

Bond Compass

A Tale of Two Feds

Q1
2024

04 **Investor Sentiment —
Flows and Holdings**

09 **PriceStats®**

13 **Q1 Investment Outlook**



A Leader in Fixed Income Index Investing

\$585

billion in fixed
income assets

The Scale to Specialise

- State Street Global Advisors' global scale enables our portfolio managers, traders and investment strategists to be sector specialists and based in their geographic markets
- Our dedicated capital markets teams provide 24-hour coverage across global markets, offering enhanced liquidity and cost-efficient* trading strategies
- Entrusted with \$585 billion in fixed income assets, managing 30+ currencies across 40 different countries**

27

years of
bond index
investing
experience

Proven Track Record

- 27 years of bond index investing — our first fixed income index fund launched in 1996
- Manage more than 100 fixed income index strategies, providing choice for investors
- More than 100 fixed income professionals dedicated to conducting research, managing risks and costs, and supporting our clients

100+

fixed income index
strategies

Innovative Solutions for Bond Investors

- Comprehensive range of cost-effective* ETFs
- Offering access to government and corporate bonds across the yield curve, using a consistent index methodology

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

** State Street Global Advisors, as of 31 December 2023.

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Investor Sentiment — Flows and Holdings

A snapshot of global fixed income flows, holdings and valuations, based on data provided by State Street Global Markets.*

* The fixed income flows and holdings indicators produced by State Street Global Markets, the investment, research and trading division of State Street Corporation, are based on aggregated and anonymised custody data provided to it by State Street, in its role as custodian. State Street Global Advisors does not have access to the underlying custody data used to produce the indicators.

Fixed Income Flows and Holdings

This data captures behavioral trends across tens of thousands of portfolios and is estimated to capture just over 10% of outstanding fixed income securities globally.

Hope and Fear Greet the New Year

The fourth quarter was a microcosm of what the fixed income market experienced all year. From a rates perspective, we saw US 10-year yields cross above 5% for the first time since the Global Financial Crisis (GFC). However, unlike the prior surge in yields during this tightening cycle, the bond sell-off did not occur at the hands of the Federal Reserve (Fed), which last hiked rates over the summer.

With inflation expectations mostly stable since the summer, as goods disinflation became more widespread, the sell-off at the start of the quarter was driven instead by rising real yields and term premiums. The litany of causes given for the rise in risk premiums includes inflation volatility, unsustainable debt issuance, and less foreign demand for Treasuries. Both the Fed and Treasury expressed concern over the rapid surge in real yields, with the Fed choosing to skip additional rate hikes and the Treasury adjusting its issuance structure to relieve pressure on long end yields.

Reversal in Yields

Just as quickly as these concerns became more widespread, a few positive economic data points and a dovish shift from the Fed caused a violent reversal in yields. Fed communication was particularly capricious as it seemed to drop its tightening bias on the view that higher long yields were a substitute for additional rate hikes. Better-than-expected inflation and jobs data solidified its view that it had tightened enough, with the December meeting minutes revealing that rate cut discussions had begun.

This was all investors needed to hear; the market started to price a more aggressive rate cut schedule in 2024, with the first cut expected in March. So, while the Fed is signaling three cuts in 2024, the market expects double that amount, with the funds rate falling below 4% by year end.

Institutional investor behavior generally stood its ground in 2023, with strong sovereign debt flows despite the widespread rise in global yields. Despite the aggressive buying, particularly in US Treasuries, these investors fell further behind their benchmarked positioning as portfolio losses piled up.

The rapid reversal toward a lower yield regime at the end of the year also reversed this underweight, as positioning is now well above benchmarks across much of the developed markets. Treasuries moved from a near bottom quartile position (duration weighted) to a top decile in Q4, even as strong flows continued in the 95th percentile.

And while the year-end rally has lifted all risk assets, investors appear hesitant to fully embrace this trend, with credit flows and positioning still lagging and investor behavior around euro periphery debt showing a bifurcated approach to adding risk.

