SPDR Bloomberg 1-3 Month T-Bill ETF (BIL)

Bond Fund Pitch

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Executive Summary

BUY

As geopolitical tensions and tariff led inflation fears escalate, **SPDR Bloomberg 1-3 Month T-Bill ETF (BIL)** provides a safe haven with minimal interest rate sensitivity and exposure to U.S. Treasury Bills, with an effective duration of just **0.15 years**. Based on our analysis, we are recommending a **BUY** call for SPDR Bloomberg 1-3 Month T-Bill ETF.

Bond Specifications

AUM	USD41,053.59M	
Current Price	USD91.41	
Expense Ratio	0.14%	
No. of Holdings	31	
Diversification of Holdings	0.14%	AAA U.S. Treasury
	99.89%	AA1 U.S. Treasury
	0.11%	Cash
Yield-to-Maturity (YTM)	4.85%	
Effective Duration	0.09	

Investment Theses:
(1) As geopolitical tensions rise and market volatility increases, BIL presents an ideal solution for capital preservation. With minimal interest rate sensitivity, BIL is well-positioned to offer stable returns, allowing investors to preserve capital while still capturing short-term yields.
(2) BIL provides an optimal chance for short-term cash deployment as interest rates remain elevated. Its institutional-grade liquidity is particularly beneficial for investors looking to manage cash efficiently, particularly in light of potential changes in Fed policy and the resolution of the debt ceiling issue.

Key Risks:
(1) BIL's rebalancing schedule may lag in capturing higher rates during rate hikes.
(2) Recessionary environment with aggressive rate cuts may force BIL to reinvest in less attractive instruments.

Fundamentals of ETF

BIL adopts an optimised replication strategy for its bond funds, sampling from the securities in the Bloomberg 1-3 Month U.S. Treasury Bill Index (market-capitalisation weighted) to derive a basket of securities with the same risk and return characteristics of the Index. It will then invest in approximately the same proportions as the Index, determined by State Street Global Advisors and managed by portfolio managers – James Kramer, Joanna Madden and Cynthia Moy – with decades of combined experience in fixed income.

Noting that larger Treasury issuances tend to receive higher allocations, the main goal of BIL is capital preservation, while providing a moderate yield by investing in short-term U.S. Treasury bills with maturities between 1 to 3 months.

Performance Analysis

We attempt to benchmark BIL's performance to its peers exposed to short term U.S Treasuries. Compared to SHV and VGSH in Exhibit 1, BIL showcases the lowest price sensitivity, showing its superior risk management as its large AUM and high liquidity allows it to handle inflows and outflows without significant slippage.

Sources: BIL's Prospectus, Bloomberg Finance, L.P., Yahoo Finance, State Street

SPDR Bloomberg 1-3 Month T-Bill ETF

Valuation Date: 28 March 2025

Performance Analysis

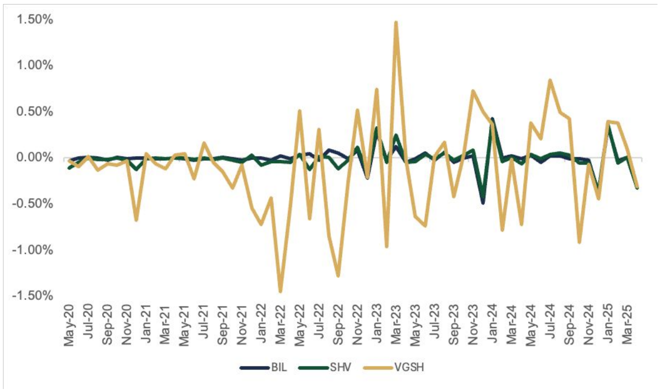


Exhibit 1: Price Sensitivity of BIL against its peers, SHV and VGSH

This shows that while all three funds are designed for low volatility, BIL tighter focus on 1–3 month T-bills offers a distinct advantage in minimizing interest rate risk.

Total Returns Highlight

Compared to SHV and VGSH in Exhibit 2, BIL delivers the highest 3- and 5-year total returns. It also has the lowest downside risk (0.09) compared to SHV and VGSH (0.10 and 1.23 respectively). This indicates superior long-term risk-adjusted performance versus peers.

While VGSH leads in 1-year return due to longer duration, its underperformance over 3- and 5-year horizons (8.77% and 5.6%) reflects greater rate sensitivity and reinvestment risk.

