
The Case for the Emerging Markets Equity Select Strategy

- Stock-picking ability is not enough to ensure long-term success in active emerging markets; risk management is critical.
- We focus on quality — the attributes of a company that are likely to lead to sustainable growth — including market position, competitive advantage, management talent and transparency.

Emerging Markets: Change and Growth

Emerging markets span countries and cultures that are, by definition, in transition — from subsistence living to discretionary spending; from agrarian to industrial to service economies; from rural to urban populations.

These changes can sometimes be disruptive. Governments may fall. People may be forced to migrate to continue to support themselves. Economic development and technological leaps can change longstanding ways of life. That very change, however, can also lead to enormous potential for growth — and we believe that growth opportunity is what emerging market (EM) investing is about.

At State Street Global Advisors, our Fundamental Growth and Core Emerging Markets Equity team seeks to identify where transitions are occurring and how to invest to benefit from those transitions. It isn't easy. Inevitably, there are winners and losers. In our efforts to uncover the winners, we do deep fundamental research — from both the bottom-up and the top-down. In addition to company specifics, we're always mindful of the macro environment — studying economies, currencies and geopolitics — because it can be very important for EM companies. In an era of rapid trading and quantitative algorithms, we take a different approach. We invest like owners, not like traders. We get to know our companies very well, and we hold them for the long term.

Ultimately, our goal is to deliver long-term outperformance for our clients.

No Longer Beer, Banks and Cement

Historically, emerging market investment opportunities could be loosely grouped into three broad buckets — beer, banks and cement. This characterization is tongue-in-cheek, of course, but it was rooted in the observation that as developing economies begin to demonstrate sustainable growth, some of the first beneficiaries are companies that are closely tied to rising incomes (beer), credit growth (banks) and infrastructure (cement).

Emerging markets still reflect the opportunities of economic development amid rising wealth, improved living conditions and increased consumption, but emerging market investing now encompasses much more. An EM investment team still needs to understand the traditional emerging market investment opportunities, and it must also analyze a new breed of world-class global competitors arising from EMs. The analytical methods of the past are no longer enough to uncover emerging investment opportunities.

Understanding the full range of today's EM companies is critical to how we seek to generate alpha in our actively managed strategy. As the EM middle class expands and big EM players move onto the global stage, we are driven by our determination to capture the underlying trend improvements in technology, communication services, banking and consumer products, through stock-specific research.

The Search for Sustainable Growth

Across our Fundamental Growth and Core (FGC) platform, our in-depth proprietary research centers on identifying best-in-class companies positioned to benefit from long-term, **sustainable growth** trends. The market tends to focus on short-term returns. We believe that by looking beyond the horizon of the average investor and identifying companies around the globe that can deliver sustainable, compounding growth at a reasonable price, we will outperform the market.

To identify companies of this caliber, we focus on **quality**. For us, quality refers to those attributes of a company that are likely to lead to sustainable growth, including market position, competitive advantage, management talent and transparency. These attributes are qualitative and forward-looking; they can't easily be identified through backward-looking quantitative analysis.

We capture our analysts' qualitative insights about each stock in a systematic framework that we call Confidence Quotient, or CQ. CQ scores signal each analyst's increasing or decreasing conviction in their assessment of a company's sustainable earnings growth. CQs can't be easily replicated. They add a layer of discipline and rigor to our research that contributes to repeatability of results and, in our opinion, gives us an edge in the marketplace.

Evaluating Quality — Confidence Quotient. CQ is our proprietary indicator of a company's quality and consists of our analysts' assessment on a 1 to 10 scale of the following characteristics:

- 1 Market Position** Sustainable Competitive Advantage
- 2 Management** Conviction in Leadership
- 3 Financial Condition** Strength of the Financial Model
- 4 Transparency** Visibility of Business
- 5 Fundamental Momentum** Business Is Trending Positively

The assessment for each of these five areas is supported by a detailed scorecard of sub-measures, which are also ranked on the 1–10 scale. Included in the sub-measures are Environmental, Social and Governance (ESG) criteria, which are an important part of the CQ analysis.

Of course, as investors seeking growth at a reasonable price, we are sensitive to valuation. We believe that long-term compounding growth is worth paying a premium for, but we don't want to overpay. This valuation discipline helps provide downside protection if our thesis or conditions change.

Figure 1 **Pillars of Bottom-up Stock Selection**

Quality	Reasonable Valuation	Sustainable Growth
----------------	-----------------------------	---------------------------

Source: State Street Global Advisors.