Q1 2024

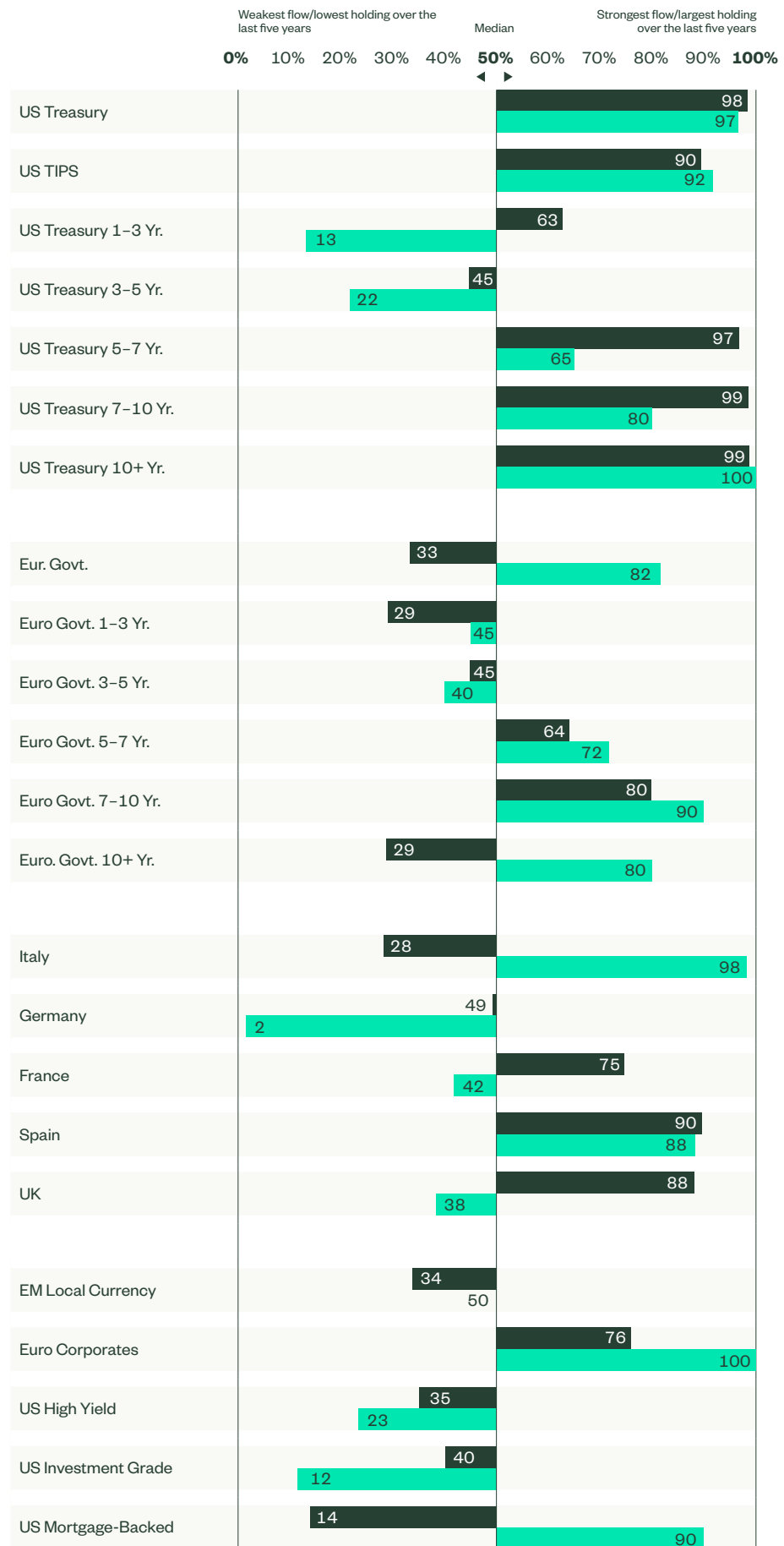
Flows & Holdings

Flows

Holdings

These metrics are generated from regression analysis based on aggregated and anonymous flow data in order to better capture investor preference and to ensure the safeguarding of client confidentiality. The figures are shown as percentiles, expressing the flows and holdings over the last quarter, relative to the last five years. The benefit of this approach is that it provides perspective on the size of flows and holdings compared to their historical trends, whereas a single, dollar figure provides less context.

For more information please visit globalmarkets.statestreet.com



Source: State Street Global Markets, as of December 31, 2023. Flows and holdings are as of indicated date. They should not be relied upon thereafter.

All in for Treasurys

The expectation that the Fed was ready to cut rates sparked the biggest year-end bond rally since the GFC, with Treasurys leading the way. So, despite the high drama that engulfed the bond market all year, Treasurys finished 2023 where they started, with 2-year yields at 4.25% and 10-year rates at 3.85%.

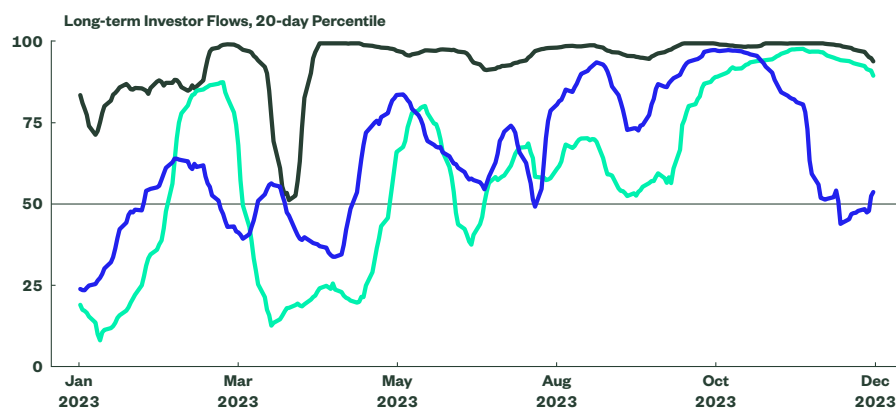
The rally also left the inverted curve near where it started 2023, signaling some continued recessionary risks. Meanwhile, the rally in duration vindicates real money's steady buying for the better part of last year.

Our indicators of primary market demand have improved dramatically since the start of Q4, tempering concerns over demand for Treasury issuance. And, institutional investors seem less concerned with buying inflation hedges, as demand in Treasury Inflation-Protected Securities (TIPS) has fallen to neutral.

Investor behavior confirms the positive signal that the Fed likely is ready to start the rate cutting cycle, after 500+ basis points (bps) of rate hikes over the past two years have brought inflation under control.

Investors Suddenly Less Interested in Inflation Hedges

■ Treasury Demand
■ Treasury Primary (At Auction)
■ US TIPS



Source: State Street Global Markets, December 31, 2023.

Equally Balanced Corporates

For the better part of last year, institutional investors favored investment-grade bonds over riskier high yield bonds. This is no surprise since recessionary risk remained high for the better part of 2023. Even the 310 bps of extra yield for high yield bonds couldn't drive stronger flows into the asset class.

