

Monthly Cash Review

State Street GBP Liquidity LVNAV Fund

The Bank of England Monetary Policy Committee (MPC) left policy unchanged in August, but its policy statement was more hawkish than anticipated, prompting market rate hike expectations of 0.15% to move forward from August 2022 to May 2022. The fall in CPI inflation from 2.5% in June to 2.0% was a little bigger than expected and represented the first decline in four months.

Policy

The Bank of England (BoE) left monetary policy settings unaltered in August with the Bank Rate remaining at 0.10% and stock of quantitative easing (QE) purchases at £895 billion. The vote to hold the policy rate was unanimous, while the QE vote saw Michael Saunders dissent in voting to reduce the target by £45bn (to £830bn for gilts). The BoE provided details on its preferred policy sequencing: maturing proceeds from QE purchases will be reinvested once the Bank Rate reaches 0.5%, but no active selling of the QE stock would take place until the rate has risen to 1.0%.

Outlook

The BoE policy statement at the August meeting was more hawkish than most had anticipated and resulted in raised market expectations for a rate hike. This followed the bank outlining its preferred policy sequencing and also abandoning previous guidance that it wouldn't look to tighten policy until "there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably", and replacing it with "If the economy evolves broadly in line with the central projections in the August Monetary Policy Report, some modest tightening of monetary policy over the forecast period is likely to be necessary to be consistent with meeting the inflation target sustainably in the medium term." Although the market has now fully priced in a 15 basis point increase in May 2022 (previously priced for August 2022) to bring the bank rate up to 0.25%, many believe this to be premature with the bank only just beginning to signal a policy change and arguably more likely to sit tight until 2023.

Data

The latest data saw the composite purchasing managers' index (PMI) from IHS Markit fall from 59.2 in July to 55.2 in August, well below the consensus forecast of 58.7. This decline in composite activity was driven by falls in both the services PMI, from 59.6 to 55.5, and the manufacturing PMI, from 57.1 to 54.1. Reading above 50 are indicative of growing activity. Comments provided by survey respondents suggest that staff and materials shortages significantly weighed on overall activity. The 2.5% month-on-month (m/m) fall in retail sales volumes disappointed the consensus forecast for a 0.5% gain. The biggest contributor was a whopping 10.1% m/m decline in sales at "other" stores, due to the weakness in sales of second-hand goods and computer and telecoms equipment. The fall in CPI inflation from 2.5% in June to 2.0% was a little bigger than expected, with consensus forecasts of 2.3% and the Bank of England estimate of 2.1%, and was the first fall in four months. That drop was partly due to energy effects, with fuel price inflation declining from 20.3% to 17.7%. The core inflation rate measure (excluding energy, food, alcohol and tobacco) slipped too, from 2.3% to 1.8%. Job vacancies continued to surge in June, rising by 953,000, highlighting worsening staff shortages in many industries, and the 53,000 fall in ILO unemployment pushed the jobless rate down from 4.8% to 4.7%. The first quarter contraction in UK GDP of -1.6% was followed by a quarter-on-quarter expansion of 4.8% in the second quarter (Q2) of 2021 — this still leaves the economy 4.4% below its Q4 2019 pre-pandemic peak. The main driver of the 4.8% gain in Q2 was consumer spending, which jumped by 7.3% compared to the prior quarter.

Markets

GBP money market yields generally edged a little lower again in August, with overall market activity slower at the height of summer holiday season. Issuers were keen to finance into 2022 — however, out to six months we saw single-digit returns and low double digits out to nine months. The one-year part of the curve was the exception, with offers around 0.20% as the longer end of the curve accounted for a potential BoE rate rise. The GBP LIBOR curve was one basis point lower out to nine months from where it stood at the end of July. However, the 12-month fix was three basis points higher to close the month at 0.22%, just one basis point off the August high. UK Treasury Bill weekly auctions saw yields remain around 0.01% across the one, three and six-month tenors offered. Outside of money markets, the benchmark 10-year Gilt yield ended the month at 0.71%, six basis points higher than July month-end. Overnight Gilt repo averaged 0.03%/0.04% over the month, although there was some pressure at month-end, where the market traded as low as -0.25% and as high as 0.10%.

Fund

At the fund level, the weighted average maturity (WAM), maintained an average high 40-day and low 50-day during August. Very few investments were made in the favored three-to-six months maturity range, given the now higher cost of these investments. The preference was to hold back investments into shorter-dated or liquidity holdings, with the majority of investments kept within the one-month space, and the majority of these kept overnight to support liquidity holdings. Liquidity requirements were exceeded throughout and in excess of minimum requirements. Fund liquidity was covered with a combination of government and supranational holdings, gilt repo and bank deposits. The fund always maintains the highest credit quality.

Source: State Street Global Advisors/Bloomberg, August 31, 2021.

Past performance is not a guarantee of future results. Investing involves risk including the risk of loss of capital.

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 fourth-largest asset manager* with US \$3.90 trillion[†] under our care.

* Pensions & Investments Research Center, as of December 31, 2020.

[†] This figure is presented as of June 30, 2021 and includes approximately \$63.59 billion of 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 Global Advisors are affiliated.

ssga.com

Information Classification: General Access

Marketing communication.
For professional client use only.
Not for use with the public.

