

## An overview

State Street Investment Management is highly experienced and has a proven track record of managing convertible bond indexed strategies. State Street Investment Management’ SPDR FTSE Global Convertible Bond UCITS ETF tracks the FTSE Qualified Global Convertible Index and offers flexible, simple access to the global convertible bond market. This document provides a comparison of three FTSE convertible bond indices which are widely used in the market as index benchmarks.

When investing in convertible bonds portfolio aiming to replicate the performance of indices, it is paramount to understand their make-up. Inclusion criteria can lead to major differences in exposure across indices.

### Inclusion criteria

The following table provides a summary of the main inclusion criteria for each of the FTSE indices detailed below. They currently represent the main indices used by active and indexed managers. However, please note that this comparison is not exhaustive and other index families exist.

Figure 1: FTSE global convertible index methodology comparison

Index Criteria	FTSE Qualified Global Convertible Index	FTSE Global Convertible Index		FTSE Global Focus Convertible Index	FTSE Global Vanilla Convertible Index	
Minimum Amount Outstanding	Higher and all in Local Currency	Lower and all in USD (\$)		Higher and all in Local Currency	Lower and all in USD (\$)	
US	\$350M	300M	250M	\$500M	300M	250M
Europe	€375M	200M	150M	€375M	200M	150M
Asia	\$275M	100M	75M	\$275M	100M	75M
Japan	JPY22B	100M	75M	JPY22B	100M	75M
Other	\$275M	200M	150M	\$275M	200M	150M
Eligible Securities	No Mandatory, Perpetual, or 144A issues	Mandatory and Perpetual issues included		No Mandatories or Perpetual issues	No Mandatory issues	
Add/Drop Process	Adds at monthly rebalance only	Immediate new issue adds		Adds/Drops at monthly rebalance	Immediate new issue adds	
	Immediate Drops for events	Immediate drops for events		Immediate drops for events	Immediate drops for events	
Concentration Level Cap* (%)	4	2		4	2	
Price & Premium Test	No price limits	No price limits		Dropped if too deeply in the money Dropped if too deeply out of the money	No price limits	

Source: FTSE, as of 30 June 2025. State Street Investment Management summary based off existing rules—please refer to [FTSE Convertible Indices Methodology](#) for more details on the index rules. Diversification does not ensure a profit or guarantee against loss. Past performance is not a guarantee of future results.

The main differences between the four indices, in terms of inclusion criteria, are the minimum issue size, concentration level cap, and price/premium testing. The Global Focus Index has a larger minimum amount outstanding compared to the other three indices, particularly around US bonds where issues have to be greater than \$500 million in size. Both the Global Focus and Qualified Global Index have concentration level caps of 4%, whilst the Global Index and the Global Vanilla have 2%.

This difference leads to there being a greater number of constituents in the Global Index as more securities meet the concentration level cap (see Figure 1). The price/premium test, which is applied to the Global Focus Index but not the Global Qualified Index and other indices is also an important differentiator. The test ensures that the delta of the index remains within a defined range after rebalancing. Later in this document we comment on delta evolution and its asymmetric contribution to performance

## Characteristic breakdown

In the following sections we highlight the main characteristics of each index.

On a market capitalisation basis, the Focus Index encompasses \$191bn of the total global convertible bond universe whilst the Qualified Index captures a more representative \$267bn. The Global Convertible Index has the largest market cap at \$409bn. In terms of yield, the average running yield of the Qualified Global Index is bps whilst the Global Focus Index is 84bps. The Global Index yield is higher at 198bps due the lower minimum outstanding requirement. This results in the inclusion of bonds issued by smaller issuers who tend to require larger coupon in order to attract investors.

2025 so far has been characterised by a lot of market volatility. However, year to date net issuance is in positive territory with close to 70bn\$, which outpaces that of 2024. A relatively higher yield but more pro

**Figure 2: Turnover statistics**

Calendar Year	FTSE Qualified Convertibles Index (%)	FTSE Global Convertibles Index (%)	FTSE Global Focus Convertibles Index (%)	FTSE Global Vanilla Convertibles Index (%)
2009	47.70	57.84	76.56	55.02
2010	34.05	39.52	72.14	35.44
2011	45.68	39.91	80.82	40.59
2012	31.20	34.34	64.72	32.00
2013	55.73	55.93	113.72	53.59
2014	59.45	49.77	88.43	48.52
2015	66.50	56.08	86.74	52.79
2016	39.93	44.55	70.92	40.25
2017	45.32	46.06	69.00	43.09
2018	47.13	44.40	79.44	43.93
2019	53.68	52.00	78.86	42.37
2020	60.80	63.30	159.99	63.96
2021	71.45	48.41	125.08	51.08
2022	43.37	34.97	132.32	29.99
2023	39.16	46.53	105.68	42.09
2024	57.57	55.82	110.49	52.17

Source: FTSE, as of 31 December 2024.

