

Smart Beta Compass

Q1 2021

Positioning for an Economic Recovery

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A Leader in Smart Beta Index Investing

SPDR is a pioneer in both smart beta and ETF investing. For more than a quarter of a century, we have uncovered research-backed insights and formed strong opinions about how to efficiently harvest factor premia and implement them in a portfolio using ETFs.

Smart Beta ETFs allow investors the opportunity, with a single trade, to introduce a factor exposure into their portfolio. In the current environment, we continue to see equity investors positioning for the long term, when markets will resume trading on fundamentals.

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Factor Performance

Recent performance of specific factor-driven indices that are tracked by relevant European-listed Smart Beta ETFs.

Factor Performance

The charts in this section show the relative performance of each index against a single cap-weighted market benchmark in three critical geographic regions: World/Global, USA and Eurozone/Europe.

A volatile 2020 closes on an upswing. Much of the factor returns were distorted in the first half of 2020 with equity market volatility driven by the emergence of the pandemic and the associated response. In Q3, and specifically in September, we observed a shift back toward the historical trend, in terms of relative performance. The 9 November 2020 Pfizer announcement was a significant turning point in investor sentiment. This catalyst event seemed to pivot the investor mindset from focusing on how to protect portfolios from economic shutdowns to how take advantage from an economic recovery. The combination of a shift to historical trend (Q3) with a turn in investor sentiment (Q4) will be seen as encouraging for factor-conscious investors heading into the new year.

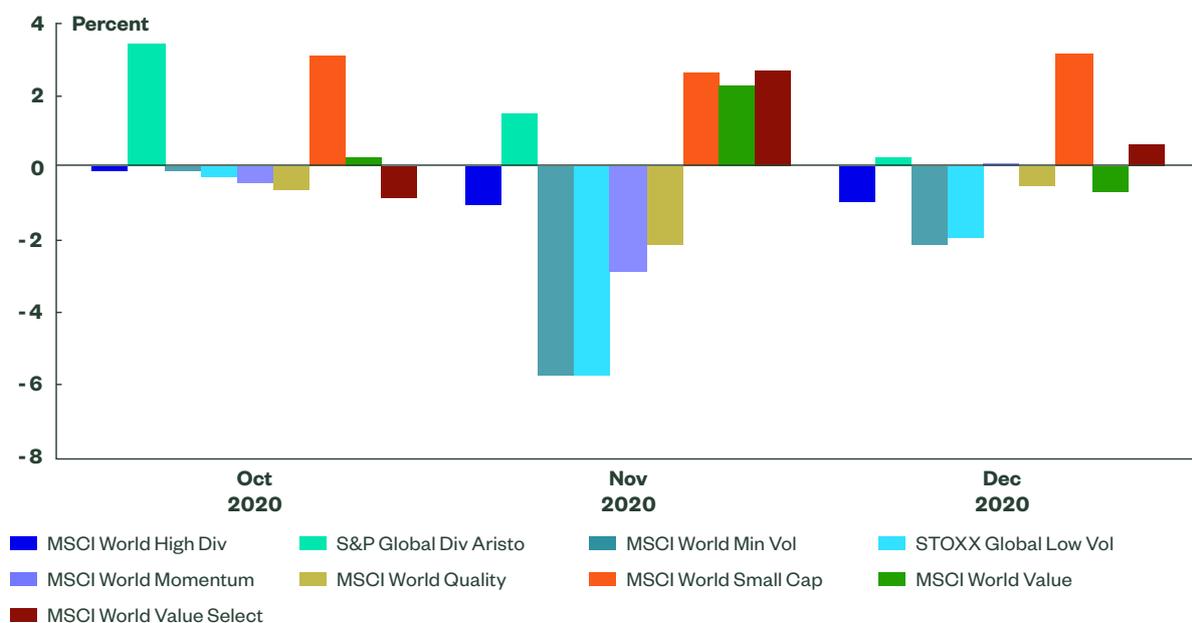
World/Global

Global equities rose 13.44% in Q4, accelerating after the Pfizer vaccine announcement in the beginning of November and into year end. The MSCI World Index continued to move higher, despite global economic shutdowns, adding to the pre-COVID all-time highs. Due to the expanded recovery in asset prices, the MSCI World Small Cap Index (Size) provided the most consistent outperformance against the market capitalisation-weighted benchmark.

Global Dividend Aristocrats outperformed the MSCI World Index every month (~5% cumulative outperformance in the quarter), while World Value Select had strong outperformance of 2.65% in November.

Exposures such as Quality, Momentum and Low Volatility all took a pause in Q4 against the market benchmark, amid the rally.

Relative Monthly Performance vs. MSCI World Index



Source: State Street Global Advisors, Bloomberg Finance L.P., as of 31 December 2020. Past performance is not a reliable indicator of future performance. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. See Appendix for index details.

Looking Forward. The continued recovery should accelerate in 2021 as vaccines are deployed and economic activity is permitted to resume. In this environment, investors may continue to favour Value and could benefit from the light quality touch of a Value Exposure Select strategy.

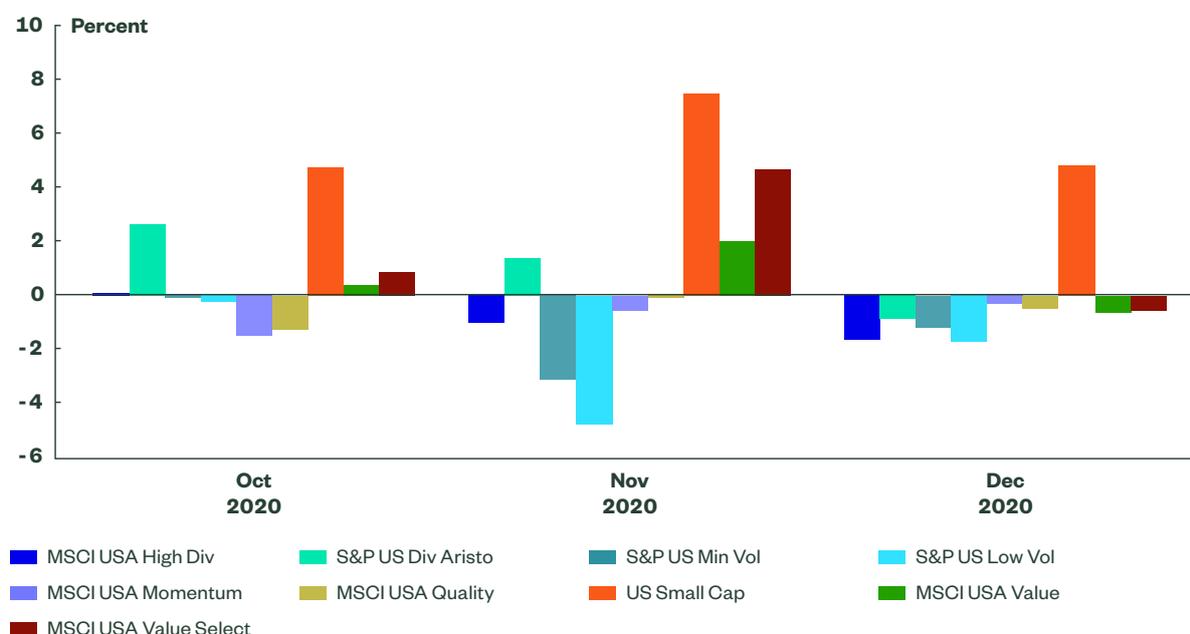
USA

US equities continued to lead global markets in the early part of Q4, as structural trends (e.g. digital services/ work from home) significantly benefited the technology and communication services-heavy US Index. US equities accelerated the recovery in November, adding 11% in the S&P® 500 Index to bring the total year-to-date gain to a cumulative 14%. This was a meaningful move, considering the index was down nearly 20% at the end of the first quarter.

The promise of a fiscal support bill and vaccine in 2021 was enough to reduce the perceived risk — in terms of asset prices to forward earnings — of a prolonged shutdown. This helped Small Cap stocks (Size) the most, as they are the most susceptible to business interruption, and the Russell 2000 outperformed the S&P® 500 significantly in each month of Q4.

Quality, which had been the leader for most of 2020, took a pause in Q4. As did the most defensive exposures of Minimum and Low Volatility.

