June 2021
FAQs

SPDR® ETF Expense Ratio Reductions

Background

What is happening?

On June 29, 2021, State Street Global Advisors reduced the total expense ratios (“TERs”) on two SPDR ETFs in our suite of low-cost SPDR Portfolio ETFs™. The SPDR Portfolio Aggregate Bond ETF (SPAB) and SPDR Portfolio Corporate Bond ETF (SPBO) now each have an expense ratio of just 3 basis points (bps).

Key Info

Impacted funds and TER changes

Ticker	Name	Previous TER (bps)	New TER (bps)
SPAB	SPDR Portfolio Aggregate Bond ETF	4	3
SPBO	SPDR Portfolio Corporate Bond ETF	6	3

Q & A

Why did State Street Global Advisors make these changes?

As a matter of good business practice, we are continually looking to identify improvements that will enhance the success of investors and ensure that our SPDR ETF offerings are well-positioned for long-term growth. We continuously evaluate our product lineup and pricing structure to ensure we are offering the best solutions for investors. These changes further represent State Street’s commitment to investors and their evolving need for reasonably priced ETFs.

Why consider investing in these SPDR ETFs?

SPAB

Aggregate bonds are widely viewed as a “core” bond allocation within portfolio construction. This asset class consists of government bonds including US Treasuries, investment grade (“IG”) corporate bonds, mortgage-backed securities, asset-backed securities, which have historically offered investors an adequate yield in exchange for relatively little credit risk due to its mix of bonds with explicit and implicit backing of the US government, as well as high quality corporate debt. Currently, aggregate bonds yield 1.45% and have a duration of 6.48 years.[1] In addition to generating income, aggregate bonds have also provided investors with diversification benefits against more volatile asset classes, such as US equities and high yield bonds, which may result in more defensive portfolios.[2]

SPBO

Owning broad maturity IG corporate bonds might benefit investors who seek higher income than aggregate bonds while maintaining a portfolio of high-quality debt. Relative to aggregate bonds, this asset class offers an incremental pick-up in yield (2.06% vs. 1.45%) in exchange for slightly longer duration and marginally higher credit risk.[3] (Note that all bonds must be investment grade rated for inclusion in SPBO's benchmark, so risk of default is generally lower than high yield debt.) Lastly, by including corporate bond issues with more than one year to maturity, SPBO's maturity distribution is generally more balanced, unlike some competitor funds which have a longer maturity threshold for bond inclusion.

With these fee reductions, how do the impacted SPDR ETFs compare against similar funds?

Aggregate Bond ETFs

Ticker	Name	TER (bps)
SPAB	**SPDR Portfolio Aggregate Bond ETF**	**3**
BND	Vanguard Total Bond Market Index ETF	3.5
AGG	iShares Core US Aggregate Bond ETF	4
SCHZ	Schwab US Aggregate Bond ETF	4

Corporate Bond ETFs

Ticker	Name	TER (bps)
SPBO	**SPDR Portfolio Corporate Bond ETF**	**3**
USIG	iShares Broad USD Investment Grade Corporate Bond ETF	4
VTC	Vanguard Total Corporate Bond ETF	5
LQD	iShares iBoxx $ Investment Grade Corporate Bond ETF	14

Source: Morningstar, as of June 29, 2021.

Endnotes

1 Source: Bloomberg Finance L.P., as of 06/14/2021. **Past performance is not indicative of future results.** Aggregate bonds represented as the Bloomberg Barclays US Aggregate Bond Index. Yield to worst used.

2 Source: Factset, as of 05/31/2021. **Past performance is not indicative of future results.** The Bloomberg Barclays US Aggregate Bond Index correlation to the S&P 500 Index and the Bloomberg Barclays US High Yield Index for the trailing 10-year period is -0.06 and 0.22, respectively.

3 Source: Bloomberg Finance L.P., as of 06/14/2021. **Past performance is not indicative of future results.** Corporate bonds and aggregate bonds represented as the Bloomberg Barclays US Corporate Bond Index and the Bloomberg Barclays US Aggregate Bond Index, respectively. Yield to worst used.

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Glossary

Bloomberg Barclays US Aggregate Bond Index A benchmark that provides a measure of the performance of the US-dollar-denominated investment grade bond market. The "Agg" includes investment-grade government bonds, investment-grade corporate bonds, mortgage pass through securities, commercial mortgage backed securities and asset backed securities that are publicly for sale in the US.

Yield to worst is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract without defaulting. It is a type of **yield** that is referenced when a bond has provisions that would allow the issuer to close it out before it matures.

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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.

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**.

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.

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State Street Global Advisors, One Iron Street, Boston, MA 02210-1641

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