Turnover is measured by the total value of all adds and drops as a percentage of that day's market cap and then summated for each calendar year. Turnover analysis shown above are as of the date indicated and are subject to change.

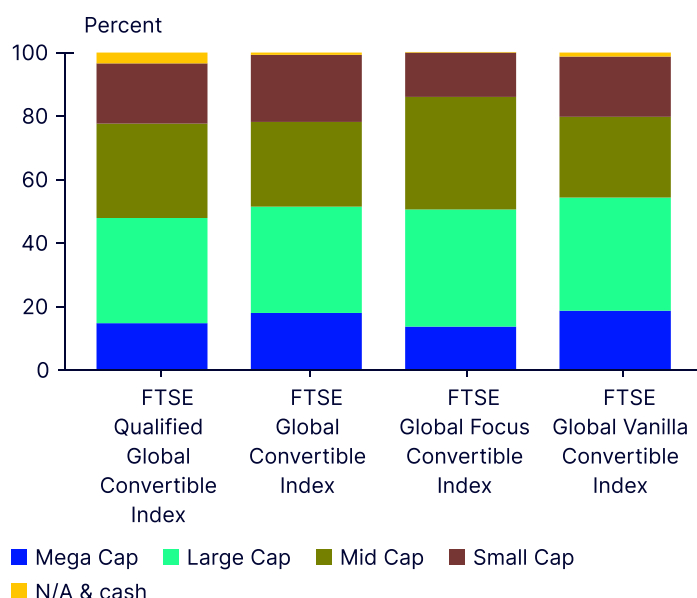
growth environment helped new issuance in June with ca US\$ 26 bn capping the best month since March 2021. Turnover was higher in 2024 vs 2023. In 2024, turnover was driven by the issuance and redemptions of bonds which were slightly higher than in 2023 as over 100bn\$ of new issuance was recorded for the year. We note that the Global Focus index has historically seen a higher level of turnover due to the tests on prices and premia that exclude bonds and reincludes them as prices move beyond and below certain levels. Turnover is an important dimension for the quality of tracking for physically replicated portfolio—the cost of trading in and out on rebalancing can weigh on the overall relative portfolio performance.

## Equity market capitalization and index quality

In terms of equity market capitalization, the FTSE Global Convertible Index shows the highest allocation to mega- (18.0%) and large-cap equities (33.4%), while the Global Focus has the largest weighting in mid-cap names (35.5%) and the lowest in mega-cap stocks (13.7%). In contrast, the FTSE Qualified maintains a high mega-cap exposure (14.8%) alongside a balanced distribution across large (29.8%) and mid-cap (29.8%) segments. Small-cap allocations are relatively modest across all indices ranging between 14.0% and 21.1%, suggesting a broadly diversified but growth-oriented profile.

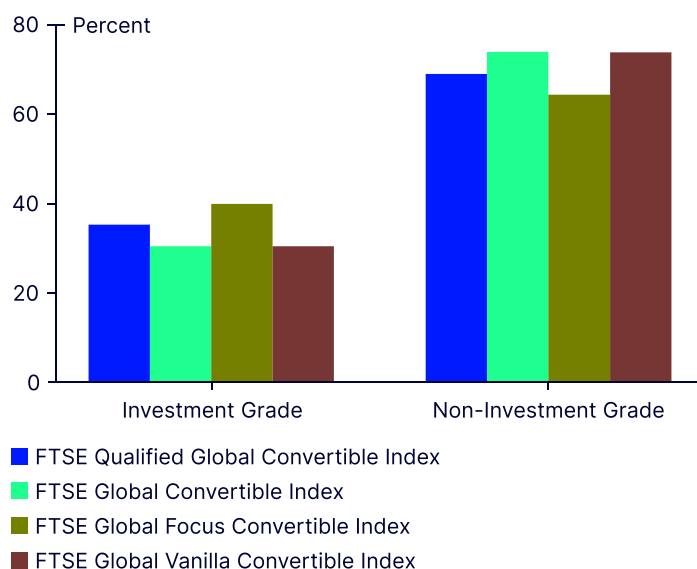
When analyzing the credit quality profile of the indices, the FTSE Qualified Global Convertible Index leads in investment grade exposure at 33.9%, followed closely by the Global Vanilla at 29.28%. The Global sits slightly lower at 29.2%, while the Global Focus has the most conservative investment grade allocation at just 38.3%. Conversely, non-investment-grade exposure dominates across all indices, exceeding 60% in each case, with the Global Convertible Index exhibiting the highest share (70.72%). This suggest that while all four indices carry a meaningful high-yield component-supporting potential return enhancement-the Qualified Global Convertible Index offers the second strongest credit quality tilt, appealing to investors seeking balance between yield capture and credit risk mitigation.

