ and above

3.2 Constituents Selection

Within the index universe, select Shanghai Stock Exchange market listed bonds that meet the following criteria as index constituents.

Index Code	Shortened Name	Remaining Maturity
950420	SSE AAA Aggregate	Unlimited
950421	SSE Short Term AAA Aggregate	No more than 397 days
950422	SSE 0-3 AAA Aggregate	No more than 3 years
950423	SSE 0-5 AAA Aggregate	No more than 5 years
950425	SSE 0-7 AAA Aggregate	No more than 7 years
950426	SSE 0-10AAA Aggregate	No more than 10 years
950427	SSE 3-5 AAA Aggregate	More than 3 years, no more than 5 years
950428	SSE 5-7 AAA Aggregate	More than 5 years, no more than 7 years
950429	SSE 5-10 AAA Aggregate	More than 5 years, no more than 10 years
950430	SSE 7-10 AAA Aggregate	More than 7 years, no more than 10 years
950431	SSE 10+ AAA Aggregate	Above 10 years

4. Index Calculation

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

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

Where, Bond Market Value = $\sum[(\text{Clean Price} + \text{Accrued Interest}) \times \text{Issued Amount} \times \text{Weight Factor}]$

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.

The value of weight factor is between 0 and 1, so as to make the weight of interest rate bond of each index is consistent with the market value weights of interest rate bonds having corresponding residual maturities in the index universe.

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.

Weight Factor is assigned to each constituent at each regular adjustment. The effective date is the same as that of the constituent adjustment. The Weight Factor stays the same until next rebalancing day.

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.