

# State Street Risk-Based ETF Model Portfolios

Fact Sheet  
**ETF Model Portfolios**

**Q3 2020**

**For Financial Advisers/  
Wholesale Clients Only —  
Not for Distribution to Retail**

**Cost-Efficient Portfolios** Diversified exposure to international equities, including market-cap weighted and smart beta ETFs

**A World Quality Mix Allocation** Allocation to multi-factor smart beta — quality, value and low volatility — may offset the cyclicalities of single-factor performance, and achieve smoother returns over different business cycles

**Focus on Risk Return** Portfolio construction focused on risk tolerances and return expectations, allowing the asset allocation to be tilted towards growth assets while managing clients exposure to risk

## Portfolio Information

|                                   |            |
|-----------------------------------|------------|
| Inception Date*                   | 31/03/2019 |
| Rebalancing Frequency             | Quarterly  |
| Portfolio Asset Allocation Review | Annual     |

\* Date of determination of model portfolio composition and start date for hypothetical performance calculations.

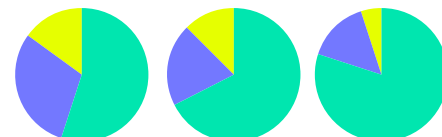
## Investment Objective

The State Street Risk-Based ETF Model Portfolios seek to provide optimal capital efficiency over a long-term horizon. The moderate model portfolio is designed to generate a moderate amount of capital growth along with some income. The balanced model portfolio aims to provide capital growth while taking a modest amount of risk. The growth portfolio is predominantly focused on capital growth. In all instances, the model portfolios are constructed, based on risk tolerance, to achieve market exposure across both equity and fixed income markets and can be utilised as core allocations for investors with a diverse set of return and risk objectives.

## Investment Strategy

Founded on a strategic asset allocation framework, the portfolio construction process uses long-term asset class returns, risk and correlation forecasts to identify an asset allocation that efficiently balances these factors to meet the respective objectives. These allocations are then carefully refined by the experienced portfolio management team. The risk-based ETF model portfolios prudently span the efficient frontier and can be utilised as core allocations by advisers when constructing investor portfolios with a diverse set of return and risk objectives.

## Hypothetical Model Portfolio Allocations



| Ticker      | Asset Class                 | ETF Name   | Moderate (%) | Balanced (%) | Growth (%)  |
|-------------|-----------------------------|--|--------------|--------------|-------------|
|             | <b>Equities</b>             |  | <b>55.0</b>  | <b>67.5</b>  | <b>80.0</b> |
| <b>QMI</b>  | International Equities      | SPDR MSCI World Quality Mix Fund                       | 25.0         | 30.0         | 35.0        |
| <b>STW</b>  | Australian Equities         | SPDR S&P/ASX 200 Fund                                  | 25.0         | 30.0         | 35.0        |
| <b>VGE</b>  | Emerging Market Equities    | Vanguard FTSE Emerging Markets Shares ETF              | 5.0          | 7.5          | 10.0        |
|             | <b>Fixed Income</b>         |  | <b>30.0</b>  | <b>20.0</b>  | <b>15.0</b> |
| <b>GOVT</b> | Australian Government Bonds | SPDR S&P/ASX Australian Government Bond Fund           | 15.0         | 10.0         | 5.0         |
| <b>VACF</b> | Australian Credit           | Vanguard Australian Corporate Fixed Interest Index ETF | 15.0         | 10.0         | 10.0        |
|             | <b>Cash</b>                 |  | <b>15.0</b>  | <b>12.5</b>  | <b>5.0</b>  |
| <b>BILL</b> | Enhanced Cash               | iShares Core Cash ETF                                  | 12.5         | 10.0         | 2.5         |
|             | Cash                        | Cash Liquidity Implementation                          | 2.5          | 2.5          | 2.5         |

| Key Information                   | Moderate    | Balanced    | Growth      |
|-----------------------------------|-------------|-------------|-------------|
| Weighted Average Management Costs | 24 bps p.a. | 25 bps p.a. | 27 bps p.a. |
| Minimum Investment Horizon        | 3–5 years   | 3–5 years   | 5 years     |

Source: State Street Global Advisors and Bloomberg Finance L.P. as of 30 June 2020.

