Sector & Equity Compass
Looking to a Brighter World

Q3 2021

STATE STREET GLOBAL ADVISORS SPDR®

Themes and Outlook

A summary of the major investment themes likely to influence equities in the quarter ahead.

Starting to play again

Finishing Q2 on a High

Developed equity markets ended June at record highs, reassured by signs of steady recovery and greater belief that inflation was transitory, thus delaying any necessary rate rises. Europe's catch-up was also a major focus and returns on the continent outpaced those of US equities. Flows into equity ETFs have been strong, reflecting investors' bullish sentiment.

Relative performance in Q2 was initially driven by two factors: sensitivity to inflation (with a sector's inflation beta acting as a good predictor) and beneficiaries of reopening and recovery, with investors looking for parts of the market that had been left behind or slower to recover. However, these trends broke down in June.

We have highlighted the high return dispersion between sectors this year and it remains above median over one month and six months. Indeed, sector investing is proving a favoured means of profiting from the current environment, as reflected in high net inflows. In this Compass, we look at sectors and different geographical equity exposure to play our themes.

Growth May be Peaking, but the Cycle has Legs

The reflation trade still resonates as we enter the new quarter and we believe it is too early to call time while some parts of the economy are still in the process of unlocking. Concerns over new COVID variants and any delays in vaccine delivery will undoubtedly continue to provide buying opportunities in what we consider to be the early to middle stage of the economic cycle in most developed markets.

Challenges may emerge on valuations but the environment still favours equities as an asset class. In this context, global coverage is always an option (via MSCI ACWI or MSCI World) or a selective regional approach (Europe and emerging markets look relatively attractive to us given their current reopening profiles). On a sector basis, our SPDR Sector Picks for last quarter still look appealing, and we now add an element of diversification: dropping Industrials and considering Real Estate with its differentiated style and correlations.

Still Positioning for Value and Cyclical Exposure

The inflation topic is waning amid acceptance that current causes are transitory. However, even though it may drop down the news agenda, we still expect inflation levels to stay higher for some time. Elevated price pressure will continue to favour risk assets, particularly cyclical and value investments. Energy and Materials fit the bill and are supported by strong fundamentals, with regard to earnings and valuations. Both sectors should benefit from greater mobility and higher fiscal spending, including an infrastructure bill in the US that we hope will be agreed in Q3 2021.

Financials also has a strong value and cyclical element. It has been a SPDR Sector Pick since the start of 2021 but we think there are further benefits from the current friendly business and consumer environment. Key to banks' income is the rates outlook, which we believe could rise and steepen, particularly in the US. In turn, this is unhelpful for longer-duration growth sectors, such as Technology.

Re-Opening a Key Factor for Real Estate

The rates effect is not as clear cut for Real Estate. We find no strong relationship between share price returns and bond yield change, and correlation changes from positive to negative through time. Re-opening is a more important driver for this sector now, and it is picking up momentum from areas that were quicker to recover, particularly through the reopening of Europe and soon emerging markets.

Europe Moves into the Next Generation

Strong earnings prospects and less-stretched valuations continue to add to European equities' appeal. Consensus earnings growth for Europe this year is higher than the US, with more growth to come in 2022 given Europe's later reopening. The flow of loans and grants from the EU's Next Generation recovery fund start this quarter, although their economic impact may not be immediately felt. The EU Commission estimates that its fiscal spending could add 1% p.a. to GDP growth over next few years.* It is another good example, following the COVID vaccine rollout, of the EU states working together, which should help coordinated recovery. Europe, addressed by MSCI Europe or MSCI EMU, is one of our equity themes for Q3.

Sector Picks This Quarter

SPDR Sector Picks take into account the above themes and our macroeconomic outlook, as well as fundamentals, momentum (taken from our **Sector ETF Momentum Map**) and investor behaviour (flows and holdings data, as presented in this document). Given the attractions of Europe in this reopening phase, we have picked more sectors to provide exposure to this theme. For investors seeking a more defensive option, plus quality and growth, our preferred sector would be Health Care in Europe.

	World	US	Europe
Energy	✓	✓	✓
Financials	✓	✓	✓
Real Estate	✓	✓	✓
Materials			✓

* The above estimate is based on certain assumptions and analysis made by a third party. There is no guarantee that the estimate will be achieved.

Performance and ETF Flows

Regional sector performance highlighting dispersion between top and bottom performance. Flows into sector ETFs split between US and European domicile, worth more than $760 billion in AUM.*

* Source: Morningstar, as of 30 June 2021.

Sector and Equity Performance

World Sectors

Q2 2021 (%)		YTD 2021 (%)	
Tech	11.5	32.4	Energy
Real Estate	10.1	20.7	Financials
Comm Services	9.2	16.8	Real Estate
Health Care	9.1	16.7	Comm Services
Energy	8.7	13.1	Tech
MSCI World NR	7.7	13.0	MSCI World NR
Financials	6.6	12.2	Industrials
Cons Disc	6.4	11.3	Materials
Cons Staples	5.8	10.2	Cons Disc
Materials	5.3	9.9	Health Care
Industrials	4.1	5.2	Cons Staples
Utilities	-0.7	-0.2	Utilities

US Sectors

Q2 2021 (%)		YTD 2021 (%)	
Real Estate	12.9	44.2	Energy
Tech	11.5	25.3	Financials
Energy	10.8	22.8	Real Estate
Comm Services	10.6	20.3	Comm Services
S&P500 NR	8.4	16.1	Industrials
Health Care	8.3	15.0	S&P500 NR
Financials	8.2	14.2	Materials
Cons Disc	6.4	13.8	Tech
Materials	4.8	11.6	Health Care
Industrials	4.4	11.3	Cons Disc
Cons Staples	3.1	4.6	Cons Staples
Utilities	-0.6	1.9	Utilities

Europe Sectors

Q2 2021 (%)		YTD 2021 (%)	
Health Care	11.5	21.2	Tech
Real Estate	9.9	20.0	Cons Disc
Tech	9.3	18.3	Energy
Cons Staples	9.1	17.3	Materials
Cons Disc	7.8	17.0	Financials
MSCI Europe NR	6.5	16.9	Industrials
Industrials	5.9	15.4	MSCI Europe NR
Materials	5.3	14.9	Comm Services
Comm Services	4.1	13.4	Health Care
Energy	2.9	11.5	Cons Staples
Financials	2.4	7.4	Real Estate
Utilities	-1.1	-1.1	Utilities

Source: State Street Global Advisors, Bloomberg Finance L.P., as of 30 June 2021. Past performance is not a guarantee of future results. The universes for the above charts are the MSCI World, S&P Select Sectors, and MSCI Europe. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index Performance is not meant to represent that of any particular fund. These indices are net total return. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

Equity Performance by Region	Q2 2021 (%)	YTD 2021 (%)
US Equities	8.4	15.0
Global Equities	7.4	12.3
Europe Equities	6.5	15.4
Eurozone Developed	5.8	15.3
UK Equities	5.6	11.1
Global Emerging Markets	5.0	7.4
Asia Emerging Markets	3.8	6.0
Japan Equities	0.2	8.9

Source: Bloomberg Finance L.P., as of 30 June 2021. Past performance is not a guarantee of future returns. Returns are net total returns. Reference indices are: UK Equities — FTSE All Share Index; Global Equities — MSCI ACWI (All Country World Index) Index; Asia Emerging Markets — MSCI EM (Emerging Markets) Asia Index; Eurozone Developed — MSCI EMU Index; Global Emerging Markets — MSCI Emerging Markets Index; Europe Equities — MSCI Europe Index; Japan Equities — MSCI Japan Index; US Equities — S&P 500 Index. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index Performance is not meant to represent that of any particular fund. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable.

Sector and Equity ETF Flows

Sector ETF Flows	European-Domiciled ($mn)		US-Domiciled ($mn)	
	Q2 2021	YTD	Q2 2021	YTD
Communication Services	26	208	237	46
Consumer Discretionary	80	289	119	2,925
Consumer Staples	309	165	246	-2,752
Energy	1,106	4,108	3,714	13,184
Financials	948	5,433	5,697	20,909
Health Care	997	1,343	783	-581
Industrials	287	769	-423	4,484
Materials	425	1,092	5,674	8,041
Real Estate	594	461	5,104	7,535
Technology	235	1,777	1,561	2,727
Utilities	444	891	-170	-311

Source: Bloomberg Finance L.P., State Street Global Advisors, as of 30 June 2021. Flows shown above are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future. **Methodology** We collect and aggregate flow figures for all sector and industry ETFs domiciled in the US and Europe. As of October 2020, this set includes approximately $541 billion in AUM invested in US-domiciled funds and $50 billion in AUM invested in European-domiciled funds. The flow figures include ETFs invested across regions (including US, Europe and World). They are calculated as the net figure of buys minus sells. **The green boxes signify the two highest flow figures for each period, while the red boxes signify the two lowest flow figures.**

Equity ETF Flows by Region	European-Domiciled ($mn)				US-Domiciled ($mn)		
	June 2021	Q2 2021	YTD		June 2021	Q2 2021	YTD
Global	6,205	17,054	42,234	**US**	38,778	101,292	221,426
US	3,258	9,415	21,159	**Global**	4,010	9,530	41,024
Europe	2,625	6,349	7,769	**International — Developed**	6,899	22,482	43,979
UK	-1,025	-155	3,090	**International — Emerging Markets**	2,924	6,593	24,377
Other Region	148	181	576	**International — Region**	3,888	11,962	17,161
Single Country	1,558	3,155	5,666	**International — Single Country**	109	1,695	5,644
EM	1,556	84	7,919	**Currency Hedged**	59	853	408
Total	**14,325**	**36,083**	**88,413**	**Total**	**56,667**	**154,407**	**354,019**

Source: Bloomberg Finance L.P., as of 30 June 2021. Flows shown above are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. Single Country exposures are those that include securities from one country of domicile.

