Quick Reference Guide

March 2021

Position for a Higher Rate Reflationary Regime

Fueled by accommodative monetary policy and additional fiscal stimulus, higher inflation expectations and upbeat growth prospects continue to put upward pressure on interest rates. To ensure portfolios remain properly diversified and meet return objectives in this higher rate reflationary regime, investors could consider replacing traditional core bonds and growth stocks with growth-sensitive bonds and rate-sensitive stocks.

Target Growth-Sensitive Bonds

Five bond sectors may reduce the rate sensitivity and volatility of traditional bond allocations:

Senior Loans

SRLN SPDR® Blackstone Senior Loan ETF

Gross/Net Expense Ratio (%): 0.70/0.70

- For a credit allocation, loans have a relatively similar yield to fixed rate high yield debt at 3.7% versus 4.2%,[1] but are more senior in the capital structure and historically have witnessed lower relative levels of volatility (5.8% versus 7.7%).[2]
- Like other credit exposures, loans may continue to benefit from the ongoing loose monetary and fiscal policies that have supported risk assets over the past few months. Amid the reflation rally, loans have outperformed the broader Agg for eleven consecutive months.[3]
- Loans' floating rate component means rising rates may not negatively impact total return as much as they could for fixed rate high yield. Curve change effects subtracted 142 basis points of return for fixed rate high yield thus far this year,[4] but had a negligible impact on loans.[5]

Prior to 02/26/2021, the SPDR Blackstone Senior Loan ETF was known as the SPDR Blackstone / GSO Senior Loan ETF.

Preferreds

PSK SPDR® Wells Fargo® Preferred Stock ETF

Gross/Net Expense Ratio (%): 0.45/0.45

- Preferreds offer investors a yield 3.3 and 1.3 times higher than that of the Agg and high yield bonds, respectively, while holding primarily investment-grade rated securities.[6]
- As a hybrid with balanced equity and bond correlations (56% and 43%, respectively), preferreds offer a diversified income stream, significantly lower than high yield's 77% correlation to equities.[7]
- Preferreds' lower volatility than both high yield and equities (6.9% versus 7.7% and 14.9%)[8] leads to more attractive yield per unit of volatility measures.

Emerging Market Debt

EBND SPDR® Bloomberg Barclays Emerging Market Local Bond ETF

Gross/Net Expense Ratio (%): 0.30/0.30

- Emerging market local debt (EMD) offers a noticeable yield advantage (3.77%) over traditional core US Agg bonds (1.53%).[9]
- With 85% of issues rated above BBB,[10] EMD is still considered investment grade but has just a 32% correlation to the rate sensitive Agg.[11]
- The risk profile of EMD offers potential diversification benefits to bond portfolios that might currently rely solely on credit and rate risks to generate income, as currency trends play a significant role in the risk and return of EMD — evidenced by a historical 93% correlation between EM local debt and EM local currency returns.[12]

High Yield Municipal Bonds

HYMB SPDR® Nuveen Bloomberg Barclays High Yield Municipal Bond ETF

Gross/Net Expense Ratio (%): 0.35/0.35

- High yield municipal bonds yield more than traditional corporate high yield bonds on an after-tax basis. The current yield to worst on high yield municipal bonds is 3.17%[13] while high yield corporates yield 4.2% pre-tax, but 2.70% post-tax.[14]
- Income from high yield municipals is generated with lower volatility than high-yield corporates (6.4% versus 7.2%)[15] and the $300 billion dedicated to shoring up state and local balance sheets from the $1.9 trillion pandemic relief bill may alleviate any concerns of increased default risk.
- High yield municipals are less correlated to equities than corporate investment-grade and high yield bonds (21% versus 48% and 77%, respectively),[16] leading to a potential source of higher income generation without additional equity risk. High yield municipals are also less correlated to traditional core Agg bonds than US IG corporates are (52% versus 80%).[17]

Mortgage-Backed Securities

SPMB SPDR® Portfolio Mortgage Backed Bond ETF

Gross/Net Expense Ratio (%): 0.06/0.04*

- With a different rate risk profile (3.57 years duration) than other core bond sectors (US Treasuries 6.88 years, US IG Corporate Bonds 8.5 years), mortgage-backed securities (MBS) may be a valuable overweight in the core.[18]
- MBS offer a yield (1.78%) above that of core Aggregate bonds (1.53%) and US Treasuries (0.93%), with lower volatility (2% versus 3% and 4%, respectively).[19]
- Two favorable market trends — the strong housing market[20] and the Federal Reserve continuing to purchase MBS ($40 billion a month) as part of its stimulus plan may temper extension risk fears from higher rates.

