

ETF IMPACT REPORT

2026-2027

Built for what's next.
Shaping a shared future.

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Built for scale—and for what comes next



Yie-Hsin Hung
President and CEO,
State Street Investment Management

A record-breaking start to 2026—coming on the heels of a record-breaking 2025—raises an important question: Why is a three-decade-old investment vehicle attracting more capital, more innovation, and more investor attention than ever before?

In most industries, the pioneering phase is temporary. The initial disruption fades. Innovators become incumbents. Growth slows.

Not so for ETFs.

When State Street Investment Management launched the State Street® SPDR® S&P 500® ETF (SPY)¹—the first US-listed ETF—in 1993, the industry consisted of a single product tracking a single index. What distinguished SPY wasn't the exposure it delivered, but the structure behind it.

Over the three decades that followed, that structure has supported a growing global ecosystem of more than 14,000 ETFs, representing over US\$18.49 trillion in assets worldwide.²

At its foundation, the ETF wrapper brings together transparency, intraday liquidity, and an open-ended creation-redemption mechanism that links primary and secondary markets. Those features have proven resilient across market cycles—and take on greater importance as ETFs open the door to new markets, new use cases, and new investors.

As choice expands, so does complexity. We believe leadership in the next phase of ETF growth will depend not only on innovation, but on education, accountability, and respect for market structure. Helping investors navigate ETFs thoughtfully—understanding both opportunity and trade-offs—is a responsibility we take seriously.

To explore ETFs' next chapter, we spoke with State Street Investment Management's Chief Investment Strategist Michael Arone and Global Head of Research Strategists Matthew Bartolini. You'll

enjoy their perspective on where ETF growth may be headed—and how the structure itself is influencing what's possible.

Thank you for reading. The ETF story is still being written—and we're proud to help shape what comes next, alongside you.

With warm regards,

Yie-Hsin Hung

A stylized, handwritten signature in black ink, consisting of several loops and a long, sweeping tail that curves upwards and to the right.

The ETF industry didn't just break records in 2025—it accelerated beyond expectations. Record inflows, resilient demand during volatile markets, and a historic start to 2026 are reinforcing the expanding role ETFs play in portfolios worldwide—as tools investors increasingly rely on across market conditions.

Last year, we projected that global ETF assets would reach US\$54 trillion by 2035. With flows already tracking ahead of trajectory, the conversation is shifting—from how much the industry can grow to whether we've underestimated what comes next.

What happens when an industry already growing at a record pace starts moving even faster?

Setting records & resetting expectations

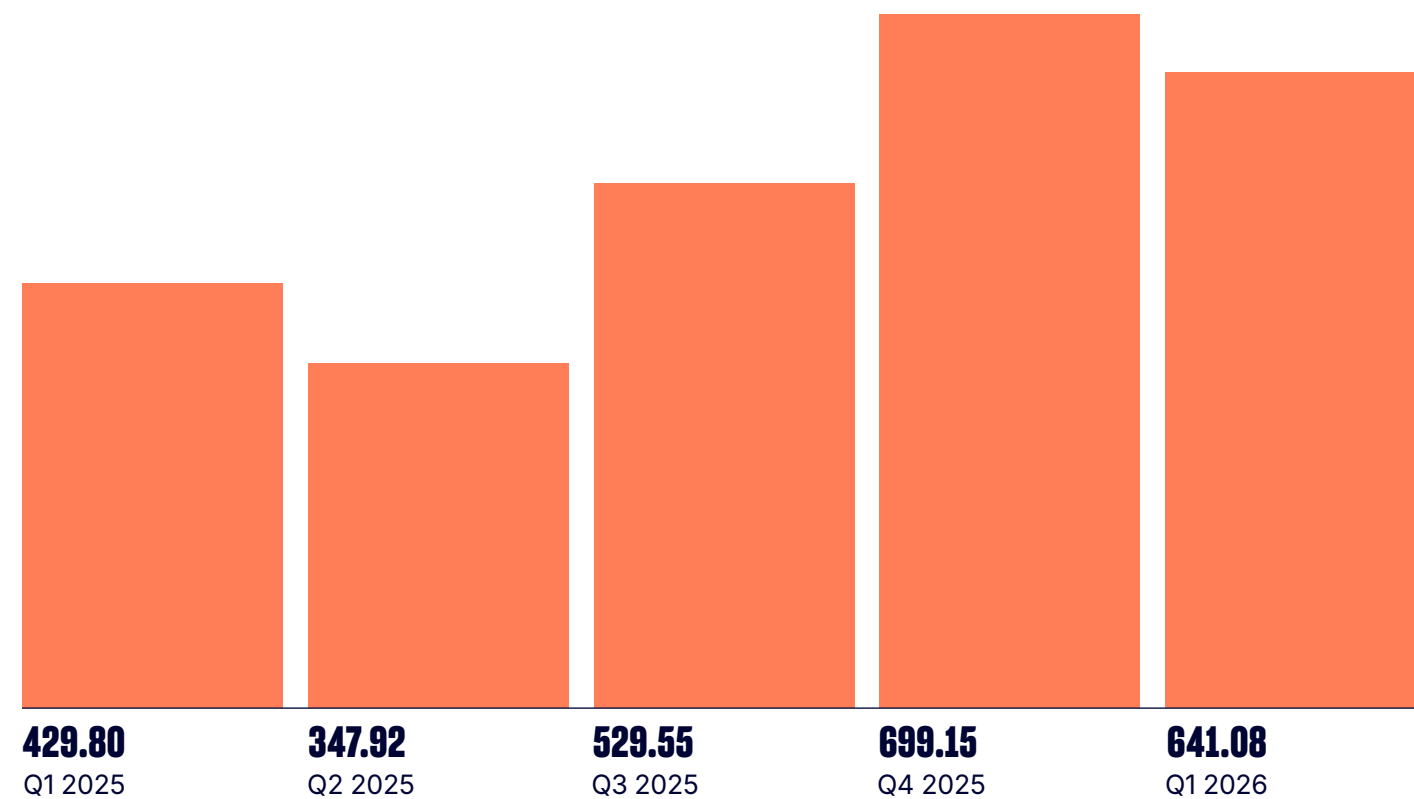
Record ETF inflows confirm the shift

Globally, ETFs took in a record US\$2 trillion in inflows last year, vastly outpacing 2024's then-record US\$1.48 trillion.³ December 2025 alone brought in US\$288 billion.⁴ And 2025's fourth quarter accounted for US\$699 billion, triple the Q4 average of US\$207 billion.⁵ By year-end, total ETF assets under management (AUM) had surged to US\$18.21 trillion.⁶

This year, momentum has continued. The first quarter brought in US\$641 billion, US\$211 billion above the previous Q1 record,⁷ even as markets faced heightened volatility and geopolitical uncertainty. When flows hold up under those conditions, it underscores the structural role ETFs now play in portfolios. They've become the vehicle investors rely on to adjust exposure, manage risk, and maintain strategic allocations across market conditions.

