

## MCM-BlueStar® Israel Bonds Index FAQ

The MCM-BlueStar® Israel Bonds Index (ticker: MBLIB) tracks the performance of USD- and shekel-denominated bonds issued by the Israeli government or Israeli corporations according to a methodology that was developed in partnership with Migdal Capital Markets ('MCM').

The following are Frequently Asked Questions (FAQ) for MBLIB. For further details, please refer to the [Index Guide](#) or contact [index-support@marketvector.com](mailto:index-support@marketvector.com)

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### What types of bonds are eligible for inclusion in the index?

The index may only include fixed-rate and non-convertible bonds issued by the Israeli government, government-related entities, or Israeli corporate issuers.

### Does the index include non-USD-denominated bonds?

Yes, the index can include Israeli Shekel (ILS) denominated bonds if there are fewer than 35 eligible U.S. Dollar (USD) denominated bonds. The index will only hold USD or ILS-denominated bonds.

### How does the ILS-USD exchange rate impact the performance of the index?

Changes to the ILS-USD rate directly impact the daily return of the index. ILS-denominated bond prices are converted to USD on a daily basis, so the FX rate impact on the index performance is directly proportional to the weight of ILS-denominated bonds in the index.

### What happens if there are not enough bonds to meet the minimum number of index components?

The index will include 35 bonds at each monthly review. In the unlikely event that there are fewer than 35 bonds that meet all the eligibility criteria outlined in the index guide, MarketVector Indexes™ ("MarketVector") will add additional bonds that are closest to meeting the criteria of the index to reach 35 bonds. For example, the index guide states that corporate bonds must have less than 15 years to maturity (next call date for callable bonds) to be eligible. MarketVector may choose the next largest corporate bonds that meet all other eligibility criteria and whose maturity date is closest to 15 years.

### What happens if the TASE is shut down?

ILS-denominated bonds are exchange-traded on the Tel Aviv Stock Exchange. This is a unique feature of the Israeli capital markets as most other bond markets around the world trade over the counter (OTC). In the event that trading on the TASE is temporarily halted or is suspended for a longer period of time, the index will generally continue to be calculated using the last traded price of TASE-listed bonds. However, FX rate fluctuations will continue to impact the performance of the

index. If the TASE is shut down for a prolonged period of time, MarketVector may announce to temporarily freeze index reviews so investors may better track the index.

**What is the market value of the index?**

As of October 31, 2023, the aggregate USD market value of all bonds included in the index was USD 26.97 billion and USD 812.44 million on a weighted average basis.

**How frequently does the index rebalance?**

Index components are reconstituted and rebalanced on a monthly basis. The rebalance schedule can be found on the MarketVector website.

**Are there non-investment grade bonds included in the index?**

The index is predominantly comprised of investment-grade bonds. However, the index does allow the inclusion of generally higher-rated bonds that fall into the sub-investment grade category. Only USD-denominated sub-investment grade bonds are eligible for inclusion.

**How are Israeli corporate issuers identified?**

The definition of an Israeli issuer is determined by whether or not the issuer is included in the universe of the BlueStar Global Israel Index (BLS), which is an index that covers the largest and most liquid Israeli stocks. BLS considers a wide range of factors including, but not limited to: the country of headquarters or incorporation, % of company revenue or assets based in Israel, the number of company R&D facilities in Israel, and whether the company was founded in Israel.

**How are bonds selected for the index?**

Eligible bonds are sorted first by market cap, then by the currency of denomination (with USD bonds on top). Going down the list, the largest bond from each of 15 different issuers is selected first. Then additional bonds are added until a total of 35 bonds have been selected, with a maximum of 10 bonds issued by the Israeli government or related entities and a maximum of 5 bonds issued by any single corporate issuer.

**How are bonds weighted in the index?**

Bonds are weighted based on their USD market value, with a maximum of 5% per bond, 7.5% aggregate weight per corporate issuer, and 25% aggregate weight of bonds issued by the Israeli government or related entities.

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## About MarketVector

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