

Sector & Equity Compass

Q1
2022

Helping You
Plan Your
Next Move



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Themes & Outlook: Whatever the Challenges, There are Opportunities

2021 Was a High Energy Year

What a year: rotations, leadership by a sector that was written off two years ago, and record ETF volumes. Every sector produced positive returns but not every country or region. The difference in returns between the winners and losers continued to justify equity selection at both the sector and geographic level.

Throughout 2021, we maintained a pro-cyclical and value stance in our picks, which was warranted. As we enter 2022, certain things do not seem as easy but some of the themes that grew in 2021, such as inflation, look set to continue. This means not all our picks need to change. As ever, whatever the challenges, there are opportunities.

The New Normal: Predictable Unpredictability

Investors are learning to live in the new normal, one that generally supports equities but that is not as easy given high valuations and the withdrawal of monetary stimulus. For those investors seeking a buffer against more uncertainty, barbell with different sectors, such as energy and health care, could provide a degree of protection. For investors wary of high concentration and high valuations among the largest US companies, they can find diversification of risk in mid caps or broad equity alternatives in other regions, such as Europe and Japan. The two new opportunities we focus on are European consumer discretionary and industrials, primarily in the US.

Equities should continue to benefit from strong earnings growth and healthy company balance sheets, with Q4 2021 earnings reports providing an important marker on these fundamentals. As we write, the feared economic impact of the Omicron surge has waned. The initial worst-case scenario of a slowdown in global growth, caused by lockdowns and a further increase in price pressures given manufacturing disruption and labour shortages, now seems less serious. Nevertheless, the economic recovery is likely to be even more skewed toward developed markets versus emerging markets than before.

Inflation No Longer Transitory

We wrote about the threat of inflation throughout 2021, leading us to position toward value and cyclical exposures. This was correct on a full-year basis although the market reaction was not smooth month to month. We continue to favour value and cyclical into 2022.

Unlike some economic commentators, we do not believe that the inflation rate in Europe will subside much faster than in the US. Whereas the US is contending with greater labour and house price pressures, European businesses and consumers face a continued rise in energy costs, not helped by Russian negotiations over natural gas supply. This is just one element of geopolitical risk that could grow this year.

Rates Will Rise

Financial markets and the Federal Reserve now seem aligned in expectations of several US interest rate hikes in 2022. However, the flatness of the yield curve for US Treasury bonds at the start of this year has limited the likely margin improvement for banks, both in the US and internationally. We favoured financials throughout 2021, and the sector reacted well to inflationary pressures and the prospects of tightening. We have now removed the financials SPDR Sector Pick until we have more confidence in economic growth feeding through to the yield curve.

We do not expect the ECB to raise interest rates in 2022 and, indeed, it is still likely to add monetary stimulus via the Public Sector Purchase Programme. This is a major point of difference with US economics, and represents one reason behind us favouring European equities compared with US.

Still Looking for Value

There is still an extreme gap between the P/E valuations of growth and value equities despite this area being a point of focus for investors during much of 2021. The majority of our sector and geographical equity picks present relatively attractive valuation cases. Energy remains a particular standout on valuation, as does Japan.

The search for relative value makes us cautious on over-owned US mega cap stocks and the highly rated technology sector, which could suffer as bond yields rise. We prefer to look at mid caps, which benefit from a strong domestic economy and can provide some diversification.

Given the differing paces of recovery and valuation gaps, we are adding some regional differentiation in our Q1 Sector Picks, which we did not believe was necessary for most of 2021.

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).

	World	US	Europe
Energy	✓	✓	✓
Industrials	✓	✓	
Consumer Discretionary			✓
Health Care	✓	✓	✓

Equity Regions in Focus

US Mid Caps

Europe

Japan

Sector and Equity Performance

World Sectors

Q4 2021 (%)		FY 2021 (%)	
Tech	13.2	40.1	Energy
Utilities	11.3	29.8	Tech
Real Estate	10.7	28.7	Real Estate
Materials	10.0	27.9	Financials
Cons Staples	9.5	21.8	MSCI World NR
Cons Disc	8.4	19.8	Healthcare
Healthcare	7.9	17.9	Cons Disc
MSCI World NR	7.8	16.6	Industrials
Industrials	5.9	16.3	Materials
Energy	4.5	14.4	Comm Services
Financials	3.8	13.1	Cons Staples
Comm Services	-1.7	9.8	Utilities

US Sectors

Q4 2021 (%)		FY 2021 (%)	
Real Estate	17.3	51.3	Energy
Tech	16.6	45.1	Real Estate
Materials	15.1	34.4	Tech
Cons Discret	14.0	34.3	Finance
Utilities	12.7	28.2	S&P500 NR
Cons Staples	12.6	27.7	Cons Discret
Healthcare	11.1	26.7	Materials
S&P500 NR	10.9	25.5	Healthcare
Industrials	8.5	20.6	Industrials
Energy	7.5	16.6	Utilities
Finance	4.4	16.4	Cons Staples
Comm Servs	-2.9	15.7	Comm Servs

Europe Sectors

Q4 2021 (%)		FY 2021 (%)	
Utilities	13.0	36.6	Tech
Cons Staples	10.4	35.3	Energy
Materials	9.2	28.9	Industrials
Healthcare	8.8	28.6	Financials
Industrials	8.1	25.4	Healthcare
Cons Disc	7.8	25.1	MSCI Europe NR
MSCI Europe NR	7.7	24.7	Materials
Tech	6.9	22.9	Cons Disc
Financials	6.0	20.5	Cons Staples
Real Estate	2.4	13.1	Comm Services
Energy	2.1	8.4	Utilities
Comm Services	1.0	8.4	Real Estate

Source: State Street Global Advisors, Bloomberg Finance L.P., as of 31 December 2021. Past performance is not a guarantee of future results. The reference indices are in 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. Index performance is 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	Q4 2021 (%)	FY 2021 (%)
US	9.7	28.2
Europe	8.1	25.1
Eurozone Developed	6.1	22.2
Global	6.2	18.5
UK	5.0	18.3
Japan	1.3	13.4
Global Emerging Markets	-0.8	-2.5
Asia Emerging Markets	-0.2	-5.1

Source: Bloomberg Finance L.P., as of 31 December 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)	
	Q4 2021	FY 2021	Q4 2021	FY 2021
Communication Services	-296	-224	-581	1,117
Consumer Discretionary	720	1230	2,017	3,584
Consumer Staples	82	425	1,036	-986
Energy	-800	3216	1,484	14,607
Financials	217	4485	1,949	21,489
Health Care	447	2916	3,738	7,085
Industrials	-296	-559	-990	1,255
Materials	-24	1220	-546	4,431
Real Estate	441	918	2,689	13,262
Technology	1729	5282	7,149	19,334
Utilities	280	1530	-268	37

Source: Bloomberg Finance L.P., State Street Global Advisors, as of 31 December 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 30 September 2021, this set includes approximately \$845 billion in AUM invested in US-domiciled funds and \$88 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)	
	Q4 2021	FY 2021		Q4 2021	FY 2021
Global	6,854	60,817	US	171,984	481,325
US	14,740	45,661	Global	4,072	45,852
Europe	2,029	9,662	International — Developed	29,010	95,471
UK	-1,947	313	International — Emerging Markets	4,006	31,516
Other Region	1,177	2,250	International — Region	751	18,599
Single Country	2,078	8,584	International — Single Country	1,221	12,104
EM	2,050	11,705	Currency Hedged	559	1,397
Total	26,981	138,992	Total	211,603	686,264

Source: Bloomberg Finance L.P., as of 31 December 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 Investor Behaviour

Institutional investor flows showed a fairly different profile to ETF flows last quarter. While ETF investors bought heavily into more growth-focused segments of the market, such as technology and consumer discretionary sectors, institutional flows showed a much more defensive bias, with strong buying in utilities and consumer staples. Regionally, ETF investors continued to be strong buyers of US equities, while again institutional investors largely sold these exposures. Institutional investors instead mainly bought emerging markets and Europe ex UK exposures.

