

# SPDR® S&P® U.S. Dividend Aristocrats UCITS ETF (€ Hedged)

ETF DETAILS

Primary Ticker

**SPPD**

ISIN

**IE00B979GK47**

Total Expense Ratio

**0.40%**

Income Treatment

**DISTRIBUTING (QUARTERLY)**

Replication Method

**PHYSICAL (REPLICATED)**

Source: State Street Global Advisors, as of 31 May 2019.

Available in both unhedged and **now €-Hedged** share classes, the SPDR S&P U.S. Dividend Aristocrats UCITS ETF (which tracks the S&P High Yield Dividend Aristocrats Index) can offer quality income by investing in US equities that have **increased dividends every year for at least 20 consecutive years**. Historically, the index has demonstrated better absolute and risk-adjusted returns versus the S&P Composite 1500, in part by offering a higher average dividend yield, with lower drawdowns.<sup>1</sup>

## Why US Dividend Aristocrats?

- **Prepare for late-cycle volatility.** Investors may wish to focus on defensive equity strategies. While we expect global growth to slow in 2019, we feel that US equities may offer a pocket of opportunity given that economic and earnings growth remain strong there.
- **Focus on quality income.** The S&P Dividend Aristocrats strategies target companies with long-term dividend track records, ensuring that only the most financially sound, highest quality companies are included.
- **Protect against currency risk.** Investors worried about a weaker US dollar can potentially mitigate risk by investing in the newly launched €-Hedged share class.

INDEX CHARACTERISTICS

Index Ticker

**SPHYEDN**

Number of Constituents

**112**

Average Market Capitalisation

**USD 47,845MN**

Dividend Yield

**2.91%**

Price/Earnings

**18.62**

Estimated 3–5 Yr EPS Growth

**6.97%**

Price/Book Value

**2.54**

Base Currency

**EUR**

Weight of Top 10 Holdings

**16.84%**

Source: FactSet, State Street Global Advisors as of 31 May 2019.

## Why € Hedged?

- The Federal Reserve began forecasting a policy of interest rate normalisation in the beginning of 2015, followed by three years of rates hikes. The increase in interest rates helped drive up the cost of hedging dollar-denominated assets back to Euros, as evidenced by the spread between 1 month LIBOR and 1 month EURIBOR. Year to date, the bond market has reversed course and US yields are now projecting a rate cut by January 2020. This has led to a slight convergence in the yield spread, causing hedging costs to finally level, and even begin falling slightly.
- In 2018, as US markets were normalising, uncertainty in Europe was increasing, causing the Euro to fall against the dollar. Investors expecting this trend to reverse, a further convergence of rates coupled with a weakening US dollar, should consider a hedged exposure to US equities.

## Key Considerations: Exchange Rate and the Cost of Currency Hedging<sup>2</sup>



<sup>1</sup> Source: S&P Dow Jones Indices, State Street Global Advisors. Index performance based on gross total return in USD. Using monthly data from January 2000 to March 2019.

<sup>2</sup> Source: Bloomberg N.A., State Street Global Advisors as of 31 May 2019.

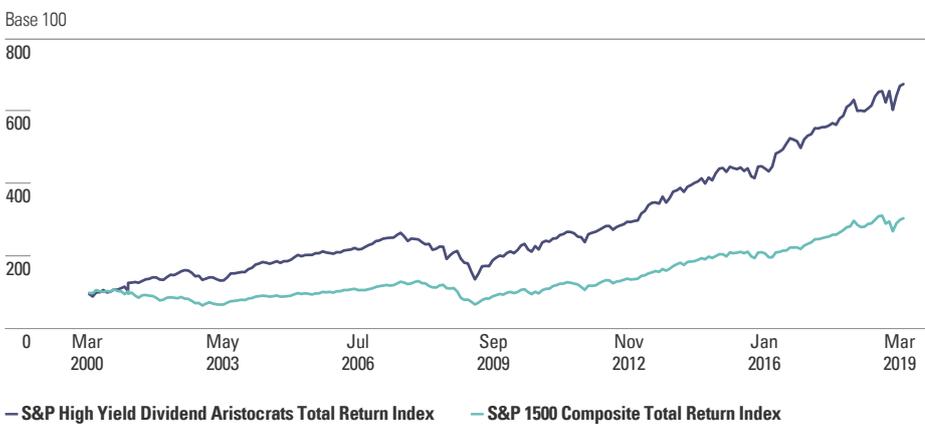
## Understanding the Index

The S&P High Yield Dividend Aristocrats (EUR Dynamic Hedged) Index targets US companies with a strong dividend-paying track record and dividend yield. It selects from the S&P Composite 1500, those companies which demonstrate quality by delivering an uninterrupted long term record of cash dividends. With 112 constituents, the index balances an objective of pursuing companies with a long dividend paying history with the requirement to generate dividends from a diversified source.

