SPDR Spotlight

Seek Growth and Stability with Quality – SDY

The Lead

- Following the Fed’s decision to keep interest rates steady for the third consecutive time, FOMC members updated their projections to three rate cuts in 2024, keeping monetary policy tighter than market expectations\(^1\)
- Targeting growth with quality may help weather higher expected equity volatility stemming from a slowdown in economic growth and margin expansions challenged by higher financing costs, above-average inflation, and a weaker demand outlook
- Thanks to their quality traits, dividend growers have tended to outperform the broad market during periods of increased volatility, as shown in the chart below\(^2\)

The Takeaway

The SPDR® S&P® Dividend ETF (SDY) seeks to track the S&P® High Yield Dividend Aristocrats\(^\text{TM}\) Index that screens for companies that have consistently increased their dividend for at least 20 consecutive years. This leads to a portfolio of stocks with strong balance sheets and disciplined capital management, with a bias towards high quality holdings. Since its inception, SDY ranks in the top 7\(^{th}\) percentile based on risk-adjusted returns, in the bottom 100\(^{th}\) percentile based on standard deviation, and near the top quartile based on max drawdown in its Morningstar peer group.\(^3\) Given its characteristics, SDY may help investors limit downside risk while pursuing upside growth.

Chart of the Week

Dividend Growers Outperformed Amid Increased Volatility

Sources: Bloomberg Finance L.P., Period: 11/30/2005 – 11/30/2023. Dividend growers represented by S&P High Yield Dividend Aristocrats Total Return Index. Broad market represented by S&P 1500 Composite Total Return 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.
Standard Performance

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<th></th>
<th>Annualized</th>
<th></th>
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<th>Gross Expense Ratio (%)</th>
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<tbody>
<tr>
<td></td>
<td>YTD (%)</td>
<td>1 Year (%)</td>
<td>3 Year (%)</td>
<td>5 Year (%)</td>
<td>10 Year (%)</td>
<td>Since Inception (%)</td>
<td>Inception Date</td>
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<tr>
<td>SDY (NAV)</td>
<td>-6.29</td>
<td>5.97</td>
<td>10.58</td>
<td>6.21</td>
<td>9.23</td>
<td>8.31</td>
<td>11/08/2005</td>
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<tr>
<td>SDY (MKT)</td>
<td>-6.29</td>
<td>5.90</td>
<td>10.60</td>
<td>6.21</td>
<td>9.23</td>
<td>8.31</td>
<td>-</td>
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Source: ssga.com, as of 9/30/2023. Performance returns for periods of less than one year are not annualized. Past performance is not a reliable indicator of future performance. 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. 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. 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.

Footnotes

1 – Bloomberg Finance L.P., as of 12/14/2023.
inherent in investment in securities

The Fund’s investments are subject to general market fluctuations and the risks of individual companies. Payments may adversely affect the available for such company’s dividend by the Fund or the dividend policies of the companies held underperform companies that do not pay market, causing such companies to conditions and general market and economic to the activities

Equity securities may fluctuate in value and can decline significantly in response to the activities of individual companies and general market and economic conditions. Securities that pay dividends, as a group, can fall out of favor with the market, causing such companies to underperform companies that do not pay dividends. In addition, changes in the dividend policies of the companies held by the Fund or the capital resources available for such company’s dividend payments may adversely affect the Fund.

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