October 13, 2020
Weekly Bulletin

Bond, Mortgage Bond – SPMB

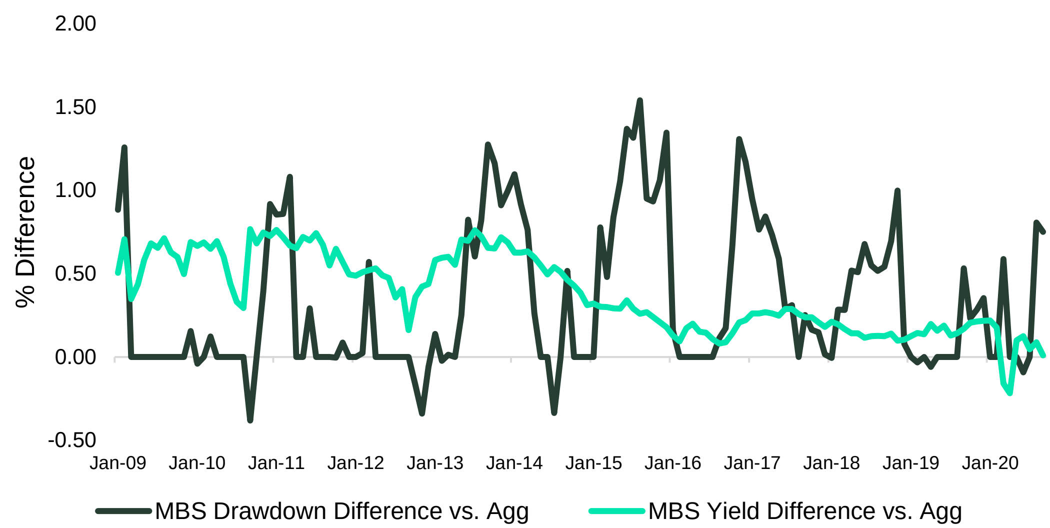
- Volatility has crept back into the market, with the VIX hitting its highest level since June 24 in early September;[1] it may remain elevated as we continue through October — historically, the most volatile month of the year[2] — and into the final weeks of the election cycle
- Agency mortgage-backed securities have historically enjoyed lesser drawdowns than the broader Agg,[3] especially during recent bouts of volatility, when MBS experienced a maximum daily drawdown of -2.33%, compared with -6.30% for the broader market[4]
- Bolstered by exuberant homebuying and supported by the Fed's purchasing program, agency mortgage-backed securities have offered higher income than treasuries do, with minimal credit risk[5]

The Takeaway

While economic and political uncertainty are expected to be persistent for the remainder of the year, the Federal Reserve has remained steadfast in providing seemingly unconstrainted support in those areas that it is able to – including MBS markets. For investors concerned with credit risk while hunting for yield in the core, the SPDR Portfolio Mortgage Backed Bond ETF [SPMB] may provide attractive core income — while not taking on extra credit risk — to stabilize a portfolio's core more than the Agg may be able to amid potential economic distress.

Chart of the Week

MBS Drawdown, Yield Difference Versus Agg (%)



Source: Bloomberg Finance LP, FactSet Period: 1/31/2009 – 09/30/2020. MBS = Bloomberg Barclays US Securitized Index Agg = Bloomberg Barclays US Aggregate Index. Past performance is no guarantee of future results. 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.

Standard Performance

Ticker	Name	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)	Inception Date	Gross Expense Ratio (%)
			Annualized						
SPMB	SPDR Portfolio Mortgage Backed Bond ETF (NAV)	3.84	**4.47**	3.66	2.84	2.83	3.30	01/15/2009	0.07
SPMB	SPDR Portfolio Mortgage Backed Bond ETF (MKT)	4.95	**4.46**	3.68	2.84	2.83	3.31		

Source: ssga.com, as of September 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.

[1]Factset, as of 9/24/2020, VIX level 6/24/2020 = 34.73, 9/03/2020 = 33.60
[2] Factset, 09/27/2000 – 9/25/2020 – as measured by the most daily market changes 1% or above
[3]Factset, monthly drawdowns 1/01/2009 – 9/30/2020. MBS = Bloomberg Barclays US Securitized Index Agg = Bloomberg Barclays US Aggregate Index
[4]Factset, daily drawdowns 03/01/2020 – 9/30/2020 . MBS = Bloomberg Barclays US Securitized Index Agg = Bloomberg Barclays US Aggregate Index
[5]Source: Bloomberg Finance L.P. as of 9/30/2020. MBS YTW = 1.15% Treasuries YTW = 0.48%. Treasuries = Bloomberg Barclays US Treasury Index

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

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 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.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs' net asset value. Brokerage commissions and ETF expenses will reduce returns.

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.

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.

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Expiration Date: 10/31/2020
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