

Systematic High Quality Corporate Fixed Income April YTD 2025 Commentary

Factors Steady the Ship in Turbulent Seas

- Systematic Active Fixed Income (SAFI) performance was resilient in April amid significant volatility across credit and equity markets, and the performance outpaced fundamental active peers.
- Both Systematic US High Quality Corporate Bond strategies outperformed their benchmarks in the first quarter.
- The Value factor drove performance in both strategies despite spread widening in March, while momentum also contributed.

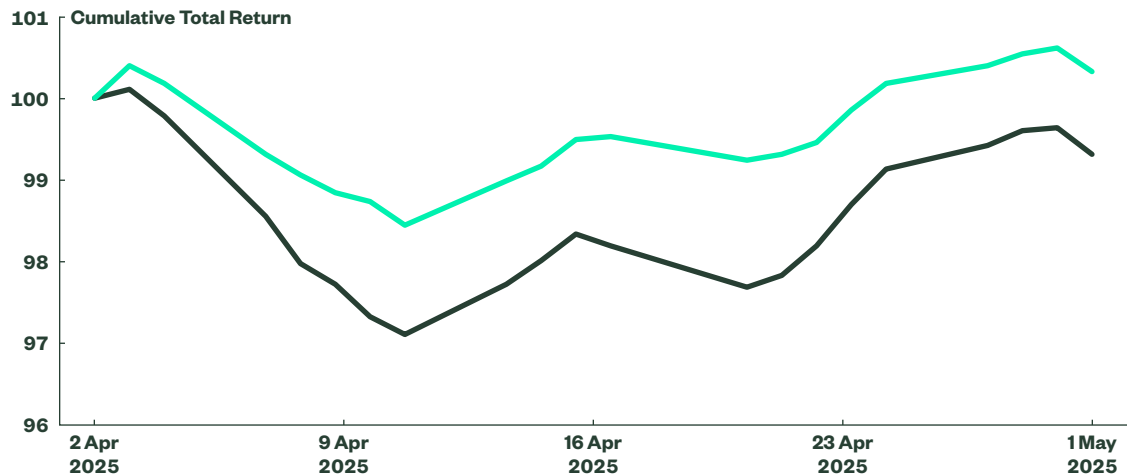
Jan–Apr 2025: SAFI Portfolios Outperformed in a Challenging Environment

The resilient IG spread performance seen in 2024 and early 2025 was replaced by a volatile corporate bond market in March and April driven by uncertainty over tariff and trade policies. Risk assets have recovered since early April on the back of still-resilient economic and labor market data.

For the first quarter of 2025, the US Investment Grade Corporate Index OAS widened from 80 basis points (bps) to 94 bps¹ by quarter-end, hitting wides of almost 120 bps on April 8. Despite this challenging environment for credit, performance in our SAFI portfolios held up, outperforming fundamental active peers.

Figure 1
Systematic US High Quality Intermediate Corporate Fund Performance

■ Mean Morningstar US IG OE Fund
■ Systematic US HQ Intermediate



Sources: State Street Global Advisors, Morningstar, Bloomberg. Daily data from "Liberation Day" on April 2, through April 30. Performance is shown net of management fees.

Q1 2025 Strategy Performance

Our two Systematic US High Quality Corporate Bond portfolios saw strong performance in 2024 (see: [SAFI 2024 Update and Review](#)), and continued to add value in Q1. Thus far, the Intermediate and Long Strategies have exceeded performance targets of 25–50 and 50–75 bps p.a., respectively, over a full cycle, with expected tracking error volatility of 50–125 bps. For the quarter, the Intermediate strategy was up almost 10 bps, and the Long was up almost 4 bps (Figure 2).