Quality, Sustainable Growth, and Reasonable Valuation — these are our pillars of bottom-up stock selection. We do deep company analysis and seek to hold companies for the long term, allowing the power of compounding growth to work.

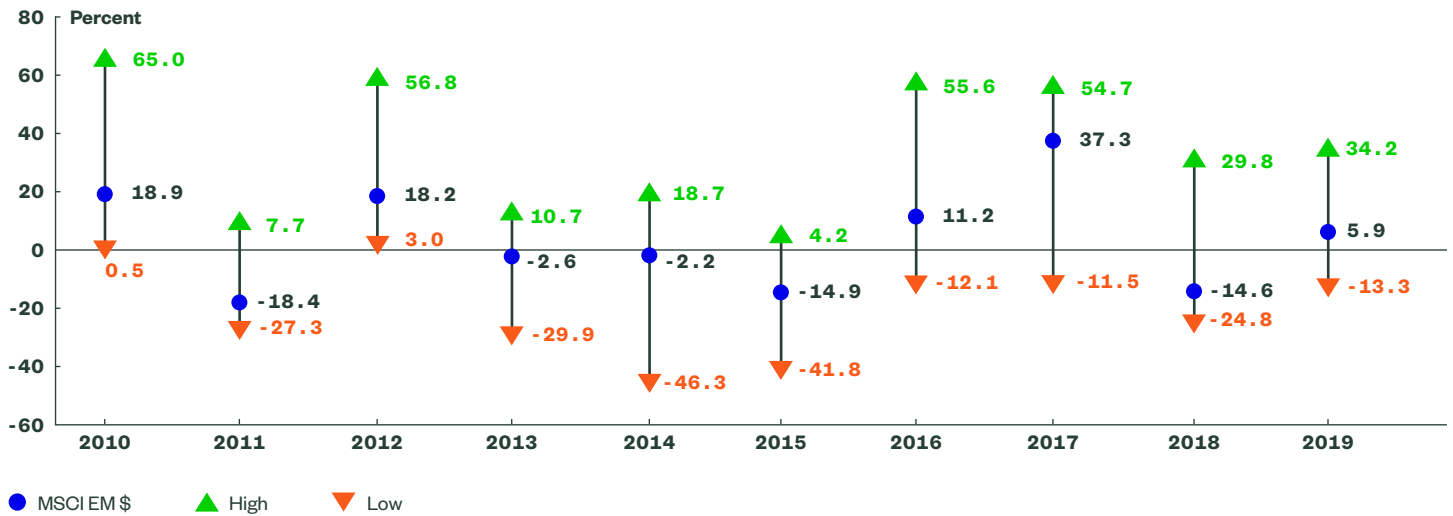
Why Macro Matters in EM

While picking great stocks is at the heart of all successful high-conviction strategies, stock-picking ability on its own is not enough to ensure long-term success in active emerging markets. Risk management is critical. We believe that investors should manage risk in a comprehensive manner, rather than relying solely on bottom-up analysis to drive diversification.

Macro and political factors across the EM universe are constantly in flux, impacting interest rates, economic growth, currency stability, asset values and capital flows. A stock selection approach incorporating macro views enables more complete risk assessment and enhances the conviction of an active fundamental EM strategy.

In Figure 2, the large variation in market performance across the EM universe illustrates the importance of a macro view. Economic and social development, as well as policy and institutional credibility, can often lead to a wide dispersion of economic growth and market returns.

Figure 2 **Range of EM Country Index Returns**
Calendar Years 2010–September 2019, in US Dollars



Source: MSCI, State Street Global Advisors. Past performance is not a guarantee of future results.

