



STATE STREET GLOBAL ADVISORS
SPDR® ETFs
Fixed Income Chart Pack
Q2 2020

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SPDR[®] ETFs Fixed Income Chart Pack

**Charts for the Latest Bond Market Insights and Analytics
Q2 2020**

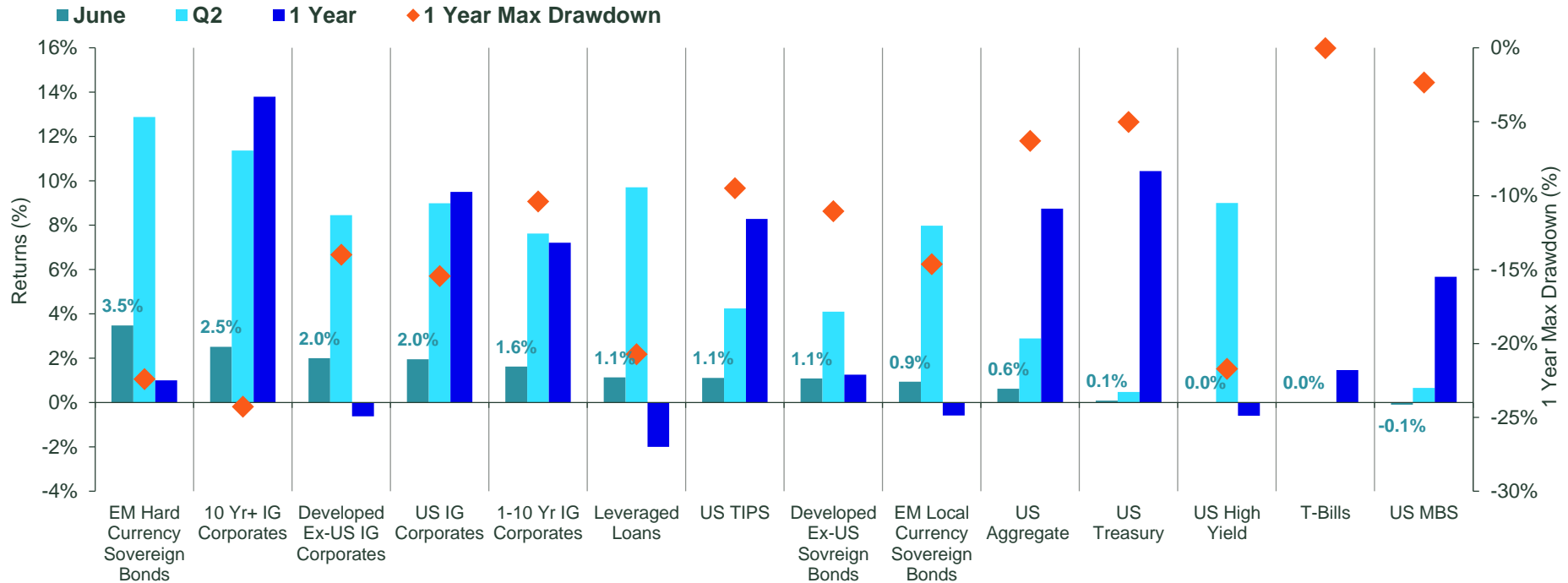
Please see Appendix A for more information on investment terms used in this Chart Pack.

Bond Market Performance

Given the supportive monetary policies, credit, and more risk-on oriented bond exposures, performed strongly in June as well as in Q2

Bond Sector Performance

TIPS outperformed nominals in June, their third month in a row of strong performance

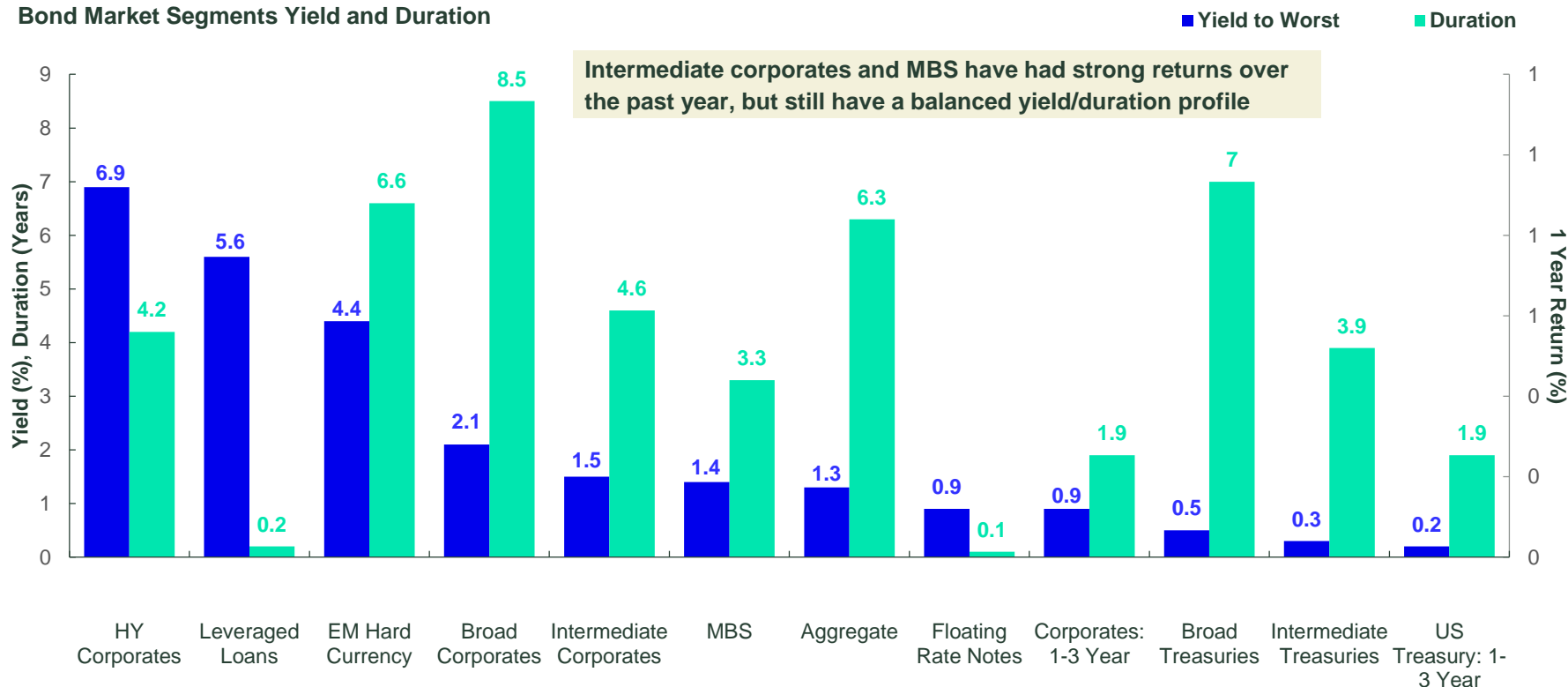


Source: Bloomberg Finance, L.P. As of June 30, 2020. **Past performance is not a guarantee of future results.** T-bills - Bloomberg Barclays U.S. Tr Bills: 1-3 Months Index, US Aggregate - Bloomberg Barclays US Agg Index, US Treasury - Bloomberg Barclays US Treasury Index, US TIPS - Bloomberg Barclays Global Inflation-Linked: U.S. TIPS Index, US MBS - Bloomberg Barclays US MBS Index, US IG Corporates - Bloomberg Barclays US Corporate Index, 1-10 YR IG Corporates - Bloomberg Barclays Intermediate Corporate Index, 10Yr+ IG Corporates - Bloomberg Barclays Long U.S. Corporate Index, US High Yield - Bloomberg Barclays VLI: High Yield Index, Leveraged Loans - S&P/LSTA Leveraged Loan Index, Developed Ex-US IG Corporates - Bloomberg Barclays Global Agg Corporate ex USD \$1B+ Index, Developed Ex-US Sovereign Bonds - Bloomberg Barclays Global Treasury ex-U.S. Index, EM Hard Currency Sovereign Bonds - J.P. Morgan EMBI Global Core Index, EM Local Sovereign Bonds - Bloomberg Barclays EM Local Currency Govt Diversified Index