Institutional Flows and Positioning

The direction of flows and relative positioning of institutional sector flows, referencing $40 trillion of financial assets under custody.*

* Source: State Street, as of 31 March 2021.

Flows Overview

On a geographical basis, the rest of world flows were notable, as investors saw the recovery attractions of companies within Europe and emerging markets. The relative outflows from the US followed a strong period of performance and a large overweight position. The UK saw incredibly strong inflows last quarter, although the trend reversed slightly during the past month as some of the value trade began to reverse. However, the UK remains a significant underweight for institutional investors, meaning there is room to add to allocations.

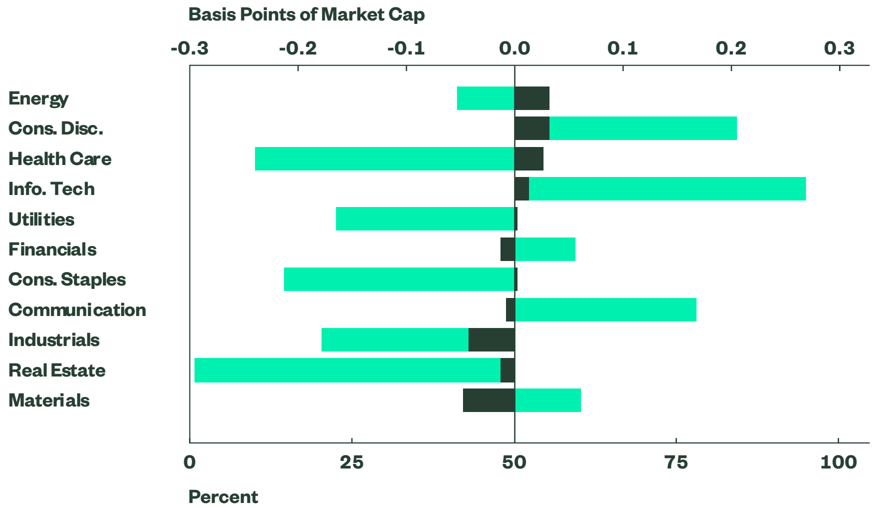
By sector, energy stands out for the volatility of its flows, reflecting varying confidence in reopening during Q2, with net flows strongly positive versus the market. Consumer discretionary exposure, particularly in Europe, was also bought, despite already overweight positions. Technology recovered flows amid renewed popularity for growth stocks. This was in spite of institutional investors' already heavily overweight positioning. These relative moves were funded by profit-taking in the cyclical areas of industrials and materials, which increased during June.

The most extreme positioning was once again the large underweight size in health care, despite relative buying across the sector, and real estate. Overall, investors in European stocks appear more cyclically biased, including large overweight positions in European consumer discretionary, funded by underweights in defensive areas such as consumer staples. Meanwhile, US exposure is still dominated by technology.

World: Flows and Holdings

Active Flow Over Past Quarter and Relative Holdings vs. Past 5 Years

3-month flow (upper axis)
Holdings (lower axis)

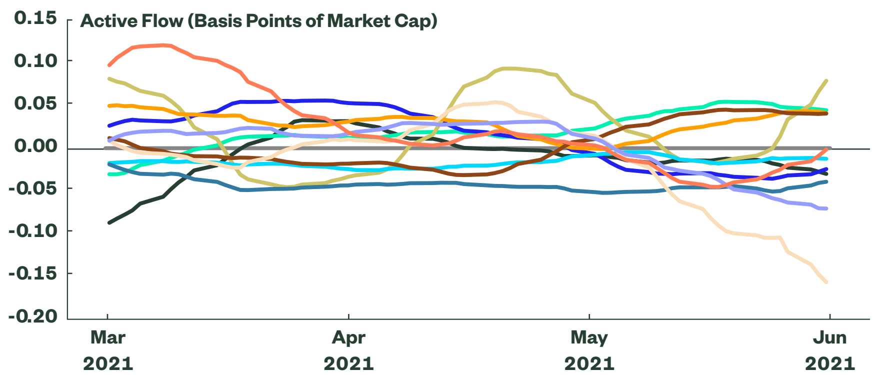


Source: State Street Global Markets. Data are as of 30 June 2021. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

World: Progression of Active Flows

Trend of Flows Over Past Quarter

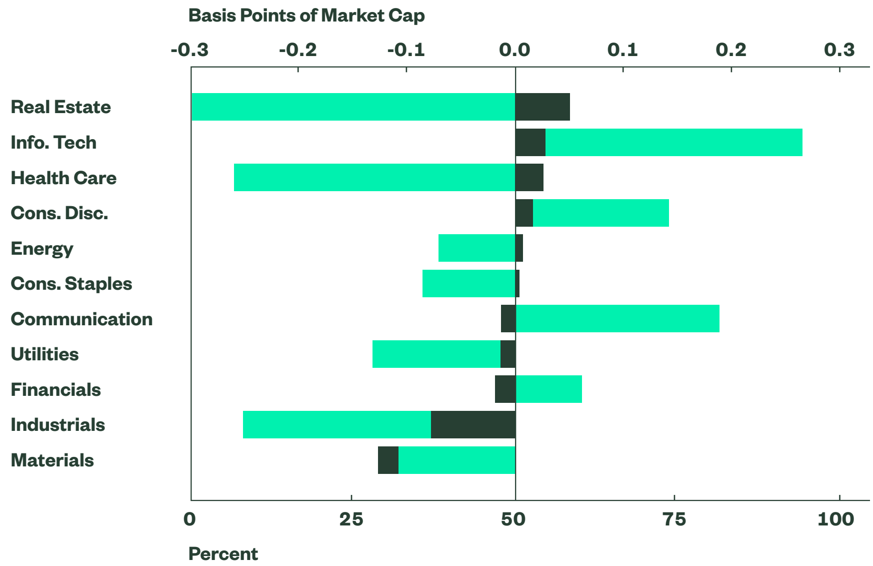
Communication
Cons. Disc.
Cons. Staples
Energy
Financials
Health Care
Industrials
Info. Tech.
Materials
Real Estate
Utilities



Source: State Street Global Markets. Data are as of 30 June 2021. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. The universes for the above charts are the MSCI ACWI. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

US: Flows and Holdings
Asset Flow Over Past Quarter and Relative Holdings vs. Past 5 Years

3-month flow (upper axis)
Holdings (lower axis)



Source: State Street Global Markets. Data are as of 30 June 2021. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

US: Progression of Active Flows
Trend of Flows Over Past Quarter

Communication
Cons. Disc.
Cons. Staples
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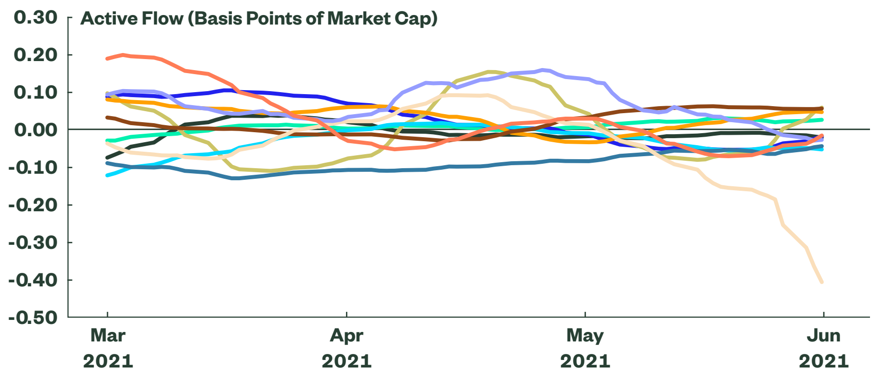
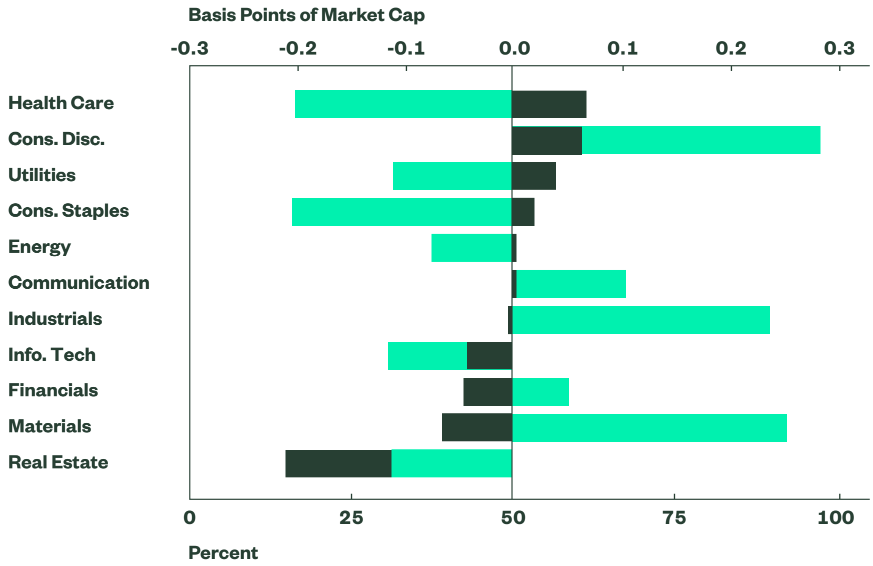
Real Estate
Utilities



Source: State Street Global Markets. Data are as of 30 June 2021. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. The universes for the above charts are the MSCI US. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

