

Sector Compass

Be Selective in the Race for Returns

Q1 2020

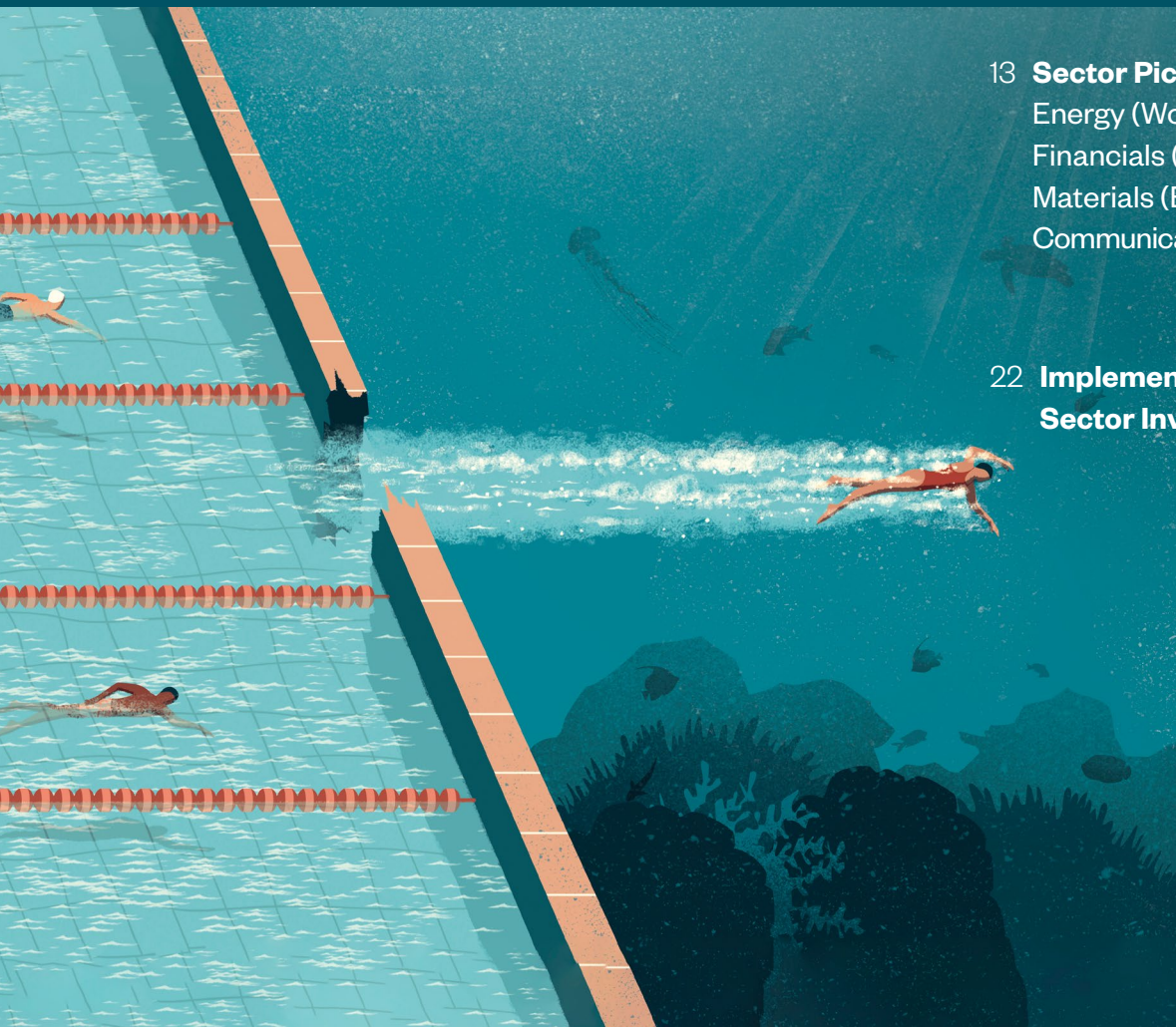
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Executive Summary

Summary of market activity for the last three months, plus an outlook for the quarter ahead.

The Cyclical Race has Started

After a substantial rise in equity markets throughout 2019, investors should now consider what could drive performance and position to make the most of opportunities. Sector investing can help with alpha generation in a slower return environment, taking advantage of the dispersion of returns between sectors.

In Q4, the more cyclical sectors relatively outperformed as confidence in the economic outlook improved and some resolution to the long-running trade battle between the US and China moved closer. Investors responded by increasing their holdings in the more economically sensitive areas, favouring Consumer Discretionary. A notable difference between institutional and ETF flows was net inflows into Financials ETFs.

Market Themes for 2020

1. Get a head-start with cyclicals. In the view of State Street Global Advisors, global growth will meet or exceed expectations in 2020. In this environment, we expect economically sensitive stocks to continue to relatively outperform early in the new year, although they could face difficulties as the year goes on if volatility picks up ahead of the US presidential election. Improved business confidence could drive a recovery in infrastructure investment after significant destocking over the past 12 months, benefiting capital goods manufacturers and raw material suppliers in particular.

2. Renewed Energy: hot off the starting blocks. Energy is a new theme. Several factors turned in the sector's favour late in 2019, namely the outcome of the most recent OPEC+ meeting, the relative success of the Saudi Aramco IPO and improved forecasts for the global economic outlook. Institutional investors took notice and started to buy from underweight positions. A better outlook is reflected in strong earnings growth for 2020 but not yet in Energy sector valuations.

3. Passing the policy baton from monetary to fiscal. It could be a quiet year for monetary policy, with none of the large central banks currently forecast to make a change. Past action by the Federal Reserve is hoped to be enough to stabilise US growth, unemployment and inflation at reasonable levels. Instead, fiscal policy is expected to take up the challenge of boosting economic growth. This theme has the potential to benefit cyclicals relative to government bonds, if not any one sector in particular.

4. China looking to stay in the race. Three recent news items suggest a better year for Chinese GDP growth: agreement of a phase one trade deal between the US and China, the PBOC's cut in the reserve requirement ratio and manufacturing PMI figures for December staying above 50. Economic data may continue to release positive signals in the coming months, supported by a low base from a year earlier. This theme stands to be positive for equities broadly and thus could lift a variety of sectors. Of note, Chinese growth over the last couple of decades has enriched consumer and industrial sectors worldwide. Moreover, heavy metal miners in the Materials sector have shown a relatively high correlation with Chinese growth in the past.

5. A race to Value? It is not clear whether the value rally we saw in September 2019 will re-emerge. The rotation was sparked by an upturn in the Citi Economic Surprise Indicator and flamed by extreme valuations of value stocks and crowding in long-duration fixed income and low volatility equities. For the value theme to meaningfully continue, we need to see re-acceleration of the business cycle, a pick-up in inflation and continued bond yield curve steepening. However, even without these prerequisites, there is still room for mean reversion and we have suggested, since the end of Q3 2019, that investors may want to reduce their underweight to value as a risk exercise. Amongst the sectors that look interesting on various valuation measures are Financials and Energy.

6. Hurdles to Clear. Looking ahead, Technology may still make a productive long-term investment, but it currently faces uninspiring earnings growth and a possible backlash against expensive assets this year. The sector has been the largest beneficiary of globalisation with dispersed global supply chains and consumers worldwide and thus could suffer retrenchment resulting from any trade war fallout.

Sector Picks this Quarter

Looking out three months, we consider which sectors stand to potentially benefit from a combination of top-down and bottom-up factors. Macroeconomic indicators greatly inform our research, along with aggregated earnings and valuation metrics. We also consider investor flows and positioning. Most importantly, we reflect on the likely drivers of each sector in relation to the aforementioned themes over the forecast period.

	World	US	Europe
Energy	✓	✓	
Financials	✓	✓	✓
Materials			✓
Communication Services			✓

Sector Performance and ETF Flows

Regional sector performance highlighting dispersion between top and bottom performance. Flows into sector ETFs split between US and European domicile, worth more than \$500 billion in AUM.*

*Source: Morningstar, as of 31 December 2019.

Sector Performance

Hopes of a trade deal between the US and China, more certainty over Brexit and improvement in economic forecasting produced a risk-on market in Q4 2019. Equity markets hit record highs and the more cyclical sectors relatively outperformed.

European Health Care benefited from investor appetite for quality and defensive growth earlier in the year, although its US counterpart struggled at the hands of US politicians. US Health Care relatively outperformed in Q4 on realisation that any new legislation on health care reform would be unlikely for a significant time given the impeachment process.

Real Estate lagged globally on the change in the rate environment, although European property did relatively well. Energy saw some relief as the price of crude oil rose, but it ended as the worst-performing sector in 2019. Technology, in contrast, led for most of the year across all regions in appreciation of long-term sustainable growth.