**Figure 3a: Index underlying equity market cap**



Source: State Street Investment Management, Bloomberg Finance L.P., as of 30 June 2025. Sectors are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

**Figure 3b: Indicative index rating (non rated bonds are included in non-investment grade)**

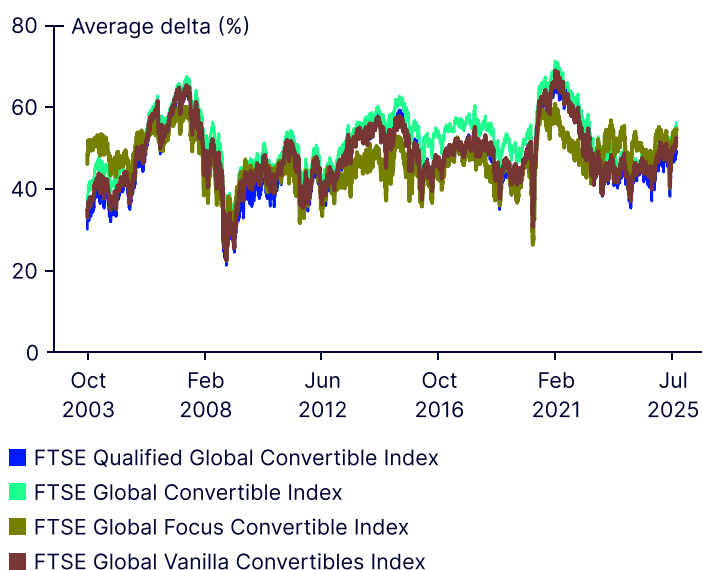


Source: State Street Investment Management, Bloomberg Finance L.P., as of 30 June 2025. Sectors are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

## Delta

Delta measures the sensitivity of a convertible bond price to changes in the price of the underlying stock. The historical average delta of each index is plotted in figure 4. The Qualified Global Index (delta 41.2) is more sensitive to equities price movements compared to the Global Focus Index (47.2) and the Global Vanilla Index (44). The Global Convertible Index delta is 45.5 and this is in part due to its inclusion of bonds with mandatory conversion clauses. These tend to be issued with conversion prices closer to ‘at the money’ which in turn affects the overall delta of the index.

**Figure 4: Average delta**



Source: FTSE, as of 30 June 2025 in USD. Delta shown above is subject to change. The FTSE Qualified Global Convertible Index was inceptioned on 10 December 2008. Results prior to this date were back-test calculated by using available data at the time in accordance with the Index's current methodology. FTSE Qualified Global Convertible Bond Index includes back-tested returns supplied by FTSE. Effective 01/06/2020, the index name was changed from FTSE Qualified Global Convertible Index to Refinitiv Qualified Global Convertible Index. Effective 01/06/2025, the index name was changed to FTSE Qualified Global Convertible Index.

## Implied volatility

Convertible bond implied volatility is a key metric for valuing the embedded equity option in a convertible bond. It reflects market expectations of future stock price fluctuations and directly impacts the bond's attractiveness. With persistent geopolitical tensions, and renewed uncertainty over central bank policy paths, convertible bond market volatility in 2025 has remained elevated. After starting the year at moderately high levels, implied volatility spiked in May amid trade tensions. Mid-year, volatility eased as macroeconomic data pointed to resilient corporate earnings and

progress in disinflation, prompting markets to price more accommodative monetary policy by several central banks. However, ongoing trade frictions and political risk in the lead-up to key global elections have kept implied volatility from falling back to pre-2022 averages. Looking ahead, volatility may trend upward again in Q4 as liquidity conditions tighten and investor positioning adjusts to shifting rate expectations. Figure 5 shows the historical average implied volatility of the three indices.

