

# Lower the Cost of Your Core with SPDR® Fixed Income ETFs

When building a core fixed income allocation, many investors look to track the Bloomberg Barclays US Aggregate Bond Index (Agg). While indexing to the Agg provides an off-the-shelf solution for broad fixed income exposure, the tradeoff for this simplicity has been a historically low yield and elevated interest rate risk.

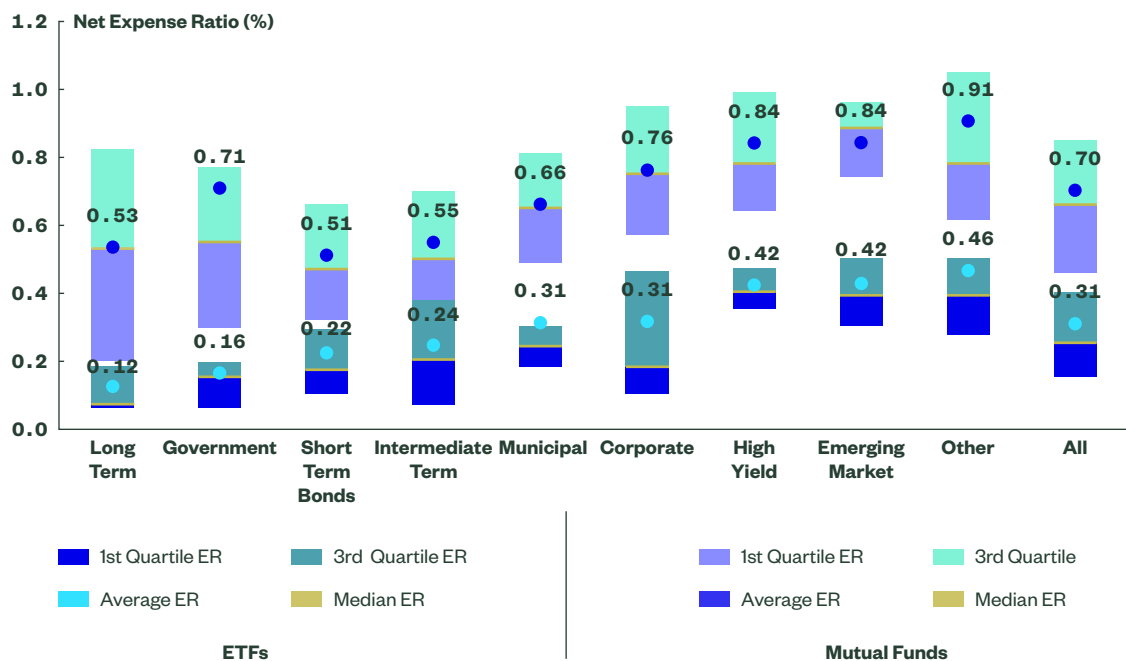
If you want to tailor your core based on risk constraints, return objectives or tax considerations, fixed income exchange traded funds (ETFs) can serve as low-cost building blocks.

## How Can ETFs Reduce Your Total Cost?

If you invest in fixed income mutual funds or single-CUSIP bonds, you can reduce your total cost of ownership (TCO) with SPDR fixed income ETFs.

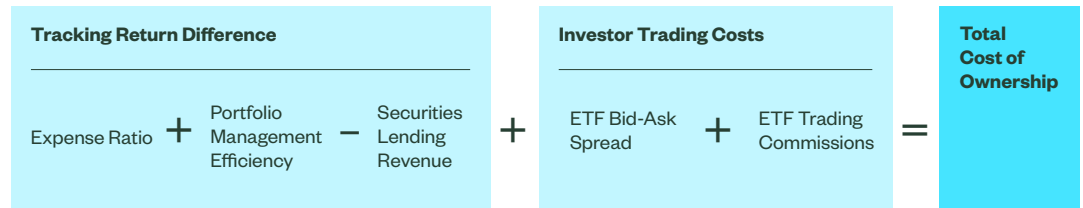
For instance, mutual funds' median expense ratio is 0.66% compared to just 0.25% for US-listed fixed income ETFs.<sup>1</sup> And actively managed fixed income ETFs have a median expense ratio of 0.40% versus 0.68% for actively managed fixed income mutual funds.<sup>2</sup>

Figure 1  
ETFs' Expense Ratios Are Lower Than Mutual Funds'



Source: Morningstar, as of 12/31/2019.

