STATE STREET ETF SPOTLIGHT

Euro CLOs remain resilient

The lead

- Above target euro area CPI and firm growth are likely to maintain pressure on the ECB to raise rates. The market prices 25bp of tightening in December followed by a further 55bp in H1 2027.[1]
- This has put pressure on fixed income strategies with duration.[2]
- The front end of the curve has been better protected, although wider credit spreads amid increased risk aversion in September and October have weighed on returns.

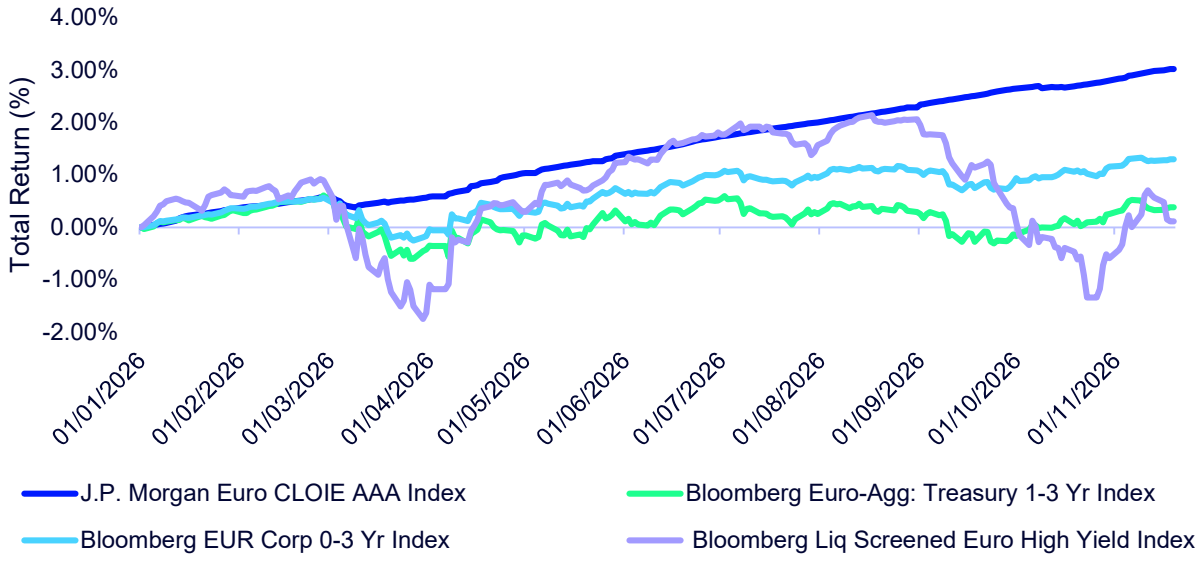
The takeaway

Euro AAA CLOs have proved more defensive than investment grade bonds through the recent bout of market volatility. Their floating-rate structure and very short interest-rate duration have limited sensitivity to rising yields.[3] CLOs do have spread duration and spreads for the AAA tranches have widened by a similar basis point amount to short-dated investment grade bonds.[4] However strong coupon income has helped cushion the impact on total returns.[5]

Insurer interest in high-quality CLOs is expected to broaden as treatment under the Solvency II directive becomes more favourable from January 2027. For a deeper dive into this topic see How fixed income investment rules are being rewritten for European insurers.

Investors seeking to capture this opportunity may consider the State Street® Blackstone Euro AAA CLO UCITS ETF (Acc) or the State Street® Blackstone Euro AAA CLO USD Hdg UCITS ETF (Acc)

EUR AAA CLO returns versus other short duration strategies



Year to date returns from the J.P. Morgan Euro CLOIE AAA Index. Source: State Street Investment Management, J.P. Morgan, Bloomberg Finance L.P. as at 19 November 2026. Characteristics are indicated as of date and should not be relied upon thereafter. The performance data quoted represents past performance. Past performance does not guarantee future results. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable.

Footnotes

1 – Source of market pricing: Bloomberg Finance L.P. as of 20 November 2026. The above targets are estimates based on certain assumptions and analysis made by the third party. There is no guarantee that the estimates will be achieved.

2 – The total return of the Bloomberg EuroAgg Treasury 10+ Index is -4.81% for 2026 year to date. Source: Bloomberg L.P. as at 20 November 2026.

3 – The J.P. Morgan Euro CLOIE AAA Index will typically have an interest rate duration of around 0.25 years with a spread duration to worst of 2.34 years. Source: J.P. Morgan, Bloomberg Finance L.P. as at 19 November 2026.

4 – The low to high change in the Euro AAA CLO Discount Margin to worst during the September to October period was 30bp versus 28.8bp for the Bloomberg Euro Corp 0-3 Year Index. Source: State Street Investment Management, Bloomberg, J.P. Morgan as at 20 November 2026.

5 - For instance, October saw Euro AAA CLO Discount Margin to worst widen by 29.4bp which resulted in a return of -15bp due to the price decline of the CLOs. This was more than offset by 30bp of return generated by coupon. Returns based on the J.P. Morgan Euro CLOIE AAA Index. Source: State Street Investment Management, J.P. Morgan as at 20 November 2026.

Standard Performance in EUR

			Annualized (%)			
Primary Ticker	Name	YTD (%)	1-Year	Since Inception	Inception Date	TER (%)
ECLO LN	State Street Blackstone Euro AAA CLO UCITS ETF	2.64	3.27	3.20	09/23/2025	0.25
	J.P. Morgan European Collateralised Loan Obligation AAA Index	2.80	3.44	3.39		
	Difference	-0.16	-0.17	-0.19		

Source: State Street Investment Management , as of 31 October 2026.

Marketing Communication

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