

SPDR® MarketAxess Investment Grade 400 Corporate Bond ETF

- As the first SPDR fixed income ETF built on liquidity, LQIG seeks to track an index, the MarketAxess U.S. Investment Grade 400 Corporate Bond Index (the “Index”), whose emphasis on liquidity and use of sector/issuer constraints in index construction may make LQIG an efficient core beta risk/portfolio management tool
- Bonds in the Index are screened using MarketAxess’ proprietary Relative Liquidity Score (RLS), where bonds are considered for inclusion based on having certain higher levels of liquidity as compared to the broader U.S. corporate bond market, and then assessed for their tradability at the Index level, with final weights derived after constraining for specific issuer and sector characteristics
- Seeking to track an index focused on liquidity, LQIG may provide more accurate real-time pricing visibility into the corporate bond market, translating into potentially tighter-bid ask spreads and less volatile premium/discounts than corporate bond ETFs that track indices that do not screen for relative liquidity

LQIG

Key Information
Fixed Income
Q2 2022

Fund Information

Fund Name	SPDR® MarketAxess Investment Grade 400 Corporate Bond ETF
Ticker	LQIG
Inception Date	05/11/2022
Primary Benchmark	MarketAxess U.S. Investment Grade 400 Corporate Bond Index
Gross/Net Expense Ratio	0.09%/0.07%
Strategy Type	Index Based

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.

A Core Bond Exposure with an Emphasis on Liquidity

The SPDR® MarketAxess Investment Grade 400 Corporate Bond ETF (LQIG) is designed to provide investors with efficient beta exposure to US investment grade (IG) corporate bonds that have higher-than-average liquidity relative to the broader U.S. corporate bond market by seeking to track the MarketAxess U.S. Investment Grade 400 Corporate Bond Index (the “Index”). This is done by the Index emphasizing liquidity in the first step of the index construction process, and then constraining for particular sector and issuer characteristics, relative to a broad corporate bond exposure, to seek a similar risk and return profile as the broader U.S. corporate bond market.

Owning relatively liquid IG corporates might benefit investors in several ways. First, LQIG might provide more accurate real-time pricing visibility into IG corporates, given its focus on relatively liquid bonds. Additionally, the fund might realize tighter bid-ask spreads than a broad-based corporate bond ETF due to holding relatively more liquid bonds, potentially lowering trading costs. And lastly, the exclusion of thinly traded bonds might lead to lower premiums and/or discounts than a broad-based corporate bond ETF exposure, as the underlying bonds of LQIG have more transparent pricing due to their liquidity.

To emphasize liquidity in the index construction process, MarketAxess draws on its unique insights into bond market liquidity and pricing insights, having created the largest institutional marketplace to trade bonds.² LQIG's benchmark, the MarketAxess US Investment Grade 400 Corporate Bond Index, first selects bonds with higher-than-average liquidity relative to the broader U.S. corporate bond market by applying two proprietary liquidity screens to the eligible universe of corporate bonds.

This first screen is the Composite+ (CP+). CP+ is an algorithmic pricing engine that analyzes trading and liquidity data inputs and generates an indication of a bond's bid price and offer price, refreshing every 15 to 60 seconds. The CP+ screen covers approximately 13,500 US corporate bonds and approximately 90 to 95% of trading activity in its market.³ If there are not enough liquidity inputs to generate a CP+ bid or offer price for a bond, the issue will not be eligible for inclusion in the index.

The second liquidity screen is the Relative Liquidity Score (RLS). The RLS is a measurement of current liquidity across individual bonds relative to similar issues that analyzes industry and proprietary trading data. Bonds are assigned a score of 1 to 10, with 10 representing the highest level of liquidity. To be included in LQIG's benchmark, a bond must have an RLS of 7 or higher.

Once both liquidity screens are applied to the universe, the 400 highest-ranked bonds (ranking is generally based on par value face amount) are selected for inclusion in the index and weighted by market value, subject to various constraints as listed in Figure 1.

This process has resulted in an elevated liquidity profile relative to another U.S. corporate bond index as shown in Figure 2, as nearly one-third of LQIG's benchmark held the most liquid corporate bonds (an RLS of 10) as of March 31, 2022.⁴ Meanwhile, a broad approach to US IG corporates had just 8.5% of its portfolio in bonds with an RLS of 10 as of March 31, 2022.⁵ Furthermore, 30% of this broad exposure was allocated to bonds with an RLS of 5 or less, underscoring how many thinly traded bonds broad benchmarks might hold.⁶

Lastly, as a result of the Index's constraints, the Index's has displayed similar characteristics to the broad US IG corporate bond market. For example, as shown in Figure 3, the portfolio characteristics have been similar between the Index and the Bloomberg U.S. Corporate Bond Index with the yield-per-unit of duration metric (a measure of risk/return) nearly identical.

