Race for the Cure – XBI

During this period of uncertainty and volatility caused by the systematic societal upheaval from COVID-19, biotech is one potential bright spot for three reasons:

1) **Solutions:** Biotech firms are at the forefront of creating critical treatments, vaccines, and antibody testing that would allow economies to restart.

2) **Growth:** They remain a source of growth in light of massive downside revisions for the broader market, as 2020 earnings growth remains positive for biotech relative to the S&P 500 (1.05% vs. -14.88%)\(^1\)

3) **Innovation:** An estimated 30 to 35 biotech companies, raising about $3.5 billion, are expected to go public this year – evidence of biotech companies being less impacted by any consumer demand-shock,\(^2\) as their products and services have a longer lifecycle (i.e., firms that are pre-revenue and in clinical trials).

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**The Takeaway**

Investors looking for long-term growth opportunities, as well as exposure to companies at the forefront of a cure for COVID-19, may want to consider allocating to the SPDR S&P Biotech ETF [XBI]. As of now, 22% of XBI’s index market cap consists of companies that are developing treatments, vaccines, and testing for the virus.\(^3\) With its modified equal-weighted index methodology, XBI exhibits a tilt toward small-cap firms potentially driving product innovation and development in areas of advanced medical treatments.

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**Chart of the Week**

**Biotech Growth Estimates vs. the Broader Market**

![Chart](chart.png)

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Name</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>Since Inception</th>
<th>Inception Date</th>
<th>Gross Expense Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>XBI</td>
<td>SPDR® S&amp;P® Biotech ETF (NAV)</td>
<td>-18.53</td>
<td>-14.33</td>
<td>3.93</td>
<td>1.33</td>
<td>14.87</td>
<td>11.90</td>
<td>1/31/2006</td>
<td>0.35</td>
</tr>
<tr>
<td>XBI</td>
<td>SPDR® S&amp;P® Biotech ETF (MKT)</td>
<td>-18.71</td>
<td>-14.50</td>
<td>3.88</td>
<td>1.31</td>
<td>14.85</td>
<td>11.88</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Performance returns for periods of less than one year are not annualized. Performance quoted represents past performance, which is no guarantee of 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. For SPDR ETFs, 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.

1 Source: FactSet as of 04/23/2020.
2 Source: Bloomberg as of 04/21/2020.
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