Europe: Flows and Holdings
Asset Flow Over Past Quarter and Relative Holdings vs. Past 5 Years

3-month flow (upper axis)
Holdings (lower axis)



Source: State Street Global Markets. Data are as of 30 June 2021. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

Europe: Progression of Active Flows
Trend of Flows Over Past Quarter

Communication
Cons. Disc.
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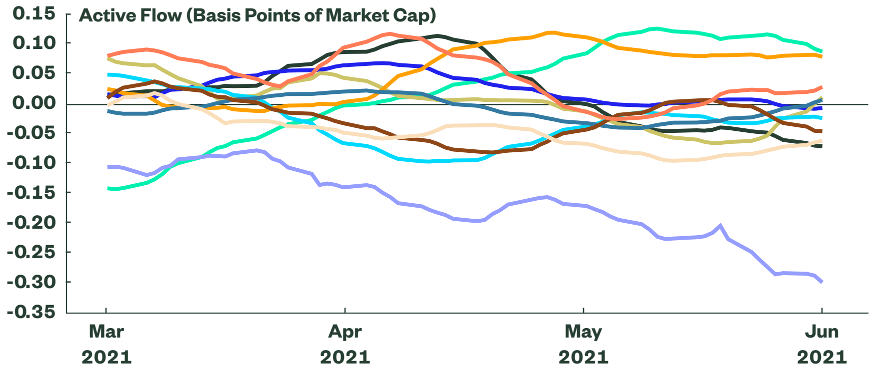
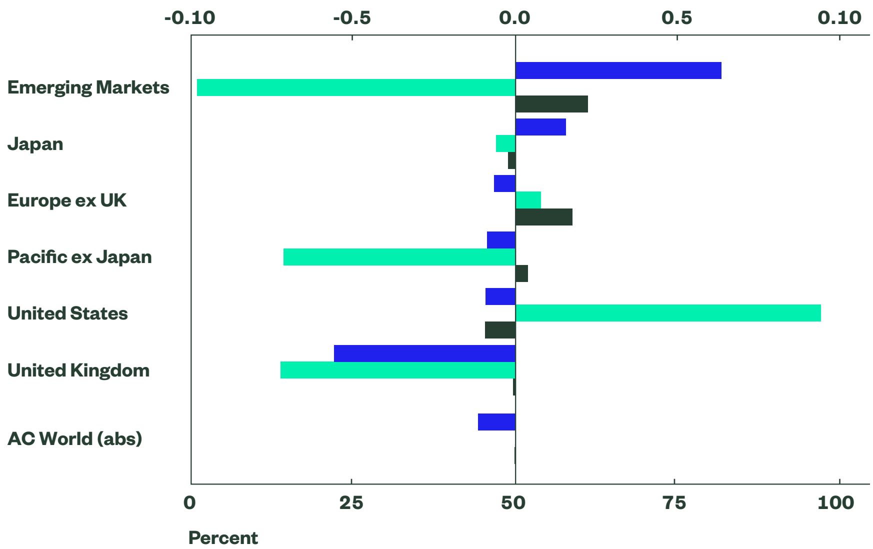
Real Estate
Utilities



Source: State Street Global Markets. Data are as of 30 June 2021. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. The universes for the above charts are the MSCI Europe. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

Equity Flows and Holdings by Region
Active Flow Over Past Quarter and Relative Holdings vs. Past 5 Years

3-month flow (Upper Axis)
1-month flow (Upper Axis)
Holdings (Lower Axis)



Source: State Street Global Markets, Thomson Datastream, as of 30 June 2021. Flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

Sector Picks

Ideas for the quarter ahead based on macroeconomic indicators, aggregated earnings, valuation metrics, flows, holdings and potential drivers for each sector.

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Energy
A Story of Supply and Demand

World	US	Europe
✓	✓	✓

- **Energy share prices lagging crude oil price curve and not capturing significant earnings upgrades.**
- **Crude oil prices supported by deficits in supply and rapidly returning demand.**
- **Companies showing capital discipline, excess cash could lift dividend and share buybacks.**

Need for Energy Transition Now Understood

In H1 2021, the S&P Energy Select Sector index rose by 44% (by a lesser extent elsewhere) despite strengthening opposition to fossil fuels.* Governments, courts, shareholders and activists have lined up against oil and gas producers, seeking to restrict their output and emissions. Even the International Energy Agency, an industry champion, has warned about the need to stop opening new oil fields and to phase out oil-based power on the transition to Net Zero.

Despite such obstacles, the sector became too cheap and, given its significant under ownership (see pages 10–12), there was a sharp rebound once investors had post-vaccine confidence in mobility. There is a long, expensive road to energy transition, but this is now better understood by investors, reflected in valuations and management plans.

Oil Price Support

The OPEC+ meeting in early July was abandoned as countries failed to reach agreement, meaning crude oil production remains at restricted levels, but leaving a high level of uncertainty. Brent crude future prices have risen from $52 to $77 per barrel year to date, driven by increased demand from the reopening of economies, restricted supply from OPEC+ countries and production taken offline by higher cost producers.

Regional Choice

Energy stocks are highly correlated, responding in a similar fashion to market moves and making sector ETFs an effective investment vehicle. Any reopening concerns caused by the spread of the Delta variant could be used as a buying opportunity. Given the scale of international trade and the importance of the oil price to sector fundamentals, returns in USD are similar, but there are differences to be considered.

Europe is a concentrated sector with just 12 stocks, led by former champions. These integrated majors were forced to slash dividends during the worst of the pandemic, but they should return this year.

The US sector has a large contribution from oil-price-sensitive exploration and production activities and a higher weight in equipment and services, which could experience later-stage recovery given the need to see a return in capital expenditure.

SPDR MSCI World Energy UCITS ETF — Top 5 constituents: Exxon Mobil Corporation (14.63%), Chevron Corporation (11.05%), TotalEnergies SE (6.20%), BP plc (4.85%), ConocoPhillips (4.52%).

SPDR S&P U.S. Energy Select Sector UCITS ETF — Top 5 constituents: Exxon Mobil Corporation (23.76%), Chevron Corporation (18.77%), ConocoPhillips (4.65%), EOG Resources Inc. (4.47%), Marathon Petroleum Corporation (4.34%).

SPDR MSCI Europe Energy UCITS ETF — Top 5 constituents: BP plc (19.10%), Royal Dutch Shell plc Class A (18.41%), TotalEnergies SE (18.29%), Royal Dutch Shell plc Class B (16.08%), Eni S.p.A. (6.90%).

*Source: Bloomberg Finance L.P., as of 30 June 2021.

Financials

More to Come

World	US	Europe
✓	✓	✓

- **Any rise or steepening of rates beneficial across the sector.**
- **Return of dividends and share buybacks, with income a key theme this quarter.**
- **Adding Europe as Sector Pick on significant valuation discount and financing of European Green Deal.**

Importance of Interest Rates

Financial ETFs have been popular for value, positive inflation beta and benefits from higher bond yields. While moves in US Treasuries were not as helpful later in Q2, we believe technical distortions are partly to blame and expect a steepening to return given the Federal Reserve's reluctance to increase rates for some time.

Banks (45% of US and European sectors) are highly sensitive to rates, both their level and the difference between the long and short ends of the curve. The impact of interest rates varies by bank, depending on their balance sheet structures, loan mixes and funding profiles. Q2 results should show net interest income margins turning around with good news on reserves. They are also key to watch for loan growth.

Higher rates also benefit insurance providers specialising in life polices, which can help portfolio returns, although sensitivity depends on duration and account composition. Property and casualty insurance earnings are less levered to interest rates and demand tends to be less elastic. Diversified Financials (44% of US sector, 24% of European sector) is a more amorphous group.* Higher bond yields have more impact on the earnings of investment banking and consumer finance operations than asset managers and financial exchanges; the latter should do well from strong capital markets and inflows.

Capital Return

All major US banks passed the Federal Reserve Board's annual stress tests, revealing strong capital levels and the ability to continue lending during a severe recession. The Board announced that restrictions on dividends and the buyback moratorium would end, which could result in significant shareholder pay-outs. Share buybacks from Financials have lagged only Technology in recent years. EU-based banks will trail US ones with buyouts. They will soon receive their stress test results, with the ECB expected to lift dividend restrictions. UK banks have a different regime and timetable.

Value in Europe

US and Europe Financials are both relatively attractive in this business and consumer environment. The European sector usually lags the US on P/B and P/E, because of the latter's superior profitability and business models but this now appears overdone, giving opportunity in Europe. Consolidation is another consideration. European banking is highly fragmented, with huge chains of bank properties and the need to enhance technology. The diversified financials industry could also be an interesting space for M&A.

SPDR MSCI World Financials UCITS ETF — Top 5 constituents: JPMorgan Chase & Co. (6.04%), Berkshire Hathaway Inc. Class B (4.85%), Bank of America Corp (4.08%), Wells Fargo & Company (2.38%), AIA Group Limited (1.92%).

SPDR S&P U.S. Financials Select Sector UCITS ETF — Top 5 constituents: Berkshire Hathaway Inc. Class B (12.85%), JPMorgan Chase & Co. (11.49%), Bank of America Corp (7.59%), Wells Fargo & Company (4.57%), Citigroup Inc. (3.57%).

SPDR MSCI Europe Financials UCITS ETF — Top 5 constituents: HSBC Holdings plc (6.85%), Allianz SE (6.00%), BNP Paribas SA Class A (4.12%), Banco Santander S.A. (3.86%), Zurich Insurance Group Ltd (3.53%).

* Source: Bloomberg Finance L.P., as of 30 June 2021.

