

Sector Investing

A Powerful Portfolio Construction Tool

How Can Sectors Enhance Your Core?

As economic variables and business cycles impact segments of the economy differently, sector-based investment strategies can help you align and adjust your portfolios based on:

- Macroeconomic or thematic trends
- Shifts in stock fundamentals
- Technical indicators such as momentum

And the transparency of sector-based exchange traded funds (ETFs) means you can implement sophisticated strategies with great precision.

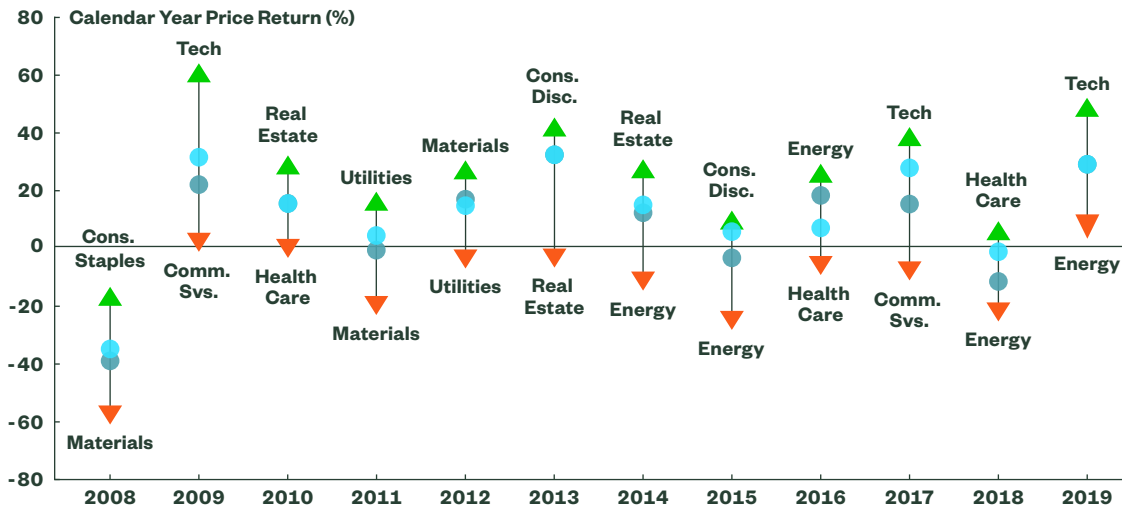
Pursue Alpha: Wide Dispersion and Changing Leaders Create Opportunities

Sectors have historically exhibited wider dispersion than styles. A wider dispersion provides investors more opportunities to deliver more than just market beta by overweighting winners and underweighting losers.

Figure 1

Wide Dispersion and Changing Leaders

- ▲ Best Performing Sector
- ▼ Worst Performing Sector
- S&P 500 Value
- S&P 500 Growth



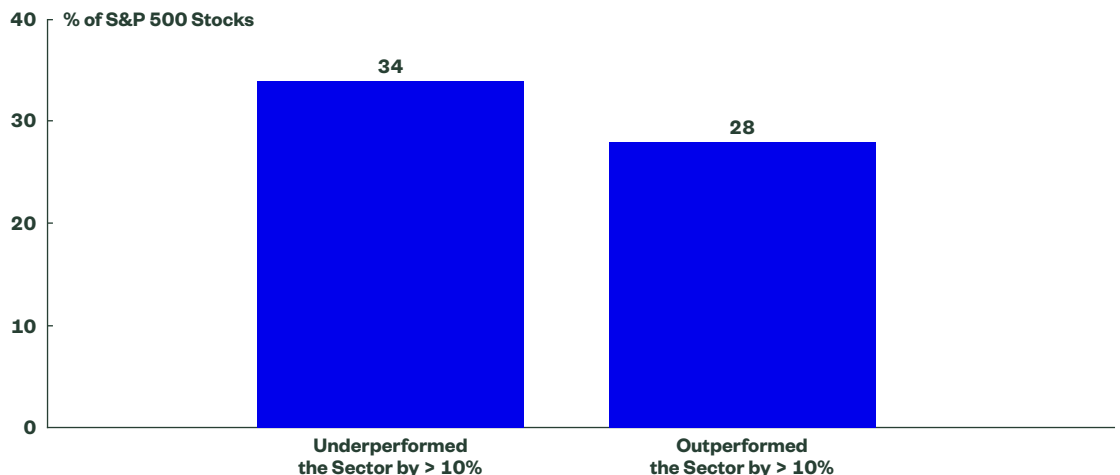
Source: FactSet, as of 12/31/2019. Past performance is not a guarantee of future results.

