

SOLUTION OVERVIEW

FTSE US Municipal Tax-Exempt Investment-Grade Bond 0+ Years Index

A barometer for the large and diverse US municipal bond market



A comprehensive, modular approach to measuring the Tax-Exempt Investment-Grade municipal bond market

The FTSE US Municipal Tax-Exempt Investment Grade Bond 0+ Years Index measures the performance of the investment-grade tax-exempt US municipal bond market, including debt issued by states, municipalities, territories and counties. The index comprises of general obligation, revenue and double-barrel bonds. It tracks securities through to maturity, providing both the short-term view, as well as hold-to-maturity functionality. Powered by LSEG Data & Analytics, the index paves the way for portfolio managers to express a perspective and engage in value-driven investment approaches through various sector, maturity, quality and municipal bond classification combinations.

Flexible framework: granular sub-indexes utilize a consistent, transparent index methodology. Sophisticated customization capabilities allow for flexible combinations of term, issue size, deal size, municipal bond classifications, and quality.

Transparent, rules-based construction: FTSE Russell is committed to leading global best practice standards in index governance. Objective index construction rules are publicly available on ftserussell.com.

Integrated solutions: depth and breadth of market coverage, data, and analytics provide investors with the tools they need to track market dynamics from any angle.

FTSE US Municipal Tax-Exempt Investment-Grade Bond 0+ Years Index

Short Term	Short-term municipal bonds provide a tax-exempt reinvestment vehicle for cash holdings.	Buy and Hold	Traditionally, fixed income investors differentiated between short-term (money market) and longer-term holdings. However, forced selling at the 1-year mark creates turnover.
	The short-maturity segments of the US tax-exempt municipal bond market have lower rate sensitivity and tend to carry less credit risk than longer-term counterparts, supporting asset managers looking for 'flight-to-safety' investments.		Today, there is growing demand for products with lower turnover to mitigate cost concerns.
	Increased market volatility and inflation heighten the strong structural demand for shorter-duration products.		Adding the 0-1 year term bucket to long-term indexes removes the need to sell bonds as they approach one year to maturity, helping to reduce costs.
	The 0-1 Year index contains granular monthly term buckets-including 1-3 months, 3-6 months, 6-9 months, 9-12 months and 6-12 months-allowing index users the flexibility to tweak exposures as required.		Modular index construction offers a wide range of customization options, including deal size, issue size, quality, municipal bond classification and term, allowing index users to track their holdings to maturity with flexibility.



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Features

Representative

The index provides broad, comprehensive coverage of the US municipal tax-exempt investment-grade bond market.

Rich data sets

Municipal bond pricing is provided by LSEG Data & Analytics, a recognized reliable pricing source and one of the world’s largest providers of financial markets data and infrastructure. The terms and conditions of these bonds are sourced from Mergent, a leading data provider in the US municipal bond market. The indexes are underpinned by a comprehensive set of daily and monthly issue-level and index-level files, containing a robust set of performance and analytics metrics.

Rigorous governance framework

FTSE Russell is committed to global best practice standards in index governance. The index ground rules are publicly available and continually evaluated to ensure the index remains a relevant and reliable performance measure for the market.

FTSE US Municipal Tax-Exempt Investment Grade Bond 0+ Years Index

The FTSE US Municipal Tax-Exempt Investment Grade Bond 0+ Years Index achieves a balance of relevance and comprehensiveness in index construction.

Index Characteristics	FTSE Municipal Tax-Exempt Investment Grade Bond 0+ Years Index
Currency	USD
Coupon	Fixed-rate, semi-annual and zero coupon
Maturity	At least one month
Min Deal Size/ Issue Size	1 \$75mm/\$10mm
Securities	<p>2 Included: General obligation, revenue, and double-barrel bonds issued by US states, municipalities, territories or counties. Includes pre-refunded, partially pre-refunded with new issued CUSIPs, and escrow-to-maturity (ETM) bonds</p> <p>3 Excluded: Crossover refunded bonds, bonds containing pre-funded and un-refunded portions with original issue CUSIPs, secondary insured bonds, monetary defaults, letters of credit, guaranteed investment contracts, limited offerings, and private placements</p>
Taxability	Federal tax exempt, but may be subject to AMT
Min Credit Quality	BBB- by S&P or Baa3 by Moody’s
Weighting	Market capitalization
Rebalancing	Once a month at the end of the month
Reinvestment of cash flow	At daily average of the one-month Eurodeposit rate, calculated from the actual scheduled payment date of the cash flow through the end of the reporting period
Base date	4 December 31, 2012

Key benchmark features & benefits:

- 1 The FTSE US Municipal Tax-Exempt Investment-Grade Bond 0+ Years Index captures liquid bonds by considering large deal sizes, outstanding amounts and recent issuances.
- 2 The treatment of advanced refunding (AR) and escrow-to-maturity (ETM) bonds differentiate the index. FTSE Russell used consultation feedback to determine optimal index handling of these types of securities.
- 3 Crossover refunded bonds are excluded from the FTSE index due to poor information transparency around the underlying cash flows. Bonds containing both pre-refunded and unrefunded portions with original issue CUSIPs are also excluded from the FTSE index. FTSE does not include bonds dated prior to December 31, 2010, due to the illiquid nature of seasoned bonds in the municipal market.
- 4 Powered by robust pricing and analytics solutions, the index offers a comprehensive daily index history from December 31, 2012, as well as a robust set of performance metrics and analytics.

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