Gold: The Original Liquid Alternative

In today’s market environment, it is increasingly important to balance the need for diversification with risk-adjusted performance. Interest in alternatives (private equity, hedge funds, real estate, and commodities) has significantly grown over the past decade for two main reasons: 1) investors seek positive risk-adjusted returns and 2) they want to improve the diversification of traditional stock/bond portfolios while mitigating risk. Gold has historically shown that it may improve both.

GOLD AS AN ALTERNATIVE TO ENHANCE ALTERNATIVES
One of the foundations of modern asset allocation is that, over the long run, a well-balanced portfolio increases risk-adjusted returns. Hedge funds, private equity, real estate, liquid alternatives (managed futures, long/short equity) and even commodities can potentially help investors achieve higher risk-adjusted returns when compared to stocks and bonds alone. But gold may offer benefits that cannot be solely obtained by investing in bonds, stocks or other alternative strategies. In other words, whether an investor is considering adding alternatives to their asset allocation, has already done so, or is primarily focused on traditional assets, a gold investment can be a potentially strong complement to these strategies and may enhance portfolio performance.

In addition, gold returns tend to outperform other assets in periods of economic and financial turmoil (Figure 1), allowing investors to reduce risk when it is most needed. In this sense, gold allows investors to achieve “true” diversification of risk (Figure 2).

Broadly speaking, economic growth spurs demand for gold in the form of jewelry and technology, whereas recessions promote buying (investing in) gold as a store of value. In turn, this creates a balance that drives gold’s lack of correlation to other assets.

GOLD: METAL BY DESIGN, CURRENCY BY NATURE
While we believe that commodities are an important portfolio diversifier that can help hedge against inflation, gold’s unique characteristics make it stand out. Gold has low correlation to commodities (Figure 3) and, in general, we believe that investors should see gold as more than a line-item in a generic commodities basket allocation.

Gold’s supply and demand dynamics are materially different when compared to commodities. Figure 4 divides demand into broad types. Various sources of industrial and technological demand may potentially be driven by the same macro-economic factors while gold’s diverse demand types can balance risk through the business cycle.

In fact, gold most commonly responds to factors associated with currencies, rather than commodities.

FIGURE 1: GOLD OUTPERFORMS MOST OTHER ASSETS DURING PERIODS OF TURMOIL


Past performance is not a guarantee of future results.
**FIGURE 2: HEDGE FUNDS, PRIVATE EQUITY FUNDS AND REITS HAVE HIGH CORRELATIONS TO STOCKS**


The correlation coefficient measures the strength and direction of a linear relationship between two variables. It measures the degree to which the deviations of one variable from its mean are related to those of a different variable from its respective mean.

**FIGURE 3: GOLD’S CORRELATION TO COMMODITIES**


The correlation coefficient measures the strength and direction of a linear relationship between two variables. It measures the degree to which the deviations of one variable from its mean are related to those of a different variable from its respective mean.

**FIGURE 4: COMMODITIES BY DEMAND TYPE**


**FIGURE 5: COMPARISON OF LIQUID ALTERNATIVES TO GLD**

<table>
<thead>
<tr>
<th>LIQUID ALTERNATIVES</th>
<th>GLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid</td>
<td>Yes</td>
</tr>
<tr>
<td>Transparent</td>
<td>Potentially</td>
</tr>
<tr>
<td>Track Record</td>
<td>Relatively short</td>
</tr>
<tr>
<td>Performance Tracking</td>
<td>Can lag due to high cash balances and fees</td>
</tr>
<tr>
<td>Fees</td>
<td>1.9% to 4.9% in mutual fund structure</td>
</tr>
</tbody>
</table>


The gross expense ratio is the funds total annual operating expenses ratio. It is gross of any fee waivers or expense reimbursements. It can be found in the funds most recent prospectus.

**FIGURE 6: PERFORMANCE RANGE OF ALTERNATIVES**

ANNUALIZED RETURNS FROM 07/2004 TO 06/2014 OF MORNINGSTAR ALTERNATIVE MUTUAL FUND UNIVERSE

<table>
<thead>
<tr>
<th># MANAGERS</th>
<th>872</th>
<th>805</th>
<th>405</th>
<th>111</th>
</tr>
</thead>
<tbody>
<tr>
<td>DESCRIPTION</td>
<td>YTD RETURN</td>
<td>1 YEAR RETURN</td>
<td>5 YEAR RETURN</td>
<td>10 YEAR RETURN</td>
</tr>
<tr>
<td>Maximum</td>
<td>75.17</td>
<td>186.49</td>
<td>57.73</td>
<td>18.96</td>
</tr>
<tr>
<td>Universe Average</td>
<td>0.64</td>
<td>6.39</td>
<td>3.72</td>
<td>3.80</td>
</tr>
<tr>
<td>Minimum</td>
<td>-81.14</td>
<td>-90.78</td>
<td>-63.44</td>
<td>-20.27</td>
</tr>
<tr>
<td>Universe Median</td>
<td>1.42</td>
<td>5.18</td>
<td>5.28</td>
<td>6.00</td>
</tr>
<tr>
<td>London Gold (PM Fixing $/ozt) — Price</td>
<td>9.17</td>
<td>10.32</td>
<td>7.07</td>
<td>12.76</td>
</tr>
</tbody>
</table>

Source: Morningstar and State Street Global Advisors, as of June 30, 2014. Past performance is not a guarantee of future results. The performance figures contained herein are provided on a net of fees basis, reflecting the deduction of investment management fees. The performance includes the reinvestment of dividends and other corporate earnings and is calculated in US Dollars.