World Sectors				US Sectors				Europe Sectors			
Q4 (%)		Full Year 2019 (%)		Q4 (%)		Full Year 2019 (%)		Q4 (%)		Full Year 2019 (%)	
Tech	14.0	47.6	Tech	Tech	14.3	49.6	Tech	Industrials	9.2	37.6	Tech
Health Care	13.7	27.8	Industrials	Health Care	14.2	31.2	Financials	Real Estate	9.0	35.1	Industrials
Financials	8.8	27.7	MSCI World NR	Financials	10.3	31.0	Comm Servs	Tech	9.0	33.0	Cons Discret
Materials	8.6	27.4	Comm Servs	S&P500 NR	8.9	30.7	S&P500 NR	Materials	8.9	31.8	Health Care
MSCI World NR	8.6	26.6	Cons Discret	Comm Servs	8.6	28.6	Industrials	Cons Discret	8.4	29.8	Utilities
Comm Servs	7.9	25.5	Financials	Materials	6.1	28.1	Cons Discret	Financials	8.3	26.4	Materials
Industrials	7.4	23.3	Materials	Industrials	5.4	27.8	Real Estate	Health Care	7.2	26.1	MSCI Europe NR
Cons Discret	6.8	23.2	Health Care	Energy	5.3	26.6	Cons Staples	MSCI Europe NR	5.7	25.3	Cons Staples
Energy	5.0	23.0	Real Estate	Cons Discret	4.2	25.1	Utilities	Utilities	3.5	23.5	Real Estate
Cons Staples	2.6	22.8	Cons Staples	Cons Staples	3.2	23.6	Materials	Energy	0.0	22.3	Financials
Utilities	2.0	22.5	Utilities	Utilities	0.5	20.2	Health Care	Cons Staples	-1.0	8.7	Energy
Real Estate	1.2	11.4	Energy	Real Estate	-0.8	10.8	Energy	Comm Servs	-1.7	4.7	Comm Servs

Source: State Street Global Advisors, Bloomberg Finance L.P., as of 31 December 2019. Past performance is not a guarantee of future results. The universes for the above charts are the MSCI World, S&P Select Sectors, and MSCI Europe. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index Performance is not meant to represent that of any particular fund.

* This information should not be considered a recommendation to invest in a particular sector, or securities therein, shown above.

Sector ETF Flows

The start of 2019 saw investors wary of taking sector risk, resulting in net outflows from sector ETFs. It was not until May/June that investors started to use sectors more meaningfully to express their views on the trade war, often along the lines of domestic versus foreign exposure. Since then, there have been stronger flows into European-domiciled ETFs. Flows into US-domiciled ETFs have remained mixed, particularly in Financials and Health Care ETFs.

Investors continued to commit more money into Real Estate ETFs (comprising holdings of REITs alongside property operating companies), likely seeking the relatively attractive yield and alternative nature of the sector (despite its lower performance).

There was a noticeable turnaround in the popularity of Financials sector ETFs (including bank industry ETFs) in response to the bottoming of bond yields and steepening of yield curves both in the US and Europe. Amongst the European-domiciled funds, confidence moved from just the US Financials exposures to favour European banks and financial services companies.

	US-Domiciled (\$mn)		European-Domiciled (\$mn)	
	Q4 2019	Full Year 2019	Q4 2019	Full Year 2019
Communication Services	231	3,642	1	887
Consumer Discretionary	-567	-1,179	87	314
Consumer Staples	-1,103	2,137	-362	337
Energy	2,907	-3,493	-79	-477
Financials	426	-8,531	1,136	-1,429
Health Care	296	-4,608	409	317
Industrials	627	-1,906	449	754
Materials	374	-3,307	-117	331
Real Estate	1,162	6,300	666	1,360
Technology	2,770	4,126	440	-342
Utilities	-759	2,613	207	239

Source: Bloomberg Finance L.P., State Street Global Advisors, as of 31 December 2019. Flows shown above are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

Methodology We collect and aggregate flow figures for all sector and industry ETFs domiciled in the US and Europe. As of December 2019, this set includes approximately 350 ETFs and more than \$450 billion in AUM invested in US-domiciled funds and 350 ETFs and more than \$45 billion in AUM invested in European-domiciled funds. The flow figures include ETFs invested across regions (including US, Europe and World). They are calculated as the net figure of buys minus sells. **The green boxes signify the two highest flow figures for each period, while the red boxes signify the two lowest flow figures.**

Institutional Flows and Positioning

The direction of flows and relative positioning of institutional sector flows, referencing \$18.2 trillion of equity assets under custody.*

*Source: State Street, as of 30 September 2019.

World

Our equity flow data is garnered from the custody holdings of thousands of institutional investors. From this data, we saw that the market rally in 2019 had low participation, with investors favouring fixed income purchases until later in the year. Equity purchases picked up in November and December and there was a shift in patterns as two of the main sources of market uncertainty, Brexit and the US-China trade war, moved closer to resolution.

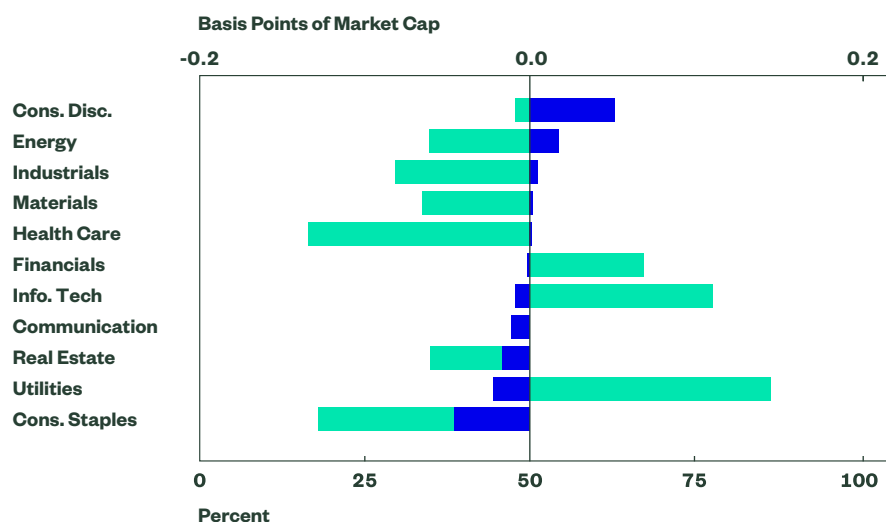
Flows showed a cyclical bias in Q4, favouring Consumer Discretionary stocks (e.g. retailers, leisure stocks and auto manufacturers). The continued strength of the US consumer, as demonstrated by high employment levels and confidence, has been a major factor in this sector's popularity. Energy, Industrials and Materials also fit this trend.

Real Estate investment has been interesting. The demand for quality income and a relatively lower risk investment opportunity drove high flows into REITs and other property equity throughout most of 2019. Flows tailed off in October and November, though, as investors moved towards positive rates plays such as Financials; however, there were new active flows in December despite waning price performance. At the end of the year, investors appeared to be relatively underweight in Real Estate relative to their benchmarks.

Flows and Holdings

Active Flow Over Past Quarter and Relative Holdings vs. Past 5 Years

- Holdings (lower axis)
- 3-month flow(upperaxis)

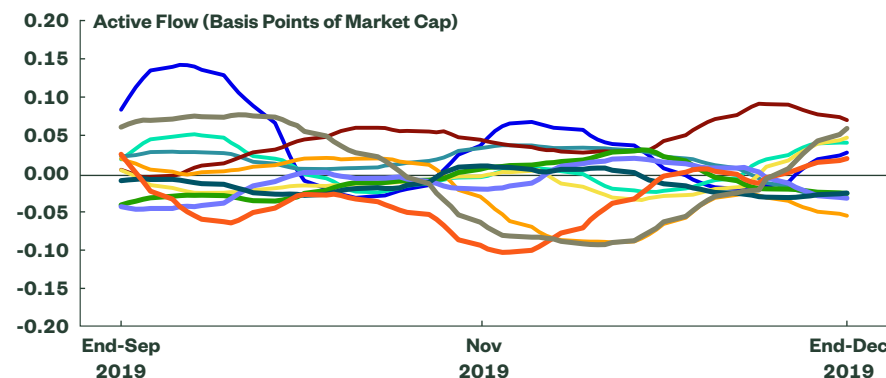


Source: State Street Global Markets. Data are as of 31 December 2019. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

Progression of Active Flows

Trend of Flows Over Past Quarter

- Energy
- Materials
- Industrials
- Cons. Disc.
- Cons. Staples
- Health Care
- Financials
- Info. Tech.
- Communication
- Utilities
- Real Estate



Source: State Street Global Markets. Data are as of 31 December 2019. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. The universes for the above charts are the MSCI ACWI, MSCI US and MSCI Europe. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

US

Amongst US equities, Energy flows showed volatility over the last year. They took a sharp positive move in the value rally of late August and into September and appeared to pick up again late in Q4 in response to a firmer oil price. Of note, investors are heavily underweight Energy on a five-year basis, suggesting there is plenty of room for this trend to run. For more information on Energy please see the SPDR Sector Pick on page 14.

