

Sector & Equity Compass

Time to Mix It up a Bit

Q3 2024

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Themes & Outlook: Time to Mix It up a Bit

Markets shrugged off inflation concerns and uncertainty over the timing of potential Federal Reserve (Fed) rate cuts thanks to AI-related optimism. The hoped-for broadening of equities performance petered out. Information Technology remains the undisputed US leader year to date, with Communication Services hanging onto its coattails. Despite price strength in many commodities, Energy and Materials fell.

Whilst a significant difference in earnings prospects has justified an intense focus on IT, and this can be seen still driving flows through Q2, we don't believe this is warranted any longer. The earnings cycle has been improving and growth is forecast across most sectors in the second half of the year.

We don't know what will finally prompt a sector rotation. Technicals, positioning, and valuations are stretched, but it is more likely to be a shift in interest that causes Tech leadership to fade. Improving global PMIs may mean the stability of IT becomes less necessary.

The US landing may be soft, in terms of economic growth and reducing inflation, but there are still hard bits. There are still reasons for uncertainty and volatility which demands diversification. It's time to mix it up a bit!

Are There AI Opportunities Elsewhere?

We remain extremely positive on the secular growth trends for cloud computing, machine learning, and all aspects of artificial intelligence (AI) supporting software, cybersecurity, and semiconductor demand. Given the significant investments made in AI development and the likely benefits, it is prudent to maintain a sizable exposure to IT. However, opportunities in AI exist elsewhere.

AI development and application are causing an insatiable demand for electricity, which makes both Energy and Utilities worth a closer look. We remain focused on Industrials, home to leading electronics companies deploying AI-based solutions and smart software to improve productivity across many industries, as well as tools for data centres.

Geopolitical Issues All Around

There are new administrations in the UK, France, Mexico, and South Africa. Consensus in the EU has weakened. Western relations with China are strained and geopolitics in the Middle East are tense. Given the risk of macro volatility, we see upside potential for precious metals and industrial-related commodities, which helps our Energy selection. We also see a need for defensive sectors, supporting Utilities.

And there is still the US presidential election to come. In recent decades, we have seen the dispersion of returns between sectors rise in the run-up to voting day. This has been accompanied by a pick-up in sector ETF flows as investors seek to play the outcome. Amongst the points of debate in 2024, we expect a focus on trade, fiscal stimulus, and foreign policy, with likely implications for countries and currencies as well as sectors.

How Long Will the US Remain Exceptional?

The US is still being exceptional. Structural features of the US economy, such as its degree of openness, tech leadership, and energy independence, still justify higher GDP forecasts than any other major developed economy in 2024. The strengths have supported strong equity performance throughout the first half of the year. Given the widening gap in productivity and PMIs, we do not think that exceptionalism will begin to fade this quarter. The US remains our favourite region for equities, utilising both large- and small-cap exposure.

Sectors in Focus for Q3

Macro-economic outlook is traditionally important to relative sector performance. However, the outlook continues to be difficult to discern. We find it more rewarding to consider the direction of important economic factors, such as interest rates and inflation rates, as well as the crude oil price and what sectors are most sensitive to their moves.

This quarter, we think sentiment and consideration of geopolitical risk is also important.

Other factors we consider for picking sectors are the fundamental outlook for earnings and valuation (on pages 15 & 16), momentum (taken from SPDR's [Sector Momentum Map](#)) and investor behaviour (as visualised by the flows and holdings data included in this document).

	World	US	Europe
Utilities	✓	✓	✓
Energy	✓	✓	✓
Industrials	✓	✓	✓

Equity Regions in Focus for Q3

US large cap is still amongst our preferred exposures. Earnings forecasts are much more resilient than all other regions. We see the S&P 500® as the more defensive option, with small-cap and mid-cap equities offering more exposure to domestic strength.

Beyond the US, we see an investment case in Japan as combination of extremely weak yen and improved PMI is likely to drive EPS growth of exporters while wage growth bolsters domestic consumption.

Within emerging markets we retain our strong preference for small caps over large caps due to an India overweight and China underweight.

Details on our thinking for each strategy begins on page 18.

US Large Cap S&P 500

US Small & Mid Cap S&P MidCap 400, Russell 2000

MSCI Japan

MSCI EM Small Cap

Sector and Equity Performance

World Sectors

	Q2 2024 (%)		12 Months (%)	
Technology	11.4	38.1	Technology	
Comm Services	8.1	37.2	Comm Services	
Utilities	3.2	23.7	Financials	
MSCI World NR	2.6	20.2	MSCI World NR	
Healthcare	0.5	15.7	Industrials	
Cons Staples	0.1	15.6	Energy	
Financials	-0.4	11.2	Healthcare	
Energy	-1.3	9.4	Cons Disc	
Industrials	-2.2	8.0	Materials	
Cons Disc	-2.3	4.8	Utilities	
Real Estate	-3.3	4.7	Real Estate	
Materials	-3.4	1.9	Cons Staples	

US Sectors

	Q2 2024 (%)		12 Months (%)	
Technology	8.7	32.6	Comm Services	
Comm Services	5.1	30.8	Technology	
Utilities	4.4	24.0	S&P 500 NR	
S&P 500 NR	4.2	23.5	Financials	
Cons Staples	0.9	15.1	Energy	
Cons Disc	-0.7	15.0	Industrials	
Healthcare	-1.1	11.1	Healthcare	
Financials	-2.2	8.2	Materials	
Real Estate	-2.2	8.0	Cons Disc	
Energy	-2.8	6.7	Utilities	
Industrials	-3.0	5.5	Cons Staples	
Materials	-4.6	4.5	Real Estate	

Europe Sectors

	Q2 2024 (%)		12 Months (%)	
Healthcare	7.0	32.5	Technology	
Technology	5.7	24.4	Financials	
Comm Services	2.9	22.0	Real Estate	
Energy	2.7	19.0	Industrials	
Financials	2.0	18.9	Energy	
Utilities	1.4	16.7	Healthcare	
MSCI Europe NR	1.3	14.5	Materials	
Industrials	-0.1	13.7	MSCI Europe NR	
Materials	-0.3	13.3	Comm Services	
Cons Staples	-0.6	-1.9	Utilities	
Real Estate	-0.9	-2.2	Cons Disc	
Cons Disc	-6.9	-5.2	Cons Staples	

Source: State Street Global Advisors, Bloomberg Finance L.P., as of 30 June 2024. Past performance is not a reliable indicator of future performance. The reference indices are in the MSCI World, S&P Select Sectors, and MSCI Europe. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index performance is not meant to represent that of any particular fund. Index performance is net total return. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable.

Equity Performance by Region	1M (%)	3M (%)	6M (%)	12M (%)
Japan Equities	1.6	1.8	21.3	25.9
US Equities	3.6	4.2	15.0	24.0
Eurozone Developed	-2.5	-1.7	8.3	11.6
U.S. Mid Cap	-1.6	-3.6	5.9	13.0
Global Equities	2.2	2.9	11.3	19.4
Europe Equities	-1.0	1.3	9.1	13.7
U.S. Small Cap	-1.0	-3.4	1.5	9.6
DM Small Cap	-1.9	-2.8	1.5	9.1
UK Equities	-1.2	3.7	7.4	13.0
Asia Emerging Markets	5.0	7.4	11.0	15.1
Global Emerging Markets	3.9	5.0	7.5	12.5
EM Small Cap	3.2	5.9	7.0	20.0

Source: Bloomberg Finance L.P. as of 30 June 2024. Performance of Global and EM exposures in USD. Performance of European exposures in EUR. Performance of other exposures expressed in local currencies. Past performance is not a reliable indicator of future performance.

