STATE STREET GLOBAL ADVISORS

Timewise Target Retirement Funds

Guiding Workplace Savers To Better Retirement Outcomes

January 2024

Historical Reprint

The New Retirement Journey

Having a well-designed default investment strategy is crucial to achieving good outcomes for DC savers.

Pension scheme members have more options than ever. They are free to choose how to invest, when to retire and what to do with their savings at retirement. However, this freedom and choice can make it more difficult to decide among the array of investment and income options.

We believe defaults should have the following features to help guide members to better retirement outcomes:

Dynamic With in-built risk management to protect members from adverse market shocks

Adaptable Evolving to reflect changes in markets, regulations and member needs

Intuitive Simple to understand, so members feel confident and not overwhelmed

Introducing Timewise

- Built on a deep understanding of member needs
- Continually adapting to the changing investment and regulatory environment
- Simple to communicate and administer
- Value for money

Based on in-depth insights into member needs and behaviour, Timewise Target Retirement Funds provide a well-governed default option for workplace DC pension schemes.

With a carefully considered and cost-effective combination of assets, Timewise offers a powerful and comprehensive investment solution for retirement savers.

The Funds, managed by our experienced investment team, are structured in five-year vintages. Members are mapped to the closest Fund according to their expected retirement date. This window provides flexibility, helping those who do not know exactly when they will retire, and those who choose to delay or bring forward retirement.

How the Timewise Target Retirement Funds Work

A Target Retirement Fund is one single Fund that a member holds for their entire career. The Fund is built to adapt to the changing needs of a member as they move towards retirement. At State Street Global Advisors, we have designed our Timewise Target Retirement Funds to be a well-governed DC investment solution that is dynamic, adaptable and intuitive, in order to meet the challenges that DC schemes and their members are facing.

One Fund For Life

The Funds are structured in five-year vintages (2030, 2035, 2040 etc.) so members will be mapped to a Fund that is closest to their retirement date, within a five-year window. For example, a member who is 30 and plans to retire at 66 (in 36 years), will have a retirement date in 2059. This member will be placed in the 2060 Fund as this is the closest Fund in the five-year window. The Fund will automatically switch between asset classes to reduce risk as the target date approaches.

What Features Do Target Retirement Funds Offer?

Members
Simple – one fund for life
Age-appropriate investment mix
Will adapt to changes in the retirement landscape

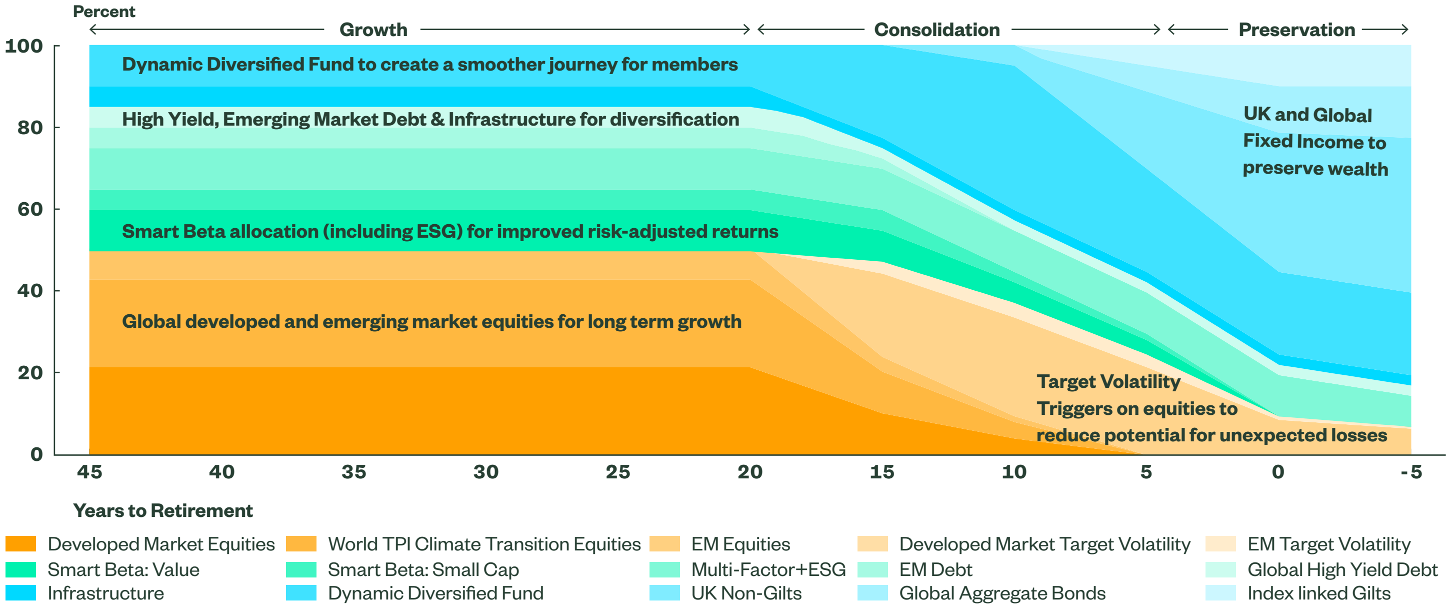
Trustees
Robust, evolving default investment strategy
Easy to administer
Easy to communicate