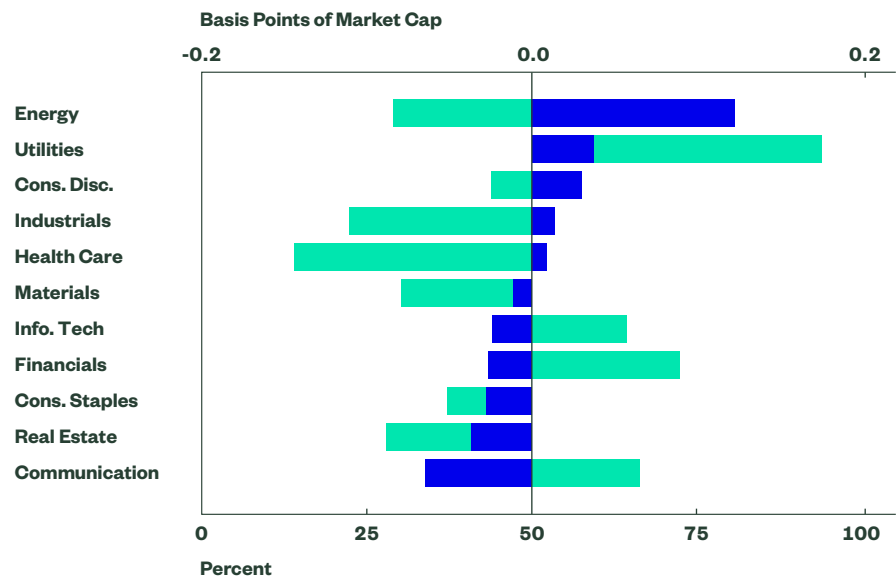
We saw heavy Real Estate flows in 2019, showing the pull between relatively attractive income and concern over the impact of rising interest rates, but this waned in Q4. Nevertheless, there were positive flows into Utilities during Q4 2019, adding to already overweight positioning.

Net negative active flows were seen in Communication Services, with investors inclined to take profit after high price returns. In contrast to ETF investor behaviour, we saw relative outflows from US Financials stocks (covering banks, insurers and diversified financial services).

Flows and Holdings

Asset Flow Over Past Quarter and Relative Holdings vs. Past 5 Years

- Holdings (lower axis)
- 3-month (upper axis)

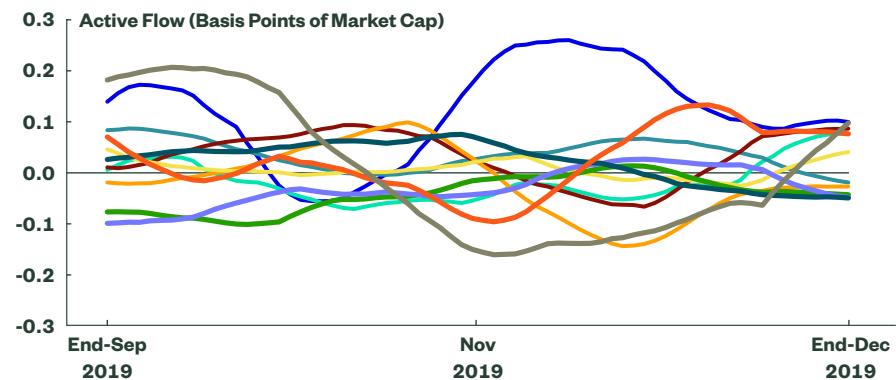


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Europe

The Q4 trends in European equity flows were predominantly into cyclical stocks at the expense of more defensive areas, as explained by stronger risk appetite. The largest relative inflows were into Materials, which is a SPDR Sector Pick for this coming quarter (see page 18). The chemicals and mining companies in this sector could benefit from a pick-up in global growth feeding through to greater demand for raw materials.

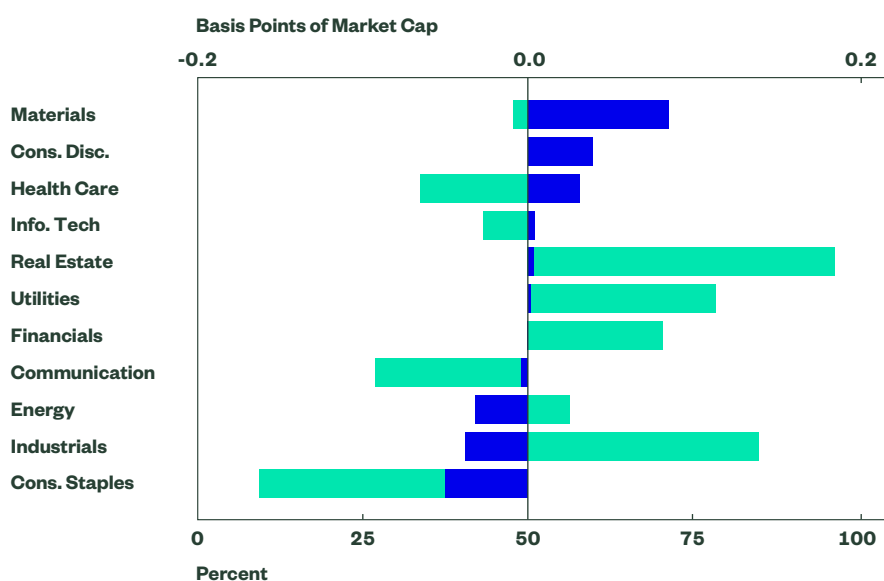
Investors added to Consumer Discretionary companies at the expense of more defensive Consumer Staples, perhaps in hopes of Brexit resolution and a bottoming in eurozone economic confidence feeding through to more discretionary purchases, such as cars and holidays. Investors are now heavily underweight in Consumer Staples on a relative five-year basis.

Health Care saw net inflows in Q4 from underweight investor positioning, in recognition of the quality and earnings growth of major pharma companies.

Flows and Holdings

Asset Flow Over Past Quarter and Relative Holdings vs. Past 5 Years

- Holdings (lower axis)
- 3-month (upper axis)

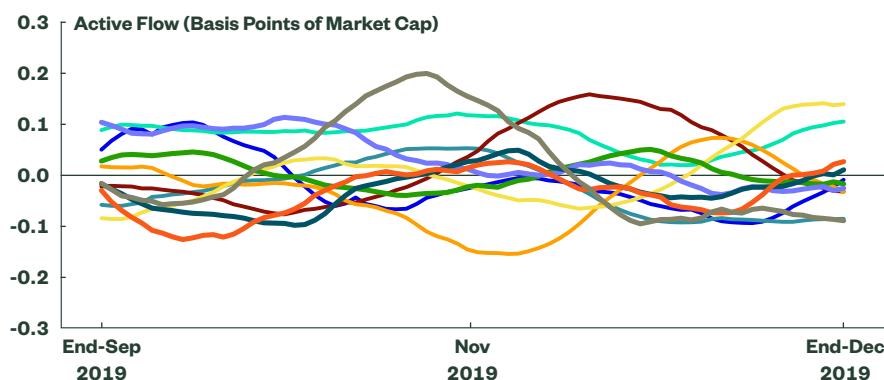


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Progression of Active Flows

Trend of Flows Over Past Quarter

- Energy
- Materials
- Industrials
- Cons. Disc.
- Cons. Staples
- Health Care
- Financials
- Info. Tech.
- Communication
- Utilities
- Real Estate



Source: State Street Global Markets. Data are as of 31 December 2019. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. The universes for the above charts are the MSCI ACWI, MSCI US and MSCI Europe. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

Sector Picks

Ideas for the quarter ahead based on macroeconomic indicators, aggregated earnings, valuation metrics, flows, holdings and potential drivers for each sector.

Energy

More Than Just a Middle Eastern Hedge

World	US	Europe
✓	✓	

Starting 2020 with Renewed Energy

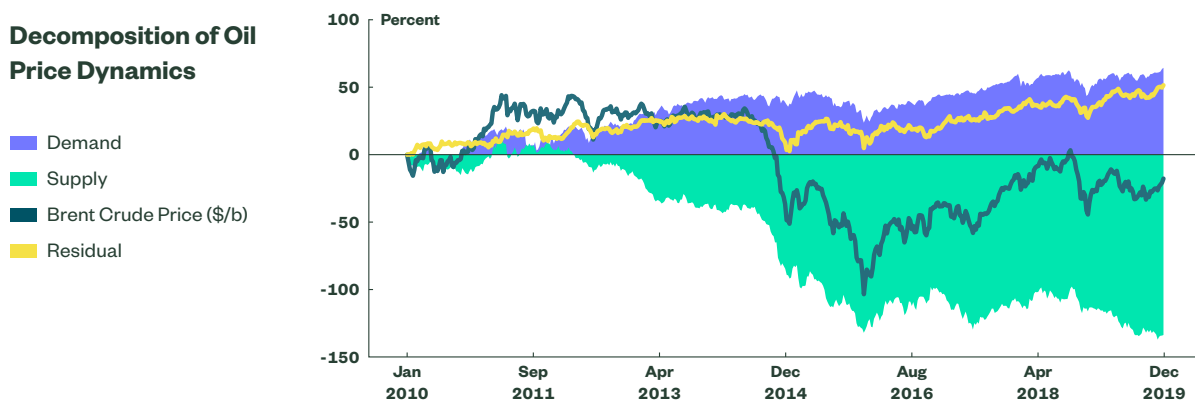
Our first new Sector Pick for 2020 is not without risk or challenge, given rising concerns about the climate, emissions and sustainability, as well as reliance on OPEC compliance and discipline from the oil majors. Nevertheless, a better outlook for the oil price, improved company fundamentals and attractive valuations make Energy worth consideration.

