

## ICE Data Indices - Rules & Methodology

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### *ICE BofA Constrained Duration US Mortgage Backed Securities Index March 2020 Regular Rebalance (M37T)*

ICE BofA Constrained Duration US Mortgage Backed Securities Index March 2020 Regular Rebalance tracks the performance of US dollar denominated 30-year, 20-year and 15-year fixed rate residential mortgage pass-through securities publicly issued by US agencies Fannie Mae, Freddie Mac and Ginnie Mae in the US domestic market. Fixed rate mortgage pools are included in the Index provided they have at least one year remaining term to final maturity and a minimum amount outstanding of at least \$5 billion per generic coupon. In addition, individual production years within a generic coupon must have at least \$1 billion outstanding face value to enter the index and at least \$250 million outstanding face value to remain in the index. Pools issued by both Freddie Mac and Fannie Mae are combined for purposes of creating generic cohorts for all 55-day delay securities. For legacy Freddie Mac Gold pools (45-day delay) that are directly exchangeable for 55-day delay mirror pools, the mirror securities are used assuming a full exchange. Legacy Freddie Mac Gold pools not directly exchangeable (i.e, 45-day delay Gold pools which do not have mirror 55-day delay pools), are represented by separate generic cohorts. Pools comprised of other pools (eg, Megas, Giants, Supers and Platinum) are excluded from the Index. Balloon, mobile home, graduated payment and quarter coupon fixed rate mortgages are excluded from the index, as are all collateralized mortgage obligations.

On the inception date (December 31, 2003), qualifying constituents were first capitalization-weighted based on their current amounts outstanding times price plus accrued interest. Then constituent weights were adjusted to achieve a 3.75 year target effective duration for the index, with securities above and below the target shifted on a pro-rata basis.

The Index is rebalanced on the last calendar day of each month. On the rebalancing day the total proceeds available to invest is calculated based on: (i) coupon payments, (ii) scheduled and unscheduled principal repayments, and (iii) securities that are removed because they have less than \$250mn remaining outstanding principal. The total proceeds are invested back into the index so as to match, as closely as possible, the 3.75 year target effective duration. The selection of securities to be purchased is made in the following manner:

- A target purchase duration is calculated that when combined with the duration of the retained holdings in the index, the 3.75 year target will be achieved.

- The proceeds are invested in the security that meets all qualifying criteria and has a duration closest to the target purchase duration, subject to a 1% exposure limit. (Note: the 1% cap was not imposed on the index inception date.)

- If there are additional proceeds to invest, an updated target purchase duration is calculated based on the remaining proceeds to invest and the combined duration of the retained index holdings and the already invested proceeds. Remaining proceeds are invested in the security that meets all qualifying criteria and has a duration closest to the updated target purchase duration, subject to a 1% exposure limit. This step is repeated until all of the proceeds have been invested.

- Once all of the proceeds have been invested the index duration is calculated and if it falls within a 3.25-4.25 year range the rebalancing is completed.

- If the index duration falls outside the 3.25-4.25 year range the shortest/longest holding is sold and invested in the longest/shortest qualifying security, subject to the 1% cap. This step is repeated until the duration is within a 3.5-4.0 year range, or there are no more securities longer/shorter than the index duration that are available for purchase (ie, securities that meet the qualifying criteria and are under the 1% cap).

Accrued interest is calculated assuming same-day settlement. Cash does not earn any reinvestment income while it is held in the Index. Information concerning constituent bond prices, timing and conventions and index governance and administration is provided in the ICE Bond Index Methodologies, which can be accessed on our public website (<https://indices.theice.com>), or by sending a request to [iceindices@ice.com](mailto:iceindices@ice.com). New issues must settle on or before the following calendar month end in order to qualify for the coming month. No changes are made to constituent holdings other than on month end rebalancing dates.

Inception date: December 31, 2003

December 1, 2022

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