Make room for HYBL

Three implementation approaches that show how a diversified, multi-sector credit strategy can help investors enhance income, improve portfolio balance, and reduce reliance on concentrated credit exposures.

Fixed income investors face a familiar challenge: generating higher income without making a concentrated bet on a single segment of the credit market. While core bonds can provide diversification, many investors look to credit-sensitive sectors to boost income, often introducing tradeoffs between yield, risk, and diversification.

The State Street® Blackstone High Income ETF (HYBL) was designed to address this challenge. Rather than relying on one segment of the credit market, HYBL dynamically allocates across high yield bonds, senior loans, and CLO debt in an effort to deliver high current income, attractive risk-adjusted returns, and less volatility than traditional high yield bond and loan exposures over full market cycles.

Rather than view HYBL as a standalone allocation, investors may find it more useful to consider the role it can play in an existing portfolio to:

- Enhance income potential
- Reduce equity risk while maintaining upside participation
- Replace concentrated single-credit exposures

1. Complement core bonds to enhance income potential

Many investors use passive aggregate bond ETFs as the foundation of their fixed income allocation. The State Street® SPDR® Portfolio Aggregate Bond ETF (SPAB) provides a useful comparison because it represents a traditional indexed implementation of the Bloomberg US Aggregate Bond Index. The question is straightforward: what changes when an investor replaces a portion of indexed core bond exposure with HYBL?

The answer lies in the trade-off between income generation and interest rate sensitivity. While core bond portfolios provide broad market exposure and diversification, a significant portion of their return profile remains tied to movements in Treasury yields. As a result, periods of rising rates can create meaningful headwinds, even when income levels remain attractive.

HYBL seeks to address this challenge through a diversified, actively managed credit allocation. Unlike traditional core bonds, a meaningful portion of the portfolio is invested in floating-rate assets. This allows HYBL to generate income from multiple sources while reducing dependence on duration as a driver of returns.

Incorporating HYBL alongside a core bond allocation can enhance portfolio income potential while simultaneously reducing overall duration risk (Figure 1). This combination is particularly relevant in today's environment, where carry and income generation have become increasingly important drivers of fixed income returns, while interest-rate uncertainty continues to create volatility across bond markets.

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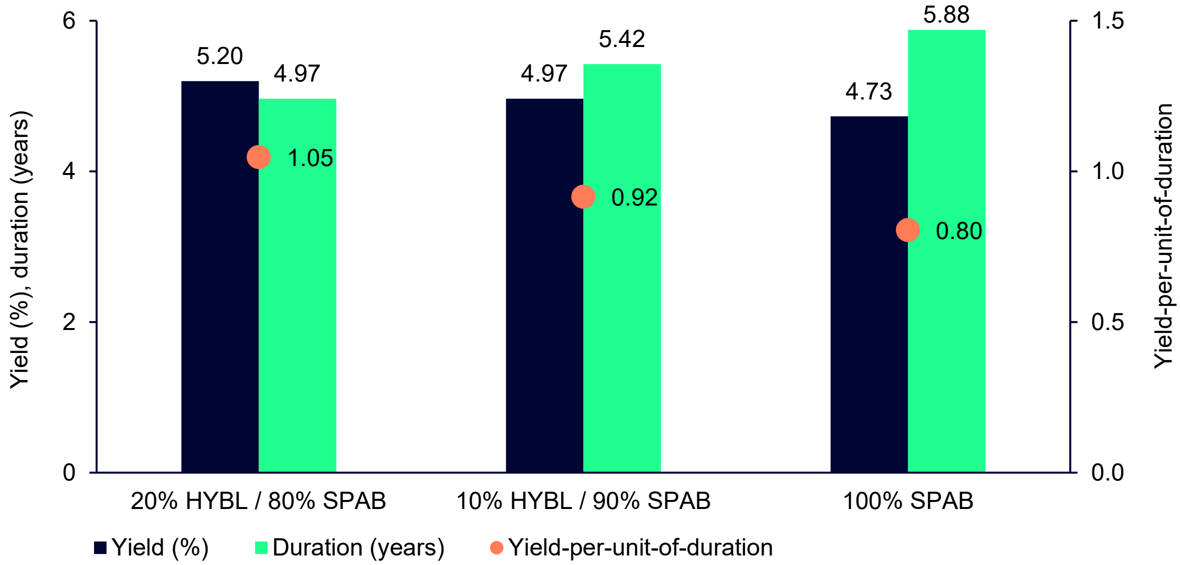
Figure 1: Blending HYBL with core bonds enhances yield potential while lowering interest rate sensitivity



Source: State Street Investment Management, Bloomberg Finance L.P., calculations by State Street Investment Management Global ETF Research Team, as of 6/30/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.** Yield = yield-to-worst. Duration = option-adjusted-duration.

