Changes to Single Country Strategic Factors℠ ETFs

Background

Effective September 18, 2018, State Street Global Advisors has executed updates to four existing SPDR ETFs, lowering their expense ratios, changing their tickers, fund names, and benchmarks. The four single country StrategicFactors℠ ETFs no longer seek to track a Smart Beta index and have transitioned to traditional market-cap weighted beta exposures. Fund names have been updated to reflect this new exposure, as a result. We have also launched a new fund that seeks to provide market cap weighted beta exposure to the Hong Kong equity market. All five funds seek to track Solactive indices.

Table of Fund Changes

Previous Ticker	New Ticker	Previous Fund Name	New Fund Name	Previous TER	New TER[1]
QCAN	ZCAN	SPDR MSCI Canada StrategicFactors ETF	SPDR Solactive Canada ETF	30 bps	14 bps (20 gross)
QDEU	ZDEU	SPDR MSCI Germany StrategicFactors ETF	SPDR Solactive Germany ETF	30 bps	14 bps (20 gross)
QGBR	ZGBR	SPDR MSCI United Kingdom StrategicFactors ETF	SPDR Solactive United Kingdom ETF	30 bps	14 bps (20 gross)
QJPN	ZJPN	SPDR MSCI Japan StrategicFactors ETF	SPDR Solactive Japan ETF	30 bps	14 bps (20 gross)
N/A	ZHOK	N/A	SPDR Solactive Hong Kong ETF	N/A	14 bps (20 gross)

How do the new Solactive Indices compare with MSCI's single country methodology?

There are only minor differences in index construction, particularly around new constituent trading volume and float percentage, as shown in the table below.

	Solactive GBS Large & Mid Cap	MSCI Large Mid
Country Classification	If country of listing = country of incorporation, security assigned to country. If not, "country of domicile" and "country of risk" are taken into consideration. The determination of this country criteria can also include the following parameters: trading currency, liquidity of the listed securities, country of domicile and country of the highest revenue.	If country of listing = country of incorporation, security assigned to country. If not, additional criteria are reviewed including any secondary listings, domicile, geographic distribution of operations, etc.
Eligible Securities	Common stock, preferred stock, REITs, Stapled Security, ADRs and other comparable DRs, Tracking Stock, Royalty Trust, Units	Listed equity and equity-like securities; REITs in some countries and certain income trusts in Canada as well
Weighting	Free float adjusted market cap	Free float adjusted market cap
Rebalancing / Reconstitution	Semi-annual adjustments on 1st Wednesday of May and November	Comprehensive semi-annual reviews in May and November; quarterly adjustments on last business day of February, May, August, November
Coverage Targets	85% of free float market cap coverage; 80 – 90% buffer	85% of free float market cap coverage; 80 – 90% buffer
Liquidity	New (Current) components require: • An average daily volume traded (ADVT) of at least USD 1,000,000 (750,000) over the preceding 1-month and 6-month period • Volume traded of at least 100,000 (75,000) shares over the preceding 1-month and	New (Current) components require: • Annual Traded Value Ratio (ATVR): – 12-month: Greater than or equal to 20% (0.67 * 20%) – 3-month: 5% most recent quarter (20% last 4 quarters)

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	600,000 (450,000) shares over the preceding 6-month period • A free float percentage of at least 10% (7.5%) • No more than 10 non-trading days over the preceding 6-month period	• A Frequency of Trading (FOT): 3-month: 90% last 4 quarters (80% most recent quarter) • A minimum 3 months of trading before implementation date

Why is State Street making these changes?

As a matter of good business practice, we, at State Street Global Advisors, are always looking to identify improvements to our investment offerings that are designed to enhance the success of our clients and ensure that together we are well-positioned for long-term growth. Similar to past product enhancements, these changes are aimed at ensuring our products are fit for purpose, competitive in the marketplace, and reflect of how investors are using ETFs to create flexible, efficient, and sophisticated portfolios to meet client needs.

Does this reflect a shift in State Street's positioning of smart beta?

No, we continue to believe there is a place for smart beta strategies in investors' portfolios. While the smart beta single country StrategicFactors ETFs have had relatively strong performance since their inception, outperforming market cap weighted exposures with lower volatility,[2] at a single country level we believe that investors typically implement traditional beta exposures to position for macro and/or fundamental forces.

These changes are designed to more properly align our product capabilities to current investor needs and behaviors.

Will you be changing the regional StrategicFactors ETFs?

No. The regional StrategicFactors ETFs (QUS, QWLD, QEFA and QEMM) continue to represent smart beta solutions for investors seeking to harness the power of factor based investing for broad-based equities within portfolios. By blending low volatility, quality and value exposures together in a single solution, the resulting mix offers a low-volatility strategy with an equal focus on high quality and attractively valued firms that can potentially act as a solution for enhancing core exposures, which we feel most strongly resonates at the regional level.

We will also continue to offer traditional beta strategies (FEZ, SMEZ, FEU and GMF) for investors who prefer to implement it in their regional exposures.

Why these countries?

Based upon ETF user trends, reflected by fund flows and total net assets, these countries represent the most widely implemented developed market single country exposures in ETF portfolios today.[2]

Will additional countries be added?

As stated above, we feel that these exposures are designed to best align our product offering with current investor preferences. We will continue to monitor our product offering against industry trends to ensure that this remains the case in the future.

Why is there a fee waiver? Is it permanent?

The fee waiver was applied to lower the total cost of ownership while adding additional operational flexibility for further potential adjustments in the future, including making the waiver permanent based upon the size of assets. As of now, the fee waiver is scheduled to expire on January 31, 2020. We remain committed to providing solutions to clients in the most cost efficient manner available and, as we do with our holistic product range management process, will take the competitive marketplace into consideration when seeking to extend the waiver or make it permanent.

Do shareholders need to take any action regarding these changes?

No, shareholders do not need to take any action.

1 The gross expense ratio for these funds is 20 bps. The gross expense ratio is the fund's total annual operating expenses ratio. It is gross of any fee waivers or expense reimbursements. It can be found in the fund's most recent prospectus. These funds have current fee agreements in place that reduce fund expenses and if removed or modified will result in higher expense ratios and reduce fund performance. Such contractual fee agreements are scheduled to expire on 01/31/2020.

2 Source: Bloomberg Finance L.P. as of 07/20/2018. Comparison performed against the equivalent iShares funds (EWJ, EWC, EWH, EWG and EWU).

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Important Risk Information

Investing involves risk including the risk of loss of principal.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs net asset value. Brokerage commissions and ETF expenses will reduce returns.

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