That adds conviction to our forecast from last year: global ETF AUM will reach US\$54 trillion by 2035. With inflows now on pace to exceed that target by 18%,⁸ it may be that our estimate wasn't bold enough (Figure 2).

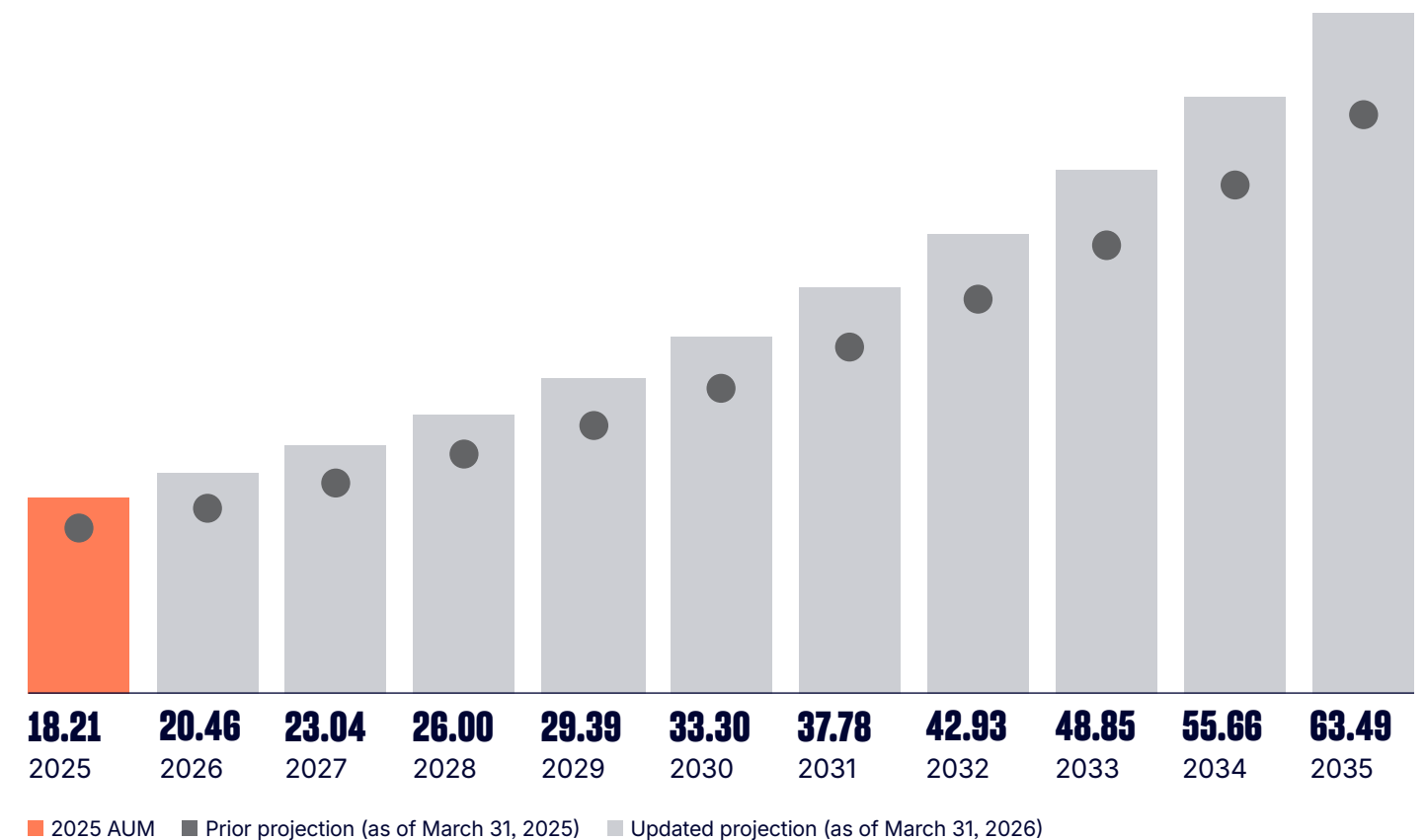
Figure 1: Global ETF flows by quarter (US\$, billion)



Source: Morningstar, as of March 31, 2026. Flows are for globally listed ETFs. **The performance data quoted represents past performance. Past performance does not guarantee future results.**

Figure 2: Global ETF AUM growth is outpacing our original expectations by 18% (US\$, trillion)

Last year's 10-year projection versus this year's updated forecast



Source: Morningstar, calculations by State Street Investment Management, as of March 31, 2026. AUM growth is calculated using a combination of 3- and 5-year annualized growth rates at the asset class level and summed up to topline AUM figures. **The performance data quoted represents past performance. Past performance does not guarantee future results.**



A resilient foundation for today's portfolios

The State Street® SPDR® S&P 500® ETF (SPY) gives investors cost-efficient, highly liquid exposure to the S&P 500 Index. In a single trade, you can gain exposure to 500 of the largest publicly traded US companies—global brands you know and trust.

Why SPY?

Whether you're building a long-term US equity core or seeking broad market exposure in a single trade, SPY offers compelling benefits including:

Diversification in a single trade

SPY touches nearly every corner of the US economy, giving investors broad exposure to the world's largest market and many of its most recognised brand names in a single trade.

Trusted providers

SPY is managed by State Street Investment Management, an ETF pioneer and one of the world's largest asset managers, and is benchmarked to the S&P 500 Index from S&P Dow Jones Indices, one of the most trusted index providers.

What can you do with SPY?

SPY's immense size and liquidity inspire innovative use cases that help you meet their your investment goals—no matter where you're headed.

Diversification

Risk management

Strategic asset allocation

Tactical asset allocation

Transition management

Liquidity management

Hedging

ETFs are on a tear—record inflows, product launches at an unprecedented clip, and asset class expansion into categories that would have seemed improbable a decade ago.⁹

To explore what comes next, Chief Investment Strategist Michael Arone and Global Head of Research

Strategists Matthew Bartolini share their perspectives on the global ETF market—from segments most poised for growth to strategies they expect to shape the industry going forward.

How is the ETF structure continuing to fuel the ETF boom? And what's coming next?

Talk of the trade: The next era of ETF growth

What will drive ETF growth over the next 10, 20, even 30 years?

The big reframe: From owning the market to engineering outcomes



Michael Arone
Chief Investment
Strategist



Matthew Bartolini
Global Head of
Research Strategists

Q: 2026 is off to a record-breaking start, pulling in US\$641 billion globally in the first three months of the year.¹⁰ What's behind the current momentum?

Michael Arone: The continued evolution of the ETF vehicle itself is driving momentum. ETFs are no longer synonymous with passive or index investing. They're becoming the default delivery vehicle for all types of investment strategies.