Relative Monthly Performance vs. the S&P® 500 Index



Source: State Street Global Advisors, Bloomberg Finance L.P., as of 31 December 2020. Past performance is not a reliable indicator of future performance. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. See Appendix for index details.

Looking Forward. US equities also benefitted from the settling of the US elections and the resulting clarity. President Biden’s familiarity with the office, having served 8 years as Vice President under President Obama, should allow his administration to hit the ground running. There is now a low risk that fiscal support will be removed after the Democratic party was able to secure a level balance in the US Senate, following the Georgia (run-off) elections. This further supports momentum for an economic recovery, which will be most beneficial to Small Cap stocks.

In addition to Small Caps, Value stocks have really benefitted in the early stages of the reflation trade and we are watching for a continuation of this trend in the first half of 2021. This value trade should also extend to stable dividend strategies, such as US Dividend Aristocrats, which specifically is expected to benefit from an uptick in economic activity.

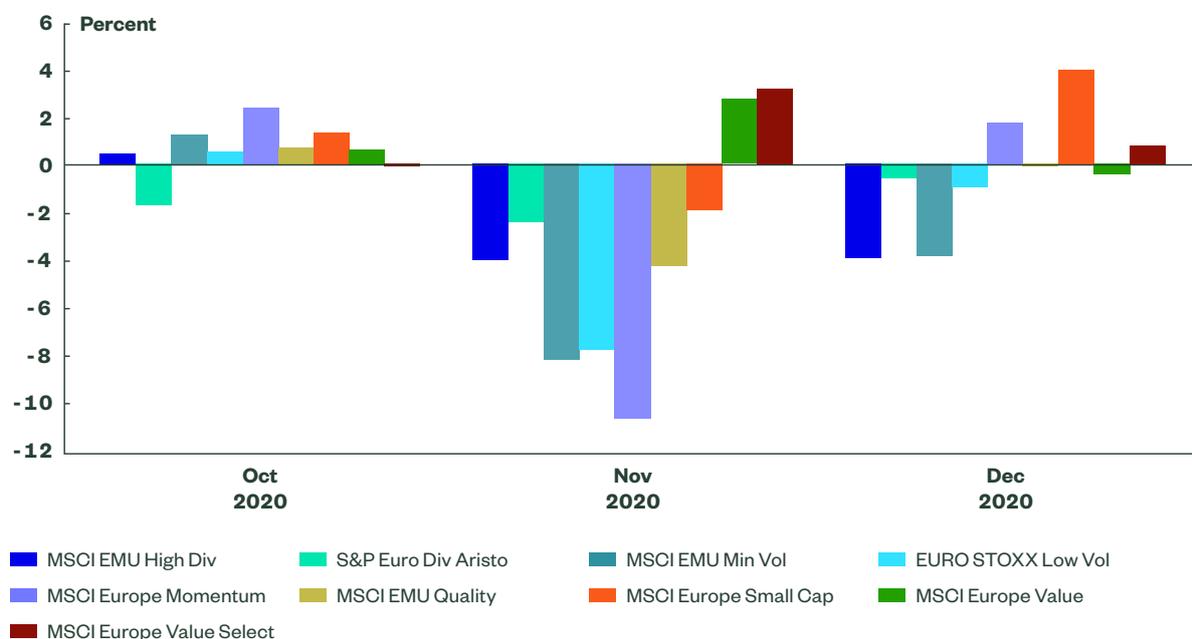
Eurozone/Europe

European equities continue to lag global equities in terms of pricing an earnings recovery in 2021. In November, major European indices finally recovered year-to-date losses, with both the EURO STOXX® and MSCI Europe indices reaching end of 2019 price levels. The rally continued through year-end, with Europe reaching some clarity on structural challenges, such as Brexit.

Despite the positive momentum, the expansion of COVID cases across key European (and UK) economies has continued to interrupt economic activity. Low Volatility exposures presented investors some protection early in Q4 but lagged the market benchmarks once the rally was in full force, in November and through year-end.

The most consistent opportunity to outperform in the benchmark came from playing the Value factor. Specifically, a Value Exposure Select approach which outperformed the benchmark by 3.18% in November.

Relative Monthly Performance vs. the EURO STOXX® Index



Source: State Street Global Advisors, Bloomberg Finance L.P., as of 31 December 2020. Past performance is not a reliable indicator of future performance. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. See Appendix for index details.

Looking Forward. While European equities have recovered, they still lag US equities. This divergence has created a compelling relative valuation opportunity to play the recovery through eurozone equities, provided investors can protect their portfolios using a selective value or stable dividend approach.

Investors should consider positions in European Value Select to play a further economic recovery in 2021, while being selective and sector neutral about targeting the opportunities. Euro Dividend Aristocrats is also a good source of value with an enhanced income from stable dividend stocks, while we await the recovery to reflate earnings.

Smart Beta ETF Flows

Recent flows in both European and US-listed Smart Beta ETF flows by their relevant factor exposure.

Smart Beta ETF Flows

The tables in this section show the nominal net assets gathered by each category, across all geographic regions, over three relevant time periods. The top two and bottom two factor categories in each time period are highlighted.

Market rally in Q4 has investors eyeing recovery. Low volatility outflows continued into year-end, as both European and US ETF investors took significant steps to positioning the portfolio towards factors which stand to benefit more from a resumption of economic activity.

US-listed investors continue to pour money into income generating Dividend yield factor strategies. While investors in European-listed funds have favoured getting yield from Value and taking more of a small cap approach by playing the Size factor.

European-Listed Smart Beta Flows

Smart beta flows were positive in December (+\$1 billion). Despite these inflows they are still negative over 2020, with \$2 billion in net outflows since the beginning of the year.

Value and Size took over from Momentum as the strongest factor exposures in terms of net flows, over all time periods. European ETF investors accelerated flows into Value exposures, with nearly \$4 billion of inflows in Q4.

Dividend factor strategies remain negative over all time periods, but the most aggressive outflows in Q4 came from Low Volatility and Quality funds.

European-Listed Smart Beta Flows (\$ Millions)

Factor Category	December 2020	Trailing 3 months	Last 12 months
Dividend	-28	-189	-2,032
Low Volatility	-271	-718	-2,342
Momentum	-65	66	1,280
Multifactor	-122	-302	-2,870
Quality	-216	-524	-454
Size	746	1,896	1,944
Value	1,012	3,891	2,449
Total	1,056	4,120	-2,026

Source: State Street Global Advisors, Bloomberg Finance L.P., as of 31 December 2020. Flows are as of date indicated and shouldn't be relied thereafter.

US-Listed Smart Beta Flows

Factor funds began Q4 on a negative note, posting \$238 million of outflows in October. The outflows were once again led by Low Volatility strategies which had been the year-long trend. Despite the uptick in volatility through the year, the overwhelming trend since Q2 has been about the recovery of asset prices.

Flows into the US-listed Smart beta ETFs turned positive in November, led by Value and Dividend strategies. The trend continued in December, when smart beta flows were positive; led by Size, Value and Dividend strategies. Low Volatility had another month of outflows, pushing their 2020 total to over \$13 billion of outflows. Alongside Multifactor, those were the only two factors with meaningful outflows on the year.

Investors positioned cyclically with factors (e.g. Value, Dividends, and Size). Given how fervent the market rally has been, even considering the sizable volatility, Low Volatility strategies have trailed the broader market, explaining the investor outflows.

Looking forward, all signs point to a continued recovery in global equities in 2021, so we will be watching to see if the inflows continue to the pro-cyclical factor based smart beta ETFs.

US-Listed Smart Beta Flows (\$ Millions)

Factor Category	December 2020	Trailing 3 months	Last 12 months
Dividend	3,405	6,455	7,154
Low Volatility	-1,947	-5,700	-13,320
Momentum	110	34	319
Multifactor	67	96	-2,051
Quality	-156	949	6,344
Size	1,977	3,223	182
Value	988	2,457	1,709
Total	4,444	7,514	337

Source: State Street Global Advisors, Bloomberg Finance L.P., as of 31 December 2020. Flows are as of date indicated and shouldn't be relied thereafter.

Institutional Style Flows and Holdings

A snapshot of the cross-sectional patterns of institutional equity flows and holdings.