Bond Market Yield and Duration

Longer duration sectors have performed well over the past year, but the strong performance has eroded any potential yield in this current market

Bond Market Segments Yield and Duration



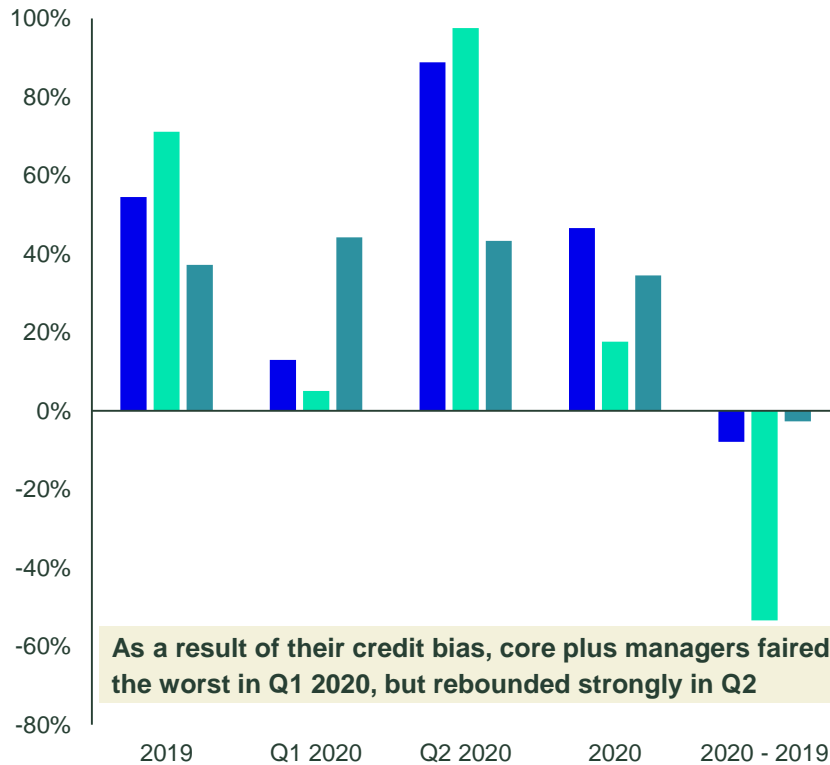
Source: Bloomberg Finance, L.P. as of June 30, 2020. **Past performance is not a guarantee of future results.** Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Performance returns for periods of less than one year are not annualized. Intermediate Treasuries: Bloomberg Barclays Intermediate Treasury Index, US Treasury: 1-3 Year: Bloomberg Barclays U.S. Treasury 1-3 Year Index, Broad Treasuries: Bloomberg Barclays US Treasury Index, Corporates: 1-3 Year: Bloomberg Barclays US Corporate 1-3 Year Index, Aggregate: Bloomberg Barclays US Agg Index, MBS: Bloomberg Barclays US MBS Index, Intermediate Corporates: Bloomberg Barclays Intermediate Corporate Index, Floating Rate Notes: Bloomberg Barclays FRN < 5yr Index, Broad Corporates: Bloomberg Barclays US Corporate Index, HY Corporates: Bloomberg Barclays US Corporate High Yield Index

Active Performance Barometer

Active fixed income managers, contrary to historical trends, have had poor performance in 2020 – but did rebound in Q2

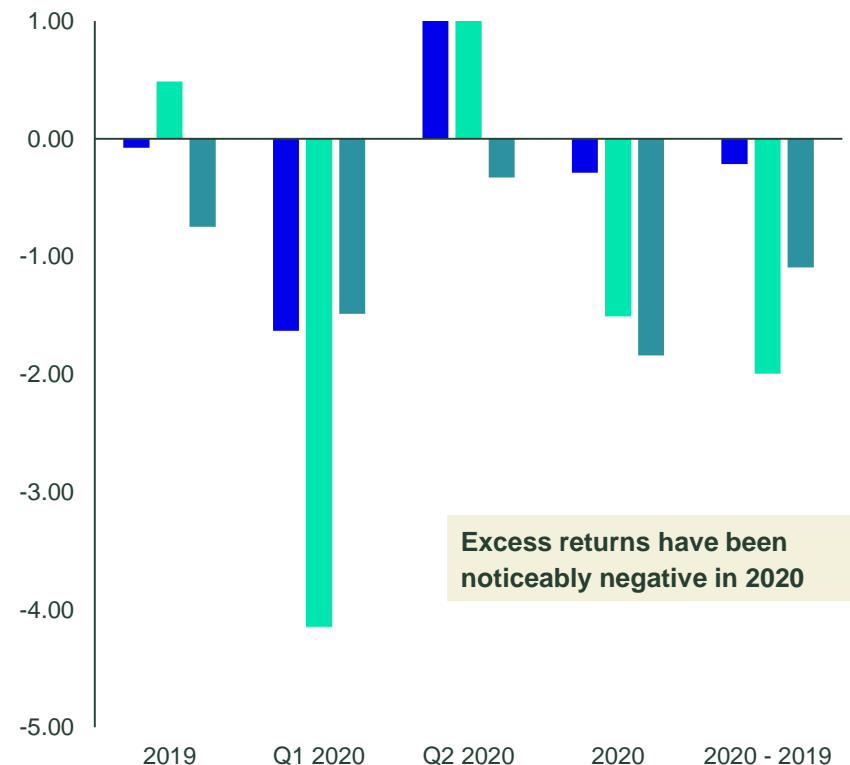
Percent of Managers Outperforming Prospectus Benchmark

■ Intermediate Core Bond ■ Intermediate Core Plus Bond ■ HY Bond



Average Manager Excess Return versus Prospectus Benchmark

■ Intermediate Core Bond ■ Intermediate Core Plus Bond ■ HY Bond



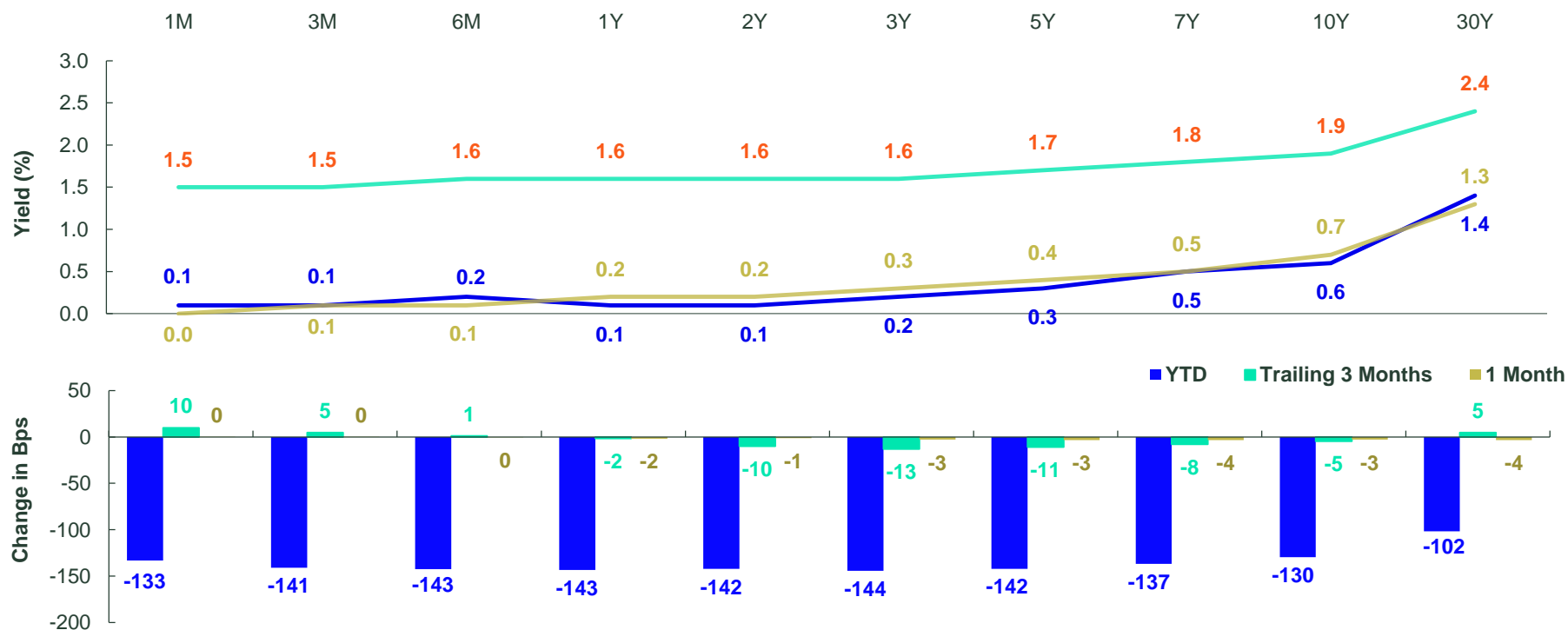
Source: Morningstar as of June 30, 2020. Past performance is not a guarantee of future results.

