Make room for STOT

How investors can seek income, manage duration risk, and move beyond benchmark-constrained short-term bond allocations.

Fixed income investors face a balancing act today. Cash continues to offer attractive nominal yields, but it comes with reinvestment risk and the potential for negative real returns when inflation exceeds cash rates. Intermediate-term bond strategies seek to provide diversification and income but expose investors to greater duration risk. Meanwhile, many short-term bond strategies remain constrained by benchmark composition and limited sector diversification.

The State Street® DoubleLine® Short Duration Total Return Tactical ETF (STOT) was designed as an actively managed short-duration bond strategy that seeks to maximize current income while helping investors manage interest rate risk.

Managed by DoubleLine, STOT combines tactical sector allocation, active security selection, and diversified exposure across traditional and non-traditional bond sectors for investors seeking to:

- Replace passive short-term exposure with an active strategy
- Reduce duration relative to intermediate core bonds
- Move beyond cash while seeking positive real income

1. Replace passive short-term bond exposure with an active strategy

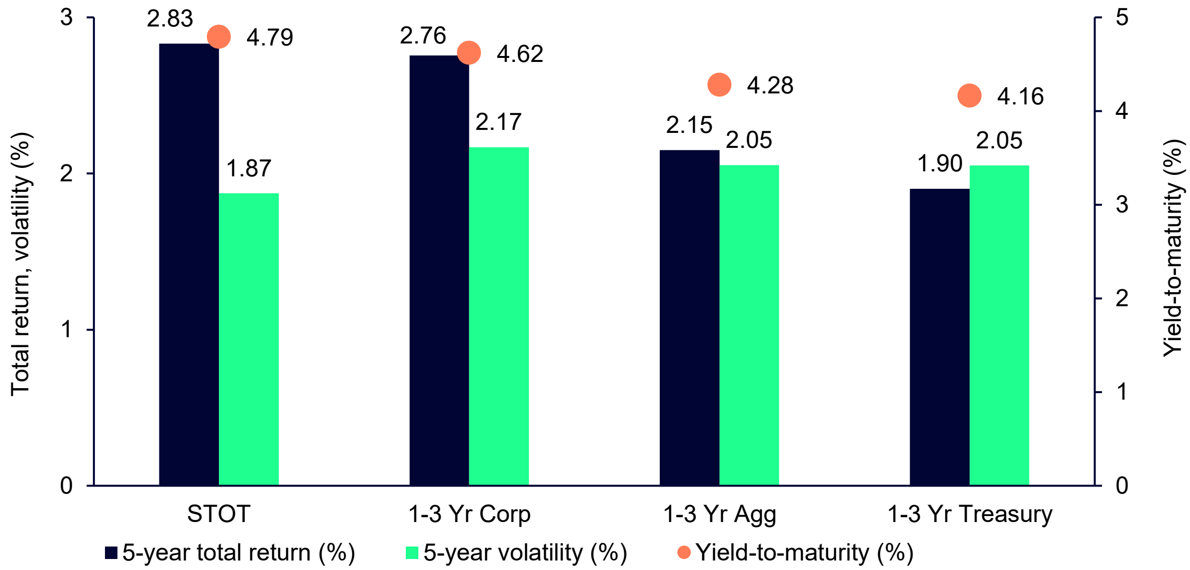
Many investors use short-term bond strategies to manage duration risk while maintaining exposure to fixed income markets. These allocations are often implemented through passive benchmark-based vehicles, such as short-term aggregate, corporate, or Treasury strategies. While each can serve a role within a portfolio, investors may need multiple allocations to achieve a balance of income, diversification, and risk management.

For investors seeking to maintain a short-duration profile while expanding the opportunity set available within fixed income, STOT may offer a differentiated approach.

Unlike passive short-term bond strategies that are constrained by benchmark composition, STOT combines active sector allocation and security selection across mortgages, securitized credit, investment-grade corporates, and other short-duration fixed income sectors. This broader investment universe allows the strategy to pursue additional sources of return beyond duration and index exposure alone.