Sector and Equity ETF Flows

Sector ETF Flows	European-Domiciled (\$mn)		US-Domiciled (\$mn)	
	Trailing 3 Months	Trailing 12 Months	Trailing 3 Months	Trailing 12 Months
Communications Services	-440	-809	-54	1,883
Consumer Discretionary	130	-1,266	-977	2,558
Consumer Staples	449	-303	-273	-5,654
Energy	431	602	94	3,235
Financials	755	-1,824	3,045	-552
Health Care	-308	-732	-3,530	-10,023
Industrials	626	1,149	1,099	3,230
Materials	474	1,048	-726	-1,413
Real Estate	159	403	-1,608	3,649
Technology	1,977	4,288	2,254	17,082
Utilities	200	263	1,673	-2,295

Source: Bloomberg Finance L.P., State Street Global Advisors, as of 30 June 2024. Flows shown above are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

Methodology We collect and aggregate flow figures for all sector and industry ETFs domiciled in the US and include ETFs invested across all regions (including US, Europe and World). They are calculated as the net figure of buys minus sells. **The green boxes signify the two highest flow figures for each period, while the red boxes signify the two lowest flow figures.**

Equity ETF Flows by Region	European-Domiciled (\$mn)			US-Domiciled (\$mn)	
	Trailing 3 Months	Trailing 12 Months		Trailing 3 Months	Trailing 12 Months
Global	17,985	57,794	US	103,500	462,806
US	14,165	67,569	Global	4,087	11,148
Europe	4,865	9,381	International-Developed	18,357	53,913
UK	1,600	1,724	International-Emerging Markets	875	8,949
Other Region	185	143	International-Region	2,677	7
Single Country	1,079	5,186	International-Single Country	2,959	11,006
EM	3,969	6,854	Currency Hedged	1,569	7,087
Total	43,849	148,651	Total	134,024	554,916

Source: Bloomberg Finance L.P., as of 30 June 2024. Flows shown above are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. Single Country exposures are those that include securities from one country of domicile.

Investor Behaviour Overview

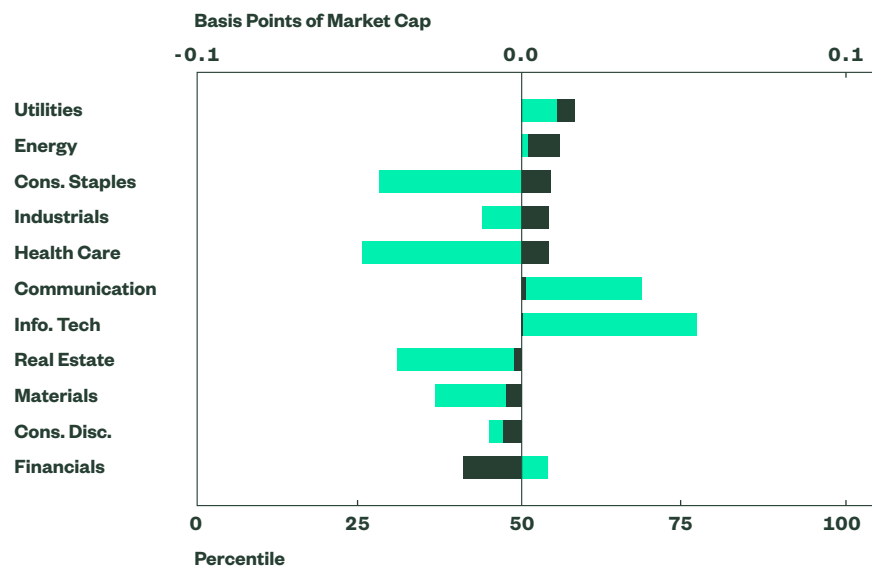
Record flows continued into equity ETFs. Investors favoured broad indices, particularly for US exposure, including the S&P 500 Index. Technology sector ETFs still led US-domiciled and European-domiciled fund inflows, with an extra \$4B added in Q2. Other sector activity paled in comparison, but we expect a pickup as the US presidential election nears.

During the quarter, we saw healthy risk appetite from investors helped by hopes of a soft landing, especially seen in the US. Institutional investor behaviour, as measured by observations from State Street's custody business, is shown in the following charts. On a global basis, the largest relative additions were to Utilities stocks and other defensives including Health Care and Consumer Staples. As a grouping, investors have much lower exposure to these sectors than over the five previous years. The largest reduction in relative exposure was from Financials. Investors remain very overweight in the Technology sector. Where there appears to have been IT profit taking in April, this dried up in the second part of the quarter.

World: Flows and Holdings

Active Flow Over Past Quarter and Relative Holdings vs. Past 5 Years

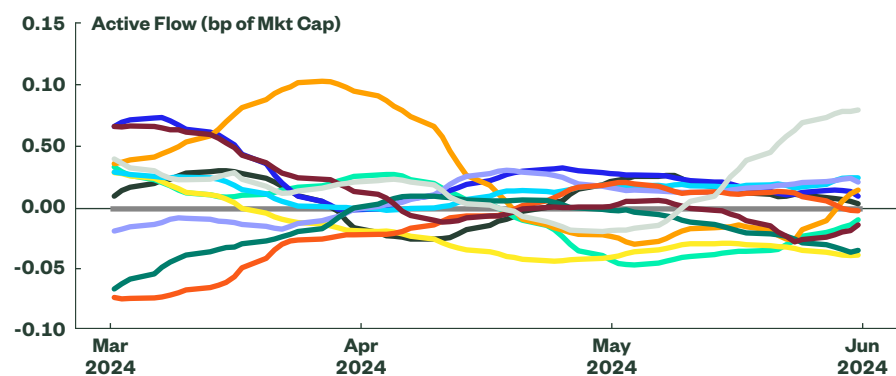
- 3-Month Flow (upper axis)
- Holdings (lower axis)



World: Progression of Active Flows

Trend of Flows Over Past Quarter

- Communication
- Cons. Disc.
- Cons. Staples
- Energy
- Financials
- Health Care
- Industrials
- Info. Tech
- Materials
- Real Estate
- Utilities

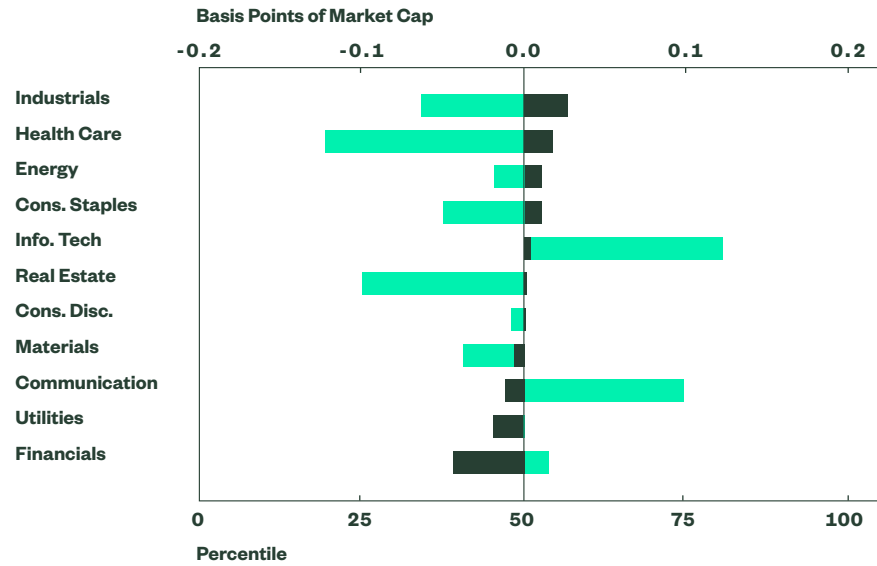


Source: State Street Global Markets. Data are as of 30 June 2024. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future. An explanation of methodology can be found on page 22.