Oil Price Supported by Changes to Supply and Demand

The 7th OPEC+ meeting (OPEC countries plus allies), which was held in Vienna in December, ended with agreement to reduce the output target by a further 500,000 barrels per day. Together with a slower rate of growth from US shale production, we are more positive about the supply side of the oil price equation. This view reflects the further impetus from the recent US air strike on Iran and subsequent retaliation, which adds geopolitical risk in the most important crude oil region and threatens to disrupt supply. The chart below illustrates the impact of supply on oil price dynamics.

On the demand side, we are heartened by better economic forecasts and possible resolution to the US-China trade war, which could revive international trade, demand from transport and industry, and the use of raw materials for chemical products. China, which is an important determinant for global oil and gas demand, should continue to drive electrification amidst its urbanisation and growth programmes.

Decomposition of Oil Price Dynamics



Source: State Street Global Markets, New York Fed, as of 30 December 2019. The chart shows the weekly Brent crude price change; it always equals the change explained by demand factors plus the change explained by supply factors plus a residual (that unexplained by the sum of the estimated demand and supply factors).

Improved Company Behaviour

In order to benefit from higher oil prices, the exploration and production companies need to remain disciplined in their capacity response. Historically, many companies have chased marginal investments, thus destroying shareholder value. Recent investor buying (see the figures on page 11) comes amidst more confidence in corporate behaviour. Earnings forecasts for the Energy sector are currently the highest of all sectors, although it should be noted that the sector experienced the largest downgrades last year.

Playing to the Market Themes

A better outlook is reflected in strong earnings growth for 2020 but not yet in Energy sector valuations. Energy has been considered a value sector for years, on the various measures for price/earnings, price/book and price/sales, and is also known for its high yield. At current levels, the sector looks below both its long-term absolute and relative value.

Energy is considered a risk-on sector and, as seen in recent years, its performance has exhibited high correlation with rates and inflation, as well as oil prices.

The upstream and downstream companies can benefit from similar trends worldwide. We have selected US and World (54% US exposure by market capitalisation) as our Energy Sector Picks because institutional investors are underweight and some of the metrics are more attractive on a relative basis.

Our SPDR Pick

SPDR MSCI World Energy UCITS ETF

SPDR S&P U.S. Energy Select Sector UCITS ETF

SPDR MSCI World Energy UCITS ETF — Top 5 constituents: Exxon Mobil (13.2%), Chevron (10.0%), TOTAL (6.0%), BP (5.9%), Royal Dutch Shell (5.7%).

SPDR S&P U.S. Energy Select Sector UCITS ETF — Top 5 constituents: Exxon Mobil (22.3%), Chevron (18.3%), ConocoPhillips (6.6%), EOG Resources (4.8%), Schlumberger (4.5%).

Financials

Still Finding Value

World	US	Europe
✓	✓	✓

Extending the Pick to Europe

We saw investment opportunity in US Financials throughout the second half of last year, in light of better bank balance sheets and a background of deregulation, with associated benefits for shareholder value. The low level of foreign revenue was refreshing during the trade war and earnings growth was both reasonable and not subject to large downgrades. The move in the yield curve and outlook for rates was the icing on the cake. We continue to believe in the long-term story of bank restructuring and stronger capitalisation.

These factors should continue to help the sector in 2020 and we are extending the Sector Pick to include European Financials and World Financials (comprising 50% US, 8% Canada, 6% Japan and the majority of remaining market capitalisation in European countries). Investors have bought sector ETFs tracking European Financials in recent weeks, reflecting hopes of better business sentiment and more certainty in the Brexit process, which could feed through in better loan growth.

European Banks Still Have Problems — But They Are Cheap

Whereas the US Financials sector finally surpassed its value attained in the Global Financial Crisis, the European sector trades at less than half its price level from 2007 (albeit not as extreme on a total return basis). This is a reflection of the more difficult environment for European banks, spanning challenges such as structural issues in the eurozone and Brexit uncertainty.

The Financials sector has a strong linkage with macroeconomic drivers, making it an interesting pick for investors targeting European economic recovery this year. Across all sectors, Financials has one of the highest correlations between performance and PMIs. The sector also has the highest sensitivity to bond yields, which may continue to rise in the absence of further central bank monetary easing. The sector appears inexpensive, near lows for the last 10 years on metrics including price/earnings, price/book and dividend yield.

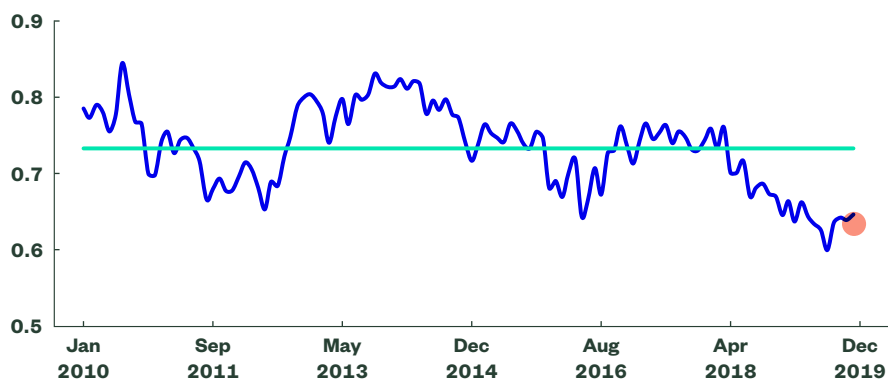
There is some way to go, however. European banks have much lower profitability than their US peers and, in earnings to be reported for 2019, will likely show a sharp fall on the back of lower net interest income and lower fees.

European Insurers Could also do with Some Rate Relief

Insurance, which accounts for approximately 33% of the European sector, has seen a steadier performance than the banks. The life insurance companies have also been constrained by low rates, having to cut guarantees on savings products to maintain investment spreads as returns have fallen, changing their business mix to include more protection and unit-linked product sales where the policyholder carries the investment risk. Returns have benefitted somewhat during the past year following well-executed strategies from large insurers.

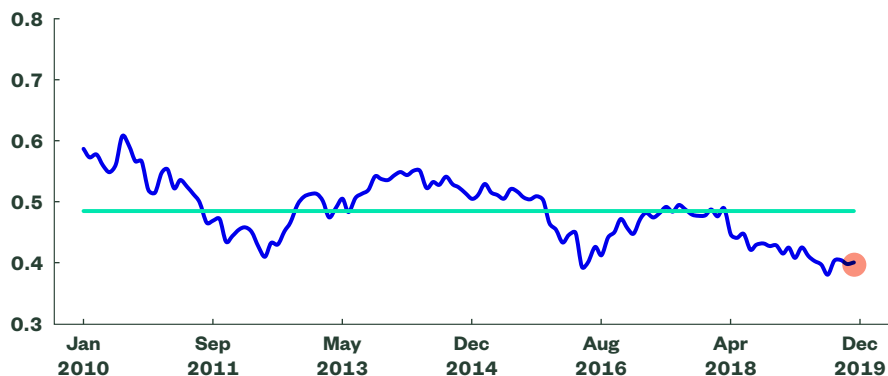
Europe Financials — P/B Relative to Wider Market

- Relative P/B
- Average Relative P/B
- Current Relative P/B



Europe Financials — P/E Relative to Wider Market

- Relative P/E
- Average Relative P/E
- Current Relative P/E



Source: State Street Global Advisors, Bloomberg Finance L.P., as of 6 January 2020. P/E is interpolated 1Y forward P/E based on Bloomberg "BEST estimates". Europe Financials is represented by the MSCI Europe Financials NTR Index and Global Equities is represented by MSCI AC World Daily NTR Index.

Our SPDR Pick

SPDR MSCI World Financials UCITS ETF

SPDR S&P U.S. Financials Select Sector UCITS ETF

SPDR MSCI Europe Financials UCITS ETF

SPDR MSCI World Financials UCITS ETF — Top 5 constituents: JPMorgan Chase & Co (6.2%), Bank of America (4.4%), Berkshire Hathaway (4.3%), Wells Fargo & Co (3.2%), Citigroup (2.6%).

SPDR S&P U.S. Financials Select Sector UCITS ETF — Top 5 Constituents: Berkshire Hathaway (12.8%), JPMorgan Chase & Co (12.3%), Bank of America (8.1%), Wells Fargo & Co (5.9%), Citigroup (5.0%).