**Figure 5: Average implied volatility**



Source: FTSE, as of 30 June 2025 in USD. Implied Volatility shown above are subject to change. The FTSE Qualified Global Convertible Index was inceptioned on 10 December 2008. Results prior to this date were back-test calculated by using available data at the time in accordance with the Index's current methodology. FTSE Qualified Global Convertible Bond Index includes back-tested returns supplied by FTSE. Effective 01/06/2020, the index name was changed from FTSE Qualified Global Convertible Index to Refinitiv Qualified Global Convertible Index. Effective 01/06/2025, the index name was changed to FTSE Qualified Global Convertible Index.

## Regional, currency and sector breakdown

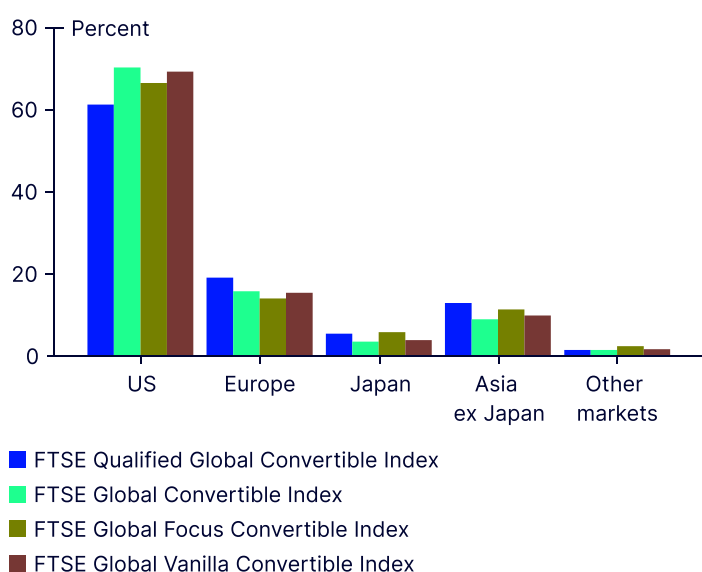
All three indices are global in terms of exposures. Figure 7a shows the regional breakdown of each index. The FTSE Qualified Global index has a lower exposure to the US compared to the other indices with the difference spread over other regions, but more particularly in Europe. Equally while geographic weights tilt towards the US, the currency weights are also tilted towards the US dollar. In this context, the FTSE Qualified Global Convertible Index also exhibits a lower weight than its counterparts. It is worth noting that that like in other corners of the bond market non-US companies choose to issue in USD.

**Figure 6: Convertible bond indices overview**

Index Characteristics Convertibles Index	FTSE Qualified Global Convertibles Index	FTSE Global Convertible Index	FTSE Global Focus Convertible Index	FTSE Global Vanilla Convertible Index
Number of Issues	326	503	230	487
Market Capitalisation (\$B)	267	409	191	373
Average Running Yield	1.25	1.78	1.39	1.47
Weighted Average Delta	48.6	55.3	53.7	51.5
Implied Volatility	39.2	40.9	38.7	40.9
Base Date of Index	10-Dec-08 (History: 11-Apr-2003)	31-Dec-93	31-Dec-93	31-Dec-93

Source: FTSE, as of June 30th, 2025. 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.

**Figure 7a: Regional breakdown**

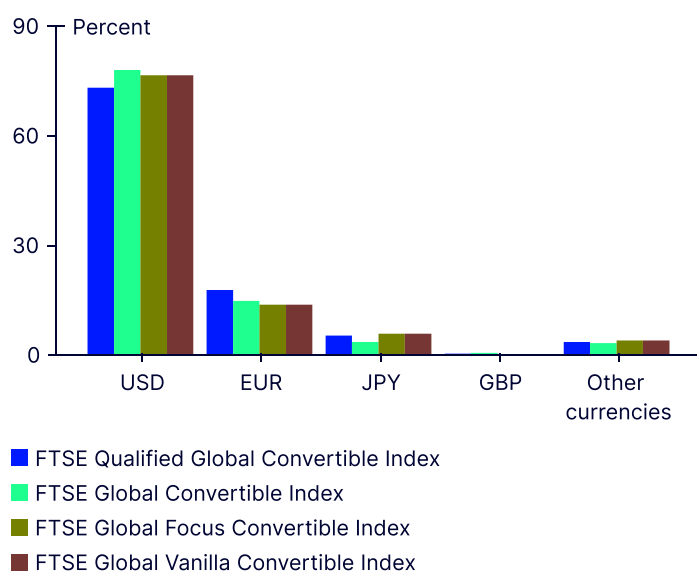


Source: FTSE, as of 30 June 2025. Regional breakdowns are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. Past performance is not a guarantee of future results. 'Other Markets' includes: United Arab Emirates, Israel and South Africa and will vary with issuance.

