

# Indexed fixed income

Targeting precise and reliable outcomes

Our Indexed Fixed Income franchise has been a notable highlight for State Street Investment Management, with meaningful progress achieved in recent years.

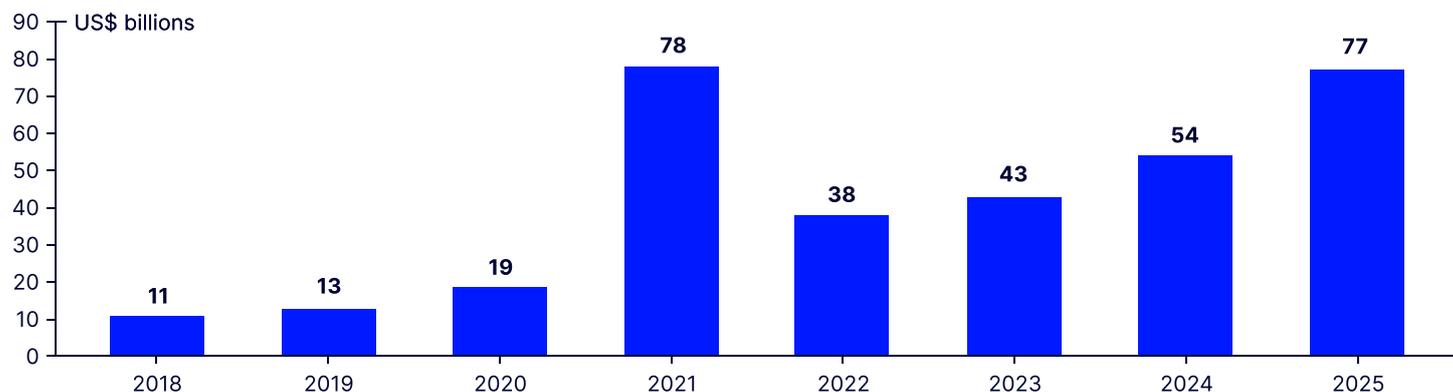
Moreover, we continue to see strong interest in the asset class despite volatile markets and an uncertain economic outlook. We believe that the innovative and systematic approach we take to consistently deliver indexed returns is a key factor in our clients' decisions to partner with us to achieve their fixed income goals.

# Strong flows across core sectors

The strength of demand for indexed fixed income strategies managed by State Street Investment Management is illustrated by net inflows of about \$290 billion over the past five years. Even with an uncertain market outlook and the significant ramifications for an asset class so closely tied to the path of interest rates, we still achieved positive inflows of \$77 billion into our indexed fixed income platform in 2025, just shy of the record achieved in 2021 (see Figure 1). These flows were realized primarily within our government and multi-sector strategies.

The breadth of indexed exposures that investors can access with State Street Investment Management spans the whole fixed income spectrum. Our assets under management (AUM) at the end of 2025 hit an all-time high of almost \$800 billion following growth across all major segments. The AUM breakdown as of December 31, 2025 is below:

**Figure 1: Sustained growth in indexed fixed income assets under management**



Source: State Street Investment Management as of December 31, 2025. Increase in AUM by calendar year.

<b>Sovereigns</b> <b>\$403B</b> <ul style="list-style-type: none"> <li>• Global governments</li> <li>• US treasuries, STRIPS</li> <li>• Euro governments</li> <li>• UK gilts</li> <li>• Inflation linked</li> <li>• China bond</li> </ul>	<b>IG corporate</b> <b>\$90B</b> <ul style="list-style-type: none"> <li>• Global credit</li> <li>• US, Euro, Sterling, credit</li> <li>• US high quality corporate</li> <li>• US long duration credit</li> <li>• Systematic active fixed income (SAFI)</li> <li>• Municipals</li> </ul>	<b>EMD</b> <b>\$45B</b> <ul style="list-style-type: none"> <li>• EM local currency</li> <li>• EM hard currency</li> <li>• EM corporate</li> <li>• EM inflation</li> <li>• Enhanced EM (local)</li> </ul>
<b>Multi sector</b> <b>\$195B</b> <ul style="list-style-type: none"> <li>• Global aggregate</li> <li>• US, Euro, Sterling, Agg</li> <li>• Asia bond</li> <li>• Short, intermediate, long duration agg</li> <li>• LDI</li> </ul>	<b>High yield</b> <b>\$52B</b> <ul style="list-style-type: none"> <li>• Global high yield</li> <li>• US, Euro high yield</li> <li>• Short high yield</li> <li>• Preferreds</li> <li>• Convertibles</li> <li>• Leveraged loans</li> <li>• Enhanced high yield</li> </ul>	<b>Securitized</b> <b>\$13B</b> <ul style="list-style-type: none"> <li>• Mortgage backed</li> <li>• Asset backed</li> <li>• Commercial mortgage backed</li> </ul>
		<b>Sustainable*</b> <b>\$100B</b> <ul style="list-style-type: none"> <li>• Sustainability-screened</li> <li>• Climate</li> <li>• Values-based</li> <li>• Client specific</li> </ul>

Source: State Street Investment Management as of December 31, 2025.