Last year we saw the launch of options-based, buffered, structured outcome, crypto-linked, and private market ETFs. ETFs aren't just growing, they are absorbing the broader asset management industry. And the next frontiers—new geographies, new investor segments, new structures, new delivery mechanisms—are only beginning to come into view.

“ETFs aren't just growing, they are absorbing the broader asset management industry. And the next frontiers—new geographies, investor segments, structures, delivery mechanisms—are only beginning to come into view.”

– Michael Arone

Matthew Bartolini: The structural groundwork has been laid over years: low cost, transparency, tax efficiency. More investors are now aware of those advantages than ever before. And in recent years, they've seen more consistent performance and fewer capital gains surprises.

At the same time, the legacy barriers to active strategies—high fees, opacity, limited flexibility—have been reduced or eliminated in the ETF structure. Active ETFs have been the fastest-growing force in terms of new money and market share gains.

Q: So, would you say investors are using ETFs differently now?

Michael Arone: When ETFs made their debut, the primary question investors would ask was, “What benchmark do I want to own?” or “What benchmark do I want to beat?” Now it's: “What outcome do I need? Do I need income? Diversification? Downside protection? An inflation hedge?”

Investors initially used ETFs to own the market. Now they're using them as tools to achieve specific outcomes.

That shift has expanded the ETF toolkit. Today, ETFs have increasingly become the delivery vehicle for strategies once reserved for institutional and high-net-worth investors—ranging from options-based strategies, defined-outcome products, derivative income structures, multi-asset class strategies, real assets, and alternatives.

“Investors initially used ETFs to own the market. Now they're using them as tools to achieve specific outcomes.”

– Michael Arone

Macro reset: Shaping ETF demand

Q: The outcome-focused pivot you're describing—what's behind it?

Matthew Bartolini: Traditional market exposures are no longer able to consistently provide an income stream above the rate of inflation. That's a structural change, driven in large part by how US corporations have shifted the way they return value to shareholders. It's no longer primarily through dividends, but rather through buybacks.

So, investors have had to rethink income generation, and that's sent them into less traditional and broad market territory: dividend equity strategies, derivative income, collateralized loan obligations (CLOs), bank loans, speciality credit, and other securitized assets.

“Traditional market exposures are no longer able to consistently provide an income stream above inflation. That's a structural change.”

– Matthew Bartolini

Regulatory changes have accelerated this, too. In the US, Securities and Exchange Commission (SEC) Rule 6c-11 and Rule 18f-4 have made it easier and faster to bring more complex, derivative-based, outcome-oriented strategies to market inside the ETF wrapper. More derivatives, more customized return profiles, more asymmetry. It's a combination of all of these forces that has helped investors construct a return or risk profile with more customisation and specificity.

Michael Arone: If I had to point to a specific catalyst for the focus on outcomes, it would be the post-COVID environment. For much of this century, central banks kept rates near zero, in some cases negative. The inflationary impacts coming out of COVID and the supply chain disruptions pushed us into a more normalised rate environment. That's a material departure from the previous 25 years, and it compelled portfolios to adapt.

Layer on top of that structural trends like deglobalisation, the AI capital expenditure cycle, ageing demographics, and resource nationalism. We moved from a world of low rates, low inflation, and benign volatility into something fundamentally different—a new economic reality. And ETF solutions have evolved in response.

Active ETFs: The unexpected differentiator

Q: Active ETFs are capturing a disproportionate share of flows—31% in Q1 2026—despite representing a small fraction of total AUM.¹¹ As the space gets more crowded, what will differentiate the winners?

Matthew Bartolini: The answer isn't what you'd expect. It's not just about the track record of the asset manager or the reputation of the portfolio manager but also about operational infrastructure, especially now. What I'd call operational alpha.

The ability to interpret regulatory frameworks, tax rules, and trading constraints is becoming just as important as reading financial statements. How you structure and layer a strategy, the choices you make around derivatives, what's taxable versus not.

Those decisions determine whether you can create a more tax-efficient or flexible profile for end investors. Beyond reputation and historical track records, success in active ETFs will also hinge on the efficacy of operational alpha embedded in the strategy design because it's another lever for asset managers to pull when seeking to deliver the most value to clients.

“The ability to interpret regulation, tax rules, and trading constraints is becoming just as important as reading financial statements.”

– Matthew Bartolini

Michael Arone: The active ETFs that stand out will be the ones that fit the wrapper—that deliver on the liquidity, transparency, tax efficiency, and reasonable cost that investors have come to expect from the ETF structure. Those that don't fit those criteria will struggle to find shelf space.

Beyond that, it's about solving a specific problem. We've talked about how investors have moved from “What exposure do I want?” to “What outcome do I need?” The active ETFs that succeed will be the ones that clearly answer that second question—whether it's income, diversification, or downside protection—and can get into the model portfolios and digital platforms where sizable growth is happening.

Frankly, everyone thinks they have a good strategy when they launch a fund. What differentiates success is everything around it: the brand, the distribution, the ability to articulate your edge to an increasingly sophisticated and crowded marketplace.

Private markets: Honest, credible restraint

Q: Private markets have been one of the most talked-about opportunities for ETFs. How much progress has been made?

Matthew Bartolini: Honestly, some, but not much—yet. If you go back to the original purpose of ETFs—broad exposure in a single trade—and ask whether that model has been applied to private markets as a standalone asset class, the answer is not yet.

And while there has been increased inclusion of privates in ETFs, it's going to require wholesale regulatory change to get fully there. The liquidity rules, the trading constraints, the interpretation of what "liquid" means from a regulatory standpoint, those are still formidable challenges.

"If you go back to the original purpose of ETFs—a single-trade exposure vehicle for broad exposure—and ask whether that model has been applied to private markets as a standalone asset class, the answer is not yet."

– Matthew Bartolini

Michael Arone: ETFs continue to break down barriers to more and more investment types, and private markets are the current frontier. In the US, private credit ETFs have entered the market, and the existing ecosystem is being pushed the edges. That's tangible progress.

But fully embracing private markets inside the ETF wrapper requires regulatory change. That's probably the single biggest hurdle at the moment. Interestingly, the US Department of Labor's recent proposal for a process-based safe harbour for selecting complex investments suggests the regulatory environment may be shifting in a way that could support broader access to private markets.

Matthew Bartolini: I'd add that the transparency piece actually works in the ETF's favour here, even as we navigate the access question. You can see daily what's in our ETFs that blend private and public credit, how they've traded, what's changed. That's different from how private assets have historically been packaged and distributed. So, the foundation is being built, even if the full structure isn't there yet.

US retail: Growth hiding in plain sight

Q: Where in the world do you see the biggest opportunity for ETF adoption over the next decade, and what will drive it?

Matthew Bartolini: Asia Pacific will grow—particularly Japan, where policy changes are actively pushing savings off the sidelines and into markets. And yes, percentage growth rates in some of those regions could be significant. But if you're asking what drives the headline number, specifically the notional growth that moves the needle on global AUM, I'd make the case for US retail investors.

