

JP Morgan Asset Management Global High Yield Multi-Factor Index Methodology

Dec 2020

1.0 Introduction

This methodology document (this “**Methodology**”) sets out the rules for the construction and management of the JP Morgan Asset Management Global High Yield Multi-Factor Index (the “**Index**”). The Index is a rules-based, proprietary index designed to reflect the performance of a subset of the global high yield corporate bond market representing different factor characteristics. The Index selects its components from the ICE BofAML Global High Yield Index (the “**Parent Index**”). The Parent Index is calculated by ICE Data Indices, LLC (“ICE Data”). The calculation of the Index makes use of certain methodologies and calculation formulas as described in the ICE Data Bond Index Methodologies and ICE BofAML Indices Bond Index Guide publications accessible at <https://indices.theice.com> under the Publication - General Methodology (collectively, the “**Parent Index Methodology Document**”).

NOTHING IN THIS METHODOLOGY CONSTITUTES AN OFFER TO BUY OR SELL ANY SECURITIES, PARTICIPATE IN ANY TRANSACTION OR ADOPT ANY INVESTMENT STRATEGY. THIS METHODOLOGY DOES NOT CONSTITUTE INVESTMENT, LEGAL, TAX, REGULATORY, ACCOUNTING OR FINANCIAL ADVICE OR RECOMMENDATIONS.

1.1 J.P. Morgan Investment Management, Inc.

J.P. Morgan Investment Management, Inc. (the “**Administrator**”), an investment adviser registered with the Securities and Exchange Commission and an indirect wholly owned subsidiary of JPMorgan Chase & Co., is the administrator of the Index. The Administrator governs the Index pursuant to this Methodology in its capacity as an index administrator and not as a fiduciary in respect of any other person.

Neither the Administrator nor any of its affiliates or subsidiaries or any of their respective directors, officers, employees, representatives, delegates or agents (each, a “**Relevant Person**”) shall have any responsibility to any person (whether as a result of negligence or otherwise) for any determinations, interpretations and calculations made or anything done (or omitted to be determined or done) in respect of the Index or any use to which any person may put the Index. All determinations, interpretations and calculations of the Administrator in respect of the Index shall be at the Administrator’s discretion and shall be final, conclusive and binding and no person shall be entitled to make any claim against any of the Relevant Persons in respect thereof. Once a determination, interpretation or calculation is made or action is taken by the Index Administrator in respect of the Index, neither the Administrator nor any other Relevant Person shall be under any obligation to revise any determination, interpretation or calculation made or action taken for any reason.

1.2 ICE Data Indices, LLC

ICE Data Indices, LLC is the administrator of the Parent Index (in such capacity, the “**Parent Index Administrator**”) and is responsible for the daily calculation of the Index (in such capacity, the “**Calculation Agent**”). The Calculation Agent will act in good faith and in a commercially reasonable manner in respect of determinations, interpretations and calculations made by it pursuant to this Methodology and the Index.

1.3 The Parent Index

The Index selects Bonds from among the components of the Parent Index. The Parent Index consists of USD, CAD, GBP and EUR denominated below investment grade corporate debt instruments publicly issued in the major domestic or eurobond markets.

1.4 Index Objective

The Index is a multi-factor high-yield bond index. The Index's objective is to seek enhanced risk-adjusted returns through varied market and credit cycles as compared to its Parent Index. The Index seeks to provide enhanced risk-adjusted returns by selecting a subset of the Bonds within the Parent Index that exhibit the best combination of Quality, Value and Momentum as defined by this Methodology. The Index starts by targeting the relative market capitalization weights of the currencies and sectors of the Parent Index that qualify for the Index, selecting Bonds from Companies exhibiting the best Multi-Factor Rank while trying to limit excessive turnover.

No assurance can be given that the investment strategy used to construct the Index will be successful or that the Index will outperform any alternative basket or strategy that might be constructed from the Bonds selected by the Index.

2.0 Index Administration

The Administrator is responsible for all activities related to the production and operation of the Index, including the maintenance of records of the index weightings of all constituents; approval and implementation of changes to the constituents and their weightings in accordance with the Methodology; periodic reviews of the Index and/or Methodology and application of any changes resulting from such reviews; and communication to the Calculation Agent of changes to the constituent weightings resulting from ongoing maintenance and periodic reviews.

