

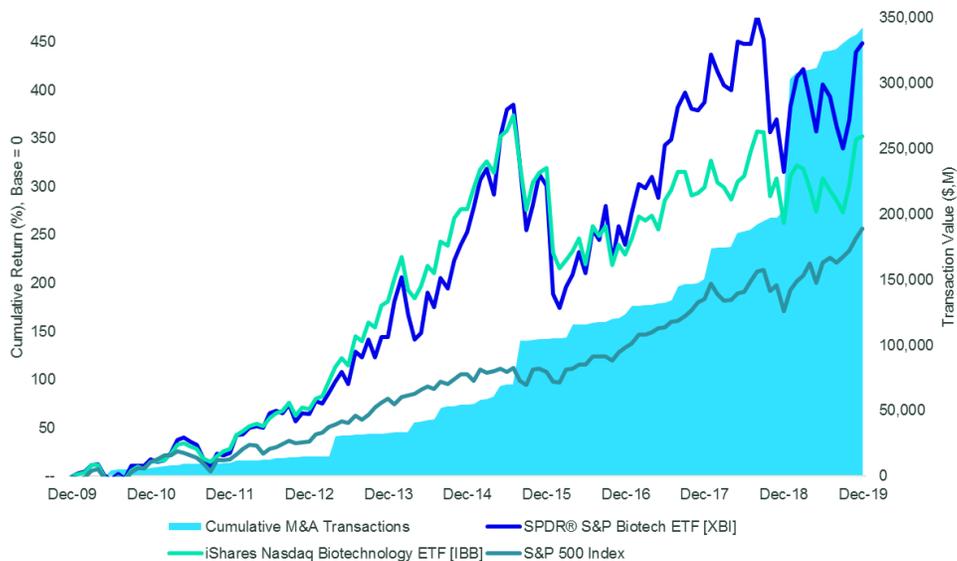
**February 10, 2020**  
Weekly Bulletin

## Merger Madness - XBI

- Drugmaker Biogen’s shares surged last week after winning a crucial US patent ruling for its multiple sclerosis drug Tecfidera, illustrating the remarkable product innovation and maturing product pipelines that are coming to fruition in the biotech space<sup>1</sup>
- Biotech M&A activity is booming – 2019 saw a record \$140 billion in activity, as larger firms have been acquiring smaller firms with specialized products to generate long-term growth potential<sup>2</sup>
- Amidst the boom in biotech, the SPDR S&P Biotech ETF [XBI] was one of the best-performing ETFs over the past decade<sup>3</sup>, returning 5% per annum more than the broader market. Future growth metrics remain constructive, as estimated 3–5-year EPS Growth is 7% above that of the S&P 500 (17.9% vs 10.7%), as earnings continue to surprise to the upside<sup>4</sup>

**The Takeaway** Investors looking for growth opportunities and benefits from the ongoing boom in biotech M&A may want to consider allocating to the SPDR S&P Biotech ETF [XBI]. With its modified equal-weighted index methodology, XBI exhibits a tilt toward small-cap firms potentially driving product innovation and development. XBI has outperformed a market cap-weighted biotech industry exposure by over 28%<sup>5</sup> on a cumulative return basis over the past four years, when 2015 kicked off the M&A frenzy – underscoring the benefit of having a higher weight to mid-and-small cap companies when biotech M&A is booming.

**Chart of the Week: Record Levels of M&A Activity in the Biotech Space**



Source: Factset, 12/31/2009-12/31/2019. Performance quoted represents past performance, which is no guarantee of future results.

Standard Performance	Ticker	Name	YTD	1 Year	Annualized				Inception Date	Net Expense Ratio (%)
					3 Year	5 Year	10 Year	Since Inception		
XBI (NAV)	SPDR S&P Biotech ETF		32.20	32.30	17.36	9.20	18.56	13.78	1/31/2006	0.35
XBI (MKT)	SPDR S&P Biotech ETF		32.35	32.35	17.35	9.22	18.56	13.78		
IBB (NAV)	iShares Nasdaq Biotechnology ETF		24.75	24.75	11.17	3.74	16.29	7.20	2/5/2001	0.47
IBB (MKT)	iShares Nasdaq Biotechnology ETF		24.73	24.73	11.12	3.76	16.28	7.20		

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](http://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.

1 Source: Barrons.com as of 02/05/2020.

2 Source: Factset as of 12/31/2019.

3 Source: Morningstar as of 12/31/2019. XBI ranked in the 1<sup>st</sup> Percentile based on absolute return versus other US-Listed Equity ETFs over the trailing 10-year period ending 12/31/2019.

4 Source: Factset as of 12/31/2019. 10-year performance for XBI on an annualized return basis was 18.56%, while 10-year performance for the S&P 500 index was 13.56%.

5 Source: Factset 01/31/2015-01/31/2020. Cumulative return for XBI = 35.63% and Cumulative return for IBB = 7.12%.

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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. 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. Information represented in this piece does not constitute legal, tax, or investment advice. Investors should consult their legal, tax, and financial advisors before making any financial decisions.

**Fund Comparisons**

**XBI** - The investment seeks to provide investment results that, before fees and expenses, correspond generally to the total return performance of the S&P Biotechnology

**IBB** - The investment seeks to track the investment results of the NASDAQ Biotechnology Index, which contains securities of companies listed on NASDAQ that are classified according to the Industry Classification Benchmark as either biotechnology or pharmaceuticals and that also meet other eligibility criteria determined by Nasdaq, Inc.

**Important Risk Information**

Investing involves risk including the risk of loss of principal. Funds investing in a single sector may be subject to more volatility than funds investing in a diverse group of sectors.

Funds investing in a **single sector** may be subject to more volatility than funds investing in a diverse group of sectors.

Because of their narrow focus, **sector funds** tend to be more volatile than broadly diversified funds and generally result in greater price fluctuations than the overall market.

**Equity securities** may fluctuate in value in response to the activities of individual companies and general market and economic conditions

**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.

**Passively managed 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.

**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.

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