Introducing the MarketVector™ El Salvador Bond Index

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Executive Summary

El Salvador's bond market has undergone a marked evolution, shaped by fiscal restructuring, rising credit quality, and novel financing mechanisms. In response to these developments, the **MarketVector™ El Salvador Bond Index (SVBMV)** was launched as the first rules-based benchmark dedicated exclusively to tracking El Salvador's sovereign and selected corporate debt. The index offers a transparent, systematic approach to capturing the characteristics and composition of this focused segment within the broader emerging markets fixed income landscape. SVBMV serves as a structured reference tool for evaluating the country's credit profile, policy trajectory, and capital market integration.

The El Salvador Bond Market

El Salvador has emerged as a notable allocation within emerging market debt, combining fiscal reform, International Monetary Fund (IMF) engagement, and market access. The government's bold move to adopt Bitcoin as legal tender raised global visibility, but for bond investors, the more material drivers are improved creditworthiness, infrastructure financing, and disciplined issuance.

SVBMV offers investors direct exposure to this story. It captures the country's sovereign and corporate selective bonds, making it the first rules-based measure of El Salvador's debt market.

El Salvador Growth and Drivers

SVBMV tracks sovereign and corporate bonds issued by El Salvador-based entities. The country's bond market presents an exciting investment opportunity due to the convergence of several growth factors that drive both the nation's economy and its bond market. Key growth drivers include:

- **Fiscal Reforms and Infrastructure:** The government has enacted fiscal measures to narrow the deficit and reduce debt, alongside large-scale infrastructure programs supported by foreign capital.

- **Capital Inflows and Bitcoin:** Adoption of Bitcoin as legal tender in 2021 drew global attention and helped catalyze inflows, including proposals for Bitcoin-backed bonds. While symbolic, these initiatives complement traditional financing.

- **Regional Resilience:** A diverse economy spanning exports, tourism, and manufacturing benefits from trade agreements with the U.S. and regional partners.

- **Improving Credit Profile:** Fitch upgraded El Salvador to B- (Stable) in January 2025, reflecting reform progress and stronger governance.

- **Diversification:** Broad-based growth reduces reliance on any single sector, underpinning long-term resilience.

El Salvador's Economic Outlook: Robust Growth Amid Transformation

According to the World Bank, El Salvador's GDP is forecast to grow 2.7% in 2025, above the Latin America and Caribbean average of 2.5%.

Exhibit 1: El Salvador's GDP is projected to slightly outpace the regional average in 2025 (World Bank)

Country/Region	2022	2023	2024e	2025f	2026f
Latin America and the Caribbean	4	2.3	2.2	2.5	2.6
Argentina	5.3	-1.6	-2.8	5	4.7
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El Salvador	2.8	3.5	2.9	2.7	2.5
Grenada	7.3	4.7	4.2	3.8	3.4
Guatemala	4.2	3.5	3.7	4	4
Haiti	-1.7	-1.9	-4.2	0.5	1.5
Mexico	3.7	3.3	1.7	1.5	1.6
Nicaragua	3.8	4.6	3.6	3.5	3.6
Panama	10.8	7.3	2.6	3	3.5
Paraguay	0.2	4.7	4	3.6	3.6
Peru	2.8	-0.4	3.1	2.5	2.5
Uruguay	4.7	0.4	3.2	2.6	2.6

Source: Global Economic Prospect, January 2025

Credit Ratings and Investment Quality: A Positive Outlook for the El Salvador Bond

Fitch upgraded El Salvador's sovereign rating to B- (Stable) in January 2025, marking the country's first step out of distressed territory. This reflects fiscal reforms, stronger governance, and improved debt sustainability, which have boosted investor confidence.

Exhibit 2: Long-term ratings show steady recovery from RD (2023) to B- (2025) (Fitch).

Date	April 30, 2025	January 7, 2025	April 30, 2024	May 05, 2023	February 02, 2023
Rating	B- (Stable)	B- (Stable)	CCC+	CCC+	RD
Action	Affirmed	Upgrade	Affirmed	Upgrade	Downgrade

Source: El Salvador Credit Ratings. Fitch Ratings.

In parallel, short-term credit quality has strengthened. Fitch raised the Short-Term Issuer Default Rating to B in January 2025, signaling improved liquidity and near-term financing stability.

Exhibit 3: Short-term ratings upgraded to B, highlighting stronger liquidity and market access (Fitch).