Belgium: State Street Global Advisors Belgium, Chaussée de La Hulpe 185, 1170 Brussels, Belgium. T: +32 2 663 2036. State Street Global Advisors Belgium is a branch office of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorized and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2.

Germany: State Street Global Advisors Europe Limited, Branch in Germany, Briener Strasse 59, D-80333 Munich, Germany ("State Street Global Advisors Germany"). T: +49 (0)89 55878 400. State Street Global Advisors Germany is a branch of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorized and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2.

Ireland: State Street Global Advisors Europe Limited is regulated by the Central Bank of Ireland. Registered office address 78 Sir John Rogerson's Quay, Dublin 2. Registered Number: 49934. T: +353 (0)1 776 3000. F: +353 (0)1 776 3300.

Netherlands: State Street Global Advisors Netherlands, Apollo Building 7th floor, Herikerbergweg 29, 1101 CN Amsterdam, Netherlands. T: +31 20 7181 000. State Street Global Advisors Netherlands is a branch office of State Street Global Advisors Europe Limited, registered in Ireland with company number 49934, authorized and regulated by the Central Bank of Ireland, and whose registered office is at 78 Sir John Rogerson's Quay, Dublin 2.

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.

Switzerland: State Street Global Advisors AG, Beethovenstr. 19, CH-8027 Zurich. 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.

Investing involves risk including the risk of loss of principal. Such activities may not be suitable for everyone.

Past performance is not a guarantee of future results.

Index returns reflect capital gains and losses, income, and the reinvestment of dividends.

Diversification does not ensure a profit or guarantee against loss.

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.

The above targets are estimates based on certain assumptions and analysis. There is no guarantee that the estimates will be achieved.

The information provided does not constitute investment advice as such term is defined under the Markets in Financial Instruments Directive (2014/65/EC) or applicable Swiss regulation and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell any investment. It does not take into account any investor's or potential investor's particular investment objectives, strategies, tax status, risk appetite or investment horizon. If you require investment advice you should consult your tax and financial or other professional advisor. 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. This communication is directed at professional clients (this includes eligible counterparties as defined by the appropriate EU regulator or applicable Swiss 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. These investments may have difficulty in liquidating an investment position without taking a significant discount from current market value, which can be a significant problem with certain lightly traded securities.

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. These investments may have difficulty in liquidating an investment position without taking a significant discount from current market value, which can be a significant problem with certain lightly traded securities.

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. These investments may have difficulty in liquidating an investment position without taking a significant discount from current market value, which can be a significant problem with certain lightly traded securities.

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. These investments may have difficulty in liquidating an investment position without taking a significant discount from current market value, which can be a significant problem with certain lightly traded securities.

An investment in the fund is not insured or guaranteed by the government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund. **You should obtain and read a Key Investor Information Document and Prospectus relating to the SSGA Cash funds prior to investing. Further information, including the annual and semi-annual reports and the Key Investor Information Document and Prospectus describing the characteristics, charges, expenses and risks involved in your investments are available for residents of countries where SSGA cash funds are authorized for sale, at ssga.com/cash and from your local SSGA office.**

For Investors in UK: The Company has been registered for distribution in the UK pursuant to the UK's temporary permissions regime under regulation 62 of the Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019. The Company is directed at 'professional clients' in the UK (within the meaning of the rules of the Financial Services and Markets Act 2000) 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 should not rely on this communication. Many of the protections provided by the UK regulatory system do not apply to the operation of the Company, and compensation will not be available under the UK Financial Services Compensation Scheme.

For Investors in Switzerland: The collective investment scheme referred to herein is a collective investment scheme under Irish Law. Prospective investors may obtain the current sales prospectus, the articles of incorporation, the simplified prospectuses as well as the latest annual and semi-annual report free of charge from the Swiss Representative and Paying agent, State Street Bank GmbH Munich, Zurich Branch, Beethovenstrasse 19, 8027 Zurich as well as from the main distributor in Switzerland, State Street Global Advisors AG, Beethovenstrasse 19, 8027 Zurich. Before investing please read the prospectus and the KIID, copies of which can be obtained from the Swiss representative, or at ssga.com. Actively managed funds do not seek to replicate the performance of a specified index The State Street GBP Liquidity LVNAV Fund is actively managed and may underperform its

benchmarks. An investment in the Fund is not appropriate for all investors and is not intended to be a complete investment program. Investing in the State Street GBP Liquidity LVNAV Fund 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. Projected characteristics are based upon estimates and reflect subjective judgments and assumptions. There can be no assurance that developments will transpire as forecasted and that the estimates are accurate. The views expressed in this material are the views of Cash Portfolio Management through the period ended August 31, 2021 and are subject to change based on market and other conditions. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

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 European Communities (Markets in Financial Instruments) Regulations (2014/65/EU) and 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. This Message may contain confidential information intended only for the use of the addressee named above. If you are not the intended recipient of this message you are hereby notified that any use, dissemination, distribution or reproduction of this message is prohibited. If you are not the intended recipient of this email communication, please notify us immediately by email direct to the sender and then destroy any electronic or paper copy of this message.

© 2021 State Street Corporation.
All Rights Reserved.
ID725651-37641871.1.EMEA.INST 0921
Exp. Date: 09/30/2022