The regional breakdown bias is also evident in the currency breakdown (see figure 7b), and there are also sector differences between the three indices. The IT sector remains the dominant segment with continued new issuance from growth companies at various stages of their development. Note the difference in weight with the Focus index as many names have rallied and deltas

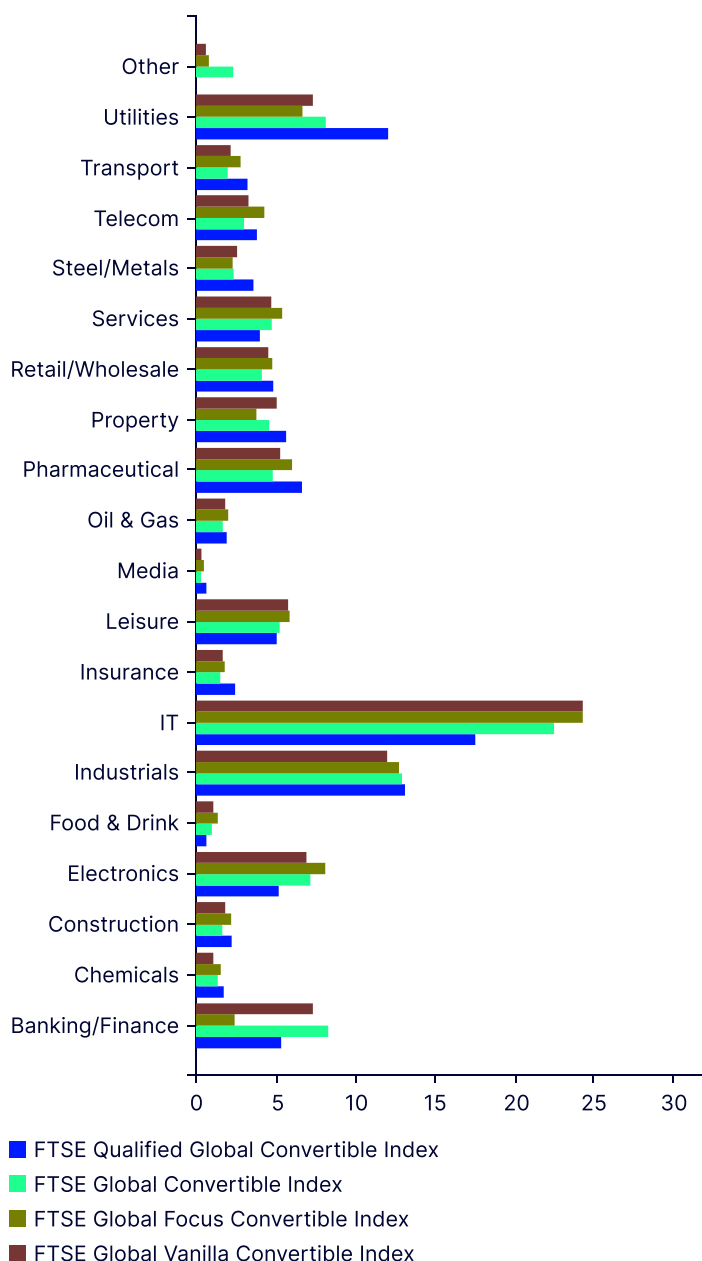
have become higher, meaning higher bond valuations overall. Some of these bonds have been excluded from the Focus index given the test on prices and premia rule. Meanwhile the difference vs the FTSE Global (parent index) is due to the difference in issuer cap (4% for the Qualified vs 2% for the Global).