Institutional Style Positioning

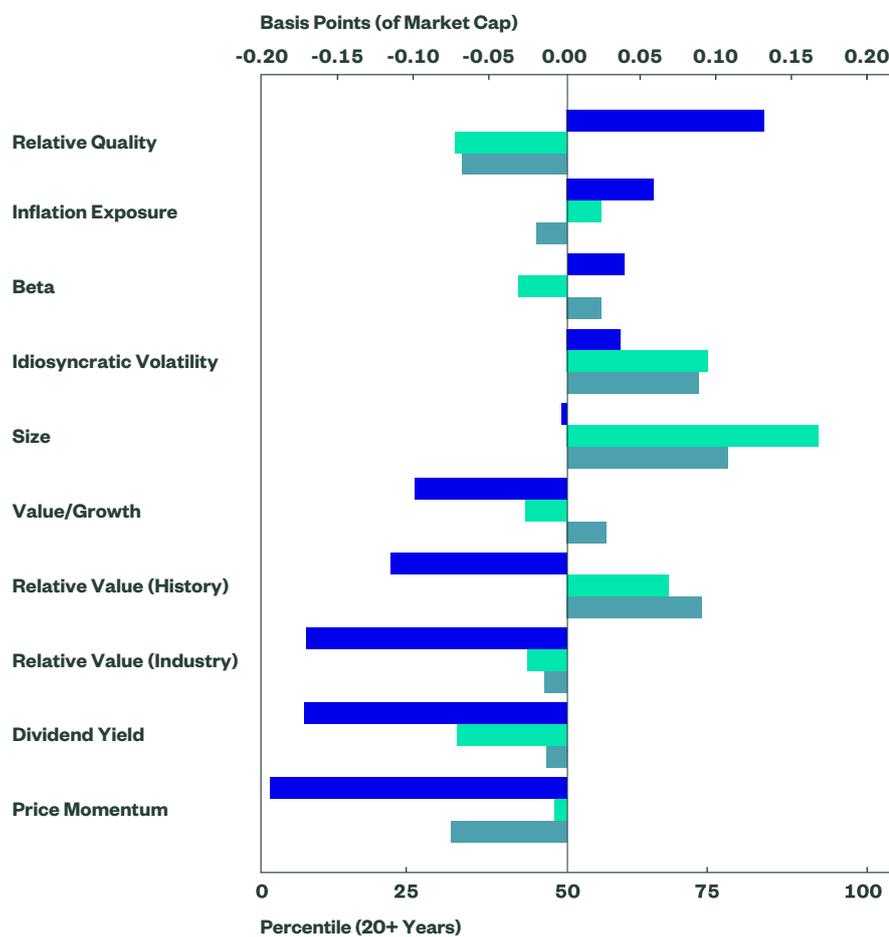
The analysis covers 10 style dimensions; Beta, Idiosyncratic Volatility, Dividend Yield, Inflation Exposure, Value/Growth, Relative Value to History, Relative Value to Industry, Size, Price Momentum and Relative Efficiency (further referred to as Relative Quality). See page 26 for full style definitions.

The small lead the cheap, with Quality slowing and Momentum underweight. The holdings in Value style metrics, including Dividend Yield, remain under owned despite a pickup in flows. The lightest relative positioning in style exposures is in Momentum, which remain depressed following the September drop. The strongest overweight holdings, compared to historical positioning, are in Quality stocks (higher Return-on-Equity) and stocks with Inflation Exposure.

Flows are positive and accelerating in smaller market capitalisation (Size) and stocks with higher Idiosyncratic Volatility. The opposite behaviour exists in Dividend stocks, Quality and cheap stocks (relative to industry), as these style exposures have seen accelerating outflows.

Institutional Style Positioning (Quarter End)

- Holdings (Lower)
- 20d Flows
- 60d Flows



Source: State Street Global Markets. Data are as of 1 January 2021. Flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

Trend Flows

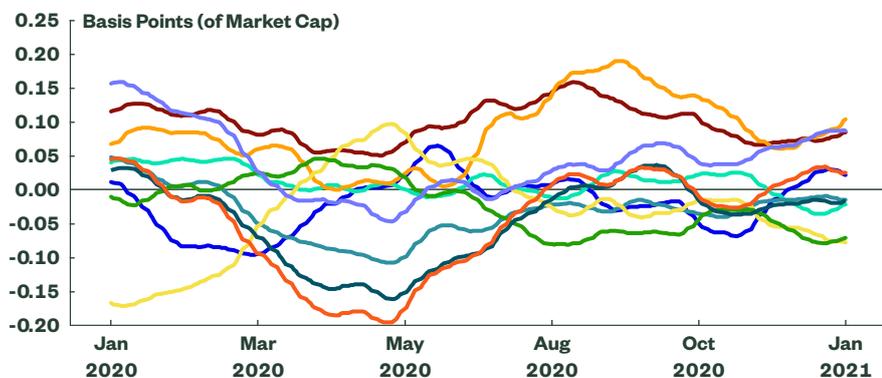
In addition to the latest investor positioning in each of the significant style dimensions, the active flows trend can provide further context on investor sentiment.

Below we analyse the trend in active flows across two time series: the daily change in 60-day trend flows over the past year and the daily change in 20-day trend flows over the past quarter. Each of the charts provides expanded context on the trend of investor flows leading up to the quarter-end positioning (see Figure on previous page).

Smaller market capitalisation stocks (Size) have maintained a trend of positive inflows, which accelerated in Q4, and ended the quarter relatively strong. The same was true for stocks with high Idiosyncratic Volatility, which have been displaying the most consistently strong inflows, on a 60-day trend in 2020. This basket of equities also experienced the second strongest active flows on a 20-day trend basis in Q4. Taking a closer look at the 20-day flow trend in Q4, we see that Relative Value (History & Industry), high Beta and Dividend yield stocks all produces strong inflows in November and early December, before close the quarter with a slight outflow trend. The one exception was with stocks offering Relative Value, compared to their historical valuation, which did decline but remained positive.

Institutional Style Active Flow (60d Flow Trend, Last 1 Year)

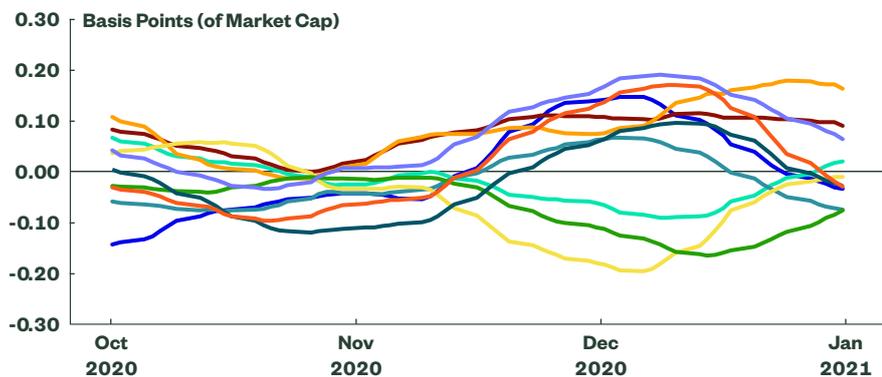
- Beta
- Inflation Exposure
- Dividend Yield
- Idiosyncratic Volatility
- Size
- Price Momentum
- Relative Quality
- Relative Value (History)
- Relative Value (Industry)
- Value/Growth



Source: State Street Global Markets data as of 1 January 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 style. It is not known whether the factors shown will be profitable in the future.

Institutional Style Active Flow (20d Flow Trend, Last Quarter)

- Beta
- Inflation Exposure
- Dividend Yield
- Idiosyncratic Volatility
- Size
- Price Momentum
- Relative Quality
- Relative Value (History)
- Relative Value (Industry)
- Value/Growth



Source: State Street Global Markets data as of 1 January 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 style. It is not known whether the factors shown will be profitable in the future.

Trend Holdings

In addition to the latest investor positioning in each of the significant style dimensions, the historical holdings trend can provide further context on investor sentiment.

The below time series shows the monthly change in investor holdings over the past year. This chart provides expanded context on the trend of investor holdings leading up to the quarter end positioning (see Figure on page 12).