The barriers to entry are lower in the US than almost anywhere else in the world. Brokerage accounts are easy to open, trading costs have effectively gone to zero, and legislative initiatives are actively expanding financial access and literacy.

And today, ETFs have been around long enough that you now have adults who have lived their entire investing lives with ETFs in existence. As wealth transfers across generations, and inherited accounts built largely on ETF allocations, that familiarity becomes an ingrained, multigenerational baseline

for how people invest. So, the biggest driver of ETF growth in absolute dollars is likely to be US retail investors.

Michael Arone: That's an interesting point. Most would view Asia Pacific as the fastest-growing region, and there's merit to that. China and India have rising incomes, growing middle classes, all of the demographic tailwinds. Japan is interesting given the policy-driven reallocation from cash.

Europe has catching up to do if it can achieve greater regulatory harmonisation. Latin America has potential as rates fall. The Middle East has large sovereign wealth assets and institutional flows. But Matt's point about US retail—the digital platforms, the lower barriers, the generational familiarity—that's something you might not hear elsewhere. And I think it's the right call.

Matthew Bartolini: It's remarkable when you step back and consider the big picture. The next chapter of this industry's growth is being written by everyday investors opening brokerage accounts on their phones to help build long-term wealth. It's all fueled by an ETF structure that's simple enough to be intuitive, yet robust enough to scale across generations.

How will the next chapter of the ETF story unfold? We asked Michael Arone and Matthew Bartolini to go on record with their most forward-looking predictions about where the industry is headed, who will drive it, and how the vehicle itself could evolve in the decades ahead.

From new investors and geographies to evolving structures, technologies, and use cases, these predictions envision an ETF ecosystem far larger, more integrated, and more embedded in everyday investing than it is today.

What could the industry look like 30 years from now?

Seven bold industry predictions

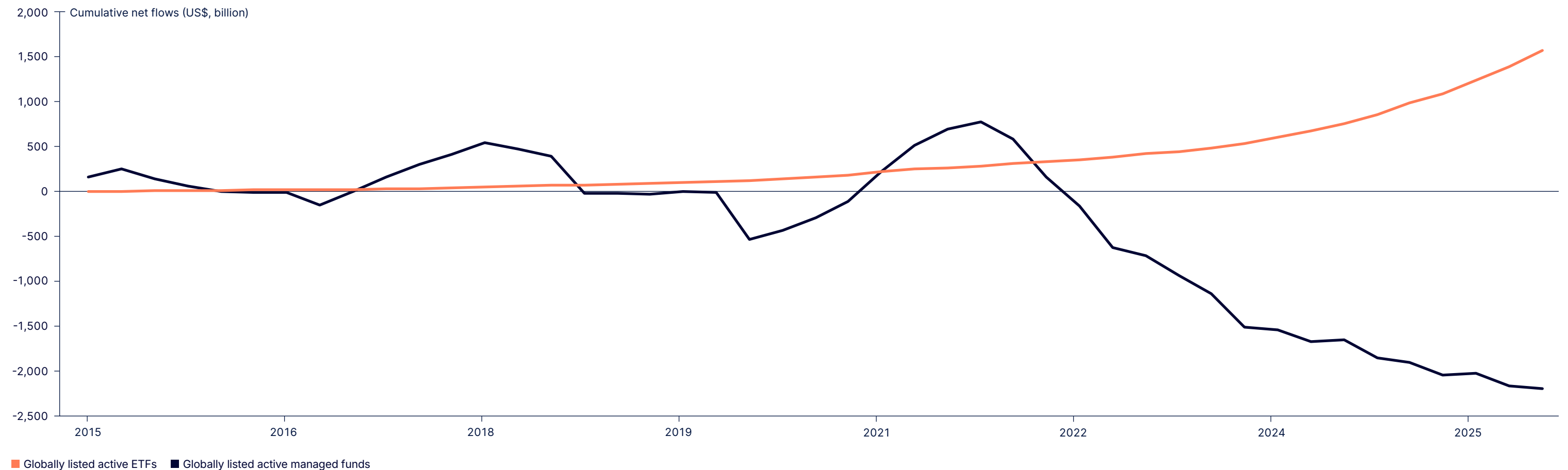
1

Active ETFs will surpass active managed funds globally within 30 years.

Active ETFs represent roughly US\$2 trillion in global AUM,¹² while active managed funds stand at roughly US\$30 trillion.¹³ That gap is vast, but flows show investors steadily bridging it.

In fact, active ETFs are already capturing 31% of all ETF flows,¹⁴ as investors increasingly turn to them for their lower cost, tax efficiency, and transparency.

Figure 3: The migration from managed funds to ETFs is gaining momentum



Source: Morningstar, as of March 31, 2026. Flows are for globally listed actively managed managed funds and ETFs. The performance data quoted represents past performance. Past performance does not guarantee future results.

2

Over the next five years, a majority of ETFs will use derivatives.

The outcome-oriented shift in how investors use ETFs is showing up directly in product design.

In fact, options-based strategies, buffered ETFs, defined-outcome products, and derivative income structures are some of the fastest-growing categories in the market.

As investor demand for income, downside protection, and asymmetric return profiles continues to deepen—and as regulatory frameworks continue to accommodate more sophisticated structures—derivatives will be a standard feature of ETF construction.

Over the past five years, smart beta low-volatility ETFs have seen cumulative outflows of US\$37 billion while newer defined-outcome ETFs have seen cumulative inflows of US\$58 billion.

Source: Bloomberg Finance, L.P., as of March 31, 2026. Based on Americas ETF Research classification of low-volatility smart beta funds and funds classified as Defined Outcome by Morningstar.

3

In the next 30 years, ETFs will evolve into tokenised investment platforms trading 24/7 globally.

The next phase will focus less on what ETFs invest in—and more on how they're delivered.

In other words, tokenization, 24/7 trading, on-chain settlement, and the blending of public and private markets within a single programmable wrapper.

We'll need to walk before we can run, and widespread adoption is still a decade or more away, but that's where we're headed.

Real-world assets are moving on-chain—and the numbers are no longer speculative. US\$33.9 billion in assets are already tokenized (2025, excluding stablecoins), with market potential projected at US\$4 trillion–US\$30 trillion by 2030.

Source: ETFTrends CoinShares Crypto ETF Hub, Why Tokenization Matters, May 18, 2026.