US: Flows and Holdings

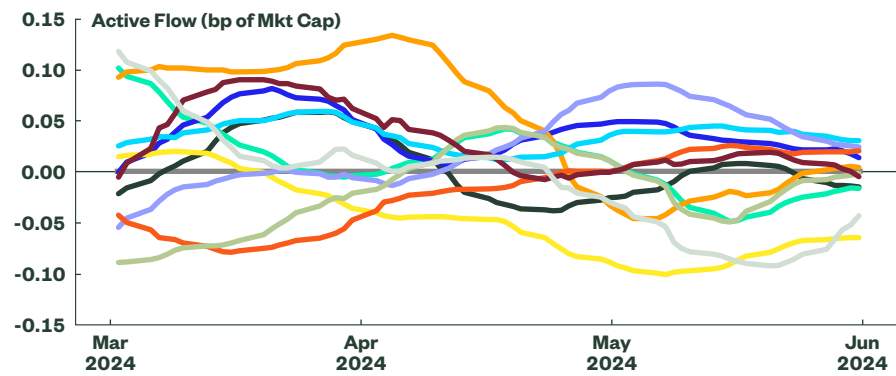
Asset Flow Over Past Quarter and Relative Holdings vs. Past 5 Years

- 3-Month Flow (upper axis)
- Holdings (lower axis)



US: Progression of Active Flows.
Trend of Flows Over Past Quarter

- Communication
- Cons. Disc.
- Cons. Staples
- Energy
- Financials
- Health Care
- Industrials
- Info. Tech
- Materials
- Real Estate
- Utilities

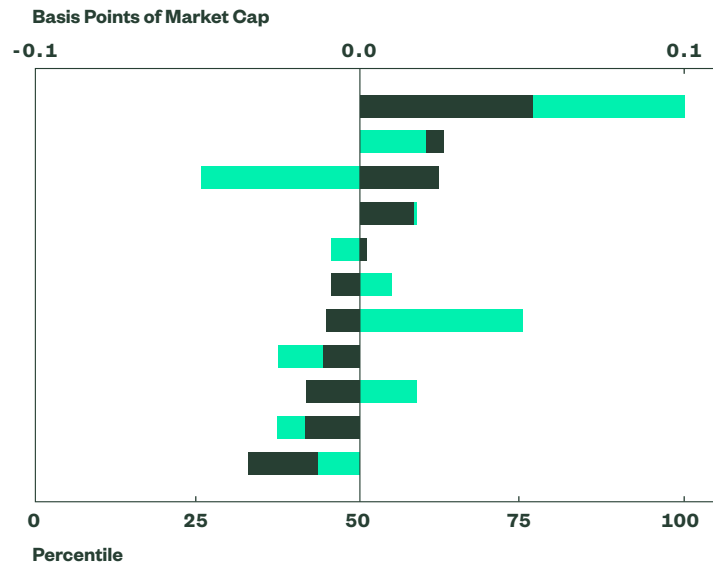


Source: State Street Global Markets. Data are as of 30 June 2024. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

Europe: Flows and Holdings

Asset Flow Over Past Quarter and Relative Holdings vs. Past 5 Years

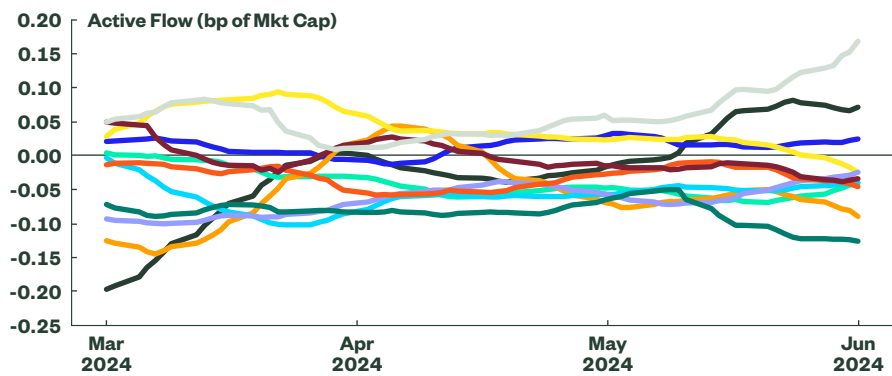
- 3-Month Flow (upper axis)
- Holdings (lower axis)



Europe: Progression of Active Flows

Trend of Flows Over Past Quarter

- Communication
- Cons. Disc.
- Cons. Staples
- Energy
- Financials
- Health Care
- Industrials
- Info. Tech
- Materials
- Real Estate
- Utilities



Source: State Street Global Markets. Data are as of 30 June 2024. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

Utilities

Bring Utilities Into the Mix

World	US	Europe
✓	✓	✓

Utilities was a surprise performer in the middle of Q2. Analysts thought it would take a turn in interest rates to spark interest in the sector, which is often referred to as a bond proxy. However, it was expectations of rising electricity demand that prompted a reversal in flows and price performance. We consider this an AI-related story and the sector's traditional attractions in these uncertain times.

A New Spark in Q2

The Utilities mid-quarter rally was led by renewables and electricity stocks, such as US-based NextEra and Vistra, showing the excitement over new electricity demand. We saw flows into both European- and US-domiciled Utilities ETFs turnaround from very heavy outflows earlier this year. Using our proxy of State Street's custody business, we see that institutional investors have also been adding relative exposure, particularly in European names. This adds to the overweight position. Interestingly, other investor groups were very short at the start of May, indicated by a significant share of assets on loan, which contributed to a short squeeze.

A New AI Story

Having stalled for years in the largest market (the US), electricity demand is now growing from a combination of electrification in homes (including EV charging), manufacturing electricity use in building computers, electronics, etc, and new fabs, EV and battery factories. Forecast usage is accelerating as analysts add the energy needs of burgeoning data centres to their estimates. The resulting inflation in electricity prices and positive earnings guidance have seen forecast earnings rise.

The International Energy Agency's 2024 Electricity report expects data centre electricity usage to double by 2026 with a primary driver being the rapid growth of AI-related services requiring computer power and cooling needs. Looking out to 2029, forecasts see a tripling of data centre demand, making up 7.5% of US electricity demand¹ and 6% of European demand.²

These new demand requirements are running ahead of likely new electricity supply. Grids in the US are old, even more so in Europe, and increases in natural gas capacity have not kept pace with the targeted reduction in coal use by electricity generators. This leaves greater reliance on other sources, with renewable wind, solar, and nuclear coming back into focus. The high-profile commitment of hyperscalers Amazon, Microsoft, and Alphabet to clean energy transition, as part of the Clean Energy Buyers Association, also puts pressure here.

Defensive Attractions but Still Political Concerns

Whilst comforted by the US soft landing and rising global PMIs, we are not ruling out more difficult stock markets before the end of 2024. Utilities' revenue has the advantage of being largely non-discretionary and domestic. Share price volatility is relatively low and dividend yields are above average (see pages 15 & 16).

Despite being relatively immune to global tensions that may affect trade, higher oil and gas prices would challenge margins if regulators do not raise allowable returns. We also need to be cognisant of a potential Trump victory which could change environmental policies in the US. Any removal of tax credits introduced with the Inflation Reduction Act would raise the capital cost of renewable projects. Meanwhile, following the recent EU and French elections, there is possibly less commitment from policymakers to build out renewable power under the Green Deal.

Energy

Political Times

World	US	Europe
✓	✓	✓

The energy sector disappointed last quarter even though earnings sentiment turned positive and M&A continued with ConocoPhillips agreeing to buy Marathon Oil. We believe risks to the oil price remain on the upside and the sector offers diversification and valuation attractions for portfolio investors.

Oil Price Ignoring Political Risk

Brent Crude is trading at similar price levels to those just before the Hamas/Israel conflict started. The CBOE Crude Oil Volatility Index is lower. This suggests that any risks of disruption from the war, including to neighbouring oil exporters like Iran or Red Sea shipping, may not be reflected in oil prices. Analysts estimate that geopolitics account for less than \$2 per barrel of oil,³ but that \$8 per barrel could be added if a proxy war developed across Gaza, the West Bank, Lebanon, or Syria, or an additional \$64 per barrel if there were a direct conflict between Israel and Iran.

Meanwhile, estimates from the US Energy Information Administration suggest some balance in the oil market. Supply side constraints continue to include OPEC+ production cuts, the largest part of which will be retained until the end of 2025, and these offset record levels of oil production from the US. On the demand side, global consumption has reached record levels so far this year, with developing countries, particularly China and India, leading growth.

