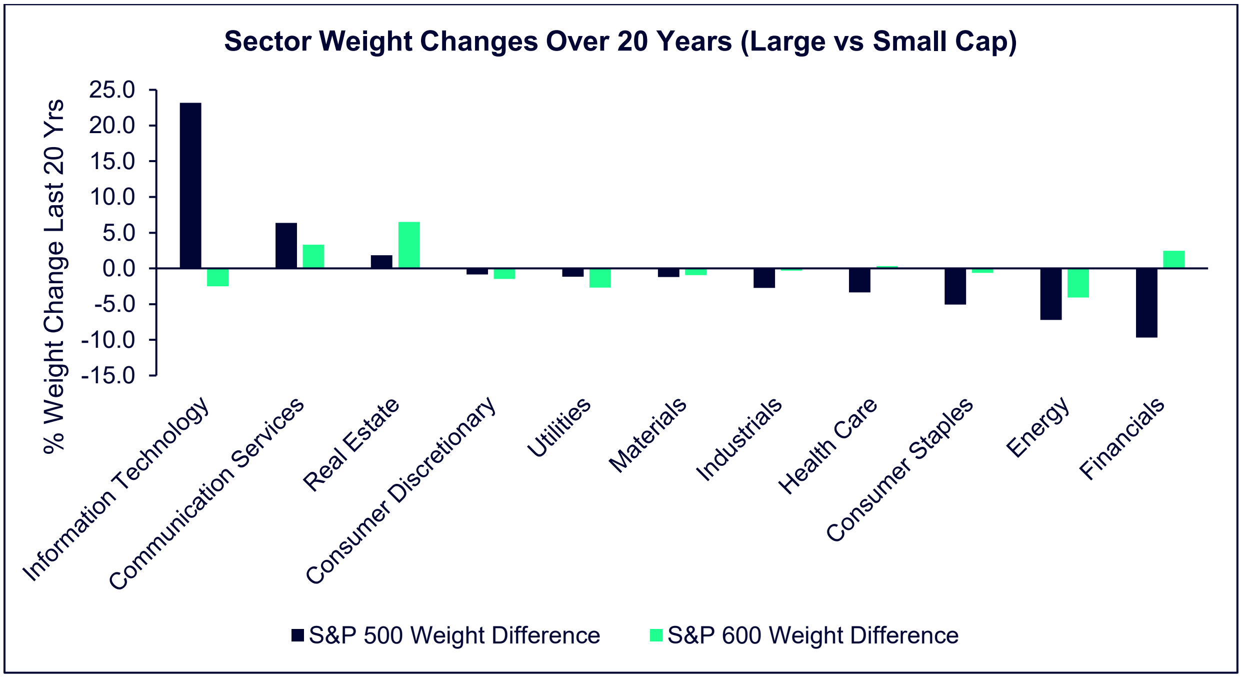
STATE STREET INVESTMENT MANAGEMENT

COMMENTARY
August 6, 2026

Mind on the Market

Chart of the Week



Source: S&P, FactSet, State Street Investment Management. Difference in sector weights from 6/30/2006 vs 6/30/2026 in USD.

Over the last 20 years, the sector composition of large-cap equities has changed dramatically, led by a substantial increase in Information Technology and a decline in several traditional sectors, including Financials, Energy, and Consumer Staples. Small-cap sector weights, by contrast, have remained relatively stable, with more modest shifts across industries. In an environment where concentration risk is increasingly being scrutinized, small caps may provide exposure to a more balanced and economically representative segment of the US market, potentially complementing the growing concentration found within large-cap indexes.

Contact

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Weekly Highlights

Private Equity Weight Within the Global Market Portfolio	**Private Credit** Weight Within the Global Market Portfolio	**Public Equity** Weight Within the Global Market Portfolio
5%	1%	45%
Source: Thomson Reuters, Bloomberg, Preqin, World Gold Council, J.P. Morgan, MSCI, State Street Investment Management, as of March 31, 2026. The Global Market Portfolio 2026 | State Street.	Source: Thomson Reuters, Bloomberg, Preqin, World Gold Council, J.P. Morgan, MSCI, State Street Investment Management, as of March 31, 2026. The Global Market Portfolio 2026 | State Street.	Source: Thomson Reuters, Bloomberg, Preqin, World Gold Council, J.P. Morgan, MSCI, State Street Investment Management, as of March 31, 2026. The Global Market Portfolio 2026 | State Street