Yield Curve

The yield curve slightly flattened with long term rates falling given the spike in volatility mid-month from a resurgence of COVID-19 cases in the US

US Treasury Curve

US Treasury Active: 6/30/2020 12/31/2019 3/31/2020

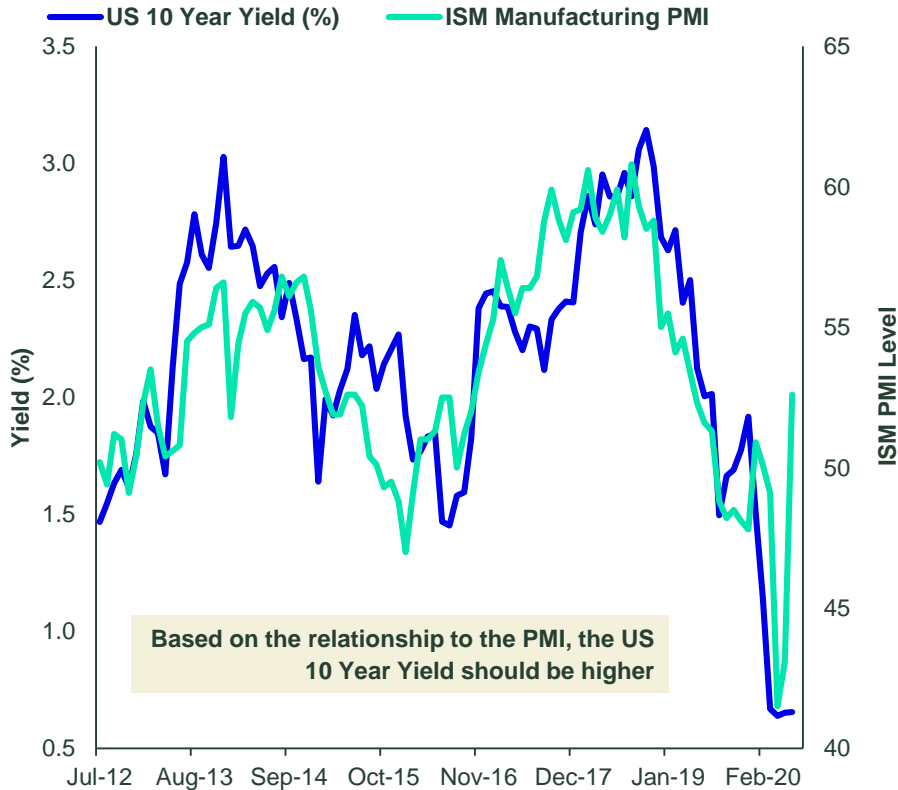


Source: Bloomberg Finance, L.P. As of June 30, 2020. Past performance is not a guarantee of future results.

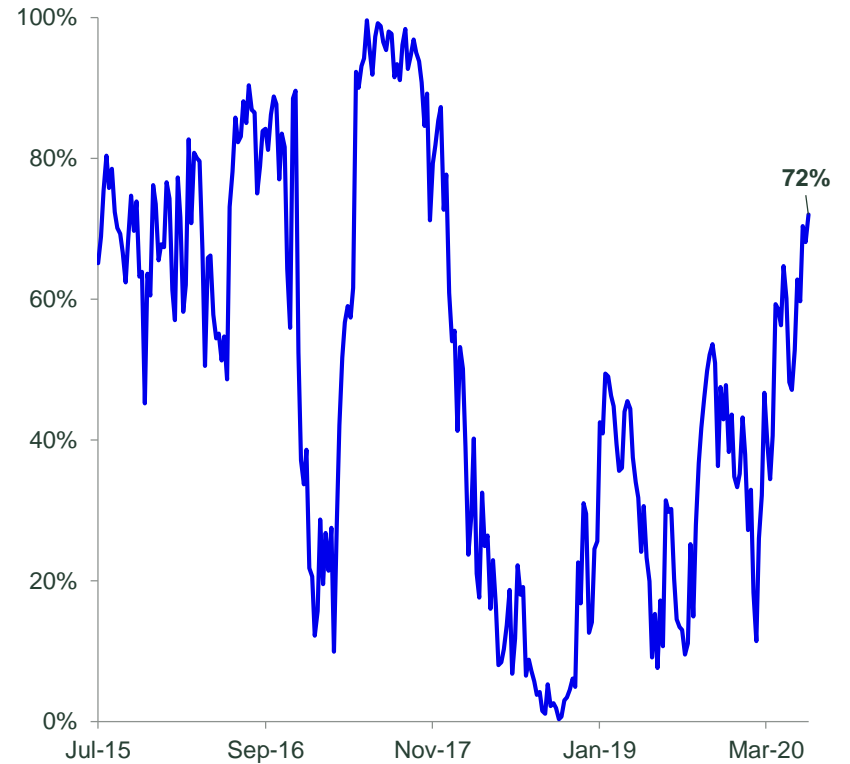
Rates Trends

The US 10 Year has decoupled from the latest reading on manufacturing. Meanwhile, futures positioning has climbed as investors have de-risked portfolios

US 10 Year Yield (%) versus ISM Manufacturing PMI



CFTC US 10 Year Treasury Net Non-Commercial Futures Positions Percentile Rank



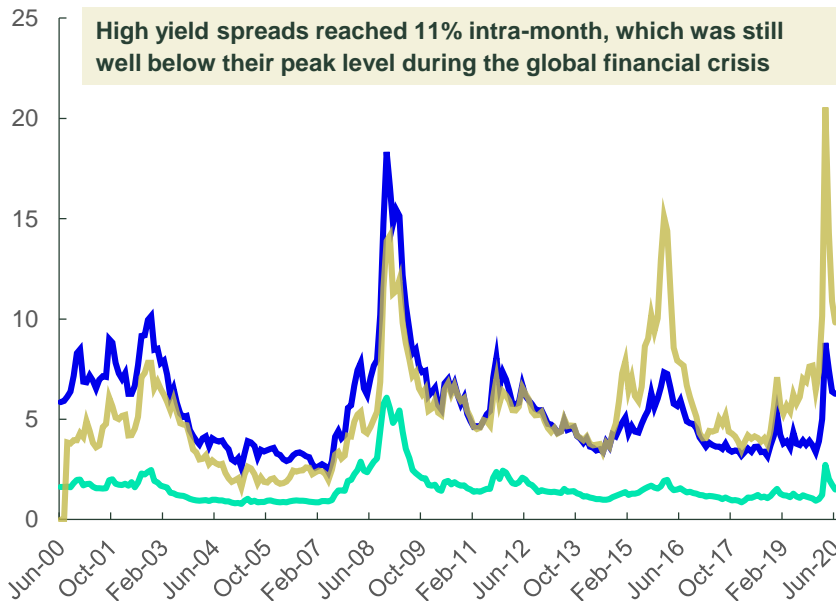
Source: Bloomberg Finance, L.P. As of June 30, 2020. Past performance is not a guarantee of future results.

