# SPDR® Blackstone High Income ETF

# HYBL

Key Information
**Fixed Income**
**Q1 2022**

- **The SPDR® Blackstone High Income ETF (HYBL) is an actively managed strategy that seeks to provide risk-adjusted total return and high current income, with less volatility than the general bond and loan segments over full market cycles**
- **HYBL invests in high yield corporate bonds, senior loans, and debt tranches of US collateralized loan obligations (CLOs), utilizing a top-down asset allocation approach to determine the relative weights of each, coupled with a bottom-up security selection process to build the portfolio**
- **With income generation a challenge in the current market, as many core segments yield less than the rate of expected inflation, HYBL, with its allocation to credit sectors that have positive real yields, can be considered for the income sleeve of your portfolio and potentially help navigate the yield challenges in today's market**

## Fund Information

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| Fund Name | SPDR® Blackstone High Income ETF |
| Ticker | HYBL |
| Inception Date | 02/17/2022 |
| Sub-Adviser | Blackstone Liquid Credit Strategies LLC ("Blackstone Credit") |
| Primary Benchmark | Bloomberg U.S. Aggregate Bond Index |
| Gross/Net Expense Ratio | 0.70%/0.70% |
| Strategy Type | Active |

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.

**SPDR® Blackstone High Income ETF**

Core bonds continue to yield less than the rate of expected inflation over the next five years (1.74% versus 2.91%), creating challenges in generating *real* income from traditional bond exposures.[1] And given that one of the three most common reasons (stability, diversification, and income) to own bonds in a portfolio is income, traditional fixed income strategies may not be enough — for today or in the future.

High yield bonds and senior loans, however, are two sectors with elevated nominal (4.28% and 3.88%) and positive real yields (1.37% and 0.97%),[2] after subtracting out the expected inflation rate over the next five years as a proxy for the impacts of our current inflationary regime. As a result, when pursuing higher levels of income generation and positive real yields, actively managed credit portfolios that target higher levels of income, while also seeking to mitigate idiosyncratic credit risks through bottom-up security selection, may have a greater role to play in investors' portfolios.

The SPDR® Blackstone High Income ETF (HYBL), sub-advised by Blackstone Credit, is an actively managed fixed income strategy that seeks to provide risk-adjusted total return and high current income, with less volatility than the general bond and loan markets over full market cycles.

Within HYBL, Blackstone Credit employs a top-down asset allocation approach that evaluates macroeconomic, technical, fundamental, and relative value factors to determine the allocation weights of the three primary asset classes that the fund invests in: high yield corporate bonds, senior loans, and US tranches of CLOs, based on what Blackstone Credit believes will result in the best long-term risk-adjusted returns compared to the composite benchmark. And while the CLO exposure is capped at 15%, the fund may invest up to 100% of its assets in either high yield bonds or senior loans.

To potentially maximize alpha, the top-down asset allocation is coupled with a bottom-up security selection process. For the senior loan and CLO portion of the portfolio, Blackstone Credit uses a traditional discretionary approach that relies on fundamental credit analysis in an effort to minimize loss of capital. Meanwhile, for high yield corporate bonds, a systematic approach, utilizing a propriety model, is employed. The model seeks to identify the most liquid, positively mispriced credit issues, while minimizing exposure to systematic credit risks.

The systematic approach is highly unique. Once the universe of investible fixed income securities has been identified, the systematic investment process begins with the application of a proprietary liquidity filter. After the filter excludes the illiquid issues from the universe, the model then seeks to identify the most positively mispriced credit issues, utilizing fundamental balance-sheet information, real-time information embedded in equity and options markets, and a database of historical defaults. Next, the model selects the most mispriced securities and positions are sized based on alpha. Additionally, the optimizer constructs the portfolio subject to various portfolio risk constraints resulting in credit and rate betas that are closely risk-matched to its benchmark and tightly controlled secondary systematic risks such as term and sector.

## About Blackstone Credit

With $243 billion in assets under management, Blackstone Credit offers deep size and scale within the global corporate credit market.[5] Their liquid credit team has 95 members with average experience of 15 years and a 23-year track record investing in the credit markets. Following the acquisition of DCI In 2020, Blackstone Credit completed its integration of the rebranded systematic strategies team which employs a proprietary model driven approach to fundamental credit investing. The team seeks to generate sustainable, repeatable and uncorrelated alpha across global investment grade, high yield and emerging market corporate bonds.

**Figure 1** SPDR® Blackstone High Income ETF Investment Overview

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| Strategy Type | Actively-managed |
| Investment Strategy Objective and Overview | Seeks to provide risk-adjusted total return and high current income. While pursuing this objective, the fund seeks to outperform a composite benchmark comprising 50% high yield bonds and 50% high yield senior loans with less volatility than the general bond and loan markets over full market cycles[3] |
| Investment Universe[4] | The fund will primarily invest in high yield debt securities, including high yield corporate bonds, senior loans, and debt tranches of US CLOs |
| | May invest up to 100% of its net assets in either high yield corporate bonds or senior loans |
| | Investments in CLOs are capped at 15% |
| | The fund may also invest in US Treasuries, derivatives, and exchange traded funds and notes |
| Investment Approach | The fund uses a top-down asset allocation approach coupled with a bottom-up security selection process that is both systematic/quantitative (for high yield bonds) and fundamental (for senior loans and CLOs) |
| Currency & Geography | Overall, the fund invests in USD-denominated securities, but may invest in senior loans from businesses outside of North America |

Source: State Street Global Advisors, Blackstone Credit, as of February 17, 2022.

1 Bloomberg Finance L.P., as of December 31, 2021. The Bloomberg U.S. Aggregate Bond Index yield to worst is 1.74%. The US 5-Year Breakeven Rate is 2.91%.

2 Bloomberg Finance L.P., as of December 31, 2021 based on SPDR Americas Research Calculations. **Past performance is not an indicator of future performance.** High Yield: ICE BofA U.S. High Yield Index, Senior Loans: S&P/LSTA U.S. Leveraged Loan Index. The US 5-Year Breakeven Rate is 2.91%.

3 The high yield bond portion of the composite benchmark is represented by the ICE BofA U.S. High Yield Constrained Index, and the senior loan portion is represented by the S&P/LSTA Leveraged Loan Index.

4 Please refer to the Fund's Prospectus and Statement of Additional Information for a more complete description of the Fund's investment universe.

5 Blackstone Credit, as of December 31, 2021.

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

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.

**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.

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The fund is **actively managed**. The sub-adviser's judgments about the attractiveness, relative value, or potential appreciation of a particular sector, security, commodity or investment strategy may prove to be incorrect, and may cause the fund to incur losses. There can be no assurance that the sub-adviser's investment techniques and decisions will produce the desired results.

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. Bonds generally present.

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.

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