Focus on Rate-Sensitive Stocks

As the recovery progresses, cyclical/value equities may offer ballast from the impact of rising rates on bond portfolios.

Value

SPYV SPDR® Portfolio S&P 500® Value ETF

Gross/Net Expense Ratio (%): 0.04/0.04

- Value has become less correlated to bonds.[21]
- Value's correlation and beta profile (55%/ 0.30) to rates is higher than both the market and growth disciplines (34%/0.12 and 27%/0.11, respectively).[22]
- Constructive valuations and expected 2021 earnings-per-share growth (25%) above that of growth styles (20%) and the market (24%) indicate a cheaper source of growth.[23]

Dividend Growers

SDY SPDR® S&P® Dividend ETF

Gross/Net Expense Ratio (%): 0.35/0.35

- Dividend growers' current dividend yield is higher than core bonds (3.23% versus 1.53%).[24]
- Value oriented and more sensitive to rate movements than the market, dividend growers' correlation/beta metrics to rates is 42%/0.14.[25]
- Dividend growers have outperformed the broader market by 5.3% since the start of November when the reflation rally took shape following the removal of dual headwinds (election and vaccine timeline uncertainty).

Mid-/Small-cap Stocks

SPMD SPDR® Portfolio S&P 400™ Mid Cap ETF

Gross/Net Expense Ratio (%): 0.05/0.05

SPSM SPDR Portfolio S&P 600™ Small Cap ETF

Gross/Net Expense Ratio (%): 0.05/0.05

- Mid caps and small caps have higher rate sensitivity than large caps (0.20/0.25 versus 0.12 beta).[26]
- Relative valuations for both asset classes are attractive as their price-to-next-twelve-month earnings ratio, price-to-book ratio, and price-to-sales ratio are in the bottom decile relative to the S&P 500.[27]
- Higher expected growth (46% for mid caps and 57% for small caps) versus large caps (24%) over the next year[28] indicates a cheaper source of growth vs. traditional core styles.

Footnotes

* The gross expense ratio for SPMB is 0.06%. The gross expense ratio is the fund's total annual operating expenses ratio. It is gross of any fee waivers or expense reimbursements. It can be found in the fund's most recent prospectus. SSGA Funds Management, Inc. (the "Adviser") has contractually agreed to waive a portion of its management fee and/or reimburse expenses in an amount equal to any acquired fund fees and expenses (excluding holdings in acquired funds for cash management purposes, if any) until October 31, 2021. This waiver and/or reimbursement does not provide for the recoupment by the Adviser of any amounts waived or reimbursed. The Adviser may continue the waiver and/or reimbursement from year to year, but there is no guarantee that the Adviser will do so and the waiver and/or reimbursement may be cancelled or modified at any time after October 31, 2021. This waiver and/or reimbursement may not be terminated prior to October 31, 2021 except with the approval of the Fund's Board of Trustees.

1 Bloomberg Finance L.P. as of February 26, 2021 based on the yield-to-worst for the S&P/LSTA Leverage Loan 100 Index and the Bloomberg Barclays US Corporate High Yield Bond Index.

2 Bloomberg Finance L.P. as of February 26, 2021 based on the returns for the S&P/LSTA Leverage Loan Index and the Bloomberg Barclays US Corporate High Yield Bond Index over the prior 60-months.

3 Bloomberg Finance L.P. as of February 26, 2021 based on the returns for the S&P/LSTA Leverage Loan Index and the Bloomberg Barclays US Aggregate Bond Index.

4 Bloomberg Finance L.P. as of February 26, 2021 based on the returns for the Bloomberg Barclays US Corporate High Yield Bond Index in 2021 utilizing an Excess Return Spread Bloomberg Attribution Model.

5 Bloomberg Finance L.P. as of February 26, 2021 based on the returns for the S&P/LSTA Leverage Loan Index utilizing an Excess Return Spread Bloomberg Attribution Model.

6 Bloomberg Finance L.P. as of February 26, 2021 for the Bloomberg Barclays US Corporate High Yield Bond Index (4.2%), Bloomberg Barclays US Aggregate Bond Index (1.53%), and the yield to maturity for the ICE BofA Hybrid Preferred Securities Index (5.01%).

