

SPDR Spotlight

Innovation Takes Courage – XBI

The Lead

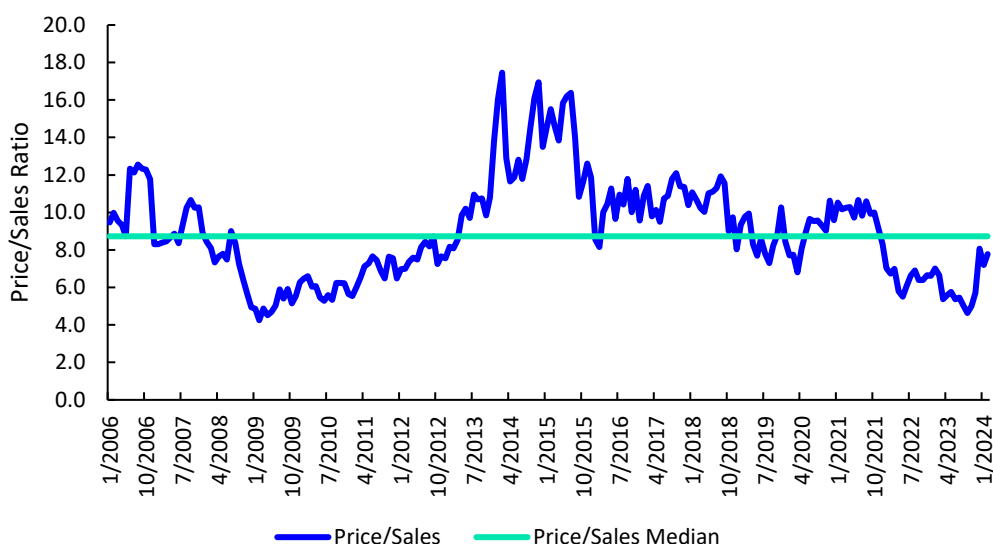
- In 2023, 55 innovative therapies were approved by FDA – including Eli Lilly’s obesity drug Zepbound and Eisai and Biogen’s Alzheimer’s treatment Leqembi – compared to 37 in 2022 and 20-year average of 36,¹ underscoring burgeoning breakthroughs in different areas of biotech innovation
- With rates peaking and big pharma companies facing impending patent cliff, biotech M&A activities accelerated towards the end of last year, with the total deal value up 51% from 2022 and closer to pre-pandemic levels,² supporting biotech valuations
- While the [SPDR® S&P® Biotech ETF \(XBI\)](#) is up 48.6% since bottoming in October 2023, it is still down 33.4% over the past three years and trading around the bottom 36th percentile based on the price-to-sales ratio since 2006 (see chart below)³

The Takeaway

Although higher interest rates have increased biotech firms’ cost of capital and weighed on their valuations, they did not stop the burgeoning innovation built upon years of academic and industry research, including CRISPR-based gene editing technology, mRNA-based vaccines, obesity management, and AI-driven protein engineering, etc. XBI may help investors capture increased momentum in biotech innovation and M&A activities, as its modified equal-weighted index methodology provides more exposure to small-cap companies which have been the driving force of the industry innovation and targets of M&A activities.

Chart of the Week

Despite Recent Rally, XBI Trades Below its Since Inception Median



Source: FactSet, 1/31/2006 – 2/29/2024.

Standard
Performance

Ticker	Name	YTD (%)	Annualized					Inception Date	Gross Expense Ratio (%)
			1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)		
XBI (NAV)	SPDR® S&P® Biotech ETF	7.50	7.50	-14.08	4.44	7.76	10.17	1/31/2006	0.35
XBI (MKT)	SPDR® S&P® Biotech ETF	7.49	7.49	-14.06	4.46	7.78	10.17	-	-

Source: ssga.com, as of 12/31/2023. **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. 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 U.S. Food & Drug Administration, February 26, 2024.
² The Twists and Turns in Biopharma Dealmaking: 2024 Trends, PharmaExec.com, January 26, 2024
³ Bloomberg Finance L.P., FactSet as of February 29, 2024. **Past performance is not a reliable indicator of future performance.**

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