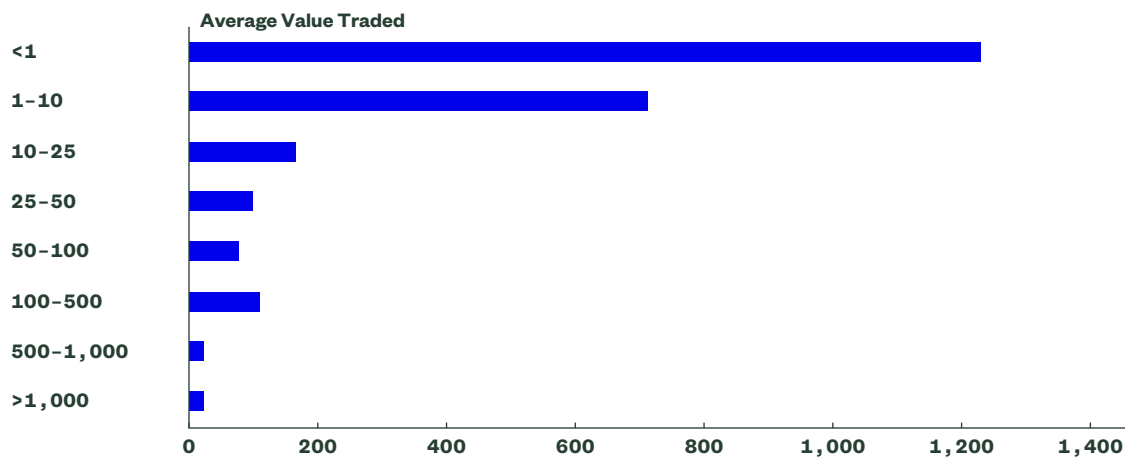


Optimizing Trade Execution for ETFs of All Levels of Liquidity

Exchange Traded Funds (ETFs) are known for their tradability. With \$7.7 trillion in secondary market notional volume in 2020 — more than that of its top 8 competitors combined — the robust liquidity of the SPDR S&P 500 (SPY) sets the benchmark of implementation flexibility for a wide array of trading strategies.¹ Yet with 86% of all US-listed ETFs trading less than \$25M per day, on average,² we're mindful that trading the vast majority of less liquid ETFs efficiently can take a little more attention. We're here to help.

As a liquidity leader, SPDR ETFs accounted for 38% of all trading volume of US-listed ETFs in 2020.³ The SPDR Sales Execution and Implementation Team is a dedicated group of capital markets professionals focused on providing resources to help assess ETF liquidity and evaluate different execution strategies, even for ETFs that don't have SPY's highly liquid profile.

Figure 1
**Many ETF Solutions,
But Not Many
With Scale**



Source: Bloomberg Finance, L.P., as of 12/31/2020.

Determining Execution Objectives — One Size Does Not Fit All

As the number of ETFs in the marketplace has grown, investors have increasingly dedicated resources to evaluating ETF liquidity as a key component of their Total Cost of Ownership (TCO). For all SPDR ETFs, our Sales Execution and Implementation Team can help you evaluate different execution strategies with the goal of optimizing investment objectives and TCO. The SPDR team can help assess:

Execution Priorities

- What is the timeframe for execution?
- Is the creation/redemption window open?
- Based on trade objectives, which is the correct type of order to use?

Trade Considerations

- Is the trade of a social size, or is it outsized in comparison with the ETF's historical average volumes?
- What is the trade size relative to the underlying market?
- Are the underlying constituents open to trade due to local market hours or holidays?

Market Environment

- Is the market trading in an orderly fashion (i.e., volatility halts)
- Is the ADV drastically higher/lower than normal?
- Is the ETF's bid/ask wider than usual?
- Is there currently an outsized premium/discount?

Match Execution Strategies With Portfolio Objectives

ETF secondary trading volume is often the first measure of ETF liquidity. However, investors with larger order sizes can source liquidity not displayed on the screen from liquidity providers. ETFs are at least as liquid as their underlying constituents at any given point in time. With ETFs representing a multitude of asset classes, geographies, sectors, and styles — the SPDR team is available to navigate different market environments and volatility regimes to properly evaluate execution strategies and meet your objectives.