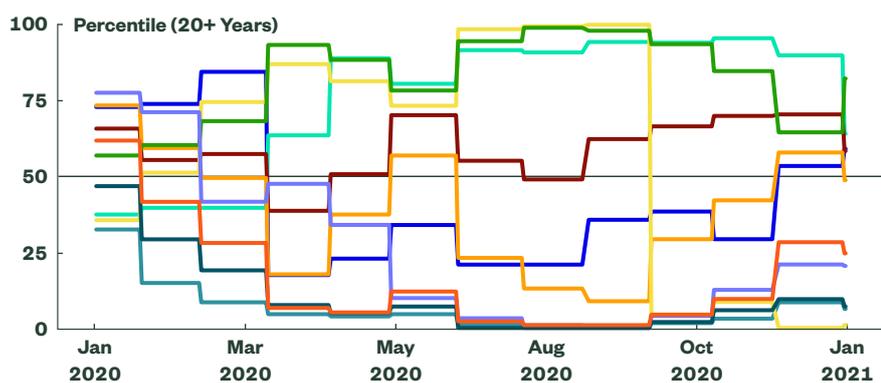
After closing Q3 at near historic lows, Momentum stocks have remained underweight in terms of historical positioning, as holdings continue to increase in stocks with extreme negative Momentum.

Since the beginning of Q4, Value (by any measure) and high Dividend Yield stocks have seen a uptick in holdings, but remain underweight overall. High Beta and small cap (Size) stocks experienced the strongest increase in position, with both style factors producing a slight overweight to end the quarter. Despite a slight decline in Q4, Relative Quality and Inflation Exposure stocks remain the two most overweight style exposures, in terms of historical investor positioning.

The relative underweight positioning in the Value style metrics suggest that despite the price rally seen in Q4, there is still opportunities for positions to grow in portfolios. Investors worried they have missed the trade, likely have more time to consider a Value allocation.

Institutional Style Monthly Holdings (Last 1 Year)

- Beta
- Inflation Exposure
- Dividend Yield
- Idiosyncratic Volatility
- Size
- Price Momentum
- Relative Quality
- Relative Value (History)
- Relative Value (Industry)
- Value/Growth



Source: State Street Global Markets data as of 1 January 2021.

Institutional Style Holdings (Last Quarter)

	October 2020		November 2020		December 2020		January 2021	
Overweight	Inflation Exposure	0.94	Inflation Exposure	0.96	Inflation Exposure	0.90	Relative Quality	0.82
	Relative Quality	0.94	Relative Quality	0.85	Idiosyncratic Volatility	0.71	Inflation Exposure	0.64
	Idiosyncratic Volatility	0.67	Idiosyncratic Volatility	0.70	Relative Quality	0.65	Beta	0.59
					Size	0.58	Idiosyncratic Volatility	0.59
				Beta	0.54			
Underweight	Beta	0.39	Size	0.42	Value/Growth	0.29	Size	0.49
	Size	0.30	Beta	0.30	Relative Value (History)	0.21	Value/Growth	0.25
	Value/Growth	0.05	Relative Value (History)	0.13	Relative Value (Industry)	0.10	Relative Value (History)	0.21
	Price Momentum	0.04	Value/Growth	0.10	Dividend Yield	0.09	Relative Value (Industry)	0.07
	Relative Value (History)	0.04	Price Momentum	0.08	Price Momentum	0.00	Dividend Yield	0.07
	Dividend Yield	0.02	Relative Value (Industry)	0.06			Price Momentum	0.01
	Relative Value (Industry)	0.02	Dividend Yield	0.03				

Source: State Street Global Markets. Data are as of 1 January 2021.

Factor Fundamentals

Fundamental metrics of specific factor-driven indices that are tracked by relevant European-listed Smart Beta ETFs.

Fundamental Factor Metrics

As of 31 December 2020

For context the table includes popular market capitalisation-weighted benchmarks in each of the three critical geographic regions: World/Global, USA and Eurozone/Europe.

Region/Index	Price-to-Earnings	Price-to-Book	EV-to-EBITDA	ROE	Dividend Yield
World/Global					
MSCI World Index*	20.81	2.83	13.24	12.39	1.86
STOXX® Global 1800 Index*	21.04	2.77	13.67	12.24	1.88
MSCI World High Div	14.00	2.33	10.07	16.99	3.61
S&P Global Div Aristo	12.72	1.21	9.35	9.13	5.30
MSCI World Min Vol	20.32	2.90	8.98	11.85	2.16
STOXX Global Low Vol	18.50	2.92	11.75	15.23	2.50
MSCI World Momentum	34.81	7.72	21.12	39.93	0.63
MSCI World Quality	23.15	7.15	15.86	41.09	1.53
MSCI World Small Cap*	23.26	1.06	12.43	5.72	1.60
MSCI World Value	15.47	1.79	10.16	8.60	2.93
USA					
S&P® 500 Index*	22.61	4.04	14.64	24.50	1.54
MSCI USA Index*	23.19	4.19	15.27	24.91	1.47
S&P US Div Aristo	17.23	2.09	11.18	10.27	3.36
S&P US Min Vol	20.63	3.68	13.47	19.44	1.98
S&P US Low Vol	20.20	4.48	13.61	22.63	1.88
MSCI USA Momentum	38.67	10.33	24.23	52.17	0.40
MSCI USA Quality	23.41	8.12	16.73	44.00	1.41
US Small Cap*	33.58	2.12	15.93	5.83	1.04
MSCI USA Value	17.15	2.57	11.67	14.00	2.49
EUROZONE/EUROPE					
EURO STOXX® Index*	17.97	1.64	10.43	6.81	2.41
MSCI Europe Index*	17.14	1.86	10.33	6.77	2.75
S&P Euro Div Aristo	15.34	1.67	10.95	9.43	3.55
MSCI EMU Min Vol	19.20	2.00	10.77	8.21	2.60
EURO STOXX Low Vol	20.02	2.17	11.23	11.34	2.69
MSCI Europe Momentum	29.75	3.97	17.09	11.20	1.37
MSCI Europe Small Cap*	20.90	0.45	10.85	5.23	2.10
MSCI Europe Value	12.95	1.22	7.77	6.35	3.86

Source: State Street Global Advisors, Bloomberg Finance L.P., as of 31 December 2020. See Appendix for index details. *Market cap-weighted index.

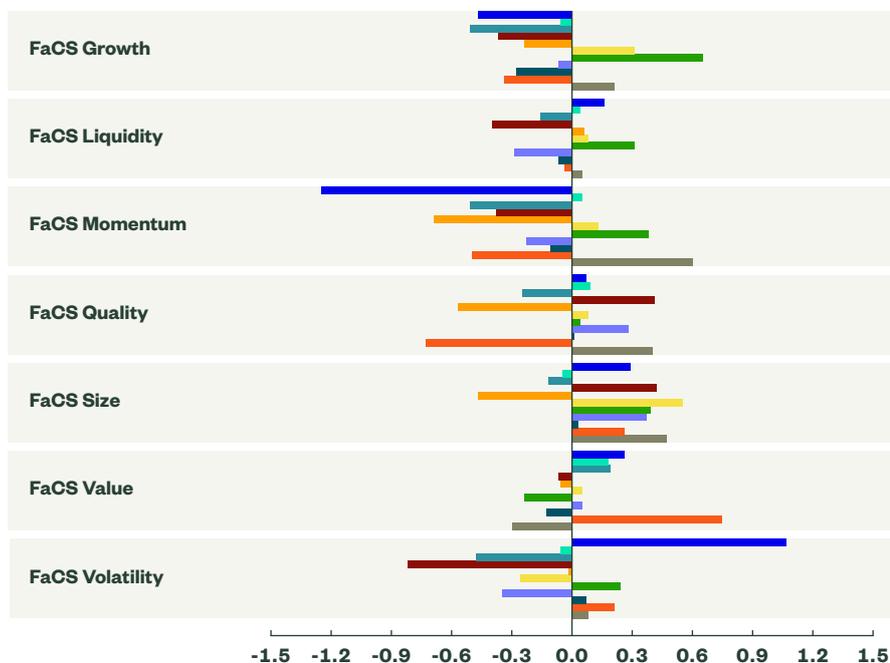
Market Factor Exposure

As of 1 January 2021

The following charts show the baseline factor exposure in each capitalisation-weighted benchmark for the three critical geographic regions: World, USA and Europe. The percentages in the legend represent the relative weight of each sector in the benchmark.