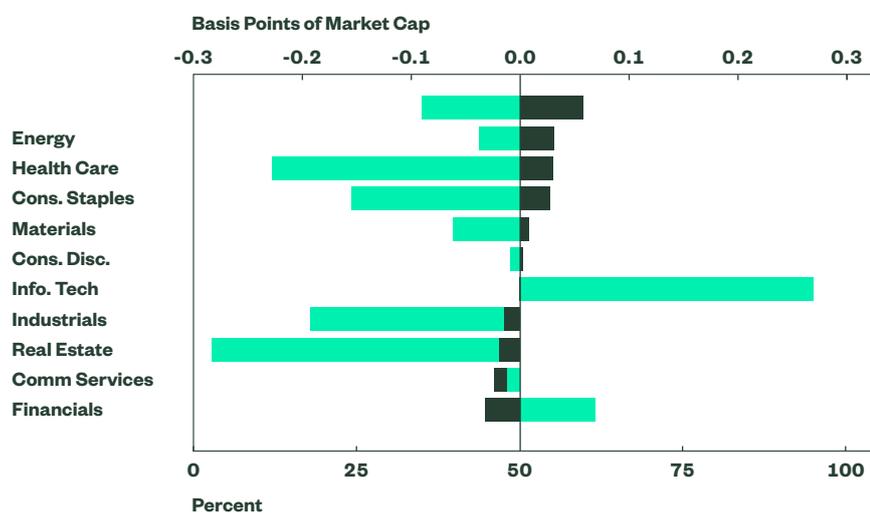
Investors remain extremely overweight in tech and US exposures, although there has been some selling in these areas. Investors have also begun to reduce the large underweight to UK equities and have continued to add to the overweight to Europe ex UK equities.

Overall, demand for equities was roughly flat over Q4 2021, with some selling coming into the back end of the quarter following the news of the Omicron variant. This is also the timeframe when we saw a catalyst for the buying of more defensive exposures and rotating out of the growth and cyclical parts of the market.

World: Flows and Holdings

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

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

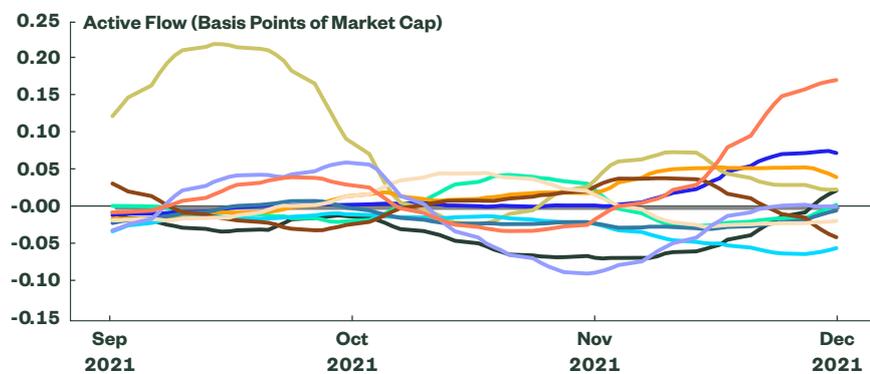


Source: State Street Global Markets. Data are as of 31 December 2021. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future. An explanation of methodology can be found on page 23.

World: Progression of Active Flows

Trend of Flows Over Past Quarter

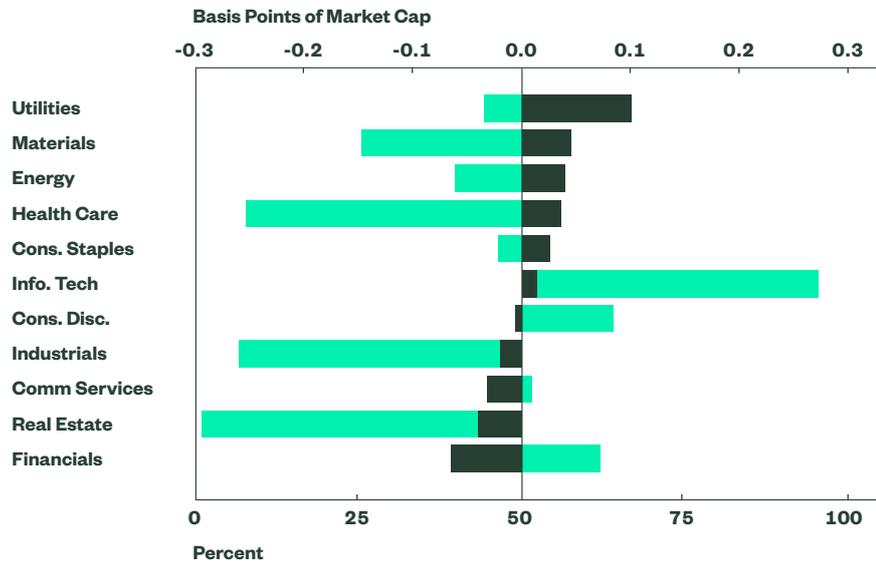
- Communication
- Cons. Disc.
- Cons. Staples
- Energy
- Financials
- Health Care
- Industrials
- Info. Tech.
- Materials
- Real Estate
- Utilities



Source: State Street Global Markets. Data are as of 31 December 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

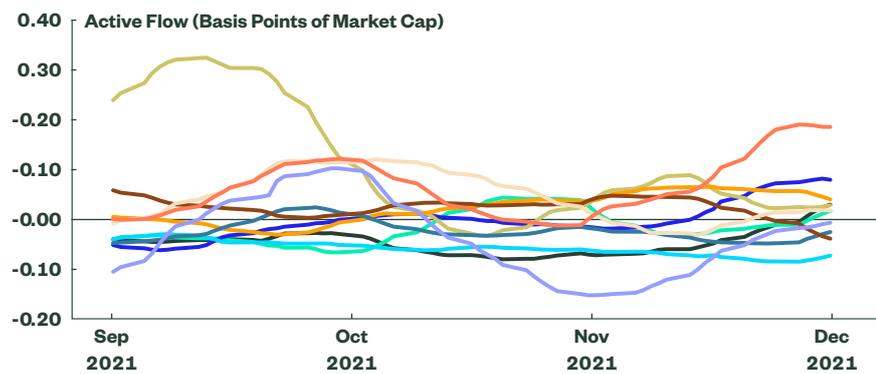
■ 3-month flow (upper axis)
 ■ Holdings (lower axis)