2.1 JPMIM Index Governance Committee

Administration of the Index is overseen by the Administrator's Index Governance Committee (the "**Index Committee**"). The Index Committee is responsible for the approval and oversight of all Administrator indices and consists of representatives of the Administrator's indexing business as well as various risk and controls partners. Researchers and portfolio managers associated with J.P. Morgan Investment Management, Inc. regularly advise the Committee with respect to new strategies and index performance.

2.2 Amendments

Changes to this Methodology are subject to approval by the Index Committee. In the event that the Index Committee makes the determination, in its discretion in accordance with its operating procedures, that an amendment to this Methodology is warranted and that an announcement of such is needed, then the Administrator will endeavor to announce the amendment as promptly as possible following such determination. The public announcement of the Methodology amendment may include a detailed description of the change, the proposed effective date for the change and a statement as to any impact to the index construction process.

2.3 Governance Policies

Index governance policies applicable to the Index are typically effected during the construction of the Parent Index by the Parent Index Administrator. The results of the application of any such policies by the Parent Index Administrator impacts the starting universe of the Index and carries through the Index selection process.

- *Market Disruption Events / Expert Judgment*

“Expert Judgment” refers to the exercise of discretion by the Parent Index Administrator with respect to the use or application of data in determining the Parent Index. Expert Judgment includes extrapolating values from prior or related transactions and adjusting values for factors that might influence the quality of data such as market events or impairment of a buyer or seller’s credit quality or otherwise as it deems appropriate to ensure that the Parent Index output correctly reflects the Parent Index’s benchmark objective. See the Parent Index Methodology Document for further information regarding the Parent Index Administrator’s exercise of Expert Judgment in respect of the Parent Index. The Administrator, as administrator of the Index, has no control over the Expert Judgments made with respect to the Parent Index.

Additionally, the Administrator will exercise its own expert judgment in compiling the Index weightings in accordance with this Methodology. Determinations with respect to the mapping of Bond issuers to Companies described in section 5.3 are particularly likely to require the exercise of expert judgment. Exercises of expert judgment by the Administrator are generally overseen by the Index Committee.

See the Parent Index Methodology Document for information related to market disruption event procedures applicable to the Parent Index.

- *Corporate Actions*

All corporate actions affecting components of the Index and potential resulting adjustments are adopted from the treatment of such corporate actions applicable to the Parent Index. See the Parent Index Methodology Document for information regarding the policies by which the Parent Index Administrator will monitor, and make adjustments for, corporate actions. The Administrator, as administrator of the Index, has no control over the treatment of corporate actions applicable to the Parent Index.

- *Error Correction*

Subject to the oversight of the Index Committee, the Administrator may make corrections to this Index and/or this Methodology in accordance with its error handling procedures.

Additionally, the Parent Index Administrator, as Calculation Agent for the Index, will calculate the daily closing Index values pursuant to the methodology set forth in the Parent Index Methodology Document. The Parent Index Administrator, may amend, modify or materially change the Parent Index Methodology Document including, but not limited to, changing the manner in which constituents are selected for inclusion in the Parent Index and/or the manner in which the Index is calculated (in each case, subject to the Parent Index Administrator’s governance policies). Any such amendments, modifications or changes may result in a correction and/or restatement of the daily closing Index value, subject to the oversight of the Administrator.

- *Complaints*

Any complaints about the Index should be raised to the Administrator at JPMAM.Indices@jpmchase.com.

3.0 Starting Universe

The Index selects the Bonds from among the components of the Parent Index. The Parent Index consists of USD, CAD, GBP and EUR denominated below investment grade corporate debt instruments publicly issued in the major domestic or eurobond markets. The Parent Index is rebalanced on the last calendar day of each month (each a “Rebalancing Date”), based on information available up to and including the third business day before the last business day of such month (the “Rebalance Cutoff Date”), following the US SIFMA calendar. The Index uses a global calendar. New issues must settle on or before the Rebalancing Date in order to qualify for inclusion in the Index in the coming month. No changes are made to constituent holdings other than on Rebalancing Dates.

