September 21, 2020
Weekly Bulletin

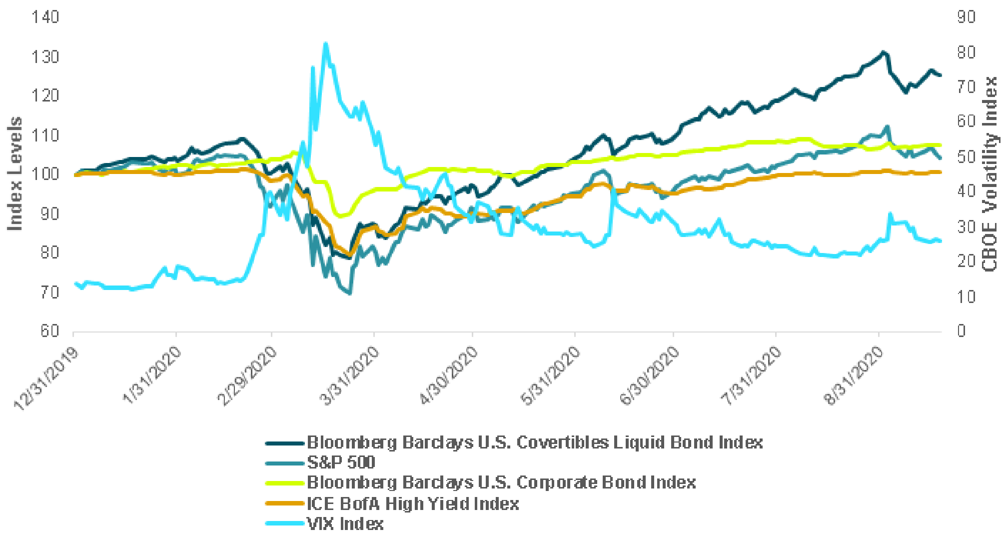
Converting on Offense and Defense – CWB

- Even as the broader equity market has rallied out of the depths of the COVID-19 crisis sell-off, the markets remain inherently volatile given the uncertainty/unevenness of society reopenings, constrained company cash flows amidst a pandemic, elevated valuations, and a looming US presidential election.
- The quartet of risks above indicate the need to still play a bit of defense in portfolios. However, as a result of overly accommodative monetary policies, traditional bond options carry low yields and may be a drag on a portfolio's income potential.
- Those same monetary policies, however, have been one of the main drivers behind the sharp rally since the middle of March and are likely to remain in existence until at least 2023, based on the latest statement from the Fed at their September meeting — one reason that portfolios can't play defense all the time.

The Takeaway

2020 has been a difficult year on many levels. For portfolios, the need to play defense and seek income — but remain positioned for further rally gains — is the latest hurdle in a very anomalous year. As a result of their bond structure and equity-like characteristics, convertible securities may be one exposure to implement, however. For income, convertibles (2.32%) yield more than do traditional bonds (1.18%), investment-grade credit (1.94%), and equities (1.81%).[1] On defense, convertibles experienced lower drawdowns than equities did during the onset of the pandemic (-32% versus -33.9%, respectively), as well as historically having a lower standard deviation of returns.[2] And, as shown below, as a result of their offense/defense-like structure, convertibles have outperformed traditional bond and stock options so far in 2020 — after taking only 53 days to get back to pre-crisis highs, versus 96 days for high yield credit and 103 days for stocks.[3] For access to the convertible asset class and its unique profile, investors can utilize the world's largest convertible fund, the SPDR Bloomberg Barclays Convertible Securities ETF [CWB].[4]

Chart of the Week: Convertibles Versus Stocks, Credit, and VIX in 2020



Source: Bloomberg Finance L.P.; Period: 12/31/2019 – 09/17/2020. **Past performance is not a guarantee of future results.**

Standard Performance

			Annualized							
Ticker	**Name**	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year**	**Since Inception**	**Inception Date**	**Net Expense Ratio**
CWB (NAV)	SPDR® Bloomberg Barclays Convertible Securities ETF	9.66	17.45	11.42	10.33	10.55	11.75	04/14/2009	0.40
CWB (MKT)	SPDR® Bloomberg Barclays Convertible Securities ETF	9.96	17.85	11.46	10.36	10.60	11.78		

Source: 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.

[1]Convertible bond yield used for the Bloomberg Barclays U.S. Convertibles Liquid Bond Index, dividend yield for the S&P 500 index, yield to worst used for the Bloomberg Barclays US Aggregate Bond Index and Bloomberg Barclays US Corporate Bond Index per Bloomberg Finance L.P. as of 09/21/2020.
[2]Maximum drawdown for the Bloomberg Barclays U.S. Convertibles Liquid Bond Index and S&P 500 Index per Bloomberg Finance L.P. as of 09/21/2020. Five-year standard deviation of returns is 13.57 for convertibles and 14.7 for stocks.
[3]Convertibles as defined by the Bloomberg Barclays U.S. Convertibles Liquid Bond Index; high yield credit as defined by the Bloomberg Barclays US Corporate High Yield Index; stocks as defined by the S&P 500 Index per Bloomberg Finance L.P. as of 09/21/2020. **Past performance is not a reliable indicator of future performance.**
[4]Based on Morningstar data as of 08/31/2020 for funds within the Morningstar Convertible Bond Category.

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Important Risk Information
Investing involves risk including the risk of loss of principal.

While the shares of ETFs are tradable on secondary markets, they may not readily trade in all market conditions and may trade at significant discounts in periods of **market stress**.

Issuers of **convertible securities** may not be as financially strong as those issuing securities with higher credit ratings and may be more vulnerable to changes in the economy. Other risks associated with convertible bond investments include: Call risk which is the risk that bond issuers may repay securities with higher coupon or interest rates before the security's maturity date; liquidity risk which is the risk that certain types of investments may not be possible to sell the investment at any particular time or at an acceptable price; and investments in derivatives, which can be more sensitive to sudden fluctuations in interest rates or market prices, potential illiquidity of the markets, as well as potential loss of principal.

Non-diversified funds that focus on a relatively small number of securities tend to be more volatile than diversified funds and the market as a whole.

Passively managed funds hold 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.

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.

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