Figure 2
Systematic High Quality US Corporate Bond Fund (Intermediate and Long) Performance

	Intermediate (1–10Yr) Portfolio			Long (10+ Yr) Portfolio		
	QTR (%)	1 Year (%)	Since SAFI Inception (%)*	QTR (%)	1 Year (%)	Since SAFI Inception (%)*
Systematic US High Quality Corporate Bond (Gross)	2.43	6.82	4.88	2.56	2.28	0.02
Benchmark	2.33	6.11	4.00	2.51	1.37	-1.04
Difference (Gross)	0.10	0.71	0.88	0.04	0.91	1.06
Systematic US High Quality Corporate Bond (Net)	2.42	6.8	4.87	2.55	2.27	0.01
Benchmark	2.33	6.11	4.00	2.51	1.37	-1.04
Difference (Net)	0.10	0.69	0.87	0.04	0.90	1.05
Tracking Error Volatility	—	0.23	0.33	—	0.39	0.43
Information Ratio	—	3.07	2.64	—	2.34	3.18

Source: State Street Global Advisors. As of March 31, 2025. The Systematic High Quality US Corporate Bond portfolios were converted to the SAFI investment process as December 31, 2023. Past performance is not a reliable indicator of future performance. Performance returns for periods of less than one year are not annualized. The performance figures contained herein are provided on a gross and net of fees basis. Gross of fees do not reflect and net of fees reflect the deduction of advisory or other fees which could reduce the return. *Inception Date: December 31, 2023. Fund history predates this period however it was not managed using the SAFI approach.

We note three key drivers of performance YTD. First, the value factor tends to tilt the portfolio towards bonds that are cheap on a risk-adjusted basis relative to peers. As a result, our SAFI portfolios are typically long credit risk vs. their benchmark indices, with the expectation that these spreads will narrow over time. However, in risk-off environments like that of the last few months, spreads tend to widen, and higher spreads tend to widen more. Performance during these events in our SAFI portfolios will be hurt by this long duration-times-spread (DTS) positioning. We observed this very clearly in our performance attribution.

Second, despite this cyclical detractor, the value and momentum factors both contributed to performance YTD overall, on a cumulative basis, while sentiment was flat. Importantly, the factors behaved as expected: in Q1 value was the main driver of performance, while momentum was additive during periods of volatility and spread widening, helping to “soften the edges” on the downside.

Lastly, April was a difficult month for value, while momentum contributed. Trading results were challenged by the volatile environment and wider bid-ask spreads.

Looking Ahead

Markets have calmed from their April turbulence, with IG spreads back around 100 bps. But if recent history is any lesson, there will be more policy and macro twists and turns in 2025. While credit drawdowns hurt performance overall, our SAFI portfolios have demonstrated some downside protective characteristics relative to fundamental peers in the most recent bout of volatility, which was driven by the “Liberation Day” tariff announcements. This serves as a good early proof point to the multi-faceted role that alpha factors can serve in a fixed income portfolio that seeks to outperform its benchmark in different credit environments, through the cycle.

Endnote

1 Based on the Bloomberg U.S. Corporate Investment Grade Index.

About State Street Global Advisors

For over four decades, State Street Global Advisors has served the world's governments, institutions, and financial advisors. With a rigorous, risk-aware approach built on research, analysis, and market-tested experience, and as pioneers in index and ETF investing, we are always inventing new ways to invest. As a result, we have become the world's fourth-largest asset manager* with US \$4.67 trillion† under our care.

* Pensions & Investments Research Center, as of December 31, 2023.

† This figure is presented as of March 31, 2025 and includes ETF AUM of \$1,553.58 billion USD of which approximately \$106.42 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 Global Advisors are affiliated. Please note all AUM is unaudited.

ssga.com

State Street Global Advisors Worldwide Entities

Information Classification: General

Marketing communication. For institutional/professional investors use only.

All information is from SSGA unless otherwise noted and has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.

Investing involves risk including the risk of loss of principal.

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without SSGA's express written consent.

The views expressed are the views of Arkady Ho through May 8, 2025, and are subject to change based on market and other conditions. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance, and actual results or developments may differ materially from those projected.

Diversification does not ensure a profit or guarantee against loss.

Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise, bond prices usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor.

Barclays is not affiliated with State Street Global Advisors Funds Distributors, LLC.

For investors in EMEA: The information contained in this communication is not a research recommendation or 'investment research' and is classified as a 'Marketing Communication' in accordance with the applicable regional regulation. This means that this marketing communication (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research (b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This communication is directed at professional clients (this includes eligible counterparties as defined by the appropriate EU regulator) who are deemed both knowledgeable and experienced in matters relating to investments. The products and services to which this communication relates are only available to such persons and persons of any other description (including retail clients) should not rely on this communication.

Barclays Index License Disclaimer

Barclays Bank PLC has licensed certain systematic strategy indices to State Street Global Advisors that incorporate quantitative signals developed by Barclays' Quantitative Portfolio Strategy (QPS) Research team.

Neither Barclays Bank PLC ("BB PLC") nor any of its affiliates (collectively "Barclays") is the issuer or producer of the products referenced herein and Barclays has no responsibilities, obligations or duties to investors in such products. The Barclays Indices referenced herein (collectively, the "Indices"), together with any Barclays

indices that are components of such Indices, are trademarks owned by Barclays and, together with any component indices and index data, are licensed for use by State Street Global Advisors as the producer of the products referenced herein (the "Product Provider"). The Indices are used by the Product Provider in connection with the management of the products referenced herein, but the Indices are not used by the Product Provider as the benchmark for such products, including as defined under Regulation (EU) 2016/1011 of the European Parliament and of the Council of June 8, 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

Barclays' only relationship with the Product Provider in respect of the Indices is the licensing of the Indices, which are administered, compiled and published by BB PLC in its role as the index sponsor (the "Index Sponsor") without regard to the Product Provider or the products referenced herein or investors in such products. Additionally, State Street Global Advisors as Product Provider may for itself execute transaction(s) with Barclays in or relating to the Indices in connection with such products. Investors acquire such products from the Product Provider and investors neither acquire any interest in the Indices nor enter into any relationship of any kind whatsoever with Barclays upon making an investment in such products. The products referenced herein are not sponsored, endorsed, sold or promoted by Barclays and Barclays makes no representation regarding the advisability of such products or use of the Indices or any data included therein.

Barclays shall not be liable in any way to the Product Provider, investors or to other third parties in respect of the use or accuracy of the Indices or any data included therein.

Barclays has engaged Bloomberg Index Services Limited as the official index calculation and maintenance agent of the Indices, which are owned and administered by Barclays. Bloomberg Index Services Limited does not guarantee the timeliness, accurateness, or completeness of the calculations of the Indices

or any data or information relating to the Indices. Bloomberg Index Services Limited makes no warranty, express or implied, as to the Indices or any data or values relating thereto or results to be obtained therefrom, and expressly disclaims all warranties of merchantability and fitness for a particular purpose with respect thereto. To the maximum extent allowed by law, Bloomberg Index Services Limited, its affiliates, and all of their respective partners, employees, subcontractors, agents, suppliers and vendors (collectively, the "protected parties") shall have no liability or responsibility, contingent or otherwise, for any injury or damages, whether caused by the negligence of a protected party or otherwise, arising in connection with the calculation of the Indices or any data or values included therein or in connection therewith and shall not be liable for any lost profits, losses, punitive, incidental or consequential damages.

Past performance is not a reliable indicator of future performance.

The trademarks and service marks referenced herein are the property of their respective owners. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data and have no liability for damages of any kind relating to the use of such data.

This document provides summary information regarding the Strategy. This document should be read in conjunction with the Strategy's Disclosure Document, which is available from SSGA. The Strategy Disclosure Document contains important information about the Strategy, including a description of a number of risks.

State Street Global Advisors, One Iron Street, Boston, MA 02210.

© 2025 State Street Corporation.
All Rights Reserved.
ID2825600-7894732.21.GBL.INST 0425
Exp. Date: 04/30/2026