STOT provides a higher yield-to-maturity than other short-duration fixed income exposures while also delivering higher total returns with lower volatility over the past five years (Figure 1).

Figure 1: Replacing passive short-term exposure with STOT improved yield and performance



Source: State Street Investment Management, Morningstar, Bloomberg Finance L.P., period: 6/30/2021 – 6/30/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.** Performance metrics are annualized for periods greater than 1 year (NAV used for STOT). 1-3 Yr Agg = Bloomberg U.S. Aggregate 1-3 Year Index. 1-3 Yr Corp = Bloomberg U.S. Corporate 1-3 Year Index. 1-3 Yr Treasury = Bloomberg U.S. Treasury 1-3 Year Index. Volatility = annualized standard deviation of daily total NAV returns.

Key takeaway: Investors do not necessarily need separate allocations to short Treasurys, short corporates, and other short-duration sectors to achieve diversification. STOT combines these exposures within a single actively managed portfolio, potentially delivering greater yield and stronger absolute and risk-adjusted returns while maintaining a similar duration profile.

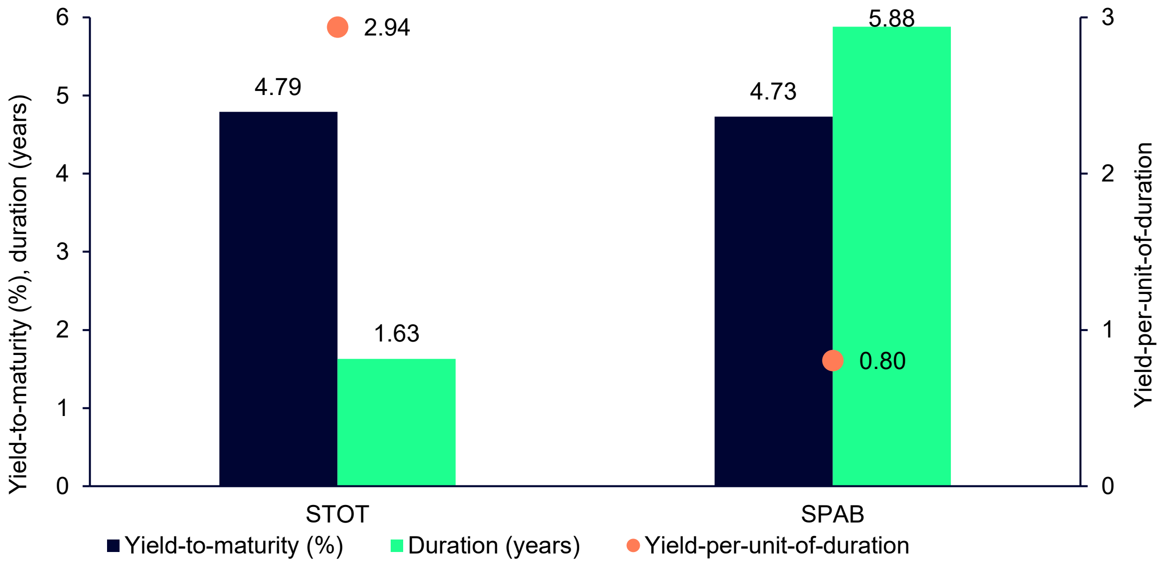
2. Reduce duration risk relative to intermediate core bonds

Many investors rely on intermediate-term core bond allocations as the foundation of their fixed income portfolio. While these allocations can provide diversification and income, they also expose investors to greater interest-rate sensitivity. For investors seeking to reduce duration risk without giving up yield, STOT may offer an alternative.

STOT delivered a yield-to-maturity of 4.79%, nearly identical to the State Street® SPDR® Portfolio Aggregate Bond ETF's (SPAB) 4.73%.[1] However, STOT achieved that yield with a duration of just 1.63 years, compared with 5.88 years for SPAB (Figure 2).[2]

The result is a substantially higher level of yield efficiency. STOT generated a yield-per-unit-of-duration ratio of 2.94, compared with 0.80 for SPAB.[3] In other words, STOT produced essentially the same yield while taking approximately 70% less duration risk.