A summary description of certain components of the Parent Index construction process is provided herein. However this summary is not complete and readers are encouraged to refer to the definitive methodology for the Parent Index in the Parent Index Methodology Document.

3.1 Parent Index Qualifying Bonds

The Parent Index consists of USD, CAD, GBP and EUR denominated below investment grade corporate debt instruments issued in the major domestic or eurobond markets. Qualifying Bonds must have a below investment grade rating (based on an average of Moody’s, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of USD 250 million, EUR 250 million, GBP 100 million, or CAD 100 million. Original issue zero coupon Bonds, eurodollar Bonds, 144A Bonds (with and without registration rights), and pay-in-kind Bonds (including toggle notes) are included in the Parent Index.

3.2 Parent Index Construction

Parent Index constituents are market capitalization weighted based on the bid price for each constituent as of the last business day of the month. The Parent Index is compiled based on the Calculation Agent’s proprietary methodology which defines the Parent Index objectives, security screening, treatment of various securities, region and sector allocations and weightings. See the Parent Index Methodology Document for further details on the construction of the Parent Index, which is used as the starting universe for the Index.

By using the bid price, the Parent Index is subject to the risk of wide bid-ask spreads. Bid-ask spreads are affected by several factors including liquidity and volatility. In periods of low liquidity and/or high volatility, bid-ask spreads may widen, which may result in lower prices for the constituents of the Parent Index, and thus, the Index.

4.0 Definitions, Constraints & Notations

“Bond” means a debt security that is a constituent of the Parent Index.

“Company” means the publicly listed company that is directly or, as determined in accordance with this Methodology, indirectly, responsible for the issuance of a Bond. More than one Bond issuer can be mapped to a single Company (e.g., due to mergers, acquisitions or other corporate actions).

“Division” means each of USD Developed Market (**“DM”**), USD Emerging Market (**“EM”**) or Euro Developed Market (**“EUR”**). Each Bond is classified into one of the three Divisions.

“Sector” means the industry sector classification of a Bond, as set forth in Section 5.4.

“Region” means each of Americas, Europe, the Middle East and Africa (EMEA) and Asia Pacific (APAC).

“Bucket” means a combination of Division & Sector or, in the case of EM Division, Division & Region

“Company Cap” means the maximum weight a Company in a Division $w_{cs,j}$ can have within the overall Index. Used when adding weight to the Bonds of an issuer. The Company Cap for each Division is as follows:

DM	1%
EM	2%
EUR	2%

“Division Company Cap” means the maximum weight a Company can have within a Division. Used when adding weight to the Bonds of an issuer. The Division Company Cap for each Division is as follows:

DM	5%
EM	5%
EUR	5%

“Company Drift Cap” means the maximum weight a Company in a Bucket can have within the overall Index. If the weight of a Company within a Bucket increases above the CDC, the Index decreases the weight allocated to such Company, starting with the lowest duration Bonds mapped to that Company. The CDC is as follows:

DM	1.25%
EM	2.5%
EUR	2.5%

“Division Company Drift Cap” means the maximum weight a Company in a Bucket can have within a Division. If the weight of a Company within a Bucket as a percentage of the total weight for the Division increases above the DCDC, the Index decreases the weight allocated to such Company in that Division, starting with the lowest duration Bonds mapped to that Company. The DCDC is as follows:

DM	5.5%
EM	5.5%
EUR	5.5%

“**MCP**” or “**Market Cap Proportion**” means 0.5%. The MCP is the proportion of market capitalization weight of the Parent Index that is used to determine Proxy Portfolio Size.

“**Minimum Investible Rank**” means the 50th percentile. If a Company has a Multi-Factor Rank that is below the Minimum Investible Rank, no further weight can be added to that Company.

“**Drop from Index Rank**” means the 80th percentile. If a Company has a Multi-Factor Rank that is below the Drop from Index Rank, the weight is reduced to 0.

“**Proxy Portfolio Size**” means the theoretical notional size assumption of the portfolio used in determining the potential maximum position size of a Bond within the Index.

