March 2021
FAQs

SPDR® ETF Expense Ratio Reductions

Background

What is happening?

On March 24, 2021, State Street Global Advisors reduced the expense ratios on two SPDR ETFs in our suite of low-cost SPDR Portfolio ETFs™. The SPDR Portfolio Mortgage Backed Bond ETF (SPMB) and SPDR Portfolio High Yield Bond ETF (SPHY) are now the lowest cost mortgage-backed bond and high yield ETFs, respectively.[1]

Key Info

Impacted funds and net expense ratio changes

Ticker	Name	Previous Net Expense Ratio (bps)	New Net Expense Ratio (bps)
SPMB	SPDR Portfolio Mortgage Backed Bond ETF	6	4*
SPHY	SPDR Portfolio High Yield Bond ETF	15	10

Source: State Street Global Advisors, as of 03/24/2021. *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.

Q & A

Why did State Street Global Advisors make these changes?

We are always looking to identify improvements that will enhance the success of investors and ensure that our SPDR ETF offerings are well-positioned for long-term growth. We continuously evaluate our product lineup and pricing structure to offer investors attractive solutions to further help meet their goals. These changes further represent State Street's commitment to investors and their evolving need for competitively priced ETFs.

Why consider investing in these SPDR ETFs?

SPMB

While driven by rate risks, the rate risk profile of mortgages (3.66 years' duration)[2] is different than what other core bond sectors (US Treasuries = 6.78 years, US investment-grade corporate bonds = 8.33 years)[3] offer and may be a valuable overweight in the core. The yield (1.58%)[4] is also above that of core aggregate bonds (1.52%)[5] and US Treasuries (0.95%),[6] all with lower volatility (2.08% versus 3.25% and 4.01%, respectively).[7] Beyond the structural benefits, there are market trends in mortgages' favor as the housing market remains strong[8] and the Federal Reserve may continue to purchase mortgage-backed securities ($40 billion a month) as part of their stimulus plan – placing an imbedded buyer that may be able temper extension risk fears from higher rates.

SPHY

In a low-yielding environment, like the one we are in today, allocating to below investment grade credit could help investors enhance portfolio yields as interest rates are below long-term averages. For example, investment grade rated bonds currently yield just 2.29% versus their 20-year average of 4.31%, while the yield of below investment-grade bonds is 4.36%.[9]

Past performance is not a reliable indicator of future performance.

With these fee reductions, how do the impacted SPDR ETFs compare against similar funds?

Mortgage-Backed Bond ETFs

Ticker	Name	Net Expense Ratio (bps)
SPMB	**SPDR Portfolio Mortgage Backed Bond ETF**	**4**
MBB	iShares MBS ETF	6
VMBS	Vanguard Mortgage-Backed Securities ETF	5
JMBS	Janus Henderson Mortgage-Backed Securities ETF	32

High Yield Bond ETFs

Ticker	Name	Net Expense Ratio (bps)
SPHY	**SPDR Portfolio High Yield Bond ETF**	**10**
HYLB	Xtrackers USD High Yield Corporate Bond ETF	15
USHY	iShares Broad USD High Yield Corporate Bond ETF	15
HYG	iShares iBoxx High Yield Corporate Bond ETF	49

Source: Bloomberg Finance L.P., as of March 24, 2021.

Endnotes

1 Source: Bloomberg Finance L.P., as of 03/24/2021.

2 Source: Bloomberg Finance L.P., as of 03/08/2021. Mortgages represented as the Bloomberg Barclays US MBS Index.

3 Source: Bloomberg Finance L.P., as of 03/08/2021. US Treasuries represented as the Bloomberg Barclays US Treasury Bond Index. US investment-grade corporate bonds represented as the Bloomberg Barclays US Corporate Bond Index.

4 Source: Bloomberg Finance L.P., as of 03/08/2021. Mortgages represented as the Bloomberg Barclays US MBS Index. Yield measured by yield to worst.

5 Source: Bloomberg Finance L.P., as of 03/08/2021. Core aggregate bonds represented as the Bloomberg Barclays US Aggregate Bond Index. Yield measured by yield to worst.

6 Source: Bloomberg Finance L.P., as of 03/08/2021 US Treasuries represented as the Bloomberg Barclays US Treasury Bond Index. Yield measured by yield to worst.

7 Source: Morningstar, 03/01/2016 to 02/28/2021. Based on monthly return frequency of returns. Mortgages represented as the Bloomberg Barclays US MBS Index. Core aggregate Bonds represented as the Bloomberg Barclays US Aggregate Bond Index. US Treasuries represented as the Bloomberg Barclays US Treasury Bond Index.

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

9 Source: Bloomberg Finance L.P., as of 03/08/2021. Investment grade rated debt represented as the Bloomberg Barclays US Corporate Bond Index. Below investment grade bonds represented as the ICE BofA US High Yield Index. Yield represented as index yield to worst

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The funds presented herein have different investment objectives, costs and expenses. **SPMB** and **MBB** seek to track the Bloomberg Barclays US MBS Index. **VMBS** seeks to track the Bloomberg Barclays US MBS Float Adjusted Index. **JMBS** is an actively managed mortgage bond ETF. **SPHY** seeks to track the ICE BofA US High Yield Index. **HYLB** seeks to track the Solactive USD High Yield Corporates Total Market Index. **USHY** seeks to track the ICE BofA US High Yield Constrained Index. **HYG** seeks to track the Markit iBoxx® USD Liquid High Yield Index. 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 communication is not intended to be an investment recommendation or investment advice and should not be relied upon as such.

Glossary

Bloomberg Barclays US Aggregate Bond Index A benchmark that provides a measure of the performance of the US-dollar-denominated investment grade bond market. The "Agg" includes investment-grade government bonds, investment-grade corporate bonds, mortgage pass through securities, commercial mortgage backed securities and asset backed securities that are publicly for sale in the US.
High Yield A company or bond that is rated 'BB' or lower is known as junk grade or high yield, in which case the probability that the company will repay its issued debt is deemed to be speculative.

Mortgage Backed Securities Pooled securities that are backed by mortgage loans. Agency mortgage backed securities refer to securities backed by pools of mortgages issued by US government-sponsored enterprises such as Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC).

Yield to worst is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract without defaulting. It is a type of **yield** that is referenced when a bond has provisions that would allow the issuer to close it out before it matures.

Important Risk Information
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Investing involves risk including the risk of loss of principal.

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.
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.

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.

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.

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. 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**.

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.

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