

# Sector & Equity Compass

Where to Hide if You Want to Stay at the Party

Q1  
2024

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# Themes & Outlook: Hoping to Stay Buoyant

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## It Was a Better Party Than We Expected

We found it difficult to write the Compass all through last year, unhappy with the economic opaqueness and market sentiment running well ahead of fact. However, by sticking with our favourite areas of US large caps and the Information Technology sector we participated in the significant market strength. The party was better than we expected.

The challenge now is adjusting to an environment of deflating economic growth and price rises.

In the last two months of 2023, equities bonds have run sharply ahead of any possible central bank action. This has left high valuations. Markets could be range bound until economic data, particularly on inflation, validates the hopes of rate cuts on both sides of the Atlantic.

On the positive side, with large amounts of cash in money market funds and neutral positioning we do believe investors will put money to work in Q1. So where could they look?

### 1 Quality & Defensive stocks

We expect demand for greater risk premia if concerns over slower economic growth and wider credit spreads grow in 2024. US equities and the IT sector continue as SPDR favorites given their inherent strengths. We would also add high dividend growers and Health Care to this.

After a strong rally in the last two months of 2023, most cyclical sectors are less appealing, including Industrials which we picked throughout 2023 for its infrastructure support. We think the huge fiscal spending, particularly in the US will continue to help, but is weighed against weak PMIs.

### 2 Beneficiaries of technological advances

AI was the big theme last year, and will not go away this year. Indeed Technology stocks will likely retain investors' attention, but we may get news flow from other sectors which are set to benefit from technological advances, including Health Care.

### 3 Selective catch-up trades

The size of the equities rally in November and December caught most investors by surprise. It is healthy in broadening out the market but we believe it is unsustainable. We favour some of the recent movers including small & mid cap equities and Real Estate for fundamental reasons discussed later.

### 4 Low correlation options

Given the vulnerabilities of the equities market - valuation and growth - we would suggest a few areas of lower correlation including Japan, as yen remains weak and the country is expected to enjoy a rare combination of moderating inflation and a robust wage growth in 2024. Real Estate and Energy would also help. The latter is in a difficult spot for us as we see many of the pre-requisites for higher crude oil prices, but not yet the demand argument.

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## Sectors in Focus for Q1

The macro-economic outlook is very important to relative sector performance. In Q1 we think that economic growth will continue to slow in developed markets, that inflation rates will fall, but interest rates in developed markets will not yet be cut, causing fear over debt servicing costs.

Defensive sectors, such as Health Care and Consumer Staples, are traditionally employed in such a scenario. We continue to believe that the accelerating use of artificial intelligence will impact sectors at different rates and the rapid rise in use cases which will feed through to higher productivity and better earnings. Other structural growth themes we consider in our sector choices include infrastructure building, automation and digitalisation, and demographics.

Other factors considered for picking sectors are the fundamental outlook for earnings and valuation (See pages 12–15), momentum (taken from [SPDR Sector Momentum Map](#)) and investor behaviour (as visualised by the flows and holdings data that follows in this document).

	World	US	Europe
<b>Information Technology</b>	✓	✓	✓
<b>Real Estate</b>	✓	✓	✓
<b>Health Care</b>	✓	✓	✓

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## Equity Regions in Focus for Q1

In a more difficult economic environment, we see the US as the more defensive option, with large cap equities (S&P 500) offering quality and small cap & mid cap equities offering more exposure to domestic strength.

Elsewhere, we return to the attractions of Japanese Equities while in Emerging Markets we prefer Small Caps due to more their domestic profile and lower China dependency.

Our reasoning for favouring each strategy is discussed in detail later in the document.

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**US Large Cap** S&P 500

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**US Small & Mid Cap** S&P MidCap 400, Russell 2000

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**MSCI Japan**

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**MSCI EM Small Cap**

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# Sector and Equity Performance

## World Sectors

Q4 2023 (%)		FY 2023 (%)	
Tech	17.5	53.3	Tech
Industrials	13.8	45.6	Comm Services
Financials	13.2	35.1	Cons Disc
Materials	12.7	23.8	MSCI World NR
MSCI World NR	11.4	23.2	Industrials
Cons Disc	11.2	16.2	Financials
Comm Services	10.8	14.8	Materials
Utilities	10.5	3.8	Healthcare
Healthcare	5.9	2.5	Energy
Cons Staples	5.3	2.3	Cons Staples
Real Estate	-3.5	0.3	Utilities
Energy	-4.1	-9.5	Real Estate