SPDR MSCI Europe Financials UCITS ETF — Top 5 constituents: HSBC Holdings (9.2%), Allianz (6.1%), Banco Santander (4.1%), BNP Paribas (3.9%), Zurich Insurance (3.7%).

Materials

Global Tailwinds to Drive European Sector

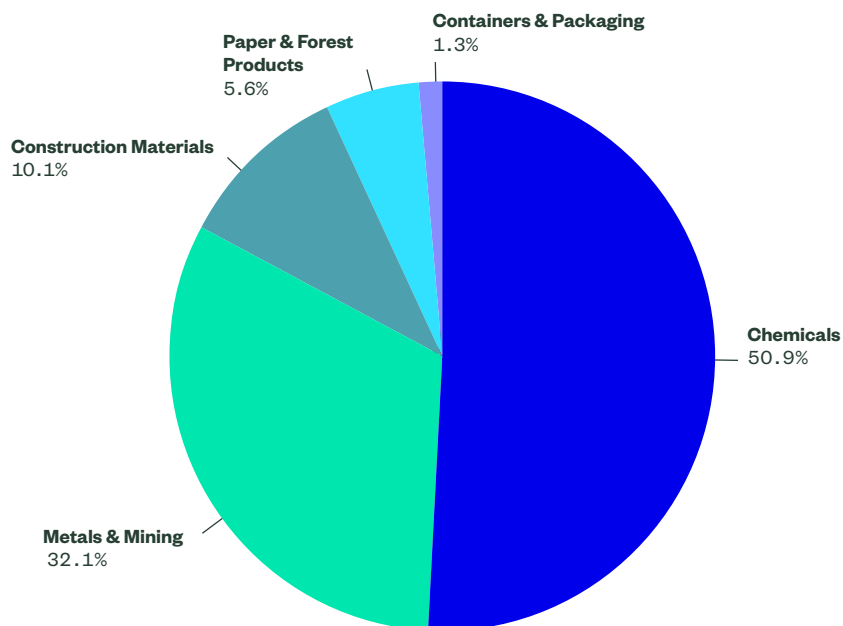
World	US	Europe
		✓

Risk-On Cyclical

The case for Materials (as with broader risk assets) has strengthened amid expectations of a phase one trade deal and hopes that some of the largest economies will introduce fiscal policies to promote economic growth. Improved global economic growth forecasts should strengthen business confidence and feed through to higher demand for the major industrial metals (such as iron ore, copper and aluminium), steel and industrial gases.

Investors can gain exposure to these late-cycle products through the Materials sector and, whilst this sector is driven by global factors, there are a wealth of leading suppliers that have their headquarters in Europe. In the European Index, the four largest stocks are world leaders: BASF (manufacturer of a wide range of chemicals, materials and plastics), Air Liquide (manufacturer of industrial gases), Rio Tinto (whose most important products are iron ore and aluminium) and BHP Billiton (copper and iron ore).

Index Breakdown by Industry



Source: Bloomberg Finance L.P., as of 31 December 2019. Characteristics are as of date indicated and shouldn't be relied thereafter.

Importance of China Undiminished

China remains a major player in the Materials sector, in terms of both demand and supply. The government's push for continued growth at 6–6.5% implies a significant level of fiscal stimulus and rate cuts. Construction demand is expected to remain resilient in coming months thanks to the strong momentum in property starts in the second half of 2019 and infrastructure investment. All of these factors would rely on the outputs from Materials companies.

Moreover, China's Central Economic Work Conference is still focussed on environmental protection. In recent years, the group's policy to combat pollution has forced Chinese mines to halt or limit output. The cuts are not expected to be as large as in 2018 but the constrained supply could help with commodity pricing.

Commodity Pricing Impact

Copper stands out as one of the most closely watched commodities in the sector. The metal reached a price peak early in 2018, driven by Chinese demand, which accounts for nearly half of world copper demand (the metal is used in everything from automobiles to electronics). The price was weaker last year but the preliminary truce between the US and China has eased demand concerns. At the same time, potential output cuts by Chinese smelters point to tighter supply, and stockpiles tracked by the London Metal Exchange are at their lowest in nine months.

With its sensitivity to commodity pricing, the Materials sector shows positive correlation with inflation and interest rates alongside other cyclicals (see page 24 for figures). As with Energy companies, continued capital discipline is necessary to allow price rises to feed through to shareholders.

Given the international supply chain, the fortunes of the sector are not heavily reliant on eurozone PMIs, which are struggling to pick up (unlike in the US). We prefer Europe Materials over the US equivalent because of the stock mix, larger exposure to mining earnings and better value.

Our SPDR Picks

SPDR MSCI Europe Materials UCITS ETF

SPDR MSCI Europe Materials UCITS ETF — Top 5 constituents: BASF (10.0%), Rio Tinto (9.7%), Air Liquide (9.7%), BHP Group (7.3%), Glencore (5.0%).

Communication Services

Ringling up 5G

World	US	Europe
		✓

Peak Cap Ex?

This Sector Pick did not work last quarter, but we believe that the combination of 5G services potential and current valuation still make European Communication Services relatively attractive. The sector underperformed MSCI Europe in Q4 2019 despite producing Q3 results that were broadly above consensus forecasts and more investor interest in value stocks. A variety of factors have weighed on the sector for the past few years, such as softening revenue and high competition, which has hit margins and the need for heavy investment.

Investors are still worried about the high levels of capital expenditure in the telecom industry, which have been necessary to build out the 5G infrastructure and the cost of buying 5G spectrum licences. However, some analysts believe peak expenditure on fibre has passed. We have also seen better news regarding spectrum auctions, with some of the most expensive frequencies already decided. It is also possible that some of the cap ex costs could be offset by tower monetisation deals and sharing of 5G networks, subject to regulatory approval.

Looking Forward to 5G Opportunities

5G wireless technology for digital telephone networks will serve a diverse set of needs, bringing greater reliability, latency, speed, mobility and security of connectivity. Amongst other things, these enhancements would enable:

- A much larger Internet of Things — connecting millions of devices;
- Mission-critical control — allowing secure use in critical applications involved with autonomous vehicles, energy network grids, aviation and medical services;
- Mobile broadband — giving greater usability.

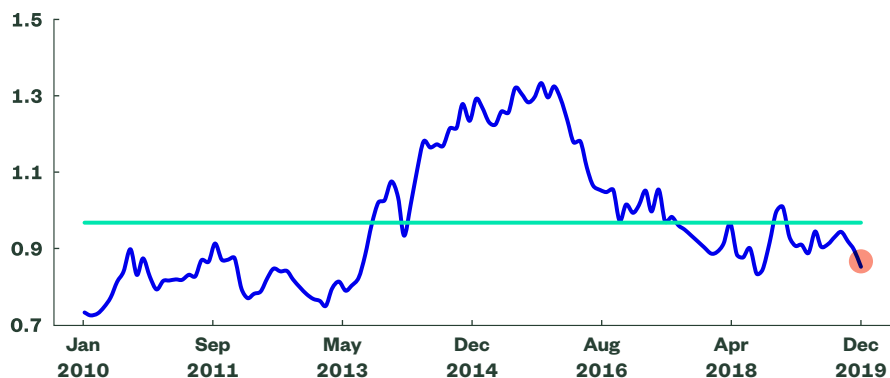
Meaningful incremental revenue opportunities will only materialise when 5G handsets proliferate and network coverage starts growing beyond a few selected areas. But the large scope of possibilities may start to change investors' minds from 5G being a cost to being an opportunity for the telecom industry.

Quadrennial Relief for Advertising

Media companies (including advertising, publishing and TV broadcasting) account for approximately one-third of the Communication Services sector by market capitalisation. They tend to be more economically sensitive and, as such, suffered from cyclical concerns last year. In 2020, a more favourable economic background and the benefits of quadrennial events, including the Olympic Games and the US presidential election, could help spur growth.

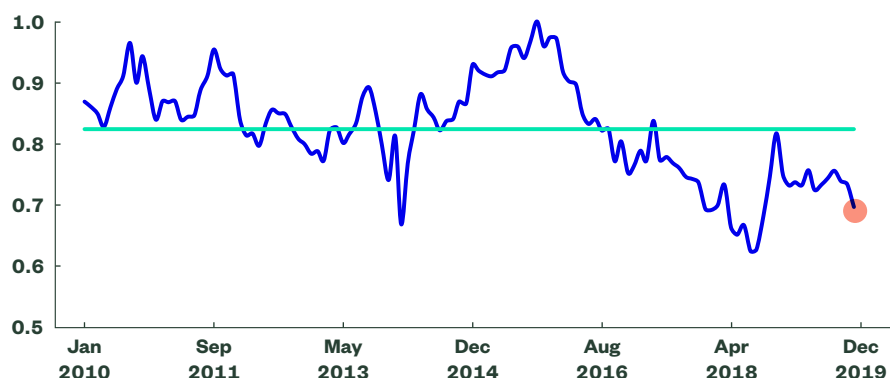
Europe Communication Services — P/E Relative to Wider Market

- Relative P/E
- Average Relative P/E
- Current Relative P/E



Europe Communication Services — P/B Relative to Wider Market

- Relative P/B
- Average Relative P/B
- Current Relative P/B



Source: State Street Global Advisors, Bloomberg Finance L.P., as of 31 December 2019. P/E is interpolated 1Y forward P/E based on Bloomberg "BEST estimates". Chart compares MSCI Europe Communication Services relative metrics to Global Equities represented by MSCI AC World Daily NTR Index.

