


Morningstar ETF Research Reports

Our valuation is based on the aggregated and weighted fair value estimates provided by Morningstar's Equity Research Team.

Analyst commentary on a fund's suitability and overall place in the portfolio helps ensure that investors have the fund that best matches their investment thesis. Analysts also highlight key risks and taxation issues as appropriate.

Analysts highlight the macro-economic drivers behind a fund's performance and give our take on the state and direction of those fundamentals. We also provide commentary on what we believe is priced into the fund from a bottom's up and relative basis.



SPDR S&P Oil & Gas Equipment & Services XES

Valuation	Last Price	Fair Value	Consider Buy	Consider Sell	Morningstar Rating	Expense Ratio	Coverage Rate	Volume	Category
Fairly Valued	28.17	25.61	21.56	28.92	★★	0.35%	76%	262,067	Equity Energy

Per share prices in USD

This fund holds the volatile tail-end companies of the oil patch, and it sports a small-cap bias.

by Morningstar Analyst

Pricing data through November 03, 2009
Rating updated November 02, 2009

Thesis 09-29-09 | Paul Justice, CFA
Suitability

Given its extremely narrow theme focus, the thematic subsector focused SPDR S&P Oil & Gas Equipment & Services ETF should be treated as a satellite specialty holding to complement a diversified portfolio, albeit one that could be held for several consecutive years. Unlike vertically integrated oil companies like ExxonMobil and Chevron, the companies held by this fund are highly subject to the capital spending cycle of the industry as their revenues are mostly generated when companies are busy drilling new wells. This fund has little exposure to companies that actually sell oil or operate midstream assets such as refineries, pipelines, or retail marketing businesses. This makes the fund's holdings more subject to cyclical swings than the more diversified integrated oil behemoths. Because this fund's holdings are equally weighted at rebalance time, the largest firms by market cap do not dominate the smaller firms in the industry.

Fundamental View

The fund holds equipment and services names of various sizes, from giants Schlumberger, Halliburton, and Transocean to small-cap specialty service providers like Superior Energy. While this gives the fund ample exposure to some of the industry's strongest firms, the oil-services business is unforgiving to large and small fry alike given its close ties to the commodity cycle. Energy behemoths, like ExxonMobil, gauge their exploration and production needs based on the price of crude oil. As crude prices rise, these oil majors drill more holes, spurring demand for rigs and related services, and vice versa. Thus, crude prices, rather than secular factors, act as the fulcrum for oil services demand, putting these firms at the mercy of the commodity cycle.

Absent product differentiation, many oil services firms

Portfolio Constructions


This fund tracks the S&P Oil & Gas Equipment & Services Index, which consists of 20 or so oil equipment and services names drawn from the S&P Total Market Index. To qualify for the index, each firm must rank within the top 90% of the industry (by free-float adjusted market cap). Because the index equally weights its holdings, the industry's top five or six firms like National Oilwell, Halliburton, and Baker Hughes (all with market caps north of \$20 billion) sit shoulder to shoulder with second-tier players like Pride International and Dresser-Rand. The index rebalances quarterly, which largely explains why portfolio turnover is higher here than at comparable ETFs like iShares Dow Jones U.S. Oil Equipment, which weight holdings by market cap.

lack the leverage to negotiate higher prices. True, in periods of services and equipment tightness, these firms can raise prices dramatically, but our analysts expect a glut of certain rigs to persist past 2010. In that climate, price is likely to remain paramount, putting a few low-cost providers in the driver's seat and relegating the rest of the field to also-ran status. As of this writing, it appears that industry bargaining power is firmly in the hands of service buyers, and many of the industry's top firms have been granting heavy price concessions as a result.

We have a cautious outlook for the firms held by this ETF for several reasons. First, despite the recent jump in the rig count, which implies higher demand for services, services firms are still struggling with equipment oversupply. Second, if natural gas storage fills up, which appears very likely in our view, the involuntary well shut-ins are likely to mean a decline in the natural gas rig count and lower short-term levels of services activity. Third, international oil companies may choose to consolidate their future services work with a single services provider, rather than obtaining services from multiple firms.

Analysis on the components of an index or strategy and the rules governing it. We also address taxation issues in this section.

1



Research Reports

The fund's cost in clear language for the investor

There are many ETF options for any given investment thesis. Analysts highlight similar investments that might provide better liquidity, market exposure or more competitive fee structures.

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Fees

This ETF's 0.35% expense ratio is low versus the typical natural-resources mutual fund as well as its closest ETF peers.

Alternatives

The closest boggy is iShares Dow Jones US Oil Equipment Index, and that fund charges 0.47% per year. It holds roughly 40 or so stocks taken from the oil and gas stocks classification of the Dow Jones U.S. Index. Because the index weights holdings by market cap, the fund invests 60% of assets in the top 10 names. We believe that the three largest firms within the industry do maintain competitive advantages over the rest of the lot, so we would probably take IEZ over XES, but cost-conscious investors may disagree with our choice. PowerShares Dynamic Oil & Gas Services covers the sector as well, but it charges a higher fee of 0.75% because it employs the firm's Intellidex multifactor quantitative model when weighting its components. Finally, the least expensive way to gain exposure to the sector is via Oil Services HOLDERS, but its lack of rebalancing ever means the portfolio can develop massive concentrations over time.

Bulls Case

- The fund hasn't made any capital gains distributions since its June 2006 inception despite its relatively high turnover ratio.
- The fund has done a good job tracking its underlying index and its market price has remained more or less in

- line with its net asset value over that span.
- The fund is the one of the least expensive of its kind, as it levies a modest 0.35% expense ratio.