## US Sectors

Q4 2023 (%)		FY 2023 (%)	
Real Estate	18.5	55.7	Tech
Tech	17.6	52.5	Comm Services
Financials	13.8	39.4	Cons Disc
Industrials	12.9	25.7	S&P500 NR
S&P500 NR	11.6	17.5	Industrials
Cons Disc	11.3	11.8	Materials
Comm Services	10.9	11.5	Financials
Materials	9.5	11.1	Real Estate
Utilities	8.3	1.5	Healthcare
Healthcare	6.3	-1.6	Cons Staples
Cons Staples	5.3	-1.7	Energy
Energy	-6.6	-8.0	Utilities

## Europe Sectors

Q4 2023 (%)		FY 2023 (%)	
Real Estate	21.5	34.4	Tech
Tech	18.8	27.1	Industrials
Industrials	13.2	21.5	Financials
Utilities	10.4	19.6	Real Estate
Materials	10.2	15.9	Cons Disc
Financials	7.3	15.8	MSCI Europe NR
MSCI Europe NR	6.4	15.1	Comm Services
Cons Disc	5.6	13.5	Utilities
Comm Services	4.9	12.4	Materials
Cons Staples	0.8	9.0	Energy
Healthcare	-0.3	8.4	Healthcare
Energy	-3.1	1.5	Cons Staples

Source: State Street Global Advisors, Bloomberg Finance L.P., as of 29 December 2023. Past performance is not a reliable indicator of future performance. The reference indices are in 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. Index performance is net total return. 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. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable.

Equity Performance by Region	1M (%)	3M (%)	6M (%)	YTD (%)
Japan Equities	-0.5	2.2	3.9	28.6
US Equities	4.5	11.6	7.8	25.7
Global EM Small Cap	4.4	8.9	12.1	23.9
Global Equities	4.8	11.0	7.3	22.2
Eurozone Developed	3.2	7.8	3.0	18.8
U.S. Small Cap	12.2	13.9	7.9	16.4
U.S. Mid Cap	8.7	11.5	6.7	15.8
Europe Equities	3.7	6.4	4.2	15.8
Global DM Small Cap	9.6	12.5	7.5	15.8
Global Emerging Markets	3.9	7.9	4.7	9.8
UK Equities	4.5	3.2	5.2	7.9
Asia Emerging Markets	3.3	6.7	3.6	7.8

Source: Bloomberg Finance L.P. as of 29 December 2023. Past performance is not a reliable indicator of future performance. Returns are net total returns. Reference indices are: UK Equities — FTSE All Share Index; Global Equities — MSCI ACWI (All Country World Index) Index; Asia Emerging Markets — MSCI EM (Emerging Markets) Asia Index; Eurozone Developed — MSCI EMU Index; Global Emerging Markets — MSCI Emerging Markets Index; Europe Equities — MSCI Europe Index; Japan Equities — MSCI Japan Index; US Equities — S&P 500 Index. 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. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable.

## Sector and Equity ETF Flows

Sector ETF Flows	European-Domiciled (\$mn)		US-Domiciled (\$mn)	
	Q4 2023	FY 2023	Q4 2023	FY 2023
Communication Services	223	457	1706	4023
Consumer Discretionary	140	33	210	5267
Consumer Staples	-485	-381	-2779	-4186
Energy	105	-598	1215	-7355
Financials	-1225	-2810	228	544
Health Care	-315	-1479	-3740	-11043
Industrials	-230	-187	73	1571
Materials	485	559	-522	-2756
Real Estate	158	774	2427	-132
Technology	991	2052	3081	7356
Utilities	109	-3	-681	-1552

Source: Bloomberg Finance L.P., State Street Global Advisors, as of 29 December 2023. Flows shown above 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. **Methodology** We collect and aggregate flow figures for all sector and industry ETFs domiciled in the US and include ETFs invested across all 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.**

Equity ETF Flows by Region	European-Domiciled (\$mn)			US-Domiciled (\$mn)	
	Q4 2023	FY 2023		Q4 2023	FY 2023
Global	11,566	38,465	US	166,082	303,632
US	21,362	35,234	Global	3,325	2,991
Europe	5,589	7,025	International-Developed	13,141	51,222
UK	-621	256	International-Emerging Markets	4,885	13,138
Other Region	-84	213	International-Region	-1,248	4,078
Single Country	2,204	3,345	International-Single Country	3,064	9,108
EM	-1,340	14,786	Currency Hedged	54	2,603
Total	38,677	99,323	Total	189,303	386,772

Source: Bloomberg Finance L.P., as of 29 December 2023. Flows shown above are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. Single Country exposures are those that include securities from one country of domicile.