Our SPDR Pick

SPDR MSCI Europe Communication Services UCITS ETF

SPDR MSCI Europe Communication Services UCITS ETF — Top 5 Constituents: Deutsche Telekom (13.2%), Vodafone Group (12.5%), Telefonica (7.9%), Orange (7.1%), Vivendi (5.9%).

Implementing Sector Investing

Sector index metrics and information on the SPDR UCITS ETFs that track these indices.

Sector Index Metrics

	Fundamental Growth Forecasts & Valuations								
	Est. 2yr EPS Growth (% p.a.)*	3mth Change to 1yr EPS Growth Forecast (%)	Forward P/E**	Forward Relative P/B**	Relative CAPE	Relative CAPE (10yr Avg)	ROE (%)	Debt/Equity (%)	12mth Div. Yield (%)***
MSCI World Sector Indices									
MSCI World Index	6.93	-1.60	16.7	-	-	-	12.1	136	2.32
Comm. Services	8.26	-2.93	17.7	1.11	1.41	1.38	11.5	101	1.78
Consumer Disc.	6.72	-3.45	17.8	1.23	1.09	1.14	13.4	121	1.74
Consumer Staples	7.85	0.13	19.2	1.60	1.07	1.13	20.9	100	2.72
Energy	1.46	-7.62	15.0	0.60	0.45	0.61	8.9	59	4.44
Financials	6.48	-0.93	11.9	0.50	0.67	0.59	9.3	229	3.27
Health Care	12.89	0.57	17.1	1.58	1.27	1.06	27.6	83	1.81
Industrials	7.40	-2.98	16.7	1.20	1.07	1.09	14.4	104	2.08
Materials	-1.15	-6.43	16.3	0.77	0.84	1.00	10.1	56	2.86
Real Estate	3.66	2.86	24.5	0.71	1.23	1.23	5.9	78	3.36
Technology	8.33	1.25	20.7	2.43	1.41	1.27	39.0	69	1.26
Utilities	5.53	0.37	17.8	0.77	0.97	0.93	10.9	138	3.50
US S&P Select Sector Indices									
S&P 500 Index	9.00	-0.75	18.0	-	-	-	19.3	117	1.83
Commun. Services	12.02	-2.70	18.6	0.94	1.33	1.51	16.2	91	0.98
Consumer Disc.	10.29	-2.82	20.2	2.00	1.25	1.13	24.6	233	1.40
Consumer Staples	6.34	1.12	19.9	1.52	0.85	0.93	29.4	124	2.64
Energy	0.56	-8.86	17.5	0.47	0.42	0.71	6.8	49	3.79
Financials	9.19	-0.73	13.3	0.44	0.62	0.54	11.5	152	2.00
Health Care	13.33	0.94	16.1	1.17	1.06	0.99	26.8	92	1.64
Industrials	11.44	-3.49	16.8	1.36	0.93	0.98	19.7	145	1.87
Materials	4.19	-3.11	18.3	0.72	0.86	1.04	8.6	65	2.05
Real Estate	2.07	9.52	40.4	1.17	1.68	1.72	8.9	124	3.07
Technology	8.35	2.00	20.4	2.97	1.06	1.05	42.8	80	1.29
Utilities	8.37	3.71	18.6	0.91	1.68	1.72	11.0	139	3.21
MSCI Europe Sector Indices									
MSCI Europe Index	7.57	-1.27	14.6	-	-	-	9.9	174	3.53
Comm. Services	5.19	-2.80	13.8	0.89	0.76	0.88	6.3	157	4.63
Consumer Disc.	3.97	-4.02	14.3	0.97	1.09	1.52	13.2	114	2.69
Consumer Staples	12.84	1.25	17.9	1.76	1.21	1.41	17.1	94	2.99
Energy	3.84	-6.70	11.4	0.70	0.61	0.68	9.7	61	5.86
Financials	5.66	-0.25	10.4	0.51	0.73	0.61	9.2	302	5.02
Health Care	14.31	1.71	17.1	2.10	1.24	1.20	38.8	74	2.71
Industrials	12.15	0.60	17.2	1.70	1.45	1.46	17.8	113	2.55
Materials	-2.26	-6.35	15.3	1.02	1.04	1.16	8.9	56	3.76
Real Estate	2.19	-0.02	18.0	0.55	1.04	1.16	7.2	78	4.32
Technology	18.34	-1.38	21.3	2.18	3.62	3.24	10.5	54	1.22
Utilities	11.08	2.09	15.2	0.97	0.89	0.70	11.0	132	4.56

Source: State Street Global Advisors, FactSet, Bloomberg Finance L.P., Morningstar, as of 31 December 2019. Past performance is not a guarantee of future results.

* Calculated as a 2-year average of consensus forecasts for adjusted EPS using BEst (Bloomberg Estimates).

** Forward estimates refer to 12 months.

*** This measures the weighted average of gross dividend yield of the relevant index and the underlying stocks from the relevant ETF.

Sector Index Metrics (cont'd)

	Macro Sensitivities****			Risk Metrics*****		
	US 10yr Yield Sensitivity (36 Months)	Brent Crude Oil Price Sensitivity (36 Months)	Inflation (5yr-5yr Forward) Sensitivity (36 Months)	Beta (36 Months)	Volatility (36 Months) (%)	Correlation (36 Months)
MSCI World Sector Indices						
MSCI World Index	0.07	0.25	0.55	1.00	11.29	–
Comm. Services	0.05	0.18	0.54	0.79	11.77	0.78
Consumer Disc.	0.07	0.29	0.67	1.07	13.04	0.96
Consumer Staples	0.00	0.11	0.23	0.59	9.49	0.72
Energy	0.14	0.53	0.88	1.17	17.74	0.77
Financials	0.13	0.26	0.75	1.09	14.10	0.90
Health Care	0.04	0.08	0.42	0.82	11.81	0.81
Industrials	0.08	0.27	0.63	1.15	13.88	0.97
Materials	0.07	0.31	0.62	1.06	14.04	0.88
Real Estate	-0.04	0.09	0.19	0.51	9.86	0.60
Technology	0.07	0.35	0.51	1.15	15.48	0.87
Utilities	-0.03	0.04	-0.02	0.31	9.28	0.38
US S&P Select Sector Indices						
S&P 500 Index	0.07	0.25	0.56	1.00	12.10	–
Commun. Services	0.07	0.34	0.69	0.97	15.14	0.79
Consumer Disc.	0.06	0.30	0.70	1.07	14.45	0.92
Consumer Staples	0.01	0.10	0.28	0.62	11.44	0.67
Energy	0.16	0.58	1.05	1.24	20.55	0.75
Financials	0.14	0.26	0.73	1.09	15.70	0.87
Health Care	0.05	0.06	0.47	0.82	12.94	0.79
Industrials	0.09	0.27	0.68	1.20	16.17	0.93
Materials	0.07	0.22	0.56	1.00	13.87	0.90
Real Estate	-0.06	0.07	0.11	0.45	11.38	0.49
Technology	0.07	0.36	0.51	1.09	15.34	0.89
Utilities	-0.04	0.02	-0.07	0.22	10.01	0.27
MSCI Europe Sector Indices						
MSCI Europe Index	0.07	0.24	0.51	1.00	11.93	–
Comm. Services	0.04	-0.04	0.25	0.75	14.72	0.63
Consumer Disc.	0.10	0.34	0.69	1.17	15.35	0.94
Consumer Staples	-0.02	0.12	0.17	0.61	10.36	0.72
Energy	0.13	0.46	0.57	0.95	15.71	0.74
Financials	0.16	0.27	0.86	1.28	17.41	0.90
Health Care	0.00	0.07	0.20	0.69	11.35	0.75
Industrials	0.08	0.28	0.59	1.14	14.81	0.94
Materials	0.10	0.40	0.66	1.11	15.67	0.87
Real Estate	0.00	0.22	0.35	0.71	13.99	0.62
Technology	0.08	0.34	0.48	1.06	15.04	0.87
Utilities	-0.03	0.05	0.01	0.66	13.30	0.61

Source: State Street Global Advisors, FactSet, Bloomberg Finance L.P., Morningstar, as of 31 December 2019. Past performance is not a guarantee of future results.

**** Sensitivity is beta to the macro variable, e.g. 10-year Treasury yield, Brent oil, and US 5yr-5yr forward as shown here.

