

SPDR Spotlight

Adding High-Quality Duration Back to the Portfolio - SPMB

The Lead

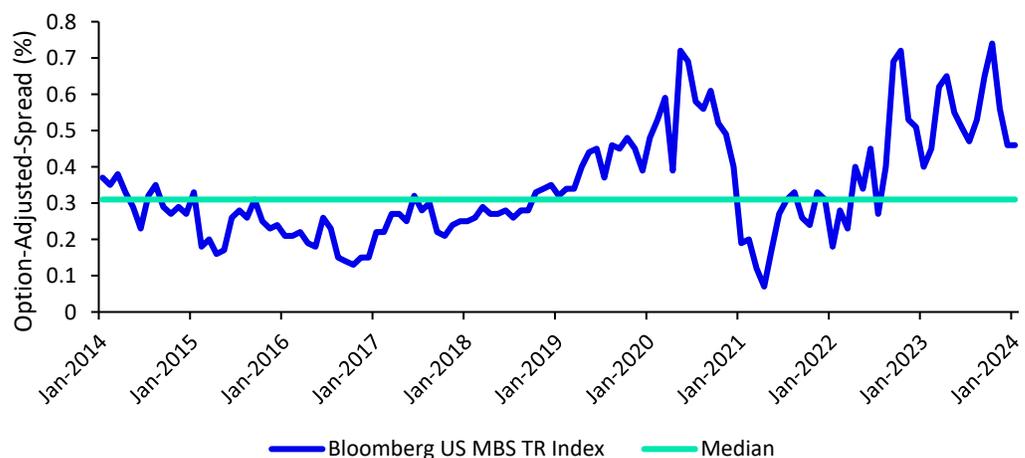
- Despite hopes of Federal Reserve rate cuts being pushed further out, as a result of hotter-than-expected inflation reading, markets are still pricing in at least four rate cuts in 2024 with the first rate cut happening in the first half of this year¹
- With higher yields than Treasuries (5.06% vs. 4.46%)², agency mortgage-backed securities (MBS) may provide an incremental yield pickup, while also benefiting from potential duration-induced price appreciation if rates decline, as MBS duration is around 6.22 years, sitting in the 98th percentile historically³
- It also presents investors an attractive entry point to capture the segment’s constructive valuations, as MBS spreads over Treasuries are 48% above the historical median (see Chart of the Week)⁴

The Takeaway

With an expense ratio of 4bps – the [SPDR Portfolio Mortgage Backed Bond ETF \(SPMB\)](#) is a low cost ETF that seeks to provide exposure to agency mortgage backed securities of the U.S. investment grade bond market. With MBS duration at record highs, SPMB may allow investors to selectively add duration with high credit quality, positioning the portfolio for expected falling rates while also providing higher income relative to Treasuries.

Chart of the Week

MBS are Trading at Attractive Levels



Source: Bloomberg Finance L.P., Period: 1/31/2014 – 2/14/2024. **Past performance is not a reliable indicator of future performance.** It is not possible to invest directly in an index. Index performance does not reflect charges and expenses associated with the fund or brokerage commissions associated with buying and selling a fund. Index performance is not meant to represent that of any particular fund.

Standard Performance

| Ticker | Name | YTD (%) | Annualized | | | | Since Inception (%) | Inception Date | Gross Expense Ratio (%) |
|------------|--|---------|------------|------------|------------|-------------|---------------------|----------------|-------------------------|
| | | | 1 Year (%) | 3 Year (%) | 5 Year (%) | 10 Year (%) | | | |
| SPMB (NAV) | SPDR® Portfolio Mortgage Backed Bond ETF | 5.07 | 5.07 | -3.07 | 0.15 | 1.21 | 1.96 | 1/15/2009 | 0.05 |
| SPMB (MKT) | SPDR® Portfolio Mortgage Backed Bond ETF | 5.07 | 5.07 | -3.05 | 0.15 | 1.23 | 1.96 | - | - |

Source: ssga.com, as of 12/31/2023

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. 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 2/15/2024.

² Bloomberg Finance L.P., as of 2/14/2024. Agency mortgage-backed securities = Bloomberg US MBS TR Index, US Treasuries = US Bloomberg Treasury TR Index. Based on Yield-to-Worst. **Past performance is not a reliable indicator of future performance.** It is not possible to invest directly in an index. Index performance does not reflect charges and expenses associated with the fund or brokerage commissions associated with buying and selling a fund. Index performance is not meant to represent that of any particular fund.

³ Bloomberg Finance L.P., Period: 1/31/2014 - 2/14/2024. Agency mortgage-backed securities = Bloomberg US MBS TR Index.

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Important Risk Information

Investing involves risk including the risk of loss of principal.

Investments in **mortgage securities** are subject to prepayment risk, which can limit the potential for gain during a declining interest rate environment and increase the potential for loss in a rising interest rate environment. The mortgage industry can also be significantly affected by regulatory changes, interest rate movements, home mortgage demand, refinancing activity, and residential delinquency trends.

Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise, bond prices usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

Passively managed funds invest by sampling the index, holding a range of securities that, in the aggregate, approximates the full index in terms of key risk factors and other characteristics. This may cause the fund to experience tracking errors relative to performance of the index.

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