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iShares looks to set up long-duration gilt ETF

Investment

By Joanne Ellul

BlackRock's exchange traded fund arm iShares is looking to expand its fixed-income range and is considering launching a long-duration gilt ETF.

The firm has 33 bond products ranging across government bonds, aggregate bonds, high-yield bonds, emerging market bonds, corporate and covered bonds and inflation-linked bonds.

iShares managing director David Bower says: "We are look-

ing to fill out our range of fixed-income products in response to demand for certain issuers or durations.

"We have a zero to five-year gilt product and an all stocks gilt product but we are looking at where there is demand for different bits of the yield curve.

"We do not have a long-duration gilt product and we are seeing client demand for that. The asset class outperformed significantly in 2011."

Bower says another area of expansion for the firm this year

will be single-country emerging market ETFs. He says: "We are seeing divergent returns from different emerging markets and we are seeing demand from investors for individual emerging markets."

Jonathan Davis Wealth Management managing director Jonathan Davis says the bull market in gilts will soon end, having run for over 30 years.

He says: "Over the long term, I see little value in gilts as eventually there will be fewer buyers and so capital values will drop and yields will rise."