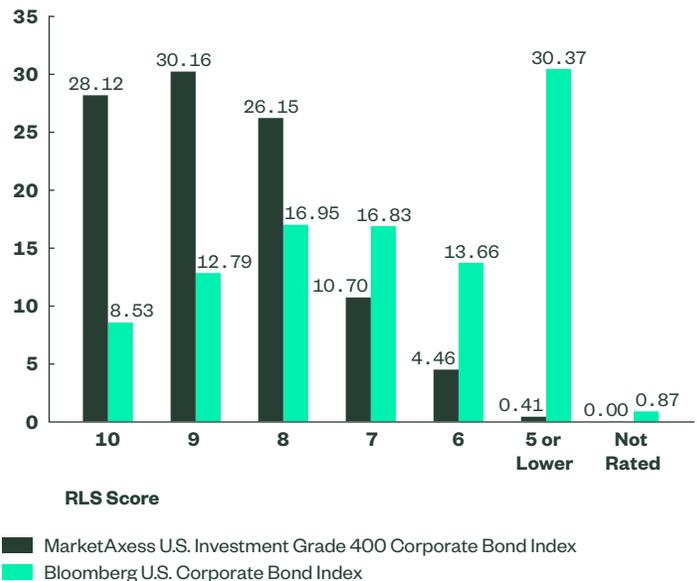
Overall, as a result of the Index's emphasis on liquidity as well as the sector/issuer constraints used within the index construction, LQIG may provide investors with an efficient core beta risk/portfolio management tool.

Figure 1 SPDR® MarketAxess Investment Grade 400 Corporate Bond ETF Investment Overview

Strategy Type	Index based
Investment Strategy Objective and Overview	LQIG's benchmark is designed to measure the performance of 400 US dollar denominated investment grade corporate bonds with higher-than-average liquidity relative to the broader US corporate bond market.
Investment Universe	Corporate bonds with an investment grade rating (Baa3/BBB-/BBB- or higher) Minimum \$300M amount outstanding par value At least 2 years to maturity
Liquidity Screens	Two-way (bid/offer) CP+ price. CP+ is an algorithmic pricing engine based off of MarketAxess' proprietary trading and liquidity data; bond prices are updated every 15 to 60 seconds. Relative Liquidity Score (RLS) of 7 or higher. RLS is a proprietary score that ranks bond liquidity vs. other bonds on a scale of 1 to 10, with 10 being the highest.
Index Caps	Issuer Cap: 4% issuer cap Sector Cap: 2.5% above that sector's weight in the MarketAxess U.S. Investment Grade Broad Corporate Bond Index (only applied to sectors with 5% weight or more) Issue Cap: 400 largest issues by amount outstanding
Potential Role in Portfolios	With a risk profile similar to broad investment grade corporate bonds, along with its emphasis on underlying liquidity, LQIG can potentially be utilized as a core allocation as well as within the liquidity sleeve of a portfolio

Source: State Street Global Advisors, MarketAxess, as of May 11, 2022.

Figure 2 Relative Liquidity Score (RLS) Exposure (%)



Source: MarketAxess, Bloomberg Finance L.P., as of March 31, 2022. RLS can drift throughout the month and could result in the MarketAxess US Investment Grade 400 Corporate Bond Index holding bonds scored lower than 7 until the next monthly rebalance occurs.

Figure 3 Index Characteristics

	MarketAxess US Investment Grade 400 Corporate Bond Index	Bloomberg US Corporate Bond Index
Yield to Worst (%)	3.68	3.59
Duration (years)	8.77	8.08
Yield per Unit of Duration	0.42	0.44
Option Adjusted Spread (bps)	121	115

Source: Bloomberg Finance L.P., as of March 31, 2022. It is not possible to invest directly in an index. **Past performance is not a reliable indicator of future performance.** Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable.

- 1 The fund's total annual operating expense ratio. It is gross of any fee waivers or expense reimbursements. It can be found in the fund's most recent prospectus.
- 2 MarketAxess, as of March 31, 2022.
- 3 MarketAxess, as of March 31, 2022.
- 4 MarketAxess, as of March 31, 2022.
- 5 MarketAxess, Bloomberg Finance L.P., as of March 31, 2022.
- 6 MarketAxess, Bloomberg Finance L.P., as of March 31, 2022.

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Information Classification: General Access

Glossary

Bid/Ask Spread The difference between the bid price and the ask price, also known as the offer price. The bid price is the price at which an investor may buy a security. The ask price is the price at which an investor may sell a security. A small (or tight) bid/ask spread is typically an indication of a liquid security.

Premium/Discount The difference between and ETF's net asset value (NAV) and market price. The NAV is the fund's net assets minus its liabilities. The market price is the price which investors may buy or sell the ETF on an exchange. A small (or tight) premium and/or discount is typically an indication of a liquid security.

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Passively managed funds invest by sampling the index, holding 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.

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