# Investor Behaviour Overview

Despite higher flows into equity ETFs in Q4, with investors seeking US exposure in particular, sector ETF flows were still relatively low. With European-domiciled ETFs, large outflows from Financials, particularly banks, offset the continued popularity of IT sector ETFs. For US-domiciled funds, it was defensive exposures which saw the largest outflows as investors gained risk appetite on the projected policy pivot.

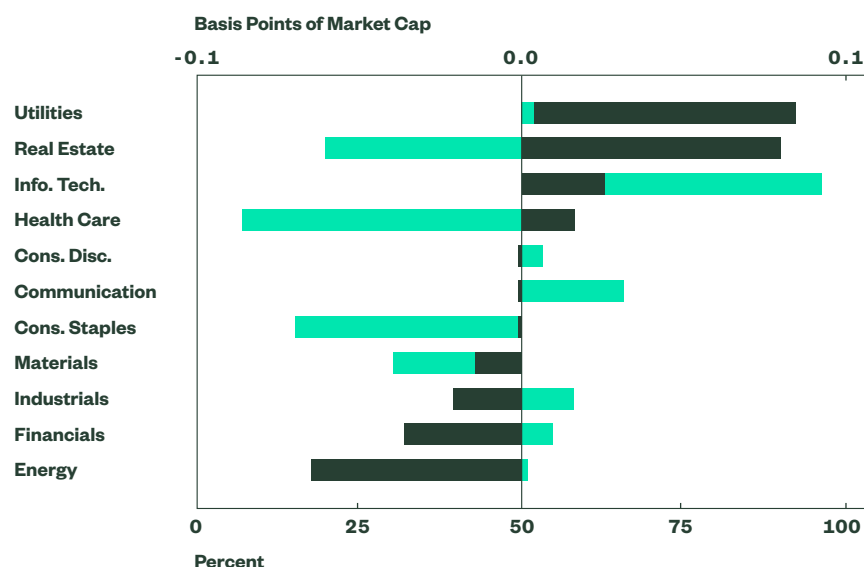
Looking at State Street's custody holdings, we saw money start to move out of cash and into equities in Q4. Nevertheless, an institutional investors finished 2023 with the same biases as at the start: a large overweight in US equities and underweight position in Emerging Markets, mainly driven by Chinese equities. Throughout the strong performance in 2023, investors maintained a slight overweight position in Japanese equities. There were relative inflows into the UK in Q4, but investors are still underweight.

Global sector holdings show an even larger position in IT than at the start of the year as a result of outperformance and buying by institutional investors. Real Estate, Health Care and Consumer Staples still have the largest underweight positions, even after additions to REITs and property stocks. US positioning is similar to Global. The main difference with European holdings is the large overweight in Industrials, partly explained by the popularity of defence stocks.

## World: Flows and Holdings

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

■ 3-Month Flow (upper axis)  
■ Holdings (lower axis)

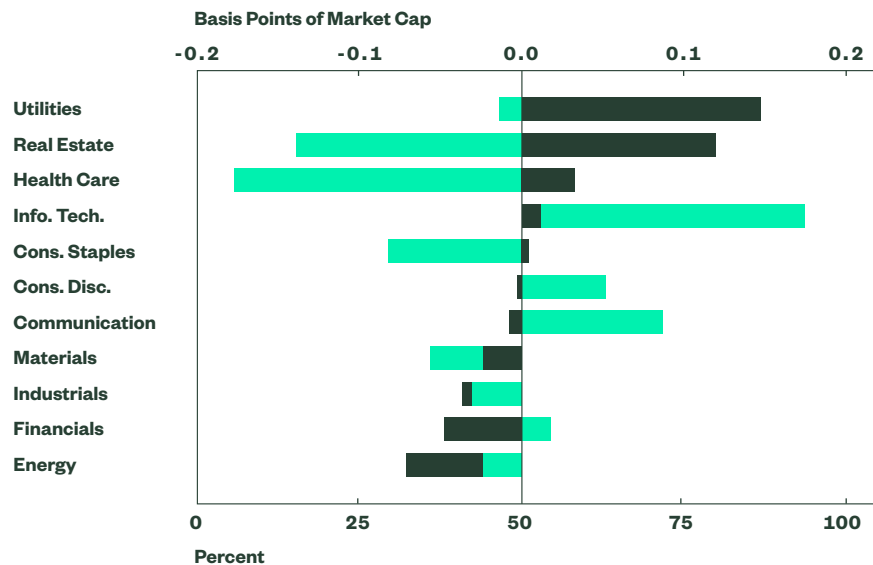


Source: State Street Global Markets. Data are as of 29 December 2023. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future. An explanation of methodology can be found on page 21.