## Smart Beta: Dividend Aristocrats versus the Market

- **History of excess returns.** The S&P High Yield Dividend Aristocrats Index has outperformed the benchmark S&P 1500 Composite on both an absolute and risk-adjusted basis over all time periods (1, 3, 5, 10 and 15-year periods).
- **Demonstrated defensive characteristics.** In addition to have a lower maximum drawdown than the benchmark, the Dividend Aristocrats Index has outperformed in 75.61% of down markets, with an average excess return of 1.59% in those months.<sup>3</sup>

## Long-Term Performance of the US Dividend Aristocrats Index versus Benchmark<sup>4</sup>



<sup>3</sup> Source: Bloomberg NA, State Street Global Advisors. Using monthly data from January 2000 to March 2019.

<sup>4</sup> Source: Bloomberg NA, State Street Global Advisors as of 29 March 2019.

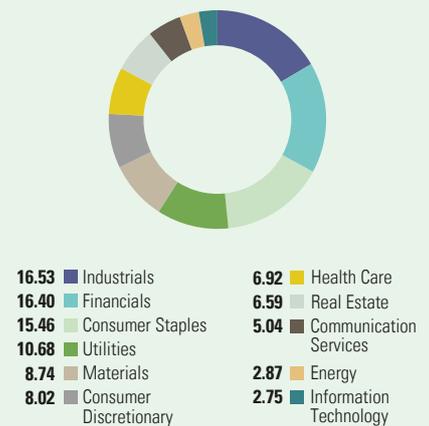
Past performance is no guarantee of future results. It is not possible to invest directly in an index. Index performance does not reflect charges and expenses associated with the fund or brokerage commissions associated with buying and selling a fund. Index performance is not meant to represent that of any particular fund. Characteristics shown in the document are as of date indicated and shouldn't be relied thereafter.

## Top 10 Fund Holdings (%)

Security	Weight (%)	GICS Sector
AT&T Inc.	2.51	Communication Services
AbbVie, Inc.	2.10	Health Care
IBM Corporation	1.63	Information Technology
Old Republic International Corporation	1.62	Financials
People's United Financial, Inc.	1.57	Financials
National Retail Properties, Inc.	1.52	Real Estate
Realty Income Corporation	1.52	Real Estate
Cardinal Health, Inc.	1.46	Health Care
Chevron Corporation	1.46	Energy
Consolidated Edison, Inc.	1.45	Utilities

Source: FactSet, State Street Global Advisors as of 31 May 2019.

## Index Sector Breakdown (%)



Source: FactSet, State Street Global Advisors as of 31 May 2019.

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In Europe, SPDR is the 2nd largest smart beta ETF provider with \$5.72B AUM<sup>5</sup>

- Since 2011, SPDR has offered an ETF tracking the S&P High Yield Dividend Aristocrats Index, which now has AUM of \$2.84 billion.
- Investment centres in Boston, London, Singapore, Sydney and Tokyo, allowing for 24-hour coverage.

## Scale and Heritage in Index Investing

- \$1.57 trillion in passive equity assets. State Street Global Advisors has managed passive equity mandates since 1978.
- 160+ dedicated equity indexing professionals across the firm. 30+ Traders and analysts offering 24-hour global coverage across 3 trading and investment hubs.
- Dedicated asset stewardship team with an emphasis on independent board research and portfolio engagement.

<sup>5</sup> Source: Bloomberg NA, State Street Global Advisors as of 29 March 2019.

## Fund Details

Fund Name	SPDR S&P U.S. Dividend Aristocrats EUR Hdg UCITS ETF (Dist)
ISIN	IE00B979GK47
Share Class Currency	EUR
Primary Ticker (Xetra)	SPPD (EUR)
TER (%)	0.40
Index Name	S&P High Yield Dividend Aristocrats EUR Dynamic Hedged Index
Index Tickers	SPHYDEDN
No. of Index Constituents	112
Portfolio Construction	Physical — Replicated
Income Treatment	Distributing — Quarterly
Dealing Models Available	Cash/In Specie
Cash Subscription	Yes
Initial Offer Price	EUR 7

Source: State Street Global Advisors, as of 31 May 2019.

## For more information, please contact your local SPDR representative.

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