

## SPDR Spotlight

## The Lowest-Cost High Yield Bond ETF – SPHY

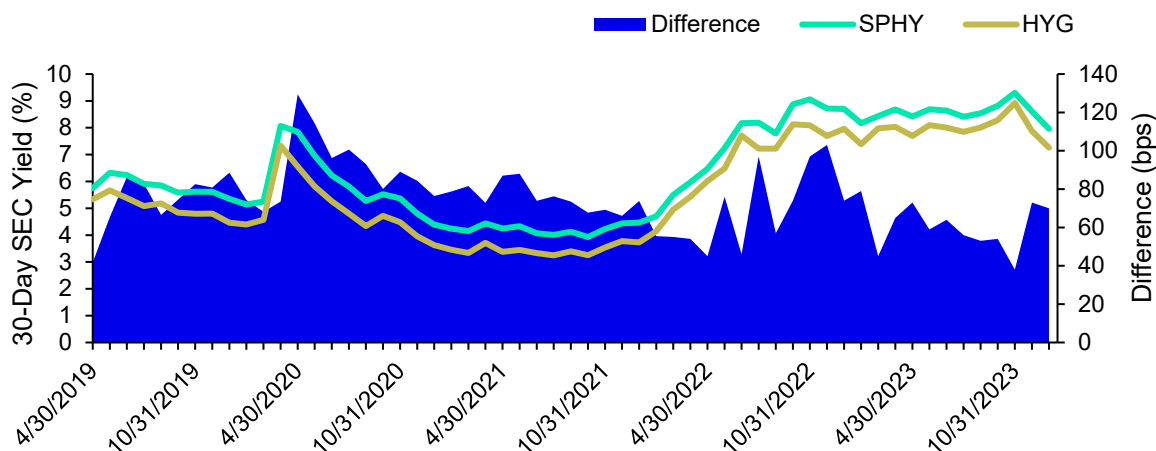
- For strategic long-term asset allocation, expense ratio differences can have a significant impact on potential income generation and total return
- At just 5 basis points, the [SPDR® Portfolio High Yield Bond ETF \(SPHY\)](#) is among the lowest cost US-listed high yield bond ETF and can potentially save investors 4.4% of starting principal compared to using the iShares iBoxx \$ High Yield Corporate Bond ETF (HYG) over a 10-year period<sup>1</sup>
- These savings are more than the average one-year return for high yield bonds over the past 10 years, illustrating how limiting the fee drag can potentially improve outcomes<sup>2</sup>
- By seeking to track a broader USD-denominated high yield corporate bond index (the ICE BofA US High Yield Index) with less stringent constraints than HYG's benchmark, SPHY has consistently provided investors higher income than HYG (see chart below)

### The Takeaway

An effective core allocation should provide investors broad coverage of an asset class at low costs. As 5 basis points, or around one tenth of HYG's expense ratio (0.49%), SPHY provides broader coverage of the USD-denominated high yield corporate debt market than HYG (1,903 issues versus 1,196),<sup>3</sup> making it a potentially better fit for a strategic along-term allocation to high yield corporate debt. SPHY's lower share price, around \$23, also make it easier for investors to gain exposures to high yield corporate debt no matter the account size.

### Chart of the Week

SPHY Historically Generated Higher Income than HYG



Source: Morningstar, as of 12/31/2023. 30-Day SEC Yield: an annualized yield that is calculated by dividing the investment income earned by the fund less expenses over the most recent 30-day period by the current maximum offering price. Since SPHY started tracking the ICE BofA US High Yield Index on April 1, 2019. Before that it seeks to track the ICE BofAML US Diversified Crossover Corporate Index

<sup>1</sup> Calculation by State Street Global Advisors. Assuming no change to the investment value and no other expenses. Cumulative expenses over 10 years will be 0.5% of starting principal for using SPHY, compared to 4.9% of starting principal for using HYG.

<sup>2</sup> Source: State Street Global Advisors, Morningstar, as of 12/31/2023. The average one-year return for high yield bonds is calculated based on Bloomberg High Yield Corporate Bond Index 10-year annualized return which is 4.52%.

<sup>3</sup> Source: Bloomberg Finance L.P. as of 02/01/2024

## Standard Performance

<u>Ticker</u>	<u>Name</u>	<u>YTD</u>	<u>Annualized</u>					<u>Inception Date</u>	<u>Gross Expense Ratio (%)</u>
			<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>Since Inception</u>		
SPHY	SPDR® Portfolio High Yield Bond ETF (NAV)	13.56	13.56	2.36	5.27	4.39	4.56	06/18/2012	0.05
SPHY	SPDR® Portfolio High Yield Bond ETF (MKT)	12.80	12.80	2.13	5.15	4.48	4.38		
HYG	iShares iBoxx \$ High Yield Corp Bd ETF (NAV)	12.41	12.41	1.23	4.29	3.49	4.75	04/04/2007	0.49
HYG	iShares iBoxx \$ High Yield Corp Bd ETF (MKT)	11.53	11.53	0.99	4.19	3.42	4.61		

Source: ssga.com, Morningstar, as of 12/31/2023. **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.

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### Investment Objective

**The SPDR® Portfolio High Yield Bond ETF** seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the ICE BofA US

High Yield Index. The Index is market capitalization weighted and is designed to measure the performance of U.S. dollar denominated below investment grade (commonly referred to as "junk") corporate debt publicly issued in the U.S. domestic market.

**The iShares iBoxx \$ High Yield Corporate Bond ETF** seeks to track the investment results of the Markit iBoxx USD Liquid High Yield Index. The index consists of liquid USD high yield bonds, selected to provide a balanced representation of the USD high yield corporate bond universe.

Investing involves risk including the risk of loss of principal.

In general, ETFs can be expected to move up or down in value with the value of the applicable index. Although ETF shares may be bought and sold on the exchange through any brokerage account, ETF shares are not individually redeemable from the Fund. Investors may acquire ETFs and tender them for redemption through the Fund in Creation Unit Aggregations only. Please see the prospectus for more details.

**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.

**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** invest by sampling the index, holding 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.

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Frequent trading of ETFs could significantly increase commissions and other costs such that they may offset any savings from low fees or costs.

Investing in **high yield fixed income securities**, otherwise known as "junk bonds", is considered speculative and involves greater risk of loss of principal and interest than investing in investment grade fixed income securities. These Lower-quality debt securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer.

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.

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