Figure 2  
**Calculating an  
 ETF's Total Cost  
 of Ownership**

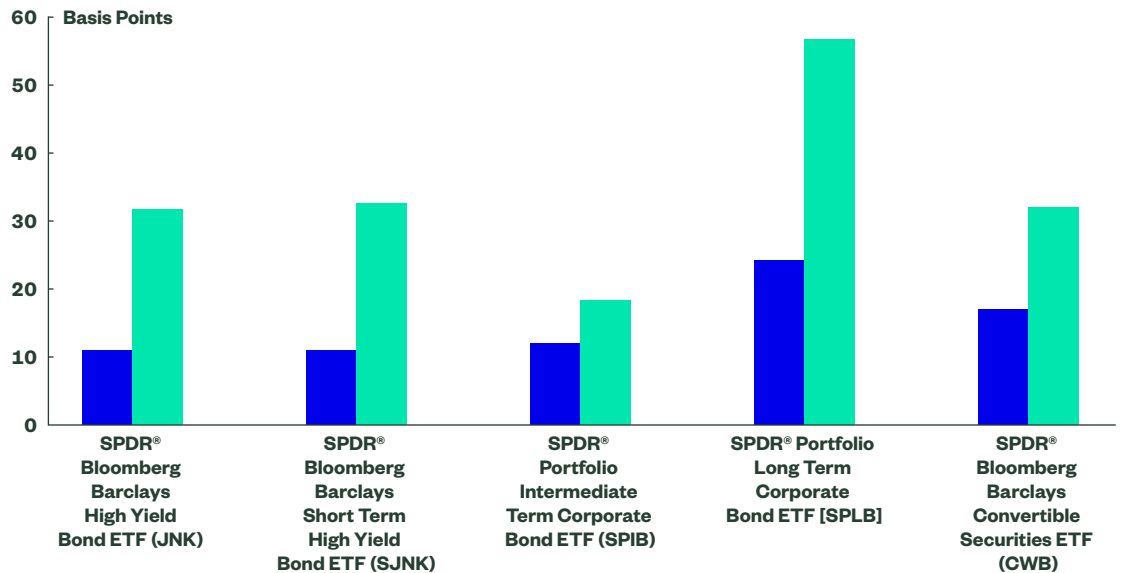


Source: For illustrative purposes only.

However, the expense ratio is only one part of the TCO equation. Trading costs also need to be considered. And ETFs with high trading volumes tend to have tight bid-ask spreads that can reduce trading costs and lower your TCO. Investors who buy individual bonds should focus on the difference in trading costs for single-CUSIP bonds versus ETFs.

Figure 3  
**ETFs Have  
 Tighter Bid-Ask  
 Spreads Than  
 Underlying Bonds**

■ Quoted ETF Bid-Ask Spread (\$50mm)  
 ■ Underlying Bloomberg LQA Bid/Ask



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

## SPDR® Portfolio ETFs™

Choosing low-cost SPDR® Portfolio ETFs™ can help construct a customized and cost-effective core. With a median expense ratio of just 6 basis points, the SPDR Portfolio ETFs fixed income suite is 88% less expensive than similar mutual funds.<sup>3</sup> And because the suite trades at an average bid-ask spread of just 2 cents,<sup>4</sup> across multiple no-transaction fee platforms, you can control trading costs.

Asset Class	SPDR Portfolio Fixed Income ETFs	Ticker	Expense Ratio (%)
US Aggregate	SPDR Portfolio Aggregate Bond ETF	<b>SPAB</b>	0.04
Short Corporate	SPDR Portfolio Short Term Corporate Bond ETF	<b>SPSB</b>	0.07
Intermediate Corporate	SPDR Portfolio Intermediate Term Corporate Bond ETF	<b>SPIB</b>	0.07
Long Corporate	SPDR Portfolio Long Term Corporate Bond ETF	<b>SPLB</b>	0.07
Broad Corporate	SPDR Portfolio Corporate Bond ETF	<b>SPBO</b>	0.06
Short Government	SPDR Portfolio Short Term Treasury ETF	<b>SPTS</b>	0.06
Intermediate Government	SPDR Portfolio Intermediate Term Treasury ETF	<b>SPTI</b>	0.06
Long Government	SPDR Portfolio Long Term Treasury ETF	<b>SPTL</b>	0.06
Mortgages	SPDR Portfolio Mortgage Backed Bond ETF	<b>SPMB</b>	0.06
High Yield	SPDR Portfolio High Yield Bond ETF	<b>SPHY</b>	0.15
TIPS	SPDR Portfolio TIPS ETF	<b>SPIP</b>	0.12

Source: State Street Global Advisors, as of 12/31/2019.

