

September 08, 2020  
Weekly Bulletin

# Income From a Portfolio Is Preferable – PSK

## The Lead

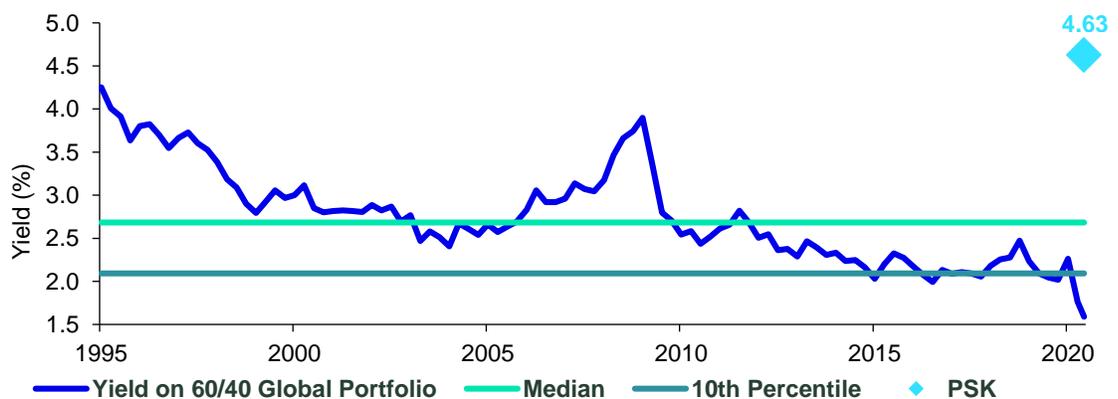
- As a result of overly accommodative global monetary policies and pandemic performance trends, the traditional 60/40 portfolio carries its lowest yield on record,<sup>1</sup> creating a scarcity of income
- To generate income close to historical levels, investors have had to outlay more risk — either duration (e.g., long-term Treasuries), equity (e.g., high yield dividend stocks) or credit risks (e.g., high yield bonds)
- A potential source of income, however, may be found outside of the traditional asset classes with hybrid vehicles, such as the SPDR® Wells Fargo® Preferred Stock ETF [PSK], as it has carried an income potential comparable to that of high yield ETF exposures (4.63% SEC Yield)<sup>2</sup> but with potentially lower credit risk (PSK largely holds investment grade rated securities)<sup>3</sup>

## The Takeaway

In a post-pandemic world, income is scarce. In order to seek income, an investor has to assume some risk. However, not all high-income-generating assets carry similar risks. Hybrid vehicles may be able to generate income and mitigate risk for a portfolio, considering that their yield per unit of trailing 36-month volatility is 0.52 versus 0.10, 0.23, and 0.56 for long-term Treasuries, US large-cap dividend equities, and high yield bonds, respectively.<sup>4</sup> Also, this comparable ratio versus high yield bonds comes with considerably less below-investment grade credit risk.

## Chart of the Week

*Yield on the Traditional 60/40 Global Portfolio, Time Series*



Source: Bloomberg Finance L.P., as of 08/31/2020. Standard 60/40 Portfolio yield based on the dividend yield of the MSCI ACWI Index and the Yield to Worst Bloomberg Barclays Global Aggregate Bond Index. **Past performance is not a guarantee of future results.**

## Standard Performance

Ticker	Name	YTD (%)	Annualized				Since Inception (%)	Inception Date	Gross Expense Ratio (%)
			1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)			
PSK (NAV)	SPDR® Wells Fargo Preferred Stock ETF	-3.33	1.67	2.94	4.81	5.98	6.47	09-16-2009	0.45
PSK (MKT)	SPDR® Wells Fargo Preferred Stock ETF	-2.99	1.96	3.11	4.87	6.04	6.52	-	-

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 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.

## Footnotes

<sup>1</sup> The yield as of 08/31/2020 was 1.59% and is based on the MSCI ACWI IMI dividend yield and the Bloomberg Barclays Global Aggregate Bond Index yield to worst as of 08/31/2020.

<sup>2</sup> Source; Bloomberg Finance L.P., State Street Global Advisors, as of 9/3/2020. PSK 30-Day SEC yield is 4.63% versus an average 30-day SEC Yield of the five largest US-listed high yield ETFs.

<sup>3</sup> PSK had 99.01% of its holdings rated as investment grade under the maximum rating classification system within Bloomberg Finance L.P. as of 08/31/2020. Under the composite rating classification system within Bloomberg Finance L.P., PSK had 23% of its portfolio in below-investment grade securities as of 08/31/2020.

<sup>4</sup> Data from Bloomberg Finance L.P. as of 08/31/2020. For Hybrids, the 30-Day SEC yield was PSK divided by its 36-month trailing standard deviation of returns, the yield to worst for the ICE U.S. Treasury 20+ Years Bond Index, divided by its 36-month trailing standard deviation of returns, the dividend yield on the S&P 500 High Dividend Yield Index divided by its 36-month trailing standard deviation of returns, and the average 30-day SEC yield of the five largest US-listed high yield ETF exposures and their average 36-month standard deviation of returns.

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