Date	April 30, 2025	January 7, 2025	April 30, 2024	May 05, 2023	February 02, 2023
Rating	B	B	C	C	C
Action	Affirmed	Upgrade	Affirmed	Affirmed	Affirmed

Source: El Salvador Credit Ratings. Fitch Ratings.

The recent rating upgrade marks a turning point for El Salvador's sovereign debt narrative, signaling reduced sovereign risk and a renewed sense of policy credibility. Improved creditworthiness is expected to draw greater participation from institutional investors, which over time could help lower borrowing costs and broaden the investor base. As confidence strengthens, Salvadoran bonds are positioned to offer more attractive risk-adjusted returns relative to broader emerging market debt, supported by improving fundamentals and disciplined fiscal management. In parallel, higher demand is likely to enhance secondary market liquidity, further reinforcing the market's depth and accessibility for global investors.

Index Composition

SVBMV has historically comprised predominantly sovereign bonds issued by the Republic of El Salvador. In August 2025, the index expanded to include a corporate issue from the state-owned utility Comision Ejecutiva Hidroelectrica Del Rio Lempa (CEL), alongside nine sovereign issues.

The following two constituents underscore the index's dual role: facilitating sovereign refinancing amid macroeconomic risk and enabling targeted infrastructure funding through state enterprises.

Republic of El Salvador 9.25% Notes due 2030: Issued in April 2024 for USD 1bn at ~12% yield (priced ~89.9). Structured with step-up provisions that raise coupons if El Salvador fails to secure two upgrades to B or an IMF agreement by October 2025. Initially rated CCC+ by Fitch, the bond was upgraded to B- with a Stable Outlook in January 2025.

Comision Ejecutiva Hidroelectrica Del Rio Lempa (CEL) 8.65% Notes due 2033: Issued in July 2025 for USD 580m by state hydro utility CEL, backed by a sovereign guarantee. Proceeds

supported debt repayment and the Energy Price Stabilization Fund. CEL operates major hydroelectric plants supplying a large share of national power.

**Exhibit 4: MarketVector™ El Salvador Bond Index (SVBMV) composition (August 2025):**

Security Name	Type of Bond	Amount Outs. (Millions)	Market Value (Million USD)	Weight
El Salvador, Republic 9.25% 24/30	Government	1,000	1,109	15.71%
El Salvador, Republic 9.65% 24/54	Government	1,001	1,078	15.26%
El Salvador, Republic 9.5% 20/52	Government	876	922	13.05%
El Salvador, Republic 7.65% 05/35	Government	875	877	12.43%
El Salvador, Republic 7.125% 19/50	Government	767	653	9.24%
Comision Ejecutiva Hidroelectrica Del Rio Lempa 8.65% 24/33	Corporate	580	601	8.51%
El Salvador, Republic 8.625% 17/29	Government	500	549	7.78%
El Salvador, Republic 8.25% 02/32	Government	500	535	7.58%
El Salvador, Republic 7.625% 11/41	Government	516	484	6.85%
El Salvador, Republic 7.625% 04/34	Government	248	253	3.59%

Source: MarketVector Indexes. Data as of August 2025 Index Review – September 2025 Composition.

This evolution in index composition highlights the diversification of El Salvador's debt market, combining policy-linked sovereign financing with strategic corporate issuance. The sovereign bond exemplifies innovative funding mechanisms designed to align borrowing costs with policy progress, while the CEL issue underscores the growing role of state enterprises in channeling capital toward infrastructure and energy development.

Exhibit 5: As of the August 2025 index review, the index remains overwhelmingly sovereign (91%), with corporate exposure limited to a single CEL bond (9%).

Index composition by Type of Bond

- Government
- Corporate
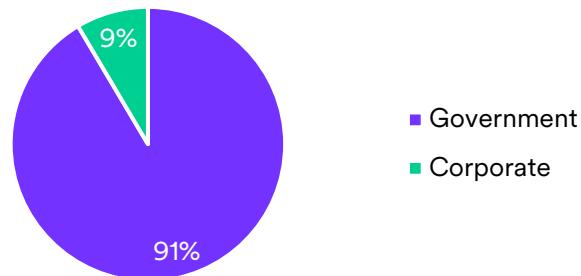
Source: MarketVector Indexes. Data as of August 2025 Index Review.