Building a low-cost fixed income core with SPDR Portfolio ETFs™ also enables you to tailor portfolios. For example, to seek income and modulate credit risk, you might consider augmenting your core aggregate bond allocation with precise investment grade credit exposures across different maturity ranges or with a broad high yield exposure:

<b>SPSB</b>	SPDR Portfolio Short Term Corporate Bond ETF
<b>SPIB</b>	SPDR Portfolio Intermediate Term Corporate Bond ETF
<b>SPLB</b>	SPDR Portfolio Long Term Corporate Bond ETF
<b>SPBO</b>	SPDR Portfolio Corporate Bond ETF
<b>SPHY</b>	SPDR Portfolio High Yield Bond ETF

Or you could adjust your fixed income core to mitigate the effects of inflation or either shorten or lengthen duration depending on your view of rate movements, without taking on additional credit risk:

<b>SPTS</b>	SPDR Portfolio Short Term Treasury ETF
<b>SPTI</b>	SPDR Portfolio Intermediate Term Treasury ETF
<b>SPTL</b>	SPDR Portfolio Long Term Treasury ETF
<b>SPIP</b>	SPDR Portfolio TIPS ETF

## Endnotes

- 1 Morningstar, as of 12/31/2019.
- 2 Morningstar, as of 12/31/2019.
- 3 Morningstar, as of 12/31/2019.
- 4 Bloomberg Finance, L.P. as of 12/31/2019.

## ssga.com

### Important Disclosures

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.

Prior to 09/23/2019, the SPDR Portfolio Corporate Bond ETF (SPBO) was known as the SPDR Bloomberg Barclays Corporate Bond ETF (CBND), the SPDR Portfolio High Yield Bond ETF (SPHY) was known as the SPDR ICE BofAML Broad High Yield Bond ETF (CJNK), the SPDR Portfolio Intermediate Term Treasury ETF (SPTI) was known as the SPDR Bloomberg Barclays Intermediate Term Treasury ETF (ITE), the SPDR Portfolio TIPS ETF (SPIP) was known as the SPDR Bloomberg Barclays TIPS ETF (IPE), and the SPDR Portfolio Mortgage Backed Bond ETF (SPMB) was known as the SPDR Bloomberg Barclays Mortgage Backed Bond ETF (MBG).

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.

**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.

**Non-diversified funds** that focus on a relatively small number of securities tend to be more volatile than diversified funds and the market as a whole.

**Index-based funds** hold a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. This may cause the fund to experience tracking errors relative to performance of the index. While the shares of ETFs are tradable on secondary markets, they may not readily trade in all market conditions and may trade at significant discounts in periods of **market stress**.

**ETFs** trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs' net asset value. Brokerage commissions and ETF expenses will reduce returns.

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.

BLOOMBERG®, a trademark and service mark of Bloomberg Finance, L.P., and its affiliates, and BARCLAYS®, a trademark and service mark of Barclays Bank Plc, have each been licensed for use in connection with the listing and trading of the SPDR Bloomberg Barclays ETFs.

Standard & Poor's, S&P and SPDR are registered trademarks of Standard & Poor's Financial Services LLC (S&P); Dow Jones is a registered trademark of Dow Jones Trademark Holdings LLC (Dow Jones); and these trademarks have been licensed for use by S&P Dow Jones Indices LLC (SPDJL) and sublicensed for certain purposes by State Street Corporation. State Street Corporation's financial products are not sponsored, endorsed, sold or promoted by SPDJL, Dow Jones, S&P, their respective affiliates and third party licensors and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability in relation thereto, including for any errors, omissions, or interruptions of any index.

The funds presented herein have different investment objectives, costs and expenses. Each fund is managed by a different investment firm, and the performance of each fund will necessarily depend on the ability of their respective managers to select portfolio investments. These differences, among others, may result in significant disparity in the funds' portfolio assets and performance. For further

information on the funds, please review their respective prospectuses.

**Distributor:** State Street Global Advisors Funds Distributors LLC, member FINRA, SIPC. State Street Global Advisors Funds Distributors, LLC, is an indirect wholly owned subsidiary of State Street Corporation. References to State Street may include State Street Corporation and its affiliates. Certain State Street affiliates provide services and fees from the SPDR ETFs.

**Before investing, consider the funds' investment objectives, risks, charges and expenses. To obtain a prospectus or summary prospectus which contains this and other information, call 1-866-787-2257 or visit ssga.com. Read it carefully.**

© 2020 State Street Corporation.  
All Rights Reserved.  
ID162833-2970382.21.AM.RTL. 0220  
Exp. Date: 12/31/2020

**Not FDIC Insured  
No Bank Guarantee  
May Lose Value**