SPDR Spotlight

Consider Going Long Loans this Summer - SRLN

The Lead

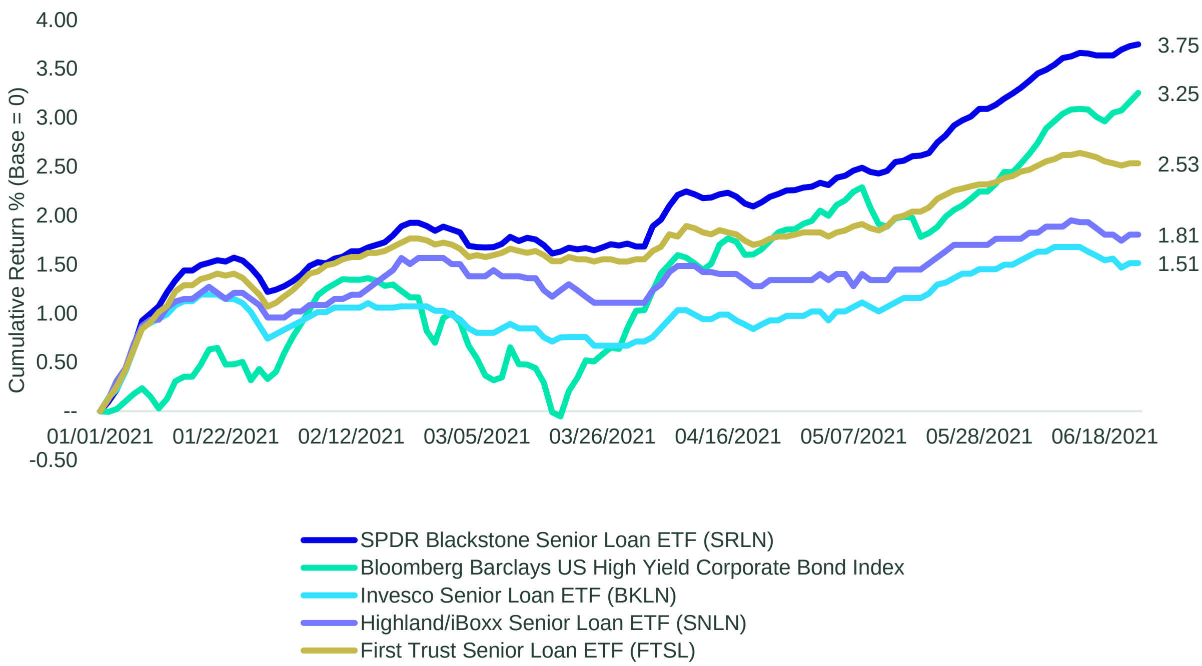
- The Fed surprised investors at their latest FOMC meeting, taking a notably hawkish tone, with the Fed's latest dot plot projections showing at least two rate hikes in 2023[1]
- Growth expectations have also moved higher as the central bank now expects real GDP to grow 7.0% in 2021, compared with the 6.5% forecast from its March meeting[2]
- Given tight credit spreads (278 basis points, 6th percentile) [3] and expectations for higher yields, senior loans are attractive relative to fixed rate high yield given their floating-rate coupons, lower volatility (5.50% vs. 7.36%)[4] and similar yield (3.69% vs. 3.89%)[5]

The Takeaway

Concerns about inflation and rising interest rates may mean the loan category — as a result of its lower duration — may continue to hold its value more than other credit instruments. Investors may want to consider investing in actively managed SPDR® Blackstone Senior Loan ETF [SRLN], which has outperformed fixed rate high yield (50 bps) and IG Corporates (542 bps) this year amid the higher growth and inflationary environment.[6] SRLN has also outperformed 87% of its bank loan peers YTD[7], including competitors Invesco Senior Loan ETF (224 bps), First Trust Senior Loan ETF (194 bps) and Highland/iBoxx Senior Loan ETF (122 bps).[8]

Chart of the Week

SRLN's YTD Performance versus High Yield and ETF Peers



Source: Bloomberg Finance, L.P., 01/01/2021- 06/24/2021. **Performance quoted represents past performance, which is no guarantee of future results.** 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

