Dynamic Diversified Sub-Fund

The right assets at the right time

STATE STREET SM
INVESTMENT MANAGEMENT

Introduction

The Dynamic Diversified Fund uses proven market insights and portfolio management expertise to dynamically change asset allocations and target an optimised balance of risk and reward in an intuitive and integrated investment solution.

As the market environment grows more complex and economies undergo structural shifts, traditional portfolio strategies are being put to the test. Static diversification, once a reliable method of managing risk, often loses effectiveness when asset correlations tighten during periods of stress. In an environment marked by high valuations, rising debt levels, and persistent inflation, investors need more than conventional approaches. They require strategies that are dynamic, resilient, and aligned with long-term objectives.

State Street's Dynamic Diversified Fund (DDF) is designed to meet this need. Through active management and disciplined risk controls, DDF seeks to deliver strong capital growth while reducing volatility. By dynamically adjusting exposures and proactively managing downside risks, the fund aims to mitigate major drawdowns and foster long-term financial confidence.

Why the Dynamic Diversified Fund?

Fund objective

The Dynamic Diversified Fund aims to outperform its benchmark index by an annualised 4% over the recommended five-year minimum investment timeframe, with a strong emphasis on risk management.

- Forward-looking, dynamic asset allocation
- Absolute return focus
- Sophisticated risk management and drawdown limitation
- Established track record
- Long only and unleveraged
- Cost effective
- Experienced team using a disciplined framework

Fund benchmark

SONIA Compounded Index

Investment philosophy

The philosophy behind our Dynamic Diversified Fund stems from three key observations we make about markets (see below).

Based on these beliefs, our investment approach applies an asset allocation process which aims at investing in the right asset mix at the right time.

The Portfolio Management team utilise both **quantitative** and **qualitative** insights when deciding on the asset allocation.

Investment philosophy

Asset allocation drive returns

Asset allocation has the greatest impact on returns.

Helps capture broad market movements and avoid over-reliance on individual securities.

Market cycles influence performance

Asset returns vary depending on market environment.

Dynamic approach helps avoid being locked into underperforming assets during downturns.

Dynamic asset allocation shifts

Traditional tactical allocation often makes minor changes that don’t significantly impact total portfolio risk.

Dynamic approach makes swift and substantial allocation changes when needed, ensuring real impact on portfolio exposure and performance.

The above targets are estimates based on certain assumptions and analysis made by State Street Investment Management. There is no guarantee that the estimates will be achieved.

Quantitative Inputs: The Flexible Market Regime Indicator

The market environment is a key driver shaping the asset allocation of the Dynamic Diversified Fund. More volatile market periods have tended to provide worse risk-adjusted returns than less volatile market periods, hence, accurately being able to determine the market regime is key to delivering positive outcomes for investors.

The measure we use as an indicator of the market regime is our Flexible Market Regime Indicator. The Flexible Market Regime Indicator is composed of three forward-looking market factors:

1 Implied volatility on equity

2 Implied volatility on currency pairs

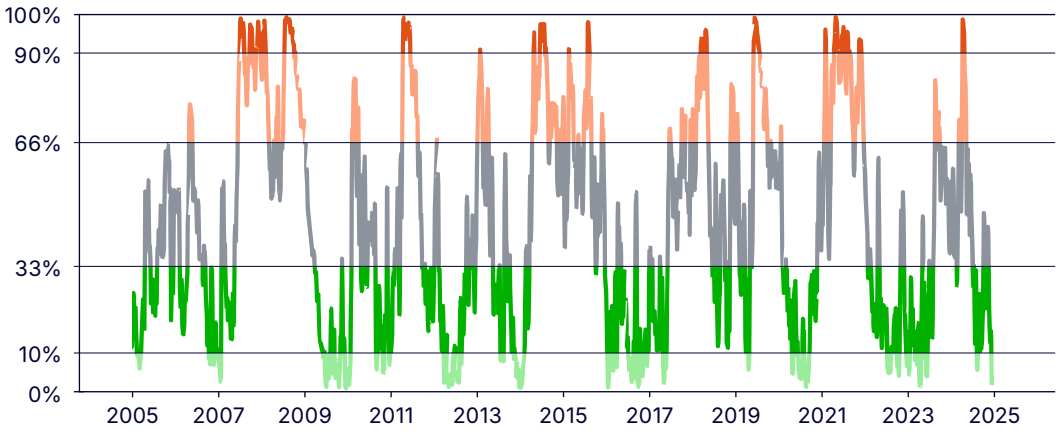
3 Risky debt spread

This diverse set of components enables us to consider risk sentiment from different perspectives and is both forward looking and assessed relative to recent history. It can alert us to potential risk events or souring sentiment in particular asset classes or regions.