$w_{b,j}$ Bond Weight - the weight of a Bond b after step j of the process

$mcw_{i,t}$ Market Cap Weight of Level i at Time t . Note: Calculation of Market Caps Weights on the Cutoff Date prior to January 2019 used the Month-End Price and Accrued Interest.

$BP_{b,t}$ the Total Par Amount of a Bond (B) i at Time T

$BTP_{b,t}$ the Target Par Amount of a Bond (B) i at Time T

$BDP_{b,t}$ the Dirty Price (Clean Price + Accrued Interest)/100 of a Bond (B) i at Time T

FX_t The Foreign Currency Exchange Rate. EURUSD 4PM Rate for EUR Bonds, 1 for USD Bonds. The EURUSD Rate is sourced from publicly available data.

5.0 Index Construction

The Index is comprised of a subset of the Bonds included in the Parent Index. Bonds are selected by the Index based on the application of various additional filters, constraints and proprietary factors. Index weightings are determined by the iterative application of, rules-based algorithms which seek maximum proprietary factor scores across pre-determined target sector allocations. The weighting algorithm is applied at each monthly rebalance.

5.1 Eligible Bonds

The Parent Index is filtered down to exclude subordinated debt and Bonds rated CC or below (based on the Parent Index's composite rating methodology). Bonds from other currencies are considered for inclusion in the Index if they make up more than 5% of the market capitalization weight of the Parent Index and have at least 50 unique companies. EUR is the only currency other than USD that has met this threshold since the inception of the Index. New currencies will only be considered for inclusion during the Index Annual Review process where the Index Committee will evaluate market liquidity constraints.

5.2 Division Classifications

Each Bond eligible for inclusion in the Index is classified into one of the following three "Divisions": USD Developed Market ("**DM**"), USD Emerging Market ("**EM**") or Euro Developed Market ("**EUR**").

5.3 Bond Issuer Mapping

Each Bond issuer is "mapped" to a Company and Balance Sheet, and data related to such Company and Balance Sheet is used to determine a range of values and metrics related to the Bond as per this Methodology. Several Bond issuers can be mapped to a single Company. The Administrator may exercise Expert Judgment in mapping a Bond issuer to a Company and Balance Sheet.

If a Company has business activities in countries from both the DM and the EM Divisions, the Company's "country of risk" determines the classification of such Company. The "country of risk" of a Company is determined using a third-party data provider, who determines country of risk based on a number of criteria, including its country of domicile, the primary stock exchange on which it trades, the location from which the majority of its revenue comes, and its reporting currency. For Companies in the EM Division, country of risk is mapped to one of three Regions (Americas, EMEA and APAC).

5.4. Industry Allocations

Parent Index constituents are classified into industry sectors ("**Sectors**") using the Parent Index Administrator's sector classification schema, as set forth below. Instances where more than one issuer is mapped to the same Company that exists in multiple Division/Sector combinations, the Sector with the larger aggregate market cap is used as the Sector for the Company in that Division.

USD DM:

Level 2 Sector	Level 3 Sector
Financial	Financial
Industrials	Automotive
Industrials	Basic Industry
Industrials	Capital Goods
Industrials	Consumer Goods
Industrials	Energy
Industrials	Healthcare
Industrials	Leisure
Industrials	Media
Industrials	Retail
Industrials	Services
Industrials	Technology & Electronics
Industrials	Telecommunications
Industrials	Industrial Other
Utility	Utility

USD EM

Level 2 Sector
Financial
Industrials
Utility

EUR DM

Level 2 Sector	Level 3 Sector
Financial	Financial Other
Industrials	Basic Industry
Industrials	Industrial Other
Utility	Utility

5.5 Buckets

The Bonds are further classified into “**Buckets**.” Buckets are a combination of Division & Sector (for DM and EUR) or a combination of Division & Region (for EM).