4

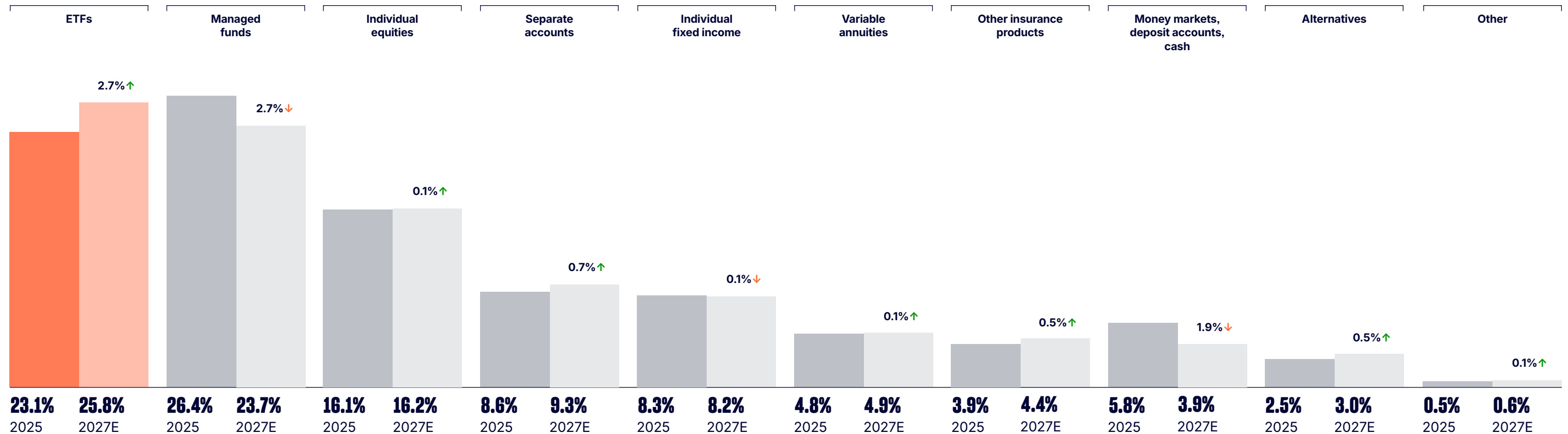
ETFs could surpass half of actively professionally managed assets within a decade.

ETFs currently account for 14% of global investable assets.¹⁵ The vehicle’s ongoing ascent is a matter of access, familiarity, and structural inertia—all of which are steadily giving way.

As model portfolios grow, digital platforms expand, and the active ETF market absorbs strategies that once lived exclusively in managed funds and SMAs, ETFs are on a trajectory to take the reins as the dominant vehicle for professionally managed capital.

Once that happens, the active versus passive debate inside the ETF market will be settled, in active’s favour.

Figure 4: ETFs top the list of expected 2027 allocations among advisers
Comparing 2025 product allocations to 2027E (expected) allocations



Source: Cerulli Associates | Analyst note: Allocation is based on advisers’ average distribution of client assets across each product type. Product type is sorted based on the All Advisors 2026 (expected) percentages. Other insurance products include fixed annuities, variable life, and LTC. Data accessed May 26, 2026.

5

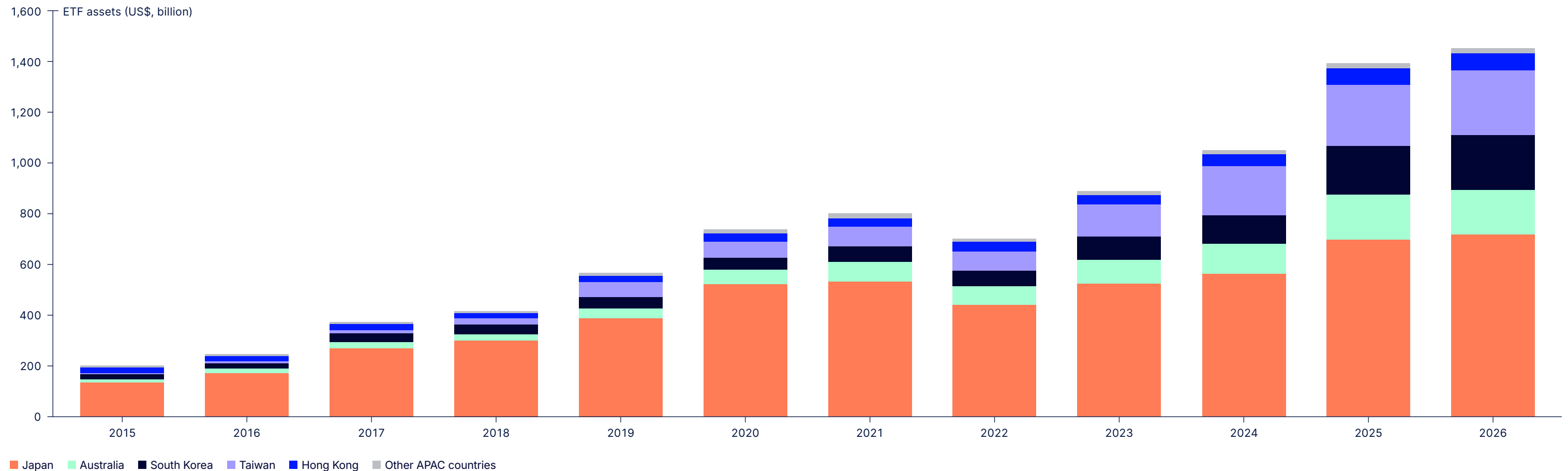
Asia Pacific will post the fastest percentage growth in ETFs, led by Japan.

Perhaps the conventional wisdom points to China and India as the most promising markets for ETF expansion, given their rising incomes and growing middle classes. And that case has legitimate merit over a 20- to 30-year horizon. But in the near term, Japan is the more compelling story.

Policy-driven incentives, including expanded investment limits and tax allowances through Nippon Individual Savings Accounts, are actively redirecting one of the world's largest pools of household cash savings toward equity markets. The trend is structural, government-backed, and already underway.

As a result, Japan-domiciled ETFs now account for US\$1.6 trillion in AUM and have taken in US\$48.6 billion in the first quarter of 2026—roughly 50% of their trailing 12-month flows.¹⁶

Figure 5: Asia Pacific ETF AUM by country of domicile



Source: Morningstar, as of March 31, 2026. Based on ETFs where region of domicile = Asia or Oceania. Other APAC countries combine the following: Indonesia, Malaysia, New Zealand, Singapore, Thailand, and Vietnam. The performance data quoted represents past performance. Past performance does not guarantee future results.

