STATE STREET ETFs SPOTLIGHT

Biotech comeback gains momentum– XBI

The lead

- Biopharma M&A activity has strengthened, reaching $138.9 billion across 113 deals in the first nine months of 2026, and has already surpassed the $122.1 billion record in 2025 [1]
- Earnings expectations are also recovering, with earnings projected to grow by 54% in 2027, up from the 6.5% decline seen through 2026, significantly outpacing the broader health care sector and S&P 500 [2]
- Despite a 36% gain over the past year, biotech valuations remain approximately 10% below their 10-year average, [3] offering a potential attractive entry point for investors seeking exposure to anticipated earnings recovery

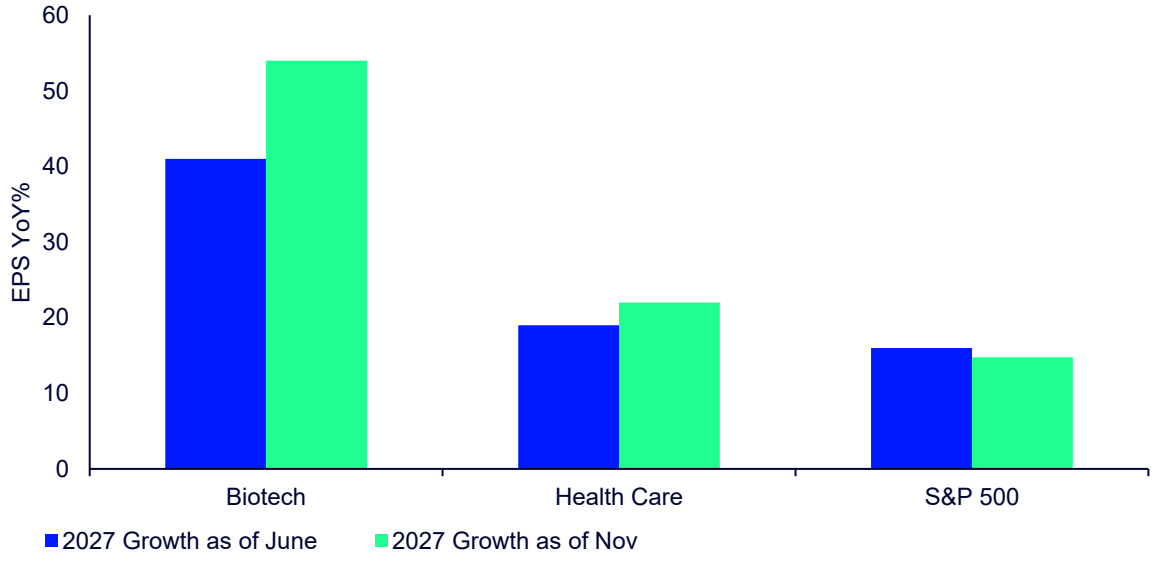
The takeaway

The investment case for biotechnology in 2027 rests on renewed M&A activity, earnings recovery, and constructive valuations. AI-driven drug discovery offers a separate, longer-term source of potential operating efficiency. Industry estimates suggest AI could lower drug-development costs by as much as 16%, shorten time-to-market by 6 to 18 months, and reduce early-stage R&D expenses by 25% to 60%. [4]

For investors seeking a targeted biotechnology allocation, the State Street® SPDR® S&P® Biotech ETF (XBI) provides industry exposure through a modified equal-weight approach. This methodology reduces the concentration in the largest companies relative to market cap weighted strategies, allowing greater exposure to the smaller players within the space.

Chart of the week

Biotech EPS growth expectations versus broad market



Bloomberg Finance L.P. as of November 6, 2026 based on the S&P 1500 Biotechnology Index, S&P 500 Health Care Index, and S&P 500 Index. **Performance data quoted represents past performance. Past performance does not guarantee future results**.

Standard Performance

			Annualized						
Ticker	**Name**	**YTD (%)**	**1-Year (%)**	**3-Year (%)**	**5-Year (%)**	**10-Year (%)**	**Since Inception (%)**	**Inception Date**	**Gross Expense Ratio (%)**
XBI (NAV)	State Street® SPDR® S&P® Biotech ETF	29.42	58.05	29.5	4.77	9.21	11.83	1/31/2006	0.35
XBI (MKT)	State Street® SPDR® S&P® Biotech ETF	29.43	58.1	29.52	4.77	9.2	11.83	-	-
Benchmark	S&P Biotechnology Select Industry Index	29.67	58.35	29.66	4.95	9.32	11.88	-	-
	S&P 500	12.75	15.74	22.89	13.79	15.33	10.95	-	-
	S&P 500 Health Care Sector GICS Level 1 Index	10.15	23.02	11.26	7.23	10.93	11.58	-	-

Source: State Street Investment Management, Bloomberg Finance L.P., as of 09/30/2026. **Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that the investor's shares, when redeemed, may be worth more or less than the original cost. All results assume the reinvestment of dividends and capital gains. Performance is shown net of any fees. Periods of less than one year are not annualized.** Visit statestreet.com/im 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. J.P. Morgan, Q3 2026 Biopharma Licensing and Venture Report, based on DealForma data as of September 30, 2025. M&A figures represent upfront transaction value.
2. Bloomberg Finance L.P. as of November 6, 2026 based on the S&P 1500 Biotechnology Index, S&P 500 Health Care Index, and S&P 500 Index. EPS YoY for S&P 500 Health Care Index = 22%,and for S&P 500 Index = 15%.
3. Bloomberg Finance L.P. as of November 6, 2026. Trailing one-year performance and enterprise value-to-sales ratio relative to its 10-year average, based on the S&P 1500 Biotechnology Index 2016-2026
4. Bloomberg Finance L.P. based on reports from Bloomberg Intelligence October 14, 2026, Citi Equity Research October 13, 2026 and Morgan Stnaley Equity Research June 2026

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