6.0 Factors

The Index is a multi-factor index. Factors are distinguishing characteristics of individual securities or issuers that drive risks and returns. The Index measures quality, value and momentum (each, a “**Factor**”) in order to target exposure to the Companies that exhibit the best combination of each style factor as defined in this Index Methodology. Factor ranks are calculated at the Company level within a Bucket using data as of the Rebalancing Cutoff Date. At each monthly rebalancing, a “**Multi-Factor Rank**” is calculated for each Company which indicates the relative strength of that Company in the three Factors relative to each other Company eligible for inclusion in the Index within its Bucket. The Index determines that Companies (and thus the Bonds associated with those Companies) with a lower Multi-Factor Rank are more attractive than those with a higher Multi-Factor Rank.

All data regarding a Company used to determine the metrics set out below for purposes of calculating the Factor Scores is sourced from publicly available data.

6.1 Quality Factor

The basic principle of the quality factor is to identify high quality, lower risk companies. A quality factor is calculated for each Company based on several measures of financial performance, profitability and leverage to assess the ability of the Company to meet its financial obligations. The quality factor consists of three components: profitability, balance sheet ratios and market leverage.

The profitability component identifies Companies with higher profitability, which may be an indication of higher quality. Profitability is measured based on the Company’s Return on Equity (ROE) or Return on Assets (ROA) (depending on the Company’s Sector classification) and Gross Profitability (Not Applicable to Companies in the Financial Sector). ROE/ROA are measures of a Company’s profitability in relation to the Company’s average shareholder’s equity or total assets, respectively. Gross Profitability is an additional measure of profitability which measures the difference of net sales from cost of goods sold divided by the average total assets.

The balance-sheet ratio component is a measure of risk using balance-sheet metrics of Free Cash Flow to Debt ratio and Net Leverage ratio. Net Leverage measures the ratio of the Company’s debt to equity.

The Market Leverage component measures corporate default risk based on market data regarding distance-to-default and market leverage which may help indicate a Company’s ability to satisfy its debt obligations.

In each case, the metrics used for each component depends on the Companies Sector classification as set forth in the table below.

Quality Factor Components	SECTORS		
	<i>Industrial</i>	<i>Utility</i>	<i>Financial</i>
Profitability	Return on Equity (ROE)	Return on Assets (ROA)	Return on Equity (ROE)
	Gross Profitability	Gross Profitability	N/A
Market Leverage	Market Leverage	Market Leverage	Market Leverage
	Distance-to-Default	Distance-to-Default	Distance-to-Default
Balance Sheet Ratios	FCF/Debt	FCF/Debt	N/A
	Net Leverage	Net Leverage	Net Leverage

6.2 Value Factor

The value factor analyzes Bonds of a Company to identify the undervalued Bonds relative to their intrinsic value. The value factor compares a market measure of value to a fundamental measure of value. We utilize two measures: fair value spread differential and spread over risk. The Fair Value Spread is computed by running a multi-variable regression which estimates option adjusted spread of a Company (OAS) using its Distance-to-Default and Effective Duration. The Fair Value Spread Differential is then calculated by comparing each Company's fair value OAS from the model (all Bonds mapped to such Company weighted by Market Cap) to the market OAS to determine whether the Bonds mapped to the Company are undervalued or overvalued. The spread over risk is calculated as the ratio between the OAS of a company and the ratio of total debt to the long-term earnings.

	SECTORS		
	<i>Industrial</i>	<i>Utility</i>	<i>Financial</i>
Value	Fair Value Spread Differential	Fair Value Spread Differential	Fair Value Spread Differential
	Spread Over Risk	Spread Over Risk	N/A

6.3 Momentum Factor

The momentum factor identifies Companies that have exhibited recent positive performance. A momentum strategy is based on the investment thesis that, over specified periods of time, trends in the value of an asset are more likely to continue—meaning that if an asset is performing well or poorly, it is likely to continue to perform well or poorly, respectively, in the near future. A momentum factor score is calculated for each Company based on both equity momentum and credit momentum.

Equity momentum is calculated for each Company based on the returns over the prior 6-month period for the equity shares of such Company (including dividends and adjusted for corporate actions). Such figure is then “standardized” by dividing the relevant figure by its 6-month daily volatility. The prices of a Company used to determine the Equity Momentum of a Company are sourced from the closing prices published by the primary stock exchange on which such Company is listed or admitted to trading.

Credit momentum is calculated for each Company based on the excess returns (over treasuries) over the prior 6-month period for each of the Bonds mapped to such Company.