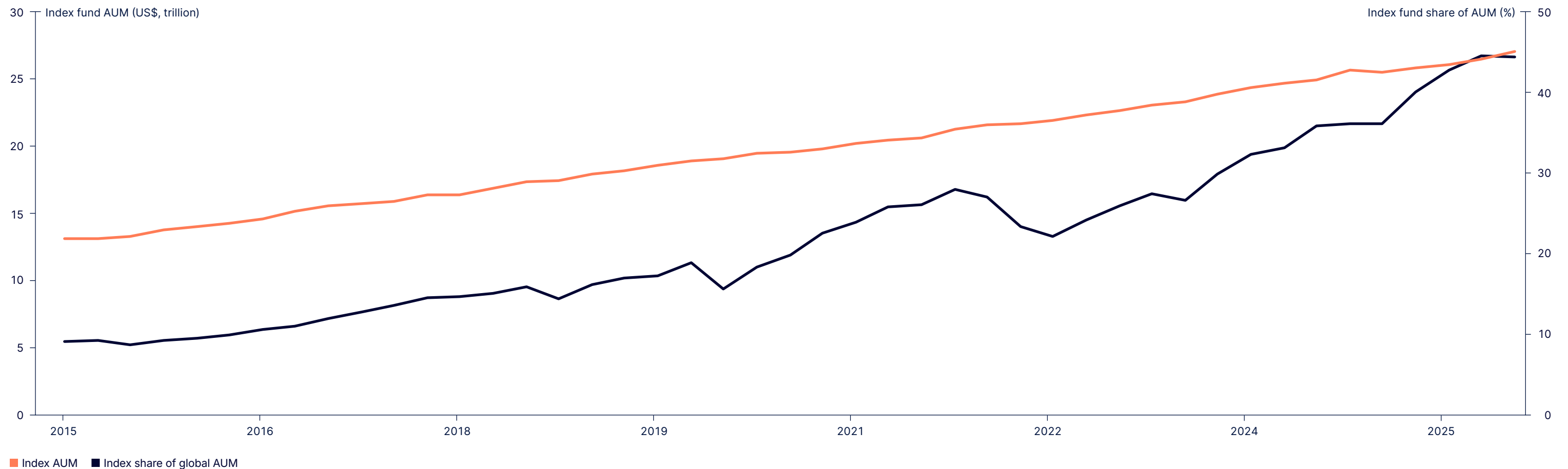
6

Multi-share class approval could trigger the largest single-asset migration in asset management history.

In the US, the SEC has already begun granting exemptive relief allowing managed funds to offer ETF share classes, and the pipeline is growing—roughly 100 investment managers have filed applications.¹⁷ The implications of this could be monumental.

Assets currently held in traditional managed fund structures now have a pathway to ETF economics: lower costs, greater tax efficiency, intraday liquidity. For retirement savers in particular, a pool of about \$US27 trillion in index fund allocations alone,¹⁸ this could be the catalyst that finally brings ETF advantages inside the 401(k) in the US. Filing activity suggests it's only a matter of time.

Figure 6: Global index ETF/mutual fund AUM and market share



Source: Morningstar, as of March 31, 2026. Based on global indexed ETF and managed fund AUM. The performance data quoted represents past performance. Past performance does not guarantee future results.

7

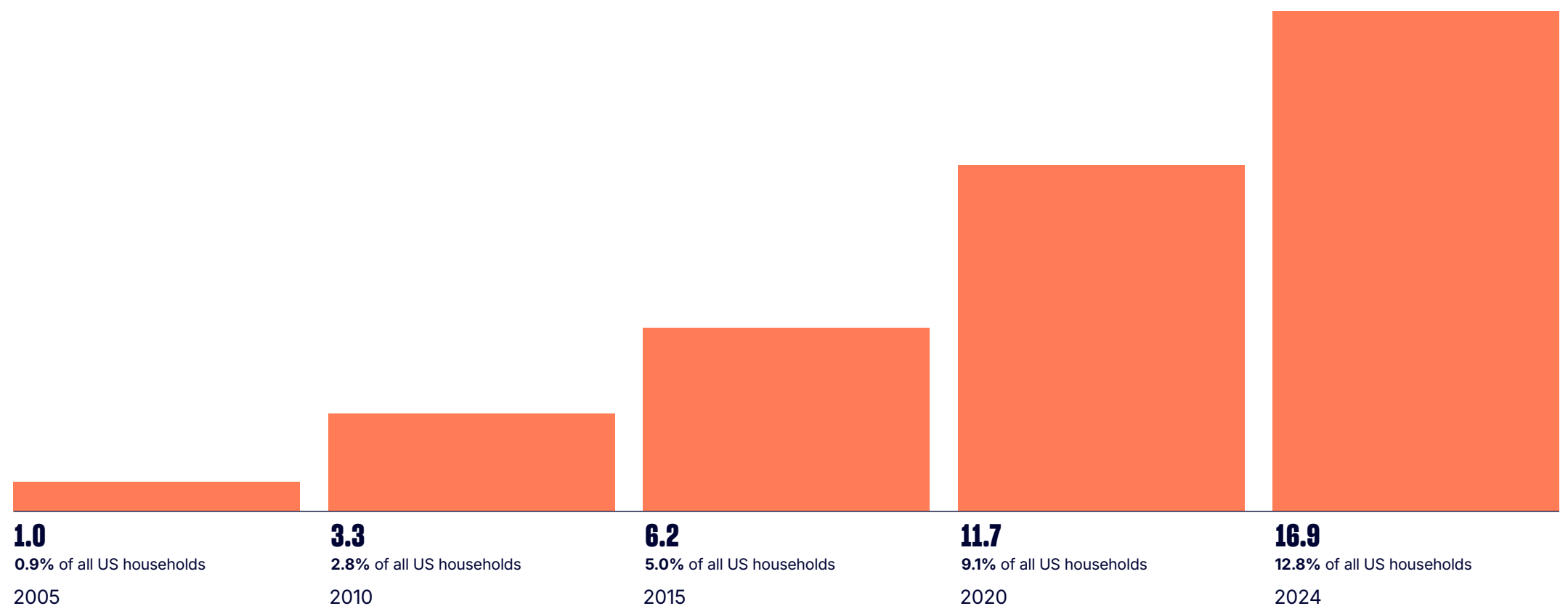
ETFs will become a household name, and the Jeopardy! question that stumped contestants won't stump their children.

In January, a *Jeopardy!* clue asked for the definition of the “E” in ETF. It went unanswered by all three contestants. That moment is a useful proxy for the current standing of mainstream awareness.

Game shows aside, there are forces pushing toward universal recognition, including lower barriers to entry, digital-first investing platforms, legislative initiatives expanding financial literacy, and a cohort of investors who grew up with ETFs already in their parents’ portfolios.