Until renewable energy becomes more reliable at scale, there is growing demand for fossil fuels driven by electrification, automation, and data centres. Natural gas is an important part of the power story, used in steam and gas turbines to generate 40% of the US electricity supply.⁴ Whilst environmental planners see it as a “bridge” fuel to greener sources, the inherent cost benefit and stability of natural gas are seeing its residential and industrial use rise.

A Winner in the US Election?

Energy, both fossil fuel and green, is a major point of contention in US politics. Republican administrations typically support domestic energy production with policies that promote drilling and fracking, and ease environmental regulations on energy companies. Democrats, by contrast, have a tougher stance on fossil fuels, although the record of this administration has not been as far-reaching as the market feared. Indeed, funding from the Inflation Reduction Act, including the tax credits for hydrogen production and carbon capture and storage, has been popular with oil majors.

Potential Republican actions include an extension of fossil fuel operations, including expansion in the size and scope of drilling auctions. Oil trade groups are believed to be already drawing up ready-to-sign executive orders for a new President Trump on loosening natural gas export permits. A loosening of environmental regulations could mean lower compliance costs.

Diversification

The strict capital discipline of the oil majors has resulted in meaningfully high levels of cashflow available to pay down debt and provide for shareholders. Rising dividends continue to be well covered and supplemented by share buybacks.

Whilst our other sector picks would benefit more from interest rate cuts, Energy’s fortunes are less reliant on an easing environment given low debt and strong cashflow. The sector offers a low beta, hedge, and diversification through low correlation if high rates remain.

Industrials

Pick and Mix

World	US	Europe
✓	✓	✓

Industrials remains a favourite because of structural growth drivers in defence and infrastructure building plus facilitating clean technologies and better productivity. The sector contains many companies and is a natural diversifier.

We All Want Better Infrastructure

Investment in infrastructure is a key driver of demand for the sector's goods and services. Public fiscal spending is a significant part of the spend. In the US, it is not known what a Trump 2.0 government would propose on the Inflation Reduction Act. However, the three bills passed under the Biden administration (including the Infrastructure Investment and Jobs Act and CHIPS Act) promised a total spend of \$3T-\$4T, a proportion of which could continue to work through the system. This has already stimulated demand for building products, construction, machinery, and transport networks.

Infrastructure is also very important to energy transition. Stocks within Industrials are amongst suppliers to retrofitting projects, renewable energy production facilities, and green infrastructure, such as EV charging. Siemens (which is seeing renewed interest in wind turbines) and Schneider Electric (supply chain experts) are good examples of companies that should benefit from the decarbonization policy.

Defence of the Realm

Spending on defence systems is expected to remain in the spotlight because of the continuing Russia/Ukraine war and Trump's rhetoric on the US campaign trail. US and European defence budgets continue to rise. Within NATO, there is a spending target that is equivalent to at least 2% of GDP; most members are still short of this target. The pressure to increase spending is likely to rise with the increasing global threat levels.

Aerospace and defence providers constitute approximately 17% of Industrials by market capitalisation weight. The largest stock, General Electric, is now focused on aircraft engines following the successful demerger of its power and health care businesses.

Another AI Story

This sector will increasingly feature in the facilitation of AI services. For example, in the past we have featured necessary network equipment used within data centres and the components used in process improvements in manufacturing and optimised distribution for logistics. Many of the large engineering companies have innovative software businesses within their groups, which have benefitted their own group's processes but are also offering technological services externally. One of the sector's best performing stocks last quarter was Hitachi, which rose on the tie-up of its digital business, Lumada, with Microsoft's AI products.

Top 5 Holdings of Sectors

Name	Fund Weight (%)
SPDR MSCI World Energy UCITS ETF	
Exxon Mobil Corporation	18.0
Chevron Corporation	9.6
Shell Plc	8.1
TotalEnergies SE	5.3
ConocoPhillips	4.7
SPDR MSCI World Industrials UCITS ETF	
General Electric	2.5
Caterpillar	2.3
Siemens	2.0
Honeywell International	1.9
Union Pacific Corporation	1.9
SPDR MSCI World Utilities UCITS ETF	
NextEra Energy Inc.	9.0
Southern Company	5.2
Iberdrola SA	4.7
Duke Energy	4.7
Constellation Energy	4.1
SPDR S&P U.S. Energy Select Sector UCITS ETF	
Exxon Mobil Corporation	23.1
Chevron Corporation	17.8
EOG Resources Inc.	4.8
SLB	4.7
ConocoPhillips	4.5
SPDR S&P U.S. Industrials Select Sector UCITS ETF	
General Electric	4.8
Caterpillar	4.3
Uber Technologies Inc.	4.0
Union Pacific Corporation	3.7
Honeywell International Inc.	3.7
SPDR S&P U.S. Utilities Select Sector UCITS ETF	
NextEra Energy Inc.	14.2
Southern Company	8.2
Duke Energy	7.4
Constellation Energy	6.4
Sempra	4.6

Source: MSCI, S&P and State Street Global Advisors, as of 3 July 2024. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. Weights are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

Top 5 Holdings of Sectors (cont'd)

Name	Fund Weight (%)
SPDR MSCI Europe Energy UCITS ETF	
Shell	33.7
TotalEnergies	18.9
BP	18.8
Eni	7.8
Equinor	6.1
SPDR MSCI Europe Industrials UCITS ETF	
Siemens	7.9
Schneider Electric	7.4
ABB	4.8
Airbus	4.8
RELX	4.7
SPDR MSCI Europe Utilities UCITS ETF	
Iberdrola	18.1
Enel	13.8
National Grid	12.7
E.ON	7.0
ENGIE	6.5

Source: MSCI, S&P and State Street Global Advisors, as of 3 July 2024. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. Weights are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