**ALTERNATIVE. LIQUID. TRY SPDR® GOLD SHARES (GLD)**

Added liquidity*, daily pricing, and diversification* benefits are just some of the potential advantages that typically attract investors to liquid alternatives such as managed futures, volatility, and long short equity funds. Moving away from traditional securities such as stocks, bonds, and cash, investors have turned to liquid alternatives in order to diversify risk exposures.

SPDR Gold Shares may offer investors an innovative, relatively cost-efficient and secure way to access the gold market and its liquidity and diversification characteristics. GLD was intended to offer investors a means of participating in the gold bullion market without the necessity of taking physical delivery of gold, and to buy and sell that participation through the trading of a security on a regulated stock exchange.

When compared to other liquid alternative investments, GLD shares some positive characteristics of traditional liquid alternatives without several of their disadvantages, such as potentially high cost, a lack of transparency, and difficulty in selecting the right manager or strategy.
Returns across the alternatives mutual fund universe can vary widely. For example, returns in the Morningstar Alternative Mutual Fund universe ranged from +186.49% to -90.78% net of fees over the 1-year period ending 6/30/2014. This highlights how liquid alternatives may be beneficial to investors, but individual manager selection is of paramount importance. Gold has outperformed the average alternative manager by 896 bps annually over the 10-year period ending 6/30/2014. At the same time, when viewing gold under this lens, it has attractive return characteristics as seen in Figure 6.

CONCLUSION
Gold may offer several of the advantages that have typically attracted investors to liquid alternatives, but without the same limitations such as high fees, lack of transparency, and divergence in manager performance. Gold may even offer additional advantages such as transparency and low cost, making it a liquid alternative that is in a class of its own. While diversification has been a key driver for the growth in all alternative assets, during a market crisis—when diversification is needed most—many alternative assets actually increase their correlation to the stock market. The exception to this trend has historically been gold.

1 World Gold Council, Gold Investor, Volume 6, June 2014.
4 Morningstar and State Street Global Advisors, as of June 30, 2014.
5 Morningstar and State Street Global Advisors, as of June 30, 2014.
Complete information about GLD and this offering. You may get these documents for free by visiting EDGAR on the SEC website at sec.gov or by visiting spdrgoldshares.com.

This communication relates to an offering of shares of the SPDR Gold Trust ("GLD") which has filed a registration statement (including a prospectus) with the Securities and Exchange Commission ("SEC") for the offering to which it relates. Before you invest, you should read the prospectus in that registration statement and other documents GLD has filed with the SEC for more complete information about GLD and this offering.

Investing in the shares involves 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.

Counterparty credit risk, currency risk, derivatives risk, foreign issuer exposure risk, sector concentration risk, leveraging and liquidity risks.

Investing in futures is highly risky. Futures positions are considered highly leveraged because the initial margins are significantly smaller than the cash value of the contracts. The smaller the margin, the greater the risk. Commodity futures contracts may not be suitable for all investors and futures positions have historically been subject to significant losses.

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.

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).

Risk associated with equity investing include stock values which may fluctuate in response to the activities of individual companies and general market and economic conditions.

While the shares of ETFs are tradable on secondary markets, they may not readily trade in all market conditions and may trade at significant discounts in periods of market stress.

ETFs trade like stocks, fluctuate in market value and may trade at prices above or below the ETFs net asset value. Brokerage commissions and ETF expenses will reduce returns. While the shares of ETFs are tradable on secondary markets, they may not readily trade in all market conditions and may trade at significant discounts in periods of market stress.

Inflation risk also affects fixed income securities. Inflation risk is the risk that the cost of living will increase, reducing the purchasing power of an investment. Inflation is usually measured by the change in the Consumer Price Index (CPI) over a 12-month period.

Investing in commodities entails significant risk and is not appropriate for all investors.

GLD is not an investment company registered under the Investment Company Act of 1940 (the "1940 Act") and is not subject to regulation under the Commodity Exchange Act of 1936 (the "CEA"). As a result, shareholders of the Trust do not have the protections associated with ownership of shares in an investment company registered under the 1940 Act or the protections afforded by the CEA.

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GLD shares trade like stocks, are subject to investment risk and will fluctuate in market value. The value of GLD shares relates directly to the value of the gold held by GLD (less its expenses), and fluctuations in the price of gold could materially and adversely affect an investment in the shares. The price received upon the sale of the shares, which trade at market price, may be more or less than the value of the gold represented by them. GLD does not generate any income, and as GLD regularly sells gold to pay for its ongoing expenses, the amount of gold represented by each Share will decline over time. Investing involves risk, and you could lose money on an investment in GLD.

Please see the GLD prospectus for a detailed discussion of the risks of investing in GLD shares.

Diversification does not ensure a profit or guarantee against loss.