\* Estimated and unaudited State Street Investment Management Sustainable Investing assets under management as of December 31, 2025 are \$100 billion as calculated by State Street Investment Management for Sustainable Investing Accounts. Sustainable assets are not included in total AUM count. Please see additional disclosures at the back of the document.

# Why State Street Investment Management for indexed fixed income?

## Precise exposures

As an indexing pioneer with a broad suite of capabilities, we build tailored solutions for exacting client objectives from our range of transparent and reliable building blocks.

## Experience across the spectrum

We have forged a deep understanding off all aspects of the fragmented, and still evolving, fixed income market—unlocking new ways to add value for clients across the risk and liquidity spectrums.

## Cutting-edge execution

Our highly sophisticated approach to portfolio construction and liquidity management capitalizes on evolutions in fixed income markets, opening new potential sources of value for our clients. Improved liquidity and lower transaction costs stemming from an expansion in electronic trading and the growth of the fixed income ETF industry are paving the way for wider adoption of systematic fixed income investing.

# Strategy Innovation

Notwithstanding our historical success in fixed income indexing, we continuously strive to improve and expand our offerings to offer new exposures and deliver solutions for the most complex client needs.

## High quality corporate systematic active

State Street Investment Management launched our Systematic Active Fixed Income (SAFI) capability over two years ago. Leveraging our \$1.5 trillion Global Fixed Income Solutions platform, our systematic, factor-based approach has been applied to identify investment opportunities across the full credit spectrum from investment grade to high yield. The approach capitalizes on market developments that has seen much greater transparency around liquidity, fundamentals, pricing, and trading of individual bonds. SAFI aims to deliver:

- Competitive, consistent alpha generation with low realized tracking error (top-quintile information ratios)
- A diversified, factor-driven investment process that complements fundamental active management
- Transparent, low-cost approach

Our SAFI strategies combine three factor signals—**value**, **sentiment**, and **momentum**—in the security selection process and have alpha and annual tracking error targets of 95 basis points (bps) and 61 bps, respectively. Launched at the end of 2023, both strategies have exceeded their alpha targets while remaining well within their tracking error volatility (TEV) thresholds. The strategies' low observed alpha correlation with fundamental peers highlights the complementary role that a systematic active approach can play within an overall credit allocation. This speaks to the differentiated alpha profile of a systematic approach versus existing, and primarily fundamentally driven, active credit managers.

In addition to the live SAFI strategies that are already open for investment, we are constantly researching and establishing additional systematic strategies to make available for seed investors. These include the below listed strategies:

- US Investment Grade Corporate Bond
- US Investment Grade Long Corporate Bond
- Euro Investment Grade Corporate Bond
- US Investment Grade Corporate Climate Bond
- US Long Corporate Bond
- Euro Investment Grade Corporate Climate Bond
- Global Investment Grade Corporate Bond
- Global Investment Grade Corporate Climate Bond
- US High Yield Corporate Bond
- US High Yield Corporate BB -B Bond
- Global High Yield Corporate Bond
- Enhanced US Core Bond

## Indexed leveraged loans

Leveraged loans delivered steady income in 2025 to return approximately 6.0%, as measured by the Morningstar LSTA US Leveraged Loan Index—this positive outcome lagged riskier credit assets in the period as falling rates reduced floating-rate advantages. Market dispersion widened meaningfully, with lower-quality loans declining, while loans with ratings of BB and B generated solidly positive returns, reflecting heightened risk aversion and credit selectivity. Credit fundamentals stabilized as overall default activity declined versus prior years, driven by a sharp reduction in distressed exchanges. Issuance and securitization activity remained robust, with institutional loan issuance near \$1T and CLO<sup>1</sup> issuance and refinancing volumes at record highs—supported by open capital markets, despite a volatile market backdrop.