Following the Exposure, Not the Asset Class

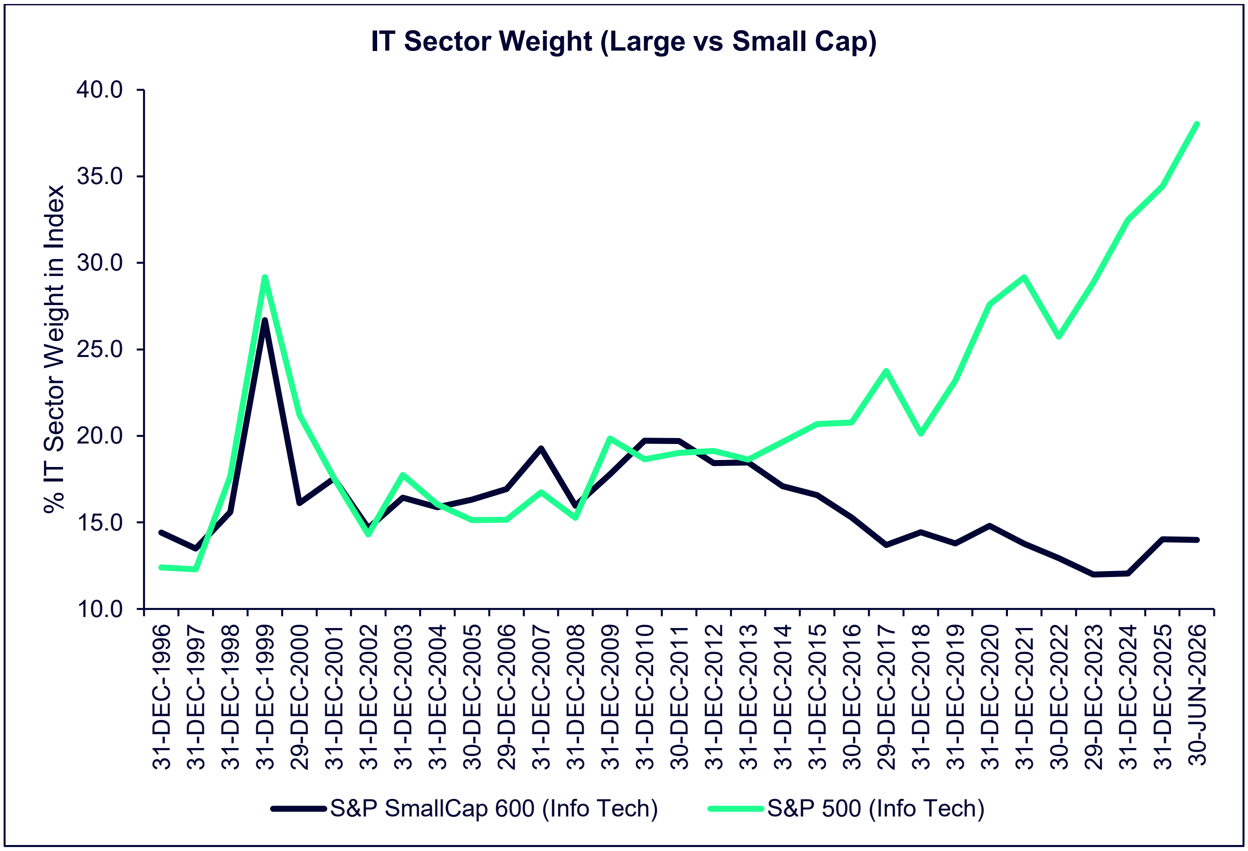
Recent IPO headlines suggest that innovation is returning to public markets. In reality, they may be highlighting a deeper structural change in how investors access innovation. Many of today's most valuable growth companies remain private longer, while others are acquired by large public companies before ever becoming meaningful index constituents. From a Total Portfolio Approach perspective, this raises a fundamental question: where does innovation exposure reside today?

For decades, investors could gain exposure to much of the corporate growth lifecycle through public markets. Young companies raised capital, completed an IPO, entered small-cap benchmarks, and, if successful, eventually graduated into mid-cap and large-cap indices. Small-cap investing provided access not only to economic growth, but also to future corporate leaders.

