

SPDR Spotlight

## Cheap Chips on the Table – XSD

### The Lead

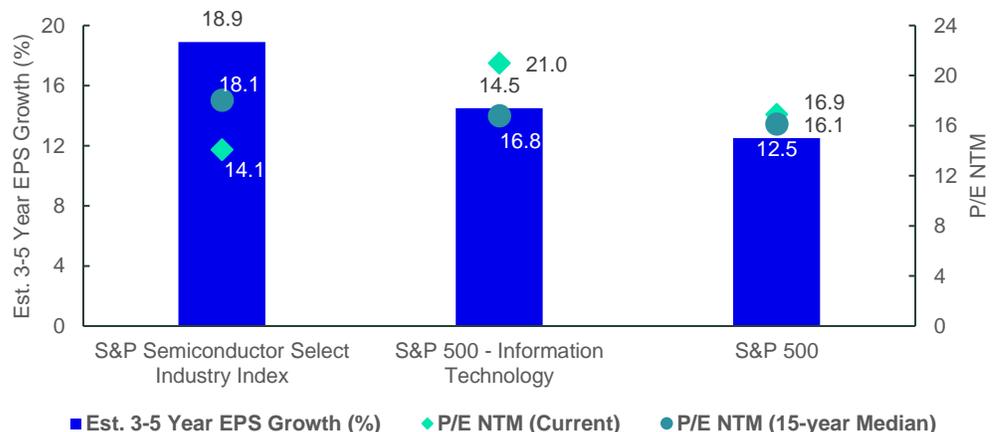
- As demand for “smart” devices steadily rises, worldwide semiconductor revenue is expected to hit \$661 billion this year (13.7% year-over-year growth)<sup>1</sup> as chips have become critical components of both cutting-edge technologies and everyday items
- Earnings estimates of semiconductors are expected to dramatically outpace both the broader tech sector and US large caps in Q2 (17.27% vs. 1.22% and 4.99% respectively)<sup>2</sup>
- Amid the equity market turbulence, semiconductor valuations look increasingly attractive as they currently trade 22% below their 15-year median on a forward P/E basis,<sup>3</sup> meanwhile the broader tech sector and S&P 500 continue to trade at a premium relative to their long-term medians<sup>4</sup>

### The Takeaway

The SPDR® S&P® Semiconductor ETF (XSD) may provide investors exposure to a high-growth industry with structural tailwinds. In fact, McKinsey projects that by 2030 global semiconductors will become a \$1 trillion market (\$590 billion as last year end).<sup>5</sup> In addition to their impressive Q2 earnings forecasts, the EPS growth of the semiconductor industry is projected to be considerably higher than that of the tech sector and broader equities while boasting constructive valuations, as seen below. And as a result of the pullback in equities, this yields an attractive entry point for those seeking growth at a reasonable price as the bottom line for semiconductors appears stable (relative its sector and broader US equities) despite unsteady economic conditions.

### Chart of the Week

Semiconductors are expected to generate higher EPS with attractive valuations



Source: FactSet, as of 07/06/2022. The above estimates are based on certain assumptions and analysis made by FactSet. There is no guarantee that the estimates will be achieved. **Past performance is not a reliable indicator of future performance.**

## Standard Performance

Ticker	Name	YTD (%)	Annualized					Inception Date	Gross Expense Ratio
			1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)		
XSD (NAV)	SPDR® S&P® Semiconductor ETF	-37.42	-20.86	22.00	20.36	21.84	11.86	1/31/2006	0.35
XSD (MKT)	SPDR® S&P® Semiconductor ETF	-37.42	-20.84	22.00	20.38	21.85	11.86	-	-

Source: ssga.com, as of 06/30/2022. **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. 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.

## Footnotes

1 International Data Corporation, 06/08/2022. "Worldwide Semiconductor Revenue to Grow 13.7%, but Supply Chain Remains Selectively Challenging amidst Global Economic Volatility, according to IDC."

2 FactSet, as of 07/07/2022. Semiconductors = S&P Semiconductor Select Index. Tech Sector = S&P 500 - Information Technology Index. US Large Caps = S&P 500 Index.

3 FactSet, as of 07/07/2022. Semiconductors = SPDR S&P Semiconductor ETF (XSD).

4 FactSet, as of 07/07/2022. Tech Sector = S&P 500 - Information Technology Index.

5 McKinsey & Company, as of 04/01/2022. "The semiconductor decade: A trillion-dollar industry."

ssga.com

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