



Morningstar LSTA US Leveraged Loan Broad Select Index

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The heightened popularity of leveraged loans, also known as bank loans or senior secured loans, comes as no surprise in the new post-pandemic macroeconomic era where inflation is at record levels and interest rates have risen around the globe. Amid such market volatility, leveraged loans offer diversification and a bright spot for credit investors, as the floating rate nature of these assets adjusts according to market interest rate changes, offering protection from inflation and an attractive source of income.

The Morningstar LSTA US Leveraged Loan Broad Select Index is designed to deliver comprehensive, precise coverage of the US leveraged loan market for first lien institutional term loans with a rating of BB+ and below. Underpinned by PitchBook LCD data, the index brings transparency to the performance, activity, and key characteristics of the market.

The index serves as the market standard for the US leveraged loan market for first lien institutional term loans with a rating of BB+ and below and tracks the performance of more than 450 USD denominated loans. In addition, key features of the index includes:

- **Underpinned by PitchBook LCD data:** Data sourced from both public and proprietary sources brings transparency to private market loan transactions, including issuance, repayment, and restructuring activity throughout the lifecycle of each loan in the index.
- **Comprehensive and precise coverage:** 10+ years of index history provides insights into trends and lifecycles of individual loans from the institutional term loan segment of the leveraged loan market.
- **Supports a range of workflows:** The index serves as a benchmark for both active and passive strategies and is rebalanced weekly to reflect current loan market activity.

PitchBook LCD

LCD is the industry standard for leveraged loan data, news, and analysis, providing coverage across the full lifecycle of loans. The leveraged loan market data provider has been acquired by PitchBook, which delivers data, research and insights covering the private

and public capital markets. This unique combination provides investors with unmatched transparency into every aspect of the leveraged finance market.

LSTA

Since 1995, the Loan Syndications and Trading Association (LSTA) has been the industry's premier platform for all participants in the rapidly evolving syndicated lending market. The LSTA's mission is to promote a fair, orderly, efficient, and growing corporate loan market.

Starting universe

The Morningstar LSTA US Leveraged Loan Broad Select Index derives its constituents from syndicated term leveraged loans that are held within top-tier institutional investor loan portfolios tracked by PitchBook LCD.

Index eligibility

Loans from within the PitchBook LCD database must meet the following criteria to be included in the index:

- Facility type: institutional term loans
- Seniority: senior secured first lien loans
- Credit quality: loans must be BB+ or lower
- Minimum initial term: for inclusion 18 months, to remain 12 months
- Currency: USD denominated
- Minimum initial spread: Base rate + 125 bps
- Minimum amount outstanding: \$1 billion

Although all loans must be USD denominated, issuers may be of any origin.

The following loans are excluded from the index:

- 2nd lien loans
- Term loan As
- Non-rated loans
- Loans in default

Index weighting and pricing

The index is market value weighted with bid prices from LSTA/Refinitiv Mark-to-Market Pricing Services, subject to an issuer weight cap of 2%. The index is priced daily.

Rebalancing

The index is rebalanced weekly (every Friday). Loans are removed from the index when they are repaid, are no longer priced, or no longer meet the stated index eligibility criteria. Loans with less than \$900 million in amount outstanding are removed from the index.

Construction process



About Morningstar Indexes

Morningstar Indexes was built to keep up with the evolving needs of investors—and to be a leading-edge advocate for them. Our rich heritage as a transparent, investor-focused leader in data and research uniquely equips us to support individuals, institutions, wealth managers and advisors in navigating investment opportunities across major asset classes, styles and strategies. From traditional benchmarks and unique IP-driven indexes, to index design, calculation and distribution services, our solutions span an investment landscape as diverse as investors themselves. Please visit indexes.morningstar.com for more information.

About PitchBook

PitchBook is a research firm and financial data provider that empowers global capital market professionals to win what's next. We collect and analyze information on the entire investment and business lifecycle. Our data, research and insights are available through our in-depth reports, industry news, and robust platform. To learn more about PitchBook, visit pitchbook.com or contact info@pitchbook.com.

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