Glide Path Governance

Timewise Funds deliver diversification, flexible asset allocation, risk management and value for money. The robust, in-built governance framework is key. The DC Investment Group (DCIG) brings together both DC and investment experts to ensure that the glide path reflects changes in regulations, member needs and investment opportunities.

Three Levels of Governance	Daily	Monthly	Annually
	The Funds are managed by experienced portfolio managers who are responsible for asset allocation, based on the market environment, as well as de-risking of the glide path as members approach retirement.	The Funds are monitored by our DCIG which reviews performance against the objectives.	The glide path is reviewed by our DCIG, including both DC and investment experts, to ensure it continues to meet the needs of members, with any changes approved by our European Product and Global Investment committees.

Figure 1
Current Timewise Glide Path



Source: State Street Global Advisors, as at end of December 2023.
Assumptions and forecasts used by SSGA in developing the Portfolio's asset allocation glide path may not be in line with future capital market returns and participant savings activities, which could result in losses near, at or after the target date year or could result in the Portfolio not providing adequate income at and through retirement.

Robust Risk and Return Management

Our research shows that workplace pension savers are understandably averse to large falls in the value of their investments. A key objective of Timewise Funds is to protect members from losses by dynamically managing the asset allocation according to the market environment.

Four distinct strategies are integrated to effectively and efficiently balance capital growth with capital preservation across all stages of the journey.

Diversification

Diversification of investments can help to reduce risk, dampen volatility and improve potential returns over time. The Timewise Funds access an extensive range of asset classes from a broad opportunity set including developed and emerging market equities, smart beta, fixed income (including high-yield and emerging market debt), cash and a range of alternative assets, often out of reach for the average workplace pension saver.

Dynamic Diversified Fund

The Dynamic Diversified Fund helps investors manage the risks associated with periods of heightened market volatility and geopolitical tensions.

We recognise that different asset allocations are suitable for different market environments. The Dynamic Diversified Fund achieves this by actively varying it's asset allocation in response to market conditions. The allocation to the Dynamic Diversified Fund is increased during the consolidation phase of the glide path.

Smart Beta

Smart beta is a transparent, rules-based investment strategy that allows members to gain cost-effective exposure to return-driving factors previously attainable only through higher-cost active strategies.

Timewise uses age-appropriate factor exposures at different points in the glide path. An allocation to return-focused value and size factors is used in the growth phase. An allocation to multi-factor and ESG, which includes lower-risk factors such as low volatility and high quality, is used throughout the entire glide path. This means an emphasis on higher-return factors when the member is further from retirement and a focus on less volatile factors closer to the target date.

Value

Value stocks have been shown to outperform the broader market indices over the long term. These results have been replicated by a number of researchers for many different sample periods and for most stock markets around the world.

Size

Smaller capitalisation companies have tended to outperform larger capitalisation companies over the long term. Similar to the value effect, the size effect has been reproduced for numerous sample periods and for most major securities markets around the world.

Volatility

Creating a portfolio with lower volatility or tilting towards lower risk stocks tends to generate a higher risk-adjusted return than traditional financial theory would suggest.

Quality

Investing in higher-quality companies has been shown to deliver greater downside protection, so, in down markets their stock price is less impacted than the overall market.

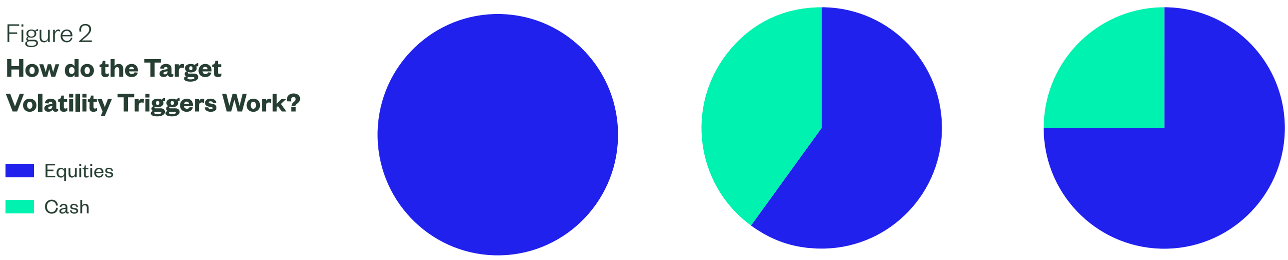
Momentum

Market efficiency proponents believe that stock prices have no memory BUT empirical evidence shows something else: many stocks that have done well recently tend to carry on doing well in the near term. The momentum smart beta factor aims to capture this.