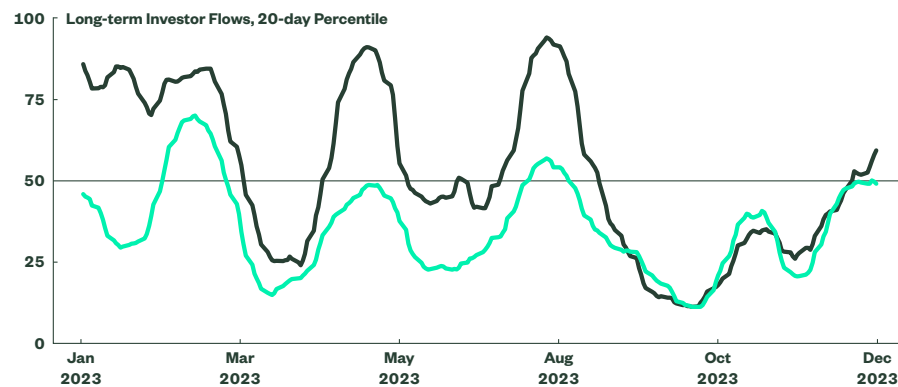
In fact, inflows for all corporate bonds bottomed out near their lowest levels in five years in October, just as real yields and term premiums in the Treasury market surged to 10+ year highs.

The "everything" risk rally over the past several months extended to corporate bonds, as both investment-grade and high yield reported their strongest annual gains since the start of the pandemic. This rally has pushed overall corporate spreads back to levels last seen before the start of the Fed's tightening cycle. And inflows have improved alongside recent gains, although neutral activity in both high yield and investment-grade shows buying is just near benchmarks.

Notably, with both credit categories now moving in tandem, the risk of recession is receding but not yet gone.

Credit Moving in Tandem Means Reduced Recession Risk

Investment-grade
High Yield



Source: State Street Global Markets, December 31, 2023.

Cash Was King in 2023

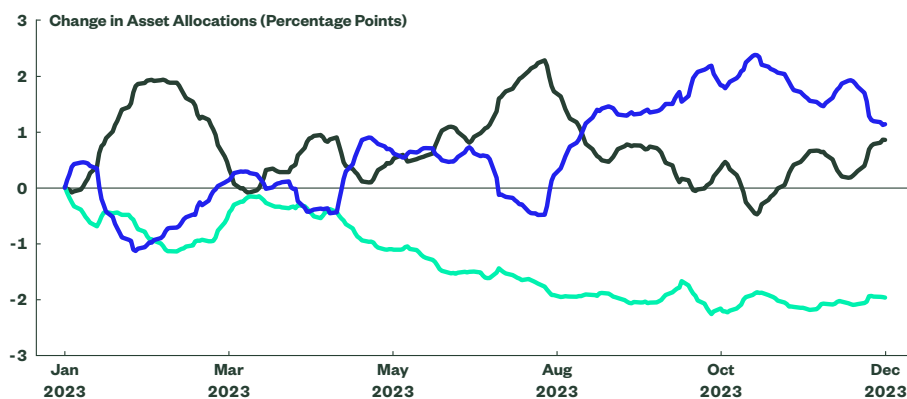
The debate on the value of the 60/40 portfolio has been in full force during this tightening cycle, as fixed income not only failed to provide its typical safety hedge but was among the worst performing asset classes at various risk-off periods.

Investor behavior reflects these concerns; the overall allocation to fixed income fell two percentage points (pp) over the course of 2023 and now stands at 28.3% versus the 30.8% longer-term average. Cash allocations were the clear beneficiary of these losses. Gaining 1.2 pp over the course of 2023, cash now accounts for 20% of total asset allocation, 1.3 pp above longer-term averages.

Equity allocations were in between these two extremes, gaining 0.8 pp over the course of the year and finishing 1.3 pp above their 50.5% long-term average. With relatively strong fixed income inflows going into year end, investors were clearly trying to close this underweight, which should remain supported as long as rate cut expectations remain a broad market theme for the coming quarters.

Cash Allocations Increased in 2023

Stocks
Bonds
Cash



Source: State Street Global Markets, December 31, 2023.

Quarterly measure of inflation based on prices from millions of items sold by online retailers, helping investors anticipate and evaluate the impact of inflation.

PriceStats® provides high-frequency measures of inflation and real exchange rates drawn from prices on millions of items sold by online retailers. This real-time pulse of global economic trends helps investors anticipate and evaluate the impact of inflation, including the impact on monetary policy and the degree of exchange rate misalignments.

This information is available on a daily basis from State Street Global Markets: globalmarkets.statestreet.com.

Inflation Progress Seems Sustainable

The global rally in risk assets at the end of 2023 was driven by the perceived willingness of central banks to start the normalization process.

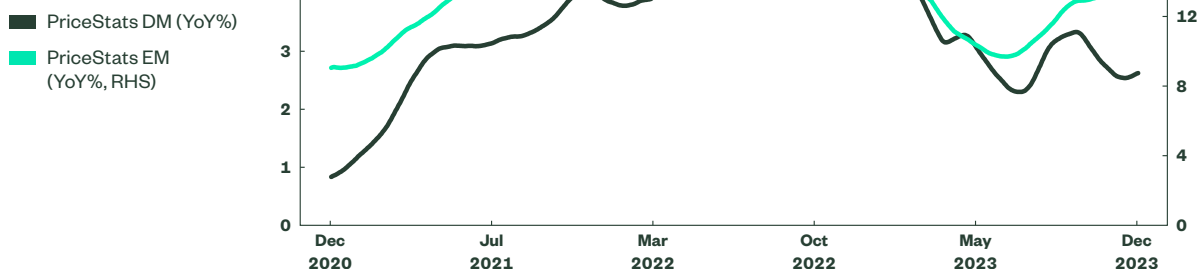
In turn, the more persistent disinflationary trend that emerged in the fall gave credibility to the pivot. And while we have had false dawns in the inflation fight over the past year, moderating economic data and outright contracting growth in various countries suggest that slowing price gains are sustainable this time.