Increase Diversification: Some Sectors Zig When the S&P 500 Zags

Sector investing can help you capture thematic trends without shouldering much stock-specific risk. And, given their wide range of correlations to the broad equity market, sectors also can potentially improve diversification for a core US equity exposure.

Figure 2

The Odds Don't Favor Stock Pickers



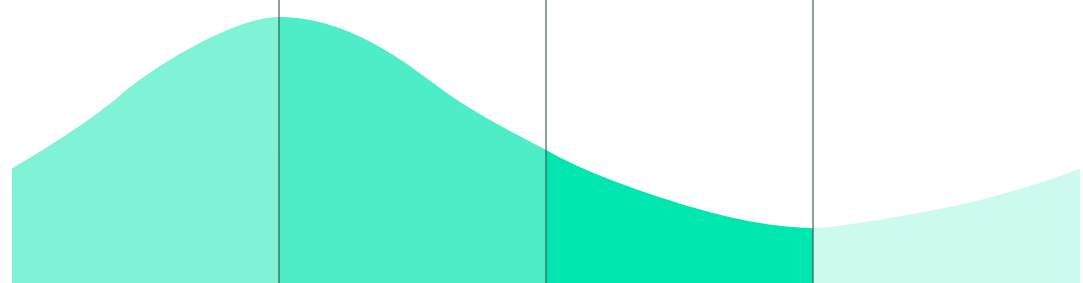
Source: SPDR Americas Research, FactSet, January 2003 – December 2019 yearly average. Under/outperformance is relative to each stock's respective S&P 500 equal-weighted sector returns. Performance quoted represents past performance, which is no guarantee of future results. The index returns are unmanaged and do not reflect the deduction of any fees or expenses. The index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. It is not possible to invest in an index.

Capture Economic Trends: Think about Tilts and Themes

Figure 3
A Sector Road Map: Potential Sector Performance Over the Business Cycle

Because sectors are closely aligned to specific economic variables and business cycles, sector investing may help you align portfolios with the macro environment or capture secular growth.

Expansion	Slowdown	Recession	Recovery
<ul style="list-style-type: none"> • Growth reaches the peak • Increasing capex to improve productivity and meet increasing demand • Interest rates start rising from their relatively low level 	<ul style="list-style-type: none"> • Capacity utilization peaks • Positive output gaps • Positive but decelerating growth • More restrictive monetary policy 	<ul style="list-style-type: none"> • Declining economic outputs • Falling demand from both consumers and business • Increasing unemployment • Low consumer confidence • Easing monetary policy 	<ul style="list-style-type: none"> • Economy rebounds but below trends • Consumer expectations improve • Discretionary spending increases • Businesses stop cutting back on commercial activities • Monetary policy remains accommodative
<p>+++ Financials Technology</p> <p>+ Communication Services</p> <p>- Consumer Staples</p> <p>--- Health Care Utilities</p>	<p>+++ Consumer Staples Health Care</p> <p>+ Industrials</p> <p>- Materials</p> <p>--- Consumer Discretionary Real Estate</p>	<p>+++ Consumer Staples Utilities</p> <p>++ Health Care</p> <p>- Communication Services</p> <p>--- Real Estate Technology</p>	<p>+++ Consumer Discretionary Real Estate</p> <p>+ Materials</p> <p>- Health Care</p> <p>--- Consumer Staples Utilities</p>



Source: SPDR Americas Research. ++/-- indicates the best/worst two performing sectors. +/- indicates the third best/worst performing sectors. The Energy sector did not make the top/bottom three sectors during any cycles, as it is less sensitive to US economic cycles but more driven by global supply and demand of crude oil. **For illustrative purposes only.**

