

January 27, 2020
Weekly Bulletin

It's All About Rotations – XLSR

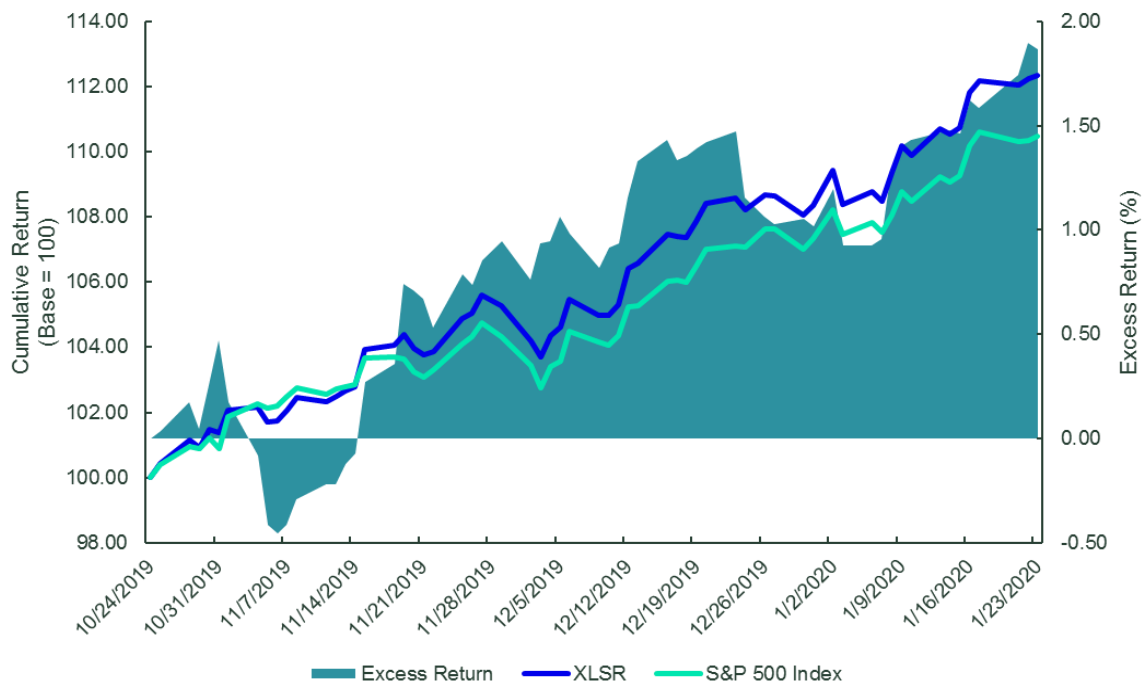
- Tech led the bull market in 2019, climbing over 50%, while Energy, the worst performing area, returned a paltry 11.8% – leading to the widest sector dispersion in seven years, all while single stock dispersion remained in the bottom 10th percentile relative to the past 15 years¹
- Return correlations across sectors were elevated in the second half of 2019; however, a sharp decline over the past month has brought them down closer to their three-year average of 0.40²
- Sector rotation strategies may be one way to extract alpha given these current dynamics, as the wide return dispersion among sectors – unlike stocks – paired with low correlations are generally viewed as constructive for active management

The Takeaway

The SPDR® SSGA US Sector Rotation ETF (XLSR) is an active sector rotation strategy that allocates tactically based on proprietary market signals, as well as quantitative and qualitative assessments. Since its inception, XLSR has outperformed the S&P 500 by 56 bps, and more recently, it has outpaced its prospectus benchmark by 1.96% over the past six months.³ From an attribution perspective, it's been about sidestepping the weak areas, as excluding Energy led to 1.45% excess return over the index in this timeframe!⁴

Chart of the Week

XLSR Versus the S&P 500 Index (Last Three Months)



Source: Bloomberg Finance L.P., as of 01/23/2020. **Past performance is not a guarantee of future results.** It is not possible to invest directly in an index. Index performance does not reflect charges and expenses associated with the fund or brokerage commissions associated with buying and selling a fund. Index performance is not meant to represent that of any particular fund.

**Standard
Performance**

Ticker	Name	1 Month	QTD	YTD	1 Year	Annualized			Since XLSR Inception	Inception Date	Gross Expense Ratio (%)
						3 Year	5 Year	10 Year			
XLSR (NAV)	SPDR® SSGA US Sector Rotation ETF	3.25	9.72	-	-	-	-	-	14.17	04/02/2019	0.70%
XLSR (MKT)	SPDR® SSGA US Sector Rotation ETF	3.54	9.72	-	-	-	-	-	14.00	-	-
-	S&P 500 Index	3.02	9.07	31.49	31.49	15.27	11.70	13.56	14.37	-	-

Source: ssga.com, as of December 31, 2019.

Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate, so you may have a gain or loss when shares are sold. Current performance may be higher or lower than that quoted. For SPDR ETFs, visit ssga.com for most recent month-end performance. The market price used to calculate the Market Value return is the midpoint between the highest bid and the lowest offer on the exchange on which the shares of the Fund are listed for trading, as of the time that the Fund's NAV is calculated. If you trade your shares at another time, your return may differ. It is not possible to invest directly in an index. Index performance does not reflect charges and expenses associated with the fund or brokerage commissions associated with buying and selling a fund. Index performance is not meant to represent that of any particular fund.

¹ Bloomberg Finance L.P., as of 12/31/2019

² Factset, as of 12/31/2019

³ Bloomberg Finance L.P. as of 01/23/2020. XLSR's inception was 04/02/2019.

⁴ Bloomberg Finance L.P., 04/10/2019 to 01/23/2020.

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There can be no assurance that a liquid market will be maintained for ETF shares.

Investing involves risk including the risk of loss of principal.

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State Street Global Advisors, One Iron Street, Boston, MA 02210-1641

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