**Figure 7b: Currency breakdown**

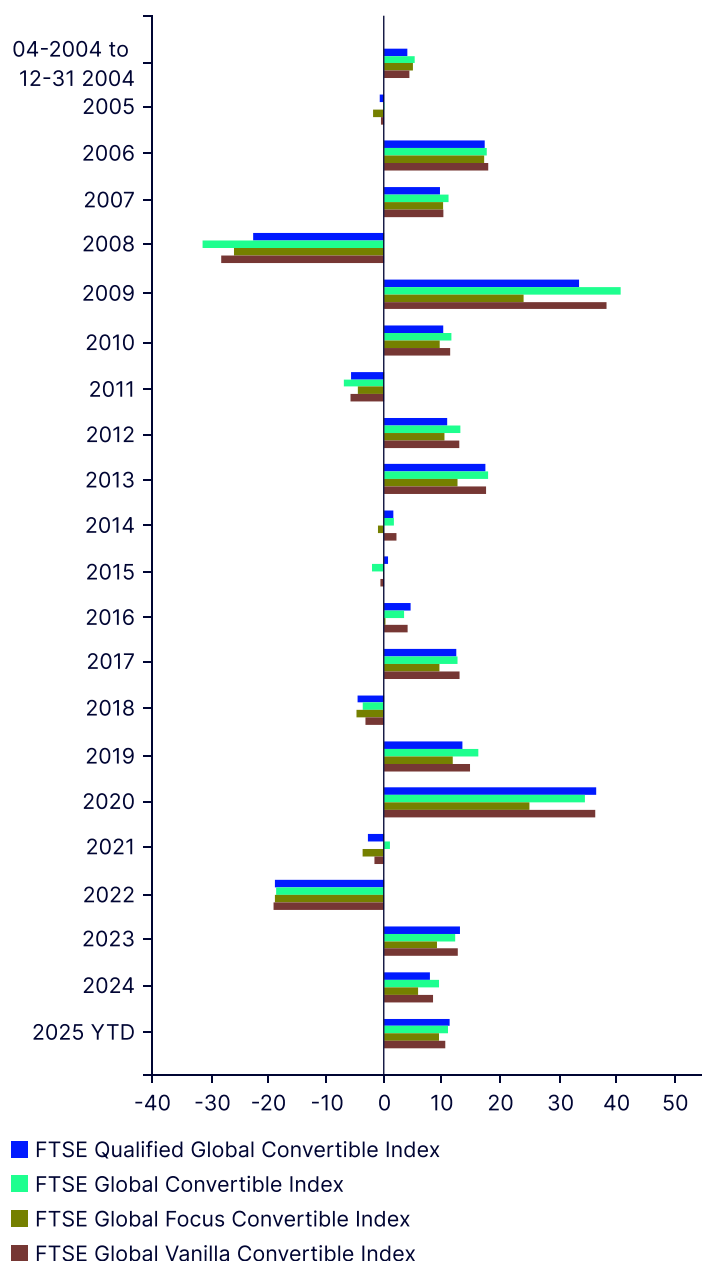


Source: FTSE, as of 30 June 2025. Currency breakdowns are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. Past performance is not a guarantee of future results. 'Other Currencies' includes: SGD, CNH, HKD, TWD, CHF, KRW, ZAR, SEK.

**Figure 7c: Sector breakdown**



**Figure 8: Annual performance**



## Performance

Finally, when looking at the overall performance of the three indices we can see that historically the Qualified Global Index, which our SPDR ETF tracks, has performed well compared to its peers in particular since the ETF's inception in October 2014 (see figure 8).

A salient point to note is that the ten-year performance of the Qualified Index, at an annual average of close to 6.25%, is only marginally lower than that of the Global Index (6.59%) despite the fact that equity sensitivity 'delta' and implied volatility (or 'cost of optionality') have been lower. Meanwhile the lower gearing of the Global Focus has weighed on its performance, returning only 3.63% annualised over 10 years (in USD unhedged terms).

## Summary

Understanding the characteristics of different global convertible bond indices is important, given that the portfolio benchmark becomes the basis for an investor's beta. Though at first glance these three indices may appear similar, there are material differences in their inclusion criteria. These differences mean that each index will have different risk and return characteristics, and investors should consider these factors carefully when choosing their benchmark. Even before choosing their managers as the index choice can make a greater difference than the potential alpha of some active managers.



# About State Street Investment Management

At State Street Investment Management, we have been helping to deliver better outcomes to institutions, financial intermediaries, and investors for nearly half a century. Starting with our early innovations in indexing and ETFs, our rigorous approach continues to be driven by market-tested expertise and a relentless commitment to those we serve. With over \$5 trillion in assets managed\*, clients in over 60 countries, and a global network of strategic partners, we use our scale to create a comprehensive and cost-effective suite of investment solutions that help investors get wherever they want to go.

\* This figure is presented as of June 30, 2025 and includes ETF AUM of \$1,689.83 billion USD of which approximately \$116.05 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Investment Management are affiliated. Please note all AUM is unaudited.

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Investing involves risk including the risk of loss of principal.

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