Developed and Emerging Market Inflation Diverge

Remaining vigilant in the inflation battle, central banks seem content to wait and see how data evolves. They also have not signaled the imminent start of rate cuts. From this perspective, recent PriceStats trends for both developed markets (DM) and emerging markets (EM) bear watching.

DM prices appear to be settling at levels still above targets, supporting a higher-for-longer policy, which many large central banks continue to espouse. In contrast, EM inflation is accelerating again, with food and fuel at least partially to blame for recent increases. Risk assets have moved together during the year-end rally, so any emerging divergence in inflation trends will affect these strongly correlated returns.

DM Inflation Moderates as EM Inflation Accelerates



Source: State Street Global Markets, PriceStats, December 31, 2023.

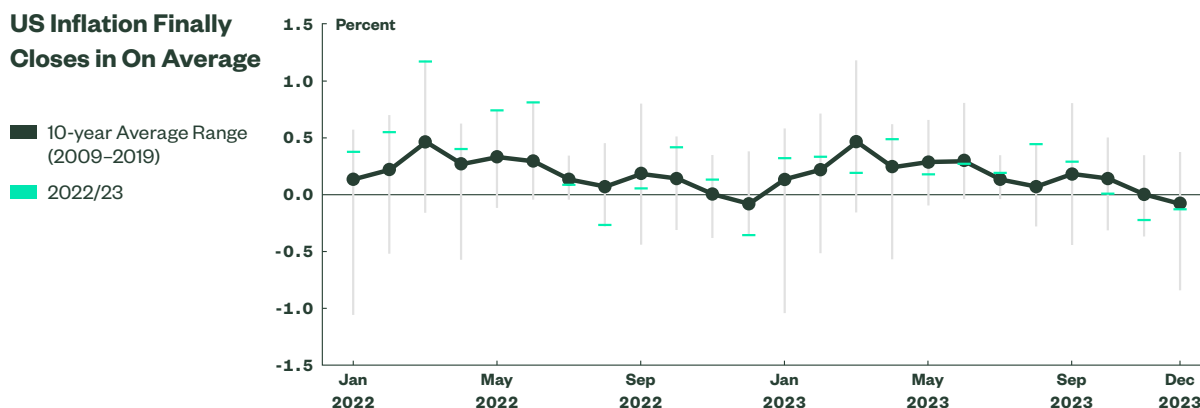
US Inflation Close to Average

Goods deflation has been an important component in compressing US inflation toward Fed targets. The latest core CPI reading came in as expected, with a monthly reading of 0.3%. The largest contributor to recent inflation gains has been deflating core goods prices, which have posted six consecutive monthly declines.

The few remaining inflation hawks will cite ongoing concerns with services inflation, which is still at levels inconsistent with the Fed's price stability goals. PriceStats has signaled deflationary goods trends for the past few months, with overall readings below longer-term monthly averages. The weaker prints at the start of the Q4 were worth watching as they may have signaled an earlier start to holiday discounting, which may prove temporary if overall consumer spending remained robust.

As 2023 ended, these same deflationary trends continued to make their way through the data, with PriceStats recording a -14 basis point (bps) decline for December, close to 10-year averages. Returning to averages is still a positive sign for the FOMC, although rate cut expectations may need a continuation of the below average levels we have seen over the past few months, particularly if services inflation shows continued stickiness.

US Inflation Finally Closes in On Average



Source: PriceStats, State Street Global Markets, December 31, 2023.

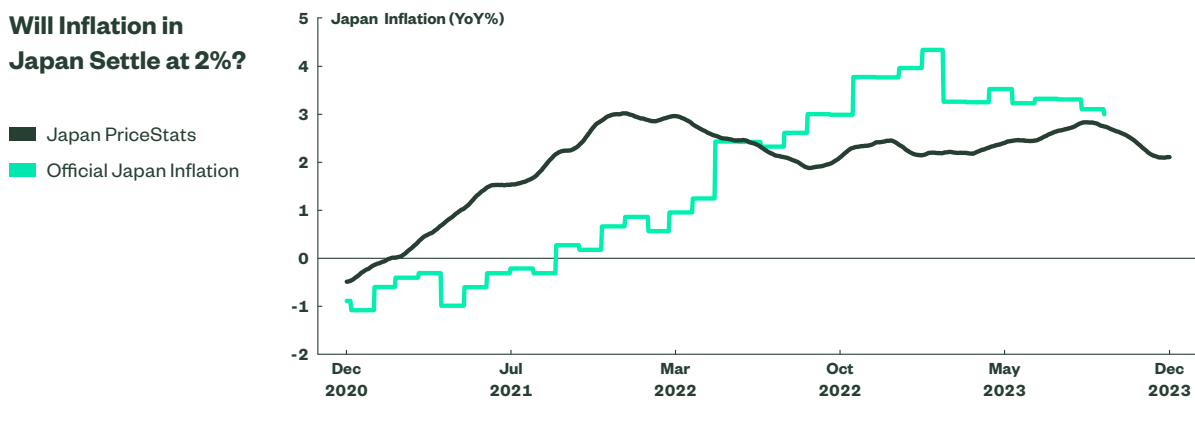
BOJ's Contrarian Approach to Inflation

The Bank of Japan (BOJ) has been the only major central bank to stay on the sidelines, maintaining a stimulative policy as the rest of the world embarked on the most aggressive tightening campaign in modern financial history.

