STATE STREET INVESTMENT MANAGEMENT

QUICK REFERENCE GUIDE

# Position for policy pivots

Major shifts in trade and monetary policy rarely occur at the same time. But the Trump administration has moved US trade away from global coordination to a more protectionist stance. Meanwhile, despite inflation remaining above target, political pressure on the Federal Reserve (Fed) to cut rates has intensified.

Typically, trade policy develops slowly, and monetary policy is traditionally insulated from political influence. But today, the executive branch's growing involvement over capital flows and rising concerns about Fed independence are complicating the broader policy landscape.

This challenging environment calls for thoughtful portfolio adjustments to capture emerging opportunities, manage evolving risks, and build portfolio resilience.

## Implementation Ideas

| Pivot | Response | For Consideration |
|---|---|---|
| **New trade policy and rate cuts could change equity leadership** | Look outside the US to the more attractively valued eurozone[1] | FEZ SPDR Euro Stoxx 50 ETF |
| | Focus on Financials for their strong earnings, attractive valuations, and a historically positive response to rate cuts[2] | XLF the Financial Select Sector SPDR® Fund<br>KRE SPDR® S&P® Regional Banking ETF |
| **Lower rates steepening the curve point to active management** | Balance rate and credit risks on the hunt for income with an active core-plus strategy | TOTL SPDR® DoubleLine® Total Return Tactical ETF |
| | Seek high income opportunities and navigate tight credit spreads with an active credit strategy | HYBL SPDR® Blackstone High Income ETF |
| **Evolving policy may stoke macro uncertainty—*and* benefit specific industries** | Diversify differently—across asset classes, geographies, and economic environments | ALLW SPDR® Bridgewater® All Weather® ETF |
| | Go for gold, as a weaker dollar, strong central bank demand, and stubborn inflation support gold's record-setting performance[3] | GLD® SPDR® Gold Shares<br>GLDM® SPDR® Gold MiniShares® Trust |
| | Target beneficiaries of increased defense spending amid ongoing geopolitical stress | XAR SPDR® S&P® Aerospace & Defense ETF |

Source: State Street Investment Management as of August 29, 2025.

## Endnotes

1 EuroStoxx 50 Price-to-next-twelve-month-earnings-ratio trades at 34% discount to the S&P 500 compared to a 20-year average 25% discount based on data per Bloomberg Finance L.P. as of August 29, 2025

2 State Street Investment Management, as of August 29, 2025. Based on return data for market cap weighted financials SIC code returns found in the

3 Industry Portfolio data and the market cap weighted Market return data found on the Kenneth R. French - Data Library. Return data was compared versus Federal Reserve rate cut actions, where the six month returns following the month prior to which the Fed lowered rates was analyzed based on month end values of the month in which the Fed lowered rates. The month prior to the Fed rate cut was used instead of the month end values of the month in which the Fed lowered rates to reflect intra-month returns as well as leading market returns as the Fed was anticipated to lower rates. Past performance is not a reliable indicator of future performance.

## Important Risk Information

Because of their narrow focus, **sector funds** tend to be more volatile than funds that diversify across many sectors and companies.

**Equity securities** may fluctuate in value in response to the activities of individual companies and general market and economic conditions.

**Bonds** generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise, bond prices usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

**Non-diversified funds** that focus on a relatively small number of securities tend to be more volatile than diversified funds and the market as a whole. Passively managed funds hold a range of securities that, in the aggregate, approximates 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 ETFs net asset value. Brokerage commissions and ETF expenses will reduce returns.

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None of the Funds generate any income, and as each Fund regularly sells gold to pay for its ongoing expenses, the amount of gold represented by each Fund share will decline over time to that extent.

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