7 Bloomberg Finance L.P. as of February 26, 2021 for the monthly returns from 02/2016–02/2021 for the Bloomberg Barclays US Corporate High Yield Bond Index and the ICE BofA Hybrid Preferred Securities Index relative to the S&P 500 and Bloomberg Barclays US Aggregate Bond Index.

8 Bloomberg Finance L.P. as of February 26, 2021 for the standard deviation of monthly returns from 02/2016–02/2021 for the Bloomberg Barclays US Corporate High Yield Bond Index and the ICE BofA Hybrid Preferred Securities Index relative to the S&P 500.

9 Bloomberg Finance L.P. as of February 26, 2021 based on the Bloomberg Barclays EM Local Currency Government Diversified Index.

10 Bloomberg Finance L.P. as of February 26, 2021 based on the Bloomberg Barclays EM Local Currency Government Diversified Index.

11 Bloomberg Finance L.P. as of February 26, 2021 based on the Bloomberg Barclays EM Local Currency Government Diversified Index monthly returns from 02/2016–02/2021.

12 Bloomberg Finance L.P. as of February 26, 2021 based on monthly returns between the Bloomberg Barclays EM Local Currency Government Diversified Index and the MSCI EM Local Currency Index from February 2011 to February 2021.

13 Bloomberg Finance L.P. as of February 26, 2021 for the Bloomberg Barclays Municipal Yield Index.

14 Bloomberg Finance L.P. as of February 26, 2021 for the Bloomberg Barclays US Corporate High Yield Bond Index. After tax yield is based on the yield-to-worst and applying the highest marginal federal income tax rate of 37%. This may differ for actual investors based on their tax bracket and it is meant to be an illustration of the impact on taxes in a such low rate environment. It does not account for state taxes or net investment income taxes. Actual results may differ.

15 Bloomberg Finance L.P. as of February 26, 2021 for the standard deviation of monthly returns from 02/2016–02/2021 for the Bloomberg Barclays US Corporate High Yield Bond Index and the Bloomberg Barclays Municipal Yield Index.

16 Bloomberg Finance L.P. as of February 26, 2021 for the monthly returns from 02/2016–02/2021 for the Bloomberg Barclays Municipal Yield Index, the Bloomberg US Corporate Bond Index, and the Bloomberg Barclays US Corporate High Yield Bond Index versus the S&P 500 index.

17 Bloomberg Finance L.P. as of February 26, 2021 for the monthly returns from 02/2016–02/2021 for the Bloomberg Barclays Municipal Yield Index, the Bloomberg US Corporate Bond Index versus the Bloomberg Barclays US Aggregate Bond Index.

18 Bloomberg Finance L.P. as of February 26, 2021 for the Bloomberg Barclays US MBS Index, the Bloomberg US Treasury Index and the Bloomberg Barclays US Corporate Bond Index.

19 Bloomberg Finance L.P. as of February 26, 2021 for the monthly returns from 02/2016–02/2021 for the Bloomberg Barclays US MBS Index, the Bloomberg US Treasury Index versus the Bloomberg Barclays US Aggregate Bond Index.

20 "Improvement in U.S. Homebuilder Sentiment Belies Cost Concerns", Bloomberg February 17, 2021.

21 Bloomberg Finance L.P. as of February 26, 2021 based on the daily returns of the S&P 500 Pure Value Index, the S&P 500 Pure Growth Index, the S&P 500 Index and the Bloomberg Barclays US Aggregate Bond Index.

22 Bloomberg Finance L.P. as of February 26, 2021 based on the monthly returns of the S&P 500 Pure Value Index, S&P 500 Pure Growth Index, and S&P 500 Index versus the US 10 Year Yield from 02/2016–02/2021.

The gross expense ratio is the fund's total annual operating expenses ratio. It is gross of any fee waivers or expense reimbursements. It can be found in the fund's most recent prospectus.
Past performance is not a reliable indicator of future performance.

Footnotes

23 FactSet as of February 26, 2021 based on the S&P 500 Pure Value Index, the S&P 500 Pure Growth Index, and the S&P 500 Index based on consensus analyst estimates.

24 February 26, 2021 based on the trailing 12-month dividend yield for the S&P High Yield Dividend Aristocrats Index and the Bloomberg Barclays US Aggregate Bond Index yield-to-worst.