Sector Index Metrics

	Fundamental Growth Forecasts & Valuations									
	Est. 2yr EPS Growth (p.a.)*	3mth Change to 1yr EPS Growth Forecast (%)	Forward Relative P/B**	Forward Relative P/E**	Relative CAPE	Relative CAPE (10yr Avg)	ROE (%)	Debt/ Equity (%)	Est 3-5 Years EPS Growth (%)	12mth Div. Yield (%)***
MSCI World Sector Indices										
MSCI World Index	9.9	-0.8	-	18.7	-	-	14.9	138	15.00	1.89
Comm. Services	17.9	-4.0	1.09	18.9	1.33	1.42	16.3	91	11.36	1.21
Consumer Disc.	8.9	-1.2	1.18	19.6	1.06	1.15	17.4	112	-6.05	1.32
Consumer Staples	5.2	1.4	1.31	18.3	0.82	1.07	20.9	105	5.00	2.91
Energy	-1.5	6.3	0.55	10.8	0.56	0.48	15.4	51	3.40	3.83
Financials	6.0	-2.4	0.49	12.6	0.63	0.63	11.8	253	8.50	3.00
Health Care	12.5	-0.3	1.36	19.1	1.10	1.22	16.0	80	10.11	1.81
Industrials	8.6	0.2	1.04	19.6	1.01	1.07	15.3	89	13.87	1.87
Materials	5.5	-6.3	0.65	16.2	1.89	1.42	11.4	49	-2.04	2.61
Real Estate	3.8	1.5	0.47	25.2	0.83	1.17	6.3	85	1.00	3.76
Technology	24.6	-2.4	2.94	30.3	0.83	1.17	25.1	54	-14.24	0.68
Utilities	4.6	-1.1	0.53	14.3	0.82	0.92	11.3	143	7.47	3.98
US S&P Select Sector Indices										
S&P 500 Index	13.1	-1.9	-	21.2	-	-	18.5	119	16.30	1.39
Comm. Services	23.7	-6.1	0.61	17.1	1.03	1.32	12.5	111	7.89	1.25
Consumer Disc.	11.0	-6.4	1.70	22.0	1.27	1.31	32.4	214	14.42	0.98
Consumer Staples	5.5	0.2	1.20	19.6	0.67	0.86	25.5	116	8.44	2.68
Energy	3.2	7.5	0.47	11.9	0.57	0.51	16.5	43	7.39	3.24
Financials	6.9	-3.7	0.44	15.2	0.65	0.66	12.2	173	8.67	1.72
Health Care	14.0	-0.5	1.05	19.0	0.82	1.03	17.4	90	11.21	1.72
Industrials	10.9	-2.7	1.22	20.5	0.87	0.94	24.1	132	12.29	1.57
Materials	6.9	-4.0	0.63	19.6	1.43	1.07	12.7	61	5.84	1.88
Real Estate	6.1	4.3	0.33	34.4	0.73	0.93	8.0	106	4.23	3.64
Technology	21.7	-3.0	1.93	29.3	1.20	1.67	23.7	63	-5.57	0.75
Utilities	9.1	1.1	0.43	16.2	0.74	0.97	11.3	159	7.09	3.35
MSCI Europe Sector Indices										
MSCI Europe Index	5.2	1.3	-	13.7	-	-	13.0	176	15.34	3.39
Comm. Services	10.2	7.5	0.72	13.5	0.66	0.79	9.0	121	-9.94	4.36
Consumer Disc.	4.1	-0.4	0.92	12.6	0.91	1.25	13.4	85	29.72	2.87
Consumer Staples	6.1	2.3	1.49	15.4	0.81	1.21	17.2	95	-3.56	3.48
Energy	-7.3	-5.7	0.72	9.2	0.67	0.58	15.3	51	4.76	4.39
Financials	3.8	2.1	0.55	9.2	0.78	0.69	11.5	355	13.69	5.47
Health Care	9.6	3.0	2.01	18.4	1.27	1.24	16.2	65	7.87	2.22
Industrials	11.5	4.1	1.69	18.7	1.47	1.44	16.2	93	17.63	2.37
Materials	10.2	1.9	0.88	15.0	3.24	3.36	10.1	48	-0.86	3.30
Real Estate	1.1	-0.7	0.33	12.6	0.84	1.03	4.6	84	0.05	5.18
Technology	11.5	-4.1	2.83	29.8	1.55	2.05	14.4	31	9.24	1.06
Utilities	3.4	2.2	0.73	11.8	0.78	0.80	12.0	129	6.98	5.41

Source: State Street Global Advisors, FactSet, Bloomberg Finance L.P., Morningstar, as of 28 June 2024. Past performance is not a reliable indicator of future performance. The above estimates based on certain assumptions and analysis made. There is no guarantee that the estimates will be achieved.

* Calculated as a 2-year average of consensus forecasts for adjusted EPS using BEst (Bloomberg Estimates).

** Forward estimates refer to 12 months.

*** This measures the weighted average of gross dividend yield of the relevant index and the underlying stocks from the relevant ETF.

Sector Index Metrics (cont'd)

	Macro Sensitivities****			Risk Metrics*****		
	US 10yr Yield Sensitivity (36 Months)	Brent Crude Oil Price Sensitivity (36 Months)	Inflation (5yr-5yr Forward) Sensitivity (36 Months)	Beta (36 Months)	Volatility (36 Months) (%)	Correlation (36 Months)
MSCI World Sector Indices						
MSCI World Index	-0.10	0.02	0.30	1.00	17.23	-
Comm. Services	-0.13	-0.02	0.12	0.99	20.24	0.87
Consumer Disc.	-0.13	-0.07	0.24	1.16	22.78	0.91
Consumer Staples	-0.06	0.03	0.27	0.57	13.12	0.77
Energy	-0.01	0.58	0.68	0.56	24.76	0.40
Financials	-0.09	0.16	0.29	0.94	19.17	0.87
Health Care	-0.07	0.06	0.23	0.68	14.27	0.84
Industrials	-0.11	0.02	0.39	1.06	19.44	0.96
Materials	-0.11	0.07	0.29	1.05	21.54	0.86
Real Estate	-0.12	-0.01	0.20	1.03	20.31	0.90
Technology	-0.15	-0.13	0.36	1.25	24.29	0.91
Utilities	-0.08	0.02	0.25	0.74	17.04	0.77
US S&P Select Sector Indices						
S&P 500 Index	-0.10	0.02	0.33	1.00	17.85	-
Commun. Services	-0.13	-0.02	0.12	0.99	21.40	0.85
Consumer Disc.	-0.13	-0.09	0.26	1.19	25.34	0.87
Consumer Staples	-0.05	0.06	0.34	0.52	13.84	0.69
Energy	-0.01	0.67	0.81	0.58	28.85	0.37
Financials	-0.08	0.16	0.36	0.90	19.97	0.83
Health Care	-0.06	0.09	0.24	0.65	14.91	0.80
Industrials	-0.09	0.07	0.47	0.99	19.85	0.92
Materials	-0.09	0.06	0.41	1.04	21.83	0.87
Real Estate	-0.13	-0.05	0.23	1.06	22.29	0.87
Technology	-0.15	-0.13	0.38	1.19	23.58	0.93
Utilities	-0.07	0.03	0.25	0.66	18.05	0.67
MSCI Europe Sector Indices						
MSCI Europe Index	-0.11	0.04	0.28	1.00	18.12	-
Comm. Services	-0.09	0.09	0.25	0.76	17.06	0.83
Consumer Disc.	-0.16	-0.05	0.22	1.23	24.97	0.92
Consumer Staples	-0.09	-0.02	0.18	0.70	15.05	0.87
Energy	0.00	0.44	0.46	0.53	21.91	0.45
Financials	-0.09	0.14	0.21	1.03	21.57	0.89
Health Care	-0.08	0.07	0.23	0.71	15.68	0.84
Industrials	-0.14	-0.02	0.42	1.21	23.57	0.96
Materials	-0.12	0.06	0.29	1.09	21.93	0.92
Real Estate	-0.17	0.10	0.55	1.40	30.05	0.87
Technology	-0.19	-0.15	0.35	1.27	28.80	0.82
Utilities	-0.12	-0.01	0.32	1.00	20.95	0.89

Source: State Street Global Advisors, FactSet, Bloomberg Finance L.P., Morningstar, as of 28 June 2024. Past performance is not a reliable indicator of future performance.

**** Sensitivity is beta to the macro variable, e.g. 10-year Treasury yield, Brent oil, and US 5yr-5yr forward as shown here.

***** Beta and volatility are based on index returns. Correlation is the 36-month correlation to the parent index.

SPDR Sector ETFs

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A leader in sector ETFs with more than \$300bn globally.¹ Track record of managing sector ETFs since 1998

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Cost-Efficient*

World UCITS Sector ETFs: **0.30%**
US UCITS Sector ETFs: **0.15%**
Europe UCITS Sector ETFs: **0.18%**

