July 20, 2020
Weekly Bulletin

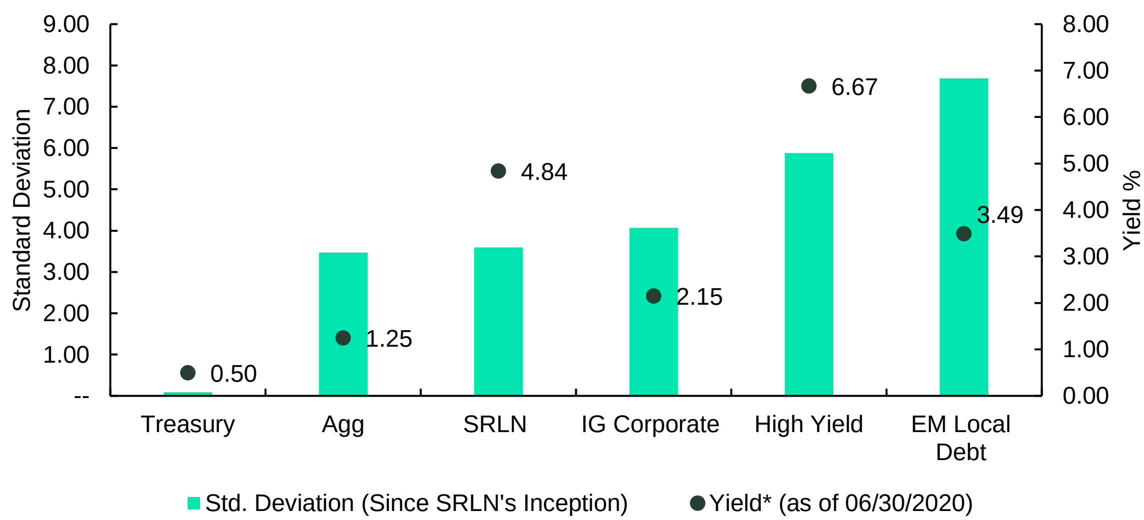
A Loan Came a SPDR – SRLN

- Uncertainty remains high on many fronts, as COVID-19 infection rates have spiked this month in many areas of the US and analysts predict that Q2 earnings will show the S&P 500® reporting its largest year-over-year earnings decline since 2008[1]
- Overall, default forecasts have been revised sharply higher as a result of COVID-19, but over the past year, loans — which are typically more senior in the capital structure — have experienced lower default rates (4.0% vs. 6.2%) and higher recovery rates (47.3% vs. 17.1%) than high yield bonds have[2]
- Investors who seek income but are averse to the increased credit risk of high yield bonds may want to consider investing in senior loans, as loans have seen greater yield with less volatility compared with other fixed income asset classes, as shown in the graph below

The Takeaway

The SPDR Blackstone/GSO Senior Loan ETF [SRLN]'s active mandate seeks to avoid weak or failing credits, which may be included in a passive strategy. In this uncertain market environment, GSO's team manages the fund's industry and credit exposures based on technical and fundamental views to reduce overall volatility and increase yield. SRLN's dividend yield[3] has recently increased relative to that of its largest passive competitor, BKLN, in part due to its active management and increased allocation to B-rated issues.[4] Over the past year, SRLN has outperformed BKLN by 57 bps and has outperformed 84% of its competitors in the Morningstar Bank Loan category, with an expense ratio that is lower than that of its median peer.[5]

Chart of the Week: SRLN Has Seen Greater Income with Less Risk



Source: Bloomberg Finance, L.P. Factset, 04/03/2013 – 07/16/2020. *Yields calculated using 30-Day SEC Yield for SRLN and YTW for indices. Agg = Bloomberg Barclays US Agg Total Return Index, Treasury = Bloomberg Barclays US Treasury Index, IG Corporate = Bloomberg Barclays US Corporate Total Return Index, EM Local Debt = Bloomberg Barclays EM Local Currency Government Diversified Index, High Yield = Bloomberg Barclays High Yield VLI. **Performance quoted represents past performance, which is no guarantee of future results**. It is not possible to invest directly in an index.