In recognition of this demand and numerous client inquiries, we created an institutional vehicle for indexed leveraged loans that provides investors with reliable exposure to the loans market at a fraction of the cost of active approaches and/or popular exchange traded funds (ETFs). Our new indexed loans strategy has grown to over \$1.0 billion in AUM,<sup>2</sup> a notable accomplishment given it only launched in April of 2024. To drive this new initiative, we assembled a team with deep loan experience from our parent State Street Bank. This team is comprised of specialist loan portfolio managers and research analysts who have been integrated with our proven investment team's capabilities and implementation experience in indexed high yield. We believe that our indexed loans strategy offers a compelling alternative to established active approaches. We look forward to building on this highly successful launch that has unlocked yet another complex fixed income exposure in index form for our clients and prospects.

# Thought leadership

We publish relevant and timely thought leadership on an ongoing basis, sharing insights on markets and investments and how we adapt and innovate to deliver high-quality outcomes for our clients. Some of these publications are listed below:

**From income to outcomes: The evolution and future of fixed income:** Fixed income has undergone a profound transformation in recent years.

**The rise of the Core-Satellite approach in fixed income portfolio construction:** In this paper, we explain the Core-Satellite approach and explore why it is gaining ground among institutional investors.

**Eurozone sovereigns: Selective immunity from the post-pandemic fiscal strain:** As eurozone sovereigns' spreads compress and risk rankings shift, understand how and why investment strategies are evolving across Europe in 2025.

**Unlocking opportunity in the leveraged loan market:** Advances in fixed income trading and technology have opened up the opportunity for investors to harness leveraged loan exposure through indexing.

**Emerging market debt outlook: Enduring strength:**

Emerging market debt thrived in 2025 and the outlook remains attractive for 2026, driven by strong fundamentals, central bank rate cuts, and policy credibility.

**Global High Yield—2025 in Review and 2026 Outlook:**

Global high yield markets realised a strong performance in 2025, characterized by low defaults, active issuance, and robust investor demand.

**High yield case study: how an index allocation can complement an active manager lineup:**

High yield investors are increasingly recognizing that an optimal approach is not necessarily choosing between active and indexed approaches, but instead, thoughtfully combining both.

**Systematic Active Fixed Income: A Modern Approach to Fixed Income Investing:**

SAFI employs a quantitative approach to alpha generation that is both rules based and data-driven.

For more fixed income insights please visit our [website](#)

# In focus: Emerging market debt

We are one of the world's largest managers of indexed EMD with more than \$44 billion of dedicated assets at the end of December 2025.

The softening of global inflation and moves by central banks to lower interest rates eased some of the headwinds facing emerging market debt. Despite a difficult geopolitical landscape, the removal of some uncertainty around US tariffs and a weaker US dollar bolstered investor interest in EMD in 2025. We continue to have a positive view of EMD prospects and the potential benefits an EMD allocation in investment portfolios may bring.