Today, however, that pathway continues to change. The growth of venture capital, private equity, and private credit has enabled companies to remain private for longer periods of time, allowing a larger share of value creation to occur before a company ever reaches a public index. Recent IPO activity is therefore less important for the individual companies involved than for what it reveals about the evolving relationship between public and private markets.

The effect is increasingly visible in public equity benchmarks. Technology now accounts for roughly one-third of the S&P 500, while representing a much smaller share within small cap indices, where financials, industrials, healthcare, and other domestically oriented businesses make up a larger portion of the index.

While innovation remains a defining characteristic of the economy, it is less prominent within the public small-cap universe than many investors might expect.



Source: S&P, FactSet. As of 6/30/2026 in USD.

Historically, investors often viewed small-cap equities as a source of emerging growth opportunities. Today, however, small-cap indices increasingly resemble a portfolio of domestic cyclical businesses rather than a collection of tomorrow's technology leaders. Small-cap stocks continue to play an important role within portfolios, but that role may have evolved.

The reason extends beyond companies remaining private for longer. Large technology firms have become some of the most important acquirers of innovation. Rather than progressing from startup to IPO to small-cap index constituent before eventually reaching large-cap status, many emerging businesses are acquired while still private or shortly after reaching scale.

As a result, investors may increasingly gain exposure to innovation through the large-cap companies that acquire, integrate, and commercialize new technologies. The economic benefits generated by intellectual property, engineering talent, software capabilities, and new business models are ultimately reflected in the earnings power of the acquiring firms.

If innovation has shifted locations, the implications extend beyond debates over public versus private markets. Traditional asset-allocation frameworks often focus on asset-class categories such as public equity, private equity, venture capital, small caps, or large caps. A Total Portfolio Approach instead focuses on the economic exposures embedded across the entire portfolio.

Some of the relevant questions become:

- How much innovation exposure do we own?
- How much cyclical economic exposure do we own?
- How much inflation-sensitive exposure do we own?
- What's the interest-rate sensitivity across the portfolio?
- How liquid is my portfolio?

Those exposures may now reside in multiple places simultaneously. Innovation exposure can come from venture capital, private equity, or public companies that fund, acquire, and scale new technologies. For investors seeking to diversify innovation exposure beyond concentrated large-cap equities, opportunities may also exist across private credit, infrastructure supporting the AI buildout, data-center real estate, commodity inputs required to expand computing capacity, and even segments of public credit markets. Likewise, cyclical exposure may come from public small-cap equities, private businesses, real assets, or credit markets. Understanding aggregate exposure is increasingly more important than focusing on where it sits.

The resurgence of IPO activity serves as a reminder that the traditional boundaries between public and private markets have become increasingly blurred. From a Total Portfolio perspective, the key asset-allocation challenge is not deciding between public and private markets. Rather, it is understanding the aggregate exposures embedded across the portfolio and ensuring that innovation, growth, and cyclical risk are represented in the desired proportions, regardless of where those exposures reside.

Source: FactSet, S&P, State Street Investment Management. Data as of 6/30/2026 unless otherwise stated. The performance data quoted represents past performance. Past performance does not guarantee future results. Investing involves risk, including the risk of loss of principal.

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* This figure is presented as of June 30, 2026 and includes ETF AUM of $2,203.98 billion USD of which approximately $156.81 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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Equity securities may fluctuate in value in response to the activities of individual companies and general market and economic conditions.

Companies with large market capitalizations go in and out of favor based on market and economic conditions. Larger companies tend to be less volatile than companies with smaller market capitalizations. In exchange for this potentially lower risk, the value of the security may not rise as much as companies with smaller market capitalizations.

Investments in small-sized companies may involve greater risks than in those of larger, better known companies.

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.

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.

Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise bond values and yields 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.

Increase in real interest rates can cause the price of inflation-protected debt securities to decrease. Interest payments on inflation-protected debt securities can be unpredictable.

There are risks associated with investing in Real Assets and the Real Assets sector, including real estate, precious metals and natural resources. Investments can be significantly affected by events relating to these industries.

Investing in foreign domiciled securities may involve risk of capital loss from unfavorable 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.

Generally, among asset classes, stocks are more volatile than bonds or short-term instruments. Government bonds and corporate bonds generally have more moderate short-term price fluctuations than stocks, but provide lower potential long-term returns. U.S. Treasury Bills maintain a stable value if held to maturity, but returns are generally only slightly above the inflation rate.

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