

UK Gilts Indices: An Overview

April 2019 | SPDR EMEA ETF Strategy Team

State Street Global Advisors is highly experienced and has a proven track record of managing UK Gilts strategies. Our range of UK Gilts passive fixed income solutions spans several types of maturity buckets. State Street Global Advisors' SPDR Bloomberg Barclays UK Gilt UCITS ETF tracks the Bloomberg Barclays UK Gilt Bond Index and offers cost-efficient*, simple access to the UK Gilt market.

This document presents a brief comparison of two key UK Gilts benchmarks: the Bloomberg Barclays UK Gilt Bond Index and the FTSE Gilt All Stocks Index.

UK Gilts — All Maturity

We will compare two main UK Gilt bond indices tracked by ETFs in Europe. These belong to two families: FTSE Russell and Barclays. Rules for inclusion differ quite a bit with regards to rebalancing rules and maturity dates, as well as minimum size. The main difference, though, is that the FTSE index will keep bonds to maturity while the Barclays index rule is for bonds that have at least 12 months of remaining maturity at rebalancing.

The Bloomberg Barclays index rebalances monthly on the last business day of the month and will include new bonds issued during the month on that day. Meanwhile, the FTSE index rebalances at new auctions and when the Debt Management Office (DMO) taps existing issues. There is thus no set frequency for rebalancing.

The FTSE index is common in pure Gilts portfolios. However, the family has no real footprint in the corporate bond space. As such, for investors looking to build diversified portfolios across sectors, the Bloomberg Barclays index can be perceived as better adapted as a building block of traditional beta.

Summary of Index Rules

	FTSE Gilt All Stocks Index	Bloomberg Barclays UK Gilt Bond Index
Minimum Amount Outstanding	Rump stock excluded — Too small an amount in issue for an effective market.	GBP 200 million.
Rating	—	All bonds in the index must be investment grade rated (Baa3/BBB-/BBB- or higher) using Moody's, S&P or Fitch. When three ratings are available the middle is used; when only two are available the lower rating is used.
Maturity	Gilts are removed from the indices on their redemption dates at the closing price of the previous day.	At least 1 year until maturity.
Index Rebalancing	New auctions, DMO taps existing issues.	Monthly.
Included Bonds	All Conventional Gilts quoted on the Stock Exchange.	Public obligations of the United Kingdom. Bullet, putable, sinkable/ amortising and callable bonds. Original issue zero coupons.

Source: State Street Global Advisors, Barclays, FTSE Russell, as at 31 January 2019.

Characteristics

	FTSE Gilt All Stocks Index	Bloomberg Barclays UK Gilt Bond Index
Market Value	1,450,452,593	1,346,927,359
# Constituents	45	42
Issuers	1	1
Yield to Worst	1.252	1.292
OAD	11.29	12.13
OAS	-1.0	-0.7
OAC	2.59	2.78
Maturity	15.56	16.73
Current Yield	2.733	2.690
Coupon Market Weighted	3.490	3.504
Coupon Par Weighted	3.328	3.330
Index Rating	AA2	AA2
S&P Rating	NR	NR
Moody's Rating	AA2	AA2
Fitch Rating	AA	AA

Source: State Street Global Advisors, Barclays POINT, FTSE Russell. Data as at 31 January 2019. Index characteristics are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. **Past performance is not a guarantee of future results.**

*Frequent trading of ETFs could significantly increase commissions and other costs such that they may offset any savings from low fees or costs.

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The FTSE index keeps bonds to maturity and has a few more bonds compared with the Bloomberg Barclays index. This will lead to a slightly longer duration for the Barclays index and will drive most of the performance difference between both indices.

The main difference between both indices is the 0–1 year portion of the curve. This will then drive all market weight differences across the curve.

Maturity Breakdown

	FTSE Gilt All Stocks Index	Bloomberg Barclays UK Gilt Bond Index
< 1 yr	7.14	—
1–3 yrs	13.02	14.02
3–5 yrs	11.12	11.97
5–7 yrs	8.22	8.86
7–10 yrs	9.80	10.55
10–20 yrs	16.73	18.02
> 20 yrs	33.98	36.59

Source: State Street Global Advisors, Barclays POINT, FTSE Russell. Data as at 31 January 2019. Data shown above are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. **Past performance is not a guarantee of future results.**

Performance Comparison

31/01/2019	Annualised Return (%)		Annualised Volatility (%)		Sharpe Ratio	
	FTSE Gilt All Stocks Index	Bloomberg Barclays UK Gilt Index	FTSE Gilt All Stocks Index	Bloomberg Barclays UK Gilt Index	FTSE Gilt All Stocks Index	Bloomberg Barclays UK Gilt Index
Last 1 year	3.71	3.87	4.45	4.71	0.70	0.69
Last 3 years	3.22	3.37	6.53	6.91	0.43	0.42
Last 5 years	5.05	5.28	6.61	7.01	0.69	0.69

Source: State Street Global Advisors, Bloomberg Finance L.P. Data as at 31 January 2019. **Past performance is not a guarantee of future results. It is not possible to invest directly in an index. Index performance does not reflect charges and expenses associated with the fund or brokerage commissions associated with buying and selling a fund. Index performance is not meant to represent that of any particular fund.**

Investing in UK Gilts with SPDR ETFs

SPDR ETFs are designed to enable investors to articulate their strategic and tactical allocation views. Our range of sterling fixed income corporate and gilt ETFs allow investors to build portfolios across sectors and maturities.

SPDR Barclays UK Gilt UCITS ETF	
Launch Date	17 May 2012
Assets Under Management	£196 million
UCITS IV	Yes
ISIN	IE00B3W74078
Xetra Ticker	SYBG GY
LSE Ticker	GLTY LN
TER (%)	0.15
Replication	Physical — Replicated
Number of Securities	42
Duration (years)	12.1
Yield to Maturity (%)	1.29
Income Treatment	Distributing January & July

Source: State Street Global Advisors, Bloomberg, as of 31 January 2019. Characteristics are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

SPDR Bloomberg Barclays UK Gilt UCITS ETF – Performance (in %)

	1 Month	3 Month	YTD	1 Year	3 Years	5 Years	Inception*
SPDR Bloomberg Barclays UK Gilt UCITS ETF	3.38	3.46	3.46	3.80	3.59	5.60	4.01
Bloomberg Barclays UK Gilt Bond Index	3.39	3.49	3.49	3.94	3.73	5.75	4.16
Difference	-0.01	-0.03	-0.03	-0.14	-0.14	-0.15	-0.15

Source: State Street Global Advisors, Barclays POINT, as at 31 March 2019. Fund inception date: 17 May 2012. **Performance is net of all fees in GBP terms. Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate, so you may have a gain or loss when shares are sold. Current performance may be higher or lower than that quoted. The performance data do not take account of the commissions and costs incurred on the issue and redemption, or purchases and sale, of units. All results are historical and assume the reinvestment of dividends and capital gains. Visit spdrs.com for most recent month-end performance.** Performance returns for periods of less than one year are not annualised. Index returns are unmanaged and do not reflect the deduction of any fees or expenses.

Key Risks

Government Default. Whilst the investments highlighted in this piece are considered ‘investment grade’, there is still always the chance of default. In that event, governments may not be able to meet their obligations and investors could lose their value of the investment.

Risk-off Market Environment. For government bonds, on the short end there is less price movement. Therefore, if a risk-off event occurs then it is likely that an investor would not benefit as much if they were invested in the short end of the curve compared to the longer end.

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