Figure 2: STOT delivered comparable yield with substantially less duration risk



Source: State Street Investment Management, as of 6/30/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.** Duration = option-adjusted-duration.

Key takeaway: STOT generated nearly the same yield as SPAB while using roughly 70% less duration, resulting in more than three times the yield-per-unit-of-duration.

3. Move beyond cash while seeking positive real income

Cash has become an increasingly popular allocation as policy rates have remained elevated. But nominal yields tell only part of the story.

With cash yields and trailing three-month inflation both around 3.8%, investors are currently earning little to no real return after inflation.[4] While cash may offer stability and liquidity, it is no longer generating a meaningful inflation-adjusted yield, limiting its ability to grow purchasing power over time.

At the same time, uncertainty surrounding the path of monetary policy creates another challenge. Investors holding excess cash remain exposed to reinvestment risk if policy rates decline, potentially forcing future cash balances to be rolled into lower-yielding instruments.

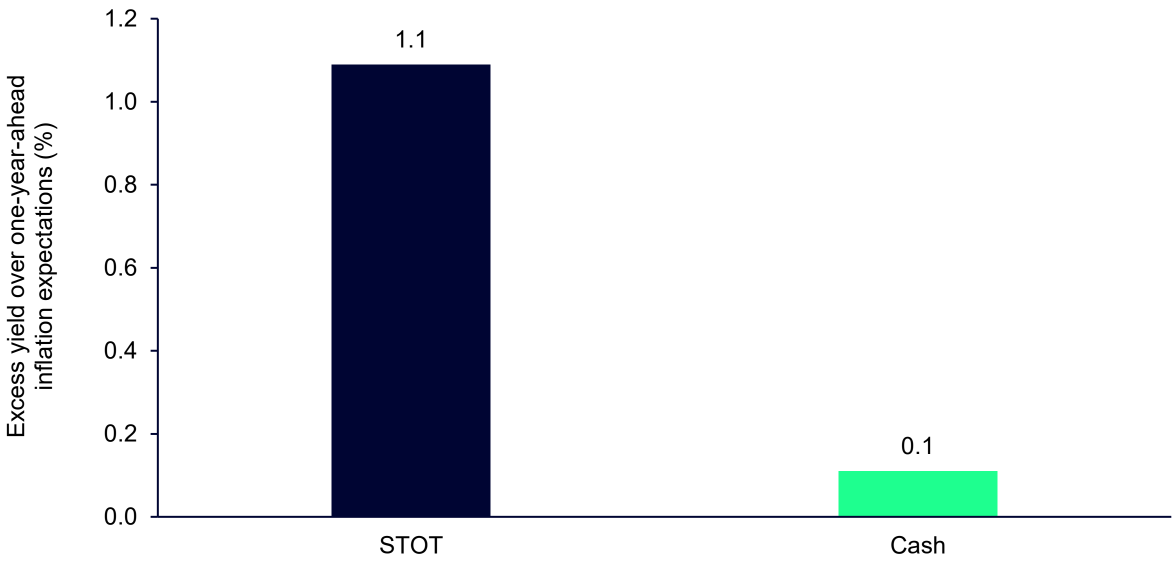
For investors seeking an alternative, STOT may provide a way to move modestly beyond cash while maintaining a conservative fixed income profile. With a duration of approximately 1.6 years,[5] STOT seeks to limit interest-rate sensitivity while providing access to the attractive yields currently available across the front end of the fixed income market. By investing across mortgages, securitized credit, investment-grade corporates, and other short-duration sectors, STOT offers an opportunity to lock in today's front-end rates while maintaining a diversified and actively managed approach.