## US: Flows and Holdings

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

■ 3-Month Flow (upper axis)  
■ Holdings (lower axis)

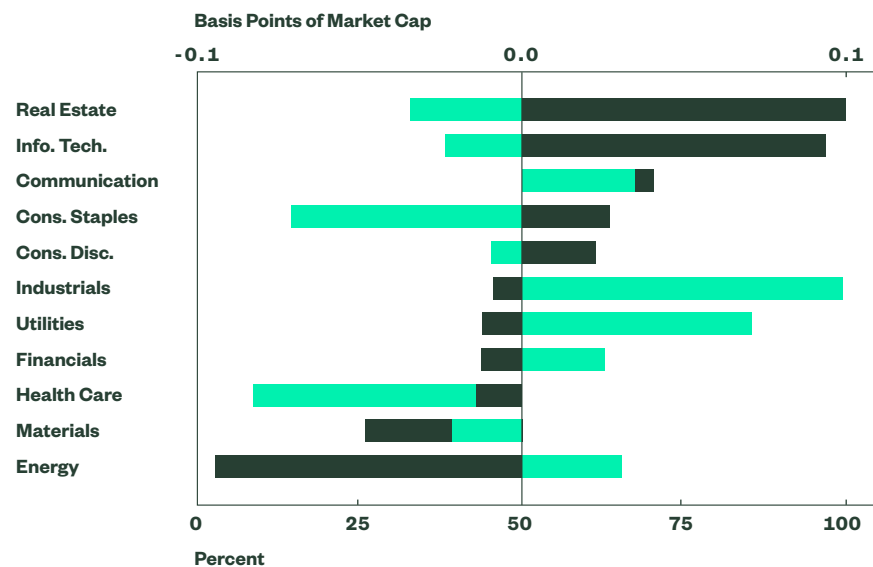


Source: State Street Global Markets. Data are as of 29 December 2023. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

## Europe: Flows and Holdings

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

■ 3-Month Flow (upper axis)  
■ Holdings (lower axis)

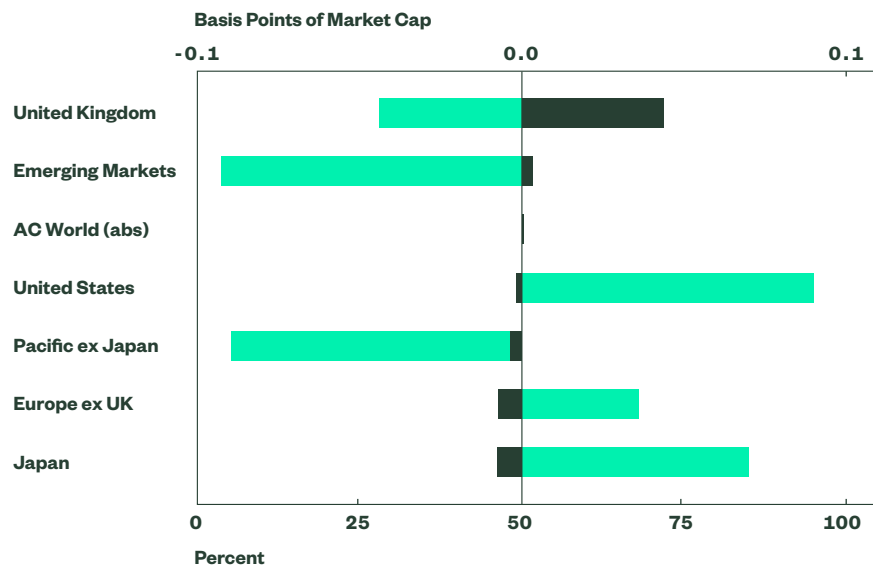


Source: State Street Global Markets. Data are as of 29 December 2023. Sectors flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.