SPDR ETF Information	ISIN	TER (%)	Euro-next	LSE	Xetra	Borsa Italiana	SIX	Mexico BMV	3 Month Fund Flow (\$mn)	FY 2023 Net Flows (\$mn)	AUM (\$mn)
World Sector Funds											
SPDR MSCI World Communication Services UCITS ETF	IE00BYTRRG40	0.30	WTEL	WTEL	–	–	WTEL	WTELN	3	10	57
SPDR MSCI World Consumer Discretionary UCITS ETF	IE00BYTRR640	0.30	WCOD	WCOD	–	–	WCOD	CDISN	-3	-3	52
SPDR MSCI World Consumer Staples UCITS ETF	IE00BYTRR756	0.30	WCOS	WCOS	–	–	WCOS	–	2	8	94
SPDR MSCI World Energy UCITS ETF	IE00BYTRR863	0.30	WNRG	WNRG	–	WNRG	WNRG	WNRGN	11	64	574
SPDR MSCI World Financials UCITS ETF	IE00BYTRR970	0.30	WFIN	WFIN	–	WFIN	WFIN	WFINN	9	34	294
SPDR MSCI World Health Care UCITS ETF	IE00BYTRRB94	0.30	WHEA	WHEA	–	WHEA	WHEA	–	-11	20	589
SPDR MSCI World Industrials UCITS ETF	IE00BYTRRC02	0.30	WIND	WIND	–	–	WIND	–	40	104	140
SPDR MSCI World Materials UCITS ETF	IE00BYTRRF33	0.30	WMAT	WMAT	–	–	WMAT	WMATN	-4	-28	108
SPDR Dow Jones Global Real Estate UCITS ETF	IE00B8GF1M35	0.40	–	GLRE	SPYJ	GLRE	GBRE	–	4	19	237
SPDR MSCI World Technology UCITS ETF	IE00BYTRRD19	0.30	WTCH	WTEC	–	WTEC	WTEC	WTECN	26	29	636
SPDR MSCI World Utilities UCITS ETF	IE00BYTRRH56	0.30	WUTI	WUTI	–	–	WUTI	–	5	5	20
US Sector Funds											
SPDR S&P U.S. Communication Services Select Sector UCITS ETF	IE00BFWFX50	0.15	SXLC	SXLC	ZPKD	SXLC	SXLC	SXLCN	5	-7	169
SPDR S&P U.S. Consumer Discretionary Select Sector UCITS ETF	IE00BWBXM278	0.15	SXLY	SXLY	ZPDD	SXLY	SXLY	SXLYN	3	2	115
SPDR S&P U.S. Consumer Staples Select Sector UCITS ETF	IE00BWBXM385	0.15	SXLP	SXLP	ZPDS	SXLP	SXLP	SXLPN	14	-107	203
SPDR S&P U.S. Energy Select Sector UCITS ETF	IE00BWBXM492	0.15	SXLE	SXLE	ZPDE	SXLE	SXLE	SXLEN	204	291	783
SPDR S&P U.S. Financials Select Sector UCITS ETF	IE00BWBXM500	0.15	SXLF	SXLF	ZPDF	SXLF	SXLF	SXLFN	29	5	362
SPDR S&P U.S. Health Care Select Sector UCITS ETF	IE00BWBXM617	0.15	SXLV	SXLV	ZPDH	SXLV	SXLV	SXLVN	-15	-52	401
SPDR S&P U.S. Industrials Select Sector UCITS ETF	IE00BWBXM724	0.15	SXLI	SXLI	ZPDI	SXLI	SXLI	SXLIN	34	27	241
SPDR S&P U.S. Materials Select Sector UCITS ETF	IE00BWBXM831	0.15	SXLB	SXLB	ZPDM	SXLB	SXLB	SXLBN	0	-6	38
SPDR S&P U.S. Technology Select Sector UCITS ETF	IE00BWBXM948	0.15	SXLK	SXLK	ZPDT	SXLK	SXLK	SXLKN	41	212	1,093
SPDR S&P U.S. Utilities Select Sector UCITS ETF	IE00BWBXMB69	0.15	SXLU	SXLU	ZPDU	SXLU	SXLU	SXLUN	23	25	32
Europe Sector Funds											
SPDR MSCI Europe Communication Services UCITS ETF	IE00BKWQ0N82	0.18	STT	TELE	SPYT	STTX	STTX	TELEN	46	-31	25
SPDR MSCI Europe Consumer Discretionary UCITS ETF	IE00BKWQ0C77	0.18	STR	CDIS	SPYR	STRX	STRX	–	-5	-46	137
SPDR MSCI Europe Consumer Staples UCITS ETF	IE00BKWQ0D84	0.18	STS	GSTP	SPYC	STSX	STSX	GSTPN	-23	-123	157
SPDR MSCI Europe Energy UCITS ETF	IE00BKWQ0F09	0.18	STN	ENGY	SPYN	STNX	STNX	ENGYN	105	-66	987
SPDR MSCI Europe Financials UCITS ETF	IE00BKWQ0G16	0.18	STZ	FNCL	SPYZ	STZX	STZX	FNCLN	-13	-68	338
SPDR MSCI Europe Health Care UCITS ETF	IE00BKWQ0H23	0.18	STW	HLTH	SPYH	STWX	STWX	HLTHN	-15	-55	660
SPDR MSCI Europe Industrials UCITS ETF	IE00BKWQ0J47	0.18	STQ	NDUS	SPYQ	STQX	STQX	NDUSN	29	6	314
SPDR MSCI Europe Materials UCITS ETF	IE00BKWQ0L68	0.18	STP	MTRL	SPYP	STPX	STPX	MTRLN	30	357	382
SPDR FTSE EPRA Europe ex UK Real Estate UCITS ETF	IE00BSJCQV56	0.30	–	EURE	ZPRP	EURE	EURE	–	3	47	95
SPDR MSCI Europe Technology UCITS ETF	IE00BKWQ0K51	0.18	STK	ITEC	SPYK	STKX	STKX	ITECN	-4	-12	81
SPDR MSCI Europe Utilities UCITS ETF	IE00BKWQ0P07	0.18	STU	UTIL	SPYU	STUX	STUX	UTILN	-67	-75	159

¹ Sources: Bloomberg Finance L.P., State Street Global Advisors, as of 28 June 2024. To view additional fund details, including full performance history, please click on the fund name.

* Frequent trading of ETFs could significantly increase commissions and other costs such that they may offset any savings from low fees or costs.

US Equities

Broadening of Economic Exceptionalism

The US retains its advantage over other developed economies, particularly Europe, across a number of dimensions. From economic growth through AI adoption to resilience against geopolitical risks, the prospects for US equities appear to be much brighter compared to Europe, compensating for the difference in valuation levels.

The strength and innovativeness of the US economy has translated into robust earnings. This was the main driver of the S&P 500 Index as it rallied 15% year to date and 4.2% in Q2, despite a setback in the inflation backdrop in the first quarter.⁵ Disinflation resumed and is likely to continue, driven by ongoing restrictive monetary policy, slower growth, a gently cooling labour market and fading price increases from shelter. We acknowledge that forward price-to-earnings of the S&P 500 at 21x⁶ is expensive, thus limiting the upside. But we also appreciate robust expected earnings growth of 11% in 2024 and 14% in 2025,⁷ as well as tailwinds stemming from AI adoption making the S&P 500 attractive relative to European and emerging markets large caps.

While the concentrated rally in the first half of the year was a disappointment, we continue to see room for a broadening of stock performance within the US, as recent CPI prints suggest that the Fed and the economy are on track to achieve a soft landing outcome. This may take the form of a partial catch up of the “forgotten 493” or small and mid caps, given their more direct exposure to the US economy.

In our view, US small caps and mid caps are suited for such an environment as these segments need a combination of lower yields (due to a relatively high proportion of floating rate debt) with economic expansion (given their domestic profile). Indeed, companies in the Russell 2000 Index and the S&P MidCap 400 Index generate more than 75% of their revenue within the US and it allows them to benefit from US exceptionalism in a more direct way. Small and mid Caps offer other features that large caps do not have, making them an appealing alternative. This includes undemanding valuation levels, more cyclical sector splits, and significantly lower concentration.

While the aforementioned characteristics are common for small and mid caps, there are also notable differences between the Russell 2000 and the S&P MidCap 400. The mid-cap index consists of more traditional companies with resilient earnings. The Russell 2000 is more volatile but, at the same time, may offer upside potential in a broadening market rally in our view. The key risk for small and mid caps in the current environment is the excessive hawkishness from the Fed.