Index Design and Architecture

The **Index** is structured to provide investors with targeted exposure to El Salvador's sovereign debt and corporate bonds. The Index tracks high-quality government and corporate bonds with El Salvador as the country of risk, offering an attractive investment vehicle with significant growth potential, thanks to:

- **Rigorous Selection Criteria:** Bonds must have an outstanding amount of at least USD 200 million, be rated by a major rating agency, and have at least 12 months to maturity.

- **High Liquidity:** preference for **RegS** bonds, providing greater liquidity than 144A or private placements, with fewer restrictions and broader market access.

- **Regular Monthly Reviews:** Ensuring alignment with the highest quality bonds available in El Salvador's market.

- **Focus on El Salvador:** Unlike broader regional indexes, **SVBMV** focuses exclusively on El Salvador, providing deeper exposure to the country's economy and growth trajectory.

Benchmark Comparison

Since July 2022, **SVBMV** has outperformed broad emerging market (EM) benchmarks, reflecting both improving credit fundamentals and the elevated yield premium of Salvadoran debt. For comparative analysis, SVBMV performance is measured against the iShares J.P. Morgan USD Emerging Markets Bond ETF (EMB), a widely used sovereign-only, USD-denominated benchmark. The use of EMB's net asset value (NAV) per share provides a transparent and investable proxy for tracking returns relative to the broader EM sovereign universe.

This benchmark was selected based on three key considerations: it offers sovereign comparability given both indexes' government bond focus; captures relative risk premium differences between single-country and diversified EM exposure; and enables clear visibility into El Salvador's credit trajectory against its global EM peers.

Exhibit 6: Performance

Performance since the SVBMV Index inception - Rebased to 1000

— MarketVector El Salvador Bonds Index (SVBMV)

— iShares J.P. Morgan USD Emerging Markets Bond ETF (EMB)
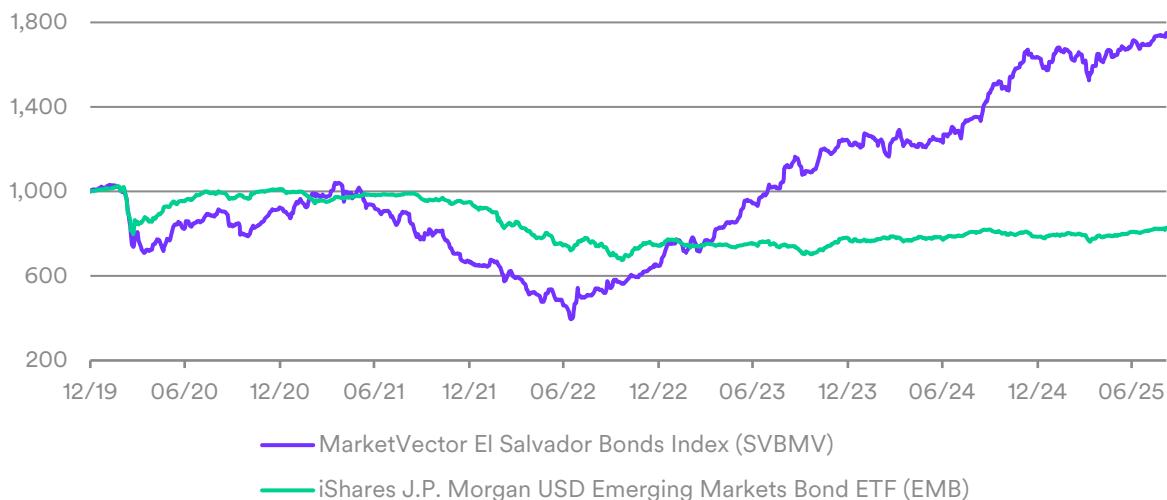
* SVMBM's historical and current composition is predominantly sovereign-focused.

Source: MarketVector Indexes and BlackRock/iShares – iShares J.P. Morgan USD Emerging Markets Bond ETF (EMB).

El Salvador's Bond Market: A Focused Credit Opportunity

El Salvador's bond market has become a credible investment case, supported by fiscal reforms, IMF engagement, and recent credit upgrades. The **MarketVector™ El Salvador Bond Index (SVBMV)** provides the first rules-based vehicle for accessing this concentrated exposure, balancing sovereign refinancing with selective infrastructure-linked issuance.

For investors seeking differentiated emerging market exposure, the index offers a blend of high yields, improving credit quality, and targeted country risk. As reforms progress and financing structures evolve, El Salvador's debt market is positioned to deliver risk-adjusted returns that stand out against broader emerging market benchmarks.

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