## Equity Flows and Holdings by Region

■ 3-Month Flow (upper axis)  
■ Holdings (lower axis)



Source: State Street Global Markets. Data are as of 29 December 2023. 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.

# Information Technology

## Still Partying

World	US	Europe
✓	✓	✓

**The IT sector is a prime example of quality and defensive characteristics. The healthy balance sheets of the largest stocks will help in a quarter where interest rate costs remain high.**

### AI Will be Unavoidable

In 2024 we will see significant developments from generative AI, but monetisation is key. There will be increasing customisation of LLMs, more multimodal LLMs, and the launch of various AI agents. Companies market-wide are likely to employ models to help their business (particularly in back-end fulfillment or customer service).

There will be demand for related software and the hardware cycle is likely to speed up. All this will need greater computing power, supported by semiconductor chips. *Nvidia* starts the year in a dominant position with its GPU chips, particularly the H100, but will likely see a challenge from competitors *AMD* and *Intel*.

Legislation in the US and elsewhere will ensure that the chip supply chain is robust. Incentives from the CHIPS & Science Act 2023 and its European equivalent will continue to drive building of fab plants. The Dutch company, *ASML*, remains influential as the world's only supplier of extreme ultraviolet lithography machines, capable of making chips on a minute scale.

Use of cloud computing will also grow significantly, with a move from on-premise hosting as companies need greater compute and storage. Hyperscale cloud providers include *Microsoft*.

### Multiple Growth Themes Drive Forecast Growth

If we assume that every industry spends a small percentage of their revenue on GenAI products and services it is clear how the earnings of providers will rise. Meanwhile, other technologies such as the Internet of Things, 5G communications, and virtual reality will continue to evolve. Greater connectedness means huge demand for cybersecurity experts in the IT sector such as *Palo Alto Networks*.

Given the opportunities of new technologies and the ongoing digitalisation and automation of all aspects of life, earnings estimates seem realistic. The sector had the highest number of earnings beats in three of the four reporting seasons in 2023. Current growth expectations are approximately double those of the market average, helping to justify high premium valuations.

### Great Momentum

Many investors worry about the dominance of the sector and its impact on the price and narrowness of the equities market, particularly in the US. We acknowledge these risks and continue to suggest accessing the sector via a basket of stocks. SPDR's sector ETFs follow capped indices which reduce the weight of the mega-caps.

Technology led sector performance throughout 2023, even with the significant market pivot in Q4. It is the most attractively-positioned sector in all three regions (US, Europe and World) on [SPDR Sector Momentum Map](#). The sector is within the Leading Quadrant and has a strong heading with Momentum and Relative Strength continuing to improve. For more information on this online tool please reach out to your client contact.

# Real Estate

## Our Favourite Catch-up Trade

World	US	Europe
✓	✓	✓

**Real Estate was the best performing sector in all regions in Q4. This catch-up trade came amidst pivoting expectations on interest rates. Given the still low expectations and valuations we believe there is more strength to come. Data on pages 7-9 show that institutions have been adding to their sector weight from a very underweight base.**

### Beneficiary of Falling Rates

As a bond proxy, the Real Estate sector tends to trade inversely with bond yields. REITs, which constitute over 90% of the global sector, pass the majority of their income onto investors as dividends, thus being an alternate income source to fixed income investments. Research shows that REITs have typically enjoyed strong absolute and relative total return performances after monetary policy tightening cycles end.

The current high interest costs will continue to be costly for REITs' debt, but investors are already looking forward to rate cuts across developed markets. There is little balance sheet concern amongst the large quoted players given relatively low leverage. Interestingly, forced selling from less-disciplined property companies hit with heavy refinancing, could provide opportunistic real estate acquisitions.

### Market by Market

Arguably, Real Estate companies do well when economies expand, but can also prosper in slow growth times due to stable income.

At an operational level, the market outlook varies by subsector. A quarter of the global sector (as measured by the Dow Jones Global Select Real Estate Securities Index) is in the challenging areas of Retail and Offices, but there is scope for outperformance against low expectations. Global office leasing volumes levelled off in the second half of 2023, but are still well below the pre-pandemic Q3 average. Most commentators expect office attendance to pick up, from levels some 50% (varies by city) below those in 2019, especially if unemployment rises, giving employers more sway to demand a return to office.

Retail sales could suffer as economic growth slows in 2024, but are supported by real wage rises currently. Footfall continues to fall with increasing online shopping provision. Nevertheless, store demand is high in vibrant urban centres, helped by growing tourism, and a fall in construction of new retail space is creating an attractive supply balance.

