Single Security Initiative Conference

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Sheraton New York Times Square

Fannie Mae™ FreddieMac

INDEX PROVIDER UPDATE

SPEAKERS

FTSE Russell

Nick Gendron
Global Head of Fixed Income Index Product Management, Bloomberg

Nikki Stefanelli
Managing Director, Global Head of Fixed Income Policy, FTSE Russell

Preston Peacock
Director, Index Business Development, The ICE

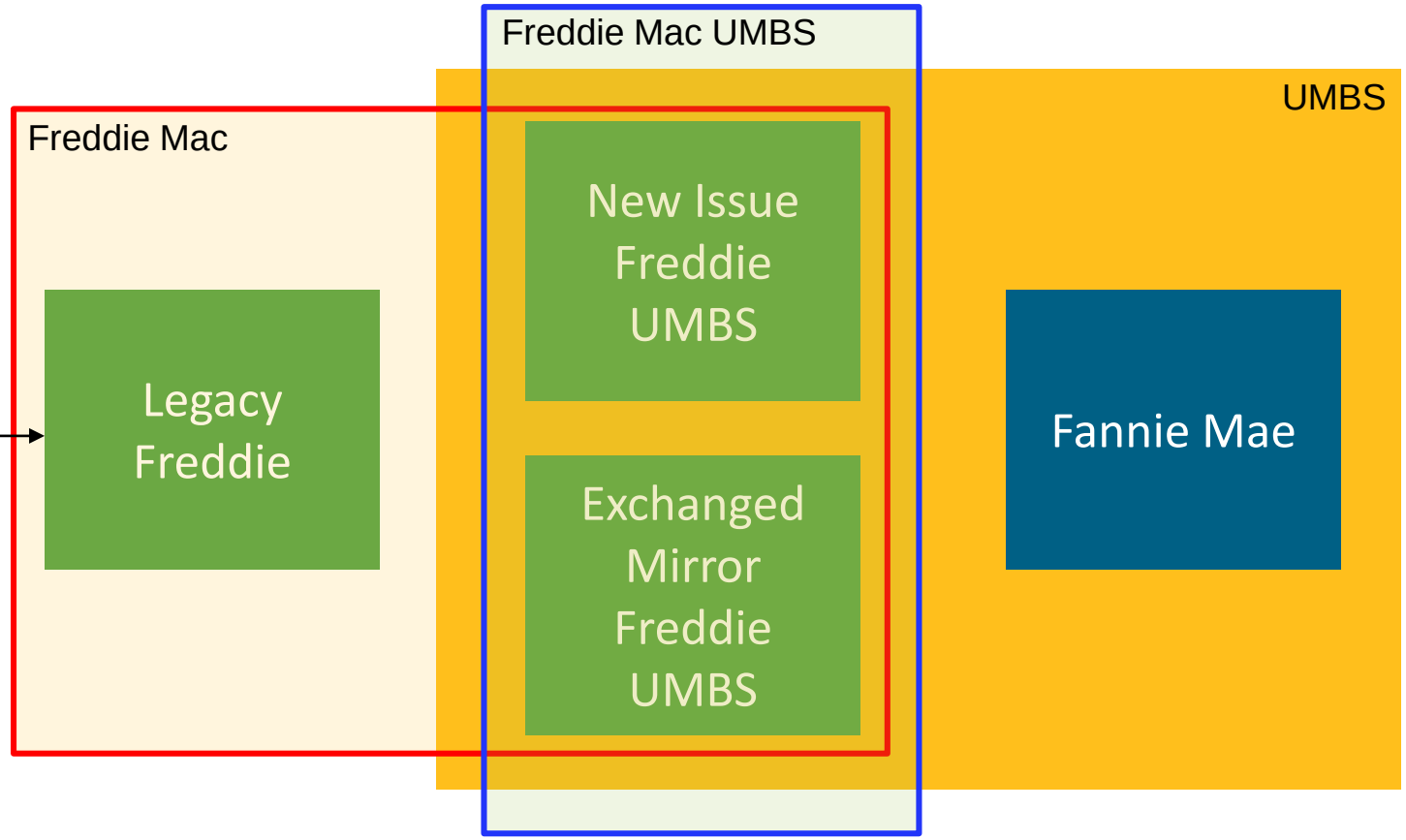
Preetham Nanda
Executive Director, Global Index Research, JP Morgan

The New Index Landscape

Preston Peacock
Director, Index Business Development, The ICE

Viewed through the indices: the same, but different

Legacy Freddie Mac Gold PC will be roughly 70% of outstanding index-eligible collateral at Go-Live, <u>even if all exchanges occur</u>