Key takeaway: HYBL can serve as a complementary income sleeve alongside core bonds, helping investors increase portfolio income while reducing interest rate sensitivity through diversified, actively managed credit allocation.

2. Reduce equity risk while maintaining upside participation

Investors seeking higher income often face a difficult tradeoff. They can remain heavily allocated to equities and accept the accompanying volatility and drawdown risk or shift toward traditional fixed income and potentially forgo growth opportunities. For many investors, neither option is ideal.

In this context, HYBL may offer a compelling middle ground. Unlike traditional bond strategies, HYBL invests across economically sensitive credit sectors that have historically benefited from improving corporate fundamentals and constructive risk environments, allowing investors to participate in many of the same economic tailwinds that support equities.[1] At the same time, because debt instruments sit higher in a company's capital structure than common stock, they tend to exhibit lower volatility and less severe drawdowns than equities during periods of market stress.[2]

This combination of income generation and lower volatility can be particularly attractive in today's market environment, where equity valuations remain elevated and dividend yields remain historically low. The US equity market’s trailing 12-month dividend yield stands at just 1.08%, placing it in the bottom percentile of historical observations and only 3 basis points above its all-time low.[3] As a result, investors seeking portfolio income are increasingly dependent on capital appreciation rather than cash flow from their equity allocations.

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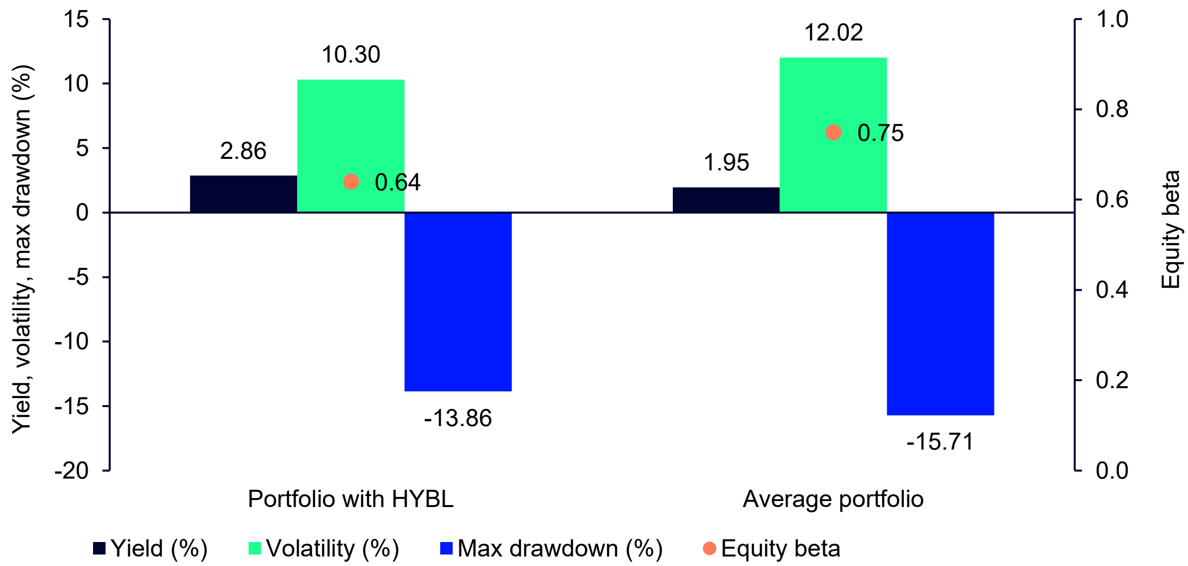
Substituting a portion of an equity allocation with HYBL may improve portfolio income while potentially reducing overall volatility and downside risk (Figure 2). The result is a more balanced portfolio that still maintains upside participation and beta to equities.

Figure 2: Replacing a portion of equities with HYBL can enhance income while improving portfolio balance



Source: State Street Investment Management, Morningstar, calculations by State Street Investment Management Global ETF Research Team, period: 2/16/2022 – 6/30/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.** Average portfolio based on the AAII Asset Allocation Survey as of 6/30/2026, which reports individual investors holding approximately 71% equities, 14% bonds, and 15% cash. SPYM, SPAB, BIL represent equities, bonds, and cash, respectively. Portfolio with HYBL = 15% HYBL, 56% SPYM, 14% SPAB, 15% BIL. Portfolio yield is computed by using yield-to-worst for HYBL, SPAB, and BIL, fund dividend yield for SPYM. Volatility = standard deviation of total NAV returns (annualized). Equity beta calculation benchmark = S&P 500 Index. Volatility, max drawdown, and equity beta are computed based on monthly total returns (NAV used for funds) since HYBL's inception (2/16/2022). Portfolios are rebalanced monthly, at the end of the month.