Market FaCS Exposure by Sector (MSCI World Index)

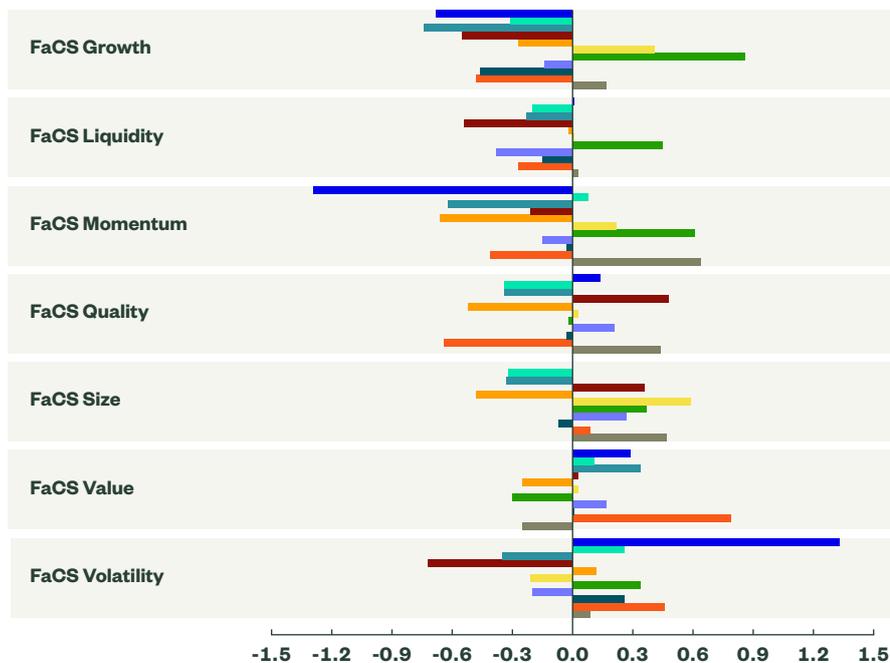
- Energy (2.7%)
- Materials (4.5%)
- Utilities (3.1%)
- Consumer Staples (7.6%)
- Real Estate (2.7%)
- Communication Services (8.9%)
- Consumer Discretionary (12.2%)
- Health Care (13%)
- Industrials (10.5%)
- Financials (12.8%)
- Technology (22.1%)



Source: State Street Global Advisors, BarraOne, as of 1 January 2021. FaCS stands for MSCI Factor Classification Standards.

Market FaCS Exposure by Sector (MSCI USA Index)

- Energy (2.1%)
- Materials (2.6%)
- Utilities (2.7%)
- Consumer Staples (6.2%)
- Real Estate (2.5%)
- Communication Services (10.9%)
- Consumer Discretionary (12.4%)
- Health Care (13.6%)
- Industrials (8.3%)
- Financials (10.1%)
- Technology (28.7%)



Source: State Street Global Advisors, BarraOne, as of 1 January 2021. FaCS stands for MSCI Factor Classification Standards.

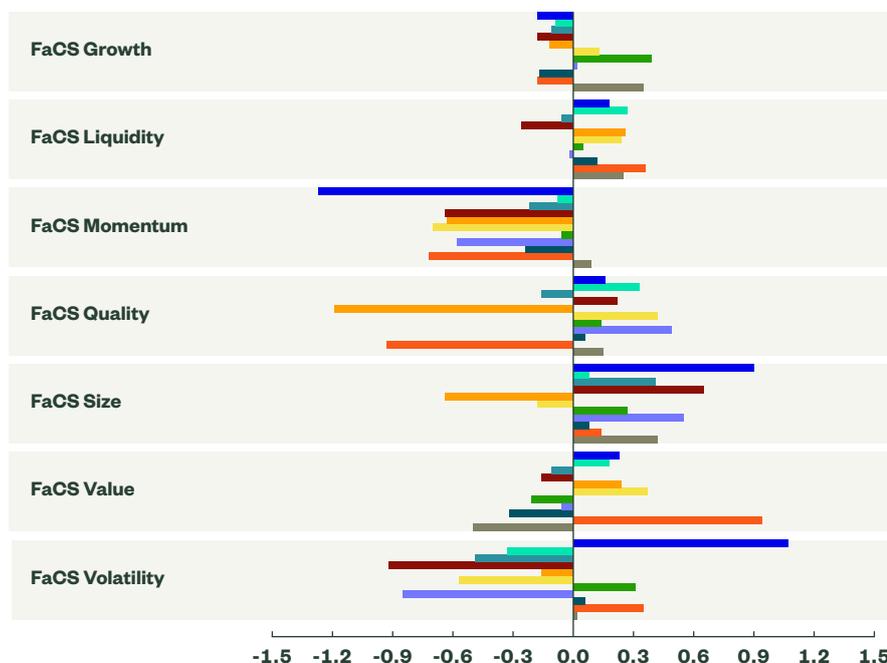
Market Factor Exposure

As of 1 January 2021

The following charts show the baseline factor exposure in each capitalisation-weighted benchmark for the three critical geographic regions: World, USA and Europe. The percentages in the legend represent the relative weight of each sector in the benchmark.

Market FaCS Exposure by Sector (MSCI Europe Index)

- Energy (4.3%)
- Materials (8.2%)
- Utilities (5%)
- Consumer Staples (13.5%)
- Real Estate (1.5%)
- Communication Services (3.9%)
- Consumer Discretionary (11.5%)
- Health Care (14.4%)
- Industrials (14.5%)
- Financials (15.5%)
- Technology (7.6%)



Source: State Street Global Advisors, BarraOne, as of 1 January 2021. FaCS stands for MSCI Factor Classification Standards.

Factor Correlations

Correlation of returns for specific factor-driven indices which are tracked by relevant European listed Smart Beta ETFs.

Factor Correlations

The analysis is presented in two distinct correlation matrices. The table on this page shows the correlation of returns for each factor-driven index (“Factors”) against a single cap-weighted market benchmark (“Index”) in three critical geographic regions: World/Global, USA and Eurozone/Europe. The results are displayed in order from strongest correlation to weakest.

Diversification with Defence and Select. The lowest correlated indices in global equities to the benchmark index are Global Dividend Aristocrats and Global Low Volatility. As expected, Low Volatility and Value Select generally have a relatively low correlation across all geographic regions, as compared to Min Volatility and Value, respectively, which have a stronger correlation to the benchmark index.

Factor Correlation Coefficients (Trailing 1 Year)

r	World/Global	Factors	r	USA	Factors	r	Euro	Factors
0.99	Index	High Div	0.99	Index	Min Vol	1.00	Index	High Div
0.99	Index	Quality	0.99	Index	Quality	0.99	Index	Value
0.98	Index	Value	0.98	Index	High Div	0.99	Index	Value Select
0.98	Index	Momentum	0.98	Index	Momentum	0.99	Index	Min Vol
0.97	Index	Small Cap	0.97	Index	Value	0.99	Index	Div Aristo
0.97	Index	Value Select	0.96	Index	Div Aristo	0.98	Index	Quality
0.97	Index	Min Vol	0.96	Index	Value Select	0.96	Index	Small Cap
0.94	Index	Low Vol	0.93	Index	Small Cap	0.96	Index	Low Vol
0.93	Index	Div Aristo	0.92	Index	Low Vol	0.92	Index	Momentum

Source: State Street Global Advisors, Bloomberg Finance L.P., as of 30 December 2020.

The second table (see next page) shows the correlation of the excess returns for every potential combination of factor-driven indices that are tracked by relevant European-listed Smart Beta ETFs. The excess returns are calculated using a single cap-weighted market benchmark in three critical geographic regions: World/Global, USA and Eurozone/Europe. A larger positive number indicates that the correlation of excess returns is strong and directionally consistent. A larger negative number indicates that the correlation of excess returns is strong but directionally inconsistent. A smaller positive or negative number indicates that the correlation of excess returns is not strong. The results are displayed in numerical order from highest (positive) to lowest (negative).

Global/World. Dividend Aristocrats and Value have the second strongest correlation of excess returns (0.81), trailing only Min/Low Volatility. Substituting in Value Select for Value would have weakened the correlation of excess returns to Dividend Aristocrats (0.35).

USA. For investors seeking to diversify away from Quality in US equities, following the big run it has experienced, Low Volatility (0.10) has shown the weakest correlated excess returns. Small Cap (-0.67) has the strongest negative correlation of returns against Quality.

Eurozone/Europe. The correlation of excess returns of High Dividend and Dividend Aristocrats strategies has been relatively weak (0.26) in the past year.