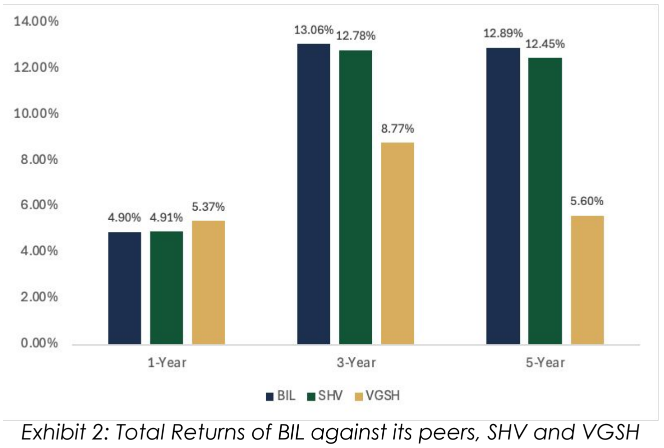


Exhibit 2: Total Returns of BIL against its peers, SHV and VGSH

Peer Comparable

	Sharpe Ratio	Standard Deviation	Gross Expense Ratio	Bid-Ask Spread
BIL	**0.61**	**0.17**	**0.14%**	**0.01%**
VGSH	0.84	1.75	0.03%	0.02%
SHV	0.89	0.20	0.15%	0.01%

Exhibit 3: Snapshot of Risk-Adjusted Returns and Cost Metrics

While BIL has a marginally higher expense ratio compared to similar ETFs, the expenses are justified due to consistent historical performance. BIL also enjoys tight liquidity in secondary markets. Despite having the lowest Sharpe ratio, BIL compensates with the lowest volatility among the three, placing it as a dependable investment strategy with minimal price slippage.

In Exhibit 4, BIL has maintained a steady yield trajectory between 4.1% and 5.4%, with minimal fluctuations compared to VGSH and SHV.

Peer Comparable

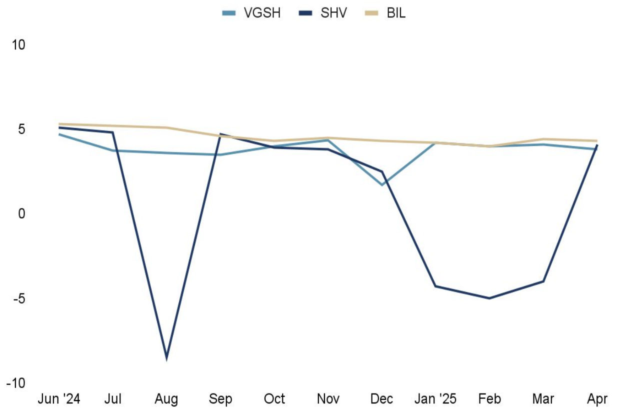


Exhibit 4: Yield to Maturity from June 2024 to April 2025

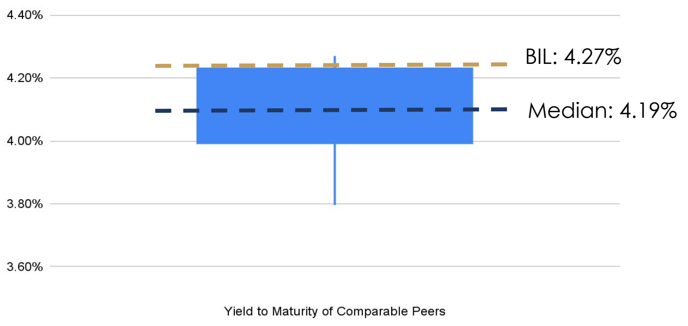


Exhibit 5: Analysis of YTM of selected peers

From the box plot in Exhibit 5, BIL's median YTM is positioned above the median yield range of peers, signalling that investors are not sacrificing income for safety.

	Duration	Modified Duration	Convexity
BIL	**0.086**	**0.084**	**0.000**
VGSH	1.841	1.807	0.045
SHV	0.296	0.290	0.003

Exhibit 6: Duration Risk Measures

Another key advantage of BIL is its exceptionally low interest rate risk. With a duration of just 0.086 years and modified duration of 0.84 years, BIL is far less sensitive to interest rate changes. BIL's convexity is also approximately 0, making it ideal for investors prioritizing capital stability and minimal exposure to rate volatility.