Credit Trends

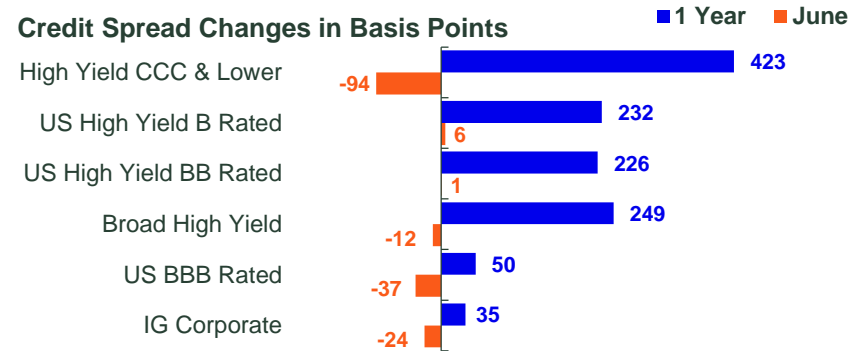
With support from the Federal Reserve, credit spreads continued falling from their historic highs in March

Credit Spreads

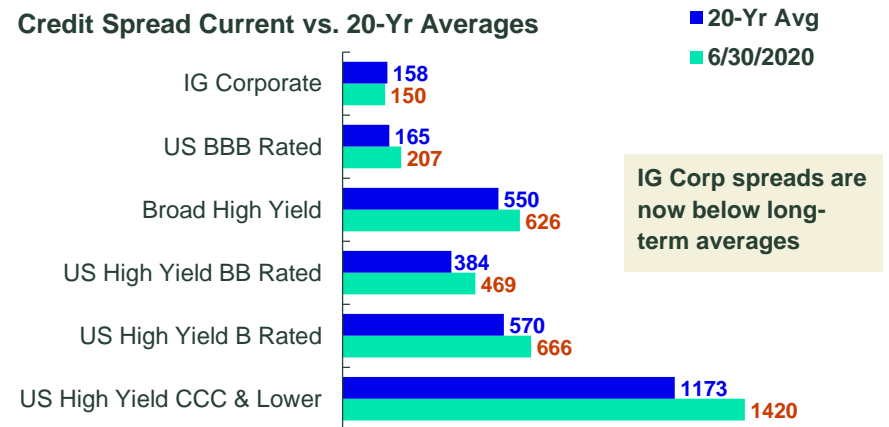
- Bloomberg Barclays US Corporate High Yield Index
- Bloomberg Barclays US Corporate Index
- Bloomberg Barclays High Yield Energy Index



Credit Spread Changes in Basis Points



Credit Spread Current vs. 20-Yr Averages



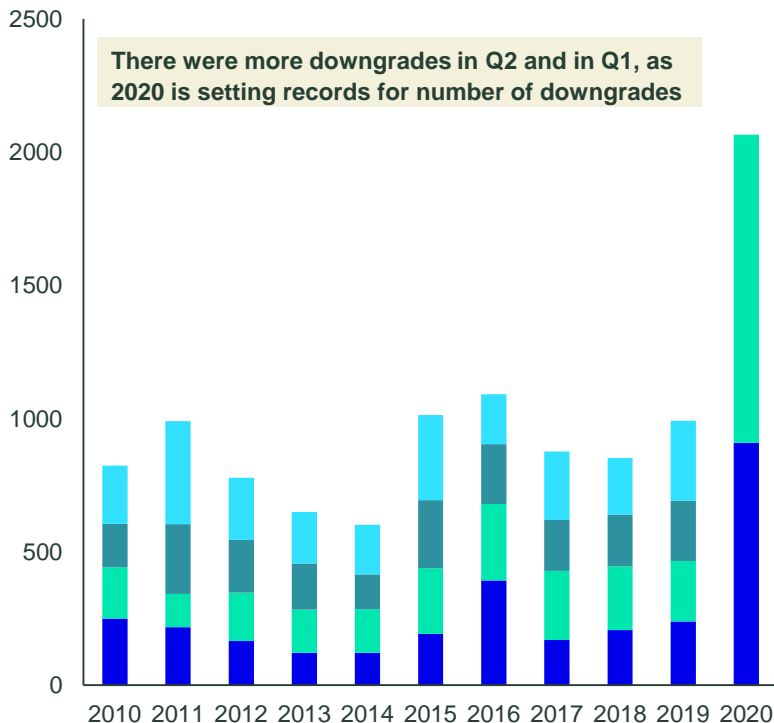
Source: Bloomberg Finance, L.P. BofA Merrill Lynch, As of June 30, 2020. US High Yield CCC & Lower = BofA ML US High Yield CCC & Lower Rated Index. US High Yield B Rated = BofAML US High Yield B Rated Index. BBB Rated = BofA ML US Investment Grade BBB Rated Index. Broad high yield = Bloomberg Barclays US Corporate High Yield Index. IG Corporate = Bloomberg Barclays US Corporate Index. **Past performance is not a guarantee of future results.**

Credit Trends (Continued)

Downgrades have increased significantly in 2020, outpacing every year over the last ten years even through just two quarters

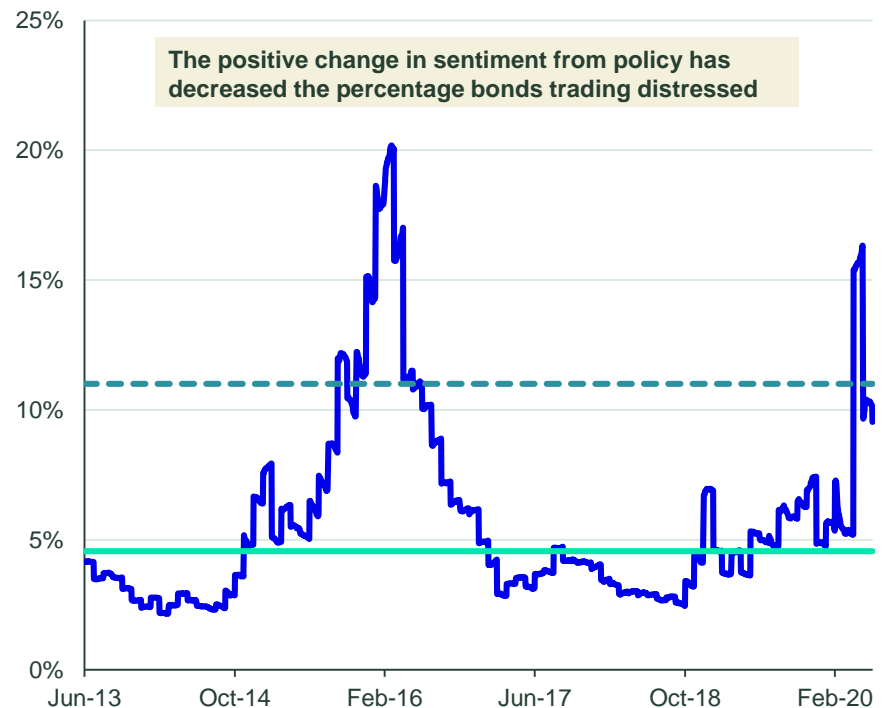
Yearly Downgrades By Quarter for North American Credits