Factor Correlations (cont'd)

Factor Pairs Correlation Coefficient of Excess Returns (Trailing 1 Year)

r	World/Global	Factors	r	USA	Factors	r	Euro	Factors
0.83	Min Vol	Low Vol	0.89	Small Cap	Value Select	0.87	Momentum	Quality
0.81	Div Aristo	Value	0.88	Value	Value Select	0.86	High Div	Min Vol
0.79	Div Aristo	Small Cap	0.83	Div Aristo	Value	0.85	Low Vol	Momentum
0.73	Min Vol	Quality	0.74	Div Aristo	Value Select	0.85	Value	Value Select
0.69	Value	Value Select	0.73	Min Vol	Low Vol	0.80	Min Vol	Momentum
0.68	Momentum	Quality	0.72	Div Aristo	Small Cap	0.79	Div Aristo	Small Cap
0.67	Min Vol	Momentum	0.70	Small Cap	Value	0.76	Min Vol	Low Vol
0.66	Low Vol	Momentum	0.70	High Div	Min Vol	0.74	Min Vol	Quality
0.66	Small Cap	Value	0.56	High Div	Value	0.69	Low Vol	Quality
0.62	High Div	Min Vol	0.53	High Div	Div Aristo	0.53	High Div	Low Vol
0.46	Div Aristo	Value Select	0.45	High Div	Low Vol	0.48	High Div	Momentum
0.42	High Div	Quality	0.39	High Div	Quality	0.44	High Div	Quality
0.35	Low Vol	Quality	0.32	Momentum	Quality	0.43	Div Aristo	Low Vol
0.30	High Div	Low Vol	0.30	Low Vol	Momentum	0.26	Div Aristo	Momentum
0.29	High Div	Value Select	0.29	Min Vol	Quality	0.26	High Div	Div Aristo
0.27	Small Cap	Value Select	0.16	Div Aristo	Min Vol	0.23	Div Aristo	Min Vol
0.22	High Div	Value	0.16	High Div	Value Select	0.22	Small Cap	Value Select
0.02	High Div	Momentum	0.13	Min Vol	Value	0.18	Low Vol	Small Cap
-0.07	High Div	Div Aristo	0.10	Low Vol	Quality	0.16	Div Aristo	Quality
-0.09	Div Aristo	Low Vol	0.09	Low Vol	Value	0.07	Div Aristo	Value Select
-0.23	Low Vol	Value	0.03	Div Aristo	Low Vol	0.06	Momentum	Small Cap
-0.28	Quality	Value Select	0.02	Min Vol	Momentum	0.02	Quality	Small Cap
-0.31	Min Vol	Value Select	-0.08	High Div	Small Cap	-0.02	High Div	Small Cap
-0.33	High Div	Small Cap	-0.20	Min Vol	Value Select	-0.04	High Div	Value Select
-0.34	Low Vol	Small Cap	-0.28	Low Vol	Value Select	-0.06	Small Cap	Value
-0.34	Low Vol	Value Select	-0.30	Quality	Value	-0.09	Min Vol	Small Cap
-0.37	Min Vol	Value	-0.33	Min Vol	Small Cap	-0.17	High Div	Value
-0.38	Div Aristo	Min Vol	-0.33	Div Aristo	Quality	-0.23	Div Aristo	Value
-0.55	Momentum	Value Select	-0.38	Low Vol	Small Cap	-0.34	Min Vol	Value Select
-0.60	Min Vol	Small Cap	-0.45	High Div	Momentum	-0.41	Min Vol	Value
-0.67	Div Aristo	Momentum	-0.52	Quality	Value Select	-0.54	Quality	Value Select
-0.70	Quality	Value	-0.53	Momentum	Small Cap	-0.59	Low Vol	Value
-0.76	Momentum	Small Cap	-0.57	Momentum	Value Select	-0.60	Quality	Value
-0.80	Div Aristo	Quality	-0.62	Div Aristo	Momentum	-0.61	Low Vol	Value Select
-0.82	Quality	Small Cap	-0.64	Momentum	Value	-0.63	Momentum	Value Select
-0.84	Momentum	Value	-0.67	Quality	Small Cap	-0.68	Momentum	Value

Source: State Street Global Advisors, Bloomberg Finance L.P., as of 30 December 2020.

Implementing Smart Beta Investing

State Street Global Advisors has identified the key considerations for investors in the coming quarter, and how markets can be navigated using SPDR® ETFs.

Implementing Smart Beta Investing

This section contains our market outlook for the coming quarter, as well as the complete listings and recent standard performance for all factor-based, Smart Beta SPDR® ETFs.

Q1 Market Outlook: Positioning for a Recovery in Global Equities with Value Select

The announcement from Pfizer (9 November) that phase three trials of a vaccine candidate, developed with German biotech firm BioNTech, was found to be more than 90% effective in preventing COVID-19 has proven to be a significant turning point in investor sentiment. Since that announcement, both equity market performance and investor flows have pointed to a more constructive outlook on a global economic recovery in 2021.

Towards the end of Q4 we began to see this recovery take place in equity prices. Through the end of year, and into 2021, we have seen Small Cap, Dividend and Value stocks all perform strongly against the broader market, having trailed it during most of 2020. Much of this initial move can be attributed to a reversal in discounting of the most vulnerable stocks to prolonged shutdowns (i.e. Small Cap). We believe this is just the beginning and pro-cyclical exposures will see a further benefit in 2021.

Growth stocks (e.g. FAANG) had experienced a bifurcation in valuation multiples, given the low interest rate environment and the momentum of structural technology trends accelerated by the pandemic. As economic activity resumes and inflation expectations (finally) begin to increase, we expect the gap between growth and value to close.

While we expect the first half of 2021 to present some challenges, as nations work to vaccinate their populations and reopen their economies, the momentum in 2021 is toward a recovery in broad economic activity. This leads us to believe that investors should be positioning for opportunities in Value stocks, which had been beaten down and should continue to benefit from this recovery. While we would favour a selective Value strategy, Small Cap and Dividend stocks could also benefit from this recovery and the latter have the added feature of relative yield protection. Investors get paid to wait.

How Can Investors Navigate This Theme?

Investors seeking a diversified approach to remaining long at these valuations can consider a Value Exposure Select allocation to position for the continued recovery, across all developed regions.

- **World:** SPDR® MSCI World Value UCITS ETF

The SPDR® MSCI World Value UCITS ETF seeks to fully replicate the MSCI World Value Exposure Select Index, which represents 350 stocks that exhibit relatively higher exposure to the value factor (as defined in the Index methodology) within developed market countries that compose the parent index, MSCI World Index. The Index also seeks to avoid poor quality companies, as measured by their fundamental accounting data including return on equity, debt to equity and earnings variability.

- **USA:** SPDR® MSCI USA Value UCITS ETF

The SPDR® MSCI USA Value UCITS ETF seeks to fully replicate the MSCI USA Value Exposure Select Index, which represents 125 stocks that exhibit relatively higher exposure to the value exposure within the MSCI USA Index while also seeking to avoid poor quality companies, as measured by their fundamental accounting data including return on equity, debt to equity and earnings variability.

- **Eurozone:** SPDR® MSCI Europe Value UCITS ETF

The SPDR® MSCI Europe Value UCITS ETF seeks to fully replicate the MSCI Europe Value Exposure Select Index, which represents 125 stocks that exhibit relatively higher exposure to the value exposure within the MSCI Europe Index while also seeking to avoid poor quality companies, as measured by their fundamental accounting data including return on equity, debt to equity and earnings variability.