At the crux of Japan's contrarian approach has been its decades-long battle with deflation. As global inflation took hold, prices in Japan also trended higher, consistently printing above the 2% threshold for the first time in more than four decades. This encouraged the BOJ to take a baby step in removing stimulus by raising its yield curve control targets, but stopping short of raising policy rates.

Recent inflation trends may ultimately validate the BOJ's patience, as PriceStats data for Japan have trended back down toward 2% over the past quarter. For a country that has long struggled with deflation, price stability around 2% would be one of the few positive accomplishments to emerge post-pandemic.

Will Inflation in Japan Settle at 2%?



Source: PriceStats, State Street Global Markets, December 31, 2023.

Q1 Investment Outlook

State Street Global Advisors has identified the key considerations for investors in the coming quarter, and how markets can be navigated using SPDR ETFs.

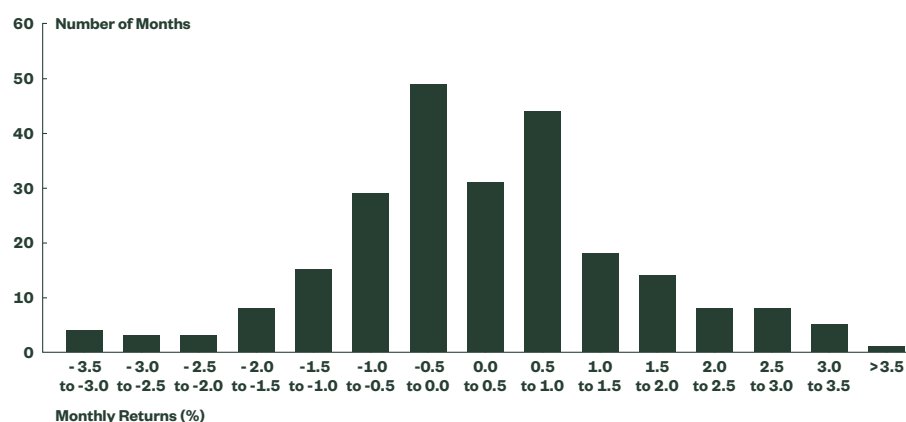
Investment Theme #1

Catch the Yield While You Can

- **The substantial year-end rally has left US Treasuries looking a little exposed until falling inflation validates current market pricing. Short-end US investment grade exposures still have a strong yield-to-duration trade-off. They are less exposed to issuance risk or the rebuild of term premium in the curve.**

It was a wild ride for bond investors in 2023 but the year finished with a happy ending (for longs at least). Returns for the Bloomberg US Treasury Total Return Index were 3.47% in November and 3.37% in December, which ranks them as the highest and third strongest monthly returns since November 2008. The distribution of returns illustrated in Figure 1 underlines how extraordinary this performance was with only half a dozen months since the end of 2003 having registered monthly returns in excess of 3%. Given this spectacular rally in fixed income and the fact that the markets price 150 bps of cuts from the Fed in 2024, it is difficult to see the rally extending too much further during the early part of 2024.

Figure 1
**Distribution of
Monthly Returns
From the Bloomberg
US Treasury Total
Return Index**



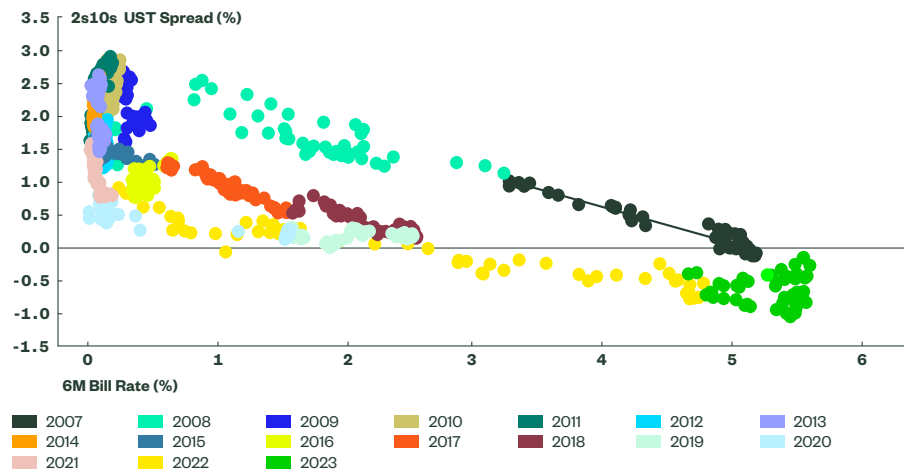
Source: State Street Global Advisors as of 29 December 2023. Covers 20 years of monthly data. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable.

That is not to say that the outlook for Treasuries is bearish. Fed Chairman Powell has conceded that the next move in central bank rates is likely to be lower, meaning sentiment towards the Treasury market should remain positive. Ultimately, there will need to be further evidence that price pressures are easing in order to validate current market pricing and engineer the next leg lower in yields. Until that happens, market participants are likely to buy into any meaningful sell-offs, leaving the market well supported. In addition, the start of the year will most likely see cash coming into the market.

There are also several risks to navigate. Issuance pressures are likely to remain high. US government borrowing needs remain elevated, meaning, with the Fed running its balance sheet down, domestic investors are going to have to take down significant amounts of Treasury supply. In addition, the sudden drop in yields and credit spread compression is likely to precipitate a wave of corporate issuance early in 2024 as companies rush to lock in better funding levels.