Current Market and Economic Outlook

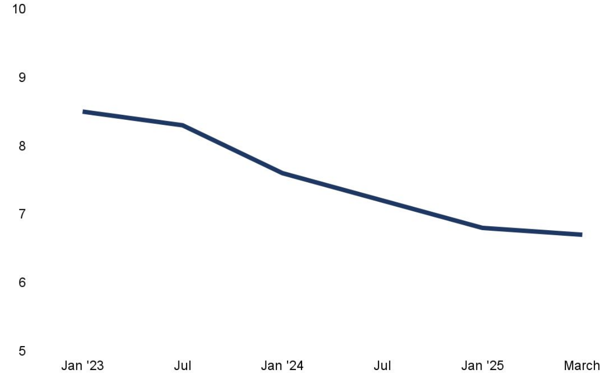


Exhibit 7: Consumer Sentiment Index

Interest Rate Environment

On April 2, Trump announced retaliatory tariffs imposed on major US trading partners. The move ignited fears of an economic slowdown, raising inflation expectations and worsening consumer sentiment to a two-year low.

Sources: Bloomberg Finance, L.P., US Bureau of Economic Analysis, Reuters, BIL's Factsheet

Current Market and Economic Outlook

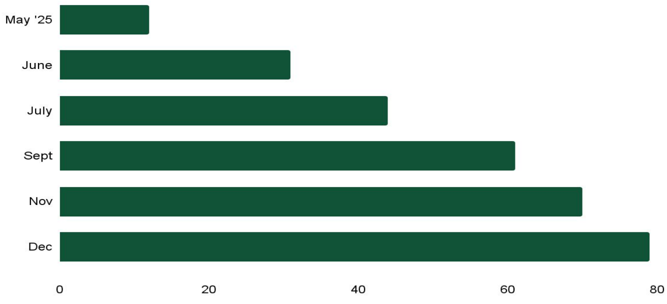


Exhibit 8: Cumulative Easing Priced for next few FOMC meetings

Compressed Yields

Despite Powell's conviction in the US economy and a relatively stable labor market, traders are driving short term Treasury yields down as rate cut bets are strengthening. Major Wall Street banks have upgraded the probability of a US recession.

Economic Indicators

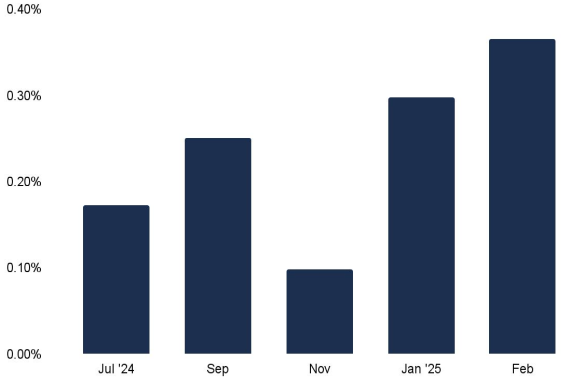


Exhibit 9: Core PCE MoM

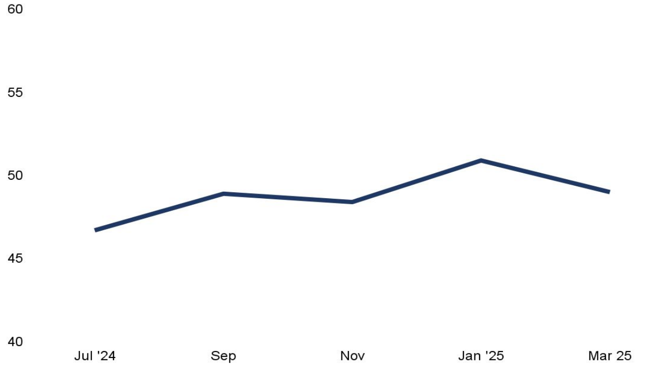


Exhibit 10: Purchasing Managers Index

February data showed core PCE rose by 2.8% YoY, stubbornly above the Fed's 2% target. This data clashes with a relatively stable job market, with the unemployment rate at 4.2% and NFP 60% higher than the median estimate.

Yet consumer sentiment remains bleak as consumers fear policymakers prioritize their agenda over the economy's growth. US manufacturing activity has also contracted as uncertainties over tariff loom.

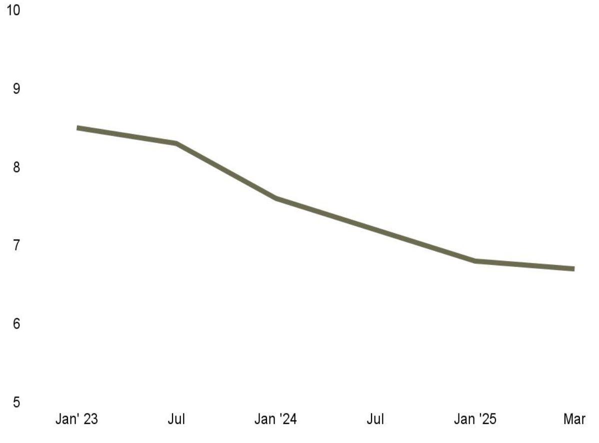


Exhibit 11: Size of Fed's Balance Sheet in trillions of dollars

Monetary Policy

As of the latest March meeting, the Fed maintained the federal funds rate at 4.5%. Despite deteriorating consumer sentiment, policymakers are adopting a "wait-and-see" approach before initiating any rate cuts. The Fed also announced a reduction in its monthly cap of Treasury redemptions to $5B from $25B, slowing the pace of balance sheet runoff.