**Important Information: Model Portfolio Allocations presented above are hypothetical and have been provided for illustrative purposes only. They do not reflect the results of the actual trading of any account or group of accounts and actual results could differ substantially.**

A model portfolio is an allocation to a list of funds that are group together. Where a model portfolio is offered on an investment platform, investors who select it effectively instruct the platform operator to acquire units in the ETFs that comprise the model portfolio. The model portfolio described above has not yet been implemented by State Street, so the results are hypothetical.

The actual results of accounts managed by the Platform or Managed Accounts provider (“Provider”) that receives access to the models may differ substantially from the hypothetical results for a variety of reasons including, but not limited to, the Provider’s decision to exercise its discretion to implement a model in a way that differs from the information provided by State Street.

State Street cannot guarantee any payment of dividends, which is subject to the dividend payment policy of the individual issuers of the underlying ETFs and the Provider.

**Model Portfolio Allocations** shown are the “target” asset allocations used in the hypothetical State Street Risk-Based ETF Model Portfolio. The model portfolio “target” allocations will be reviewed every 12 months and reset on the last business day of each quarter, using State Street’s strategic asset allocation process, and will be subject to change with market movements thereafter until the next calendar rebalancing.

Equity asset classes include, but are not limited to, Australian equity, international equity and REITs. Fixed income asset classes include, but are not limited to, investment grade bonds, high yield bonds, convertible bonds, emerging market debt, inflation protected bonds and cash.

**Weighted Average Management Costs** is the weighted average management costs of the underlying individual ETF’s included in the model portfolios. Please note:

- The ETF management fees are as of 30 June 2020 and are subject to change.
- Such fees are not inclusive of third party platform or managed accounts provider administration or associated trading costs.
- Weighted Average Management Cost is subject to change with Asset Allocation, and market movements.

## Hypothetical Model Portfolio Performance

|   | 1 Month<br>(%) | 3 Months<br>(%) | YTD<br>(%) | 1 Year<br>(%) p.a. | 3 Years<br>(%) p.a. | 5 Years<br>(%) p.a. |
|---|----------------|-----------------|------------|--------------------|---------------------|---------------------|
| <b>State Street Moderate ETF Model Portfolio Total Return</b> | -1.03          | 1.06            | -2.53      | -1.25              | —                   | —                   |
| Moderate Portfolio Growth Return                              | -1.29          | 0.57            | -4.66      | -3.99              | —                   | —                   |
| Moderate Portfolio Distribution Return                        | 0.26           | 0.49            | 2.13       | 2.74               | —                   | —                   |
| <b>Moderate Composite Index Total Return</b>                  | -0.60          | 0.86            | -1.94      | -0.89              | —                   | —                   |
| <b>State Street Balanced ETF Model Portfolio Total Return</b> | -1.37          | 1.10            | -3.79      | -2.04              | —                   | —                   |
| Balanced Portfolio Growth Return                              | -1.65          | 0.64            | -6.01      | -4.91              | —                   | —                   |
| Balanced Portfolio Distribution Return                        | 0.28           | 0.46            | 2.22       | 2.87               | —                   | —                   |
| <b>Balanced Composite Index Total Return</b>                  | -0.84          | 0.89            | -3.24      | -1.74              | —                   | —                   |
| <b>State Street Growth ETF Model Portfolio Total Return</b>   | -1.70          | 1.22            | -4.95      | -2.78              | —                   | —                   |
| Growth Portfolio Growth Return                                | -1.98          | 0.74            | -7.35      | -5.90              | —                   | —                   |
| Growth Portfolio Distribution Return                          | 0.28           | 0.48            | 2.40       | 3.12               | —                   | —                   |
| <b>Growth Composite Index Total Return</b>                    | -1.06          | 1.00            | -4.42      | -2.52              | —                   | —                   |

Source: State Street Global Advisors as of 30 September 2020.

**Past performance is not an indicator of future performance.**

**Important Information: Model Portfolio Performance presented above is hypothetical and has been provided for illustrative purposes only, it does not reflect the results of the actual trading of any account or group of accounts and actual results could differ substantially.**

**Composite Index Total Returns** were calculated as a weighted average return by mathematically combining each underlying ETFs index returns multiplied by its Blended Composite Index weight on a monthly basis. Index returns do not reflect the deduction of any fees or expenses. Index returns reflect capital gains and losses, income, and the reinvestment of dividends.

**The hypothetical State Street Risk-Based ETF Model Portfolio Total Returns** are the sum of Growth Return and Distribution Return, and reflect the investment strategy decisions made by State Street's investment professionals for each performance period presented. Returns greater than one year are annualised.