Target Volatility Triggers

In-built monitoring and adjustment mechanisms help limit the impact of market volatility in the Funds. Should volatility move above the pre-set target level, a proportion of the Fund's equity exposure is automatically reduced and switched into cash.

Figure 2
How do the Target Volatility Triggers Work?



Normal Market Conditions
Invested in Equities

Volatility Rises
Increased Allocation to Cash

Volatility Falls
Increased Allocation to Equities

Source: State Street Global Advisors as at 31st December 2023.

Why Timewise

- Deep understanding of member needs
- Simple to communicate and administer
- Value for money

Deep Understanding of Member Needs

Understanding the evolution of people's retirement needs is a crucial starting point for design of default investment strategies. We undertake a rigorous member research programme, which drives any changes to the glide path and asset allocation.

This research:

- Helps us gain in-depth knowledge of both members' objectives and attitudes to investment risk to deliver more predictable outcomes
- Enables us to systematically structure asset allocation over time — in line with the ultimate aim of replacing income from employment into retirement
- Monitors investment markets and public policy changes so the Funds are responsive and durable

Simple to Communicate and Administer

Engaging members to save for retirement can be more effective if the choices are simpler to understand. The Timewise Funds are simple to communicate and administer because:

- Our single glide path means members only need to make one decision — the five-year window in which they expect to retire
- Investments are held in a single Fund rather than multiple funds that change over time
- Asset allocation changes happen within the Fund, with no need to move money between funds
- Each Fund has a single unit price, making it simple to present performance and fees.

This means schemes can focus on the messaging and decisions that matter, rather than potentially confusing members by communicating every change to the underlying components of the Fund.

Value For Money

We believe charges should be simple and transparent so that members can understand what they are paying for. All charges for Timewise are included within the fixed total expense ratio (TER), which is continually reviewed to ensure value for members.

Transaction costs reduce the size of members' funds and it is therefore crucial that asset managers not only report on costs, but also minimise them. At SSGA we:

- Support the industry to provide cost transparency and we have been proactive in disclosing transaction cost data to our clients.
- Regularly assess transaction costs, in order to review the efficiency of our trading and investment processes and identify opportunities to improve trading outcomes in the future.

Contact Us

To understand more about achieving better retirement outcomes for your members please e-mail us at **UKClientRelationshipManagement@ssga.com** or visit **ssga.com/ukdc**.

About State Street Global Advisors

For over 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, and as pioneers in index and ETF investing, we are always inventing new ways to invest. As a result, we have become the world's fourth-largest asset manager* with US $4.73 trillion† under our care.

* Pensions & Investments Research Center, as of December 31, 2023.
† This figure is presented as of September 30, 2024 and includes ETF AUM of $1,515.67 billion USD of which approximately $82.59 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 Global Advisors are affiliated. Please note all AUM is unaudited.

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Marketing communication

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Important Risk Information

Investing involves risk including the risk of loss of principal.

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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.

A Smart Beta strategy does not seek to replicate the performance of a specified cap-weighted index and as such may underperform such an index. The factors to which a Smart Beta strategy seeks to deliver exposure may themselves undergo cyclical performance. As such, a Smart Beta strategy may underperform the market or other Smart Beta strategies exposed to similar or other targeted factors. In fact, we believe that factor premia accrue over the long term (5-10 years), and investors must keep that long time horizon in mind when investing.

All information is from SSGA unless otherwise noted and has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.

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Diversification does not ensure a profit or guarantee against loss.

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.

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

Assumptions and forecasts used by SSGA in developing the Portfolio's asset allocation glide path may not be in line with future capital market returns and participant savings activities, which could result in losses near, at or after the target date year or could result in the Portfolio not providing adequate income at and through retirement.

SSGA Target Date Fund are designed for investors expecting to retire around the year indicated in each fund's name. When choosing a Fund, investors should consider whether they anticipate retiring significantly earlier or later than age 65 even if such investors retire on or near a fund's approximate target date. There may be other considerations relevant to fund selection and investors should select the fund that best meets their individual circumstances and investment goals. The funds' asset allocation strategy becomes increasingly conservative as it approaches the target date and beyond. The investment risks of each Fund change over time as its asset allocation changes.

Investing in foreign domiciled securities may involve risk of capital loss from unfavourable fluctuation in currency values, withholding taxes, from differences in generally accepted accounting principles or from economic or political instability in other nations. Investments in emerging or developing markets may be more volatile and less liquid than investing in developed markets and may involve exposure to economic structures that are generally less diverse and mature and to political systems which have less stability than those of more developed countries.

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. Diversification does not ensure a profit or guarantee against loss.

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Exp. Date: 31/01/2026