Real Estate

Diversification and Reopening

World	US	Europe
✓	✓	✓

- **Full benefits of reopening still to be seen.**
- **Less worry around rates, inflation and tax changes than other sectors.**
- **Diversification benefits as a different asset class.**

Later to Recover

Real Estate was late to the reopening party. Flows and performance blossomed in Q2 as investors looked for places that were slower to recover. Some property sub-sectors were hard hit during COVID lockdowns, such as retail, hospitality and office space. There is still considerable uncertainty facing these areas, not least because of the shift toward online shopping and remote working, but there are cyclical and reopening benefits. Meanwhile, structural growth continues in sub-sectors such as industrial and residential.

Strong upward revisions in earnings forecasts reflect this outlook and leave the sector still trading at valuation discounts. Most marked is P/B value: the global sector (measured by Dow Jones Global Select Real Estate Securities Total Return Net Index) trades at a 40% discount to the global index (10% larger than usual). European property valuations are at an even lower relative level.

A Degree of Protection

There is a traditional fear of real estate in rising rate environments given the potential impact on loan demand and alternative investment options. However, moderately rising rates can also indicate stronger economic demand, which generally benefits property owners. We find little evidence of positive or negative correlation.

Meanwhile, real estate ownership provides natural protection against inflation. Real estate rents and values tend to increase when prices rise, with many leases tied to inflation. This supports cashflow and thus dividend growth, providing a reliable stream of income even during inflationary periods. This is further supported by diversified property ownership. Last year was only one of two (the other being 2009) when REITs dividend growth (measured in the US) was below CPI for that year*.

One other benefit of note, due to REITs' status (where they are required to distribute at least 90% of their taxable net income to shareholders in return for tax benefits), they are unlikely to be hit unduly by any new tax legislation, which is being considered by the US administration.

Diversification Benefits

As a separate asset class, real estate offers different investment dynamics and low correlation with other assets (particularly equities), and can help reduce overall portfolio risk and increase returns. The broad array of properties, and the industries that they service, provide diversification as well.

SPDR Dow Jones Global Real Estate UCITS ETF — Top 5 constituents: Prologis Inc (5.79%), Public Storage (3.00%), Simon Property Group Inc. (2.80%), Digital Realty Trust Inc. (2.78%), Welltower Inc. (2.27%).

SPDR FTSE EPRA Europe ex UK Real Estate UCITS ETF — Top 5 constituents: Vonovia SE (15.54%), Deutsche Wohnen SE (8.93%), Unibail-Rodamco-Westfield (4.95%), LEG Immobilien SE (4.41%), Aroundtown SA (3.97%).

* Source NAREIT, 17 May 2021.
Diversification does not ensure a profit or guarantee against loss.

Materials

The Cycle Continues

World	US	Europe
		✓

- **Still in a commodities supercycle.**
- **Ramp up in activity during global recovery, fiscal spending, capex increases.**
- **Earnings sentiment not reflected in valuation.**

The Cycle has Not Ended

As we discussed earlier, economic growth rates may be peaking, but we believe the cycle has legs, with Europe and emerging markets picking up the baton. As one of the most cyclically sensitive sectors, Materials has been quick to benefit and then suffer from investors' peak speculation. Since the June FOMC meeting, investors have taken profits in the sector and returned to purer growth exposures in the belief that current inflation pressures are transitory and the best of economic recovery is over. However, we believe we are too early in the cycle to make these assumptions.

Metals and Mining are Key

The post-COVID economic recovery is proving highly material-intensive via industrial uses, new machinery and construction worldwide. There has been much focus on copper, given its properties that make it invaluable in electric vehicles, other green projects and home refurbishment.

The importance of China as a customer cannot be ignored. Nervous investors have watched the China Credit Impulse, which measures the amount of new lending and is used by some as a 12 to 18-month indicator. It has fallen in recent readings and, together with other indicators, is being used to show the softening of Chinese growth momentum. This is a concern, and from here the Materials story may be more reliant on the rest of the world, but there are other factors driving the commodity cycle.

The huge demand for raw materials has been met by tight supply, resulting from conservative mining expansion in recent years and COVID-induced supply chain disruption. This led to a spike in commodities prices in H1 2021, which was exacerbated by financial trading in metals for their high correlation to inflation. Speculative commodity positioning seems to have washed out, which could allow the sector to go back to trading on fundamentals. Inevitably, as we move through to mid-cycle, there is likely to be a pick-up in miner capex plans, which could relieve the supply side and end the supercycle, but these plans would take years to authorise and fulfil.

Europe is Our Preference

In Europe, Materials has seen the highest level of earnings upgrades after Energy. These upgrades have been relatively poorly reflected in share prices against the average sector. This leaves Materials on a relatively low P/E rating with a dividend yield premium. With unlevered balance sheets and high FCF generation, shareholders could see dividend growth and share buybacks.

SPDR MSCI Europe Materials UCITS ETF — Top 5 constituents: Rio Tinto plc (10.25%), Air Liquide SA (9.22%), BASF SE (8.02%), BHP Group plc (6.89%), Anglo American plc (5.70%).

Sector Index Metrics

	Fundamental Growth Forecasts & Valuations								
	Est. 2yr EPS Growth (% p.a.)*	3mth Change to 1yr EPS Growth Forecast (%)	Forward P/E**	Forward Relative P/B**	Relative CAPE	Relative CAPE (10yr Avg)	ROE (%)	Debt/ Equity (%)	12mth Div. Yield (%)***
MSCI World Sector Indices									
MSCI World Index	**23.9**	**17.6**	**18.8**	–	–	–	**12.5**	**144**	**1.82**
Comm. Services	17.6	11.0	19.8	1.13	1.53	1.44	11.2	102	1.18
Consumer Disc.	49.9	34.1	21.9	1.44	1.27	1.16	13.5	125	1.04
Consumer Staples	7.9	3.0	19.7	1.44	0.91	1.13	21.9	101	2.57
Energy	321.3	292.2	12.6	0.50	0.38	0.52	10.6	72	4.35
Financials	22.9	21.3	12.5	0.42	0.59	0.60	8.1	244	2.85
Health Care	10.3	6.3	17.5	1.42	1.21	1.14	27.4	81	1.67
Industrials	39.8	28.2	19.9	1.19	1.03	1.08	12.6	102	1.64
Materials	30.9	35.9	14.2	0.76	0.88	0.92	20.1	54	3.37
Real Estate	10.5	5.8	28.1	0.55	1.03	1.23	5.3	84	2.80
Technology	16.0	8.6	27.2	2.79	1.68	1.32	45.2	68	0.80
Utilities	4.6	-0.1	16.7	0.60	0.79	0.93	11.8	138	3.68
US S&P Select Sector Indices									
S&P 500 Index	**23.8**	**16.7**	**20.3**	–	–	–	**21.3**	**120**	**1.39**
Comm. Services	24.1	15.7	20.2	0.91	1.34	1.50	16.3	100	0.83
Consumer Disc.	44.2	25.6	25.1	2.23	1.52	1.22	27.0	237	0.75
Consumer Staples	7.4	2.7	19.7	1.39	0.70	0.92	32.6	128	2.59
Energy	N/A	N/A	14.8	0.43	0.35	0.58	9.3	67	4.09
Financials	26.0	26.0	14.2	0.38	0.66	0.58	11.5	149	1.74
Health Care	10.5	7.4	16.4	1.05	0.95	1.02	30.6	88	1.58
Industrials	55.4	33.0	20.2	1.31	0.87	0.96	14.4	153	1.41
Materials	31.9	30.7	17.7	0.71	0.88	0.99	16.9	66	1.82
Real Estate	11.8	8.5	48.3	0.45	1.52	1.74	8.1	124	2.50
Technology	16.1	8.6	25.5	2.24	1.18	1.03	49.3	79	0.86
Utilities	5.0	1.3	18.1	0.48	1.52	1.74	11.0	146	3.29
MSCI Europe Sector Indices									
MSCI Europe Index	**29.9**	**24.1**	**15.5**	–	–	–	**9.0**	**191**	**2.97**
Comm. Services	11.6	5.4	15.1	0.76	0.71	0.85	6.1	140	3.83
Consumer Disc.	94.8	77.0	16.9	1.22	1.25	1.47	13.6	109	1.88
Consumer Staples	8.6	3.3	19.2	1.73	1.08	1.38	17.8	91	2.73
Energy	181.3	166.0	9.4	0.56	0.49	0.61	11.0	70	4.55
Financials	26.0	23.2	10.2	0.42	0.67	0.63	7.1	349	4.52
Health Care	8.3	2.9	17.6	1.97	1.20	1.24	25.1	73	2.48
Industrials	47.8	37.3	20.4	1.92	1.55	1.46	18.6	110	2.05
Materials	35.5	44.5	13.2	1.08	1.12	1.12	20.2	53	4.56
Real Estate	4.9	-0.9	18.4	0.50	0.95	1.11	3.5	85	2.89
Technology	19.8	11.4	28.2	2.83	3.94	3.37	14.5	59	0.84
Utilities	10.0	6.0	15.3	0.94	0.89	0.74	13.3	130	4.50

Source: State Street Global Advisors, FactSet, Bloomberg Finance L.P., Morningstar, as of 30 June 2021. Past performance is not a guarantee of future results. The above estimates based on certain assumptions and analysis made. There is no guarantee that the estimates will be achieved.
* Calculated as a 2-year average of consensus forecasts for adjusted EPS using BEst (Bloomberg Estimates).
** Forward estimates refer to 12 months.
*** This measures the weighted average of gross dividend yield of the relevant index and the underlying stocks from the relevant ETF.

