

# UK Gilts Indices: An Overview

## SPDR EMEA ETF Strategy Team

When investing in gilt indices, it is important to understand the composition. Inclusion criteria can lead to major differences in exposure across indices.

### 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 Bloomberg 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 Bloomberg 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.	£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, Bloomberg Barclays, FTSE Russell, as at 31 October 2019.

## Characteristics

	FTSE Gilt All Stocks Index	Bloomberg Barclays UK Gilt Bond Index
Market Value	1,949,679,822	1,829,300,033
# Constituents	45	42
# Issuers	1	1
Coupon	3.394	3.387
Yield to Worst	0.78	0.78
Yield to Mat	0.78	0.78
Current Yield	2.46	2.40
OAD	12.47	13.25
OAS	-0.8	-0.9
Avg Life	16.73	17.79
OAC	2.97	3.17
Index Rating	AA2	AA2
S&P Rating	NR	NR
Moody's Rating	AA2	AA2

Source: State Street Global Advisors, Bloomberg Finance L.P., FTSE Russell. Data as at 31 October 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.**

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 Bloomberg 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.

The performance of the two indices is similar; however, due to its longer duration the Bloomberg Barclays index has outperformed over longer time periods as government yields have fallen. Meanwhile, on a risk-adjusted basis, both exposures have performed in relatively similar fashion.

## Maturity Breakdown

	FTSE Gilt All Stocks Index	Bloomberg Barclays UK Gilt Bond Index
< 1 yr	6.18	–
1–3 yrs	12.84	13.68
3–5 yrs	7.83	8.34
5–7 yrs	7.79	8.30
7–10 yrs	9.15	8.87
10–20 yrs	20.14	22.35
> 20 yrs	36.08	38.45

Source: State Street Global Advisors, Bloomberg Finance L.P., FTSE Russell. Data as at 31 October 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

	Annualised Return (%)		Annualised Volatility (%)		Sharpe Ratio	
	Bloomberg Barclays UK Gilt Bond Index	FTSE Gilt All Stocks Index	Bloomberg Barclays UK Gilt Bond Index	FTSE Gilt All Stocks Index	Bloomberg Barclays UK Gilt Bond Index	FTSE Gilt All Stocks Index
Last 1 year	10.94	10.28	7.04	6.60	1.47	1.47
Last 3 years	4.19	3.97	6.05	5.68	0.63	0.63
Last 5 years	5.64	5.37	7.39	6.96	0.71	0.72

Source: State Street Global Advisors, Bloomberg Finance L.P. Data as at 31 October 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.**

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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 allows investors to build portfolios across sectors and maturities.

	SPDR Bloomberg Barclays UK Gilt UCITS ETF
Launch Date	17 May 2012
Assets Under Management	£259 million
UCITS IV	Yes
ISIN	IE00B3W74078
Xetra Ticker	SYBG GY
LSE Ticker	GLTY LN
TER (%)	0.15
Replication	Physical — Replicated
Number of Securities	44
Duration (years)	13.25
Yield to Maturity (%)	0.79
Income Treatment	Distributing January & July

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

### Annualised Performance (in %)

	1 Month	3 Month	YTD	1 Year	3 Years	5 Years	Inception
SPDR Bloomberg Barclays UK Gilt UCITS ETF	-1.91	2.26	9.57	10.77	4.04	5.49	4.49
Bloomberg Barclays UK Gilt Bond Index	-1.90	2.30	9.71	10.94	4.19	5.64	4.64
<b>Difference</b>	<b>-0.01</b>	<b>-0.04</b>	<b>-0.14</b>	<b>-0.16</b>	<b>-0.15</b>	<b>-0.15</b>	<b>-0.15</b>

Source: State Street Global Advisors, Bloomberg Finance L.P., as at 31 October 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](http://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. **Some of the products are not available to investors in certain jurisdictions. Please contact your relationship manager in regards to availability.**

## 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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