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# Understanding Our Strategic ETF Model Portfolios

State Street Strategic Asset Allocation ETF Portfolios use long-term forecasts to provide optimal exposures over a long horizon. The portfolios are designed to offer global diversification across equity and fixed income markets. Additionally, a disciplined portfolio management process is regularly optimized to align with client goals.

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## **Time-Tested Investment Expertise**

The Investment Solutions Group (ISG), the team that manages the State Street Strategic ETF Model Portfolios, has been building asset allocation portfolios for over 40 years and is the same team that manages money for pensions, central banks, sovereign wealth funds, endowments, and other large institutions across the globe. ISG employs that same rigorous qualitative and quantitative process in these strategic portfolios to determine the asset allocation and fund selection to align with each portfolio's objective. In addition, the models undergo ongoing risk evaluation and offer a seven-year track record of performance.

The portfolios' strategy begins with a capital markets model that covers 125+ different asset classes. The portfolio management team estimates short-term risk and return and analyzes several macroeconomic variables for the longer-term outlook. An optimizer then produces six unique risk profiles, which undergo extensive analysis to ensure that asset class exposures and strategic expectations align with the qualitative views of the global portfolio management team. This regular review, in conjunction with annual reconstitutions, produces strategies that evolve with the markets.

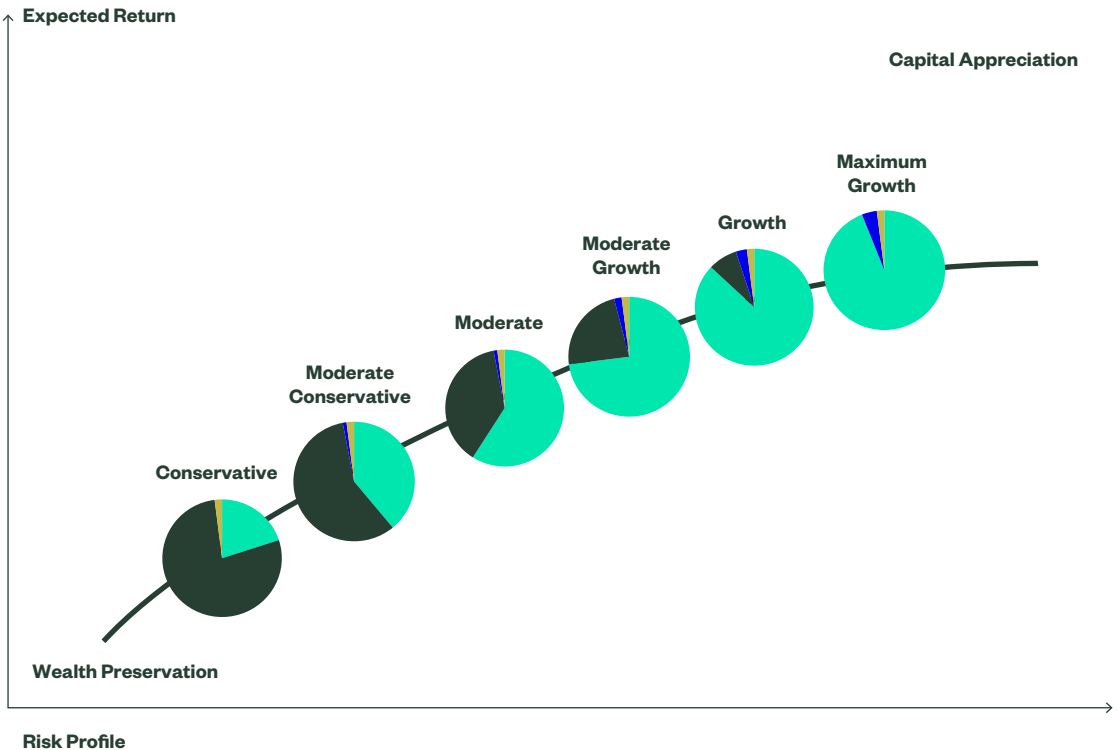
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## **Exposure Across the Risk/Return Spectrum**

The six globally diversified portfolios offer distinct balances of risk and return. Each model aims to provide the highest expected return for each level of risk. The more aggressive portfolios focus on long-term growth, while the more conservative portfolios emphasize current income and wealth preservation. Long-term return, risk, and correlation forecasts help ensure that the strategies offer solutions for a range of client objectives.

## A Spectrum of Options

- Fixed Income
- Equity
- Real Assets
- Cash



For illustrative purposes only.

## Global Exposure to a Range of Market Segments

The portfolios use ETFs to gain this targeted global exposure. Because of their unique structure, ETFs typically carry low management fees and operating expenses. ETFs are also generally more tax efficient than other investment vehicles because they can transfer securities in and out of the portfolio via the in-kind creation/redemption process. Any capital gains are paid at the time of final sale, so one can better control the timing of tax consequences when compared to mutual funds. Additionally, the ETFs used in the strategic models track broad market indexes, which may result in less turnover, fewer capital gains, and a lower tax burden.

State Street Strategic Asset Allocation ETF Portfolios have exposure to assets that may provide an attractive long-term risk and return profile. Rather than maintain a simplified investment universe, ISG seeks allocations to nuanced parts of the markets (e.g., small-cap companies in emerging market countries) in order to further diversify and manage risks. This more granular approach to investing provides an opportunity to capture higher returns and better manage risk for clients.

### Investment Solutions Group by the Numbers

- **#1** global manager of endowments and foundations<sup>1</sup>
- Team established in **1982**
- **130+** portfolio managers, strategists and analysts, across **8** investment centers worldwide
- **\$394.6 billion** in assets under management and advisory/consulting<sup>2</sup>

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## Endnotes

- 1 P&I Research Center, as of December 31, 2022.
- 2 As of September 30, 2023. Assets Under Advisory/ Consulting includes mandates for which the firm provides advisory or consulting services supporting an investment management process that does not include the responsibility to arrange or effect the purchase or sale of securities and/or funds. AUA is based on estimates. In 2015, ISG revised the AUM and AUAC calculation methodology and account categorization process. All figures in USD.

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### Important Risk Information

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Diversification does not ensure a profit or guarantee against loss.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETF's net asset value. Brokerage commissions and ETF expenses will reduce returns.

The municipal market is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities. Interest rate increases can cause the price of a debt security to decrease. A portion of the dividends you receive may be subject to federal, state, or local income tax or may be subject to the federal alternative minimum tax.

Asset allocation is a method of diversification which positions assets among major investment categories. Asset Allocation may be used in an effort to manage risk and enhance returns. It does not, however, guarantee a profit or protect against loss.

The models presented herein have different investment objectives, costs and expenses. The performance of each model will necessarily depend on the ability of their respective managers to select portfolio investments. These differences, among others, may result in significant disparity in the model's portfolio assets and performance.

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