Emerging Markets Equity Select Strategy

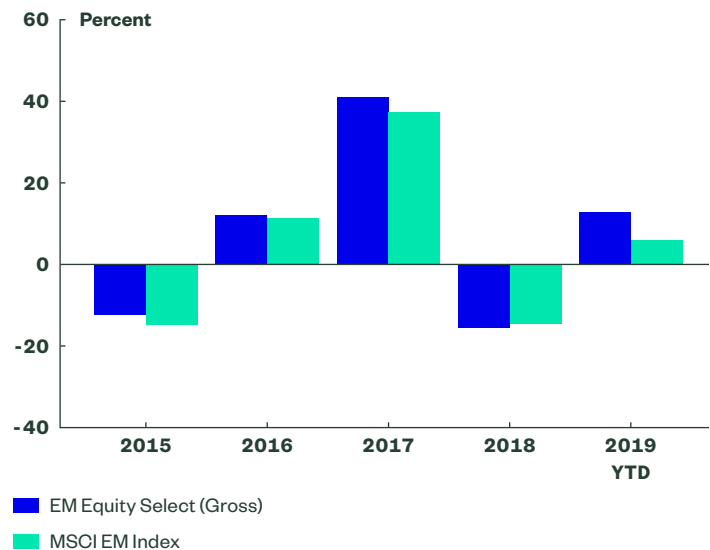
The Emerging Markets Equity Select strategy managed by State Street's Fundamental Growth and Core Equity team is the embodiment of this investment philosophy and approach. The strategy seeks to outperform the MSCI EM Index over the long term by taking a high-conviction active fundamental approach. A diverse team of dedicated EM portfolio managers and analysts are supported by the broader capabilities of the FGO team. Together they work to uncover the best investment ideas from across the emerging markets universe.

Emerging markets investing is an area where State Street Global Advisors' complementary skill-sets across fundamental and quantitative active equities, indexing and fixed income are particularly powerful.

State Street's Fundamental Growth and Core Equity team of over 30 investment professionals are responsible for a range of strategies valued at more than \$16 billion.⁴ Our global investment philosophy and process are founded on a philosophy refined over decades, leveraging investment and research resources located around the world.

Figure 3 Performance of Emerging Markets Equity Select Strategy

Period	EM Equity Select Net Return ¹ (%)	MSCI EM Index ² (%)	Return Difference (%)
Year To Date	12.48	5.89	6.59
1 Year	2.95	-2.03	4.98
3 Years	7.85	5.97	1.88
Inception To Date ³	5.18	3.45	1.73



Source: State Street Global Advisors as of September 30, 2019.

1 Returns greater than one year are annualized. Returns represent past performance and are not a guarantee of future results. Current performance may differ from the performance shown. Returns shown are asset-weighted using composite member market values, where the composite member's return calculations are time-weighted, reflect the reinvestment of dividends and other income. These performance figures (i) are provided net of actual trading, audit, custody, administrative and legal fees and expenses; (ii) beginning on 09/30/2014, adjusted quarterly to reflect the highest investment management fee on the actual fee schedule, inclusive of incentive fee, if any, of any account within the Composite ("Management Fee") at the relevant time; prior to 09/30/2014, adjusted for an assumed investment management fee, which is equal to or higher than the Management Fee (except in each case certain small accounts-subject to a minimum investment management fee — may have incurred an actual investment management fee higher than that fee assumed in calculating the performance shown above); and (iii) reflect all items of income, gain and loss (other than unrealized gain or loss on units of the securities lending pools held by any portfolio in the Composite). The performance shown is of a composite consisting of all discretionary accounts using this investment strategy. The above information is considered supplemental to the GIPS presentation for this Composite, which can be found in the Appendix or was previously presented. A GIPS presentation is also available upon request.

2 Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income and the reinvestment of dividends (net of withholding tax rates) and other income and are calculated in US dollars. It is not possible to invest directly in an index. The calculation method for value added returns may show rounding differences.

3 Inception date January 2015.

4 As of June 30 2019.

State Street Global Advisors: Invest with a Global Leader

State Street Global Advisors is a global leader in asset management. Sophisticated investors worldwide rely on State Street for their investment needs. For more than three decades, State Street Global Advisors has contributed experience, depth of resources, strength and dedication toward a singular aim to help our clients achieve their goals.

ssga.com

For Investment Professional Use Only.

Glossary

Alpha The excess return of a fund relative to the return of a benchmark index.

ESG Environmental, Social and Governance.

GARP Growth at a Reasonable Price.

MSCI Emerging Markets Index A stock market index of 1,128 emerging market stocks as defined by MSCI.

State Street Global Advisors Worldwide Entities

Abu Dhabi: State Street Global Advisors Limited, Middle East Branch, 42801, 28, Al Khatem Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, United Arab Emirates. T: +971 2 245 9000. **Australia:** State Street Global Advisors, Australia, Limited (ABN 42 003 914 225) is the holder of an Australian Financial Services Licence (AFSL Number 238276). Registered office: Level 17, 420 George Street, Sydney, NSW 2000, Australia. T: +612 9240 7600. F: +612 9240 7611. **Belgium:** State Street Global Advisors Belgium, Chaussée de La Hulpe 120, 1000 Brussels, Belgium. T: 32 2 663 2036. F: 32 2 672 2077. SSGA Belgium is a branch office of State Street Global Advisors Limited. State Street Global Advisors Limited is authorized and regulated by