How To Construct Sector Portfolios

Choose Your Sectors Based on These Types of Analysis

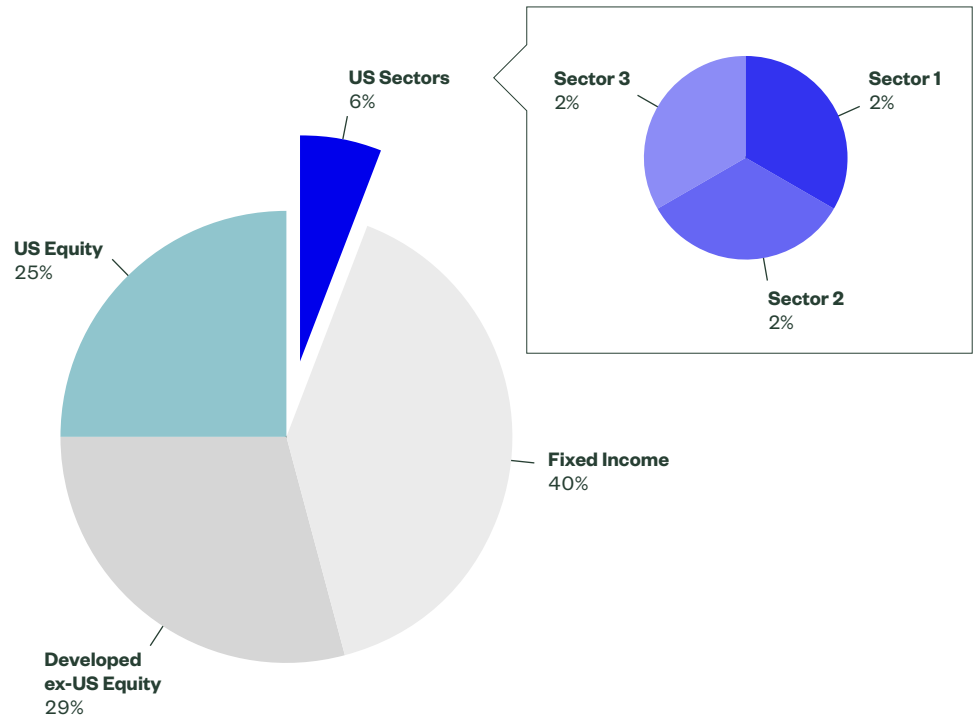
Top-Down Analyze business cycles to position towards sectors that potentially could benefit more from the current economic phase

Thematic Survey macroeconomic data (oil, inflation, rates) to position according to changes in certain macroeconomic variables. Identify cyclical or secular industry trends to harness the growth potential within a particular segment of the economy

Bottom-Up Use aggregated company-level data to identify sectors with attractive fundamental characteristics, such as cheaper valuations and/or stronger earnings sentiment

Technical Evaluate recent performance to overweight/underweight sectors with strong price momentum

Figure 4
Carve out a Portion of US Equity Exposure for Sectors



Source: SPDR Americas Research. For illustration purposes.

Implement Your Strategy With SPDR ETFs

11

GICS Sectors

21

GICS Industries

6

S&P Kensho
New Economy Sectors

Select Sector SPDR Funds As the largest US sector ETF suite, Select Sector SPDR funds have historically traded with greater volume and tighter bid/ask spreads compared to other sector ETF families, which may lead to lower total cost of ownership¹

SPDR Industry Funds With a modified equal weighted methodology, SPDR Industry funds offer broader industry coverage with a small-cap tilt and entail less concentration risk than market cap weighted exposures²

SPDR Kensho New Economies Sector ETFs These funds seek to track indices designed to capture US-listed firms whose products and services are driving innovation at the heart of the new economy, with no constraints for traditional sector classifications

¹ Source: Bloomberg Finance L.P., as of 12/31/2019. Based on total assets, 3-Month average trading volume and 30-day average bid/ask spread.

² Source: FactSet, as of 12/31/2019.

SPDR ETFs Sector Research & Resources

SPDR Sector & Industry Dashboard A summary of the past quarter's equity market environment and a quick look at sector performance, ETF flows, correlation and dispersions, fundamentals and positioning

SPDR Sector Scorecard Monthly quantitative evaluation on the S&P 500 sectors' valuation, momentum, sentiment and volatility

Sectors & Industries Spotting Trends A brief overview of recent sector and industry trends and actionable ideas to harness them

Sectors: How to Do More for the Core An educational presentation to explain the case for sector investing and how to construct a sector portfolio. Available for CE credits

Sectors Business Cycle Analysis A whitepaper to deep dive into our research approach to assess how different sectors performed through various business cycles

State of Sector Investing Webcast Quarterly live webcast hosted by the SPDR Investment Strategy and Research teams to discuss trends, uncover sector opportunities and answer investors' most-asked questions

SPDR Blog The most current SPDR perspectives on the market environment, sector and industry trends