Key takeaway: HYBL can serve as a partial equity replacement by helping investors increase portfolio income while reducing risk through equity-like economic sensitivity, lower volatility, and improved downside resilience.

3. Replace concentrated single-credit exposures

Increasing income often requires investors to make targeted allocations within credit markets. While these approaches can enhance yield, concentrating exposure in a single area of the market can increase risk and reduce portfolio flexibility.

Managed by Blackstone, HYBL dynamically allocates across multiple credit sectors, combining top-down asset allocation with bottom-up security selection. This flexible approach allows the portfolio to capitalize on relative value opportunities across credit markets while adapting to changing market conditions.

This diversified approach has also translated into a more consistent income profile. Since inception, HYBL has delivered a higher yield than a blend of the average high yield and senior loan fund in 98% of monthly

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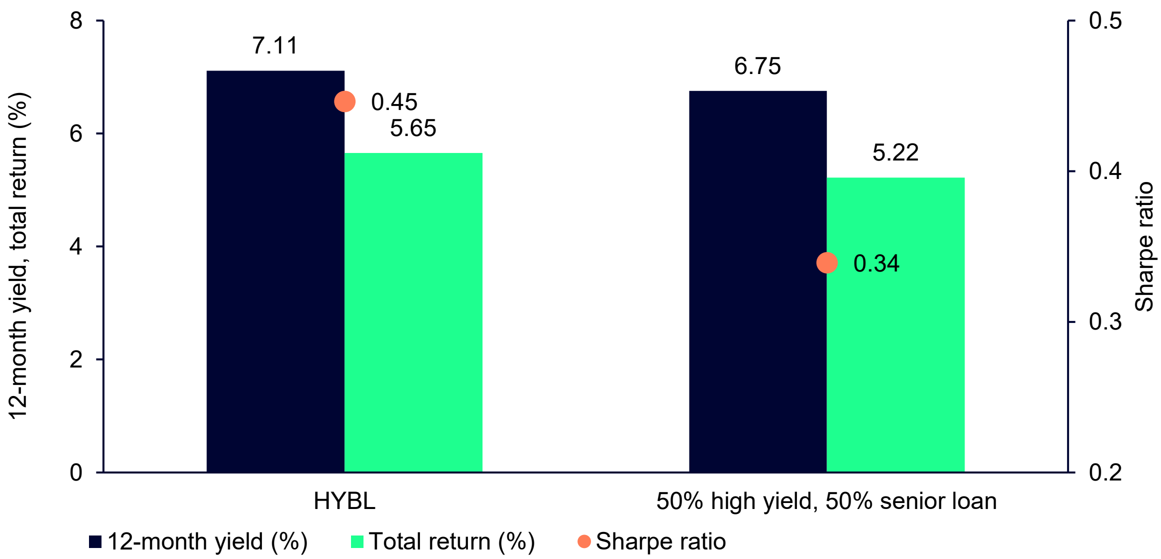
observations,[4] highlighting the potential advantages of combining multiple sources of income within a single actively managed portfolio.

Importantly, HYBL's objective is not simply to maximize yield, but to generate income efficiently. Since inception, the strategy has delivered top-tier results relative to peers, ranking in the top quintile across yield, volatility, Sharpe ratio, and maximum drawdown.[5] This combination of high income and strong risk-adjusted performance suggests that returns have been generated through diversified sources of alpha rather than concentrated risk-taking.

HYBL has delivered higher income while outperforming a blend of the average high yield and senior loan fund on both an absolute and risk-adjusted basis since inception, demonstrating the benefits of a diversified, multi-sector credit approach (Figure 3).

Figure 3: HYBL has delivered higher income and stronger performance vs. single-credit strategies



Source: Source: Morningstar, calculations by State Street Investment Management Global ETF Research Team, period: 2/16/2022 – 6/30/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.** 50% high yield, 50% senior loan = blend of the average fund in the High Yield Bond and Bank Loan Morningstar category. The category average is constituted with all share classes of all funds (ETFs and mutual funds) in the category. Portfolios are rebalanced monthly, at the end of the month. NAV is used to compute funds' total return (annualized) since HYBL's inception (2/16/2022). Sharpe ratio based on daily total NAV returns (annualized) since HYBL's inception (2/16/2022). 12-month yield for the 50% high yield, 50% senior loan portfolio is based on the average fund in the High Yield Bond and Bank Loan Morningstar category including US-domiciled ETFs and mutual funds (oldest share class only).