EM Small Cap Equities

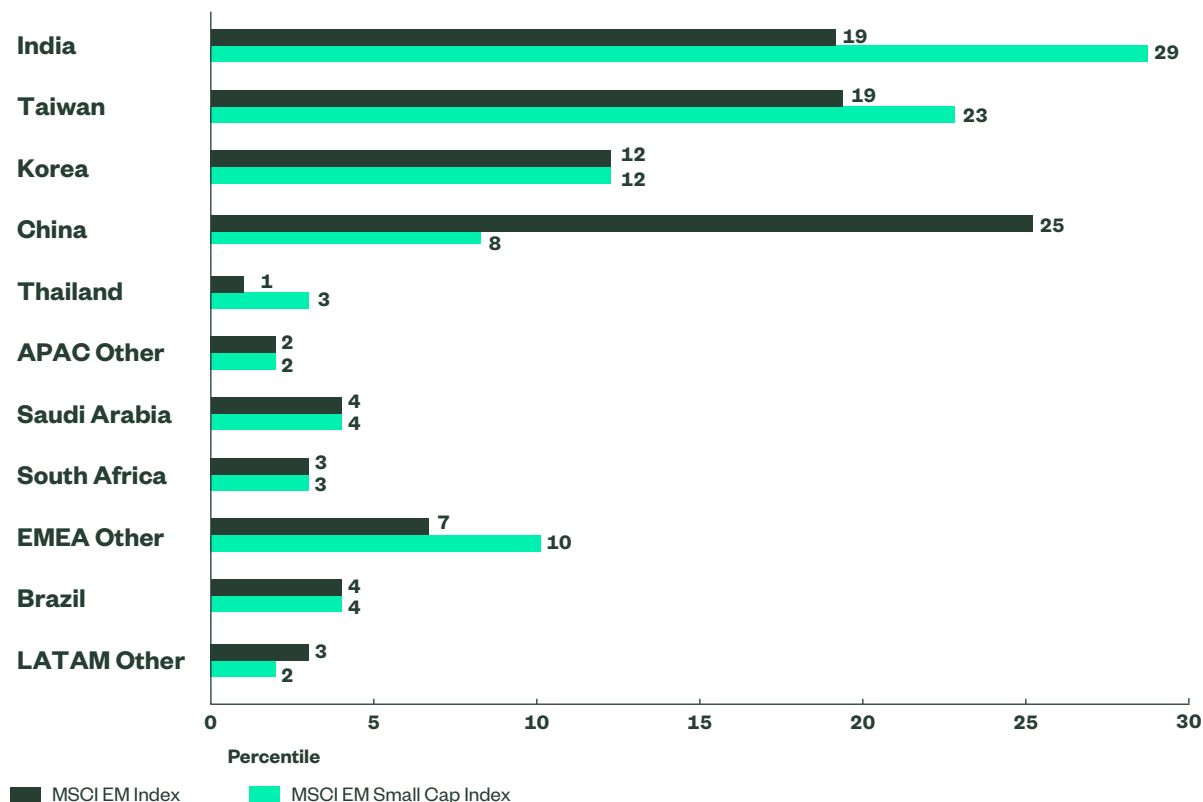
Embracing Opportunities, Avoiding Threats

Developing economies remain the growth engine of the world’s economy. Yet China, which represents 25% of the large cap index, faces multiple headwinds stemming from suboptimal economic growth, its geopolitical stance, uncertainty around China’s approach towards its own technology sector and risks in the property sector. As such, Chinese stocks disappointed over the past few years, rallies were typically short-lived, and entry points are extraordinarily difficult to time. The MSCI Emerging Market Small Caps Index offers a simple solution to that challenge, by being underweight China as it represents only 8% of the index.

Instead, EM small caps overweight India. It accounts for 29% of the index and is gradually taking the baton of the growth leader from China. While India’s economy is only 20%⁸ of China’s by GDP output, the forecasted real GDP growth of 7.0% in FY25 and 6.6% in FY26⁹ should allow India to continue to close that gap. India is enjoying positive momentum with inclusion in emerging market debt indices and resumption of political stability after initial election-related setbacks. In short, India appears to be the solution for investors who want to embrace growth in developing economies but worry about both known and unknown risks related to China. Beyond India, the MSCI EM Small Cap Index is overweight South Korea and Taiwan. Both are high quality emerging markets that remain indispensable parts of the semiconductor and broader electronic equipment supply chain.

The MSCI EM Small Cap Index has outperformed the MSCI Emerging Markets Index since late 2020 by a wide margin. Factors driving the difference in long-term returns include country mix, more local exposure, a lower amount of state-owned companies are structural and therefore likely to continue. Despite the difference in performance, valuations are not stretched with the MSCI EM Small Cap Index forward P/E at 13.9x against a forward P/E of 12.2 for the MSCI EM Index.¹⁰ In our view, the numerous tailwinds supporting EM small caps more than justify that difference.

Country Breakdown



Source: Bloomberg Finance L.P., State Street Global Advisors, as of 28 June 2024.

Japan Equities

Strategic and Tactical Opportunities

The MSCI Japan Index rallied 12% year to date in local terms, but performance was more mixed in Q2. As the yen weakened to approximately 160,¹¹ global PMIs improved and valuations do not appear to be stretched, creating an appealing tactical entry point. There are also longer-term structural tailwinds in play.

Japan has not seen an inflation spike of the magnitude observed nearly everywhere else. That has allowed the Bank of Japan (BoJ) to remain dovish, creating a rate difference which has led to the depreciation of the yen. Subsequently, equities rallied sharply in local terms though returns were partly diluted for foreign investors. Interestingly, over the second quarter the yen weakened to 160 and the encouraging inflation outlook in the US may no longer justify that level as the yield difference between the US and Japan is not as pronounced. This provides an interesting entry point for international investors to get exposure to MSCI Japan, especially on an unhedged basis.

Some yen strengthening — driven by the BoJ intervention, an exit from negative interest rate policy, or simply FX returning towards fair value — is plausible. However, even if there is some appreciation, the yen will most probably remain weak compared to levels seen before the end of 2021. Weak currency remains a key tailwind as companies within the MSCI Japan Index generate 55% of their revenue outside the country.¹² This includes exporters that benefit in a most direct way, but also companies that operate more globally which then translate earnings into a weaker yen.

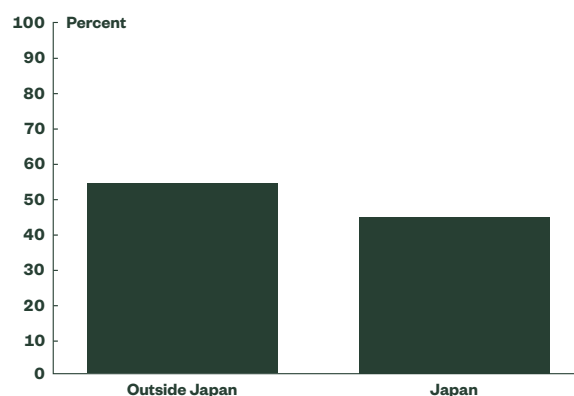
Currency weakness drove performance over the past two years. But there are factors which now may support domestic revenue of Japanese companies. “Shunto” negotiations delivered strong wage growth which is likely to support domestic consumption in the longer term. The Tokyo Stock Exchange governance reform, while a multi-year tailwind, is already yielding significant results with 84% of the index trading above book value at the end of Q2 2024 versus 65% on 30 March 2023.

USD JPY FX Rate



Source: Bloomberg Finance L.P., as of 28 June 2024.

Revenue Breakdown



Source: FactSet, as of 28 June 2024.