Standard Performance

				Annualized					
Ticker	Name	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date	Gross Expense Ratio (%)
SRLN (NAV)	SPDR® Blackstone / GSO Senior Loan ETF	-4.75	-1.23	1.93	2.06	-	2.20	04/03/2013	0.70
SRLN (MKT)	SPDR® Blackstone / GSO Senior Loan ETF	-4.97	-1.23	1.90	2.04	-	2.19	04/03/2013	
BKLN (NAV)	Invesco Senior Loan ETF	-4.49	-1.78	1.59	2.05	-	2.63	03/03/2011	0.66^
BKLN (MKT)	Invesco Senior Loan ETF	-4.49	-1.40	1.69	2.15	-	2.57	03/03/2011	

Source: Morningstar, ssga.com/etfs as of 06/30/2020. **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/etfs 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.^BKLN Net Expense Ratio = 0.65%. The adviser has contractually agreed to waive fees and/or pay certain fund expenses through at least August 31, 2021.

[1] Source: Factset as of 7/10/2020
[2] Source: GSO/Blackstone as of 06/30/2020
[3] Source: GSO as of 06/30/2020. Dividend Yield for BKLN is 3.14% and for SRLN is 5.26%. 30-Day SEC Yield for BKLN is 3.88% as of 06/30/2020.
[4] Source: Bloomberg Finance, L.P. as of 7/16/2020. SRLN has 77.24% exposure to B-rated issues, while BKLN has 52.86% allocated to B-rated issues.
[5] Source: Morningstar as of 06/30/2020. The Morningstar Bank Loan Category consists of 65 US-Listed ETFs & Mutual Funds. Median Peer Net Expense Ratio = 0.77%

ssga.com/etfs

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Fund Comparisons

SRLN The investment seeks to provide current income consistent with the preservation of capital. The fund seeks to outperform the Markit iBoxx USD Liquid Leveraged Loan Index and the S&P/LSTA U.S. Leveraged Loan 100 Index by normally investing at least 80% of its net assets (plus any borrowings for investment purposes) in Senior Loans. For purposes of this 80% test, "Senior Loans" are first lien senior secured floating rate bank loans.

BKLN The investment seeks to track the investment results (before fees and expenses) of the S&P/LSTA U.S. Leveraged Loan 100 Index (the "underlying index"). The fund generally will invest at least 80% of its total assets in senior loans that comprise the underlying index. The Adviser and the fund's sub-adviser define senior loans to include loans referred to as leveraged loans, bank loans and/or floating rate loans. Banks and other lending institutions generally issue senior loans to corporations, partnerships or other entities ("borrowers"). These borrowers operate in a variety of industries and geographic regions, including foreign countries.

Important Risk Information

Investing involves risk including the risk of loss of principal.

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.

Actively managed ETFs do not seek to replicate the performance of a specified index. These investments may have difficulty in liquidating an investment position without taking a significant discount from current market value, which can be a significant problem with certain lightly traded securities. The Fund is actively managed and may underperform its benchmarks. An investment in the fund is not appropriate for all investors and is not intended to be a complete investment program. Investing in the fund involves risks, including the risk that investors may receive little or no return on the investment or that investors may lose part or even all of the investment.

Non-diversified fund may invest in a relatively small number of issuers, a decline in the market value may affect its value more than if it invested in a larger number of issuers. While the Fund is expected to operate as a diversified fund, it may become non-diversified for periods of time solely as a result of changes in the composition of its benchmark index.
The Fund may not purchase securities of any issuer if, as a result, more than 5% of the Fund's total assets would be invested in that issuer's securities; except as may be necessary to approximate the composition of its target index. This limitation does not apply to obligations of the U.S. government or its agencies or instrumentalities.

Bond funds contain interest rate risk (as interest rates rise bond prices usually fall); the risk of issuer default; issuer credit risk; liquidity risk; and inflation risk. There are additional risks for funds that invest in mortgage-backed and asset-backed securities including the risk of issuer default; credit risk and inflation risk.

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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