■ Q1 ■ Q2 ■ Q3 ■ Q4



Percent of High Yield Bonds Trading at Distressed Levels

— % of High Yield Trading as Distressed

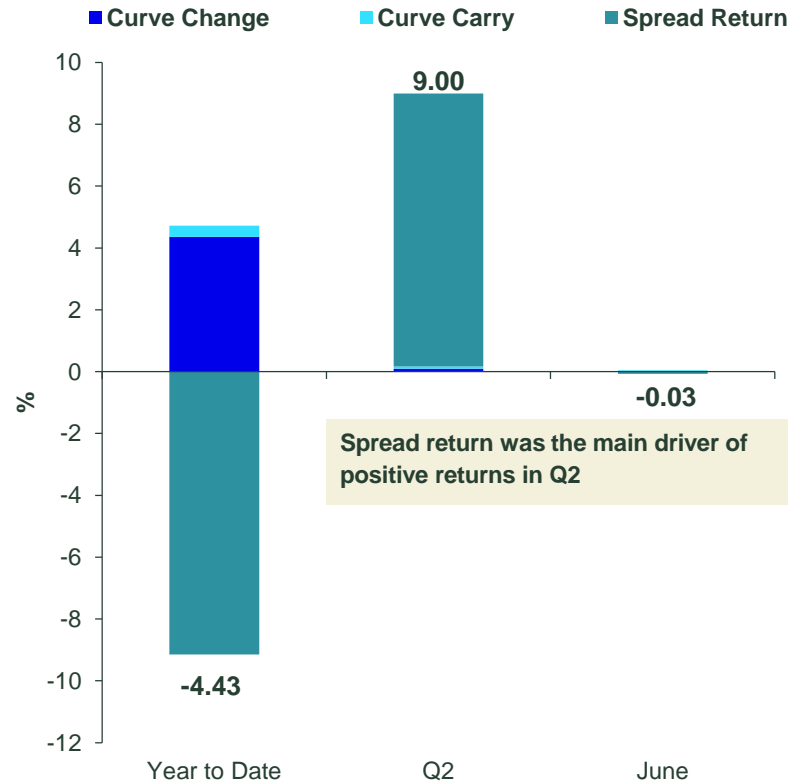


Source: Bloomberg Finance, L.P. BofA Merrill Lynch, as of June 30, 2020.

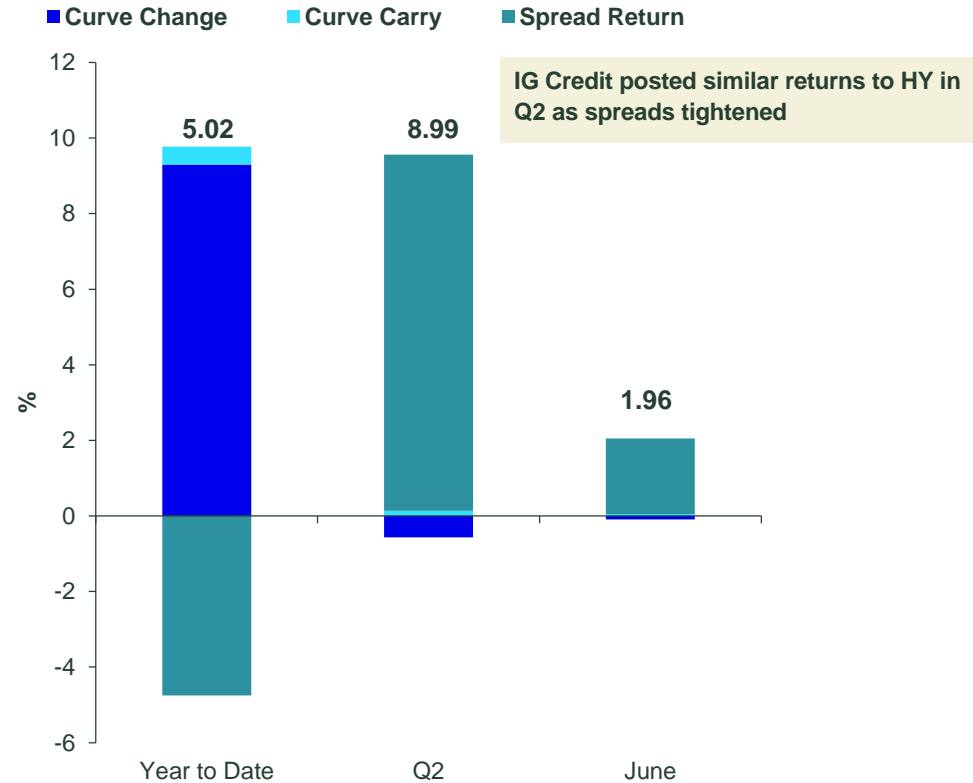
Credit Attribution

Both high yield and investment grade corporate bonds produced strong returns in Q2, however, high yield remains down for the year while IG is positive

US High Yield Attribution



US IG Corporate Attribution

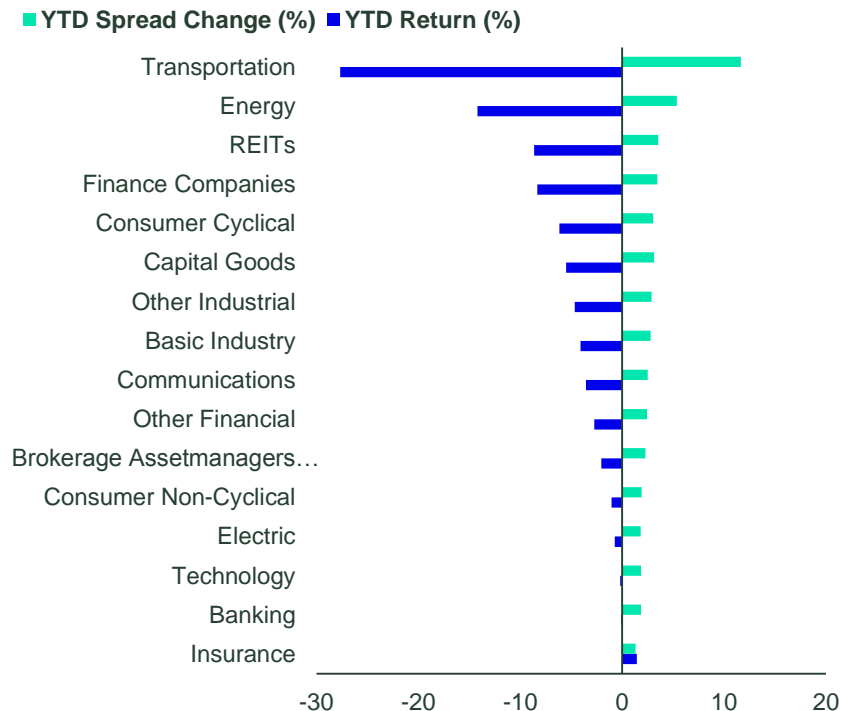


Source: Bloomberg Finance, L.P As of June 30, 2020. Past performance is not a guarantee of future results. US IG Corporates - Bloomberg Barclays US Corporate Index, US High Yield - Bloomberg Barclays VLI: High Yield Index

Credit Sector Attribution

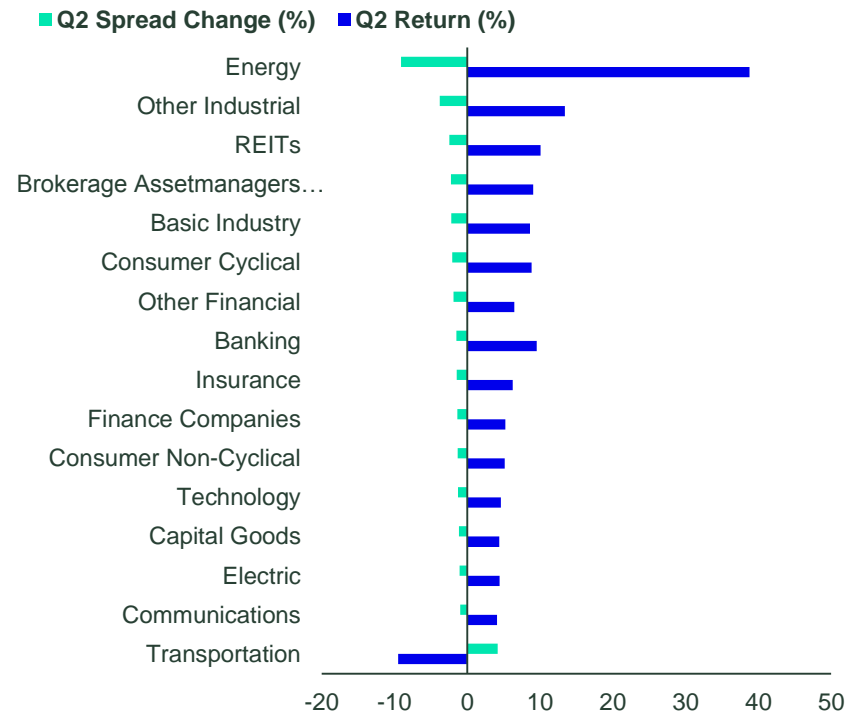
In Q2, almost every credit sector had strong returns with the exception of transportation. Only insurance high yield bonds have had positive returns in 2020

