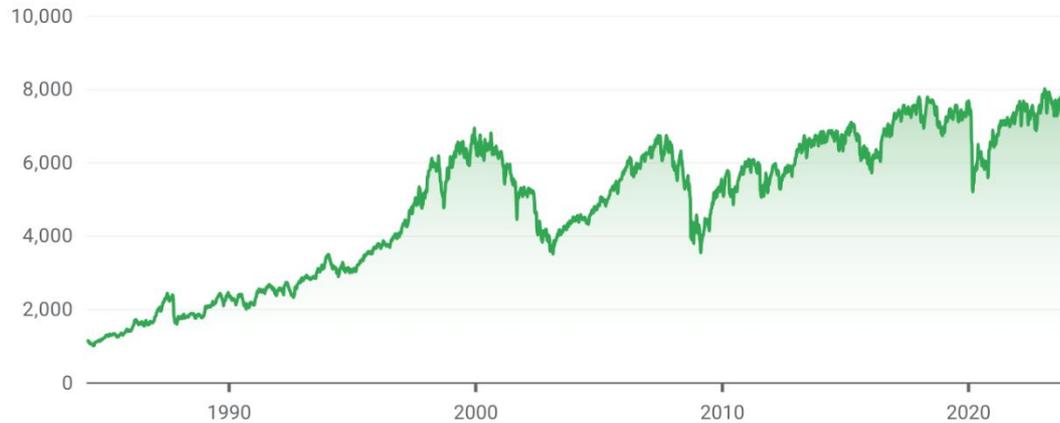


The FTSE 100 has a big birthday

Synopsis: The FTSE 100, which turned 40 years old on 3 January 2024.

Date published: 05.01.2024



The FTSE 100 reached the grand age of 40 on 3 January. The celebrations for reaching two score years threw up some interesting information...

- At £1.937bn, the total value of the Index's 100 constituents is less than the value of either Apple or Microsoft, the two largest companies in the S&P 500.
- There are only 14 companies with the same or very similar names that are in the Index today and were there four decades ago. They include such familiar names as Shell, BP and Rio Tinto. Another 12 have survived but merged or otherwise been reconstructed en route.
- The Index was launched at a value of 1,000, and its 2 January 2024 closing value was 7,721.52. That translates into an average annual growth of 5.2%. Over the same period, inflation as measured by the RPI averaged 3.7%. The Office for National Statistics (ONS) back-created data for the CPI ends in 1988, but a reasonable estimate is that CPI averaged 3.0% over the last 40 years.
- The relatively low real return of the FTSE 100 is transformed if reinvested dividends are considered. The UK equity market has long been a high yielding market – the Footsie currently yields 3.9% against 1.5% for the S&P 500. Add back in 40 years of dividends and the Footsie's *total* annual return comes out at 8.2%.
- As the graph shows, the Index has largely churned in the 21st century, having come within 70 points of 7,000 on New Year's Eve 1999. It was not until March 2015 that the 7,000 threshold was crossed and one month short of another eight years were needed to reach 8,000. The Index's average total annual return since the start of 2000 is 4.1% against CPI inflation of 2.5%. In local currency terms over the same period the FTSE 100

- still beat the SCI Europe ex UK (3.9%) and the TOPIX in Japan (3.1%) but lagged well behind the S&P 500 (7.1%).
- The best performing FTSE 100 share that was there in 1984 and 2024 was BAT (initially British American Tobacco), which achieved 16.4% a year (including reinvested dividends). Much of that return was due to dividends – BAT has a yield today of close to 10% and has long been regarded as an income stock.
- The FTSE 100 is a highly concentrated index. Nearly a third of it is accounted for by the weightings given to just five companies - Shell, Astra Zeneca, HSBC, Unilever and BP.

Comment

The FTSE100 has been left in the dust by the S&P500 since around the start of the last decade. Some of that is down to the lack of tech companies in the Footsie and some to its weighting in mining groups. Arguably, one lesson from the Footsie's first 40 years is the wisdom of international diversification.

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