Source: State Street Global Markets. Data are as of 31 December 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
 ■ Energy
 ■ Financials
 ■ Health Care
 ■ Industrials
 ■ Info. Tech.
 ■ Materials
 ■ Real Estate
 ■ Utilities

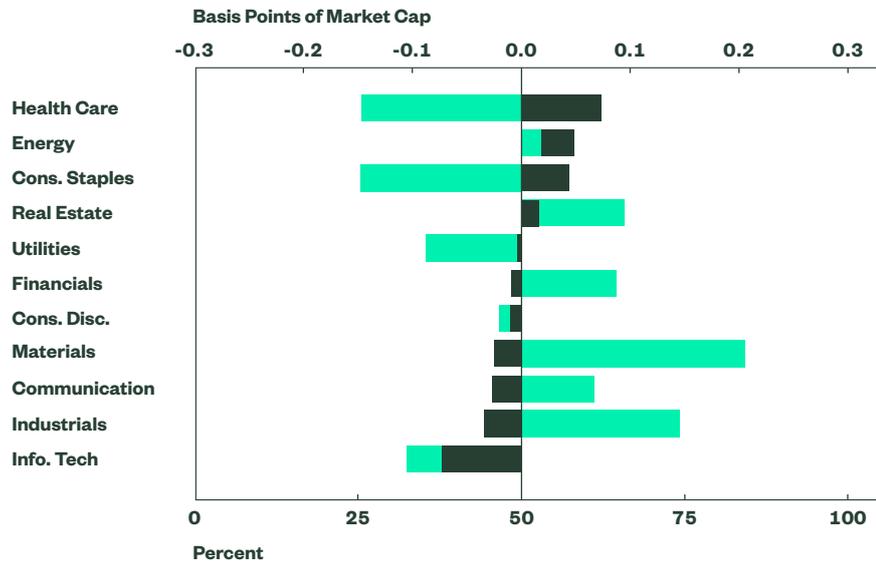


Source: State Street Global Markets. Data are as of 31 December 2021. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. The universes for the above charts are the MSCI US. This information should not be considered a recommendation 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)

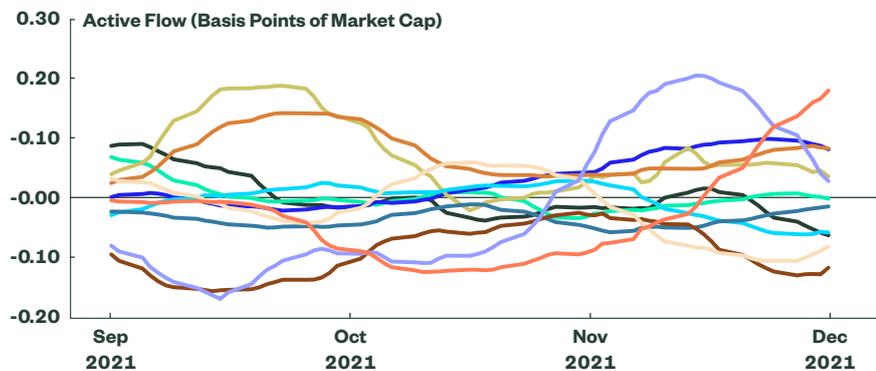


Source: State Street Global Markets. Data are as of 31 December 2021. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any 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.
- Cons. Staples
- Energy
- Financials
- Health Care
- Industrials
- Info. Tech.
- Materials
- Real Estate
- Utilities

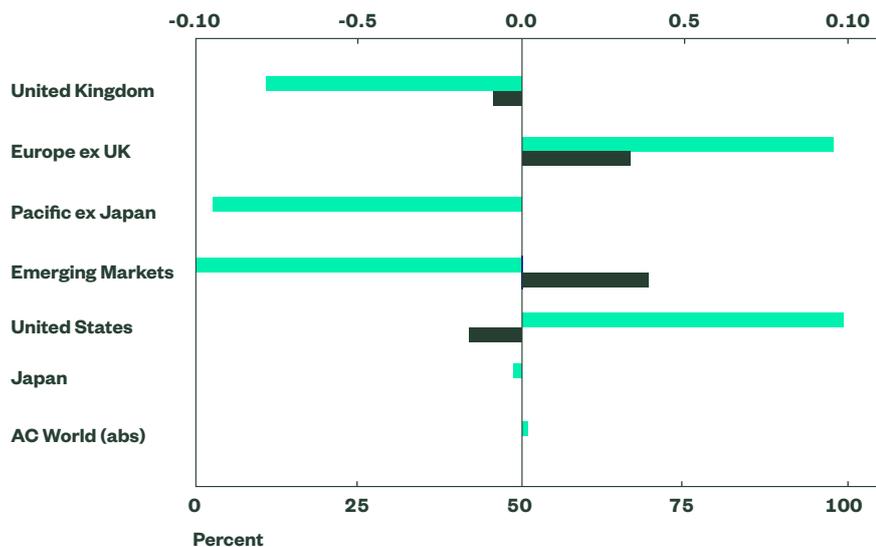


Source: State Street Global Markets. Data are as of 31 December 2021. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. The universes for the above charts are the MSCI Europe. This information should not be considered a recommendation 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)
- Holdings (Lower Axis)



Source: State Street Global Markets, Thomson Datastream, as of 31 December 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.

Energy

Still Powerful

World	US	Europe
✓	✓	✓

More to Come

Energy produced the best share price returns in all our regions (US, Europe and global) last year as earnings and cashflow responded strongly to the bounce-back in oil prices. This performance was helped by oil & gas companies showing continued discipline and starting to acknowledge the challenges of transition, aided by activists. Investors responded by buying from underweight positions as part of their value trade and hedge against rising inflation.

We believe there is more to come in all these areas and thus we retain our SPDR Sector Pick. While consideration of fossil fuel carbon emissions will understandably continue to exclude some investors, the realisation that these companies have the necessary skills and cashflow to help enact climate transition plans is transformative.

Works with Inflation, Value and Geopolitical Risk

The sector continues to boast the highest earnings momentum of all sectors as a result of higher crude oil prices. We see crude prices remaining strong for months to come in response to the still-curtailed supply, low stockpiles and growing global demand.

Higher earnings are feeding through to large rises in dividends (in some cases now back to pre-pandemic levels) and share buybacks. This gives the sector a relatively attractive yield premium. Meanwhile, other valuations, such as P/E, P/B and EV/EBITDA, remain compelling. Our relative cyclically adjusted P/E measure (see page 16) is 22% below the 10-year average.