Execution Strategy	Description	High Urgency	Market Impact Sensitivity	Time Risk	Anonymity
Risk Trade	Client receives price for the entire trade at once, and the liquidity provider takes on the risk of managing the resulting position. Liquidity providers can be put in competition for the trade, allowing for a clear measure of best execution. Client generally benchmarks vs. the quoted NBBO.	✓			
NAV Trade	Trade executed by buying or selling the underlying basket of securities and subsequently creating/redeeming ETF shares. The client typically receives a price reflective of executions for the underlying basket of securities plus or minus creation/redemption costs. Client generally benchmarks vs. end of day NAV.		✓	✓	
Worked Order	Electronic order types using automated preprogramed trading instructions. Orders can be measured relative to execution benchmarks based on volume, time or other metrics. Can be applied to both trading in the secondary market or trading the basket.		✓	✓	✓

Trading the SPDR® S&P Kensho New Economies Composite ETF (KOMP)

The SPDR® Kensho New Economies Composite ETF (KOMP) seeks to track the S&P Kensho New Economies Composite Index, which pursues the potential of a new economy fueled by innovative companies disrupting traditional industries by leveraging advancements in exponential processing power, artificial intelligence, robotics, and automation. The fund averaged roughly \$23m in secondary notional value over the last 20 days.⁴

Investors seeking to trade orders of \$15M–30M would represent a significant portion of the secondary volume but may consider trading the ETF on risk with a liquidity provider.

Let's walk through execution considerations:

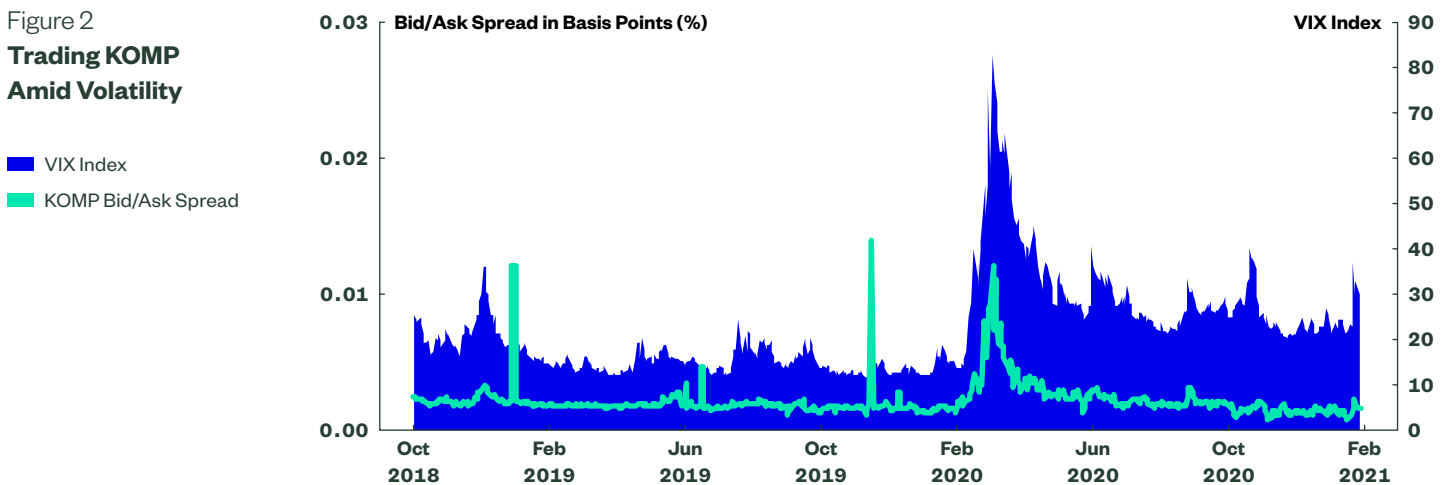
- **Execution Priority** Trade strategies can be developed to best align with the clients execution priorities including: cost, immediacy of trade, and anonymity.
- **Trade Considerations** The order size represents a large percentage of KOMP's secondary trading volume, but a small percentage of the underlying basket volumes. The 20 day aggregate volume of KOMP's underlying securities was \$177B.⁵
- **Market Environment** Is there news or are there macro-related headlines that may impact market volatility or cause uncertainty for liquidity providers?

We can see in the chart below (Fig.3) that risk trades in the \$15M–30M range have occurred in KOMP as investors have sourced liquidity from providers. Each example should be evaluated independently, as time of day and market environment can impact relative pricing. However, these block trades should serve as helpful historical examples of risk trades executed during different market environments.

