

SPDR Spotlight

A Different View on Capital Markets - KCE

The Lead

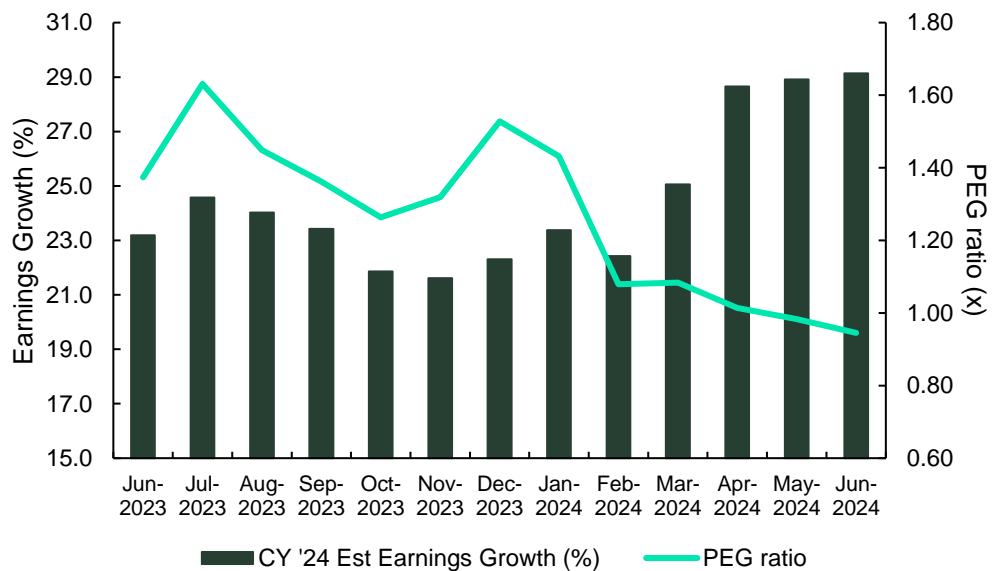
- After reaching 10-year lows last year, M&A and IPO activities have seen a revival so far in 2024,¹ a trend expected to persist throughout the year thanks to growing confidence and pent up demand among CEOs and investors²
- Combined with strong asset flows and record-high household wealth, it may create tailwinds for growth in the capital markets industry which is expected to grow earnings at 29.1% rate this year compared to 10.2% for the broad market³
- Despite recent strong performance and improving growth prospects (see chart below), the industry valuations remain constructive with FY1 PEG ratio sitting at the bottom 24th percentile over the last 10 years, indicating growth at reasonable valuations⁴

The Takeaway

As investor confidence has improved, US funds have recorded the third largest inflow in ten years over the past 12 months⁵ and personal spending on financial services increased by 8.8%, outpacing the increase in overall consumer spending.⁶ Furthermore, revived M&A and IPO activity should boost investment banking revenues. To position for those tailwinds in the capital market industry, consider the [SPDR® S&P® Capital Markets ETF \(KCE\)](#) which provides broad exposure to US capital markets companies with 79% of its assets allocated to asset management and investment banking firms.⁷

Chart of the Week

Despite improving growth prospects, Capital Markets industry valuations remain constructive



Source: FactSet, as of 6/12/2024.

Standard Performance

Ticker	Name	YTD (%)	Annualized				Since Inception (%)	Inception Date	Gross Expense Ratio (%)
			1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)			
KCE (NAV)	SPDR® S&P® Capital Markets ETF	8.95	35.77	11.78	18.38	10.93	6.40	11/8/2005	0.35
KCE (MKT)	SPDR® S&P® Capital Markets ETF	8.90	35.76	11.74	18.37	10.92	6.39	-	-

Source: ssga.com, as of 3/31/2024.

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 6/13/2024

² White & Case, *Turning the tide: Global IPOs look for a rebound in 2024*, April 2024; PwC, *Global M&A industry trends: 2024 outlook*, January 2024

³ FactSet, as of 6/12/2024. Capital market companies represented by the SPDR S&P Capital Markets ETF (KCE).

⁴ Bloomberg Finance L.P., FactSet, as of 6/12/2024. KCE's trailing 1 Year Total Return = 33.08%.

⁵ Morningstar, as of 4/30/2024. US-Domiciled MFs, ETFs, and MM Funds. Flows data for the trailing 12-month periods ending 4/30/2024.

⁶ Bureau of Economic Analysis, as of 4/30/2024

⁷ Bloomberg Finance L.P., as of 5/31/2024. Allocation to GICS Asset Management & Custody Banks and Investment Banking & Brokerage Sub-Industries.

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Marketing Communication

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