Exploring Energy in All Three Regions

US has a larger share of upstream activity among the quoted companies. This greater leverage to oil price moves helps explain the higher absolute and relative performance of energy in the US last year. The companies also benefit from access to extensive and low cost resources in the Permian Basin, providing relative certainty of fossil fuel supply.

Europe is a smaller grouping of just 13 companies. MSCI Europe has a 75% weight to three majors, which gives broad coverage across upstream, downstream, refining and services. There is relatively high exposure to natural gas, a fuel in the headlines in 2021 and forecast to see significant demand growth, not least from continued switching from coal, particularly in Asia. The importance of a few stocks gives rise to different performance between competing indices.

European energy companies have thus far been more proactive on transition. This is a double-edged sword: the actions taken offer a benefit by improving long-term visibility and help appease environmental concerns, but at the expense of reducing the proportion of productive capital in the near term. Concern over the trend in growth is reflected in the lower valuations of European majors versus the US.

World contains the addition of several large Canadian companies (a 14% market cap weight in the index), two of which are leaders in infrastructure and pipeline, bringing a broader exposure across operations.

Industrials

Helping to Build Back

World	US	Europe
✓	✓	

A New Cyclical Pick

Demand for capital goods and commercial services enjoys a structural tailwind from the progress of automation, digitalisation and electrification across markets. Nevertheless, much of this sector's activity relates to capital expenditure, from the public purse and corporates, and late-cycle projects. We add industrials to our Sector Picks due to this pro-cyclical nature, traditionally relevant at the vanguard of economic recovery.

Infrastructure spending, including the \$1.2 trillion in funding proposed by a US infrastructure bill, will be a key driver over the next few years. This comes alongside continued recovery of demand from industries such as automotive, transport, building, manufacturing and oil & gas services & refining. We see both supportive earnings momentum and a valuation story, and investors are underweight. A word of caution is warranted, though. The industrials sector is relatively volatile, particularly among the aerospace companies, and it has relatively high exposure to Chinese demand.

Industry by Industry

This is a diverse sector, whose largest stock is less than 3% of the index (see page 14). Companies operate in multi-industrial end markets, giving broad exposure to current themes. The prospects for machinery (19% of market cap of MSCI World Industrials) are directly correlated to manufacturing PMIs. As factory capacity utilisation rates rise, new orders for the likes of bearings, machine tools and automation equipment will rise, as will demand for construction machinery and trucks. Higher activity levels are coinciding with order backlogs and low inventories so price rises from the manufacturers should be attainable.

Aerospace (12%) reflects one of the few reopening stories that has not fully unwound in the stock market. We see continued impact from travel restrictions on passenger volumes and commercial aircraft orders. Healthy consumer and business markets should help drive the recovery when Omicron restrictions are lifted. Operators in road and rail markets (11% of world index) have benefited from volume growth across their networks and limited capacity, and there has been evidence of robust pricing power. We expect positive conditions to persist in 2022, with high volumes in recovering industries such as automotive helping to offset those such as coal in long-term decline.

US Has More Drivers

We prefer the US sector because its companies are most likely to win contracts awarded by the Department of Transportation and other Federal agencies. Fiscal spending on traditional assets such as roads, bridges and water systems should give a significant boost to US industrials demand during the next few years. Alternatively, investors looking for greater geographical diversification could consider world industrials. The index has a significant overweighting to Japanese manufacturers, bringing in another 61 companies that could benefit from domestic economic recovery as well as emerging market demand.

Europe industrials is also relatively attractive for cyclical exposure and its companies are subject to the same structural tailwinds, but we believe it could lag the US and world. Note the differences in industrial mix: with no stocks in the road and rail category and lower exposure to aerospace and defence versus overweight exposures to professional services (via recruitment, credit scoring, business analytics companies) and the electrical equipment industry.

Consumer Discretionary

New Handbags, Cars and
Holidays in 2022

World	US	Europe
		✓

What We Are Buying

Buying the consumer discretionary sector in Europe gives an interesting combination of luxury goods and automobile manufacturers. Both these areas performed well in 2021, driven by the reopening trade. The rest of the sector, including hotels, leisure and retail (direct and indirect), has understandably been mixed given the impact of social distancing measures and travel restrictions.

We believe improvements in supply chains, business background and the buoyant state of consumers, helped by an easing of mobility restrictions, should support all parts of the sector in 2022. However, we need to watch the prospects for Chinese growth in light of its importance to global demand for discretionary products and services in recent years.

Driving Ahead with Autos

The automobile and component manufacturers (23% of the European sector) are of particular interest. Having suffered alongside other producers last year, supply chain and semiconductor issues are now easing, both in terms of availability and companies' ability to handle them. Concurrently, there is further post-COVID recovery expected in consumer demand, which was built up due to supply shortages and an inability to buy during lockdowns.

Another big part of the story is the move to electric vehicles, lifting growth prospects and valuation. Some traditional automakers rose strongly last year on prospects for their EV plans, but the rerating was small compared with that of pure EV manufacturers. The popularity of electric vehicles has been helped in Europe by government incentives to scrap old cars and subsidies to buy battery alternatives. The European Commissions' Fit for 55 has proposed a phase out of new combustion engine vehicles by 2035, and most quoted manufacturers appear to be seeking to beat that.

Business Mix Preferable in Europe

Like industrials, this is a diverse sector, with a lack of correlation between some of the stocks. Unlike industrials, there are large constituents that make a significant difference to performance. We worry that the largest names, Amazon and Tesla, are particularly vulnerable to equity market sentiment.* They dominate performance of the US and world sectors. Europe consumer discretionary is not as skewed.

Europe has greater exposure to luxury goods (47%) than other developed markets and boasts leading brand names such as those owned by LVMH. As well as structural demand growth, luxury good producers possess pricing power, using new designs and innovation to help justify higher prices to offset their cost increases. Improvements in travel and tourism markets should boost revenue in 2022. The sector is currently at a 19% discount to its relative CAPE.

* This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown.

Health Care

Keeping the First Aid Kit Handy

World	US	Europe
✓	✓	✓

Even More Need of a Barbell

Last quarter we proposed a barbell strategy: hold health care alongside energy for efficient diversification. While the latter moves with value, inflation and often cyclical trends, health care offers a combination of stability and quality not readily available at a reasonable price elsewhere. Our analysis, highlighted in a **recent article**, shows that adding these two sectors to an equity portfolio could increase returns in a high inflation scenario, such as that expected in Q1 2022.

Health care continued its steady path in 2021, with relatively low volatility (second only to consumer staples), as time and again its products (from COVID tests, vaccines and potential cure pills) proved their importance. Unfortunately, producing successful vaccines was not the shot in the arm for industry profitability that could have been hoped, but corporate results showed the defensive nature of earnings. This year the focus may switch to other drug developments in the pipeline, including Alzheimer's and oncology treatments.

Political Impact Could Wane

The sector has long been under the shadow of political pressure, with a particular fear of pricing pressure from US regulations. This is probably the main reason for the long-term underweight holding by institutional investors in the sector (see pages 7–9). However, our data does show relative buying of pharmaceutical and health care companies during much of 2021, including Q4.