25 Bloomberg Finance L.P. as of February 26, 2021 based on the monthly returns of the S&P High Yield Dividend Aristocrats Index versus the US 10 Year Yield from 02/2016–02/2021.

26 Bloomberg Finance L.P. as of February 26, 2021 based on the monthly returns of the S&P 400 Mid Cap Index and the S&P 600 Small Cap Index versus the US 10 Year Yield from 02/2016–02/2021.

27 FactSet as of February 26, 2021 based on the S&P 400 Mid Cap Index and the S&P 600 Small Cap index.

28 FactSet as of February 26, 2021 based on the S&P 400 Mid Cap Index, the S&P 600 Small Cap Index, and the S&P 500 Index based on consensus analyst estimates.

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Glossary

Earnings Per Share (EPS) A profitability measure that is calculated by dividing a company's net income by the number of shares outstanding.

Price-to-Book Ratio, or P/B Ratio A valuation metric that compares a company's current share price against its book value, or the value of all its assets minus intangible assets and liabilities. The P/B is a ratio of investor sentiment on the value of a stock to its actual value according to the Generally Accepted Accounting Principles (GAAP). A high P/B means either that investors have overvalued the company, or that its accountants have undervalued it.

Price-to-Earnings Share price divided by earnings per share. Lower numbers indicate an ability to access greater amounts of earnings per dollar invested. A higher number indicates that a company's stock is overvalued.

Price-to-Sales Share price divided by per share revenue.
Standard Deviation A statistical measure of volatility that quantifies the historical dispersion of a security, fund or index around an average. Investors use standard deviation to measure expected risk or volatility, and a higher standard deviation means the security has tended to show higher volatility or price swings in the past. As an example, for a normally distributed return series, about two-thirds of the time returns will be within 1 standard deviation of the average return.

Yield Curve A graph or line that plots the interest rates or yields of bonds with similar credit quality but different durations, typically from shortest to longest duration. When the yield curve is said to be "flat," it means the difference in yields between bonds with shorter and longer durations is relatively narrow. When the yield curve is said to be "steep," it means the difference in yields between bonds with shorter and longer durations is relatively wide.

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Information Classification: General Access

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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.

Because of their narrow focus, **financial sector funds** tend to be more volatile. **Preferred Securities** are subordinated to bonds and other debt instruments, and will be subject to greater credit risk. The fund may contain **interest rate risk** (as interest rates rise bond prices usually fall); the risk of issuer default; inflation risk; and issuer call risk. The Fund may invest in **US dollar-denominated securities** of foreign issuers traded in the United States.

The municipal market is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities. Interest rate increases can cause the price of a debt security to decrease. A portion of the dividends you receive may be subject to federal, state, or local income tax or may be subject to the federal alternative minimum tax.

Value stocks can perform differently from the market as a whole. They can remain undervalued by the market for long periods of time.

Investments in **mid-sized companies** may involve greater risks than those in larger, better known companies, but may be less volatile than investments in smaller companies.

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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.

Investing in **high yield fixed income securities**, otherwise known as "junk bonds", is considered speculative and involves greater risk of loss of principal and interest than investing in investment grade fixed income securities. These Lower-quality debt securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer.

Investments in **mortgage securities** are subject to prepayment risk, which can limit the potential for gain during a declining interest rate environment and increase the potential for loss in a rising interest rate environment. The mortgage industry can also be significantly affected by regulatory changes, interest rate movements, home mortgage demand, refinancing activity, and residential delinquency trends.

The value of the **debt securities** may increase or decrease as a result of the following: market fluctuations, increases in interest rates, inability of issuers to repay principal and interest or illiquidity in the debt securities markets; the risk of low rates of return due to reinvestment of securities during periods of falling interest rates or repayment by issuers with higher coupon or interest rates; and/or the risk of low income due to falling interest rates. To the extent that interest rates rise, certain underlying obligations may be paid off substantially slower than originally anticipated and the value of those securities may fall sharply. This may result in a reduction in income from debt securities income.

Investments in **Senior Loans** are subject to credit risk and general investment risk. Credit risk refers to the possibility that the borrower of a Senior Loan will be unable and/or unwilling to make timely interest payments and/or repay the principal on its obligation. Default in the payment of interest or principal on a Senior Loan will result in a reduction in the value of the Senior Loan and consequently a reduction in the value of the Portfolio's investments and a potential decrease in the net asset value ("NAV") of the Portfolio.

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