the Financial Conduct Authority in the United Kingdom. **Canada:** State Street Global Advisors, Ltd., 1981 McGill College Avenue, Suite 500, Montreal, Qc, H3A 3A8, T: +514 282 2400 and 30 Adelaide Street East Suite 500, Toronto, Ontario M5C 3G6. T: +647 775 5900. **Dubai:** State Street Global Advisors Limited, DIFC Branch, Central Park Towers, Suite 15 -38 (15th floor), P.O Box 26838, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. Regulated by the Dubai Financial Services Authority (DFSA). T: +971 (0)4-4372800. **France:** State Street Global Advisors Ireland Limited, Paris branch is a branch of State Street Global Advisors Ireland Limited, registered in Ireland with company number 145221, authorized and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. State Street Global Advisors Ireland Limited, Paris

Branch, is registered in France with company number RCS Nanterre 832 734 602 and whose office is at Immeuble Défense Plaza, 23-25 rue Delarivière-Lefoullon, 92064 Paris La Défense Cedex, France. T: (+33) 1 44 45 40 00. F: (+33) 1 44 45 41 92. **Germany:** State Street Global Advisors GmbH, Brienner Strasse 59, D-80333 Munich. Authorized and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin"). Registered with the Register of Commerce Munich HRB 121381. T: +49 (0)89 55878 400. F: +49 (0)89 55878 440. **Hong Kong:** State Street Global Advisors Asia Limited, 68/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. T: +852 2103 0288. F: +852 2103 0200. **Ireland:** State Street Global Advisors Ireland Limited is regulated by the Central Bank of Ireland. Registered office address 78 Sir John Rogerson's Quay, Dublin 2.

About State Street Global Advisors

For four decades, State Street Global Advisors has served the world's governments, institutions and financial advisors. With a rigorous, risk-aware approach built on research, analysis and market-tested experience, we build from a breadth of active and index strategies to create cost-effective solutions. As stewards, we help portfolio companies see that what is fair for people and sustainable for the planet can deliver long-term performance. And, as pioneers in index, ETF, and ESG investing, we are always inventing new ways to invest. As a result, we have become the world's third-largest asset manager with US \$2.9 trillion* under our care.

* AUM reflects approximately \$36 billion (as of June 30, 2019), with respect to which State Street Global Advisors Funds Distributors, LLC (SSGA FD) serves as marketing agent; SSGA FD and State Street Global Advisors are affiliated

Registered number 145221. T: +353 (0)1 776 3000. F: +353 (0)1 776 3300. **Italy:** State Street Global Advisors Ireland Limited, Milan Branch (Sede Secondaria di Milano) is a branch of State Street Global Advisors Ireland Limited, registered in Ireland with company number 145221, authorized and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2. State Street Global Advisors Ireland Limited, Milan Branch (Sede Secondaria di Milano), is registered in Italy with company number 10495250960 - R.E.A. 2535585 and VAT number 10495250960 and whose office is at Via Ferrante Aporti, 10 - 20125 Milano, Italy. T: +39 02 32066 100. F: +39 02 32066 155. **Japan:** State Street Global Advisors (Japan) Co., Ltd., Toranomon Hills Mori Tower 25F 1-23-1 Toranomon, Minato-ku, Tokyo 105-6325 Japan. T: +81-3-4530-7380 Financial Instruments Business Operator, Kanto Local Financial Bureau (Kinsho #345), Membership: Japan Investment Advisers Association, The Investment Trust Association, Japan, Japan Securities Dealers' Association. **Netherlands:** State Street Global Advisors Netherlands, Apollo Building, 7th floor Herikerbergweg 29 1101 CN Amsterdam, Netherlands. T: 31 20 7181701. SSGA Netherlands is a branch office of State Street Global Advisors Limited. State Street Global Advisors Limited is authorized and regulated by the Financial Conduct Authority in the United Kingdom. **Singapore:** State Street Global Advisors Singapore Limited, 168, Robinson Road, #33-01 Capital Tower, Singapore 068912 (Company Reg. No: 200002719D, regulated by the Monetary Authority of Singapore). T: +65 6826 7555. F: +65 6826 7501. **Switzerland:** State Street Global Advisors AG, Beethovenstr. 19, CH-8027 Zurich. Authorized and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered with the Register of Commerce Zurich CHE-105.078.458. T: +41 (0)44 245 70 00. F: +41 (0)44 245 70 16. **United Kingdom:** State Street Global Advisors Limited. Authorized and regulated by the Financial Conduct Authority. Registered in England. Registered No. 2509928. VAT No. 577659181. Registered office: 20 Churchill Place, Canary Wharf, London, E14 5HJ. T: 020 3395 6000. F: 020 3395 6350. **United States:** State Street Global Advisors, One Iron Street, Boston MA 02210. T: +1 617 786 3000.