President Biden's "Build Back Better" program seeks to improve health care for Americans by allowing Medicare to negotiate prices for a small number of high-cost prescription drugs, among other measures such as extending Medicaid coverage. The passing of this act could be a turning point, in that government will have some control over drug prices, but the impact is expected to be minor. With likely changes in control of the House in the future, the Democrats are running out of time to act in a more serious way.

Accessing Health Care in All Three Regions

US share price performance in the last year was not reliant on just a few stocks and, interestingly, included vaccine producers, Pfizer and Moderna, near the top and bottom of performance, respectively.* The US sector was historically considered most exciting because of the large biotech element but this industry has lost some of its sparkle and innovation can be seen in other areas such as equipment and supplies. Today the sector looks relatively attractive because of its heavy underweight position in portfolios, a possible lightening of the political threat, and valuation.

Europe outperformance in 2021 was highest among medical devices such as dental implants and ophthalmology supplies. One of the sector's relative attractions has always been its global sales base, including the huge potential in emerging markets. European companies have also faced the threat to pricing on their significant US sales but have never been as volatile and possibly as a result are not as cheap or under owned.

World is dominated by US companies (70% of market cap) and therefore possesses similar opportunities and threats, albeit with a bit less dollar exposure.

* This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown.

Top 5 Holdings by Index

Name	Index Weight (%)
MSCI Europe Consumer Discretionary 35/20 Capped Index	
LVMH Moet Henessy	17.8
Financiere Richemont	6.1
Prosus	6.0
Daimler	5.1
EssilorLuxottica	4.7
MSCI World Energy 35/20 Capped Index	
Exxon Mobil	12.4
Chevron	11.6
Total Energies	6.5
ConocoPhillips	5.0
Royal Dutch Shell A	4.6
MSCI World Health Care 35/20 Capped Index	
UnitedHealth Group	6.0
Johnson & Johnson	5.7
Pfizer	4.2
Roche Holding	3.7
Thermo Fisher Scientific	3.3
MSCI World Industrials 35/20 Capped Index	
Union Pacific	2.6
United Parcel Service	2.5
Honeywell International	2.2
Siemens	2.1
Raytheon Technologies	2.0
MSCI Europe Energy 35/20 Capped Index	
Total Energies	18.8
BP	17.9
Royal Dutch Shell A	16.4
Royal Dutch Shell B	14.7
ENI	8.8
MSCI Europe Health Care 35/20 Capped Index	
Roche Holding	17.5
Novartis	11.6
Novo Nordisk B	11.3
AstraZeneca	10.9
Sanofi	6.9

Source: MSCI, S&P and State Street Global Advisors, as of 31 December 2021. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown.

Top 5 Holdings by Index (cont'd)

Name	Index Weight (%)
S&P Industrials Select Sector Daily Capped 25/20 Index	
Union Pacific	5.2
United Parcel Service	5.0
Honeywell International	4.6
Raytheon Technologies	4.1
Caterpillar	3.6
S&P Energy Select Sector Daily Capped 25/20 Index	
Exxon Mobil	22.8
Chevron	19.2
EOG Resources	4.7
Schlumberger	4.6
Pioneer Natural Resources	4.5
S&P Health Care Select Sector Daily Capped 25/20 Index	
UnitedHealth Group	8.8
Johnson & Johnson	8.4
Pfizer	6.2
Thermo Fisher Scientific	4.9
Abbott Laboratories	4.6

Source: MSCI, S&P and State Street Global Advisors, as of 31 December 2021. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown.

Sector Index Metrics

	Fundamental Growth Forecasts & Valuations								
	Est. 2yr EPS Growth (% p.a.)*	3mth Change to 1yr EPS Growth Forecast (%)	Forward Relative 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	30.0	4.1	-	19.1	-	-	14.0	139	1.78
Comm. Services	25.0	4.4	1.03	19.0	1.38	1.45	12.8	96	1.24
Consumer Disc.	57.1	0.7	1.48	23.8	1.23	1.17	13.4	116	0.94
Consumer Staples	10.6	0.9	1.47	20.7	0.92	1.12	17.0	98	2.41
Energy	347.4	13.3	0.47	9.7	0.39	0.50	13.6	67	4.29
Financials	29.9	5.5	0.41	12.7	0.60	0.61	9.9	239	3.23
Health Care	14.8	1.7	1.40	18.3	1.19	1.16	29.2	76	1.55
Industrials	49.5	3.8	1.13	19.5	1.01	1.08	14.9	96	1.62
Materials	33.8	5.4	0.73	13.6	0.84	0.90	23.2	51	3.36
Real Estate	14.2	1.7	0.60	30.7	1.03	1.23	5.2	85	2.51
Technology	22.6	6.1	2.86	28.3	1.79	1.34	41.9	65	0.73
Utilities	6.3	-0.7	0.64	18.5	0.81	0.92	12.0	144	3.33
US S&P Select Sector Indices									
S&P 500 Index	31.9	4.9	-	21.1	-	-	22.5	115	1.39
Comm. Services	33.2	3.9	0.76	18.6	1.16	1.49	17.1	102	1.01
Consumer Disc.	56.9	4.0	2.14	27.7	1.54	1.24	29.4	214	0.57
Consumer Staples	9.5	1.2	1.45	21.5	0.72	0.90	14.0	119	2.38
Energy	N/A	18.1	0.38	10.8	0.47	0.54	12.6	59	4.12
Financials	34.8	5.7	0.36	14.8	0.66	0.60	13.2	144	2.76
Health Care	14.5	2.6	1.06	17.4	0.92	1.02	33.3	84	1.40
Industrials	68.2	1.7	1.23	20.5	0.84	0.96	20.4	143	1.35
Materials	38.8	6.3	0.70	17.0	0.87	0.98	20.1	63	1.67
Real Estate	23.7	11.9	0.47	51.5	1.66	1.73	9.2	120	2.21
Technology	23.6	7.4	2.24	26.5	1.21	1.03	45.2	74	0.79
Utilities	7.4	0.5	0.50	20.7	0.80	1.02	11.0	146	2.92
MSCI Europe Sector Indices									
MSCI Europe Index	39.2	6.9	-	15.3	-	-	11.4	187	2.94
Comm. Services	15.2	5.6	0.73	15.5	0.65	0.83	7.8	123	3.97
Consumer Disc.	111.9	7.3	1.12	15.9	1.17	1.45	17.1	95	2.05
Consumer Staples	13.5	1.8	1.80	19.9	1.07	1.35	18.7	92	2.61
Energy	228.9	14.8	0.55	7.5	0.53	0.59	14.0	66	4.68
Financials	36.9	10.3	0.43	10.2	0.69	0.65	9.5	353	4.52
Health Care	17.0	3.7	1.92	18.4	1.18	1.24	25.8	68	2.33
Industrials	61.9	6.5	1.92	19.9	1.57	1.47	20.7	103	1.98
Materials	39.3	7.0	1.03	12.4	1.08	1.10	24.1	48	4.78
Real Estate	10.4	3.9	0.45	17.4	0.89	1.11	4.8	101	3.08
Technology	29.6	4.3	3.06	30.4	3.86	3.42	16.7	55	0.76
Utilities	14.2	2.6	1.00	16.1	0.89	0.75	13.9	151	4.23