6.4 Factor Scores and Multi-Factor Rank

The Factor Rank $z_{i,p}$ of each Company is calculated for each Division/Sector combination (for both DM and EM Division). Note that while the Bucket for EM is Division/Region, a Division/Sector combination is used for EM for purposes of calculating the Factor Rank. A Company’s Factor Rank is then used to compute a Company’s Factor Score $z_{c,p}$ which is the Company’s percentile rank for a given Factor within a Division/Sector combination.

For each Company and Factor, a Factor Score $z_{c,p}$ is calculated within a given Division/Sector combination. The raw Factor Score for each Company $y_{c,p}$ is determined by the metrics outlined above for each Factor.

$$z_{c,p} = \frac{1 + \#(y_{n,p} > y_{c,p}, n \in S_k) + 0.5 \times (\#(y_{n,p} = y_{c,p}, n \in S_k) - 1)}{1 + \#(n \in S_k)}$$

The Factor Score for each Factor is computed as the average of the metrics that are used to determine such Factor (as described in Section 6.1 (for Quality), 6.2 (for Value) and 6.3 (for Momentum), excluding any missing metrics. For each Company, a “**Composite Score**” y_c is computed as the sum of the three Factor Scores. If any Factor Score is missing then the Composite Score is not computed.

$$y_c = \sum z_{c,p}$$

For each Company, a Multi-Factor Rank is calculated from the Composite Scores by ranking the Companies within each Division/Sector combination. Companies with a lower rank are more attractive than those with a higher rank.

For EM, the ranking within each Division/Sector combination from the previous step is then converted to a secondary ranking by Region (Americas, EMEA, APAC), using the Multi-Factor Ranking from the previous step as a starting point.

7.0 Weighting Methodology

Weights are assigned to Buckets, Companies and finally to individual Bonds based on a multi-stage process which takes into consideration relative market capitalization weights, constraints on individual Bond liquidity, Multi-Factor Ranks and concentration risks while trying to minimize turnover.

7.1 Establish Cut Weights

On the Rebalance Cutoff Date, the current effective weights of the Bonds in the Index, referred to as the “**Cut Weights**” are determined. The Cut Weights are used as the starting point for the weights for the Rebalancing Date immediately following such Rebalance Cutoff Date. The Cut Weights for each Bond is calculated based on their principal amount, price plus accrued interest and the foreign exchange rate (if applicable).

The Cut Weights ($w_{b,Cut}$) are calculated as follows:

$$w_{b,Cut} = \frac{BTP_{b,tL} * BDP_{b,Cut} * FX_{Cut}}{\sum_N BTP_{b,tL} * BDP_{b,Cut} * FX_{Cut}}$$

7.2 Set Bond Starting Weight

The first iteration of Bond level weights (“**Bond Starting Weight**”) $w_{b,0}$ are set to the Cut Weight, eliminating any Bond that no longer qualifies for inclusion. Companies that no longer report financial statements, Companies without sufficient data to compute 3 Factor Scores, and Companies that have a Multi-Factor Rank below the Drop From Index Rank would not qualify for inclusion.

7.3 Set Maximum Bond Weight & New Weight

In this step, the Index determines the Maximum Bond Weight that can be allocated to each individual Bond. The Index cannot notionally own more than 3% of a Bond’s total market value and the Index cannot increase the notional ownership of a Bond by more than 1.5% of the Bond’s total market value at any monthly rebalance. In addition, for any Bonds with a duration of less than 1.5 years, the Index sets the Maximum Bond Weight to the Cut Weight. For the EM Division, Bonds mapped to Companies that are from countries that do not have at least 3 Companies are given a Maximum Bond Weight of 0. If the Bond’s Maximum Bond Weight is less than or equal to the Cut Weight, then no additional weight can be added and the Maximum Bond New Weight will be set to 0.

7.4 Set Maximum Company Weights and Maximum Company New Weights

In this step, the Index aggregates the Maximum Bond Weights established for each Bond in the prior steps to the mapped Company to determine the Maximum Company Weight (the sum of the Maximum Bond Weights mapped to such Company within a Division), and applies the Company Cap and Division Company Cap limits.