Ticker	Name	YTD (%)	Annualized 1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)	Inception Date	Gross Expense Ratio (%)
SRLN (NAV)	SPDR® Blackstone Senior Loan ETF	1.71	18.14	4.06	4.47	–	3.18	04/03/2013	0.70
SRLN (MKT)	SPDR® Blackstone Senior Loan ETF	0.99	20.10	3.97	4.42	–	3.15	–	–
FTSL (NAV)	First Trust Senior Loan Fund	1.53	15.26	3.97	4.04	-	3.31	05/01/2013	0.86
FTSL (MKT)	First Trust Senior Loan Fund	1.36	18.30	3.95	4.09	-	3.35		
BKLN (NAV)	Invesco Senior Loan ETF	0.67	11.98	2.93	3.79	3.10	3.09	03/03/2011	0.67
BKLN (MKT)	Invesco Senior Loan ETF	0.13	11.89	2.83	3.68	3.00	3.01		
SNLN (NAV)	Highland/iBoxx Senior Loan ETF	1.11	7.01	-0.17	1.76	-	1.82	11/06/2012	0.75
SNLN (MKT)	Highland/iBoxx Senior Loan ETF	1.11	6.74	-0.26	1.75	-	1.82		

Source: ssga.com, ftportfolios.com, highlandfunds.com, invesco.com as of 03/31/2021. **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.

[1] Barrons, *Fed Moves Up Timing of First Rate Hike Amid Hotter-Than-Expected Inflation*, June 16, 2021. FOMC = Federal Open Market Committee.
[2] Barrons, *Fed Moves Up Timing of First Rate Hike Amid Hotter-Than-Expected Inflation*, June 16, 2021
[3] Bloomberg Finance, L.P., 01/31/1994- 06/25/2021. Measured using option adjusted spread.
[4] Factset, as of May 31, 2021. Based on annualized standard deviation over the trailing 60-month period. Senior Loans = S&P/LSTA Leveraged 100 Loan Index and High Yield = Bloomberg Barclays US Corporate High Yield Bond Index
[5] Bloomberg Finance, L.P., S&P Global, as of 06/24/2021. Based on the Yield-to-Worst of the S&P/LSTA Leveraged 100 Loan Index and Bloomberg Barclays US Corporate High Yield Bond Index.
[6] Factset, 01/01/2021 – 06/24/2021. High Yield = Bloomberg Barclays US Corporate High Yield Index. IG Corporates = Bloomberg Barclays US Corporate Investment Grade 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.
[7] Morningstar, as of 06/24/2021. Peers include oldest share class of US Listed ETF and mutual funds in Morningstar's bank loan category. 65 investments measured. **Past performance is not a reliable indicator of future performance**.
[8] Factset, 01/01/2021 – 06/24/2021. **Past performance is not a reliable indicator of future performance**.

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The value of the debt securities may increase or decrease as a result of the following: market fluctuations, increases in interest rates, inability of issuers to repay principal and interest or illiquidity in the debt securities markets; the risk of low rates of return due to reinvestment of securities during periods of falling interest rates or repayment by issuers with higher coupon or interest rates; and/or the risk of low income due to falling interest rates. To the extent that interest rates rise, certain underlying obligations may be paid off substantially slower than originally anticipated and the value of those securities may fall sharply. This may result in a reduction in income from debt securities income.

Fund Comparisons
The funds presented herein have different investment objectives, costs and expenses. Each fund is managed by a different investment firm, and the performance of each fund will necessarily depend on the ability of their respective managers to select portfolio investments. These differences, among others, may result in significant disparity in the funds' portfolio assets and performance. For further information on the funds, please review their respective prospectuses.
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.
SNLN This investment seeks to provide results that, before fees and expenses, correspond generally to the price and yield performance of the Markit iBoxx USD Liquid Leverage Loan Index.
FTSL This investment seeks to provide high current income; the fund's secondary investment objective is the preservation of capital. Under normal market conditions, the fund seeks to outperform each of the primary index and secondary index by investing at least 80% of its net assets in first lien senior floating rate bank loans.

Investing involves risk including the risk of loss of principal.

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.
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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.

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Expiration Date: 07/31/2021
1973422.163.1.GBL.INST

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