***** Beta and volatility are based on index returns. Correlation is the 36-month correlation to the parent index.

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Cost-Efficient®

World and Europe UCITS Sector ETFs: **0.30%**
US UCITS Sector ETFs: **0.15%**

SPDR ETF Information	ISIN	TER (%)	Euro-next	LSE	Xetra	Borsa Italiana	SIX	Mexico BMV	3-Month Net SPDR Flows (\$MN)	2019 Net SPDR Flows (\$MN)	SPDR AUM (\$MN)
World Sector Funds											
SPDR MSCI World Communication Services UCITS ETF	IEOBYTRRG40	0.30	WTEL	WTEL	–	–	WTEL	WTELN	47	54	64
SPDR MSCI World Consumer Discretionary UCITS ETF	IEOBYTRR640	0.30	WCOD	WCOD	–	–	WCOD	CDISN	-5	-9	21
SPDR MSCI World Consumer Staples UCITS ETF	IEOBYTRR756	0.30	WCOS	WCOS	–	–	WCOS	–	-6	-19	43
SPDR MSCI World Energy UCITS ETF	IEOBYTRR863	0.30	WNRG	WNRG	–	–	WNRG	WNRGN	-40	2	258
SPDR MSCI World Financials UCITS ETF	IEOBYTRR970	0.30	WFIN	WFIN	–	–	WFIN	WFINN	-13	-72	124
SPDR MSCI World Health Care UCITS ETF	IEOBYTRRB94	0.30	WHEA	WHEA	–	–	WHEA	–	190	209	329
SPDR MSCI World Industrials UCITS ETF	IEOBYTRRC02	0.30	WIND	WIND	–	–	WIND	–	10	2	46
SPDR MSCI World Materials UCITS ETF	IEOBYTRRF33	0.30	WMAT	WMAT	–	–	WMAT	WMATN	0	0	16
SPDR Dow Jones Global Real Estate UCITS ETF	IEO0B8GF1M35	0.40	–	GLRE	SPYJ	GLRE	GBRE	–	47	280	938
SPDR MSCI World Technology UCITS ETF	IEOBYTRRD19	0.30	WTCH	WTEC	–	–	WTEC	WTECN	5	5	194
SPDR MSCI World Utilities UCITS ETF	IEOBYTRRH56	0.30	WUTI	WUTI	–	–	WUTI	–	-30	5	20
US Sector Funds											
SPDR S&P U.S. Communication Services Select Sector UCITS ETF	IEO0BFWFPX50	0.15	–	SXLC	ZPKD	SXLC	SXLC	SXLON	3	110	212
SPDR S&P U.S. Consumer Discretionary Select Sector UCITS ETF	IEO0BWBXM278	0.15	–	SXLY	ZPDD	SXLY	SXLY	SXLN	26	37	119
SPDR S&P U.S. Consumer Staples Select Sector UCITS ETF	IEO0BWBXM385	0.15	–	SXLP	ZPDS	SXLP	SXLP	SXLN	-3	2	155
SPDR S&P U.S. Energy Select Sector UCITS ETF	IEO0BWBXM492	0.15	–	SXLE	ZPDE	SXLE	SXLE	SXLN	-4	-69	131
SPDR S&P U.S. Financials Select Sector UCITS ETF	IEO0BWBXM500	0.15	–	SXLF	ZPDF	SXLF	SXLF	SXLN	6	99	597
SPDR S&P U.S. Health Care Select Sector UCITS ETF	IEO0BWBXM617	0.15	–	SXLV	ZPDH	SXLV	SXLV	SXLN	-27	9	172
SPDR S&P U.S. Industrials Select Sector UCITS ETF	IEO0BWBXM724	0.15	–	SXLI	ZPDI	SXLI	SXLI	SXLN	18	10	73
SPDR S&P U.S. Materials Select Sector UCITS ETF	IEO0BWBXM831	0.15	–	SXLB	ZPDM	SXLB	SXLB	SXLN	1	5	12
SPDR S&P U.S. Technology Select Sector UCITS ETF	IEO0BWBXM948	0.15	–	SXLK	ZPDT	SXLK	SXLK	SXLN	3	126	229
SPDR S&P U.S. Utilities Select Sector UCITS ETF	IEO0BWBXMB69	0.15	–	SXLU	ZPDU	SXLU	SXLU	SXLN	0	5	28
Europe Sector Funds											
SPDR MSCI Europe Communication Services UCITS ETF	IEO0BKWQ0N82	0.30	STT	TELE	SPYT	STTX	STTX	TELEN	-10	-9	9
SPDR MSCI Europe Consumer Discretionary UCITS ETF	IEO0BKWQ0C77	0.30	STR	CDIS	SPYR	STRX	STRX	–	-40	49	170
SPDR MSCI Europe Consumer Staples UCITS ETF	IEO0BKWQ0D84	0.30	STS	CSTP	SPYC	STXS	STXS	CSTPN	-107	361	523
SPDR MSCI Europe Energy UCITS ETF	IEO0BKWQ0F09	0.30	STN	ENGY	SPYN	STNX	STNX	ENGYN	31	39	354
SPDR MSCI Europe Financials UCITS ETF	IEO0BKWQ0G16	0.30	STZ	FNCL	SPYZ	STZX	STZX	FNCLN	3	-254	732
SPDR MSCI Europe Health Care UCITS ETF	IEO0BKWQ0H23	0.30	STW	HLTH	SPYH	STWX	STWX	HLTHN	2	285	379
SPDR MSCI Europe Industrials UCITS ETF	IEO0BKWQ0J47	0.30	STQ	NDUS	SPYQ	STQX	STQX	NDUSN	310	303	320
SPDR MSCI Europe Materials UCITS ETF	IEO0BKWQ0L68	0.30	STP	MTRL	SPYP	STPX	STPX	MTRLN	0	6	16
SPDR FTSE EPRA Europe ex UK Real Estate UCITS ETF	IEO0BSJCQV56	0.30	0.00	EURE	ZPRP	EURE	EURE	–	4	7	87
SPDR MSCI Europe Technology UCITS ETF	IEO0BKWQ0K51	0.30	STK	ITEC	SPYK	STKX	STKX	ITECN	9	9	29
SPDR MSCI Europe Utilities UCITS ETF	IEO0BKWQ0P07	0.30	STU	UTIL	SPYU	STUX	STUX	UTILN	19	11	34

¹ Sources: Bloomberg Finance L.P., State Street Global Advisors, as of 31 December 2019.

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

Standard Performance (%)