There are also risks that term premium continues to rebuild as the Fed runs down its balance sheet. As can be seen from Figure 2, which shows the 2-to-10-year Treasury slope regressed against the 6-month US Treasury Bill rate, the process of the market demanding a greater term premium got underway in 2023. The curve steepness has moved away from the regime seen post the Global Financial Crisis and back towards the levels seen in 2007/2008 prior to central bank intervention. That said, the process is not yet complete with a regression over the 2007–2008 regime indicating that, at current levels of the 6M bill rate, the 2s10s spread should be close to flat.

Figure 2
**2-year to 10-year
 Spread Versus
 Six Month Rate**
 Curve Steepening Back
 Towards 2007–2008
 Levels Implies the
 Gradual Return of
 Term Premium



Source: State Street Global Advisors, as of 29 December 2023.

Focus on US Short-end, Investment Grade Credit

Overall, given current yield levels and curve shape, making the most of the higher yields available at the front end of the curve may continue to make sense. Opting for investment grade (IG) credit over Treasuries would provide some additional pick-up with a yield-to-worst for the Bloomberg US Corporate 0–3 Year index of 5.29% versus 4.31% for the Bloomberg US Treasury: 1–3 Year Index. Focusing on the front end means the yield also exceeds the 5.06% available from the Bloomberg US Corporate Bond index. Additionally, while IG credit spreads have tightened, they are relatively less tight at the front end than further out along the IG curve. They are also less extended than US High Yield spreads.¹

Lastly, there is a lower level of duration risk in short dated exposures which, when combined with the yield on offer, points to a high breakeven rate for the strategy of 3.9%. In other words, market yields would have to rise by 390 bps before the price losses on the index offset the annual yield, giving investors some confidence that they can ride-out any Q1 rates volatility.

How to Play This Theme

[SPDR® Bloomberg 0–3 Year U.S. Corporate Bond UCITS ETF \(Dist\)](#)

[SPDR® Bloomberg 1–3 Year U.S. Treasury Bond UCITS ETF \(Dist\)](#)

1 All yield and spread numbers as at 29 December 2023. The option-adjusted spread (OAS) on the Bloomberg US Corporate 0–3 Year Index was 5 bps tighter than its 5-year average, or 0.14 standard deviations. For the Bloomberg US Corporate Index it was 24 bps tight or 0.74 deviations and for the Bloomberg US High Yield Index it was 102 bps or 0.90 deviations.

Investment Theme #2

Benefitting From a Soft Landing

- **The Fed still has the ability to engineer a soft landing and this could continue to support some of the less mainstream elements of the bond market. Notably, emerging market debt can benefit from Fed policy easing as it allows local central banks to follow suit and cut rates. The crossover rating, mid-to-small-caps profile of convertibles coupled with a still relatively low delta should help convertibles.**

State Street Global Advisors' central view, as detailed in the [Global Market Outlook \(GMO\)](#), is that the Fed will manage to engineer a soft landing for the US economy. While the Fed is expected to have to cut rates by a substantial 150 bps, this is viewed as a way of normalising real rates as inflation falls back. This should create a positive backdrop for fixed income markets.

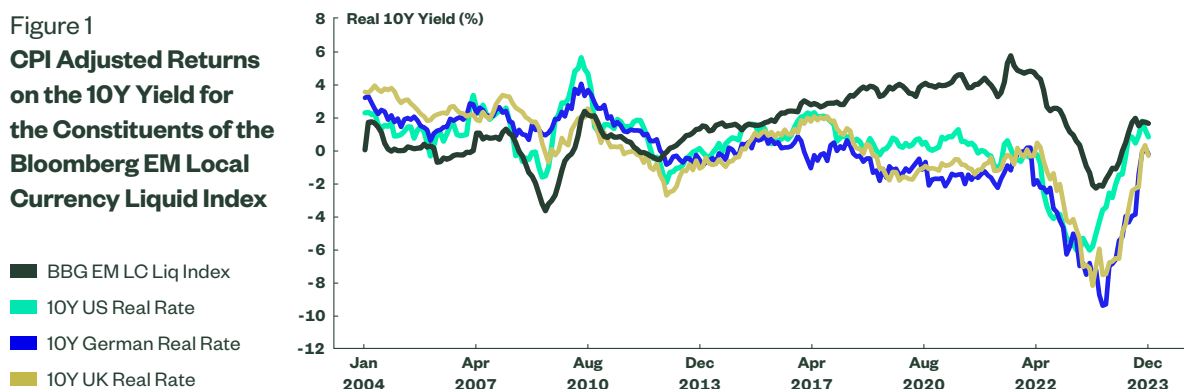
As long as the US economy does not completely stall, emerging market (EM) debt and convertible bonds are two strategies that performed well towards the end of 2023 and could continue to do well in 2024.

Emerging Market Debt, Real Returns

The Bloomberg EM Local Currency Liquid Index returned 11.34% in 2023,¹ with gains heavily concentrated over the last two months of the year. The turn in the Fed's rate cycle weakened the USD and allowed local currency bonds to rally, as higher EM exchange rates should allow EM central banks to resume their rate cutting cycles. The USD still looks over-valued against EM FX² but, given the degree to which US rate cuts are priced in, the USD could be volatile during Q1. However, unless the USD rallies sharply, market perceptions should coalesce around the view that the easing cycle for EM central banks can resume given still tight monetary policy.