Sector Index Metrics (cont'd)

	Macro Sensitivities****			Risk Metrics*****		
	US 10yr Yield Sensitivity (36 Months)	Brent Crude Oil Price Sensitivity (36 Months)	Inflation (5yr-5yr Forward) Sensitivity (36 Months)	Beta (36 Months)	Volatility (36 Months) (%)	Correlation (36 Months)
MSCI World Sector Indices						
MSCI World Index	**0.11**	**0.26**	**0.64**	**1.00**	**18.21**	–
Comm. Services	0.10	0.23	0.61	0.86	17.19	0.94
Consumer Disc.	0.11	0.29	0.82	1.13	21.84	0.97
Consumer Staples	0.04	0.11	0.41	0.57	12.78	0.84
Energy	0.23	0.50	0.89	1.58	34.04	0.87
Financials	0.19	0.35	0.80	1.19	24.33	0.92
Health Care	0.04	0.13	0.39	0.67	15.14	0.83
Industrials	0.14	0.30	0.75	1.11	21.69	0.96
Materials	0.13	0.29	0.68	1.05	21.09	0.93
Real Estate	0.06	0.22	0.47	0.78	17.22	0.85
Technology	0.08	0.28	0.65	1.04	21.07	0.92
Utilities	0.03	0.11	0.35	0.47	13.72	0.64
US S&P Select Sector Indices						
S&P 500 Index	**0.11**	**0.25**	**0.67**	**1.00**	**18.52**	–
Commun. Services	0.11	0.29	0.67	0.97	19.91	0.93
Consumer Disc.	0.09	0.28	0.77	1.11	22.05	0.96
Consumer Staples	0.06	0.11	0.46	0.60	13.96	0.82
Energy	0.28	0.59	1.03	1.80	41.18	0.83
Financials	0.20	0.33	0.79	1.16	24.73	0.90
Health Care	0.05	0.12	0.45	0.69	15.90	0.83
Industrials	0.17	0.31	0.84	1.16	23.93	0.92
Materials	0.13	0.27	0.70	1.03	21.78	0.90
Real Estate	0.04	0.18	0.40	0.69	16.58	0.79
Technology	0.08	0.27	0.67	1.02	21.01	0.92
Utilities	0.04	0.07	0.32	0.38	15.34	0.47
MSCI Europe Sector Indices						
MSCI Europe Index	**0.11**	**0.28**	**0.59**	**1.00**	**19.20**	–
Comm. Services	0.11	0.21	0.54	0.79	18.54	0.85
Consumer Disc.	0.16	0.35	0.80	1.18	24.23	0.96
Consumer Staples	0.02	0.13	0.39	0.58	14.31	0.80
Energy	0.17	0.38	0.59	1.28	30.79	0.82
Financials	0.21	0.41	0.84	1.39	29.33	0.94
Health Care	0.01	0.11	0.25	0.53	13.95	0.75
Industrials	0.15	0.35	0.78	1.15	23.46	0.97
Materials	0.14	0.33	0.63	1.06	22.24	0.94
Real Estate	0.09	0.31	0.71	1.02	23.17	0.87
Technology	0.10	0.32	0.59	1.06	22.44	0.93
Utilities	0.02	0.21	0.42	0.74	18.68	0.78

Source: State Street Global Advisors, FactSet, Bloomberg Finance L.P., Morningstar, as of 30 June 2021. Past performance is not a guarantee of future results.
**** Sensitivity is beta to the macro variable, e.g. 10-year Treasury yield, Brent oil, and US 5yr–5yr forward as shown here.
***** Beta and volatility are based on index returns. Correlation is the 36-month correlation to the parent index.

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SPDR ETF Information	ISIN	TER (%)	Euro-next	LSE	Xetra	Borsa Italiana	SIX	Mexico BMV	Q2 21 Net Flows ($M)	YTD Net Flows ($M)	SPDR AUM ($M)
World Sector Funds											
SPDR MSCI World Communication Services UCITS ETF	IE00BYTRRG40	0.30	WTEL	WTEL	–	–	WTEL	WTELN	0	-7	30
SPDR MSCI World Consumer Discretionary UCITS ETF	IE00BYTRR640	0.30	WCOD	WCOD	–	–	WCOD	CDISN	0	6	38
SPDR MSCI World Consumer Staples UCITS ETF	IE00BYTRR756	0.30	WCOS	WCOS	–	–	WCOS	–	4	2	89
SPDR MSCI World Energy UCITS ETF	IE00BYTRR863	0.30	WNRG	WNRG	–	WNRG	WNRG	WNRGN	9	69	409
SPDR MSCI World Financials UCITS ETF	IE00BYTRR970	0.30	WFIN	WFIN	–	WFIN	WFIN	WFINN	53	142	255
SPDR MSCI World Health Care UCITS ETF	IE00BYTRRB94	0.30	WHEA	WHEA	–	WHEA	WHEA	–	34	32	388
SPDR MSCI World Industrials UCITS ETF	IE00BYTRRC02	0.30	WIND	WNDU	–	–	WIND	–	4	4	75
SPDR MSCI World Materials UCITS ETF	IE00BYTRRF33	0.30	WMAT	WMAT	–	–	WMAT	WMATN	21	104	193
SPDR Dow Jones Global Real Estate UCITS ETF	IE00B8GF1M35	0.40	–	GLRE	SPYJ	GLRE	GBRE	–	0	22	258
SPDR MSCI World Technology UCITS ETF	IE00BYTRRD19	0.30	WTCH	WTEC	–	WTEC	WTEC	WTECN	-17	-17	420
SPDR MSCI World Utilities UCITS ETF	IE00BYTRRH56	0.30	WUTI	WUTI	–	–	WUTI	–	0	0	15
US Sector Funds											
SPDR S&P U.S. Communication Services Select Sector UCITS ETF	IE00BFWFPX50	0.15	SXLC	SXLC	ZPDK	SXLC	SXLC	SXLCN	-7	3	257
SPDR S&P U.S. Consumer Discretionary Select Sector UCITS ETF	IE00BWBXM278	0.15	SXLY	SXLY	ZPDD	SXLY	SXLY	SXLYN	5	-2	135
SPDR S&P U.S. Consumer Staples Select Sector UCITS ETF	IE00BWBXM385	0.15	SXLP	SXLP	ZPDS	SXLP	SXLP	SXLPN	53	-27	202
SPDR S&P U.S. Energy Select Sector UCITS ETF	IE00BWBXM492	0.15	SXLE	SXLE	ZPDE	SXLE	SXLE	SXLEN	41	122	261
SPDR S&P U.S. Financials Select Sector UCITS ETF	IE00BWBXM500	0.15	SXLF	SXLF	ZPDF	SXLF	SXLF	SXLFN	-15	56	483
SPDR S&P U.S. Health Care Select Sector UCITS ETF	IE00BWBXM617	0.15	SXLV	SXLV	ZPDH	SXLV	SXLV	SXLVN	-3	15	216
SPDR S&P U.S. Industrials Select Sector UCITS ETF	IE00BWBXM724	0.15	SXLI	SXLI	ZPDI	SXLI	SXLI	SXLIN	20	43	417
SPDR S&P U.S. Materials Select Sector UCITS ETF	IE00BWBXM831	0.15	SXLB	SXLB	ZPDM	SXLB	SXLB	SXLBN	20	26	59
SPDR S&P U.S. Technology Select Sector UCITS ETF	IE00BWBXM948	0.15	SXLK	SXLK	ZPDT	SXLK	SXLK	SXLKN	-15	-8	333
SPDR S&P U.S. Utilities Select Sector UCITS ETF	IE00BWBXMB69	0.15	SXLU	SXLU	ZPDU	SXLU	SXLU	SXLUN	7	6	35
Europe Sector Funds											
SPDR MSCI Europe Communication Services UCITS ETF	IE00BKWQ0N82	0.23	STT	TELE	SPYT	STTX	STTX	TELEN	14	22	45
SPDR MSCI Europe Consumer Discretionary UCITS ETF	IE00BKWQ0C77	0.23	STR	CDIS	SPYR	STRX	STRX	–	90	152	229
SPDR MSCI Europe Consumer Staples UCITS ETF	IE00BKWQ0D84	0.23	STS	CSTP	SPYC	STSX	STSX	CSTPN	32	-73	145
SPDR MSCI Europe Energy UCITS ETF	IE00BKWQ0F09	0.23	STN	ENGY	SPYN	STNX	STNX	ENGYN	-5	45	135
SPDR MSCI Europe Financials UCITS ETF	IE00BKWQ0G16	0.23	STZ	FNCL	SPYZ	STZX	STZX	FNCLN	-5	-429	615
SPDR MSCI Europe Health Care UCITS ETF	IE00BKWQ0H23	0.23	STW	HLTH	SPYH	STWX	STWX	HLTHN	56	73	535
SPDR MSCI Europe Industrials UCITS ETF	IE00BKWQ0J47	0.23	STQ	NDUS	SPYQ	STQX	STQX	NDUSN	47	24	513
SPDR MSCI Europe Materials UCITS ETF	IE00BKWQ0L68	0.23	STP	MTRL	SPYP	STPX	STPX	MTRLN	-9	18	65
SPDR FTSE EPRA Europe ex UK Real Estate UCITS ETF	IE00BSJCQV56	0.30	–	EURE	ZPRP	EURE	EURE	–	0	-4	66
SPDR MSCI Europe Technology UCITS ETF	IE00BKWQ0K51	0.23	STK	ITEC	SPYK	STKX	STKX	ITECN	-5	-8	67
SPDR MSCI Europe Utilities UCITS ETF	IE00BKWQ0P07	0.23	STU	UTIL	SPYU	STUX	STUX	UTILN	93	397	364

1 Sources: Bloomberg Finance L.P., State Street Global Advisors, as of 30 June 2021.
* Frequent trading of ETFs could significantly increase commissions and other costs such that they may offset any savings from low fees or costs.