Key takeaway: For investors currently using dedicated single-credit strategies, HYBL may offer a more balanced approach to income generation—providing access to multiple credit sectors, active risk management, and the ability to shift exposures as opportunities evolve.

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A more efficient approach to income

Making room for HYBL is less about adding another credit allocation and more about improving the role income plays within a portfolio.

By combining multiple credit sectors within a single actively managed portfolio, HYBL can help investors diversify income sources, manage risk more effectively, and pursue more consistent outcomes across market cycles.

Standard Performance

Ticker	Name	YTD (%)	Annualized					Inception Date	Gross Exp Ratio (%)	30-Day SEC Yield (%)
			1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)			
HYBL (NAV)	State Street® Blackstone High Income ETF	1.30	5.14	8.37	-	-	5.64	2/16/2022	0.70	6.83
HYBL (MKT)	State Street® Blackstone High Income ETF	1.09	4.87	8.21	-	-	5.63	-	-	-
SPAB (NAV)	State Street® SPDR® Portfolio Aggregate Bond ETF	0.70	3.79	4.15	0.06	1.49	3.11	5/23/2007	0.03	4.52
SPAB (MKT)	State Street® SPDR® Portfolio Aggregate Bond ETF	0.75	3.76	4.12	0.06	1.49	3.11	-	-	-
SPYM (NAV)	State Street® SPDR® Portfolio S&P 500® ETF	10.19	22.28	20.58	13.37	15.50	11.31	11/8/2005	0.02	1.04
SPYM (MKT)	State Street® SPDR® Portfolio S&P 500® ETF	10.06	22.21	20.55	13.35	15.49	11.31	-	-	-
BIL (NAV)	State Street® SPDR® Bloomberg 1-3 Month T-Bill ETF	1.74	3.83	4.59	3.46	2.20	1.37	5/25/2007	0.1353	3.50
BIL (MKT)	State Street® SPDR® Bloomberg 1-3 Month T-Bill ETF	1.74	3.82	4.58	3.46	2.20	1.37	-	-	-

Source: State Street Investment Management, as of 6/30/2026. Performance returns for periods of less than one year are not annualized. **The performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value will fluctuate, so you may have a gain or loss when shares are sold. Current performance may be higher or lower than that quoted. All results are historical and assume the reinvestment of dividends and capital gains. Visit ssga.com for most recent month-end performance.** The market price used to calculate the Market Value return is the midpoint between the highest bid and the lowest offer on the exchange on which the shares of the Fund are listed for trading, as of the time that the Fund's NAV is calculated. If you trade your shares at another time, your return may differ. 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. 30-day SEC yield: an annualized yield that is calculated by dividing the net investment income earned by the fund over the most recent 30-day period by the maximum offering price on the last day of the period.

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Footnotes

1 - Source: Morningstar, period: 6/30/2006 – 6/30/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.** The Bloomberg US Corporate High Yield Bond Index and Morningstar LSTA US Leveraged Loan Index have historically exhibited greater sensitivity to equity markets than the Bloomberg US Aggregate Bond Index, as reflected by higher beta (0.44 and 0.26 versus 0.07, respectively) and upside capture ratios (46 and 28 versus 13, respectively) relative to the S&P 500 Index. Beta and upside capture are based on monthly total returns.

2 - Source: Morningstar, period: 6/30/2006 – 6/30/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.** The Bloomberg US Corporate High Yield Bond Index and Morningstar LSTA US Leveraged Loan Index have historically exhibited lower volatility and lesser drawdown risk than the S&P 500 Index, as reflected by lower annualized standard deviation of returns (9.1% and 6.9% versus 15.3%, respectively) and lesser max drawdown (33.3% and 30.1% versus 51%, respectively). Volatility and max drawdown are based on monthly total returns.

3 - Source: Morningstar, period: 7/1/1996 – 6/30/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.** US equities = S&P 500 Index. Based on daily 12-month dividend yield observations.

4 - Source: Morningstar, calculations by State Street Investment Management Global ETF Research Team, period: 2/16/2022 – 6/30/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.** 12-month yield for the 50% high yield, 50% senior loan portfolio blend is based on the average fund in the High Yield Bond and Bank Loan Morningstar category including US-domiciled ETFs and mutual funds (oldest share class only).

5 - Source: Morningstar, period: 2/16/2022 – 6/30/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.** Peer group consists of US-domiciled ETFs and mutual funds (oldest share class only) in the High Yield Bond Morningstar category. Yield = 12-month yield.

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Tracking Code: 9036418.1.1.AM.INST

Expiration Date: 10/31/2026