While the PriceStats alludes to the risks that inflation may prove sticky in EM countries, it is also fair to say that real rates are high. Figure 1 shows the average of the 10-year local currency bond yields for the countries within the Bloomberg EM Local Currency Liquid Index deflated by their domestic headline CPI rates. This shows an average weighted inflation adjusted return of 1.6%. This compares favourably with developed markets where the equivalent US real rate is 77 bps and for Germany is -28 bps.

Figure 1
CPI Adjusted Returns on the 10Y Yield for the Constituents of the Bloomberg EM Local Currency Liquid Index



Source: State Street Global Advisors, as of 29 December 2023. 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.

This is significant for two reasons. Firstly, positive real returns are important for investors and these are now back above the 20-year average for this index. Secondly, it provides an indication that monetary conditions are restrictive, which could give some comfort to central banks that policy is bearing down on domestically generated price pressures.

Convertible Bonds Benefit From Twin Supports

The Refinitiv Qualified Global Convertible Index returned 13.25% in 2023,³ as the turn in the Fed rate cycle coincided with the year-end equity rally. This makes sense in the context that expectations of falling central bank rates should benefit the bond element of convertibles, while the prospect that the economy slows but does not contract should support investor risk appetite.

Returns were also strong in 2019 when the US rate cycle turned and there are several factors that play to the view that convertible bonds can continue to do well.

- The small/mid-cap profile of issuers, which accounts for circa 35%–40% of the Refinitiv Qualified Global Convertible Index, is higher than most global equity indices and should allow for gains to continue as rates fall, as long as there is no meaningful recession. The profile of issuers in the index is also skewed towards technology (28.9%) and communication services (15.1%), which allows it to participate in the still burgeoning AI theme.
- Valuations remain balanced with the Refinitiv Qualified Global Convertible Bond Index delta standing at around 44 at the end of December. This is up from 35 as of end October but remains a balanced profile: historically, performance over the following 12 months has been positive, on average, when deltas have been in this range.
- The short duration, potential equity upside and a crossover credit profile can benefit if the economic backdrop favours risk assets. However, in a hard landing scenario the relatively balanced profile and still low bond floor (around 16% as of 29 December 2023) can act as a protection for broad allocation portfolios.

There are some risks from new issuance. This is expected to increase from approximately USD 80B in 2023 to USD 90–100B in 2024 given a significant portion of pandemic-era deals are nearing maturity. Their profile means convertible bonds are uniquely qualified to help borrowers trim interest expenses. Additional supply is a broad market risk but can also offer opportunities for interesting deals.

How to Play This Theme

[SPDR® Bloomberg Emerging Markets Local Bond UCITS ETF \(Dist\)](#)

[SPDR® Bloomberg Emerging Markets Local Bond USD Base CCY Hdg to EUR UCITS ETF \(Acc\)](#)

[SPDR® Refinitiv Global Convertible Bond UCITS ETF \(Dist\)](#)

[SPDR® Refinitiv Global Convertible Bond EUR Hdg UCITS ETF \(Acc\)](#)

1 Bloomberg Finance L.P., as of 29 December 2023. Returns in USD.

2 Based on the long-term model of value run by State Street Global Advisors, as at the end of December 2023 the USD was 10% rich versus the basket of currencies that make up the Bloomberg EM Local Currency Liquid Index.

3 Bloomberg Finance L.P., as of 29 December 2023. Returns in USD.

Investment Theme #3

Sticking to a Barbell Strategy

- **European fixed income markets can continue to benefit from weak growth and falling inflation, which means taking on some duration. Focusing on the front of the investment grade (IG) credit curve for yield with long-end government exposure to add duration and convexity continues to appeal.**

The final quarter of 2023 was a strong one for European fixed income markets, with the decline in inflation against a backdrop of weak growth causing the market to start pricing in cuts for both the European Central Bank (ECB) and the Bank of England (BoE). In addition, credit spreads tightened in both the IG and high-yield markets as well as in the government space where 10Y Italian BTP spreads to the German Bund contracted by around 30 bps.

A theme from the Q4 2023 Bond Compass was to approach European bond markets through a barbell structure, using short maturity IG credit as a way to boost portfolio yield while adding duration risk through long-end government bonds. This worked well, as duration risk was broadly aligned with the all curve government exposure — but returns for the quarter were around 8 bps higher in euros and 45 bps greater in GBP portfolios compared to returns from the all curve government index. The outperformance was even more marked versus all curve IG credit funds.¹

Staying the Course

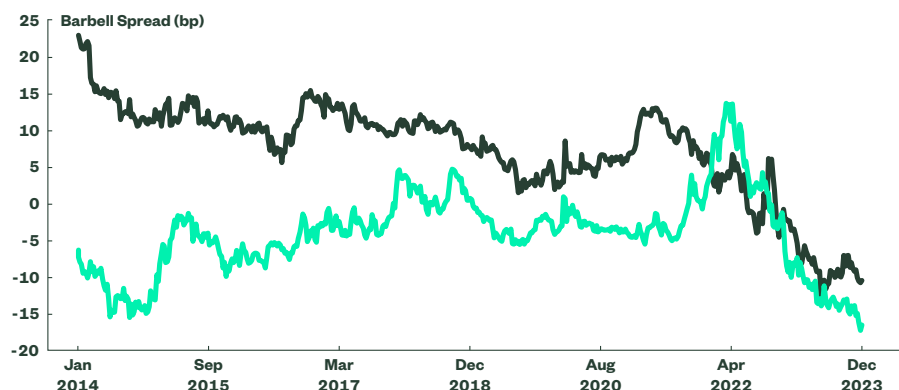
The weakness of the economic data in both the Euro region and UK suggests a real chance that European central banks may be forced into a more dovish positioning. This means being neutral to long duration. However, maintaining this barbell structure for portfolios rather than owning all curve exposure makes sense for several reasons.