This communication is directed at professional clients (this includes eligible counterparties as defined by the Appropriate EU Regulator) who are deemed both knowledgeable and experienced in matters relating to investments. The products and services to which this communication relates are only available to such persons and persons of any other description (including retail clients) should not rely on this communication.

The information contained in this communication is not a research recommendation or 'investment research' and is classified as a 'Marketing Communication' in accordance with the Markets in Financial Instruments Directive (2014/65/EU) or applicable Swiss regulation. This means that this marketing communication (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research (b) is not subject to any prohibition on dealing ahead of the dissemination of investment research. Investing involves risk including the risk of loss of principal. The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor. All material has been obtained from sources believed to be reliable. There is no representation or warranty as to the accuracy of the information and State Street shall have no liability for decisions based on such information. Actively managed Strategy does not seek to replicate the performance of a specified index. The Strategy is actively managed and may underperform its benchmarks. An investment in the strategy is not appropriate for all investors and is not intended to be a complete investment program. Investing in the strategy involves risks, including the risk that investors may receive little or no return on the investment or that investors may lose part or even all of the investment.

Risk associated with equity investing include stock values which may fluctuate in response to the activities of individual companies and general market and economic conditions. The MSCI World Index is a trademark of MSCI Inc. Source: MSCI. The MSCI data is comprised of a custom index calculated by MSCI for, and as requested by, SSGA. The MSCI data is for internal use only and may not be redistributed or used in connection with creating or offering any securities, financial products or indices. Neither MSCI nor any other third party involved in or related to compiling, computing or creating the MSCI data (the "MSCI Parties") makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and the MSCI Parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to such data. Without limiting any of the foregoing, in no event shall any of the MSCI Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. 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. SSGA uses quantitative models in an effort to enhance returns and manage risk. While SSGA expects these models to perform as expected, deviation between the forecasts and the actual events can result in either no advantage or in results opposite to those desired by SSGA. In particular, these models may draw from unique historical data that may not predict future trades or market performance adequately. There can be no assurance that the models will behave as expected in all market conditions. In addition, computer programming used to create quantitative models, or the data on which such models operate, might contain one or more errors. Such errors might never be detected, or might be detected only after the Portfolio has sustained a loss (or reduced performance) related to such errors. Availability of third-party models could be reduced or eliminated in the future.

Currency Risk is a form of risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged. All information is from SSGA unless otherwise noted and has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such. The trademarks and service marks referenced herein are the property of their respective owners. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data and have no liability for damages of any kind relating to the use of such data. The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without SSGA's express written consent. Low volatility strategies can exhibit relative low volatility and excess returns compared to the Index over the long term; both portfolio investments and returns may differ from those of the Index. The strategy may not experience lower volatility or provide returns in excess of the Index and may provide lower returns in periods of a rapidly rising market. Active stock selection may lead to added risk in exchange for the potential outperformance relative to the Index.

This document provides summary information regarding the Strategy. This document should be read in conjunction with the Strategy's Disclosure Document, which is available from SSGA. The Strategy Disclosure Document contains important information about the Strategy, including a description of a number of risks.

© 2019 State Street Corporation. All Rights Reserved. ID78065-2775705.1.1.GBL.RTL 1019 Exp. Date: 10/31/2020

© 2019 State Street Corporation. All Rights Reserved. ID78065-2775705.1.1.GBL.RTL 1019 Exp. Date: 10/31/2020

© 2019 State Street Corporation. All Rights Reserved. ID78065-2775705.1.1.GBL.RTL 1019 Exp. Date: 10/31/2020

© 2019 State Street Corporation. All Rights Reserved. ID78065-2775705.1.1.GBL.RTL 1019 Exp. Date: 10/31/2020

© 2019 State Street Corporation. All Rights Reserved. ID78065-2775705.1.1.GBL.RTL 1019 Exp. Date: 10/31/2020

© 2019 State Street Corporation. All Rights Reserved. ID78065-2775705.1.1.GBL.RTL 1019 Exp. Date: 10/31/2020