SPDR Broad Equity ETFs

Fund Name	Ticker	ISIN	Inception Date	Index	TER (%)	AUM (\$Mn)
Global						
▲ SPDR® MSCI ACWI UCITS ETF	ACWD	IE00B44Z5B48	05/13/2011	MSCI ACWI Net Total Return USD Index	0.40	2,893
● SPDR® MSCI ACWI EUR Hdg UCITS ETF (Acc)	SPP1	IE00BF1B7389	10/01/2019	MSCI ACWI with DM Hedged EUR Index	0.45	308
● SPDR® MSCI ACWI UCITS ETF USD Hdg Acc	SPP2	IE00BF1B7272	10/22/2020	MSCI ACWI with DM Hedged USD Index	0.45	56
■ SPDR® MSCI ACWI Climate Paris Aligned UCITS	SPF8	IE00BYTH5370	04/20/2022	MSCI World Climate Paris Aligned Net USD	0.20	5
▲ SPDR® MSCI ACWI IMI UCITS ETF	IMID	IE00B3YLYT66	05/13/2011	MSCI ACWI IMI Net Total Return USD Index	0.17	1,605
▲ SPDR® MSCI World UCITS ETF	SWRD	IE00BFYOGT14	03/01/2019	MSCI World Net Total Return USD Index	0.12	6,917
● SPDR® MSCI World EUR Hdg UCITS ETF (Acc)	SPFH	IE000BZ1HVL2	07/19/2023	MSCI World 100% Hedged to EUR Index	0.17	191
● SPDR® MSCI World GBP Hdg UCITS ETF (Dist)	SWLH	IE0005P0VJH8	07/19/2023	MSCI World 100% Hedged to GBP Index	0.17	37
■ SPDR® MSCI World Climate Paris Aligned UCITS ETF (Acc)	SPFW	IE00BYTH5594	03/07/2022	MSCI World Climate Paris Aligned Net USD	0.15	5
○ SPDR® MSCI World Small Cap UCITS ETF	WDSC	IE00BCBJG560	11/25/2013	MSCI World Small Cap Net Total Return USD Index	0.45	832
US						
▲ SPDR® S&P 500 UCITS ETF (Dist)	SPY5	IE00B6YX5C33	03/19/2012	S&P 500 Net Total Return Index	0.03	11,496
▲ SPDR® S&P 500 UCITS ETF (Acc)	SPYL	IE000XZSV718	10/31/2023	S&P 500 Net Total Return Index	0.03	3,483
● SPDR S&P 500 UCITS ETF EUR Acc H	SPPE	IE00BYW2V444	10/31/2018	S&P 500 EUR Dynamic Hedged Index NTR	0.05	602
○ SPDR® S&P 400 US Mid Cap UCITS ETF	SPY4	IE00B4YBJ215	01/30/2012	S&P 400 Net Total Return Index	0.30	1,936
○ SPDR® Russell 2000 US Small Cap UCITS ETF	R2US	IE00BJ380D84	06/30/2014	Russell 2000 Net 30% Return	0.30	2,769
■ SPDR® MSCI USA Climate Paris Aligned UCITS ETF (Acc)	SPF9	IE00BYTH5719	03/07/2022	MSCI USA Climate Paris Aligned Net USD	0.12	1
■ SPDR S&P 500 ESG Leaders UCITS ETF	500X	IE00BH4GP228	12/03/2019	S&P 500 ESG Leaders Index (USD) NTR	0.03	3,203
Europe						
▲ SPDR® MSCI Europe UCITS ETF	ERO	IE00BKW00Q14	12/05/2014	MSCI Europe Net Total Return EUR Index	0.25	275
■ SPDR® MSCI Europe Climate Paris Aligned UCITS ETF (Acc)	SPF5	IE00BYTH5487	03/07/2022	MSCI EUROPE CLIMATE PARIS ALIGNED Net EUR Index	0.15	1
▲ SPDR® MSCI EMU UCITS ETF	ZPRE	IE00B910VR50	01/25/2013	MSCI EMU Net Total Return EUR Index	0.18	261
○ SPDR® MSCI Europe Small Cap UCITS ETF	SMC	IE00BKWQ0M75	12/05/2014	MSCI Europe Small Cap Net Return EUR Index	0.30	203
■ SPDR® STOXX Europe 600 SRI UCITS ETF (Acc)	ZPDX	IE00BK5H8015	10/01/2019	STOXX Europe 600 SRI Net Return EUR	0.12	329
Emerging Markets						
▲ SPDR® MSCI Emerging Markets UCITS ETF	EMRD	IE00B469F816	05/13/2011	MSCI Emerging Net Total Return USD Index	0.18	603
▲ SPDR® MSCI EM Asia UCITS ETF	EMAD	IE00B466KX20	05/13/2011	MSCI Emerging Asia Net Total Return USD Index	0.55	883
■ SPDR® MSCI Emerging Markets Climate Paris Aligned UCITS ETF (Acc)	SPF7	IE00BYTH5263	07/19/2022	MSCI EM Climate Paris Aligned Net USD	0.23	4
○ SPDR® MSCI Emerging Markets Small Cap UCITS ETF	EMSD	IE00B48X4842	05/13/2011	MSCI EM Emerging Markets Small Cap USD Net	0.55	364
Single Country						
▲ SPDR® FTSE UK All Share UCITS ETF Acc	FTAL	IE00B7452L46	02/28/2012	FTSE UK Series FTSE All Share TR	0.20	500
▲ SPDR® FTSE UK All Share UCITS ETF GBP (Dist)	ZPRD	IE00BD5FCF91	04/26/2018	FTSE UK Series FTSE All Share TR	0.20	94
▲ SPDR® MSCI Japan UCITS ETF	JPJP	IE00BZOG8B96	11/30/2015	MSCI Japan Net Return JPY Index	0.12	608
● SPDR® MSCI Japan EUR Hdg UCITS ETF	ZPDW	IE00BZOG8C04	11/30/2015	MSCI Japan Hedged to EUR Net Index	0.17	39
■ SPDR® MSCI Japan Climate Paris Aligned UCITS ETF (Acc)	SPF6	IE00BQ0PV184	03/07/2022	MSCI JAPAN CLIMATE PARIS ALIGNED in JPY Net Index	0.12	4

Source: State Street Global Advisors, Bloomberg Finance L.P., as of 28 June 2024.

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Methodologies

SPDR Sectors in Focus Explained Looking out three months, we consider which sectors stand to potentially benefit from a combination of top-down and bottom-up factors. Macroeconomic indicators greatly inform our research, along with aggregated earnings and valuation metrics. We also consider investor flows and positioning. Most importantly, we reflect on the likely drivers of each sector over the forecast period.¹³

Unique Custody Data As part of State Street, we have access to information gleaned from our large global custody business. By aggregating \$43 trillion of financial assets, we can observe behavioural trends of this important investor constituent.¹⁴ This includes not only the direction of flows, but also the relative positioning of portfolios. These metrics are generated from regression analysis based on aggregated and anonymous flow data in order to better capture investor preference and to ensure the safeguarding of client confidentiality.

Investor Behaviour Indicators Explained Holdings measure investors' actual positions over and above the neutral positions embedded in their benchmarks. The figures are shown as percentiles and represent the investor holdings at month-end versus the last five years. This approach provides perspective on the size of holdings compared with their historical trends, whereas a single, dollar figure provides less context; 100% represents the largest holding in the last five years whilst 0% is the lowest holding.

Active Flows Indicates the value of net buying by large institutional investors (buys minus sells) expressed in terms of basis points of market capitalisation. These are flows in addition to the purchases or sales driven by shareholders allocating to the benchmark.

Top Chart Records the asset flow over the previous three months (60 trading days) versus the last five years.

Bottom Chart Shows trend of flows over previous three months (60 trading days).

Endnotes

- 1 Bloomberg Intelligence studies, as of 15 April 2024.
 - 2 Goldman Sachs, as of 14 May 2024.
 - 3 Bloomberg Intelligence, as of 22 May 2024.
 - 4 US Energy Information Administration, as of 31 October 2023.
 - 5 Bloomberg Finance, L.P., as of 28 June 2024.
 - 6 Bloomberg Finance, L.P., as of 28 June 2024.
 - 7 FactSet, as of 28 June 2024.
 - 8 World Bank, Bloomberg Finance, L.P., as of 31 December 2023.
 - 9 Bloomberg Finance, L.P., as of 28 June 2024.
 - 10 Bloomberg Finance, L.P., as of 28 June 2024.
 - 11 Bloomberg Finance, L.P., as of 28 June 2024.
 - 12 FactSet, as of 28 June 2024.
 - 13 Assumptions and analysis made by State Street Global Advisors. There is no guarantee that estimates will be achieved.
 - 14 Source: State Street, as of 31 March 2024.
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