Amongst growth markets are Data Centre REITS (10% of the global index) which are rapidly evolving into digital infrastructure platforms such as *Equinix\** and Healthcare (9%) which provides properties for seniors housing, rehabilitation and outpatient services amongst others.

Prospects for Industrials/Logistics (17%) are mixed. Although, demand could slow with the economy, long-term drivers remain intact. The largest stock in the index is Prologis, supplier of distribution centres and multimarket facilities at transport hubs and ports.

The Residential market (14%) is relatively defensive, and more impacted by demographics than cyclical factors. Residential Real Estate companies account for 23% of our European index (FTSE EPRA Europe ex UK Real Estate), dominated by German apartment provider, most notably Vonovia.

Finally, Real Estate has a historically low correlation to broad equities, which could be attractive if equity markets are weak.

# Health Care

## Defensive Operations

World	US	Europe
✓	✓	✓

**Health Care is another quality, defensive sector which should perform relatively well if there are widespread concerns about cyclical growth. The sector is not expensive against its historic rating.**

### Technological Advances

Technology is an integral part of modern healthcare, increasingly driving new treatments, medical procedures, and handling data.

Building on 2023's developments, AI could play an increasingly pivotal role in enhancing patient care, reducing costs, and improving treatment. We're hoping for good news in cardiovascular, oncology, and immunology, thanks to collaborations between tech startups and pharmaceutical giants on drug discovery, clinical trials and disease diagnosis.

A technology we will undoubtedly hear much about in 2024 is gene editing. At the end of last year, the first CRISPR-gene-edited drug for sickle-cell disease *exa-cell* was approved and we expect the technology to be used in other therapies. There is also rapid progress in gene therapy, and we may hear about its use with GLP-1 treatment (see below) to give longer-lasting obesity treatment.

### Weight Loss Plans for the New Year

Obesity drugs are a key theme for the sector. They show the ability to pivot to new treatments (in this case using drugs developed for diabetes) and prioritise resources. *Novo Nordisk*\* launched the first weight-loss treatment *Wegovy*, which received approval from the FDA and European regulatory bodies late in 2022. It mimics the GLP-1 hormone to stimulate the production of insulin and lower blood sugar levels. Clinical trials showed a 15% reduction in body weight after 1 year and reduced cardiovascular problems. *Eli Lilly's*\* *zepbound*, also in injectable form, was approved for weight-loss treatment in November.

Other pharmaceutical companies, including *Merck*\*, *Roche*\* and *AstraZeneca*\* are developing competing products. Consensus expectations from Bloomberg suggest over \$75bn of sales by 2030 from 20m patients on a GLP-1 agent.

### Better Growth Expected in 2024

Earnings sentiment has improved with or without obesity drugs. Happily, the COVID-inflated sales base that previously hindered growth comparisons has disappeared for most companies.

There will be other areas of excitement in 2024. Drugs aimed at slowing Alzheimer's disease will be in focus, with *Eli Lilly's*\* *donanemab* expected to be approved by the FDA making a second intravenously-administered treatment available. The company's subcutaneous formulation will begin Phase-3 trials soon and *Roche's* amyloid-targeting antibody is set to enter Phase 2.

These Health Care themes can be played globally. However, given that 2024 is US presidential election year, we would express a preference for European companies which may see less volatility. Amongst political concerns in the US of discussion are more restrictive reimbursements by private healthcare insurance and more negotiations on drug prices (the initial list subject to the Inflation Reduction Act was received in 2023).

# Top 5 Holdings by ETF

Name	Index Weight (%)
<b>SPDR MSCI World Technology UCITS ETF</b>	
Apple Inc.	21.9
Microsoft Corporation	18.6
NVIDIA Corporation	8.9
Broadcom Inc.	3.6
ASML Holding NV	2.2
<b>SPDR MSCI Europe Technology UCITS ETF</b>	
ASML Holding	33.9
SAP	18.1
Infineon Technologies	8.3
STMicroelectronics	5.2
Capgemini SE	5.2
<b>SPDR S&amp;P Technology Select Sector UCITS ETF</b>	
Apple	21.7
Microsoft Corporation	18.9
Broadcom Inc.	5.1
NVIDIA	4.5
Adobe Incorporated	3.2
<b>SPDR Dow Jones Global Real Estate UCITS ETF</b>	
Prologis	8.8
Equinix	5.5
Welltower	3.6
Public Storage	3.5
Simon Property Group	3.3
<b>SPDR FTSE EPRA Europe ex UK Real Estate UCITS ETF</b>	
Vonovia	14.6
Swiss Prime Site	5.5
Unibail-Rodamco-Westfield	5.2
Gecina	4.3
PSP Swiss Property AG	4.3

