

SPDR Spotlight

Defense Leads to Offense – XAR

The Lead

- As threat perceptions dramatically shifted following the start of the Russian-Ukraine war, NATO defense spending increased by roughly 9% last year – and is expected to grow another 14% in 2024¹ (see chart below)
- Additionally, the potential for wider conflict in the Middle East, as well as the intensifying tensions between the US and China related to the Taiwan Strait, incentivizes even higher US defense spending – topic received bipartisan support on the campaign trail
- Given the increasingly fragmented geopolitical landscape, secular growth in global defense spending may present potential tailwinds for defense stocks

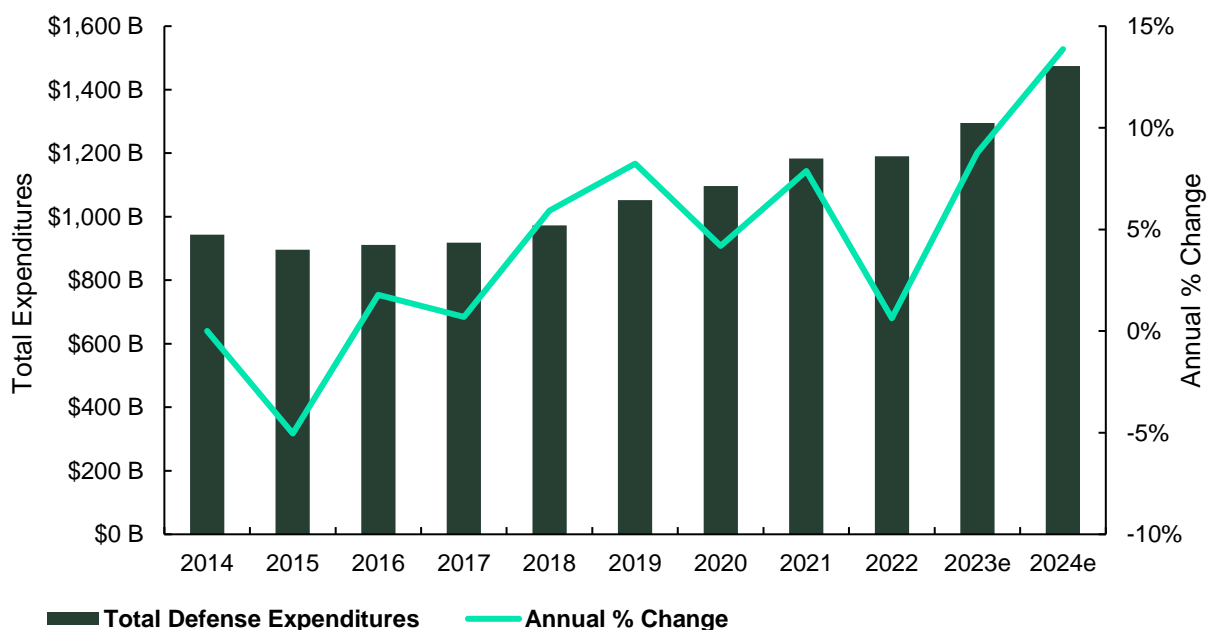
The Takeaway

Although the Aerospace & Defense industry underperformed broad US Equities by more than 10% in the first half of 2024, it has outperformed by more than 6% since June.² And, historically, defense stocks have outperformed the S&P 500 Index in nine out of the last ten elections by an average of 9% since 1984.³

Given the industry’s recent turn in performance, alongside heightened geopolitical tensions in an election year, the industry may have a near-term tailwind to close out 2024. To capture the secular increase in defense spending as well as the potential geopolitical tailwinds, consider the [SPDR® S&P® Aerospace & Defense ETF \(XAR\)](#) – a modified equal weighted strategy providing exposure across the industry’s entire market cap spectrum, all the while mitigating stock specific risks.

Chart of the Week

NATO Members
Defense
Expenditure Trends
(Nominal)



NATO, as of June 12, 2024. Figures for 2023 and 2024 are estimates.

Standard Performance

Ticker	Name	QTD	YTD	Annualized					Since Inception	Inception Date	Gross Expense Ratio (%)
				1 Year	3 Year	5 Year	10 Year				
XAR (NAV)	SPDR S&P Aerospace & Defense ETF	12.58%	16.71%	41.27%	10.26%	8.75%	13.20%	16.53%	Sep 28, 2011	0.35	
XAR (MKT)	SPDR S&P Aerospace & Defense ETF	12.61%	16.70%	41.24%	10.28%	8.75%	13.19%	16.53%			

Source: ssga.com as of 09/30/2024. **Performance returns for periods of less than one year are not annualized. Past performance is not a reliable indicator of future performance. 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 ssga.com 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.

1 NATO, as of 06/12//2024. Figures for 2023 and 2024 are estimates.

2 Bloomberg Finance L.P., as of 10/10/2024. Aerospace & Defense industry represented by the S&P Aerospace & Defense Select Industry Index. US Equities represented by the S&P 1500 Composite Index. **Past performance is not a reliable indicator of future performance.**

3 Bloomberg Finance L.P., for the period between 1/1/1984 and 12/31/2020. Defense stocks = Lockheed Martin Corp (LMT), General Dynamics Corp (GD), RTX Corp (RTX), Boeing Co/The (BA), Northrop Grumman Corp (NOC), L3Harris Technologies Inc (LHX), and Huntington Ingalls Industries Inc (HII).

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Marketing Communication

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