ICE Data Indices UMBS Treatment

- New Fannie Mae UMBS issuance will be aggregated in existing legacy Fannie Mae cohorts
- Freddie Mac and Fannie Mae pools will remain in separate cohorts
- Existing Freddie Mac Gold pools:
  - Those not directly exchangeable will continue to be included within legacy Freddie Mac cohorts
  - Exchanged Freddie Mac "mirror" pools and new-issue Freddie Mac UMBS to be combined in a new series of Freddie Mac UMBS cohorts
- The qualification of Freddie Mac cohorts with respect to index size criteria will be based on the combined total of the legacy and UMBS cohorts for the same coupon and production year
  - No impact on collateral represented in the index
- All exchange-eligible legacy Freddie Mac pools assumed exchanged at the May 31 rebalancing

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J.P. Morgan – MBS Agency Index (MAX)

Preetham Nanda
Global Index Research, JP Morgan

J.P. Morgan – MBS Agency Index (MAX)

Implementation of Single Security initiative for MAX to track Mirrors and UMBS cohorts

MAX handling of UMBS / Mirrors

Available Cohorts

MAX Index will provide **two different options** for tracking generics, including (1) count both Fannie Mae and new 55-day Freddie Mac generics as UMBS and (2) separate generics for Fannie Mae and 55-day Freddie Mac aggregates

Minimum Outstanding Eligibility

The sum of both the 45-day and 55-day Freddie Mac outstanding balance will be used to satisfy the **min. $500 million outstanding** index inclusion criteria

Exchange Compensation

For the purpose of index level calculations, the 10-day float compensation during the exchange period will not contribute to total returns

Factor Updates

The monthly agency factor update will be **unchanged at the 6th business day**

Effective Date

Implemented for **May 31st, 2019 rebalance**, along with more detailed estimated compositions prior to rebalance

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J.P. Morgan – MBS Agency Index (MAX)

Freddie Mac aggregates account for 28% ($1.6 tn) of MAX

Estimated MAX index cohort count after exchanges

Agency/Program	Current	Estimated	Difference
FNMA	147	147	-
FNMA 30y	80	80	-
FNMA 20y	31	31	-
FNMA 15y	36	36	-
FHLMC 45-day	129	-	(129)
FHLMC 45-day 30y	70	-	(70)
FHLMC 45-day 20y	26	-	(26)
FHLMC 45-day 15y	33	-	(33)
FHLMC 55-day	**-**	**129**	**129**
FHLMC 55-day 30y	-	70	70
FHLMC 55-day 20y	-	26	26
FHLMC 55-day 15y	-	33	33
GNMA II	47	47	-
GNMA II 30y	42	42	-
GNMA II 15y	5	5	-
GNMA I	77	77	-
GNMA I 30y	60	60	-
GNMA I 15y	17	17	-
UMBS	**-**	**147**	**147**
UMBS 30y	-	80	80
UMBS 20y	-	31	31
UMBS 15y	-	36	36
Total	400	547	147

Source: J.P. Morgan as of January 31, 2019. Highlighted are the new cohorts to accommodate flexibility for Single Security. Note that UMBS will include both FNMA and FHLMC 55-day, which will have the option of being broken out.

Aggregate count is estimated to increase to nearly 550 aggregates

Top 20 FHLMC Gold 45-day aggregates in current composition

JPM MAX Index Aggregate	Weight (%)	Balance ($bn)
FHLMC Gold 30y 3 2016	2.5	150
FHLMC Gold 30y 4 2018	2.1	123
FHLMC Gold 30y 3.5 2017	2.0	121
FHLMC Gold 30y 3.5 2015	1.5	90
FHLMC Gold 30y 4 2017	1.3	75
FHLMC Gold 30y 4.5 2018	1.2	67
FHLMC Gold 30y 3 2013	1.1	68
FHLMC Gold 30y 3.5 2016	1.0	60
FHLMC Gold 30y 3.5 2012	0.8	49
FHLMC Gold 30y 3 2012	0.7	44
FHLMC Gold 30y 4 2014	0.7	41
FHLMC Gold 30y 3.5 2018	0.7	41
FHLMC Gold 30y 3 2015	0.6	39
FHLMC Gold 30y 3.5 2013	0.6	36
FHLMC Gold 30y 3.5 2014	0.6	33
FHLMC Gold 15y 2.5 2016	0.5	29
FHLMC Gold 15y 2.5 2013	0.4	23
FHLMC Gold 15y 3 2017	0.4	22
FHLMC Gold 30y 4 2015	0.3	20
FHLMC Gold 30y 4.5 2009	0.3	19
Sum of Top 20	**19.4**	**1,148**

Source: J.P. Morgan, as of February 13, 2019

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