Source: MSCI, S&P and State Street Global Advisors, as of 29 December 2023. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. Weights are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

## Top 5 Holdings by ETF (cont'd)

### SPDR MSCI World Health Care UCITS ETF

UnitedHealth	7.00
Eli Lilly	6.45
Johnson & Johnson	5.18
Novo Nordisk	4.64
Merck	3.78

### SPDR MSCI Europe Health Care UCITS ETF

Novo Nordisk	21.00
AstraZeneca	12.92
Novartis	12.75
Roche	12.59
Sanofi	6.96

### SPDR S&P Health Care Select Sector UCITS ETF

UnitedHealth	10.00
Eli Lilly	9.21
Johnson & Johnson	7.47
Merck	5.47
Abbvie	5.41

Source: MSCI, S&P and State Street Global Advisors, as of 29 December 2023. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. Weights are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

# Sector Index Metrics

	Fundamental Growth Forecasts & Valuations									
	Est. 2yr EPS Growth (p.a.)*	3mth Change to 1yr EPS Growth Forecast (%)	Forward Relative P/B**	Forward Relative P/E**	Relative CAPE	Relative CAPE (10yr Avg)	ROE (%)	Debt/ Equity (%)	Est 3-5 Years EPS Growth (%)	12mth Div. Yield (%)***
<b>MSCI World Sector Indices</b>										
<b>MSCI World Index</b>	<b>9.6</b>	<b>-0.8</b>	<b>-</b>	<b>17.5</b>	<b>-</b>	<b>-</b>	<b>14.9</b>	<b>134</b>	<b>5.05</b>	<b>1.99</b>
Comm. Services	14.8	-4.0	0.96	17.6	1.23	1.42	14.0	89	19.89	1.21
Consumer Disc.	11.1	-1.2	1.23	20.2	1.13	1.15	17.5	111	12.72	1.30
Consumer Staples	6.9	1.4	1.34	18.1	0.89	1.08	19.6	99	5.23	2.91
Energy	-1.8	6.3	0.57	9.8	0.58	0.48	18.1	49	199.38	3.98
Financials	5.4	-2.4	0.52	12.3	0.63	0.63	12.2	248	6.23	3.01
Health Care	14.0	-0.3	1.35	18.0	1.14	1.22	16.0	74	1.33	1.85
Industrials	10.1	0.2	1.14	19.1	1.06	1.07	16.2	85	6.99	1.88
Materials	6.7	-6.3	0.70	16.4	0.72	0.86	11.1	48	3.78	2.76
Real Estate	7.7	1.5	0.54	14.4	0.94	1.18	4.1	84	5.93	4.35
Technology	20.0	-2.4	2.79	27.0	1.70	1.39	24.5	57	11.36	0.79
Utilities	4.0	-1.1	0.57	14.4	0.87	0.93	11.4	137	3.54	3.94
<b>US S&amp;P Select Sector Indices</b>										
<b>S&amp;P 500 Index</b>	<b>11.7</b>	<b>-1.9</b>	<b>-</b>	<b>19.6</b>	<b>-</b>	<b>-</b>	<b>18.2</b>	<b>118</b>	<b>4.63</b>	<b>1.48</b>
Comm. Services	18.5	-6.1	0.65	16.8	0.97	1.35	12.0	101	21.18	0.97
Consumer Disc.	10.8	-6.4	1.89	24.2	1.37	1.30	33.6	210	8.56	0.90
Consumer Staples	6.6	0.2	1.25	18.9	0.76	0.87	25.1	109	6.08	2.76
Energy	1.3	7.5	0.50	10.8	0.77	0.52	19.8	45	9.69	3.34
Financials	7.2	-3.7	0.46	14.8	0.65	0.65	12.0	170	5.86	1.76
Health Care	14.6	-0.5	1.06	18.0	0.93	1.04	17.9	84	1.04	1.69
Industrials	11.7	-2.7	1.30	20.1	0.92	0.94	24.1	128	6.78	1.63
Materials	6.8	-4.0	0.68	19.7	0.82	0.94	11.9	64	16.69	1.97
Real Estate	6.8	4.3	0.35	19.3	1.32	1.69	7.8	107	4.32	3.38
Technology	19.1	-3.0	2.10	26.4	1.22	1.05	27.0	66	11.77	0.87
Utilities	8.4	1.1	0.45	15.7	0.79	0.99	10.7	156	9.60	3.46
<b>MSCI Europe Sector Indices</b>										
<b>MSCI Europe Index</b>	<b>5.6</b>	<b>-0.5</b>	<b>-</b>	<b>13.1</b>	<b>-</b>	<b>-</b>	<b>13.6</b>	<b>163</b>	<b>5.84</b>	<b>3.43</b>
Comm. Services	9.4	-3.5	0.72	13.8	0.67	0.80	12.1	103	14.74	4.33
Consumer Disc.	5.5	2.2	0.94	12.5	0.94	1.29	14.3	82	196.83	2.88
Consumer Staples	6.5	-0.5	1.62	16.5	0.90	1.23	16.2	92	4.81	3.19
Energy	-5.7	-3.9	0.70	8.2	0.68	0.58	17.1	46	-13.42	4.50
Financials	3.3	1.4	0.56	8.7	0.76	0.69	13.5	331	13.15	5.40
Health Care	10.2	-0.1	1.87	16.9	1.19	1.24	14.3	62	6.31	2.49
Industrials	11.8	-2.7	1.71	18.4	1.46	1.44	15.9	86	6.60	2.32
Materials	9.2	-9.2	0.92	15.2	0.88	1.05	10.2	43	1.57	3.40
Real Estate	2.0	-1.1	0.31	13.5	1.73	2.03	-2.5	76	1.00	4.74
Technology	15.3	-1.8	2.43	24.0	2.80	3.35	15.2	27	6.48	1.24
Utilities	2.7	3.2	0.88	12.9	0.89	0.80	12.8	117	1.02	4.99