The Flexible Market Regime Indicator has five classifications of market environments which help to guide the asset allocation of the fund:

- **Euphoria:** Extreme risk appetite ("Greed/Complacency").
- **Low risk aversion:** Appetite for risk-taking and growth assets.
- **Normal:** Neutral market sentiment.
- **High risk aversion:** Aversion to risk-taking and growth assets.
- **Crisis:** Extreme risk aversion ("Fear/Panic").

Figure 1: Flexible Market Regime Indicator



Market regime	Regime aware active risk budget
Crisis	Low/Medium
High risk aversion	Low
Normal	Medium
Low risk aversion	High
Euphoria	Medium/High

Source: State Street Investment Management, as of 31st December, 2025. The data displayed is not indicative of the past or future performance of any SSIM product. The portion of results through 31/03/2011 represents a back-test of the MRI model, which means that those results were achieved by means of the retroactive application of the model which was developed with the benefit of hindsight. Data displayed beyond this date is not backtested, but is still generated by the model referenced. All data shown above does not represent the results of actual trading, and in fact, actual results could differ substantially, and there is the potential for loss as well as profit. The Market Regime Indicator (MRI) is a quantitative framework that attempts to identify the current market risk environment based on forward-looking market indicators. We believe the factors used, equity implied volatility, currency pairs implied volatility and bond spreads, are good indicators of the current risk environment as they are responsive to real-time market impacts and in theory should include all current and forward views of those markets. These factors are combined to create a single measure and used to identify one of five risk regimes: Euphoria, Low Risk, Normal, High Risk, and Crisis.

Qualitative Inputs: Asset allocation decisions

The Flexible Market Regime Indicator is an effective guide to asset allocation but it is enhanced by the qualitative insights of our experienced global investment team.

This sequence of optimised allocation guidance from the Flexible Market Regime Indicator and further qualitative input by investment experts can lead to allocations that are accurately matched to the market and risk environment and which can quickly respond to any change in conditions.

Were the risk environment favourable, the Fund would run a higher allocation to return-seeking growth assets such as equities, commodities and riskier debt. Conversely, were the risk environment unfavourable, the allocation would be tilted heavily towards more defensive assets such as cash and short-dated government bonds and at times may implement a tail risk basket.

As illustrated on the following page, the Dynamic Diversified Fund's underlying exposures have shifted significantly in response to changing market conditions and risk regimes.

Pro-cyclical positioning in favourable markets

During periods characterised by strong economic growth, robust corporate earnings, and low market volatility, the fund adopts a pro-growth stance. Allocations to growth assets like equities, high-yield bonds, and alternative investments have historically increased to more than 90%, enabling the portfolio to capture upside potential during bullish phases. This positioning reflects the fund's objective to maximise returns when market conditions are supportive.

Defensive shifts in risk-off environments

Conversely, in times of heightened uncertainty, market stress, or deteriorating economic indicators, the fund pivots towards capital preservation. Defensive exposures—such as cash and short-duration government bonds—have risen from 0% to as high as 66%, while allocations to growth assets have been reduced to as low as 10%. This disciplined reallocation mitigates downside risk and cushions the portfolio against sharp drawdowns.