If a Company’s Maximum Company Weight as a percentage of the total Index is greater than the applicable Company Cap, then the Index reduces the Maximum Company Weight to the Company Cap. In addition, if a Company’s Maximum Company Weight as a percentage of the total Division weight is greater than the applicable Division Company Cap, then the Index reduces the Maximum Company Weight to the Division Company Cap multiplied by the Total Division Weight.

If a Company has a Multi-Factor Rank that is below the Minimum Investible Rank, no further weight can be added to that Company. Maximum Company New Weight for each Company is then reduced to the lesser of (i) the sum of all of the Maximum Bond New Weights mapped to such Company and (ii) the greater of (x) Maximum Company Weight *minus* Company Cut Weight and (y) 0.

7.5 Apply Company Drift Cap Rules

In this step, the Index reduces the weight of the shortest Effective Duration (OAD) Bonds of a Company if the weight of such Company exceeds certain caps (the Company Drift Cap and the Division Company Drift Cap). These caps ensure diversification on Division level and reduce concentration risks of a Company.

7.6 Bucket Weights

In this step, Bond and Company Level data is aggregated to the Bucket Level and the Bucket Level Target Weights are computed with the aim of targeting the market cap Bucket weight (the aggregate market cap weight of the Bonds in a Bucket), while trying to minimize turnover and adhering to liquidity constraints. The aggregated Bond Weights mapped to Companies within a Bucket from Step 7.2 serves as a floor and the aggregated Maximum Company Weights from Step 7.4 of Companies within the same Bucket serve as a cap. When computing the Bucket Level Target Weights, the Index starts with the Bucket Level Market Cap weights. Caps and Floors are applied, and excess weight is re-allocated on a pro-rata basis to the unconstrained Buckets iteratively until 100% Weight is achieved.

7.7. Add Weight to Bonds within Buckets

In this step, the Index adds weight to Bonds within a Bucket when a Bucket is below its Bucket Level Target Weight. The Index adds weight to Bonds mapped to Companies within a Bucket that are not yet at the Maximum Company Weight. Weight is added iteratively with priority given to Bonds with the most attractive Multi-Factor Rank and Bonds with a DTS that best align with the Market Cap Weighted DTS of the Bucket. DTS is the Duration Times Spread of a Bond and is a market standard method for measuring the credit risk of a Bond.

7.8 Redistribute Additional Weight across the Division

If there are no more Bonds in the particular Bucket to which weight can be added, then allocate the remaining weights to other Bonds within the same Division until the Division achieves its Division Level Target Weight.

7.9 Set Par Amounts

Use the Final Target Weights to calculate theoretical Par Amounts $BTP_{b,t}$ which will be used to calculate the value of the Index.

$$BTP_{b,t} = \frac{w_{b,2} * MCP * \sum_N BP_{b,Cut} * BDP_{b,Cut} * FX_{Cut}}{BDP_{b,Cut}}$$

8.0. Calculation of Index Value

The daily closing Index value will be based on the Final Target Weights and Par Amounts determined by the Index, and will be calculated by the Calculation Agent pursuant to the methodology and formula for calculating index values set forth in the Parent Index Methodology Document.

9.0 Disclaimers

9.1 J.P. Morgan Investment Management, Inc.

The Methodology has been prepared solely for informational purposes and nothing in the Methodology constitutes (i) an offer to buy or sell any securities, participate in any transaction or adopt any investment linked to the Index (each, a “**Product**”) or (ii) legal, tax, regulatory, financial or accounting advice. The Methodology may change at any time without prior notice.

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10.0 Index Data Availability

Bloomberg Ticker Measure

JPMIGHYT	Total Return Index Level
JPMIGHYS	Option Adjusted Spread
JPMIGHYY	Effective Yield
JPMIGHYD	Effective Duration
JPMIGHYX	Month to Date Excess Return

11.0 Change Log

Date	Changes	Implementation Date
12/10/2020	<ul style="list-style-type: none">- Clarification on the use of the US calendar for the Rebalance schedule- Remove FCF/Debt ratio for financials	March 31, 2021