Standard Performance (%)

	3 Mth	6 Mth	1 Year+	3 Years	5 Years	10 Years	Since Inception	Inception Date
World Sector (Returns in USD, %)								
SPDR MSCI World Communication Services UCITS ETF*	9.17	16.54	45.74	21.42	10.79	8.79	9.54	12/31/2008
MSCI World Communication Services 35/20 Capped Index	9.22	16.67	46.06	21.62	10.81	9.21	9.92	
SPDR MSCI World Consumer Discretionary UCITS ETF*	6.36	10.06	48.17	19.17	19.12	14.21	18.73	02/28/2009
MSCI World Consumer Discretionary 35/20 Capped Index	6.43	10.23	48.56	19.35	19.25	14.55	18.94	
SPDR MSCI World Consumer Staples UCITS ETF*	5.81	5.19	20.45	10.04	6.63	8.77	11.83	02/28/2009
MSCI World Consumer Staples 35/20 Capped Index	5.79	5.20	20.37	10.01	6.57	8.95	12.01	
SPDR MSCI World Energy UCITS ETF*	8.75	32.57	41.60	-7.04	-0.37	-1.58	2.42	01/31/2009
MSCI World Energy 35/20 Capped Index	8.69	32.36	40.97	-7.24	-0.55	-1.51	2.53	
SPDR MSCI World Financials UCITS ETF*	6.65	20.72	52.30	9.19	12.88	8.08	13.09	02/28/2009
MSCI World Financials 35/20 Capped Index	6.61	20.70	52.34	9.20	12.94	8.30	13.03	
SPDR MSCI World Health Care UCITS ETF*	9.06	9.83	22.73	15.69	12.27	12.88	14.74	02/28/2009
MSCI Health Care 35/20 Capped Index	9.13	9.92	23.04	15.80	12.34	13.14	14.95	
SPDR MSCI World Industrials UCITS ETF*	4.14	12.22	44.48	12.42	13.18	9.36	14.43	02/28/2009
MSCI World Industrials 35/20 Capped Index	4.12	12.20	44.52	12.45	13.21	9.66	14.76	
SPDR MSCI World Materials UCITS ETF*	5.32	11.37	43.98	12.11	14.71	4.45	10.76	02/28/2009
MSCI World Materials 35/20 Capped Index	5.31	11.28	43.95	12.12	14.75	4.68	11.07	
SPDR Dow Jones Global Real Estate UCITS ETF	9.82	16.77	35.30	5.36	3.59	0.00	5.84	10/24/2012
Dow Jones Global Select Real Estate Securities Index	9.92	16.91	35.71	5.67	3.86	6.18	6.17	
SPDR MSCI World Technology UCITS ETF*	11.45	12.95	42.37	28.50	29.35	19.58	21.64	02/28/2009
MSCI World Information Technology 35/20 Capped Index	11.53	13.06	42.73	28.75	29.61	19.95	21.94	
SPDR MSCI World Utilities UCITS ETF*	-0.61	-0.10	14.35	9.20	6.90	5.78	6.95	02/28/2009
MSCI World Utilities 35/20 Capped Index	-0.68	-0.22	14.18	9.08	6.75	6.19	7.30	
US Sector (Returns in USD, %)								
SPDR S&P U.S. Communication Services Select Sector UCITS ETF	10.09	20.16	52.10	–	–	–	20.65	08/15/2018
S&P Communication Services Select Sector Daily Capped 25/20 Index	10.10	20.17	52.18	–	–	–	20.63	
SPDR S&P U.S. Consumer Discretionary Select Sector UCITS ETF	6.50	11.38	40.83	18.57	–	–	16.04	07/07/2015
S&P Consumer Discretionary Select Sector Daily Capped 25/20 Index	6.52	11.41	40.91	18.53	–	–	15.97	
SPDR S&P U.S. Consumer Staples Select Sector UCITS ETF	1.47	7.54	28.06	11.64	–	–	7.68	07/07/2015
S&P Consumer Staples Select Sector Daily Capped 25/20 Index	1.41	7.43	27.77	11.31	–	–	7.37	
SPDR S&P U.S. Energy Select Sector UCITS ETF	11.16	45.08	49.58	-6.01	–	–	-1.47	07/07/2015
S&P Energy Select Sector Daily Capped 25/20 Index	11.08	44.90	48.72	-6.54	–	–	-1.89	
SPDR S&P U.S. Financials Select Sector UCITS ETF	8.24	25.36	60.85	13.42	–	–	12.54	07/07/2015
S&P Financials Select Sector Daily Capped 25/20 Index	8.23	25.33	60.75	13.20	–	–	12.40	
SPDR S&P U.S. Health Care Select Sector UCITS ETF	8.29	11.60	27.34	16.52	–	–	10.60	07/07/2015
S&P Health Care Select Sector Daily Capped 25/20 Index	8.28	11.58	27.28	16.42	–	–	10.48	
SPDR S&P U.S. Industrials Select Sector UCITS ETF	4.39	16.16	50.78	14.52	–	–	13.02	07/07/2015
S&P Industrials Select Sector Daily Capped 25/20 Index	4.37	16.15	50.74	14.37	–	–	12.86	
SPDR S&P U.S. Materials Select Sector UCITS ETF	4.88	14.51	48.28	14.39	–	–	11.38	07/07/2015
S&P Materials Select Sector Daily Capped 25/20 Index	4.82	14.20	47.81	14.03	–	–	11.08	
SPDR S&P U.S. Technology Select Sector UCITS ETF	11.40	13.97	42.67	29.98	–	–	25.12	07/07/2015
S&P Technology Select Sector Daily Capped 25/20 Index	11.43	14.00	42.76	29.98	–	–	25.07	
SPDR S&P U.S. Utilities Select Sector UCITS ETF	-0.55	2.09	15.07	9.80	–	–	9.53	07/07/2015
S&P Utilities Select Sector Daily Capped 25/20 Index	-0.62	1.90	14.65	9.40	–	–	9.14	

Standard Performance (%) (cont'd)

	3 Mth	6 Mth	1 Year+	3 Years	5 Years	10 Years	Since Inception	Inception Date
Europe Sector (Returns in USD, %)								
SPDR MSCI Europe Communication Services UCITS ETF**	4.31	15.05	18.61	1.56	-1.25	2.86	2.36	09/30/2001
MSCI Europe Communication Services 35/20 Capped Index	4.08	14.88	18.36	1.36	-1.43	2.75	2.48	
SPDR MSCI Europe Consumer Discretionary UCITS ETF**	7.85	19.97	54.31	12.85	13.25	10.91	7.92	09/30/2001
MSCI Europe Consumer Discretionary 35/20 Capped Index	7.82	20.04	54.64	13.17	13.39	11.00	8.13	
SPDR MSCI Europe Consumer Staples UCITS ETF**	9.11	11.45	14.43	7.98	4.95	9.45	7.75	09/30/2001
MSCI Europe Consumer Staples 35/20 Capped Index	9.11	11.50	14.43	8.10	5.06	9.61	8.12	
SPDR MSCI Europe Energy UCITS ETF**	3.43	19.16	26.52	-7.79	1.41	1.83	1.98	08/31/2001
MSCI Europe Energy 35/20 Capped Index	3.39	19.01	26.42	-7.90	1.27	1.65	2.13	
SPDR MSCI Europe Financials UCITS ETF**	2.70	17.26	33.50	1.76	7.46	4.41	-0.02	08/31/2001
MSCI Europe Financials 35/20 Capped Index	2.43	16.97	33.31	1.59	7.29	4.28	0.02	
SPDR MSCI Europe Health Care UCITS ETF**	11.51	13.46	8.33	12.99	7.39	11.25	5.88	09/30/2001
MSCI Europe Health Care 35/20 Capped Index	11.46	13.44	8.45	13.15	7.52	11.42	6.16	
SPDR MSCI Europe Industrials UCITS ETF**	6.11	17.11	41.00	12.60	13.31	9.85	8.93	09/30/2001
MSCI Europe Industrials 35/20 Capped Index	5.91	16.89	40.89	12.57	13.28	9.79	9.08	
SPDR MSCI Europe Materials UCITS ETF**	5.41	17.36	41.56	11.21	15.59	6.42	8.25	09/30/2001
MSCI Europe Materials 35/20 Capped Index	5.31	17.26	41.69	11.26	15.64	6.44	8.43	
SPDR FTSE EPRA Europe ex UK Real Estate UCITS ETF	11.02	7.18	22.53	5.17	–	–	6.61	08/07/2015
FTSE EPRA Nareit Developed Europe Ex UK	11.30	7.52	23.23	5.72	–	–	7.19	
SPDR MSCI Europe Technology UCITS ETF**	9.26	21.13	35.06	16.99	19.19	14.61	4.39	08/31/2001
MSCI Europe Technology 35/20 Capped Index	9.26	21.20	35.19	17.51	19.54	14.77	4.27	
SPDR MSCI Europe Utilities UCITS ETF**	-0.02	11.29	26.78	15.04	10.11	6.45	6.04	09/30/2001
MSCI Europe Utilities 35/20 Capped Index	-0.01	11.37	26.74	14.97	9.98	6.20	6.08	

Source: State Street Global Advisors, as of 30 June 2021. Performance is net of fees. **Performance quoted represents past performance, which is no guarantee of future results. 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. The performance data do not take account of the commissions and costs incurred on the issue and redemption, or purchases and sale, of units. Visit ssga.com/etfs for most recent month-end performance.** Performance returns for periods of less than one year are not annualised. Index returns are unmanaged and do not reflect the deduction of any fees or expenses.