US High Yield Return and Spread Change By Sector



Airline bonds have performed the worst in year-to-date

US High Yield Return and Spread Change By Sector



Energy bonds rallied the most, while airline bonds continued to lag

Source: Bloomberg Finance, L.P As of June 30, 2020. Past performance is not a guarantee of future results.
 US IG Corporates - Bloomberg Barclays US Corporate Index, US High Yield - Bloomberg Barclays VLI: High Yield Index

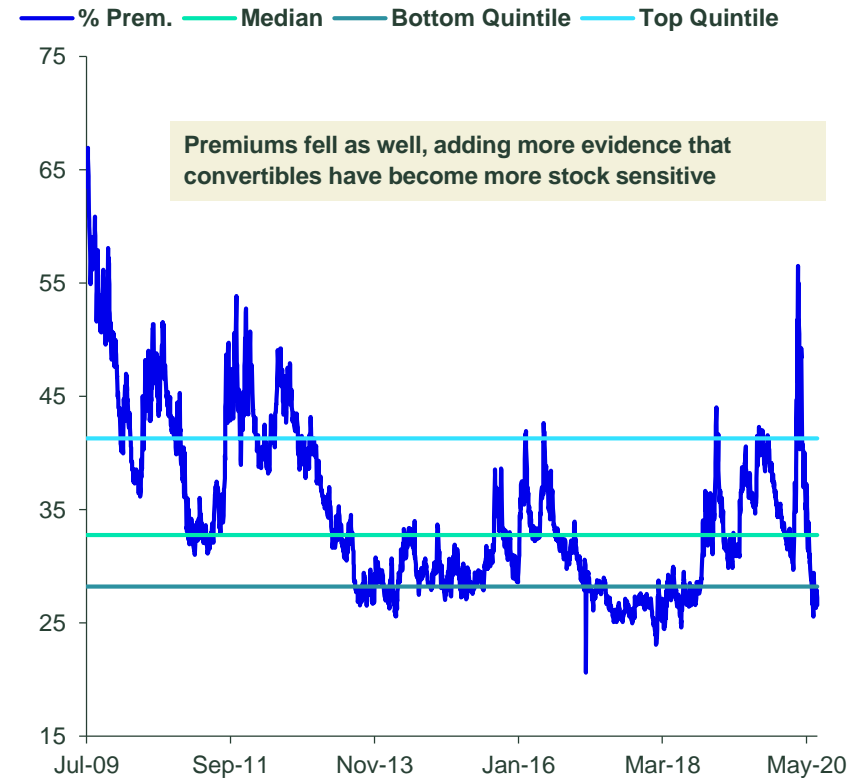
Convertibles Attribution

Convertibles have outpaced the S&P 500 by 13.5% so far in 2020, and as they have rallied they have become more stock sensitive

US Convertibles Liquid Bond Index – Average Stock Delta



US Convertibles Liquid Bond Index – Premium to Parity

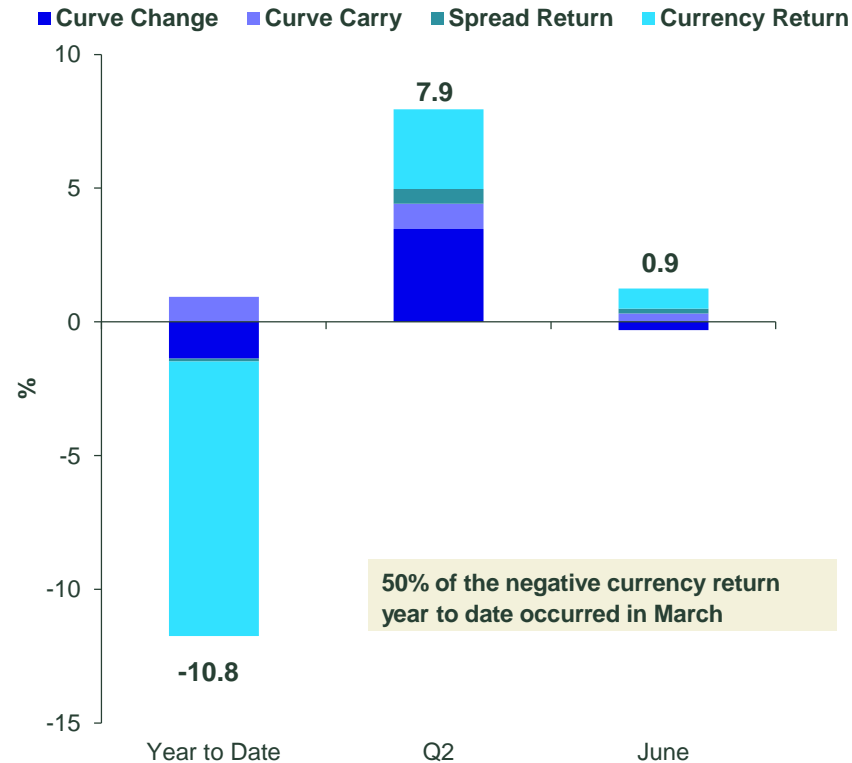


Source: Bloomberg Finance, L.P. As of June 30, 2020. Past performance is not a guarantee of future results.

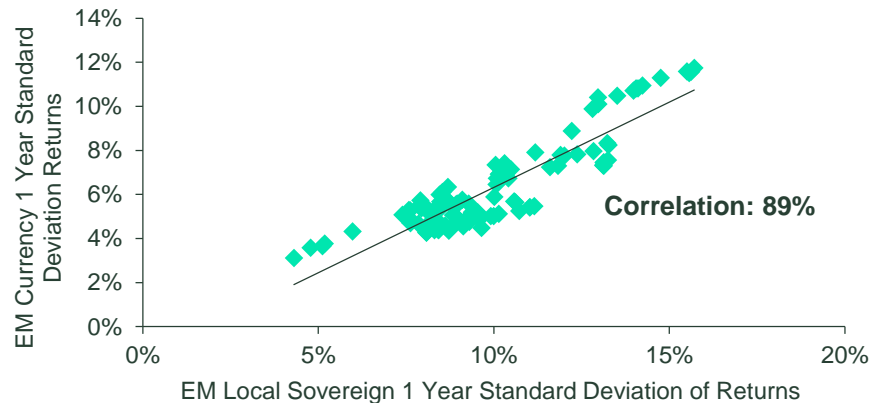
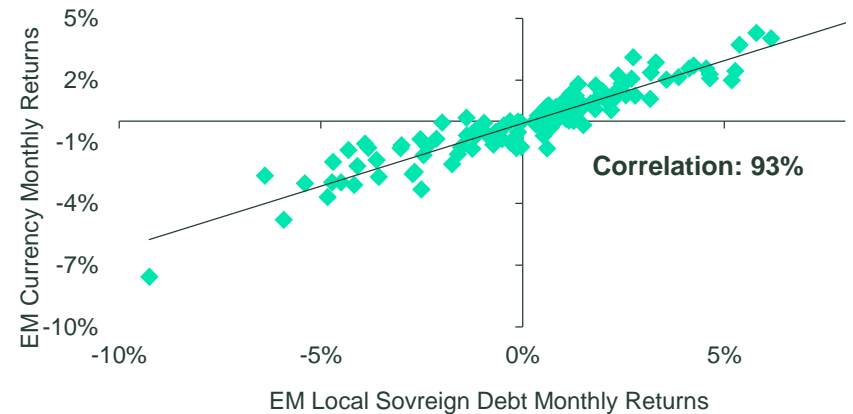
EM Debt Attribution