The hypothetical model portfolio performance was achieved by mathematically combining the actual performance data of the underlying ETFs multiplied by the hypothetical model portfolio weights allocated to each ETF on a monthly basis. The performance assumes that all dividend distributions paid by the underlying ETFs were reinvested and is calculated gross of trading fees but does not reflect spreads or broker commissions for the hypothetical sale and purchase of the underlying ETFs or any other fees which would be charged by the product provider.

State Street has chosen to use the actual historic performance of the underlying ETFs rather than the underlying ETFs index performance to ensure that the model portfolios reflect as closely as possible of any actual investments that follow the model portfolio strategy, by reflecting differences such as tracking error of the underlying ETFs relative to the underlying ETFs indices.

**Growth Returns** reflect the returns related to the capital appreciation of the model portfolio's hypothetical investments.

**Distribution Returns** reflect the returns related to the dividends paid by the model portfolio's hypothetical investments and may differ from the distributions made by the Provider.

**Limitation of hypothetical results** Hypothetical results have inherent limitations because they do not reflect actual trading by State Street during the period described and may not reflect the impact that material economic and market factors might have had on State Street's decision-making if it was actually managing clients' money pursuant to the strategies. There is no guarantee that any of the investment strategies will be successful and investors should be aware that they can lose money investing assets in accordance with the strategies.

## Blended Composite Index

| Index   | Moderate (%) | Balanced (%) | Growth (%) |
|---|--------------|--------------|------------|
| MSCI World Factor Mix A-SERIES Net Index              | 25.0         | 30.0         | 35.0       |
| S&P/ASX 200 Index                                     | 25.0         | 30.0         | 35.0       |
| FTSE Emerging Markets All Cap China A Inclusion Index | 5.0          | 7.5          | 10.0       |
| S&P/ASX Government Bond Index                         | 15.0         | 10.0         | 5.0        |
| Bloomberg AusBond Credit O+ Year Index                | 15.0         | 10.0         | 10.0       |
| S&P/ASX Bank Bill Index                               | 15.0         | 12.5         | 5.0        |

Source: State Street Global Advisors, as of 30 June 2020.

Blended composite index weights are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

Blended Composite Index Weights are to be reviewed every 12 months and reset on the last business day of each quarter, using State Street's strategic asset allocation process, and are subject to change with market movements thereafter until the next calendar rebalancing.

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### Important Risk Information

The recipient warrants by receipt of this material that they are a wholesale client, as defined under the Australian Corporations Act 2001 (Cth).

State Street Global Advisors, Australia Limited (AFSL Number 238 276, ABN 42 003 914 225) ("SSGA, AL") is the investment manager for the State Street ETF Model Portfolios and State Street Global Advisors, Australia Services Limited (AFSL number 274900 ABN 16 108 671 441) is the Responsible Entity and issuer of units in the State Street SPDR ETFs which are Australian registered managed investment schemes quoted on the AQUA market of the ASX or listed on the ASX. State Street ETF Model Portfolios may include State Street SPDR ETFs and other third party ETFs. This material is general information only and does not take into account your or your client's individual objectives, financial situation or needs and you should consider whether it is appropriate for you or your client.

You should ensure that your clients consider the product disclosure document of the underlying ETFs, available at [www.ssga.com](http://www.ssga.com) or the third party ETFs website, before deciding whether to acquire or continue to hold units in an ETF.

**General Risks** 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. ETFs typically invest by sampling an index, holding a range of securities that, in the aggregate, approximates the full index in terms of key risk factors and other characteristics. This may cause the fund to experience tracking errors relative to performance of the index.

Investing involves risk including the risk of loss of principal. Diversification does not ensure a profit or guarantee against loss. 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. An investment in the model portfolio carries a number of standard investment risks; these

risks are outlined in each Provider's PDS which should be read in full and understood by the potential investors.

**Implementation Risk** State Street does not manage the accounts of retail investors pursuant to the model portfolio strategies and the strategies are only available to retail investors through various Providers that offer account management and other services to retail investors. The actual results of accounts managed by a Provider that receives access to the strategies may differ substantially from the hypothetical results of the State Street ETF Model Portfolios for a variety of reasons, including but not limited to:

- the fees assessed by the Provider and other third parties;
- the Provider's decision to exercise its discretion to implement a given strategy in a way that differs from the information provided by State Street;
- the timing of the Provider's implementation of strategy updates; and
- investor imposed investment restrictions; and the timing and nature of investor initiated cash flow activity in the account.

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