Source: State Street Global Advisors, FactSet, Bloomberg Finance L.P., Morningstar, as of 31 December 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	0.10	0.26	0.56	1.00	17.30	-
Comm. Services	0.09	0.24	0.52	0.89	17.09	0.92
Consumer Disc.	0.11	0.29	0.75	1.11	20.74	0.95
Consumer Staples	0.03	0.13	0.36	0.61	13.09	0.82
Energy	0.25	0.53	0.85	1.56	34.09	0.81
Financials	0.19	0.37	0.73	1.22	23.79	0.91
Health Care	0.03	0.14	0.28	0.65	14.25	0.82
Industrials	0.14	0.31	0.66	1.10	20.43	0.96
Materials	0.12	0.29	0.62	1.10	20.82	0.94
Real Estate	0.05	0.24	0.44	0.85	17.68	0.86
Technology	0.07	0.25	0.55	1.00	19.43	0.92
Utilities	0.03	0.13	0.35	0.58	15.28	0.67
US S&P Select Sector Indices						
S&P 500 Index	0.10	0.24	0.58	1.00	17.42	-
Commun. Services	0.10	0.27	0.57	0.99	19.40	0.91
Consumer Disc.	0.09	0.27	0.70	1.09	20.99	0.93
Consumer Staples	0.04	0.12	0.41	0.65	14.06	0.82
Energy	0.30	0.61	0.97	1.78	40.98	0.78
Financials	0.20	0.35	0.71	1.18	23.90	0.88
Health Care	0.04	0.14	0.35	0.68	14.96	0.81
Industrials	0.15	0.32	0.72	1.15	22.34	0.92
Materials	0.13	0.27	0.63	1.08	21.29	0.91
Real Estate	0.03	0.20	0.36	0.76	17.21	0.79
Technology	0.07	0.23	0.57	1.00	19.49	0.92
Utilities	0.03	0.09	0.31	0.48	16.73	0.52
MSCI Europe Sector Indices						
MSCI Europe Index	0.11	0.29	0.54	1.00	18.91	-
Comm. Services	0.10	0.25	0.50	0.79	17.21	0.89
Consumer Disc.	0.16	0.36	0.75	1.17	23.76	0.95
Consumer Staples	0.02	0.14	0.34	0.59	14.42	0.80
Energy	0.19	0.40	0.60	1.23	31.36	0.76
Financials	0.21	0.43	0.79	1.38	28.92	0.93
Health Care	0.00	0.12	0.15	0.55	14.04	0.76
Industrials	0.14	0.36	0.71	1.14	22.79	0.97
Materials	0.12	0.31	0.57	1.06	21.85	0.94
Real Estate	0.07	0.31	0.66	1.02	23.23	0.85
Technology	0.10	0.31	0.50	1.06	22.12	0.93
Utilities	0.02	0.23	0.41	0.82	20.02	0.80

Source: State Street Global Advisors, FactSet, Bloomberg Finance L.P., Morningstar, as of 31 December 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.

SPDR Sector ETFs

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Cost-Efficient*

World UCITS Sector ETFs: **0.30%**
 US UCITS Sector ETFs: **0.15%**
 Europe UCITS Sector ETFs: **0.18%**

SPDR ETF Information	ISIN	TER (%)	Euro-next	LSE	Xetra	Borsa Italiana	SIX	Mexico BMV	Q4 21 Net Flows (\$M)	YTD Net Flows (\$M)	SPDR AUM (\$M)
World Sector Funds											
SPDR MSCI World Communication Services UCITS ETF	IEOBYTRRG40	0.30	WTEL	WTEL	–	–	WTEL	WTELN	0	-7	29
SPDR MSCI World Consumer Discretionary UCITS ETF	IEOBYTRR640	0.30	WCOD	WCOD	–	–	WCOD	CDISN	0	6	41
SPDR MSCI World Consumer Staples UCITS ETF	IEOBYTRR756	0.30	WCOS	WCOS	–	–	WCOS	–	0	-6	86
SPDR MSCI World Energy UCITS ETF	IEOBYTRR863	0.30	WNRG	WNRG	–	WNRG	WNRG	WNRGN	59	89	448
SPDR MSCI World Financials UCITS ETF	IEOBYTRR970	0.30	WFIN	WFIN	–	WFIN	WFIN	WFINN	207	363	488
SPDR MSCI World Health Care UCITS ETF	IEOBYTRR894	0.30	WHEA	WHEA	–	WHEA	WHEA	–	34	111	506
SPDR MSCI World Industrials UCITS ETF	IEOBYTRR02	0.30	WIND	WIND	–	–	WIND	–	0	4	78
SPDR MSCI World Materials UCITS ETF	IEOBYTRR33	0.30	WMAT	WMAT	–	–	WMAT	WMATN	-41	17	112
SPDR Dow Jones Global Real Estate UCITS ETF	IEO0B8GF1M35	0.40	–	GLRE	SPYJ	GLRE	GBRE	–	21	57	321
SPDR MSCI World Technology UCITS ETF	IEOBYTRRD19	0.30	WTCH	WTEC	–	WTEC	WTEC	WTECN	-9	-7	493
SPDR MSCI World Utilities UCITS ETF	IEOBYTRRH56	0.30	WUTI	WUTI	–	–	WUTI	–	0	0	16
US Sector Funds											
SPDR S&P U.S. Communication Services Select Sector UCITS ETF	IEO0BFWFX50	0.15	SXLC	SXLC	ZPKD	SXLC	SXLC	SXLCN	-6	2	245
SPDR S&P U.S. Consumer Discretionary Select Sector UCITS ETF	IEO0BWBXM278	0.15	SXLY	SXLY	ZPDD	SXLY	SXLY	SXLYN	-3	-17	138
SPDR S&P U.S. Consumer Staples Select Sector UCITS ETF	IEO0BWBXM385	0.15	SXLP	SXLP	ZPDS	SXLP	SXLP	SXLPN	0	-72	175
SPDR S&P U.S. Energy Select Sector UCITS ETF	IEO0BWBXM492	0.15	SXLE	SXLE	ZPDE	SXLE	SXLE	SXLEN	-24	76	224
SPDR S&P U.S. Financials Select Sector UCITS ETF	IEO0BWBXM500	0.15	SXLF	SXLF	ZPDF	SXLF	SXLF	SXLFN	90	180	644
SPDR S&P U.S. Health Care Select Sector UCITS ETF	IEO0BWBXM617	0.15	SXLV	SXLV	ZPDH	SXLV	SXLV	SXLVN	3	74	306
SPDR S&P U.S. Industrials Select Sector UCITS ETF	IEO0BWBXM724	0.15	SXLI	SXLI	ZPDI	SXLI	SXLI	SXLIN	-21	-36	353
SPDR S&P U.S. Materials Select Sector UCITS ETF	IEO0BWBXM831	0.15	SXLB	SXLB	ZPDM	SXLB	SXLB	SXLBN	12	30	72
SPDR S&P U.S. Technology Select Sector UCITS ETF	IEO0BWBXM948	0.15	SXLK	SXLK	ZPDT	SXLK	SXLK	SXLKN	8	200	626
SPDR S&P U.S. Utilities Select Sector UCITS ETF	IEO0BWBXMB69	0.15	SXLU	SXLU	ZPDU	SXLU	SXLU	SXLUN	-2	3	36
Europe Sector Funds											
SPDR MSCI Europe Communication Services UCITS ETF	IEO0BKW00N82	0.18	STT	TELE	SPYT	STTX	STTX	TELEN	-50	-14	13
SPDR MSCI Europe Consumer Discretionary UCITS ETF	IEO0BKW00C77	0.18	STR	CDIS	SPYR	STRX	STRX	–	10	188	268
SPDR MSCI Europe Consumer Staples UCITS ETF	IEO0BKW00D84	0.18	STS	GSTP	SPYC	STSX	STSX	GSTPN	45	-48	177
SPDR MSCI Europe Energy UCITS ETF	IEO0BKW00F09	0.18	STN	ENGY	SPYN	STNX	STNX	ENGYN	73	209	306
SPDR MSCI Europe Financials UCITS ETF	IEO0BKW00G16	0.18	STZ	FNCL	SPYZ	STZX	STZX	FNCLN	-43	-699	435
SPDR MSCI Europe Health Care UCITS ETF	IEO0BKW00H23	0.18	STW	HLTH	SPYH	STWX	STWX	HLTHN	134	340	832
SPDR MSCI Europe Industrials UCITS ETF	IEO0BKW00J47	0.18	STO	NDUS	SPYQ	STOX	STOX	NDUSN	-145	-123	431
SPDR MSCI Europe Materials UCITS ETF	IEO0BKW00L68	0.18	STP	MTRL	SPYP	STPX	STPX	MTRLN	-11	0	53
SPDR FTSE EPRA Europe ex UK Real Estate UCITS ETF	IEO0BSJC0QV56	0.30	–	EURE	ZPRP	EURE	EURE	–	1	-8	65
SPDR MSCI Europe Technology UCITS ETF	IEO0BKW00K51	0.18	STK	ITEC	SPYK	STKX	STKX	ITECN	3	6	87
SPDR MSCI Europe Utilities UCITS ETF	IEO0BKW00P07	0.18	STU	UTIL	SPYU	STUX	STUX	UTILN	31	406	408

