

# Indexing

## Choosing the Right Manager Matters

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How can investors confidently achieve all the low-cost benefits of index funds that they expect?

Choose a partner with broad experience managing all the components that contribute to performance and tracking error—from low expense ratios, to managing index changes, through to optimizing the impact of trading costs.

State Street is committed to meeting expectations when investors are looking to replicate index returns. As an indexing pioneer, creator of the first US-listed ETF and early leader in smart beta, we were among the first to offer institutional investors access to the low-cost and long-term benefits of index funds. We have been building and managing some of the world's biggest and most successful index funds since 1978.

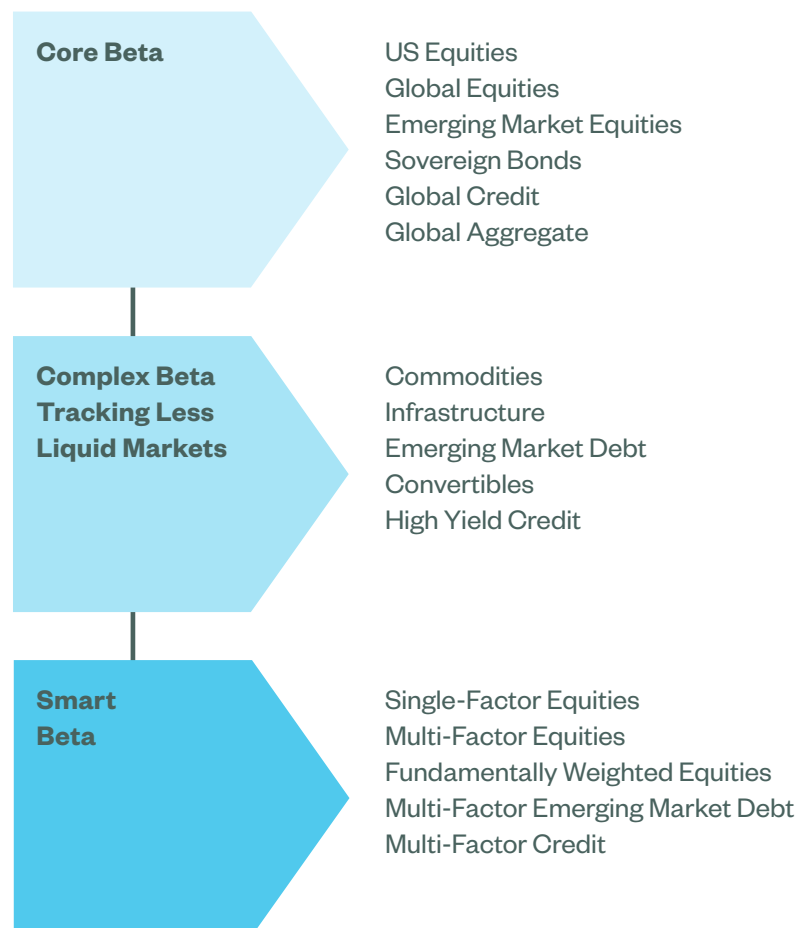
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## Scale and Range that Provide Choice

State Street has one of the broadest ranges of index strategies available—from traditional core beta offerings, to more complex beta that tracks less liquid markets, to sophisticated smart beta offerings. Today we manage nearly \$2 trillion in equity and fixed income index assets.

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## Indexes that Allow Investors to Target Exactly the Exposure They Need:



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## Close Attention to What Matters

We pay close attention to thousands of details that can impact a fund's total performance. Our rigorous approach and our proprietary portfolio management systems enable us to accurately replicate index returns, execute lower-cost trades, manage cash flow, and quickly respond to changes in index compositions—all while carefully managing risk. We deliver performance through:

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### Expertise & Accountability

100+

investment professionals dedicated to our indexing strategies

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Each fund has a lead Portfolio Manager who is the primary decision-maker and accountable for results

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### Portfolio Construction

Often we use replication to achieve precise benchmark performance, but sometimes that is neither feasible nor is it the most cost-effective solution. Some indexes, such as those with a broad number of securities or those with liquidity constraints, require a different approach. Our team has many years of experience dealing with these challenges and will use portfolio construction strategies to build the most representative sample of the index based on correlations, exposures and risks.

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### Trading and Implementation

With trading desks in Boston, London and Hong Kong, our internal crossing network and other capabilities give us the ability to minimize trading costs. This approach saved \$85 million for a single fund over three years.

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Our detailed preparation allows us to respond to changes across hundreds of indexes, whether during scheduled rebalances or when a corporate event triggers an index composition change. Given our sizable assets, managed against a wide array of benchmarks and benchmark families, we helped save our clients an estimated \$34 million over a three-year period by crossing stocks that were migrating between the various US indexes alone.

Source: State Street Global Advisors, as of September 2017. Availability of internal crossing at State Street Global Advisors may be affected by your asset class, vehicle type, jurisdiction, or other factors.

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### Asset Stewardship

We actively encourage companies in our portfolio to respond to long-term risks.

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As an index investment provider, we take an active role in the success of portfolio companies. Every year, we engage with hundreds of companies on a range of important issues, including board composition and leadership, climate change and water management, supply chain management and pay strategies. When necessary, we take action through our vote to effect change.

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**Precise Tracking  
of Benchmark  
Performance  
Across a Broad  
Range of  
Investment  
Exposures**

With a broad offering and index AUM that has reliably stayed within its defined tracking error, our clients have confidence that we will deliver the precise performance they expect.

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**Trusted Provider  
of Index Solutions**

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**\$1.5+**

trillion equity index AUM

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**\$330+**

billion fixed income  
index AUM

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**\$200**

billion in ESG

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**\$120+**

billion in smart beta

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**\$600+**

billion in ETFs

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**2800+**

institutional clients

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**900+**

indexes tracked

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**25+**

providers of indexes tracked

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**\$2.3**

trillion traded in 2016

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## About State Street

Our clients are the world's governments, institutions and financial advisors. To help them achieve their financial goals we live our guiding principles each and every day:

Start with rigor  
Build from breadth  
Invest as stewards  
Invent the future

For four decades, these principles have helped us be the quiet power in a tumultuous investing world.

Helping millions of people secure their financial futures.

This takes each of our employees in 27 offices around the world, and a firm-wide conviction that we can always do it better. As a result, we are the world's third-largest asset manager with nearly \$2.8 trillion\* under our care.

\*AUM reflects approx. US\$34.92 billion (as of December 31, 2017) with respect to which State Street Global Advisors Funds Distributors LLC serves as marketing agent; SSGA FD LLC and State Street Global Advisors are affiliated.

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### Important Risk Information

Investing involves risk including the risk of loss of principal.

Passively managed funds invest by sampling the index, holding a range of securities that, in the aggregate, approximate the full index in terms of key risk factors and other characteristics. This may cause the fund to experience tracking errors relative to performance of the index.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETF's net asset value.

Brokerage commissions and ETF expenses will reduce returns.

The information provided does not constitute investment advice and it should not be relied on as such.

All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed.

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