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MARKETS

Barclays Agg Had Modest Origin

By **CAROLYN CUI**

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The world's biggest bond index was originally hatched on Wall Street in 1973 by Art Lipson and his colleague John Roundtree at Kuhn Loeb & Co., a boutique investment bank. It was later named as the Barclays U.S. Aggregate Bond Index.

With the help of a primitive computer, Mr. Lipson, an engineering major in college, developed a database-management program to keep the information on all the eligible bonds simultaneously—including 254 government bonds and 3,355 corporate bonds—which allowed for calculations of a total return. These bonds, which eventually became major pieces of the index, had a total value at \$221 billion, less than half of the Standard & Poor's 500-stock index, which totaled \$629 billion back then.

It was a breakthrough for investors, who until then had no way to know the exact value of their bonds. Bonds were rarely traded, and most investors just bought and held them to maturity. Lehman Brothers bought Kuhn Loeb in 1977 and officially launched the Agg in 1986. Barclays inherited the index business through its 2008 acquisition of Lehman.

Now, the Agg comprises a total of 8,286 bonds and is worth nearly \$17 trillion. Each day, Barclays's index specialists collect data on bonds, calculate returns and distribute to investors. According to eVestment, about \$663 billion of institutional assets is invested in 270 U.S. core fixed-income portfolios, 75% of which are benchmarked against the Barclays Agg index. "Nobody ever thought it would be such a big product," said Mr. Lipson, now a hedge-fund manager in Salt Lake City. "I feel like a musician who never got royalties on his song."

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