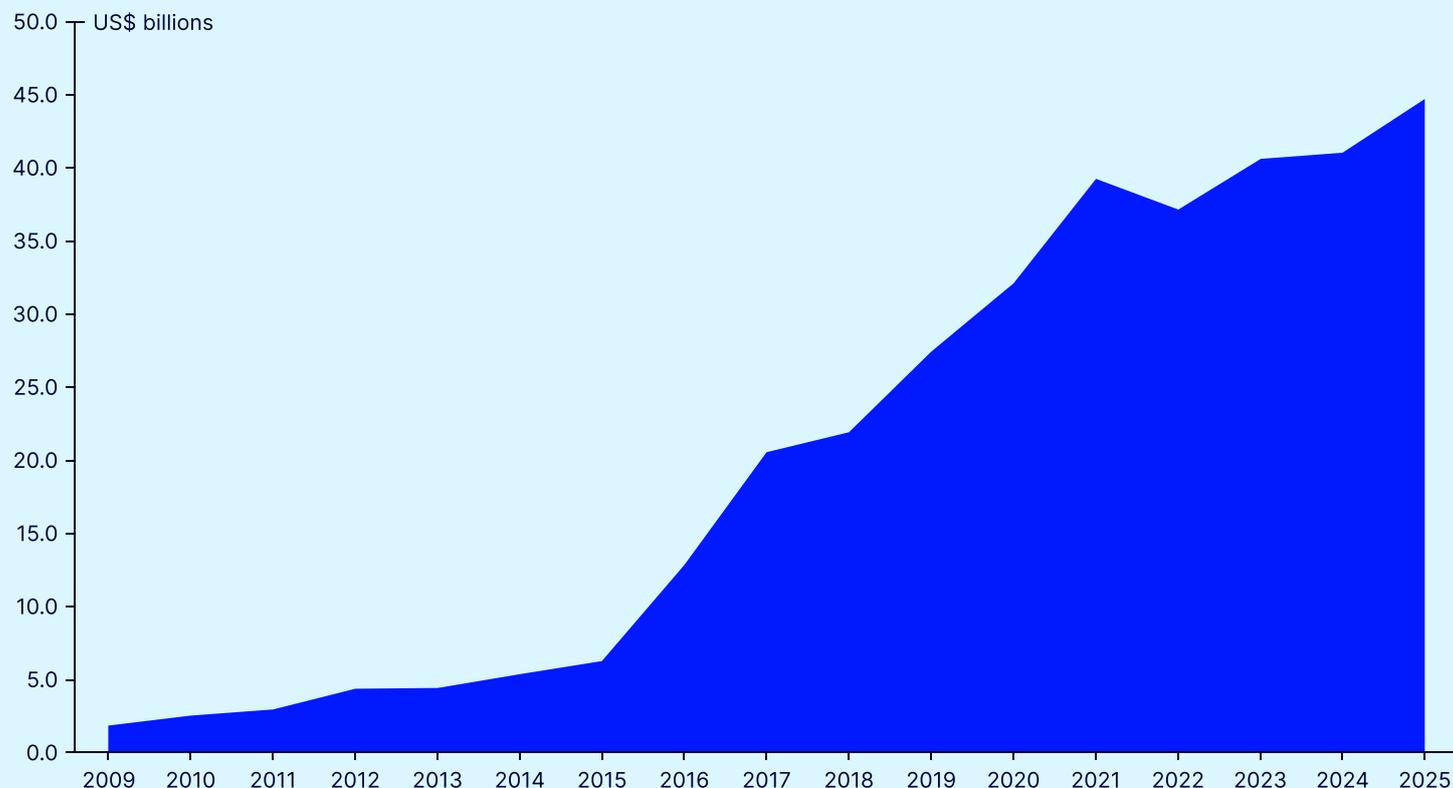
- Risk management and cost minimization are keys to success in this asset class, and we have continuously

improved our processes to track the index more effectively, from tax lot planning and control of all FX trading to sampling techniques that add value in portfolio implementation.

- We are focused on continual process improvements in how we assess and implement the optimal portfolio through time, and where we take advantage of technical inefficiencies and our insights around index events to add value for our clients. This is all controlled within the tight risk and benchmark constraints of an index approach, and overseen by our independent investment risk management team.

For more information of our emerging market debt capabilities, please visit our dedicated [EMD web page](#).

**Figure 2: EMD assets under management exceed \$44 billion**



Source: State Street Investment Management as of December 31, 2025. Figures provided in USD.

# Developments in our investment process and business

The fixed income team at State Street Investment Management has developed a proprietary portfolio optimizer that is now being used in the management of our fixed income strategies. This powerful tool uses a multitude of inputs, including live bond level liquidity and pricing data to drive the buy and sell lists used for rebalancing after large client flows and index changes. While we still rely heavily on the knowledge and experience of our specialist portfolio managers to make the final decision, this quantitative engine enables rapid, consistent, and efficient portfolio rebalancing by proposing trades to the portfolio manager to evaluate and ultimately approve or amend.

We view our optimizer as an effective tool that helps our portfolio managers process flows effectively, consistently and rapidly across multiple portfolios simultaneously. This enables our fixed income portfolio management team to implement at scale and speed, for the benefit of our client portfolios and to exploit market liquidity and opportunities as they arise in the market.

## What's next?

Looking ahead, we plan to publish more thought leadership that we expect will stimulate discussion around all things indexed fixed income.

For more information on offerings and insights, please visit our [fixed income website](#).

If you would like to schedule a meeting with our fixed income indexing experts, please reach out to your relationship manager.

## Endnotes

- 1 Collateralized loan obligations.
- 2 Source: State Street Investment Management as of December 31, 2025.

## About State Street Investment Management

At State Street Investment Management, we draw from our global scale and market-tested expertise to help create original solutions and better outcomes for our clients and the world's investors.

## Marketing Communication

State Street Global Advisors (SSGA) is now State Street Investment Management. Please [click here](#) for more information.

## Important Information

Investing involves risk including the risk of loss of principal.

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.

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The views expressed are the views of State Street Global Advisors' Global Fixed Income Strategist team through March 2026, 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 raise, 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.

CLO Debt Securities carry certain structural risks including potential subordination to the other tranches of debt in the same capital structure, volatility of underlying collateral values, and potential for principal loss of the underlying assets in excess of the equity valuation. CLOs issue classes or "tranches" of securities that vary in risk and yield. Losses caused by defaults on underlying assets are borne first by the holders of subordinate tranches.