Listings of SPDR ETF Smart Beta Range

Range	ETF	ISIN	AUM (\$mn)	TER	Primary Ticker (Xetra)	LSE (£)	LSE (€)	LSE (\$)	SIX (CHF)	Borsa Italiana (€)	Euronext (€)
Dividend Aristocrats	SPDR® S&P® U.S. Dividend Aristocrats UCITS ETF	IE00B6YX5D40	2,536	0.35	SPYD	USDV			UDVD	USDV	USDV
	SPDR® S&P® Dividend Aristocrats EUR Hdg UCITS ETF	IE00B979GK47	17	0.40	SPPD				USDE	USDE	
	SPDR® S&P® Euro Dividend Aristocrats UCITS ETF	IE00B5M1WJ87	1,538	0.30	SPYW	EUDV	EUDI		EUDV	EUDV	EUDV
	SPDR® S&P® Global Dividend Aristocrats UCITS ETF	IE00B9C0XS71	597	0.45	ZPRG	GBDV			GLDV	GLDV	GLDV
	SPDR® S&P® Pan Asia Dividend Aristocrats UCITS ETF	IE00B9KNR336	205	0.55	ZPRA	PADV			ASDV	PADV	PADV
	SPDR® S&P® UK Dividend Aristocrats UCITS ETF	IE00B6S2Z822	131	0.30	SPYG	UKDV				UKDV	
	SPDR® S&P® Emerging Markets Dividend UCITS ETF	IE00B6YX5B26	149	0.55	SPYV	EMDV			EDVD	EMDV	EMDV
Low Volatility	SPDR® S&P® 500 Low Volatility UCITS ETF	IE00B802KR88	253	0.35	SPY1	USLV	ELOW	LOWV	ELOW	LOWV	LOWV
	SPDR® EURO STOXX® Low Volatility UCITS ETF	IE00BFTWP510	119	0.30	ZPRL				LOWV	ELOW	ELOW
	SPDR® STOXX® Global Low Volatility UCITS ETF	IE00BKDVQ787	6	0.30				GLOW			GLOW*
Value	SPDR® MSCI USA Value UCITS ETF	IE00BSPLC520	120	0.20	ZPRU	UVAL			USVL	UVAL	
	SPDR® MSCI USA Small Cap Value Weighted UCITS ETF	IE00BSPLC413	131	0.30	ZPRV				USSC		
	SPDR® MSCI Europe Value UCITS ETF	IE00BSPLC306	8	0.20	ZPRW	EVAL				EVAL	
	SPDR® MSCI Europe Small Cap Value Weighted UCITS ETF	IE00BSPLC298	24	0.30	ZPRX	EUSV					
	SPDR® MSCI World Value UCITS ETF	IE00BJXRT813	16	0.25		VALW			WVAL		WVAL*

Source: State Street Global Advisors, as of 31 December 2020. *Primary ticker (if not listed on Xetra).

Standard Performance (%)

Fund/Index Name	1 Month (%)	3 Months (%)	6 Months (%)	Year-to-Date (%)	1 Year (%)	3 Years (%)	5 Years (%)	Since Inception (%)
Inception Date 14/10/2011								
SPDR S&P US Dividend Aristocrats UCITS ETF	2.96	15.54	17.74	1.29	1.29	6.40	10.70	11.88
S&P High Yield Dividend Aristocrats Index ¹	2.96	15.55	17.67	1.01	1.01	6.27	10.63	11.81
Difference	0.00	-0.01	0.07	0.28	0.28	0.13	0.07	0.07
Inception Date 28/02/2012								
SPDR S&P Euro Dividend Aristocrats UCITS ETF	1.70	7.76	7.28	-11.78	-11.78	-0.23	3.79	7.32
S&P Euro High Yield Dividend Aristocrats Index	1.50	7.61	6.90	-12.45	-12.45	-0.71	3.34	6.94
Difference	0.20	0.15	0.38	0.67	0.67	0.48	0.45	0.38
Inception Date 15/05/2013								
SPDR S&P Global Dividend Aristocrats UCITS ETF	4.43	19.62	22.06	-9.17	-9.17	-0.32	5.86	4.26
S&P Global Dividend Aristocrats Quality Income Index ²	4.45	19.68	22.05	-9.38	-9.38	-0.36	5.88	4.34
Difference	-0.02	-0.06	0.01	0.21	0.21	0.04	-0.02	-0.08
Inception Date 15/05/2013								
SPDR S&P Pan Asia Dividend Aristocrats UCITS ETF	3.72	12.12	17.18	-0.38	-0.38	3.18	8.28	5.23
S&P Pan Asia Dividend Aristocrats Index	3.80	12.22	17.46	0.08	0.08	3.75	8.85	5.79
Difference	-0.08	-0.10	-0.28	-0.46	-0.46	-0.57	-0.57	-0.56
Inception Date 28/02/2012								
SPDR S&P UK Dividend Aristocrats UCITS ETF	3.42	5.46	2.38	-16.67	-16.67	-2.34	0.84	4.27
S&P UK High Yield Dividend Aristocrats Index	3.50	5.55	2.51	-16.35	-16.35	-1.83	1.35	4.76
Difference	-0.08	-0.09	-0.13	-0.32	-0.32	-0.51	-0.51	-0.49
Inception Date 14/10/2011								
SPDR S&P Emerging Markets Dividend Aristocrats UCITS ETF	7.32	23.86	27.54	-1.92	-1.92	0.71	8.93	-0.34
S&P Emerging Markets High Yield Dividend Aristocrats Index ³	7.38	24.13	28.07	-1.37	-1.37	1.69	10.14	0.71
Difference	-0.06	-0.27	-0.53	-0.55	-0.55	-0.98	-1.21	-1.05
Inception Date 03/10/2012								
SPDR S&P 500 Low Volatility UCITS ETF	2.07	5.14	14.00	-1.80	-1.80	7.50	9.68	10.63
S&P 500 Low Volatility Index	2.07	5.15	14.04	-1.78	-1.78	7.55	9.71	10.66
Difference	0.00	-0.01	-0.04	-0.02	-0.02	-0.05	-0.03	-0.03
Inception Date 24/03/2014								
SPDR EURO STOXX Low Volatility UCITS ETF	1.16	4.86	7.49	-5.35	-5.35	1.77	4.31	7.24
EUROSTOXX Low Risk Weighted 100 Index	1.17	4.90	7.58	-5.54	-5.54	1.46	4.08	7.02
Difference	-0.01	-0.04	-0.09	0.19	0.19	0.31	0.23	0.22
Inception Date 18/02/2015								
SPDR MSCI USA Value UCITS ETF	3.24	17.09	23.95	2.32	2.32	4.68	9.51	7.22
MSCI USA Value Exposure Select Index ⁴	3.23	17.07	23.89	2.01	2.01	4.49	9.39	7.09
Difference	0.01	0.02	0.06	0.31	0.31	0.19	0.12	0.13

Source: State Street Global Advisors, as of 31 December 2020. Performance is net of all 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 for most recent month-end performance. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Performance returns for periods of less than one year are not annualised. Some of the products are not available to investors in certain jurisdictions. Please contact your relationship manager in regards to availability.

¹Returns are for the unhedged share class. The fund is also available in a EUR-hedged share class (launched on 17 June 2019).

²Index returns reflect the S&P Global Dividend Aristocrats Index prior to 31st January 2020, when the fund changed to tracking current benchmark.

³Index returns reflect the S&P Emerging Markets Dividend Opportunities Index prior to 7th February 2020, when the fund changed to tracking current benchmark.

⁴Index returns reflect the MSCI USA Value Weighted Index prior to 11th July 2018, when the fund changed to tracking current benchmark.

⁵Index returns reflect the MSCI Europe Value Weighted Index prior to 11th July 2018, when the fund changed to tracking current benchmark.

Standard Performance (%) (cont'd)

Fund/Index Name	1 Month (%)	3 Months (%)	6 Months (%)	Year-to-Date (%)	1 Year (%)	3 Years (%)	5 Years (%)	Since Inception (%)
Inception Date 18/02/2015								
SPDR MSCI USA Small Cap Value Weighted UCITS ETF	7.91	36.28	40.53	8.46	8.46	4.79	9.62	6.00
MSCI USA Small Cap Value Weighted Index	7.95	36.40	40.74	8.95	8.95	5.06	9.92	6.24
Difference	-0.04	-0.12	-0.21	-0.49	-0.49	-0.27	-0.30	-0.24
Inception Date 18/02/2015								
SPDR MSCI Europe Value UCITS ETF	2.83	16.22	12.96	-8.17	-8.17	-1.22	2.93	1.23
MSCI Europe Value Exposure Select Index ⁵	2.87	16.33	13.03	-8.33	-8.33	-1.37	2.72	1.02
Difference	-0.04	-0.11	-0.07	0.16	0.16	0.15	0.21	0.21
Inception Date 18/02/2015								
SPDR MSCI Europe Small Cap Value Weighted UCITS ETF	5.97	23.49	26.38	-3.50	-3.50	0.08	3.33	3.33
MSCI Europe Small Cap Value Weighted Index	6.08	23.78	27.09	-2.92	-2.92	0.16	3.54	3.51
Difference	-0.11	-0.29	-0.71	-0.58	-0.58	-0.08	-0.21	-0.18

Source: State Street Global Advisors, as of 31 December 2020. Performance is net of all 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 for most recent month-end performance. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Performance returns for periods of less than one year are not annualised. Some of the products are not available to investors in certain jurisdictions. Please contact your relationship manager in regards to availability.