Bears Case

- The ETF's high volatility means investors can see gains vanish as quickly as they're garnered.
- Crude oil price forecasts are inherently uncertain. Because those forecasts underpin the fair value estimates our analysts have placed on many of this ETF's holdings, that means those estimates could be off on masse.

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ETF Data Pages

We provide a simple and concise one-page data summary containing the most relevant information on the ETF/ETN. This includes return history, top holdings, fees, assets and trading volume.

Release date: 10-31-2023

SPDR S&P Oil & Gas Equipment & Services (USD)

Performance 10-31-2023					
Quarterly Returns	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total %
2023	7.15	17.33	7.95	2.22	38.79
2022	-3.29	29.89	-35.61	-47.62	-57.63
2021	-1.94	30.33	27.69	—	60.49

Trailing Returns	1 Yr	3 Yr	5 Yr	10 Yr	Incept
Std Qtrly Mkt	-14.29	—	—	—	0.86
Std Qtrly NAV	-14.48	—	—	—	0.27

Mkt Total Ret	27.53	-0.37	—	—	0.39
NAV Total Ret	26.79	-0.44	—	—	-0.24

+/- S&P 500 TR	16.98	6.59	—	—	—
+/- S&P 1500 Energy TR	18.43	-1.65	—	—	—

% Rank Cat	32	50	—	—	—
No. in Cat	32	15	—	—	—

Performance Disclosure
 The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar ratings.
 The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate, thus an investor's shares, when sold or redeemed, may be worth more or less than their original cost.
 Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please call 866-787-2257 or visit www.spdrs.com.

Fees and Expenses

Management Fees %	0.35
12b-1 Expense %	NA
Expense Ratio %	0.35

Risk and Return Profile

	3 Yr	5 Yr	10 Yr
Morningstar Rating™	2★	—	—
Morningstar Risk	+Avg	—	—
Morningstar Return	Avg	—	—

	3 Yr	5 Yr	10 Yr
Standard Deviation NAV	39.61	—	—
Standard Deviation MKT	39.02	—	—
Mean NAV	-0.44	—	—
Mean MKT	-0.37	—	—
Sharpe Ratio	0.13	—	—

MPT Statistics

	Standard Index	Best Fit Index
NAV	S&P 500 TR	S&P Health American National Resources TR
Alpha	15.74	0.59
Beta	1.39	1.19
R-Squared	49.89	85.05

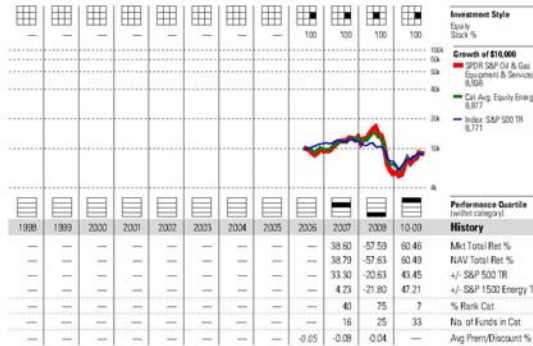
12 Month Yield 0.85%

30-day SEC Yield —

Potential Cap Gains Exp —

Operations

Family:	State Street Global Advisors
Manager:	Multiple
Tenure:	3.4 Years
Total Assets:	\$310.9 mil



Portfolio Analysis 09-30-2023

Composition %

	Net %	Long %	Short %	Share Chg since 09-2022	Share Amount	% Total Stocks	% Total Fixed Income	% Net Assets
Cash	0.11	0.11	0.00	—	—	—	42%	Turnover Ratio
US Stocks	99.89	99.89	0.00	—	769,139	100%	—	4.33
Non-US Stocks	0.00	0.00	0.00	—	589,585	—	—	4.32
Bonds	0.00	0.00	0.00	—	258,298	—	—	4.20
Other/Not Cld	0.00	0.00	0.00	—	529,073	—	—	4.16
Total	100.00	100.00	0.00	—	312,787	—	—	4.16

Equity Style

	Portfolio Statistics	Port. Avg Index	Ref. Cat
P/E Ratio TTM	11.0	0.66	—
P/C Ratio TTM	5.5	0.66	—
P/B Ratio TTM	1.6	0.71	—
Geo Avg Mkt Cap Bkt	4718	0.11	—

Fixed Income Style

	Avg Eff Duration	Avg Eff Maturity	Avg Credit Quality	Avg Wtd Coupon	Avg Wtd Price
	—	—	—	—	—

Credit Analysis

	Bond %
AAA	—
AA	—
A	—
BBB	—
BB	—
B	—
Below B	—
NR/NA	—

Regional Exposure

	Stocks % Rel S&P 500 TR
Americas	100.0
Greater Europe	0.0
Greater Asia	0.0

Sector Weights

	Stocks %	Rel S&P 500 TR
Information Economy	0.0	0.00
Software	0.0	0.00
Hardware	0.0	0.00
Media	0.0	0.00
Telecommunication	0.0	0.00
Service Economy	8.0	0.21
Healthcare Services	0.0	0.00
Consumer Services	0.0	0.00
Business Services	8.0	2.43
Financial Services	0.0	0.00
Manufacturing Economy	92.0	2.44
Consumer Goods	0.0	0.00
Industrial/Materials	3.8	0.36
Energy	88.1	7.05
Utilities	0.0	0.00

Options

Family:	State Street Global Advisors	Ticker:	XES	Base Currency:	USD
Manager:	Multiple	Exchange:	NEW YORK STOCK EXCHANGE, INC.		
Tenure:	3.4 Years	Incept:	26-10-2020		
Total Assets:	\$310.9 mil	NAV:	27.28		

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