Investing in foreign domiciled securities may involve risk of capital loss from unfavorable fluctuation in currency values, withholding taxes, from differences in generally accepted accounting principles or from economic or political instability in other nations. Investments in emerging or developing markets may be more volatile and less liquid than investing in developed markets and may involve exposure to economic structures that are generally less diverse and mature and to political systems which have less stability than those of more developed countries.

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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.

**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.**

The returns on a portfolio of securities which exclude companies that do not meet the portfolio's sustainable strategy criteria may trail the returns on a portfolio of securities which include such companies. A portfolio's sustainable strategy criteria may result in

the portfolio investing in industry sectors or securities which underperform the market as a whole.

SSGA defines a "Sustainable Investing Account" as a client account (i.e., fund or separately managed account managed by SSGA) that utilizes an investment strategy that falls into one of the following three categories, which are not mutually exclusive:

1. Negative Sustainable Investing Screen, as defined below
2. Positive Sustainable Investing Screen, as defined below
3. Third-Party ESG/Sustainable Investing Index Investment Strategies, as defined below

Note: ESG/sustainability data coverage limitations or other factors may result in positive or negative screening being applied to less than 100% of a Sustainable Investing Account. The assets under management (AUM) of an account are classified as Sustainable Investment (SI) AUM, irrespective of the percentage of those assets that have been subject to negative or positive screening. There are several ways in which an issuer can be considered to be involved in a particular product or service, and a screening methodology, along with ESG/sustainability data coverage limitations, may result in a negatively screened portfolio having some exposure to the screened criteria.

**1. Negative Sustainable Investing Screen:** A "Negative Sustainable Investing Screen" (also known as an exclusionary screen) is a screen incorporated into the investment strategy utilized for the management of a portfolio that results in the exclusion from the portfolio of securities of issuers that fail to satisfy certain sustainability criteria (e.g., because the issuers comprise part of a sector or industry). Negative Sustainable Investing Screens include but are not limited to SSGA Point of View ("POV") screens, norms-based screens, Socially Responsible Investing (SRI) screens, and screens provided by other third parties (including client-directed screens). Where a client's investment agreement and/or investment guidelines specify, or the client otherwise communicates to SSGA that the application of a negative screen is to satisfy a purpose other than sustainable investing (e.g., diversification), such screens do not qualify as a Negative Sustainable Investing Screen. Note: There are several ways in which a company can be considered to be involved in a particular product or service, and a screening methodology, along with coverage limitations, may result in a negatively screened portfolio having some exposure to the screened criteria.

**2. Positive Sustainable Investing Screen:** A "Positive Sustainable Investing Screen" is a screen incorporated into the investment strategy utilized for the management of a portfolio that intentionally includes securities of issuers identified as having positive sustainability characteristics relative to the issuer's industry or sector peers. Positive Sustainable Investing Screens target an improvement of a portfolio's sustainability profile as compared to a benchmark or stated investment guideline, measured by a sustainability score or a sustainability metric, or invest only in issuers within an industry or sector that score higher within that industry or sector than the issuer's peers.

**3. Third-Party ESG/Sustainable Investing Index Investment Strategies:** An index-tracking client account qualifies as a Sustainable Investing Account if it tracks a Third-Party ESG/Sustainable Investing Index. An index is deemed to be a "Third-Party ESG/Sustainable Investing Index" if the index methodology incorporates ESG/sustainability factors or characteristics that are utilized by the third-party index provider to determine which securities and/or how much in weight are included as index constituents. A client account that utilizes a Third-Party ESG/Sustainable Investing Index as a reference benchmark for performance or reporting purposes, but does not seek to track such index as an investment strategy, does not qualify as a Sustainable Investing Account unless it meets at least one of the first two prongs of the definition of "Sustainable Investing Account" set forth above. The methodology used by SSGA to identify Sustainable Investing AUM (see page 3) may differ from the methodology used under certain classification and disclosure regulatory regimes. SSGA makes no representation that an account identified as a "Sustainable Investing Account" satisfies all Sustainable Investing categories under the SSGA Sustainable Investing Account Identification Policy. A Sustainable Investing Account may satisfy only one of the three categories described above, and within that category it may incorporate a single sustainability factor or exposure. SSGA's Sustainable Investing AUM may include AUM of client accounts for which a negative screen is applied at the request of the client for regulatory or other purposes, which may not be disclosed to SSGA, that SSGA believes results in the exclusion from the client's portfolio of securities based on sustainability criteria.

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