

## STATE STREET ETF SPOTLIGHT

# Ally with defense exposure - XAR

## The lead

- Recent geopolitical developments in South America, Greenland, and the Middle East underscore a broader pattern of rising global tensions and an increasing need for self-sufficiency in defense, prompting an acceleration of budgets around the world.
- The US defense budget is increasing by 15% year-over-year with a 2026 outlay of \$1.0 trillion dollars, reflecting broader global trends, including Germany's defense modernization initiative and Switzerland's proposal to raise Value-Added Tax (VAT) to fund military upgrades.<sup>1</sup>
- Given intensifying competition for global leadership, the aerospace and defense industry could potentially be entering a multi-year demand cycle.

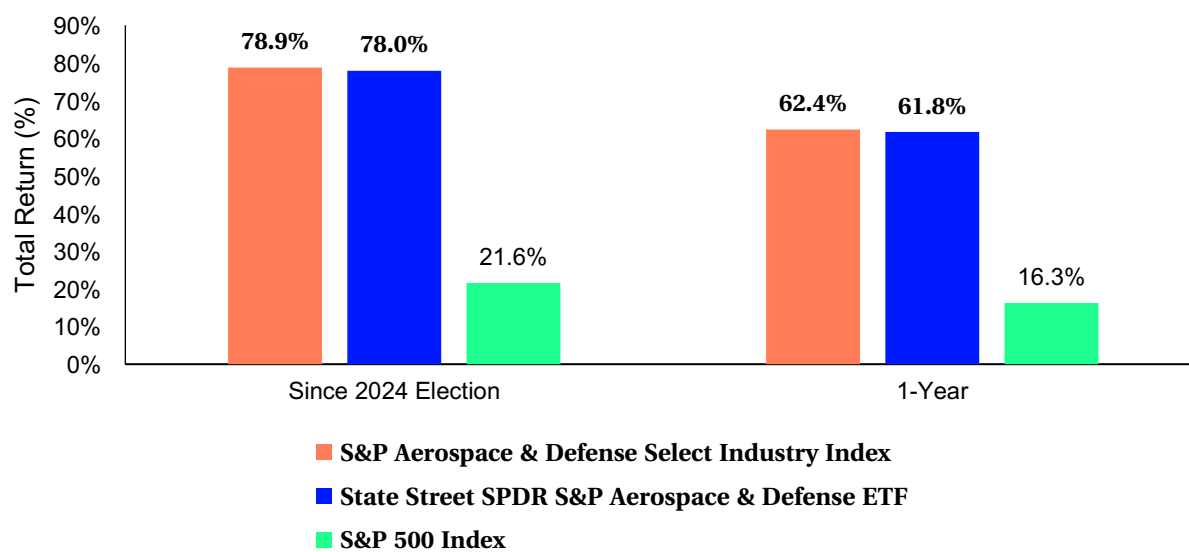
## The takeaway

During the last spurt in defense spending cycle between 2001 and 2011, the aerospace & defense industry posted stronger growth than the broad market for most years, even including the periods of two economic recessions. This resilience, supported by secular tailwinds, resulted in cumulative outperformance of 64% versus the broader market.<sup>2</sup>

The potential for increased defense spending, combined with an existing demand pipeline, supports industry earnings growth that outpaces the broader equity market. And price-to-book-valuations remain below long term medians, suggesting potential for further multiple expansion.<sup>3</sup> To position for the rise in defense spending, consider the State Street® SPDR® S&P® Aerospace & Defense ETF (XAR), rated 5-stars in the Morningstar overall rating category.<sup>4</sup>

## Chart of the week:

### Strong performance for XAR since 2024 election and over the trailing 1-Year



Source: Bloomberg Finance L.P., for the period: 11/04/2024 to 01/29/2026. **The performance data quoted represents past performance. Past performance does not guarantee future results.** Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable.

## Standard Performance

Ticker	Name	Annualized (%)						Inception Date	Gross Expense Ratio (%)
		YTD (%)	1-Year	3-Year	5-Year	10-Year	Since Inception		
XAR (NAV)	State Street® SPDR® S&P® Aerospace & Defense ETF	46.21	46.21	30.59	16.71	17.28	18.53	Sep 28 2011	0.35%
XAR (MKT)	State Street® SPDR® S&P® Aerospace & Defense ETF	46.23	46.23	30.59	16.73	17.29	18.53	-	
	S&P Aerospace & Defense Select Industry Index	46.79	46.79	31.05	17.10	17.69	18.95		
	S&P 500 Index	17.88	17.88	22.98	14.42	14.81	15.37		

Source: State Street Investment Management, Bloomberg Finance L.P., as of 12/31/2025. **The performance data quoted represents past performance. Past performance does not guarantee 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. All results are historical and assume the reinvestment of dividends and capital gains. Visit [www.ssga.com](http://www.ssga.com) for most recent month-end performance. Performance returns for periods of less than one year are not annualized. The performance figures contained herein are provided on a gross and net of fees basis. Gross of fees do not reflect and net of fees reflect the deduction of advisory or other fees which could reduce the return. The performance includes the reinvestment of dividends and other corporate earnings and is calculated in USD. 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 – Defense budget materials FY 2026 – Office of Under Secretary of War (Comptroller). “German cabinet passes 2025 draft budget with leap in defense spending”, Reuters June 2025; “Switzerland plans VAT increase for 10 years to revamp military”, Bloomberg Finance L.P., 01/28/2026

2 – Bloomberg Finance L.P., as of 01/29/2026, for the period 12/29/2000 to 12/30/2011. The industry is represented by the S&P Composite 1500 Aerospace & Defense industry and broad market is represented by the S&P Composite Total Return 1500 Index. **The performance data quoted represents past performance. Past performance does not guarantee future results**

3 - FactSet, as of December 30, 2025. for the past 15 years

4 – State Street Investment Management, Morningstar as of 01/30/2026

## Marketing Communication

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