

Prepare for Fight or Flight – XAR

The Lead

- Amid the backdrop of ongoing global conflicts, global defense spending experienced the fastest growth since the end of the Cold War last year¹
- Domestically, the Trump administration’s objective to achieve “peace through strength” in national security and foreign policy is being pursued by a defense budget of \$1 trillion for fiscal year 2026, an increase of 13% from FY 2025²
- Given intensifying competition for the pole position of global order and near record low US defense spending as a percentage of GDP, we are likely in the early years of the new defense spending cycle, creating a positive macroenvironment for the Aerospace and Defense industry

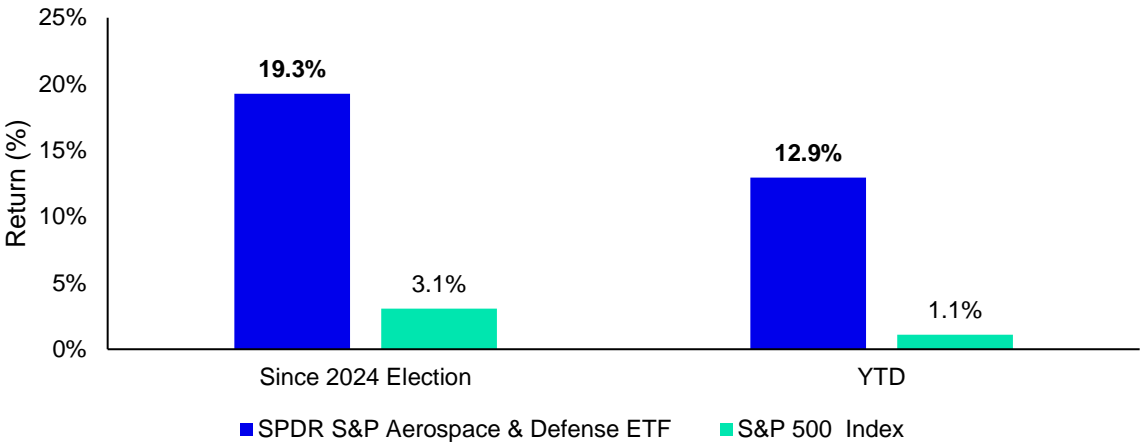
The Takeaway

During the last defense spending cycle between 2001 and 2011, the aerospace & defense industry posted stronger growth than the broad market for most years, even including the periods of two economic recessions.³ Its greater resilience, supported by the secular trends, led to 39% outperformance over the broad market on a cumulative basis.⁴ Similar growth trends are expected for 2025 amid higher demand and easing inflation. The industry’s consensus growth estimate for 2025 is expected to rebound from last year’s trough -- nearly 10x that of the broad market (88% vs 9%).⁵

Despite the industry’s more than 10% outperformance year to date, its relative price-to-book ratio is still more than 10% below the long-term median and the median level during the last defense spending cycle, indicating potential for multiple expansion.⁶ For investors seeking to take advantage of positive trends in the industry, consider the [SPDR® S&P® Aerospace & Defense ETF \(XAR\)](#), for an unconcentrated exposure across large-, mid-, and small-cap companies in the sub-industries of aerospace & defense.

Chart of the Week

XAR’s Strong Performance Since Election and YTD



Source: Bloomberg Finance L.P., as of 05/15/2025. Past Performance is not a reliable indicator of future performance.

Standard Performance

				Annualized						
Ticker	Name	QTD(%)	YTD(%)	1 Year(%)	3 Year(%)	5 Year(%)	10 Year(%)	Since Inception (%)	Inception Date	Gross Expense Ratio (%)
XAR (NAV)	SPDR® S&P® Aerospace & Defense ETF	-2.75	-2.75	15.08	9.57	16.87	11.61	16.09	Sep 28, 2011	0.35
XAR (MKT)	SPDR® S&P® Aerospace & Defense ETF	-2.75	-2.75	15.12	9.57	16.87	11.61	16.09		

Source: ssga.com, as of 03/31/2025. **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 SIPRI.org, as of April 28, 2025
- 2 Whitehouse.gov, as of May 02, 2025
- 3 FactSet, as of May 9, 2025
- 4 FactSet, as of May 12, 2025. For the period between 12/31/2000 and 12/31/2011. The industry is represented by the S&P Composite 1500 Aerospace & Defense industry.
- 5 FactSet, as of May 12, 2025. The industry is represented by the S&P Composite 1500 Aerospace & Defense industry.
- 6 Factset, May 9, 2025

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Marketing Communication

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