1 Sources: Bloomberg Finance L.P., State Street Global Advisors, as of 31 December 2021. To view additional fund details, including full performance history, please click on the fund name.

* Frequent trading of ETFs could significantly increase commissions and other costs such that they may offset any savings from low fees or costs.

European Equities: Strong Relative Valuations

Despite a relatively sluggish start to last year, European equities ended 2021 as one of the top performing regions. Reopenings in the region led to a surge in economic activity as well as relatively lower inflation than that seen by other regions, allowing the European Central Bank to maintain monetary support.

Even with this strong performance, European equities still appear extremely undervalued relative to global equities, as analysts have continued to upgrade European earnings expectations to account for further reopenings. Although there were fears that the surge in Omicron cases in Europe could undo all of this progress, so far indications are that health care services will be able to cope, and therefore economies will be able to remain open.

One area of interest for a broad Europe investor is that the more peripheral countries in the index, such as Spain and Italy, which lagged the rest of Europe last year, may see a boost coming into the first half of 2022. Financial companies that have started to rebound are a large part of these countries' exposures. The EU recovery fund will also be distributed in the coming months and these countries are expected to receive a disproportionate allocation relative to the size of their economies.

Assuming the cyclical rally we are currently in continues, investors seeking an even deeper level of value could consider overweighting the UK, which currently boasts one of the highest dividend yields of any exposure globally. The large overweight in this index to cyclical sectors, such as energy and financials, could also help the UK to capture the cyclical rally.

Investors looking to invest in European equities can consider the MSCI Europe Index, while those aiming to focus on the UK can use the FTSE All Share index, which covers the total UK equity market and gives investors access to the full range of size segments.

MSCI Europe and FTSE All Share Price to Earnings Relative to Global Equities

MSCI Europe



FTSE All Share



Source: State Street Global Advisors, Bloomberg Finance L.P., as of 31 December 2021. Price to Earnings is defined as 12m fwd BEST_PE_RATIO. Global Equities are represented by MSCI ACWI Index. The horizontal line in the charts above represents the average during the period shown.

Japanese Equities: A Play on the Global Recovery

Given Japan's reliance on exports, the country's economy and equity performance tend to be driven by global economic activity. However, despite the surge in economic activity globally that we saw last year, Japanese equity returns were still relatively subdued. This can partly be explained by the surge in COVID cases in the country during Q3, which led to a significant shut down of the economy, coupled with political uncertainty that was not resolved until the start of Q4.

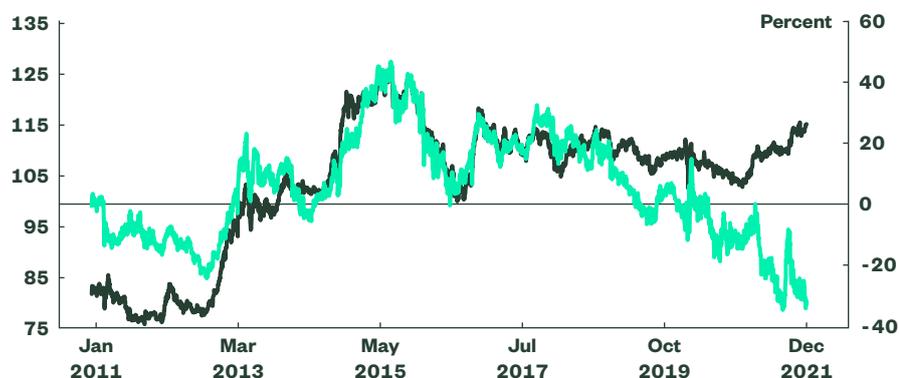
Japan now seems to be in a much better position, though, with lower rates of COVID than much of the world and a high proportion of the population has been vaccinated (although, so far, the booster campaign is still in its early stages).

Japanese equities are usually inversely correlated to the USD/JPY exchange rate, due to many of the export contracts that are priced in USD. However, as the chart below shows, the last few years have seen the gap in this relationship widen, with the JPY weakening significantly versus the USD. This means that even if the JPY were to strengthen significantly (which is also unlikely given the recent move upward in US Treasury yields) there is still breathing room for Japanese equities to continue to perform well without getting hit by the stronger currency.

Japanese equities have also seen the discount they trade at relative to global equities widen (currently a 22% discount), meaning they offer another effective way to access the value trade for investors that believe the cyclical rally will continue. Investors who wish to gain exposure to Japanese equities can do so through the MSCI Japan Index.