- The ‘belly’ or middle part of the curve continues to look expensive. Figure 1 shows the barbell of the yield of the all curve exposure less half of the yield of the short and long ends of the government curves. Both look close to the lower end of the 10-year range, suggesting that the middle part of the curve is expensive.

Figure 1

The Richness of the All Curve Exposure to the Extremes of the Curve

■ UK Barbell
■ EUR Barbell



Source: Bloomberg Finance L.P., as of 29 December 2023. Barbells: UK yield on the Bloomberg Sterling Gilts Index less 50% of the yield on the Bloomberg GBP Corp 0–5 Year Index and 50% Bloomberg UK Gilt 15+ Index; EUR yield on the Bloomberg Euro Agg Treasury Index less 50% of the yield on the Bloomberg Euro Agg 1–3 Year Index and 50% Bloomberg Euro Agg Treasury 10+ Year Index.

- There are risks to the belly of the curve from heavy supply at the start of year and from the return of market 'term premium'. While the rebuild of term premium is also a risk for the long end of the curve, historical analysis of the curve shape suggests there are greater risks for the belly. Along the German curve, the last time front-end yields were at similar levels was in 2008. A plot of the 10Y to 30Y slope against the 2Y rate suggests that if the curve was to revert to a shape similar to what was seen in 2008, then the 10s30s slope needs to steepen a further 34 bps from end of 2023 levels. Undertaking a similar analysis for the 2Y to 10Y part of the curve versus the 1Y rate suggests a steepening of over 110 bps is required. This is only a rough approximation of the term premium that may be expected if the ECB continues to unwind its balance sheet, but it highlights the more extreme risks of steepening along the first 10 years of the curve as opposed to in the longer maturities.
- Structuring a fixed income portfolio as a barbell results in a greater level of convexity than you get if you have exposure to the whole curve.² Given the desirable properties of convexity — most notably that a more convex bond sees faster price increases than a less convex one (assuming durations are equal) for the same decline in yields — it makes sense to maximise convexity in an environment where yields are expected to decline.

How to Play This Theme

[SPDR® Bloomberg 0–3 Year Euro Corporate Bond UCITS ETF \(Dist\)](#)

[SPDR® Bloomberg 10+ Year Euro Government Bond UCITS ETF \(Dist\)](#)

[SPDR® Bloomberg 0–5 Year Sterling Corporate Bond UCITS ETF \(Dist\)](#)

[SPDR Bloomberg 15+ Year Gilt UCITS ETF \(Dist\)](#)

1 Bloomberg Finance L.P., as of 29 December 2023. Using index returns for 29 September to 29 December 2023, the euro portfolio (57% Bloomberg EUR Corp 0-3Y Index + 43% Bloomberg Euro Agg Treasury 10+ Year Index) would have returned 7.27% against 7.19% for the Bloomberg Euro Agg Treasury Index and 5.52% for the Bloomberg Euro Agg Corporate Index. The GBP portfolio (52% Bloomberg GBP Corp 0–5 Year Index + 48% Bloomberg UK Gilt 15+ Index) would have returned 9.02% against 8.57% for the Bloomberg Sterling Gilts Index or 8.53% for the Bloomberg Sterling Corporate Index.

2 The weights referenced in the Q4 2023 Bond Compass resulted in a 32% increase in the convexity of the EUR portfolio and 17% for the GBP portfolio.

Important Information

Marketing Communication. Information Classification: General Access.

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For qualified investors according to Article 10(3) and (3ter) of the Swiss Collective Investment Schemes Act ("CISA") and its implementing ordinance, at the exclusion of qualified investors with an opting-out pursuant to Art. 5(1) of the Swiss Federal Law on Financial Services ("FinSA") and without any portfolio management or advisory relationship with a financial intermediary pursuant to Article 10(3ter) CISA ("Excluded Qualified Investors") only.**

For Investors in Austria

The offering of SPDR ETFs by the Company has been notified to the Financial Markets Authority (FMA) in accordance with section 139 of the Austrian Investment Funds Act. Prospective investors may obtain the current sales Prospectus, the articles of incorporation, the KID as well as the latest annual and semi-annual report free of charge from State Street Global Advisors Europe Limited, Branch in Germany, Brienner Strasse 59, D-80333 Munich. T: +49 (0)89-55878-400. F: +49 (0)89-55878-440.

For Investors in Finland

The offering of funds by the Companies has been notified to the Financial Supervision Authority in accordance with Section 127 of the Act on Common Funds (29.1.1999/48) and by virtue of confirmation from the Financial Supervision Authority the Companies may publicly distribute their Shares in Finland. Certain information and documents that the Companies must publish in Ireland pursuant to applicable Irish law are translated into Finnish and are available for Finnish investors by contacting State Street Custodial Services (Ireland) Limited, 78 Sir John Rogerson's Quay, Dublin 2, Ireland.

For Investors in France

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For Investors in Germany

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Ireland Entity

State Street Global Advisors Europe Limited is regulated by the Central Bank of Ireland. Registered office address 78 Sir John Rogerson's Quay, Dublin 2. Registered Number: 49934. T: +353 (0)1 776 3000. F: +353 (0)1 776 3300.

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The Companies have been notified to the Commission de Surveillance du Secteur Financier in Luxembourg in order to market their shares for sale to the public in Luxembourg and the Companies are notified Undertakings in Collective Investment for Transferable Securities (UCITS).

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ID1946519-6038467.41.EMEA.INST
0124 Exp. Date 30/04/2024