

SPDR Spotlight

Capital Markets in Action – KCE

The Lead

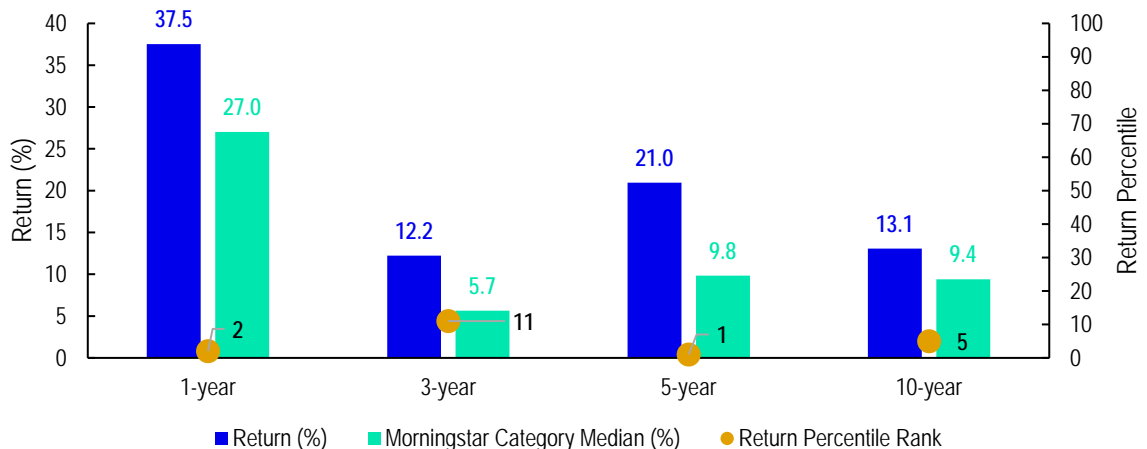
- After reaching 10-year lows in 2023, M&A and IPO activities in North America saw a revival in 2024, rebounding 9.6% to \$1.96 trillion,¹ a trend expected to persist into 2025 due to declining interest rates, improved business sentiment and a more conducive regulatory regime
- Q4 announced deal activities reflect this potential positive deal making momentum, right as the same central support factors (expectations of lower interest rates and less onerous antitrust regulation) drove US CEO sentiment back to multi-year highs²
- Record financial asset flows and household wealth, fueled by gains in financial markets, may also create tailwinds for another part of the capital markets industry – as asset managers earnings growth is expected to outpace the broader market for the second straight year in 2025³

The Takeaway

Cash stockpiles on US corporate balance sheets reached \$3.4 trillion at the end of Q3 2024, representing 5.5% of corporate assets and well above the long-term average of 4%.⁴ Significant corporate dry power, combined with strong dealmaking sentiment and financial de-regulation, create a constructive environment for capital market activities, from debt issuance to M&A and IPOs – factors supporting profitability trends for the capital market industry.⁵ Despite the industry’s strong 2024 performance, its valuations remain well behaved, with forward FY1 PEG ratios sitting near the 38th percentile over the last 10 years – indicating growth at reasonable valuations.⁶ For investors seeking to take advantage of positive trends in the capital market industry, consider the [SPDR® S&P® Capital Markets ETF \(KCE\)](#), an unconcentrated exposure to the Asset Management & Custody Banks, Diversified Capital Markets, Financial Exchanges & Data, and Investment Banking & Brokerage sub-industries.

Chart of the Week

KCE’s 1-, 5-, 10-year performance is in the top decile in its Morningstar category while its 3-year performance is in the top quintile



Morningstar, as of December 31, 2024. Category defined as 52 open-end and exchange-traded funds in Morningstar category of US Fund Financials, Morningstar Institutional category of domestic financial and being the oldest share class. Past Performance is not a reliable indicator of future performance.

Standard Performance

Ticker	Name	QTD	YTD	Annualized					Inception Date	Gross Expense Ratio (%)
				1 Year	3 Year	5 Year	10 Year	Since Inception		
KCE (NAV)	SPDR® Capital Markets ETF	13.86	24.28	46.96	11.85	20.59	12.58	6.96	Nov 08, 2005	0.35
KCE (MKT)	SPDR® Capital Markets ETF	13.78	24.26	46.89	11.84	20.59	12.58	6.96		

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 Bloomberg Finance L.P., as of 12/31/2024

2 Bloomberg Finance L.P., as of 01/02/2025. "M&A sustains better pace in 4Q as sentiment gains bolster view"

3 Bloomberg Finance L.P., as of 01/02/2025. Based on Long-term growth estimate of EPS for SPSICMT Index and SPR Index

4 Bloomberg Finance L.P., as of 01/02/2025. "M&A sustains better pace in 4Q as sentiment gains bolster view"

5 Bloomberg Finance L.P., as of 01/02/2025. "M&A sustains better pace in 4Q as sentiment gains bolster view"

6 Factset, as of 01/02/2025 for the period 12/31/2014 – 12/31/2024. Calculations by SPDR Americas Research

ssga.com

Marketing Communication

Important Risk Information

For Investment Professional Use Only/For Qualified Investor Use Only

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 the SPDR Research and Strategy team through the period ended January 03, 2025 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.

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.

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.

Investing involves risk including the risk of loss of principal.

Equity securities may fluctuate in value in response to the activities of individual companies and general market and economic conditions.

All ETFs are subject to risk, including possible loss of principal.

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.

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.

Funds investing in a **single sector** may be subject to more volatility than funds investing in a diverse group of sectors. Because of their narrow focus, **sector funds** tend to be more volatile than funds that diversify across many sectors and companies.

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**.

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 EU 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.

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.

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.

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

©2025 State Street Corporation. All Rights Reserved.

Expiration Date: 01/31/2025
1973422.346.1.GBL.INST

Information Classification: Limited Access