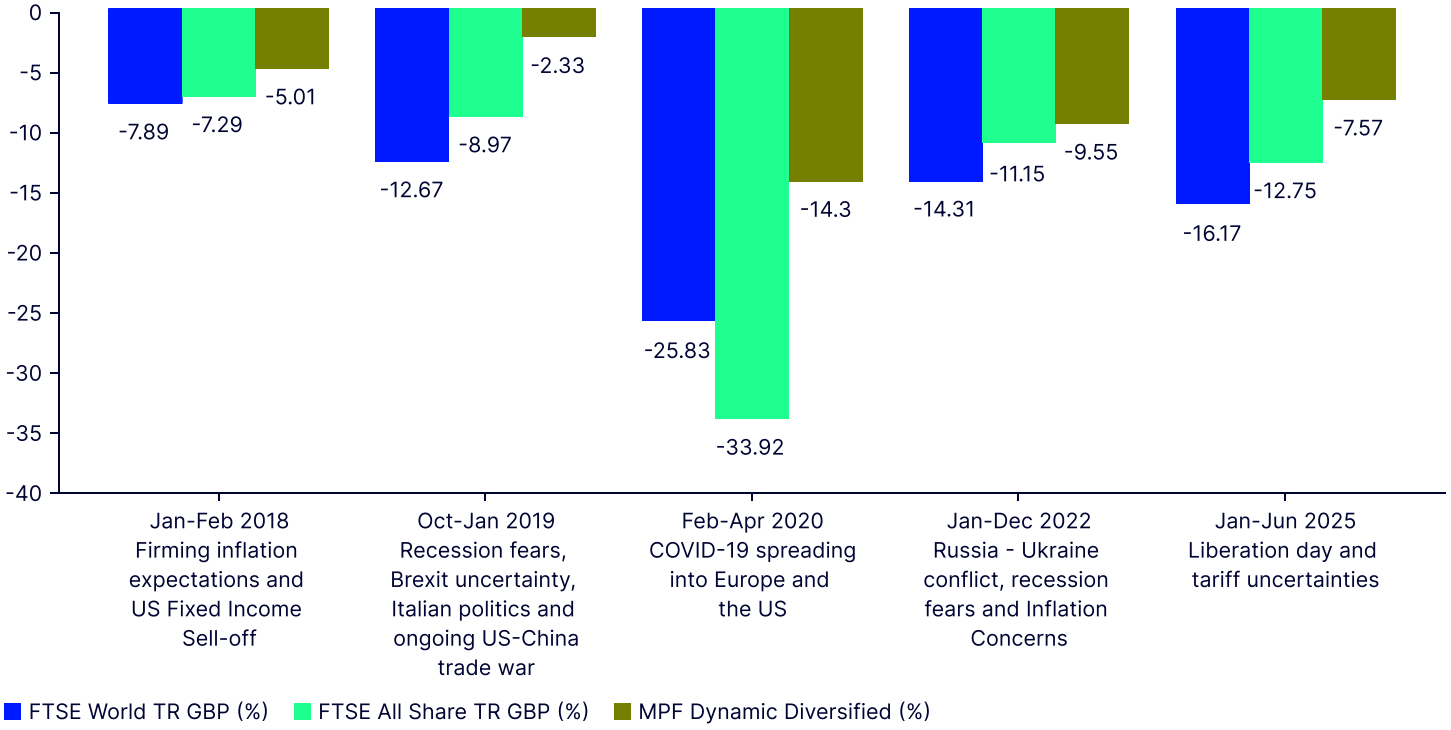
Tail-risk hedging for extreme scenarios

In addition to tactical shifts between growth and defensive assets, the fund incorporates a tail-risk basket during periods of anticipated market stress. This allocation acts as a hedge against extreme downside events, enhancing portfolio resilience during systemic shocks.

Overall, these historical allocation patterns underscore the fund's core philosophy: capture growth in favourable conditions, protect capital during downturns, and maintain resilience across diverse market regimes.