	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception	Inception Date
World Sector (Returns in USD, %)										
SPDR MSCI World Communication Services UCITS ETF*	1.96	7.87	9.28	27.20	27.20	6.70	5.46	6.75	7.35	12/31/2008
MSCI World Communication Services Index	1.96	7.90	9.37	27.39	27.39	6.65	5.61	7.17	7.75	
SPDR MSCI World Consumer Discretionary UCITS ETF*	2.99	6.80	7.07	26.52	26.52	13.92	9.85	12.82	17.11	02/28/2009
MSCI World Consumer Discretionary Index	2.97	6.82	7.10	26.57	26.57	13.95	9.99	13.14	17.31	
SPDR MSCI World Consumer Staples UCITS ETF*	2.15	2.61	6.70	22.86	22.86	8.98	6.86	9.47	12.26	02/28/2009
MSCI World Consumer Staples Index	2.13	2.58	6.70	22.80	22.80	8.92	6.91	9.69	12.47	
SPDR MSCI World Energy UCITS ETF*	5.34	4.77	-1.22	11.37	11.37	-0.44	-0.79	1.19	3.61	01/31/2009
MSCI World Energy Index	5.35	4.99	-1.07	11.45	11.45	-0.52	-0.77	1.38	3.80	
SPDR MSCI World Financials UCITS ETF*	3.02	8.73	8.97	25.53	25.53	8.54	6.75	6.98	13.34	02/28/2009
MSCI World Financials Index	3.02	8.76	9.06	25.51	25.51	8.56	6.81	7.25	13.28	
SPDR MSCI World Health Care UCITS ETF*	3.40	13.66	12.25	23.34	23.34	14.81	8.38	12.07	14.61	02/28/2009
MSCI Health Care Index	3.41	13.70	12.28	23.24	23.24	14.83	8.50	12.29	14.82	
SPDR MSCI World Industrials UCITS ETF*	1.00	7.37	6.60	27.71	27.71	10.96	8.47	9.83	14.18	02/28/2009
MSCI World Industrials Index	1.00	7.36	6.63	27.77	27.77	11.00	8.62	10.17	14.55	
SPDR MSCI World Materials UCITS ETF*	4.08	8.56	4.99	23.18	23.18	9.68	6.39	3.52	9.37	02/28/2009
MSCI World Materials Index	4.12	8.65	5.11	23.35	23.35	9.74	6.52	3.83	9.74	
SPDR Dow Jones Global Real Estate UCITS ETF	0.09	1.12	5.96	20.78	20.78	6.45	4.58	0.00	6.51	10/24/2012
Dow Jones Global Select Real Estate Securities Index	0.14	1.24	6.18	21.10	21.10	6.77	4.92	8.82	6.90	
SPDR MSCI World Technology UCITS ETF*	4.15	13.94	16.48	47.39	47.39	25.53	18.11	15.20	19.55	02/28/2009
MSCI World Information Technology Index	4.16	13.98	16.55	47.55	47.55	25.73	18.33	15.52	19.83	
SPDR MSCI World Utilities UCITS ETF*	3.89	2.05	8.62	22.64	22.64	12.56	6.85	5.42	7.49	02/28/2009
MSCI World Utilities Index	3.89	2.05	8.63	22.53	22.53	12.41	7.04	5.93	7.91	
US Sector (Returns in USD, %)										
SPDR S&P U.S. Communication Services Select Sector UCITS ETF	2.39	8.61	9.51	30.86	30.86	-	-	-	8.35	08/15/2018
S&P Communication Services Select Sector Daily Capped 25/20 Index	2.40	8.63	9.53	30.87	30.87	-	-	-	8.31	
SPDR S&P U.S. Consumer Discretionary Select Sector UCITS ETF	2.81	4.22	5.73	28.21	28.21	16.86	-	-	12.66	07/07/2015
S&P Consumer Discretionary Select Sector Daily Capped 25/20 Index	2.81	4.20	5.70	28.16	28.16	16.75	-	-	12.57	
SPDR S&P U.S. Consumer Staples Select Sector UCITS ETF	2.42	3.30	9.72	26.96	26.96	9.35	-	-	8.19	07/07/2015
S&P Consumer Staples Select Sector Daily Capped 25/20 Index	2.40	3.23	9.57	26.62	26.62	9.02	-	-	7.88	
SPDR S&P U.S. Energy Select Sector UCITS ETF	6.29	6.21	-1.11	11.49	11.49	-3.63	-	-	-1.37	07/07/2015
S&P Energy Select Sector Daily Capped 25/20 Index	6.26	5.56	-1.33	11.04	11.04	-3.95	-	-	-1.70	
SPDR S&P U.S. Financials Select Sector UCITS ETF	2.64	10.31	12.41	31.42	31.42	11.48	-	-	11.86	07/07/2015
S&P Financials Select Sector Daily Capped 25/20 Index	2.63	10.28	12.31	31.23	31.23	11.32	-	-	11.75	
SPDR S&P U.S. Health Care Select Sector UCITS ETF	3.55	14.22	11.55	20.28	20.28	15.69	-	-	8.63	07/07/2015
S&P Health Care Select Sector Daily Capped 25/20 Index	3.54	14.23	11.50	20.18	20.18	15.58	-	-	8.50	
SPDR S&P U.S. Industrials Select Sector UCITS ETF	-0.09	5.39	6.30	28.64	28.64	11.23	-	-	11.32	07/07/2015
S&P Industrials Select Sector Daily Capped 25/20 Index	-0.09	5.37	6.26	28.60	28.60	11.11	-	-	11.16	
SPDR S&P U.S. Materials Select Sector UCITS ETF	2.99	6.24	6.01	23.94	23.94	9.17	-	-	7.56	07/07/2015
S&P Materials Select Sector Daily Capped 25/20 Index	2.97	6.19	5.90	23.71	23.71	8.90	-	-	7.32	
SPDR S&P U.S. Technology Select Sector UCITS ETF	4.45	14.26	17.97	49.62	49.62	25.32	-	-	20.85	07/07/2015
S&P Technology Select Sector Daily Capped 25/20 Index	4.47	14.28	17.97	49.61	49.61	25.27	-	-	20.78	
SPDR S&P U.S. Utilities Select Sector UCITS ETF	3.36	0.58	9.75	25.40	25.40	13.03	-	-	12.39	07/07/2015
S&P Utilities Select Sector Daily Capped 25/20 Index	3.35	0.51	9.61	25.10	25.10	12.67	-	-	12.03	

Standard Performance (%) (cont'd)

	1 Mth	3 Mth	6 Mth	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception	Inception Date
Europe Sector (Returns in USD, %)										
SPDR MSCI Europe Communication Services UCITS ETF**	-1.72	-1.57	3.12	4.86	4.86	-1.06	-1.23	3.94	2.57	09/30/2001
MSCI Europe Communication Services Index	-1.80	-1.67	3.11	4.69	4.69	-1.27	-1.37	3.79	2.72	
SPDR MSCI Europe Consumer Discretionary UCITS ETF**	2.05	8.35	9.50	33.09	33.09	7.84	6.96	12.11	7.20	09/30/2001
MSCI Europe Consumer Discretionary Index	2.07	8.41	9.59	33.01	33.01	7.70	6.89	12.10	7.38	
SPDR MSCI Europe Consumer Staples UCITS ETF**	1.13	-1.06	4.80	25.15	25.15	7.38	8.06	10.58	7.98	09/30/2001
MSCI Europe Consumer Staples Index	1.15	-1.04	4.89	25.31	25.31	7.49	8.20	10.80	8.38	
SPDR MSCI Europe Energy UCITS ETF**	1.74	0.38	-1.66	9.33	9.33	4.65	6.88	4.39	3.28	08/31/2001
MSCI Europe Energy 35/20 Capped Index	1.78	0.43	-1.70	9.17	9.17	4.45	6.61	4.30	3.45	
SPDR MSCI Europe Financials UCITS ETF**	3.48	8.25	9.48	22.69	22.69	3.68	3.45	4.08	0.04	08/31/2001
MSCI Europe Financials Index	3.56	8.30	9.59	22.35	22.35	3.43	3.25	3.99	0.10	
SPDR MSCI Europe Health Care UCITS ETF**	2.16	7.14	13.78	31.62	31.62	10.34	6.89	11.58	5.77	09/30/2001
MSCI Europe Health Care Index	2.18	7.22	13.94	31.77	31.77	10.46	7.04	11.76	6.06	
SPDR MSCI Europe Industrials UCITS ETF**	1.39	9.10	11.04	35.15	35.15	10.64	10.35	10.42	8.54	09/30/2001
MSCI Europe Industrials Index	1.41	9.18	11.16	35.10	35.10	10.58	10.27	10.36	8.70	
SPDR MSCI Europe Materials UCITS ETF**	3.21	8.71	6.15	26.20	26.20	8.86	8.60	5.83	7.47	09/30/2001
MSCI Europe Materials Index	3.26	8.85	6.35	26.41	26.41	8.91	8.63	5.90	7.67	
SPDR FTSE EPRA Europe ex UK Real Estate UCITS ETF	2.16	5.84	15.38	25.82	25.82	10.96	–	–	8.86	08/07/2015
FTSE EPRA Nareit Developed Europe Ex UK	2.21	5.96	15.71	26.55	26.55	11.58	–	–	9.45	
SPDR MSCI Europe Technology UCITS ETF**	1.46	8.80	8.99	37.14	37.14	15.11	12.97	12.90	2.95	08/31/2001
MSCI Europe Information Technology Index	1.58	9.04	9.26	37.57	37.57	15.32	13.03	12.92	2.77	
SPDR MSCI Europe Utilities UCITS ETF**	3.76	3.47	12.53	29.96	29.96	13.33	6.75	5.09	5.82	09/30/2001
MSCI Europe Utilities Index	3.78	3.52	12.76	29.83	29.83	13.20	6.58	4.80	5.86	

Source: State Street Global Advisors, as of 31 December 2019. Performance is net of fees. **Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate, so you may have a gain or loss when shares are sold. Current performance may be higher or lower than that quoted. All results are historical and assume the reinvestment of dividends and capital gains. The performance data do not take account of the commissions and costs incurred on the issue and redemption, or purchases and sale, of units. Visit spdrs.com for most recent month-end performance.**

Performance returns for periods of less than one year are not annualised. Index returns are unmanaged and do not reflect the deduction of any fees or expenses.

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Methodologies

SPDR Sector Picks Explained Looking out three months, we consider which sectors stand to potentially benefit from a combination of top-down and bottom-up factors. Macroeconomic indicators greatly inform our research, along with aggregated earnings and valuation metrics. We also consider investor flows and positioning. Most importantly, we reflect on the likely drivers of each sector over the forecast period.¹

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Investor Behaviour Indicators Explained Holdings measure investors' actual positions over and above the neutral positions embedded in their benchmarks. The figures are shown as percentiles and represent the investor holdings at month-end versus the last five years. This approach provides perspective on the size of holdings compared with their historical trends, whereas a single, dollar figure provides less context; 100% represents the largest holding in the last five years whilst 0% is the lowest holding.

Active Flows Indicates the value of net buying by large institutional investors (buys minus sells) expressed in terms of basis points of market capitalisation. These are flows in addition to the purchases or sales driven by shareholders allocating to the benchmark.

Top Chart Records the asset flow over the previous three months (60 trading days) versus the last five years.

Bottom Chart Shows trend of flows over previous three months (60 trading days).³

Endnotes

- 1 Targets such as the type noted above are estimates based on certain assumptions and analysis made by State Street Global Advisors. There is no guarantee that the estimates will be achieved.
- 2 Source: State Street, as of 30 September 2019.
- 3 Source: State Street Global Markets, as of 31 December 2019.

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