

SPDR Spotlight

Biotech and AI Mash Up – XBI

The Lead

- With enhanced AI capability and reduced implementation costs, enthusiasm for AI applications extends beyond just the Tech sector – potentially accelerating adoption of AI across a wider range of businesses in the coming years
- Biotech is one of those areas, and the recent leap in AI capabilities along with gene editing technology, as well as massive computing power, have brought the drug discovery process to the next level¹ – potentially bringing productivity gains and economic value of AI to biotech firms
- And the value to harness this potential secular impact of AI is attractive, as biotech’s enterprise value-to-sales ratio trades near its own bottom tercile while also sitting in the bottom decile relative to the broad market since 2006² (chart below)

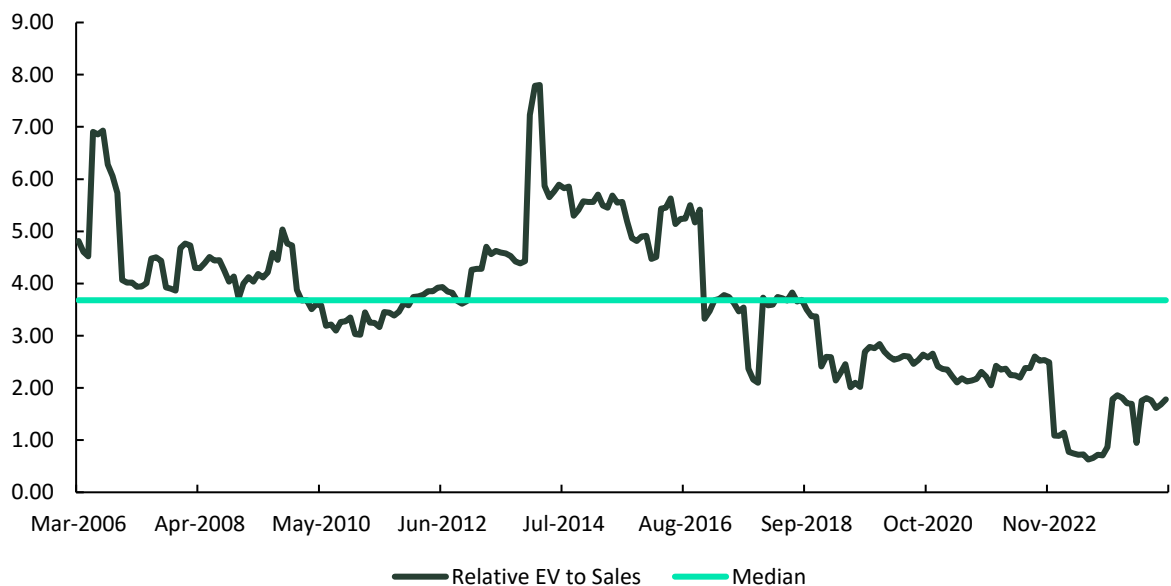
The Takeaway

The biotech industry is using AI to expedite the drug discovery process, elevate therapeutic efficacy, and identify promising drug candidates. Beyond AI, there is also the potential for mergers and acquisitions to help drive growth, driven by a deregulation-focused administration and the industry’s attractive valuations. Not to mention how the largest pharma companies now have a record \$1.6 trillion to fund deals while also facing impending patent cliff³. And acquiring external innovation may be a necessary tactic to achieve growth targets.

To capture those potential tailwinds, consider the [SPDR® S&P® Biotech ETF](#) – a modified equal weighted strategy that provides elevated exposure to small-cap companies, a cohort that may be the driving force of innovation as well as the potential growth-biased M&A targets.

Chart of the Week

XBI Enterprise Value to Sales Relative to S&P Composite 1500 Index



FactSet, as of November 30, 2024.

Standard Performance

Ticker	Name	QTD	YTD	Annualized					Since Inception	Inception Date	Gross Expense Ratio (%)
				1 Year	3 Year	5 Year	10 Year				
XBI (NAV)	SPDR® S&P® Biotech ETF	6.66%	10.92%	35.53%	-7.65%	5.42%	6.87%	10.35%	Jan 31, 2006	0.35	
XBI (MKT)	SPDR® S&P® Biotech ETF	6.66%	10.88%	35.55%	-7.65%	5.41%	6.85%	10.35%			

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 For example, Insilico's world's first AI-based IPF candidate generated positive topline results in a Phase IIa trials and plans for a global Phase IIb study. Source: Genetic Engineering & Biotechnology News, November 12, 2024.

2 FactSet, as of November 30, 2024. Analysis period: March 31, 2006 – November 30, 2024. Biotech industry represented by the SPDR® S&P® Biotech ETF (XBI). Broad market represented by the S&P 1500 Composite Index.

3 Biotech Investor Sentiment Climbing Steadily, with Growing Enthusiasm Heading into 2025, PharmExec.com, November 8, 2024

ssga.com

Marketing Communication

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