On November 6, 2020, a client bought ~\$28M of KOMP. At the time that the trade took place, the market was 47.74/47.81. For reference, the VIX Index traded at 24.86.

- The client was able to efficiently execute the entire block at 47.80, a penny below the current ask at the time
- The trade accounted for 257% of the fund's trading volume on the day and was 3.6x the fund's Q4 2020 average value traded

Figure 2
Trading KOMP
Amid Volatility



Source: Bloomberg Finance, L.P., as of 02/02/2021.

Figure 3

KOMP: Secondary Market Information

Timeframe	5 day	30 day	YTD
Spreads (\$)	0.11	0.09	0.09
Spreads (%)	0.00	0.00	0.00
Volume (\$)	22,073,727	18,410,100	22,403,767
Volume (Shares)	327,983	286,873	345,382
Performance (%)	-0.01	0.16	0.18
Fund Flow (\$)	(9,292,500)	17,058,300	11,260,300
Secondary: Primary Market Ratio	4.50:1	3.20:1	0.10
Average Premium/Discount (%)	0.00	0.00	0.00

Date	Time	Ticker	Size (Shares)	Value (\$)	Trade Price	Bid	Ask	Impact (\$)
08/11/2020	11:13:16	KOMP	718,142	30.38	42.30	42.22	42.37	0.07
11/06/2020	13:43:54	KOMP	586,094	28.02	47.80	47.74	47.81	0.01
09/04/2020	12:30:47	KOMP	601,691	24.98	41.52	41.51	41.69	0.01
11/18/2020	12:02:04	KOMP	469,700	23.74	50.54	50.46	50.52	0.02
11/18/2020	11:16:34	KOMP	465,700	23.39	50.23	50.16	50.21	0.02
10/27/2020	15:36:45	KOMP	467,028	21.04	45.05	45.01	45.06	0.01
04/21/2020	15:23:07	KOMP	682,427	20.52	30.07	30.07	30.20	0.00
04/29/2020	14:07:03	KOMP	609,599	20.39	33.45	33.33	33.43	0.02
05/13/2020	15:16:39	KOMP	620,699	19.60	31.57	31.58	31.65	0.01
06/03/2020	13:46:31	KOMP	486,545	17.90	36.78	36.72	36.76	0.02

Source: Bloomberg Finance, L.P., as of 02/02/2021.

Rely on the Expertise of the Liquidity Leader

The SPDR Sales Execution and Implementation Team builds relationships with SPDR ETF authorized participants, market makers, liquidity providers, execution trading desks/platforms and stock exchanges.

We play an active role in supporting competitive markets and maintaining the SPDR ETF liquidity ecosystem. Given our insight into primary and secondary market activity — as well as our access to a wide variety of pre-trade liquidity analytics tools — our team of sales professionals is dedicated to working closely with our clients to help educate them about the nuances of ETF execution and ultimately support optimizing their TCO and portfolio construction efforts.

Endnotes

- 1 Bloomberg Finance, L.P., as of December 31, 2020.
- 2 Bloomberg Finance, L.P., as of December 31, 2020.
- 3 Bloomberg Finance, L.P., as of December 31, 2020.
- 4 Bloomberg Finance, L.P., as of February 1, 2021.
- 5 Bloomberg Finance, L.P., as of February 1, 2021.

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Our clients are the world's governments, institutions and financial advisors. To help them achieve their financial goals we live our guiding principles each and every day:

- Start with rigor
- Build from breadth
- Invest as stewards
- Invent the future

For four decades, these principles have helped us be the quiet power in a tumultuous investing world. Helping millions of people secure their financial futures. This takes each of our employees in 31 offices around the world, and a firm-wide conviction that we can always do it better. As a result, we are the world's third-largest asset manager with US \$3.47 trillion* under our care.

* This figure is presented as of December 31, 2020 and includes approximately \$75.17 billion of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

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

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

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.

Securities lending programs and the subsequent reinvestment of the posted collateral are subject to a number of risks, including the risk that the value of the investments held in the collateral may decline in value and may at any point be worth less than the original cost of that investment.

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. In general ETFs can be expected to move up or down in value with the value of the applicable index. Although ETF shares may be bought and sold on the exchange through any brokerage account, ETF shares are not individually redeemable from the Fund.

Investors may acquire ETFs and tender them for redemption through the Fund in Creation Unit Aggregations only. Please see the prospectus for more details.

Frequent trading of ETFs could significantly increase commissions and other costs such that they may offset any savings from low fees or costs.

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