SPDR Suite of Sectors & Industries

Ticker	Fund Name	GICS Sector	Expense Ratio (%)	
			Gross ¹	Net
GICS Sectors (Capped Market Cap Weighted based off the S&P 500)				
XLV	Consumer Discretionary Select Sector SPDR Fund	Consumer Discretionary	0.13	0.13
XLC	Communication Services Select Sector SPDR Fund	Communication Services	0.13	0.13
XLP	Consumer Staples Select Sector SPDR Fund	Consumer Staples	0.13	0.13
XLE	Energy Select Sector SPDR Fund	Energy	0.13	0.13
XLF	Financial Select Sector SPDR Fund	Financial	0.13	0.13
XLV	Health Care Select Sector SPDR Fund	Health Care	0.13	0.13
XLI	Industrial Select Sector SPDR Fund	Industrials	0.13	0.13
XLB	Materials Select Sector SPDR Fund	Materials	0.13	0.13
XLRE	Real Estate Select Sector SPDR Fund	Real Estate	0.13	0.13
XLK	Technology Select Sector SPDR Fund	Technology	0.13	0.13
XLU	Utilities Select Sector SPDR Fund	Utilities	0.13	0.13
Kensho New Economy Sectors				
HAIL	SPDR S&P Kensho Smart Mobility ETF	—	0.45	0.45
SIMS	SPDR S&P Kensho Intelligent Structures ETF	—	0.45	0.45
FITE	SPDR S&P Kensho Future Security ETF	—	0.45	0.45
CNRG	SPDR S&P Kensho Clean Power ETF	—	0.45	0.45
ROKT	SPDR S&P Kensho Final Frontiers ETF	—	0.45	0.45
KOMP	SPDR S&P Kensho New Economies Composite ETF	—	0.20	0.20
GICS Industries (Modified Equal Weighted based off the S&P Total Market Index)				
XHB	SPDR S&P Homebuilders ETF	Consumer Discretionary	0.35	0.35
XRT	SPDR S&P Retail ETF	Consumer Discretionary	0.35	0.35
XES	SPDR S&P Oil & Gas Equipment & Services ETF	Energy	0.35	0.35
XOP	SPDR S&P Oil & Gas Exploration & Production ETF	Energy	0.35	0.35
KBE	SPDR S&P Bank ETF	Financial	0.35	0.35
KCE	SPDR S&P Capital Markets ETF	Financial	0.35	0.35
KIE	SPDR S&P Insurance ETF	Financial	0.35	0.35
KRE	SPDR S&P Regional Banking ETF	Financial	0.35	0.35
XBI	SPDR S&P Biotech ETF	Health Care	0.35	0.35
XHE	SPDR S&P Health Care Equipment ETF	Health Care	0.35	0.35
XHS	SPDR S&P Health Care Services ETF	Health Care	0.35	0.35
XPH	SPDR S&P Pharmaceuticals ETF	Health Care	0.35	0.35
XAR	SPDR S&P Aerospace & Defense ETF	Industrials	0.35	0.35
XTN	SPDR S&P Transportation ETF	Industrials	0.35	0.35
XME	SPDR S&P Metals & Mining ETF	Materials	0.35	0.35
XWEB	SPDR S&P Internet ETF	Technology	0.35	0.35
XSD	SPDR S&P Semiconductor ETF	Technology	0.35	0.35
XSW	SPDR S&P Software & Services ETF	Technology	0.35	0.35
XTL	SPDR S&P Telecom ETF	Communication Services	0.35	0.35

Ticker	Fund Name	GICS Sector	Expense Ratio (%)	
			Gross ¹	Net
Industries (Modified Equal Weighted, Non-GICS Defined)				
XNTK	SPDR NYSE Technology ETF	Technology	0.35	0.35
XITK	SPDR FactSet Innovative Technology ETF	Technology	0.45	0.45

Source: State Street Global Advisors, 12/31/2019.

- 1 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.

ssga.com/etfs

Glossary

S&P 500 Index The S&P 500, or the Standard & Poor's 500, is an index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 index components and their weightings are determined by S&P Dow Jones Indices.

Sector Investing The action of an investor or portfolio that invest assets into one or more sector of the economy such as Financials, Energy or Health Care.

Macro The part of the economics concerned with large scale or general economic factors such as interest rates and national productivity.

Alpha The rate of return on a security or portfolio in excess of what would be predicted by an equilibrium model like the capital asset pricing model (CAPM).

Styles The investment approach or objectives used to make choices in the selection of securities for a portfolio, with the most common value and growth for equities.