Given the risk-off market environment, the dollar rallied 6% to start 2020. And as a result of its strong correlation to currency movements, EM Local Debt sold off

EM Local Sovereign Debt Attribution



EM Local Sovereign Debt Return Correlation to EM Currencies (2009 – 2020)

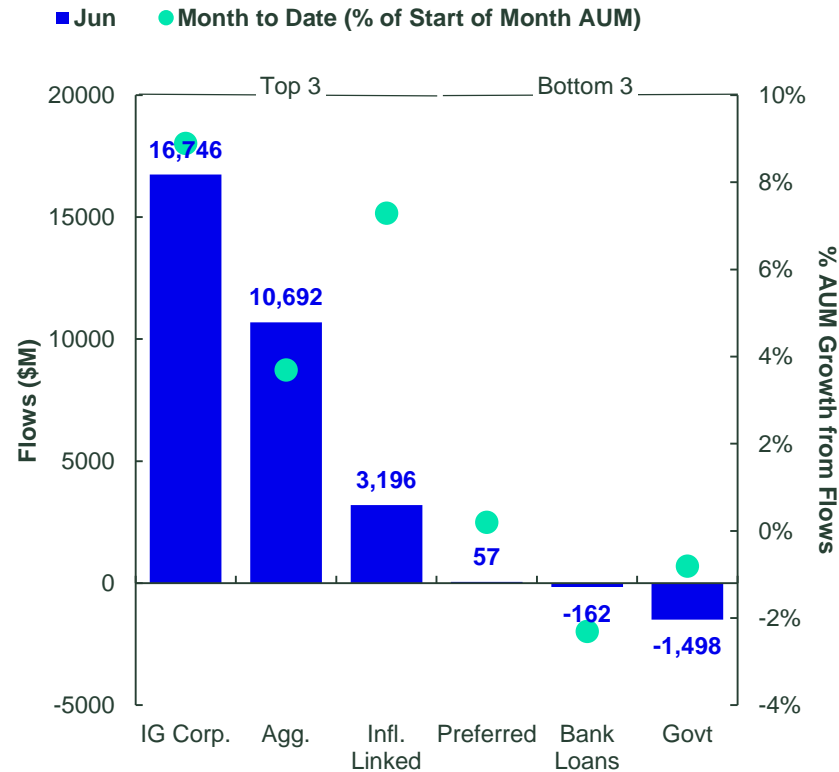


Source: Bloomberg Finance, L.P. As of June 30, 2020
 EM Local – Bloomberg Barclays EM Local Sovereign Bond Index.
Past performance is not a guarantee of future results.

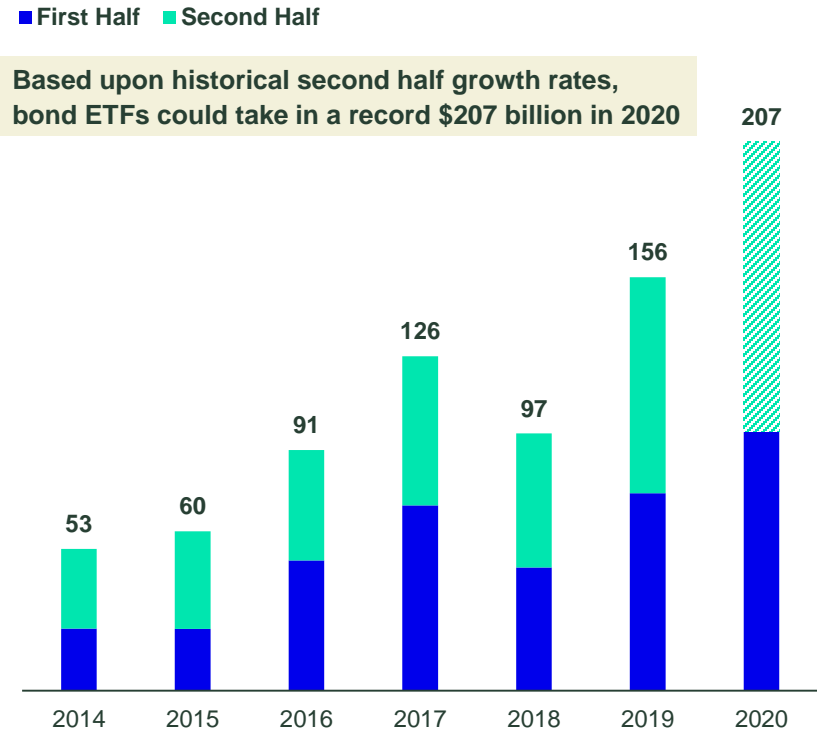
ETF Fund Flow Trends

Bond ETFs took in a record \$35 billion of inflows in June – fueled by IG Corp and Aggregate Bond ETFs which made up 74% of the flow

Fixed Income Top and Bottom 3 Sectors by Flow



Fixed Income ETFs Yearly Flows – 1st half versus 2nd half (\$ Billions)

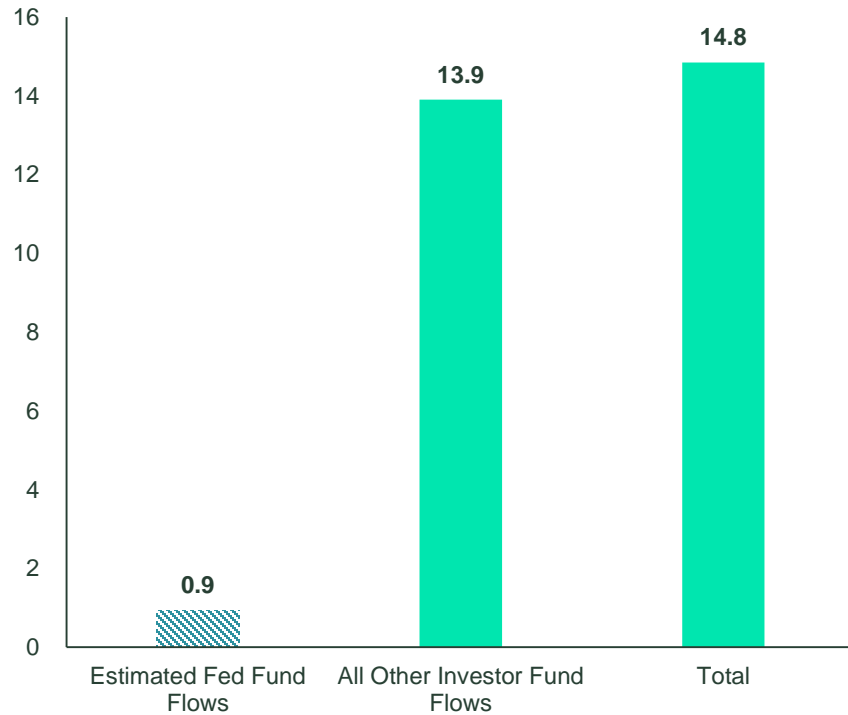


Source: Bloomberg Finance, L.P. As of June 30, 2020, calculations by SPDR Americas Research. Past performance is not a guarantee of future results.