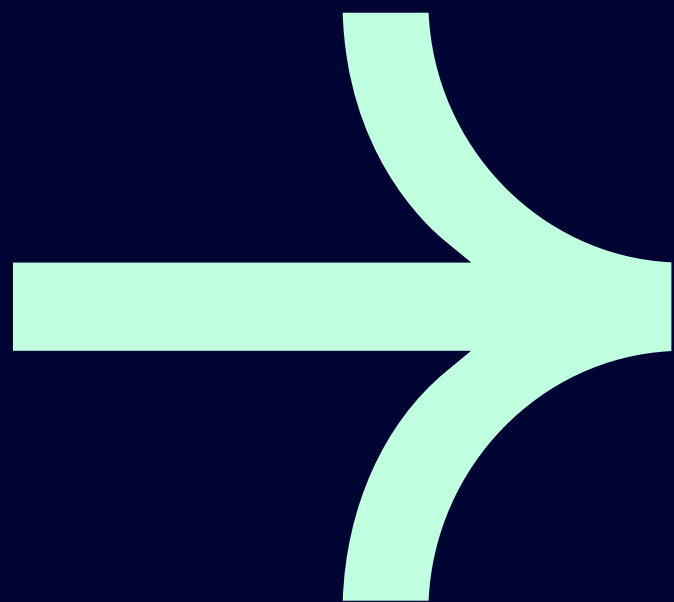
Awareness takes time, but the generational familiarity taking root right now suggests that within a decade, asking “What is an ETF?” will feel like asking “What is a stock?” It’ll be standard knowledge.

Figure 7: ETF adoption has surged among US households
Number of US households owning ETFs (millions)



Source: Investment Company Institute and US Census Bureau, September 2025. Data accessed May 15, 2026. For more information, see ICI Research Data Release, *Profile of ETF-Owning Households, 2024.*
The performance data quoted represents past performance. Past performance does not guarantee future results.

The next chapter starts now



The ETF industry's next 30 years will bring capabilities and access points that are difficult to anticipate today. What won't change is the foundation: informed investors make better decisions. And better decisions, made consistently over time, are still the most reliable path to the outcomes we seek.

Whatever unfolds, we're listening, adapting, and innovating to help you navigate change. And whatever your goals, we're committed to providing the ETF solutions and insights to help you pursue them with clarity and confidence.

The next chapter is being written—and we intend to play a leading role, with the resources and expertise needed for the next era of investing.

Explore more resources

Access key ETF and investment strategy insights to stay ahead of the curve in a market that never stops moving.

Get in touch

For more insights or investment strategies, connect with your State Street Investment Management representative.



Market trends

The latest market commentary, macroeconomic perspectives, and ETF flows data.



ETF education

Everything you need to know about ETFs.



Other ETF insights

The latest research and timely insights from State Street ETFs.

Getting there starts here with State Street Investment Management

State Street Investment Management serves governments, institutions and financial advisors with a rigorous approach, breadth of capabilities and belief that good stewardship is good investing for the long term. As pioneers in index and ETF investing and the world's fourth-largest asset manager, we are always inventing new ways to invest.

5.66T

in assets under management¹⁹

3rd

largest ETF provider globally²⁰

48 yrs

creating trusted investment solutions

Endnotes

- 1 The State Street® SPDR® S&P 500® ETF (SPY) is a U.S. domiciled ETF. The Australian domiciled State Street® SPDR® S&P 500® ETF (SPY) was first quoted on the ASX market of the ASX on 13/10/2014 and offers CHES Depository Interests over interests in the U.S. SPY fund.
- 2 Bloomberg Finance, L.P., and Morningstar, as of March 31, 2026.
- 3 Morningstar, as of March 31, 2026.
- 4 Morningstar, as of March 31, 2026.
- 5 Morningstar, as of March 31, 2026.
- 6 Morningstar, as of March 31, 2026. Based on global ETF AUM as of December 31, 2025.
- 7 Morningstar, as of March 31, 2026. The previous Q1 record was US\$429.8 billion set in 2025.
- 8 Morningstar, calculations by Americas ETF Research, as of April 30, 2026. Based on the difference between this year's prediction for 2035 and last year's.
- 9 Morningstar, as of March 31, 2026.
- 10 Morningstar, as of March 31, 2026.
- 11 Morningstar, as of March 31, 2026. Based on actively managed global ETF flows as a percentage of all global ETF inflows in Q1 2026.
- 12 Morningstar, as of March 31, 2026.
- 13 Morningstar, as of March 31, 2026.
- 14 Morningstar, as of March 31, 2026. Based on actively managed global ETF flows as a percentage of all global ETF inflows in Q1 2026.
- 15 Morningstar and Bloomberg Finance, L.P. Calculations by Americas ETF Research, as of March 31, 2026. Based on global ETF AUM as a percentage of the MSCI ACWI Investable Market Index.
- 16 Morningstar, as of March 31, 2026.
- 17 Federalregister.gov, as of March 17, 2026.
- 18 Morningstar, as of March 31, 2026. Based on global indexed ETF and Mutual Fund assets under management.
- 19 This figure is presented as of December 31, 2025 and includes ETF AUM of \$1,950.80 billion USD of which approximately \$173.02 billion USD in gold 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 Investment Management are affiliated. Please note all AUM is unaudited. All figures are in US dollars.
- 20 Pensions & Investments Research Center, data as of December 31, 2024. Updated annually in June.

Glossary

401(k) plan A US retirement plan established by private-sector employers so that employees can contribute a certain percentage of wages earned into a tax-deferred account to save and invest for retirement. Earnings within a 401(k) accrue on a tax-deferred basis and are taxable once they are withdrawn at retirement. Early withdrawals are penalized.

Active and passive strategies An actively managed approach involves a manager choosing securities to build, say, a fixed-income portfolio, while a passive approach involves managing a portfolio so that it tracks an index such as the Bloomberg Barclays U.S. Aggregate Bond Index.

Active management A portfolio-management approach that uses a human hand, such as a single manager, co-managers, or a team of managers, to select and adjust a fund's holdings over time. Active managers rely on research, forecasts and their own judgment and experience to make decisions on what securities to buy, hold and sell. The opposite of active management is passive management, which includes indexing.

Alpha A gauge of risk-adjusted outperformance that is measured relative to a benchmark because benchmarks are often considered to represent the market's movement as a whole. The excess returns of a fund relative to the return of a benchmark index is the fund's alpha.

Asset class Distinct groups of investments that have similar characteristics and past performance, such as stocks, bonds, cash, real estate and commodities. Asset classes can also be further segmented, such as emerging market equities in the case of stocks and US corporate bonds in the case of fixed income.

Collateralized loan obligations (CLOs) Securities that are backed by a pool of debt, typically business loans, which are grouped by credit quality into tranches.

Credit Financial slang for so-called fixed-income "spread" products such as corporate bonds that are

sometimes priced in terms of how much more they yield than risk-free fixed-income securities with the same maturities such as Treasuries.

Creation and redemption The process by which ETF shares are created and redeemed. The creation process involves authorized participants (APs) buying underlying shares and delivering those shares to the fund sponsor in exchange for equally valued ETF shares. The redemption process is the reverse, wherein the AP removes ETF shares from the market and exchanges those ETF shares with the ETF sponsor for an equally valued amount of the ETF's underlying shares. These in-kind transfers help explain the tax efficiency of ETFs as well as their relative.

Cryptocurrency Cryptocurrency, or crypto, is a digital currency designed to work as a medium of exchange through a computer network that is not reliant on any central authority, such as a government or bank, to uphold or maintain it.

