

SPDR Spotlight

Conducive Weather for Convertibles - CWB

The Lead

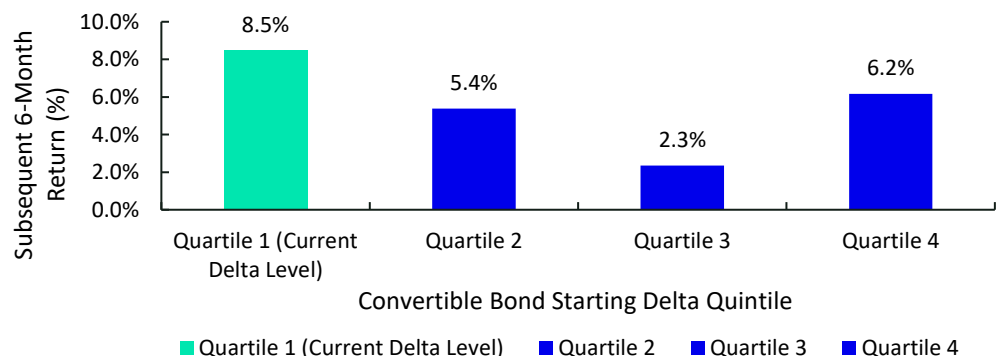
- The rationale for credit risk is supported by economic growth, earnings growth, and positive ratings momentum which coupled with low equity volatility provides a conducive environment for convertible bonds that may provide alpha opportunities with low correlation to traditional bond markets, while also allowing potential participation in the ongoing equity rally
- While equity valuations are stretched (P/E's are 33% above average),¹ convertibles trade with a more balanced profile as their delta to the underlying equities is 23% below its historical average,² showing a potential attractive entry point (as per the chart below)
- Nearly 45% exposure within the [SPDR Bloomberg Convertible Securities ETF \(CWB\)](#) is allocated to the three sectors outperforming the broader market YTD³ – yet the fund has exhibited 38% lesser volatility than the S&P 500 this year⁴

The Takeaway

The low delta on convertibles comes with a higher than average premium. A delta of 47 (Quartile 1) and a high conversion premium to parity indicate convertibles are trading in a balanced range - neither overly equity sensitive nor bond-like.⁵ Historical average delta of convertibles is 61,⁶ while the delta of pure equity sensitive convertibles is in the 70's, indicating the broader convertible market may have potential upside if the equity market remains well behaved. Additionally, based on historical data, the starting delta level has a 'smile' pattern relationship with subsequent 6-month return (as per the chart below), indicating a potential for strong returns if the relationship holds. The issuance trend is also supportive, as the \$47 billion in primary market volumes this year is only five billion behind full-year figure of 2023.⁷ This is likely to be the highest issuance since 2021 indicating investor demand and market confidence, as firms turn to alternative forms of financing operations amid elevated rates. Altogether, trends for these hybrid securities are conducive for investors willing to express a differentiated form of credit risk with equity sensitivity.

Chart of the Week

Starting Delta Levels Show 'Smile' Relationship with Subsequent 6-Month Return



Source: Bloomberg Finance L.P., Period: 5/1/2009 – 6/28/2024. Convertible Bond = Bloomberg U.S. Convertibles Liquid Bond Index. **Past performance is not a reliable indicator of future performance.**

Standard Performance

Ticker	Name	1 Mo (%)	YTD (%)	Annualized					Inception Date	Gross Exp Ratio (%)
				1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)		
CWB (NAV)	SPDR® Bloomberg Convertible Securities ETF	0.96	0.85	5.32	-3.96	8.98	8.04	10.47	4/14/2009	0.40
CWB (MKT)	SPDR® Bloomberg Convertible Securities ETF	0.69	0.64	4.95	-4.03	8.93	7.97	10.45	-	0.40

Source: ssga.com, as of 6/28/2024.

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.

Footnotes

- 1- Bloomberg Finance L.P., as of 6/28/2024, based on the S&P 500 price-to-earnings-ratio (P/E).
- 2- Bloomberg Finance L.P., Period: 5/1/2009 – 6/28/2024. Convertible Bond (Convertibles) = Bloomberg U.S. Convertibles Liquid Bond Index.
- 3- Bloomberg Finance L.P., Period 1/1/2024 – 7/3/2024. Outperforming Sectors: Information Technology, Communication Services and Financials. Broader Market = S&P 500 Index. **Past performance is not a reliable indicator of future performance.**
- 4- Bloomberg Finance L.P., Period 1/1/2024 – 7/3/2024. **Past performance is not a reliable indicator of future performance.**
- 5- Bloomberg Finance L.P., As of: 6/28/2024.
- 6- Bloomberg Finance L.P., Period: 5/1/2009 – 6/28/2024.
- 7- Barclays, June 30, 2024

ssga.com

Marketing Communication

For Investment Professional Use Only/For Qualified Investor Use Only

Important Risk Information

Investing involves risk including the risk of loss of principal.

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without SSGA's express written consent.