STOT has also provided meaningfully higher yield over the median one-year-ahead inflation expectations than cash. STOT's excess yield is approximately 1.1%, compared with just 0.1% for cash, highlighting the potential benefit of moving modestly beyond cash when seeking positive real income (Figure 3).[6]

STOT has also generated above-inflation income more consistently than cash. Since inception, STOT has produced income above realized inflation in 62% of rolling 12-month observations, compared with just 44% for cash.[7] This suggests that STOT may be a more effective tool for investors seeking to preserve purchasing power while maintaining a short-duration fixed income profile.

Unlike cash, which must continually be reinvested at prevailing rates, STOT allows investors to extend modestly along the yield curve in an effort to generate higher income potential while remaining focused on risk management.

Figure 3: STOT provides higher real income potential than cash



Source: State Street Investment Management, Bloomberg Finance L.P., Federal Reserve Bank of New York, as of 6/30/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.** Inflation expectations based on the Survey of Consumer Expectations released by the Federal Reserve Bank of New York on July 7, 2026. Yield = yield-to-maturity for STOT, 3-Month U.S. Treasury Bill yield for cash.

Key takeaway: For investors concerned about negative real cash yields and reinvestment risk, STOT may offer an opportunity to lock in attractive front-end rates through a diversified, low-volatility, short-duration bond strategy.

Investors do not have to choose between yield and risk management. Whether replacing passive short-term bond exposure, reducing duration relative to intermediate core bonds, or moving beyond cash, the common theme across these examples is portfolio efficiency.

Through active management, broad sector diversification, and a short-duration framework, STOT seeks to help investors pursue income while maintaining a disciplined approach to risk.

STATE STREET INVESTMENT MANAGEMENT

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 (%)			
STOT (NAV)	State Street® DoubleLine® Short Duration Total Return Tactical ETF	1.27	3.84	5.26	2.83	2.40	2.45	4/13/2016	0.45	4.56
STOT (MKT)	State Street® DoubleLine® Short Duration Total Return Tactical ETF	1.28	3.84	5.29	2.84	2.39	2.47	-	-	-
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	-	-	-
-	Bloomberg U.S. Aggregate 1-3 Year Index	0.82	3.23	4.69	2.15	1.99	2.39	11/1/2002	-	-
-	Bloomberg U.S. Corporate 1-3 Year Index	1.16	3.87	5.42	2.76	2.66	3.08	3/1/2004	-	-
-	Bloomberg U.S. Treasury 1-3 Year Index	0.64	2.92	4.37	1.90	1.75	3.31	2/1/1992	-	-

Source: State Street Investment Management, Bloomberg Finance L.P., 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. Performance of an index is not illustrative of any particular investment. It is not possible to invest directly in an index. 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.

Footnotes

1 - Source: State Street Investment Management, as of 6/30/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.**

2 - Source: State Street Investment Management, as of 6/30/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.** Duration = option-adjusted-duration.

3 - Source: State Street Investment Management, as of 6/30/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.** Duration = option-adjusted-duration.

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4 - Source: Bloomberg Finance L.P., as of 6/30/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.** Cash yield = 3-Month U.S. Treasury Bill yield. Trailing three-month inflation based on the average of the CPI YoY Index as of April, May, and June 2026.

5 - Source: State Street Investment Management, as of 6/30/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.** Duration = option-adjusted-duration.

6 - Source: State Street Investment Management, Bloomberg Finance L.P., Federal Reserve Bank of New York, as of 6/30/2026**. The performance data quoted represents past performance. Past performance does not guarantee future results.** Inflation expectations based on the Survey of Consumer Expectations released by the Federal Reserve Bank of New York on July 7, 2026. Yield = yield-to-maturity for STOT, 3-Month U.S. Treasury Bill yield for cash.

7 - Source: Morningstar, Bloomberg Finance L.P., calculations by State Street Investment Management Global ETF Research Team, period: 4/30/2017 - 6/30/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.** Inflation based on CPI YoY Index. Yield = 12-month yield for STOT, 3-Month U.S. Treasury Bill yield for cash.

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