* On 29 April 2016, the fund was absorbed by a specific SPDR® ETF. Performance reported prior to 29 April 2016 is that of a specific Fund. For more information, please refer ssga.com/etfs.

** On 8 December 2014, the fund was absorbed by a specific SPDR® ETF, which had an equivalent and comparable investment policy and risk profile. Performance reported prior to 8 December 2014 is that of a specific Fund. For more information, please refer ssga.com/etfs.

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Equity Regions in Focus

Ideas for the quarter ahead based on current market themes, valuation metrics, flows and potential drivers for each region.

Room to Run: Global Equities Look to Extend Rally

Global equities have smashed through one record after another, leading many commentators to question how long this rally can continue. However, there are still reasons to believe this rally still has legs.

Economic growth has seen a remarkable rebound in the first half of 2021 due to post-pandemic re-openings around the world. And while some economists have begun to warn that these effects may begin to roll off as we enter the second half of the year, there are still other factors that could support equity prices.

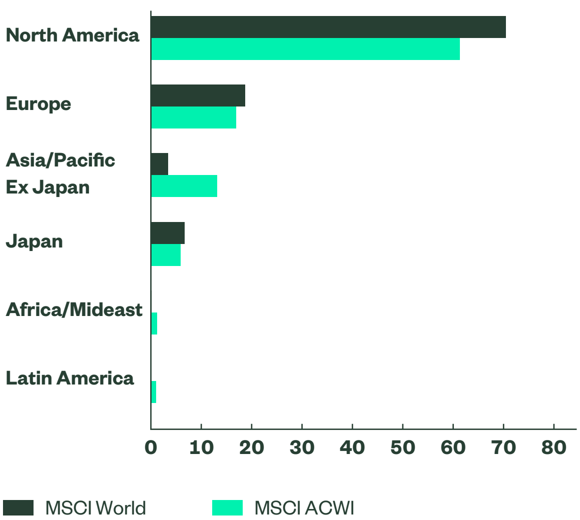
First, the huge savings glut built up by consumers over the course of the pandemic is still yet to be deployed, suggesting a spending binge may help corporate earnings over the next few quarters. On top of this, not all regions are set to re-open in the same way the US has, with Europe and parts of Asia and the emerging markets lagging on vaccinations. Therefore, the boost to these economies from full re-opening is still yet to be realised.

Central banks may also have a large part to play. Despite fears of a surge in inflation earlier in Q2 2021, most central banks have stood firm in adamantly insisting that the rising inflation is merely transitory and will roll off in the coming months. The central banks have therefore indicated that they are in no hurry to end any of the supportive measures put in place to support economies during the pandemic. Europe in particular will have difficulty removing liquidity as there is not the same level of fiscal support that the US has seen.

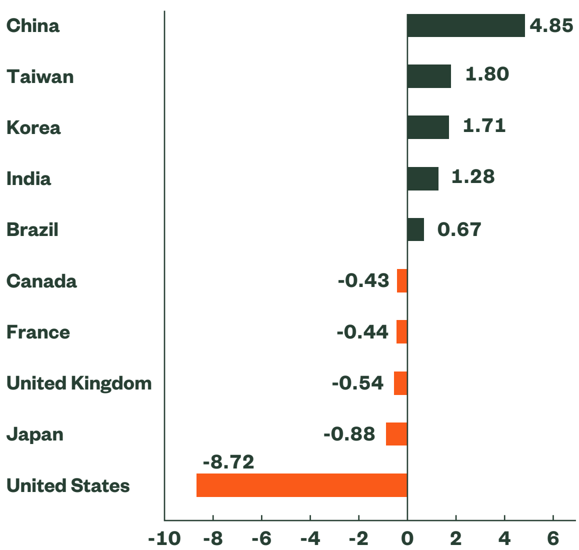
One of the key fears for equities was a sudden surge in bond yields, which would make the risk premium associated with holding stocks far less attractive. However, a recent pullback in yields due to a bull flattening of the US Treasury curve has convinced investors that the idea of TINA ('there is no alternative') continues to hold true for equity allocations.

Developed markets have thus far been the preferred method of ETF investors to play the equity rally. We have seen strong flows into MSCI World ETFs, due to the stronger economic growth in developed markets following quicker vaccine rollouts. However, investors may want to consider starting to diversify their exposure by allocating to the MSCI ACWI index, which still contains a majority developed market exposure but also has 14% exposure to emerging markets.

Regional Breakdown of MSCI ACWI vs. MSCI World Index



Top 5 Country Overweights and Underweights of MSCI ACWI Relative to MSCI World



Source: FactSet, as of 30 June 2021. Breakdowns and weights are as of the date indicated and should not be relied upon as current thereafter.

Can the US Maintain its Growth Differential with Europe?

We believe US GDP growth has likely reached a peak in the first half of 2021. Europe, however, is likely to continue to benefit from economic growth linked to re-opening economies as vaccination programs begin to gather across the region.

Historically, when this growth differential between the US and Europe contracts, we tend to see periods when European equities start to outperform the US. As the chart below illustrates, although the US saw a rebound in equity returns in Q2, Europe has been in the top two performers regionally for the past two quarters (the bottom two performers were Japan and Asia ex Japan). We expect this performance momentum to gather steam as the economic recovery picks up.

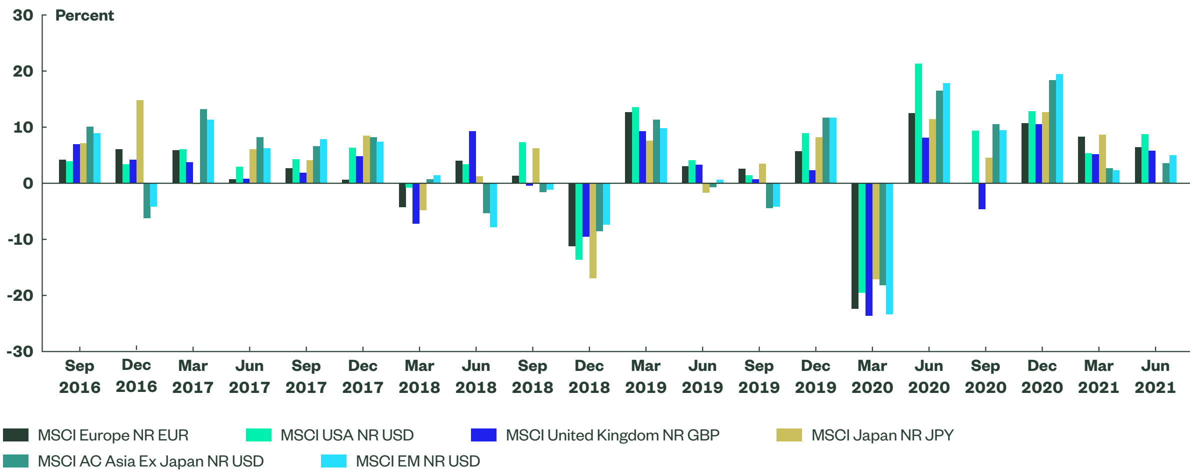
Looking at analyst expectations, Europe also looks well placed to outperform. Current estimates by Bloomberg for next-12-month EPS growth suggests that Europe should increase earnings by 30.4%, which is much higher than the 24.8% predicted for MSCI North America.*

Europe is heavily overweight in cyclical sectors, such as industrials, financial and consumer discretionary, which are likely to benefit from the re-opening trade. Although Europe lacks the fiscal support enjoyed by the US, this likely means that the ECB will be forced to continue to engage in its quantitative easing program, which should help to prop up equity prices.

Although institutional investors have not been rushing back into European equities, flows have been positive over a three-month period. Investors also remain neutral in terms of holdings, meaning there is room for them to allocate to this exposure in future.

Investors can consider accessing European equities through either the MSCI Europe, giving broad access to developed European equities, or with the MSCI EMU index, which offers exposure to equities within developed eurozone countries.

Quarterly Returns of Different Regional Indices



Source: Morningstar Direct, as of 30 June 2021. Past performance is not a reliable indicator of future returns. It is not possible to invest directly in an index. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

* The above targets are estimates based on certain assumptions and analysis made by Third Party. There is no guarantee that the estimates will be achieved.

Passing the Baton of Growth to Emerging Markets

Emerging markets (EM) initially saw strong performance at the beginning of this year.* Although, this momentum quickly faded as the USD again began to appreciate on higher US yields amid rising fears of inflation, putting pressure on the exposure due to its high negative correlation with the USD.

Looking to the second half of this year, however, EM now looks especially well positioned for a rebound. In addition to the recent drop in US rates, which should help to take some of the upward pressure off the USD, there are also more structural trends that could support the EM complex. EM equities' recent underperformance means they look relatively attractive on a valuation basis, particularly when you consider that analysts expect earnings per share growth to be at 36% for the next 12 months.

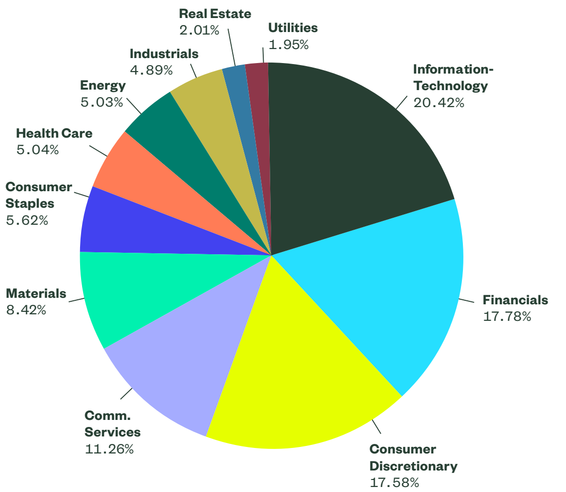
While EM countries have been slow off the mark with their vaccination programs, we should begin to see these programs accelerate now that developed market (DM) countries have vaccinated the majority of their populations. DM countries had previously been aggressively buying up vaccines, leaving very little supply for EM, but now that most DM countries have built up their stockpiles there should be less pressure on demand. Moreover, supply has begun to catch up with demand, so there are no longer the extreme shortages we saw previously. We should therefore expect DM pass the baton of growth to EM as the year progresses and more EM countries are able to begin reopening.