Relative Japanese Equity Performance Compared to Exchange Rate

- USD/JPY
- MSCI Japan relative to MSCI World (RHS)



Source Bloomberg Finance L.P., as of 31 December 2021. Past performance is not an indicator of future returns. It is not possible to invest directly in an index.

US Mid Caps: Add Cyclicalty and Reduce Concentration to Enjoy US Economic Growth

Robust earnings, strong economic growth and fiscal support allow us to remain constructive on US equities. However, large cap indices are heavily concentrated around long-duration FAANG stocks, which may be vulnerable in the current backdrop where high and sticky inflation puts pressure on the Fed to tighten monetary policy.

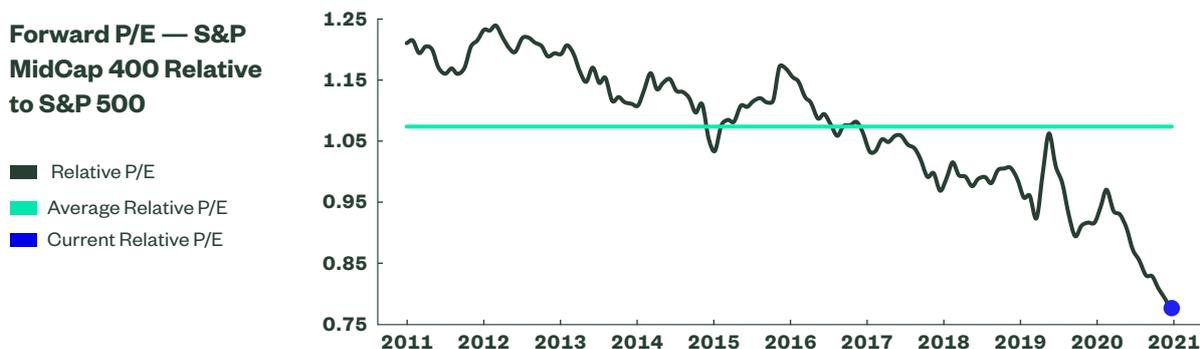
In this environment, we continue to favour the mid cap part of the US market, as the embedded cyclicality allows mid caps to benefit from economic growth while lower exposure to tech names provides a level of resilience against rising yields. Moreover, current valuations are supportive as the 12-month forward P/E of mid cap stocks not only de-rated on an absolute basis from 20.7x to 16.5x during 2021, but also they became increasingly attractive on a relative basis when compared to the S&P 500, as can be seen in the figure below. The recent change to the rhetoric of the Fed, in terms of inflation and policy normalisation, may be the necessary catalyst for this part of the market to catch up with its larger counterparts.

The cyclicality of the S&P 400 Mid Cap index is reflected in the sector split. Heavy exposure to the industrials sector allows it to benefit from investments coming from government programs and increased capex. The mid cap index also provides access to the more traditional profile of consumer discretionary stocks, thus allowing investors to capture improved consumer spending as the year progresses. The more domestic profile of financial companies, compared to large caps, allows them to more efficiently capture improved net interest margin driven by yield expansion.

As inflation also feeds through to rents, real estate, which accounts for 10.4% of the index (versus just 2.8% for S&P 500), provides a level of inflation protection and may also benefit from ongoing reopening given its performance gap relative to the broader market.

We believe that the combination of cyclicality, relatively attractive valuations and the hawkish Fed pivot make a compelling case for the often-overlooked US mid cap segment.

Forward P/E — S&P MidCap 400 Relative to S&P 500



Source: Bloomberg Finance L.P., State Street Global Advisors, as of 31 December 2021. Price to Earnings (P/E) is Bloomberg 12m forward BEST_PE_RATIO for S&P MidCap 400 and S&P 500 indices.

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	3,073
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	328
SPDR® MSCI ACWI USD Hdg UCITS ETF	SPP2	IE00BF1B7272	10/21/2020	MSCI ACWI with Developed Markets 100% Hedged to USD Index	0.45	57
SPDR® MSCI ACWI IMI UCITS ETF	IMID	IE00B3YLTY66	5/13/2011	Investable	0.40	505
SPDR® MSCI World UCITS ETF	SWRD	IE00BFYOGT14	2/28/2019	MSCI World Index	0.12	1,400
SPDR® MSCI World Small Cap UCITS ETF	WDSC	IE00B0BJG560	11/25/2013	MSCI World Small Cap Index	0.45	886
US						
SPDR® S&P 500 UCITS ETF	SPY5	IE00B6YX5C33	3/19/2012	S&P 500 Index	0.09	5,993
SPDR S&P 500 EUR Hdg UCITS ETF	SPPE	IE00BYW2V44	10/31/2018	S&P 500 EUR Dynamic Hedged Index	0.12	493
SPDR® S&P 400 US Mid Cap UCITS ETF	SPY4	IE00B4YBJ215	1/30/2012	S&P MidCap 400 Index	0.30	1,355
SPDR® Russell 2000 US Small Cap UCITS ETF	R2US	IE00BJ38QD84	6/30/2014	Russell 2000 Index	0.30	1,881
SPDR S&P 500 ESG Screened UCITS ETF	500X	IE00BH4GPZ28	12/2/2019	S&P 500 ESG Exclusions II Index	0.10	583
Europe						
SPDR® MSCI Europe UCITS ETF	ERO	IE00BKW00Q14	12/5/2014	MSCI Europe Index	0.25	467
SPDR® MSCI EMU UCITS ETF	ZPRE	IE00B910VR50	1/25/2013	MSCI EMU Index	0.18	267
SPDR® MSCI Europe Small Cap UCITS ETF	SMC	IE00BKW00M75	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	131
Emerging Markets						
SPDR® MSCI Emerging Markets UCITS ETF	EMRD	IE00B469F816	5/13/2011	MSCI Emerging Markets Index	0.42	560
SPDR® MSCI EM Asia UCITS ETF	EMAD	IE00B466KX20	5/13/2011	MSCI EM (Emerging Markets) Asia Index	0.55	1,252
SPDR® MSCI Emerging Markets Small Cap UCITS ETF	EMSD	IE00B48X4842	5/13/2011	MSCI Emerging Markets Small Cap Index	0.55	190
Single Country						
SPDR® FTSE UK All Share UCITS ETF	FTAL	IE00B7452L46	02/28/2012	FTSE All-Share Index	0.20	783
SPDR® FTSE UK All Share UCITS ETF (Dist)	ZPRD	IE00BD5FCF91	4/26/2018	FTSE AllSh TR GBP	0.20	121
SPDR® MSCI Japan UCITS ETF	JPJP	IE00BZ0G8B96	11/30/2015	MSCI Japan Index	0.12	316
SPDR® MSCI Japan EUR Hdg UCITS ETF	ZPDW	IE00BZ0G8C04	11/30/2015	MSCI Japan 100% Hedged to EUR Index	0.17	19

Source: State Street Global Advisors, Bloomberg Finance L.P., as of 31 December 2021. To view additional fund details, including full performance history, please click on the fund name.

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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 Securities² 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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