Overview
ETF Model Portfolios

Understanding Our Active ETF Model Portfolios

State Street Active Asset Allocation ETF Portfolios employ a disciplined process to identify and exploit opportunities in the markets using a framework based on quantitative and qualitative insight. The portfolios seek to outperform their benchmarks over an entire business cycle. Our dynamic approach continuously evolves in tandem with the markets.

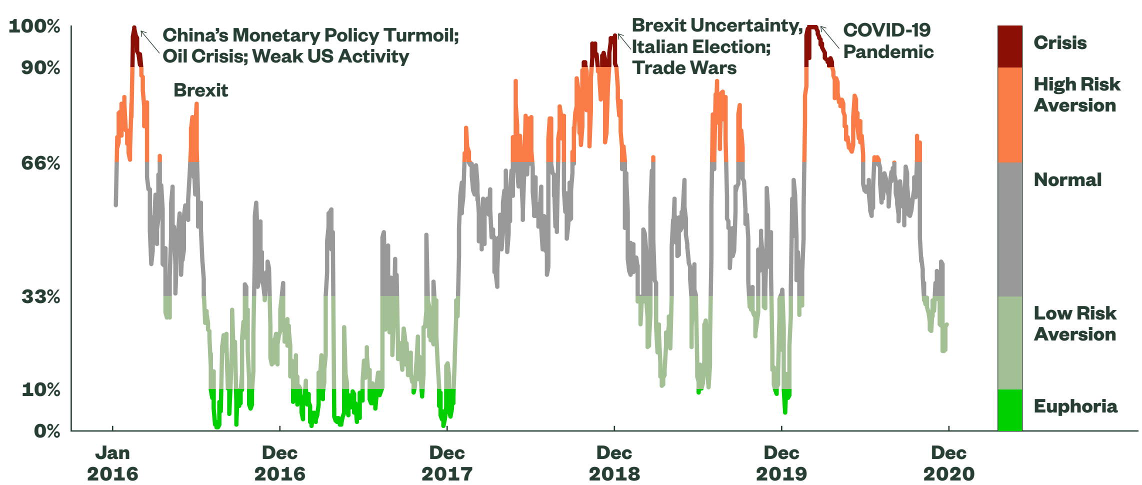
Multi-Dimensional Portfolio Management

The Investment Solutions Group (ISG), the team that manages the State Street Active Asset Allocation ETF Portfolios, is the same team that manages money for pensions, central banks, sovereign wealth funds, endowments, and other large institutions across the globe. ISG applies that rigorous qualitative and quantitative process to these actively managed portfolios and is organized to promote diversity of thought and cross-collaboration across specialized groups ranging from asset-class-specific teams to a Policy and Politics Team. These groups help provide ongoing risk evaluation, as they always have, over the 12-year track record of these models.

Evaluating Market Sentiment

We believe an important aspect of active management lies in the ability to understand the level of risk appetite in the markets. ISG's proprietary Market Regime Indicator (MRI) helps track risk appetite shifts by analyzing the equity, bond, and currency markets. The MRI classifies market sentiment into five different regimes ranging from crisis to euphoria. In turn, appropriate adjustments are then made to the volatility forecasts, which ultimately influence the asset allocation. The MRI has observed and captured many market events over the past 20 years. The past five years are shown below.

The Market Regime Indicator



Source: State Street Global Advisors Investment Solutions Group, as of December 31, 2020. The data in the model 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 Strength and Breadth of ISG's Quantitative Approach

Quantitative models have been a key component to ISG's investment process since the 1980s. Through rigorous research and development, the models have evolved to become a critical part of the portfolio management process. The quantitative models develop insights across multiple facets of each asset class. Using over 1,200 unique data inputs, in conjunction with the MRI mentioned above, the team forecasts returns and potential volatility for 125+ different asset classes, such as emerging market small cap stocks and US mortgage-backed securities. An optimizer then produces allocations that achieve different levels of risk.

Augmenting with the Qualitative

Although ISG uses a quantitative approach, they recognize the benefit of qualitative insight. The team considers other factors, such as geopolitical events, significant market disruptions, monetary/fiscal policy in conjunction with research from economists and the independent research firms employed to form a truly holistic perspective. This comprehensive view is leveraged at every point in the process to ensure the portfolios benefit from the combination of the disciplined nature of quantitative forecasts overlaid with the market awareness generated by extensive qualitative review. This approach aims to deliver the optimal outcome based on each portfolio's risk tolerance and goals.

Investment Solutions Group by the Numbers

- **#1** sovereign wealth fund asset manager and government retirement plan provider[1]
- Team established in **1982**
- **45+** portfolio managers, strategists and analysts, across **8** investment centers worldwide
- **$208 billion** in assets under management and advisory/consulting[2]

Endnotes

1 P&I Research Center as of December 31, 2019 (2020 data to release June 2021).

2 As of September 30, 2020. Assets Under Advisory/Consulting of $24.87B includes mandates for which the firm provides advisory or consulting services supporting an investment management process that does not include the responsibility to arrange or effect the purchase or sale of securities and/or funds. AUA is based on estimates. In 2015, ISG revised the AUM and AUAC calculation methodology and account categorization process. All figures in USD.

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