Admittedly, this scenario may not come to fruition in the immediate future, as there is still likely to be some lag before we see EM really start to recover economically. But investors who believe EM can benefit from the same reopening trade that developed markets have would be better off accessing EM exposure early to ensure they capture this trend.

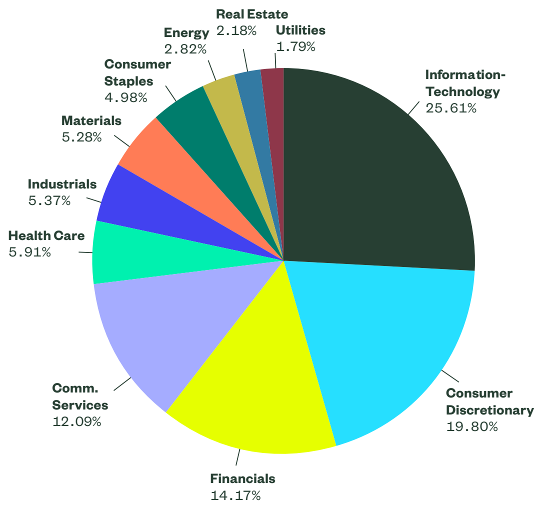
Within EM, Chinese equities deserve particular attention due to the fact they are trading significantly below long-term averages relative to the rest of the world. Chinese Equities have also seen their correlations to other markets fall recently, meaning they can act as a diversifier in a portfolio. Finally, the recent punitive actions by the Chinese government on tech companies may offer a relatively attractive entry point, assuming these companies are able to recover from these actions. EM is also the most underweight region among institutional investors and has seen strong inflows on both a one-month and three-month basis.

Investors can access this EM trend through the MSCI Emerging Market Index. Investors looking for exposure to China could consider the MSCI EM Asia Index, where China currently makes up 46% of the index.

MSCI Emerging Market Sector Weights



MSCI EM Asia Sector Weights



Source: FactSet as of 31 March 2021. Weights are as of the date indicated and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.
* Source: Morningstar Direct, as of 30 June 2021.

SPDR Broad Equity ETFs

Fund Name	Ticker	ISIN	Inception Date	Index	TER (%)	AUM ($Mn)
Global						
SPDR® MSCI ACWI UCITS ETF	**ACWD**	IE00B44Z5B48	5/13/2011	MSCI ACWI (All Country World Index) Index	0.40	2,772
SPDR® MSCI ACWI EUR Hdg UCITS ETF (Acc)	**SPP1**	IE00BF1B7389	9/30/2019	MSCI ACWI with Developed Markets 100% hedged to EUR Index	0.45	306
SPDR® MSCI ACWI USD Hdg UCITS ETF	**SPP2**	IE00BF1B7272	10/21/2020	MSCI ACWI with Developed Markets 100% Hedged to USD Index	0.45	55
SPDR® MSCI ACWI IMI UCITS ETF	**IMID**	IE00B3YLTY66	5/13/2011	Investable	0.40	403
SPDR® MSCI World UCITS ETF	**SWRD**	IE00BFY0GT14	2/28/2019	MSCI World Index	0.12	926
SPDR® MSCI World Small Cap UCITS ETF	**WDSC**	IE00BCBJG560	11/25/2013	MSCI World Small Cap Index	0.45	974
US						
SPDR® S&P 500 UCITS ETF	**SPY5**	IE00B6YX5C33	3/19/2012	S&P 500 Index	0.09	5,609
SPDR S&P 500 EUR Hdg UCITS ETF	**SPPE**	IE00BYYW2V44	10/31/2018	S&P 500 EUR Dynamic Hedged Index	0.12	412
SPDR® S&P 400 US Mid Cap UCITS ETF	**SPY4**	IE00B4YBJ215	1/30/2012	S&P MidCap 400 Index	0.30	1,152
SPDR® Russell 2000 US Small Cap UCITS ETF	**R2US**	IE00BJ38QD84	6/30/2014	Russell 2000 Index	0.30	1,999
SPDR S&P 500 ESG Screened UCITS ETF	**500X**	IE00BH4GPZ28	12/2/2019	S&P 500 ESG Exclusions II Index	0.10	493
Europe						
SPDR® MSCI Europe UCITS ETF	**ERO**	IE00BKWQ0Q14	12/5/2014	MSCI Europe Index	0.25	463
SPDR® MSCI EMU UCITS ETF	**ZPRE**	IE00B910VR50	1/25/2013	MSCI EMU Index	0.18	309
SPDR® MSCI Europe Small Cap UCITS ETF	**SMC**	IE00BKWQ0M75	12/5/2014	MSCI Europe Small Cap Index	0.30	320
SPDR STOXX Europe 600 ESG Screened UCITS ETF	**ZPDX**	IE00BK5H8015	9/30/2019	STOXX Europe 600 ESG-X Index	0.12	86
Emerging Markets						
SPDR® MSCI Emerging Markets UCITS ETF	**EMRD**	IE00B469F816	5/13/2011	MSCI Emerging Markets Index	0.42	579
SPDR® MSCI EM Asia UCITS ETF	**EMAD**	IE00B466KX20	5/13/2011	MSCI EM (Emerging Markets) Asia Index	0.55	1,545
SPDR® MSCI Emerging Markets Small Cap UCITS ETF	**EMSD**	IE00B48X4842	5/13/2011	MSCI Emerging Markets Small Cap Index	0.55	185
Single Country						
SPDR® FTSE UK All Share UCITS ETF	**FTAL**	IE00B7452L46	02/28/2012	FTSE All-Share Index	0.20	944
SPDR® FTSE UK All Share UCITS ETF GBP (Dist)	**ZPRD**	IE00BD5FCF91	4/26/2018	FTSE AllSh TR GBP	0.20	109
SPDR® MSCI Japan UCITS ETF	**JPJP**	IE00BZ0G8B96	11/30/2015	MSCI Japan Index	0.12	174
SPDR® MSCI Japan EUR Hdg UCITS ETF	**ZPDW**	IE00BZ0G8C04	11/30/2015	MSCI Japan 100% Hedged to EUR Index	0.17	18

Source: State Street Global Advisors, Bloomberg Finance L.P., as of 30 June 2021.

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Methodologies

SPDR Sector Picks Explained Looking out three months, we consider which sectors stand to potentially benefit from a combination of top-down and bottom-up factors. Macroeconomic indicators greatly inform our research, along with aggregated earnings and valuation metrics. We also consider investor flows and positioning. Most importantly, we reflect on the likely drivers of each sector over the forecast period.[1]

Access to 15% of World’s Tradeable Securities[2] As part of State Street, we have access to information gleaned from our large global custody business. By aggregating $40 trillion of financial assets, we can observe behavioural trends of this important investor constituent. This includes not only the direction of flows, but also the relative positioning of portfolios. These metrics are generated from regression analysis based on aggregated and anonymous flow data in order to better capture investor preference and to ensure the safeguarding of client confidentiality.

Investor Behaviour Indicators Explained Holdings measure investors’ actual positions over and above the neutral positions embedded in their benchmarks. The figures are shown as percentiles and represent the investor holdings at month-end versus the last five years. This approach provides perspective on the size of holdings compared with their historical trends, whereas a single, dollar figure provides less context; 100% represents the largest holding in the last five years whilst 0% is the lowest holding.

Active Flows Indicates the value of net buying by large institutional investors (buys minus sells) expressed in terms of basis points of market capitalisation. These are flows in addition to the purchases or sales driven by shareholders allocating to the benchmark.

Top Chart Records the asset flow over the previous three months (60 trading days) versus the last five years.

Bottom Chart Shows trend of flows over previous three months (60 trading days).

Endnotes

1 Targets such as the type noted above are estimates based on certain assumptions and analysis made by State Street Global Advisors. There is no guarantee that the estimates will be achieved.

2 Source: State Street, as of 31 March 2021.

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Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise, bond prices usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

There are risks associated with investing in Real Assets and the Real Assets sector, including real estate, precious metals and natural resources. Investments can be significantly affected by events relating to these industries. Investing in REITs involves certain distinct risks in addition to those risks associated with investing in the real estate industry in general. Equity REITs may be affected by changes in the value of the underlying property owned by the REITs, while mortgage REITs may be affected by the quality of credit extended. REITs are subject to heavy cash flow dependency, default by borrowers and selfliquidation. REITs, especially mortgage REITs, are also subject to interest rate risk (i.e., as interest rates rise, the value of the REIT may decline).

Investments in mid/small-sized companies may involve greater risks than in those of larger, better known companies.

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The returns on a portfolio of securities which exclude companies that do not meet the portfolio's specified ESG criteria may trail the returns on a portfolio of securities which include such companies. A portfolio's ESG criteria may result in the portfolio investing in industry sectors or securities which underperform the market as a whole.

The Fund/share class may use financial derivatives instruments for currency hedging and to manage the portfolio efficiently. The Fund may purchase securities that are not denominated in the share class currency. Hedging should mitigate the impact of exchange rate fluctuations however hedges are sometimes subject to imperfect matching which could generate losses.

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