The views expressed in this material are the views of SPDR Americas Research through the period ended July 8, 2024 and are subject to change based on market and other conditions. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

All information is from SSGA unless otherwise noted and has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor.

Passively managed funds invest by sampling the index, holding 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.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs net asset value. Brokerage

commissions and ETF expenses will reduce returns.

Convertible securities generally provide yields higher than the underlying stocks, but generally lower than comparable non-convertible securities, in exchange for limited upside potential.

Issuers of convertible securities may not be as financially strong as those issuing securities with higher credit ratings and may be more vulnerable to changes in the economy. Other risks associated with convertible bond investments include: Call risk which is the risk that bond issuers may repay securities with higher coupon or interest rates before the security's maturity date; liquidity risk which is the risk that certain types of investments may not be possible to sell the investment at any particular time or at an acceptable price; and investments in derivatives, which can be more sensitive to sudden fluctuations in interest rates or market prices, potential illiquidity of the markets, as well as potential loss of principal.

Bond funds contain interest rate risk (as interest rates rise bond prices usually fall); the risk of issuer default; issuer credit risk; liquidity risk; and inflation risk. There are additional risks for funds that invest in mortgage-backed and asset-backed securities including the risk of issuer default; credit risk and inflation risk.

The Fund is classified as "diversified" under the Investment Company Act of 1940, as amended (the "1940 Act"); however, the Fund may become "non-diversified," as defined under the 1940 Act, solely as a result of tracking the Index (e.g., changes in weightings of one or more component securities). When the Fund is non-diversified, it may invest a relatively high percentage of its assets in a limited number of issuers.

The information contained in this communication is not a research recommendation or 'investment research' and is classified as a 'Marketing Communication' in accordance with the Markets in Financial Instruments Directive (2014/65/EU) or applicable Swiss regulation. This means that this marketing communication (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research (b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This communication is directed at professional clients this includes eligible counterparties as defined by the appropriate regulator who are deemed

both knowledgeable and experienced in matters relating to investments. The products and services to which this communication relates are only available to such persons and persons of any other description (including retail clients) should not rely on this communication.

No action has been taken or will be taken in Israel that would permit a public offering of the Securities or distribution of this sales brochure to the public in Israel. This sales brochure has not been approved by the Israel Securities Authority (the 'ISA').

Accordingly, the Securities shall only be sold in Israel to an investor of the type listed in the First Schedule to the Israeli Securities Law, 1978, which has confirmed in writing that it falls within one of the categories listed therein (accompanied by external confirmation where this is required under ISA guidelines), that it is aware of the implications of being considered such an investor and consents thereto, and further that the Securities are being purchased for its own account and not for the purpose of re-sale or distribution.

This sales brochure may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent.

Nothing in this sales brochure should be considered investment advice or investment marketing as defined in the Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 1995 ("the Investment Advice Law"). Investors are encouraged to seek competent investment advice from a locally licensed investment advisor prior to making any investment. State Street is not licensed under the Investment Advice Law, nor does it carry the insurance as required of a licensee thereunder.

This sales brochure does not constitute an offer to sell or solicitation of an offer to buy any securities other than the Securities offered hereby, nor does it constitute an offer to sell to or solicitation of an offer to buy from any person or persons in any state or other jurisdiction in which such offer or solicitation would be unlawful, or in which the person making such offer or solicitation is not qualified to do so, or to a person or persons to whom it is unlawful to make such offer or solicitation.

United Kingdom: State Street Global Advisors Limited. Authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No. 2509928. VAT No. 5776591 81. Registered office: 20 Churchill Place, Canary Wharf, London,

E14 5HJ. T: 020 3395 6000. F: 020 3395 6350.

Intellectual Property Information:

The S&P 500® Index is a product of S&P Dow Jones Indices LLC or its affiliates ("S&P DJI") and have been licensed for use by State Street Global Advisors. S&P®, SPDR®, S&P 500®, US 500 and the 500 are trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones") and has been licensed for use by S&P Dow Jones Indices; and these trademarks have been licensed for use by S&P DJI and sublicensed for certain purposes by State Street Global Advisors. The fund is not sponsored, endorsed, sold or promoted by S&P DJI, Dow Jones, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of these indices.

The trademarks and service marks referenced herein are the property of their respective owners. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data and have no liability for damages of any kind relating to the use of such data. "

Distributor State Street Global Advisors Funds Distributors, LLC, member FINRA, SIPC, an indirect wholly owned subsidiary of State Street Corporation. References to State Street may include State Street Corporation and its affiliates. Certain State Street affiliates provide services and receive fees from the SPDR ETFs.

Before investing, consider the funds' investment objectives, risks, charges and expenses. To obtain a prospectus or summary prospectus which contains this and other information, call 1-866-787-2257 or visit www.ssga.com. Read it carefully.

Not FDIC Insured • No Bank Guarantee • May Lose Value.

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

©2024 State Street Corporation. All Rights Reserved.

Expiration Date: 10/31/2024 1973422.321.2.GBL.INST

Information Classification: Limited Access