Sources: US Bureau of Labor Statistics, US Bureau of Economic Analysis, Bloomberg, Reuters, Federal Reserve

Investment Theses

1. Capital Preservation in a Volatile Macro Environment

- Amid rising geopolitical tensions, BIL is positioned to the risk-off sentiment as it holds minimal interest rate sensitivity
- Investors can still capture attractive short-term yields, adapting to changes in the market

2. Tactical Cash Management ahead of Fed Policy Pivot

- Ideal for short-term cash deployment while rates remain high
- Institutional-grade liquidity considering the potential lifting of the debt-ceiling
- High credit quality backed by US government

ESG Analysis

E	**Environmental Aspect** -
S	**Social Aspect** **Employee gender balance**: 2 out of 3 portfolio managers for BIL are women employees. **Treatment of clients**: State Street Global Advisors ("SSGA") was sued in 2024 for not selecting the safest annuity in Weyerhaeuser's 2019 pension transfer, violating ERISA duties. **Continuous Education**: SSGA launched Fixed Income Stewardship since 2023 to help portfolio managers understand factors which can impact their clients' portfolio. Recently, it began discussing about the impacts of Climate Transition Plans Disclosure on corporate issuers.
G	**Governmental Aspect** **ESG Policy:** SSGA adopts an ESG/sustainable investing framework via negative, positive and third party index investment strategies. It continues to be a leading advocate for proxy voting transparency via its Asset Stewardship report **Business Management:** SSGA stellar track record continues to align with its vision, mission and culture, after raking in the best ETF administrator award for Fixed Income ETFs by ETF U.S Express in 2024. **Executive Officers:** 6 out of 15 highly experienced business executives for State Street Corporation are women, but notably the CEO for SSGA is currently helmed by an experienced women executive. **Compliance:** SSGA's Global Risk Committee and Enterprise Risk Management framework protects clients and the firm by aligning strategy and risk appetite

Sources: State Street Global Advisors

Risk Assessment

A — Interest Rate Risk

Given the ETF contains embedded options, OAS effective duration of 0.09 is the most reliable metric. Hence, if rates rise by 100 bps, the bond's price would only decline by 0.09%.

B — Reinvestment Profile

The reinvestment yield profile depends on two scenarios:

Scenario 1: Tariffs are largely inflationary, with rising costs passed onto consumers. If rates are hiked to combat inflation, BIL's monthly rebalancing schedule may lag behind in capturing those higher rates due to short-term timing mismatches.

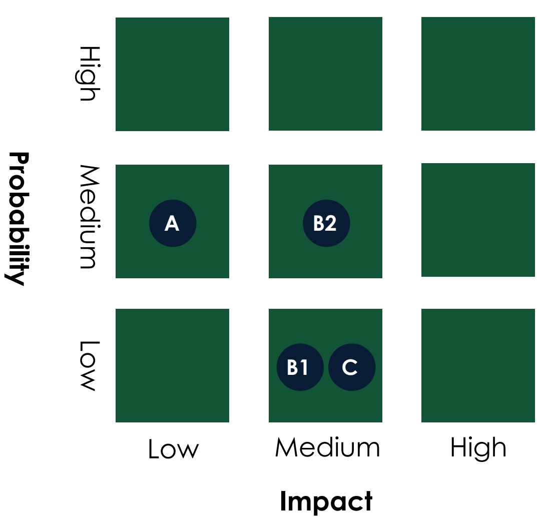
Scenario 2: If the economy enters into a recession and rates are aggressively cut, BIL is forced to invest in an unattractive rate environment.

Mitigations

Scenario 1: BIL has an effective duration of ~1 month, minimizing the losses from fluctuating interest rates. Furthermore, BIL trades at a premium for 81% of the trading days in 2024 (75% as of Q1 2025), highlighting its ability to track its benchmark index effectively.

Scenario 2: With over 31 diversified holdings, BIL employs a laddering strategy to purchase bonds with staggering maturities, ensuring that it reacts quickly to changing market conditions.

Risk Matrix



C — Securities Lending Risk

BIL may loan securities and suffer financial loss or tax issues from borrower default, collateral value loss, or reinvestment losses

Sources:

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