Downside protection The use of an option or other hedging instrument designed to limit or reduce losses in the case of a decline in the value of an underlying security. Downside protection often involves the purchase of an option to hedge a long position. Other methods of downside protection include using stop losses or purchasing assets that are negatively correlated to the asset being hedged. An example of downside protection would be the purchase of a put option for a particular stock. If an investor already owns shares and the price of that stock falls, the value of the option will increase and thus limit the total loss exposure.

Equities An instrument that signifies an ownership position, or equity, in a corporation, and which represents a claim on its proportionate share in the corporation's assets and profits.

Exchange The marketplace where securities, commodities, derivatives, and other financial tools such as ETFs are traded. Exchanges, such as stock exchanges, allow for fair and orderly trading and efficient circulation of securities prices. Exchanges give firms looking to market publicly listed securities the platform to do this.

Exchange traded fund (ETF) An ETF is an open-ended fund that provides exposure to underlying investment, usually an index. Like an individual stock, an ETF trades on an exchange throughout the day. Unlike mutual funds, ETFs can be sold short, purchased on margin and often have options chains attached to them.

Fund An investment that is made up of a variety of different securities. A target retirement fund comprises a broadly diversified mix of investments, including stocks, bonds and cash.

Global financial crisis The economic crisis that occurred from 2007–2009 that is generally considered biggest economic challenge since the Great Depression of the 1930s. The GFC was triggered largely by the sub-prime mortgage crisis that led to the collapse of systemically vital US investment banks such as Lehman Brothers. The crisis began with the collapse of two Bear Stearns hedge funds in June 2007, and the stabilisation period began in late 2008 and continued until the end of 2009.

Index An indicator or measure of something—typically securities prices. An index is typically an imaginary portfolio of securities (stocks, bonds or even futures contracts) that represent a specific market, such as, say, the US equities market by way of the MSCI USA Total Return Index.

Inflation An overall increase in the price of an economy's goods and services during a given period, translating to a loss in purchasing power per unit of currency. Inflation generally occurs when growth of the money supply outpaces growth of the economy. Central banks attempt to limit inflation, and avoid deflation, in order to keep the economy running smoothly.

Industry A way of classifying a group of companies in terms of their main businesses. There are dozens of different industry classifications, which are typically grouped into larger categories called sectors.

Institutional investor Any large group or organization that has a large amount of money or assets to invest, such as a company, mutual fund or insurance corporation. Accounts held by institutional investors

account for half of the volume of trades on the New York Stock Exchange. They move large blocks of shares and have tremendous influence on the stock market. They are considered to be knowledgeable and therefore less likely to make uneducated investments. They are subject to few of the protective regulations that the SEC provides to an average everyday investor.

Liquidity The ability to quickly buy or sell an investment in the market without impacting its price. Trading volume is a primary determinant of liquidity.

Macro The part of the economics concerned with large scale or general economic factors such as interest rates and national productivity.

Outcome-oriented investing An approach to investing that avoids benchmarking performance against big market indexes such as the S&P 500 Index, and instead focuses on ongoing assessments of the progress investors are making relative to specific long-term goals they or their financial advisors have established.

Passive investing An investment strategy that removes the active human hand from the process and replaces it with systematic, rules-based approaches to securities selection. Passive investing, notably index investing, is relatively cheap because it typically limits portfolio turnover and because the passive investing does not involve relatively costly research.

Portfolio A portfolio is a group of stocks, bonds, cash equivalents—a few or many—or a combination of various assets that are owned by an investor and/or managed by a professional.

Private credit Private credit refers to loans and debt financing provided by non-bank lenders to businesses, typically outside of public markets.

Return Anything a business or an investor reaps above principal amount of investment. Return is received in many different forms besides rising principal, such as interest and dividends. Return can also be linked to currencies, such as when a business holds foreign-currency savings accounts. In such cases, return includes the interest received and the benefit from the fluctuation of foreign currency rates.

Risk The possibility that an investment’s return will differ from expected returns, especially the possibility of losing some or all of an investment. Risk is typically measured by calculating the standard deviation on historical, or average, returns of a given investment.

Secondary market The market in which ETF shares or common shares of public companies that currently exist are traded on exchanges between investors.

Security A financial instrument representing ownership positions in a publicly-traded stocks, corporation- and government-issued bonds, or rights to potential ownership as options represent. A security is a fungible, negotiable financial instrument that represents some type of financial value. The party that issues the security is called the issuer.

S&P 500® Index A popular benchmark for U.S. large-cap equities that includes 500 companies from leading industries and captures approximately 80% coverage of available market capitalization.

Strategy The idea behind an investment plan. A strategy consists of a portfolio. A strategic balanced portfolio includes multiple asset classes and is designed to achieve a long-term asset allocation objective. The weights of the various asset classes are pre-determined and the portfolio is periodically rebalanced to ensure that the asset class weights reflect that pre-determined or strategic mix over time.

Tax efficiency A term that describes various approaches to investing that minimize tax liability. Certain types of investments, including funds like ETFs or securities like municipal bonds are valued for their tax efficiency, as are tax-protected accounts such as Individual Retirement Accounts (IRAs) or Roth IRAs. Also, certain practices, such as tax-loss harvesting, which is designed to lighten tax obligations, are considered ways to pursue greater tax efficiency.

Tokenisation The process of converting rights to an asset into an immutable digital token on a blockchain. Tokenisation often involves issuing digital tokens to represent ownership of an asset. Tokens are usually immutable and tradable.

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Important Risk Information

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Investing involves risk including the risk of loss of principal.

Please refer to the product disclosure statement for the specific risks associated with investing in the fund.

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There can be no assurance that a liquid market will be maintained for ETF shares.

In general, ETFs can be expected to move up or down in value with the value of the applicable index. Although ETFs may be bought and sold on the exchange through any brokerage account, ETFs are not individually redeemable from the Fund. Investors may acquire ETFs and tender them for redemption through the Fund in Creation Unit Aggregations only, please see the prospectus for more details. 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.

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Equity securities may fluctuate in value and can decline significantly in response to the activities of individual companies and general market and economic conditions.

Volatility management techniques may result in periods of loss and underperformance may limit the Fund’s ability to participate in rising markets and may increase transaction costs.

Actively managed funds do not seek to replicate the performance of a specified index Funds that are actively managed and may underperform its benchmarks. An investment in the Fund is not appropriate for all investors and is not intended to be a complete investment program. Investing in the Fund involves risks, including the risk that investors may receive little or no return on the investment or that investors may lose part or even all of the investment.

Passively managed funds invest by sampling the 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.

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 commodities entail significant risk and is not appropriate for all investors. Commodities investing entail significant risk as commodity prices can be extremely volatile due to wide range of factors. A few such factors include overall market movements, real or perceived inflationary trends, commodity index volatility, international, economic and political changes, change in interest and currency exchange rates.

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