State Street Global Advisors

One Iron Street, Boston MA 02210
T: +1 866 787 2257

Important Risk Information

Exchange traded funds (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. 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.

The views expressed in this material are the views of SPDR ETFs and SSGA Funds Research Team through the period ended March 31, 2018 and are subject to change based on market and other conditions and do not necessarily represent the views of State Street Global Advisors or any of its affiliates. This document contains certain statements that may be deemed forward-looking statements. Please note that any such 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 provided does not constitute investment advice and it should not be relied on as such.

Frequent trading of ETFs could significantly increase commissions and other costs such that they may offset any savings from low fees or costs.

Diversification does not ensure a profit or guarantee against loss.

Concentrated Investments in a particular sector or industry tend to be more volatile than the overall market and increases risk that events negatively affecting such sectors or industries could reduce returns, potentially causing the value of the Fund's share to decrease.

Passively Managed Funds invest by sampling the Index, holding 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.

Select Sector SPDR Funds bear a higher level of risk than more broadly diversified funds.

Sector ETFs products are also subject to sector risk and non-diversified risk, which generally results in greater price fluctuations than the overall market.

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

Funds investing in a **single sector** may be subject to more volatility than funds investing in a diverse group of sectors.

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.

While the shares of ETFs are tradable on secondary markets, they may not readily trade in all market conditions and may trade at significant discounts in periods of **market stress**.

Foreign (non-US) Securities may be subject to greater political, economic, environmental, credit and information risks. Foreign securities may be subject to higher volatility than US securities, due to varying degrees of regulation and limited liquidity. Investments in small/mid-sized companies may involve greater risks than in those of larger, better known companies.

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 non liability for damages of any kind relating to the use of such data.

KENSHO © is a registered service mark of Kensho Technologies Inc. ("Kensho"), and all Kensho financial indices in the Kensho New Economies © family and such indices' corresponding service marks have been licensed by the Licensee in connection with the SPDR S&P Kensho Intelligent Structures ETF, SPDR S&P Kensho Smart Mobility ETF, SPDR S&P Kensho Future Security ETF, SPDR S&P Kensho Clean Power ETF, SPDR S&P Kensho Final Frontiers ETF and SPDR S&P Kensho New Economies Composite ETF (collectively, the "SPDR ETFs"). The SPDR ETFs are not marketed, sold, or sponsored by Kensho, Kensho's affiliates, or Kensho's third party licensors. Kensho is not an investment adviser or broker-dealer and Kensho makes no representation regarding the advisability of investing in any investment fund, other investment vehicle, security or other financial product regardless of whether or not it is based on, derived from, or included as a constituent of any Kensho New Economies © family index. Kensho bears no responsibility or liability for any business decisions, input, recommendation, or action taken based on Kensho indices or any products based on, derived from, or included as a constituent of any such index. All referenced names and trademarks are property of their respective owners.

Standard & Poor's®, S&P® and SPDR® are registered trademarks of Standard & Poor's Financial Services LLC (S&P); Dow Jones is a registered trademark of Dow Jones Trademark Holdings LLC (Dow Jones); and these trademarks have been licensed for use by S&P Dow Jones Indices LLC (SPDJ) and sublicensed for certain purposes by State Street Corporation. State Street Corporation's financial products are not sponsored, endorsed, sold or promoted by SPDJ, Dow Jones, S&P, their respective affiliates and third party licensors and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability in relation thereto, including for any errors, omissions, or interruptions of any index.

Distributor: State Street Global Advisors Funds Distributors, LLC, member FINRA, SIPC, an indirect wholly owned subsidiary of State Street Corporation. References to State Street may include State Street Corporation and its affiliates. Certain State Street affiliates provide services and receive fees from the SPDR ETFs. ALPS Portfolio Solutions Distributor, Inc. is distributor for Select Sector SPDRs. ALPS Portfolio Solutions Distributor, Inc. is not affiliated with State Street Global Advisors Funds Distributors, LLC.

Before investing, consider the funds' investment objectives, risks, charges and expenses. To obtain a prospectus or summary prospectus which contains this and other information, call 866.787.2257 or visit ssga.com/etfs. Read it carefully.

© 2020 State Street Corporation.
All Rights Reserved.
ID228643-2382648.6.1.AM.RTL 0620
Exp. Date: 06/30/2021 SSL001175

**Not FDIC Insured
No Bank Guarantee
May Lose Value**