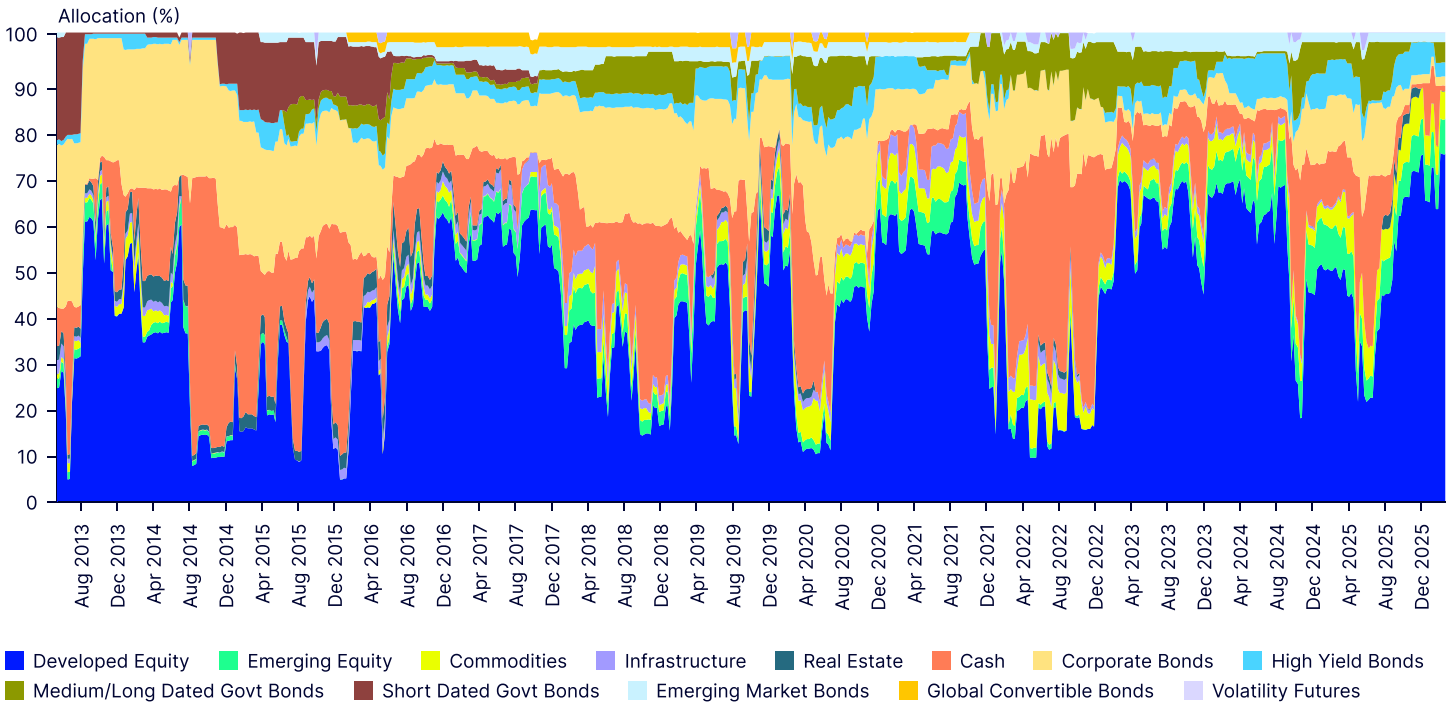
The Dynamic Diversified Fund has reduced drawdown in times of market stress as illustrated by the Figure 2.

Figure 2: Dynamism in action



Source: State Street Investment Management, Investment Solutions Group. As of September 2025. The performance data quoted represents past performance. Past performance does not guarantee future results.

Figure 3: The right assets at the right time



Source: State Street Investment Management, Investment Solutions Group. As of 31st December, 2025. Allocations are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. Diversification does not ensure a profit or guarantee against loss.

Summary

Overall, the Dynamic Diversified fund offers investors an innovative, cost-efficient and liquid solution that targets both growth and capital preservation. Indexed components allow it to remain nimble, enabling quick and decisive shifts seek to run an optimal asset allocation mix for the prevailing risk environment.

The Dynamic Diversified Fund is:

Diversified

Using a comprehensive asset mix to achieve effective diversification

Managed by an Experienced Team

145 individuals across 10 locations, managing tactical asset allocation portfolios for over 20 years

Forward looking and dynamic

Our proprietary Market Regime Indicator identifies prevailing market conditions providing conviction for our portfolio managers to adjust asset allocations to participate in rising markets and help protect in falling markets

Cost effective

The DDF primarily uses index funds in efficient markets to keep costs low, allowing for active shifts in asset allocation at a price that is not detrimental to overall performance

Portfolio Management Team

The Dynamic Diversified Fund is managed by our Investment Solutions Group (ISG). Established in 1982, ISG is a dedicated multi-asset team responsible for managing £395.85bn, their capabilities focus on tactical and strategic asset allocation, as well as exposure management. The team constitutes 145 individuals from across our 10 investment centres around the world, enabling different perspectives and local market expertise to be combined in delivering solutions tailored to our clients' needs.

Contact

If you would like to learn more about the Dynamic Diversified Fund or the Investment Solutions Group's capabilities, please contact UKSales@SSGA.com.

Endnotes

1 Source: State Street Investment Management as at September 30, 2025.

About State Street Investment Management

At State Street Investment Management, we have been helping create better outcomes for institutions, financial intermediaries, and investors for nearly half a century. Starting with our early innovations in indexing and ETFs, our rigorous approach continues to be driven by market-tested expertise and a relentless commitment to those we serve. With over $5 trillion in assets managed*, clients in over 60 countries, and a global network of strategic partners, we use our scale to deliver a comprehensive and cost-effective suite of investment solutions that help investors get wherever they want to go.

* 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.

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