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³ Index returns reflect the S&P Emerging Markets Dividend Opportunities Index prior to 7th February 2020, when the fund changed to tracking current benchmark.

⁴ Index returns reflect the MSCI USA Value Weighted Index prior to 11th July 2018, when the fund changed to tracking current benchmark.

⁵ Index returns reflect the MSCI Europe Value Weighted Index prior to 11th July 2018, when the fund changed to tracking current benchmark.

Methodologies

Style This document generally uses the term *Style* to refer to categorical stock characteristics which can be measured (see Style Definitions).

Factor This document generally uses the term *Factor* to refer to specific categorical stock characteristics which have been studied extensively in academia for having the potential to explain portfolio returns such as value, quality, size, momentum, volatility and dividend yield.

Smart Beta This document generally uses the term *Smart Beta* to refer to indexing strategies which are non-market capitalisation (Beta) weighted.

Institutional Style Positioning. As part of State Street, we have access to information gleaned from our large global custody business. By aggregating \$18.2 trillion of equity 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.

Institutional Holdings Trend 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 20+ years (data since March 1998). 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 whilst 0% is the lowest holding.

Active Flows Trend 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.

Style Definitions The table below explains the methodology behind each style dimension.

Beta	Regression coefficient in Capital Asset Pricing Model ("CAPM")
Inflation Exposure	Correlation between stock return and implied Consumer Price Index ("CPI")
Dividend Yield	Dividend Yield
Idiosyncratic Volatility	Standard deviation of residuals in Capital Asset Pricing Model ("CAPM")
Size	Market capitalisation
Price Momentum	9-month price return
Relative Efficiency (referenced as Relative Quality)	Return-on-equity minus industry median return-on-equity
Relative Value (History)	Book-to-market of stock vs. average historical book-to-market
Relative Value (Industry)	Book-to-market of stock vs. industry median book-to-market
Value/Growth	Book-to-market

Methodologies (cont'd)

Index Definitions The table below details the indexes used in this document.

MSCI World Index	MSCI World Net Total Return USD Index
STOXX Global 1800 Index	STOXX Global 1800 Index USD
MSCI World High Div	MSCI World High Dividend Yield Net Total Return Index
S&P Global Div Aristo	S&P Global Dividend Aristocrats Quality Income Index (USD) NTR
MSCI World Min Vol	MSCI World Minimum Volatility Net Total Return USD Index
STOXX Global Low Vol	STOXX Global Low Risk Weighted Diversified 200 Net Return USD
MSCI World Momentum	MSCI World Momentum Net Total Return USD Index
MSCI World Quality	MSCI World Quality Net Total Return USD Index
MSCI World Small Cap	MSCI World Small Cap Net Total Return USD Index
MSCI World Value	MSCI World Value Net Total Return USD Index
MSCI World Value Select	MSCI World Value Exposure Select Net Return USD Index
S&P 500 Index	S&P 500 Net Total Return Index
MSCI USA Index	MSCI USA Net Total Return USD Index
MSCI USA High Div	MSCI USA High Dividend Yield Net Total Return USD Index
S&P US Div Aristo	S&P High Yield Dividend Aristocrats Net Total Return Index
S&P US Min Vol	S&P 500 Minimum Volatility Net Total Return Index
S&P US Low Vol	S&P 500 Low Vol Net Total Return Index
MSCI USA Momentum	MSCI USA Momentum USD Net Total Return Total Return Index
MSCI USA Quality	MSCI USA Quality Net Total Return USD Index
US Small Cap	Russell 2000 Net 30% Return
MSCI USA Value	MSCI USA Value Net Total Return USD Index
MSCI USA Value Select	MSCI USA Value Exposure Select Net Return USD Index
EURO STOXX Index	EURO STOXX Net Return EUR
MSCI Europe Index	MSCI Europe Net Total Return EUR Index
MSCI EMU High Div	MSCI EMU High Dividend Yield Net Total Return Local Index
S&P Euro Div Aristo	S&P Euro HIGH YIELD Dividend Aristocrats Net Total Return
MSCI EMU Min Vol	MSCI EMU Minimum Volatility Optimised In EUR Net Total Return Local Index
EURO STOXX Low Vol	EURO STOXX Low Risk Weighted 100 Index
MSCI Europe Momentum	MSCI EUROPE MOMENTUM Net EUR Index
MSCI EMU Quality	MSCI EMU Quality Net Return EUR Index
MSCI Europe Small Cap	MSCI Europe Small Cap Net Return EUR Index
MSCI Europe Value	MSCI Europe Value Net Total Return EUR Index
MSCI Europe Value Select	MSCI Europe Value Exposure Select Net Return EUR Index

Endnotes

- 1 Source: State Street, as of 30 September 2020.
- 2 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.

About State Street Global Advisors

For four decades, State Street Global Advisors has served the world's governments, institutions and financial advisors. With a rigorous, risk-aware approach built on research, analysis and market-tested experience, we build from a breadth of active and index strategies to create cost-effective solutions. As stewards, we help portfolio companies see that what is fair for people and sustainable for the planet can deliver long-term performance. And, as pioneers in index, ETF, and ESG investing, we are always inventing new ways to invest. As a result, we have become the world's third-largest asset manager with US \$3.47 trillion* under our care.

* This figure is presented as of December 31, 2020 and includes approximately \$75.17 billion of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

Marketing communication.

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(beleggingsinstellingen) according to Section 2:72 Dutch Financial Markets Supervision Act of Investment Institutions.

For Investors in Norway: The offering of SPDR ETFs by the Companies has been notified to the Financial Supervisory Authority of Norway (Finanstilsynet) in accordance with applicable Norwegian Securities Funds legislation. By virtue of a confirmation letter from the Financial Supervisory Authority dated 28 March 2013 (16 October 2013 for umbrella II) the Companies may market and sell their shares in Norway.

For use in Singapore: The offer or invitation of the Units, which is the subject of this Prospectus, does not relate to a collective investment scheme which is authorised under section 286 of the Securities and Futures Act, Chapter 289 of Singapore (SFA) or recognised under section 287 of the SFA. The Fund is not authorised or recognised by the Monetary Authority of Singapore (MAS) and Units are not allowed to be offered to the retail public. Each of this Prospectus and any other document or material issued in connection with the offer or sale is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. A potential investor should consider carefully whether the investment is suitable for it.

Pursuant to section 305 of the SFA, read with regulation 32 and the Sixth Schedule to the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005 (Regulations), the MAS has been notified in relation to the offer of [Units] in the Fund and in accordance with the SFA and the Regulations, the Fund has been entered into the list of restricted schemes maintained by the MAS for the purposes of the offer of Units in the Fund to accredited investors and other relevant persons as defined in and pursuant to section 305 of the SFA. The MAS assumes no responsibility for the contents of this Prospectus. This Prospectus has not been registered as a prospectus with the MAS.

Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Units may not be circulated or distributed, nor may Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to a relevant person pursuant to section 305(1), or any person pursuant to section 305(2), and in accordance with the conditions specified in section 305 of the SFA, or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Any subsequent sale of Units acquired pursuant to an offer made in reliance on an exemption under section 305 of the SFA may only be made pursuant to the requirements of sections 305A of the SFA.

For Investors in Spain: State Street Global Advisors SPDR ETFs Europe I and II plc have been authorised for

public distribution in Spain and are registered with the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores) under no.1244 and no.1242. Before investing, investors may obtain a copy of the Prospectus and Key Investor Information Documents, the Marketing Memoranda, the fund rules or instruments of incorporation as well as the annual and semi-annual reports of State Street Global Advisors SPDR ETFs Europe I and II plc from Cecabank, S.A. Alcalá 27, 28014 Madrid (Spain) who is the Spanish Representative, Paying Agent and distributor in Spain or at ssga.com. The authorised Spanish distributor of State Street Global Advisors SPDR ETFs is available on the website of the Securities Market Commission (Comisión Nacional del Mercado de Valores).

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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 self-liquidation. REITs, especially mortgage REITs, are also subject to interest rate risk (i.e., as interest rates rise, the value of the REIT may decline).

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.

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