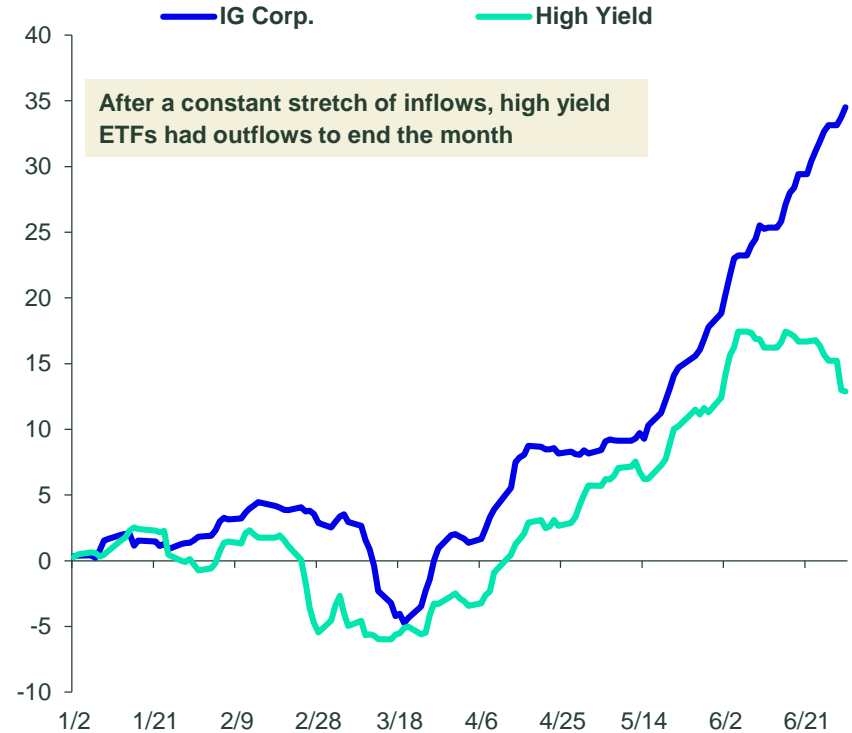
ETF Fund Flow Trends (continued)

Based on the average secondary-to-primary ratio for the ETFs in the Fed's program, the amount purchased by the Fed represents just 7% of all flows

High Yield and Investment-Grade Corporate Bond ETFs Part of Fed Purchase Program Fund Flow Attribution (\$ Billions)



Cumulative 2020 IG Corp and High Yield ETF Flows (\$Billions)



Source: Bloomberg Finance, L.P. As of June 30, 2020. **Past performance is not a guarantee of future results.** <https://www.federalreserve.gov/monetarypolicy/files/smccf-transition-specific-disclosures-6-28-20.xlsx> The Fed specific flow totals are based upon data through June 16, 2020 per the most recent report from the Federal Reserve, as a result they may not sum to the total values reported for the industry as of June 30, 2020.

Bond Market Opportunities

Three strategies for a market environment featuring low rates and idiosyncratic volatility stemming from ongoing impacts from a global pandemic

Ride Hybrids for Potential Total Return

Convertibles profile may be beneficial for generating sufficient total return from both the coupon and capital appreciation, while positioning portfolios for a potential recovery that may feature periods of idiosyncratic aftershocks of volatility.

Adopt a Mortgage Bias to Play Defense

The Fed will be purchasing **agency mortgage-backed securities (MBS)**, similar to the GFC crisis era stimulus tools

Beyond having a large, constant buyer that will likely support a steady “bid” on the asset class, MBS have had a higher yield per unit of duration and yield per unit of standard deviation than US Treasuries, the Agg, and IG Corporates

Catch Fallen Angels on the Hunt for Yield

The Federal Reserve’s new lending programs, it has transformed once risky bonds such as corporates, fallen angels and even junk bond ETFs into risky bonds that are now implicitly backed by the Fed.

As a result, **high yield** may be an area to harness a fallen angel premium while seeking income that potentially has less downside risk than one may normally expect.

Source: Bloomberg Finance, L.P. as of June 30, 2020. Calculations by SPDR Americas Research, **Past performance is not a guarantee of future results.**

Appendix A

Definitions

Basis Point: One hundredth of one percent, or 0.01%.

The Bloomberg Barclays US Treasury Bill Index tracks the market for treasury bills issued by the US government. US Treasury bills are issued in fixed maturity terms of 4-, 13-, 26- and 52-weeks. The US Treasury Bill Index is a component of the US Short Treasury Index along with US Treasury notes and bonds that have fallen below one year to maturity.

The Bloomberg Barclays Global Aggregate Index is a measure of global investment grade debt from 24 local currency markets. This multi- currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index tracks agency mortgage pass-through securities (no longer incorporates hybrid ARM) guaranteed by Ginnie Mae (GNMA), Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA- deliverable MBS pools into aggregates or generics based on program, coupon and vintage.

Bloomberg Barclays US Aggregate Index: A benchmark that provides a measure of the performance of the US dollar denominated investment grade bond market, which includes investment grade government bonds, investment grade corporate bonds, mortgage pass through securities, commercial mortgage backed securities and asset backed securities that are publicly for sale in the US.

Bloomberg Barclays US Corporate 1–3 Year Index: The Index includes publicly issued US dollar denominated corporate issues that have a remaining maturity of greater than or equal to 1 year and less than 3 years, are rated investment grade.

Bloomberg Barclays US Corporate Bond Index: The Bloomberg Barclays US Corporate Bond Index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

The Bloomberg Barclays Emerging Markets Local Currency Liquid Government Index is a country-constrained, more liquid version of the flagship Emerging Markets Local Currency Government Index, which is designed to provide a broad measure of the performance of local currency Emerging Markets (EM)

Bloomberg US Treasury Index: The Bloomberg US Treasury Bond Index is a rules-based, market-value weighted index engineered to measure the performance and characteristics of fixed rate coupon US Treasuries which have a maturity greater than 12 months.

The Bloomberg Barclays US Convertible Liquid Bond Index is designed to represent the market of U.S. convertible securities, such as convertible bonds.

TIPS are Treasury Inflation Protect Securities issued by the US Government

Credit Spread: A credit spread is the difference in yield between a US Treasury bond and a debt security with the same maturity but of lesser quality.

Parity The value of the underlying equity if the convertible is converted. It is equal to the current stock price multiplied by the number of shares for which the bond may be exchanged.

S&P/LSTA US Leveraged Loan 100 Index: The S&P/LSTA US Leveraged Loan 100 Index is designed to reflect the largest facilities in the leveraged loan market.

Delta: The sensitivity of one asset to an underlying derivative

Spread Changes: Changes in the spread between Treasury securities and non-Treasury securities that are identical in all respects except for quality rating.

Parity The value of the underlying equity if the convertible is converted. It is equal to the current stock price multiplied by the number of shares for which the bond may be exchanged.

Standard Deviation: Measures the historical dispersion of a security, fund or index around an average. Investors use standard deviation to measure expected risk or volatility, and a higher standard deviation means the security has tended to show higher volatility or price swings in the past.

Yield: The income produced by an investment, typically calculated as the interest received annually divided by the investment's price.

Yield Curve: A graph or line that plots the interest rates or yields of bonds with similar credit quality but different durations, typically from shortest to longest duration. When the yield curve is said to be flat, it means the difference in yields between bonds with shorter and longer durations is relatively narrow. When the yield curve is said to be steepened, it means the difference in yields between short term and long term bonds increases.

Yield to Worst: Yield to worst is an estimate of the lowest yield that you can expect to earn from a bond when holding to maturity, absent a default. It is a measure that is used in place of yield to maturity with callable bonds.

Appendix B

Important Disclosures

The views expressed in this material are the views of SPDR Americas Research Team 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.

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Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise, bond prices usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

The values of **debt securities** may decrease as a result of many factors, including, by way of example, general market fluctuations; increases in interest rates; actual or perceived inability or unwillingness of issuers, guarantors or liquidity providers to make scheduled principal or interest payments; illiquidity in debt securities markets; and prepayments of principal, which often must be reinvested in obligations paying interest at lower rates.

Foreign investments involve greater risks than US investments, including political and economic risks and the risk of currency fluctuations, all of which may be magnified in emerging markets.

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