Source: State Street Global Advisors, FactSet, Bloomberg Finance L.P., Morningstar, as of 29 December 2023. Past performance is not a reliable indicator of future performance.

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

\* 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)
<b>MSCI World Sector Indices</b>						
<b>MSCI World Index</b>	<b>-0.10</b>	<b>0.04</b>	<b>0.28</b>	<b>1.00</b>	<b>16.99</b>	<b>–</b>
Comm. Services	-0.12	0.03	0.09	1.00	20.09	0.87
Consumer Disc.	-0.13	-0.06	0.24	1.17	22.43	0.91
Consumer Staples	-0.06	-0.01	0.29	0.60	13.96	0.75
Energy	0.00	0.61	0.53	0.59	25.57	0.41
Financials	-0.07	0.19	0.25	0.96	19.99	0.84
Health Care	-0.07	0.04	0.23	0.66	14.23	0.81
Industrials	-0.10	0.03	0.37	1.07	19.51	0.96
Materials	-0.11	0.08	0.28	1.08	21.38	0.88
Real Estate	0.00	0.23	-0.01	-0.14	19.17	-0.13
Technology	-0.15	-0.09	0.33	1.21	23.34	0.90
Utilities	-0.08	-0.01	0.31	0.75	16.94	0.78
<b>US S&amp;P Select Sector Indices</b>						
<b>S&amp;P 500 Index</b>	<b>-0.10</b>	<b>0.03</b>	<b>0.32</b>	<b>1.00</b>	<b>17.53</b>	<b>–</b>
Commun. Services	-0.12	0.04	0.09	0.99	21.22	0.84
Consumer Disc.	-0.13	-0.08	0.27	1.22	25.06	0.88
Consumer Staples	-0.05	0.01	0.36	0.55	14.80	0.67
Energy	0.00	0.72	0.62	0.62	30.56	0.37
Financials	-0.07	0.20	0.31	0.94	21.16	0.80
Health Care	-0.06	0.06	0.26	0.64	14.69	0.78
Industrials	-0.08	0.07	0.45	1.03	20.45	0.91
Materials	-0.09	0.06	0.42	1.06	21.89	0.87
Real Estate	-0.12	0.00	-0.01	1.09	22.11	0.89
Technology	-0.14	-0.10	0.34	1.17	22.98	0.92
Utilities	-0.07	-0.01	0.32	0.70	18.23	0.69
<b>MSCI Europe Sector Indices</b>						
<b>MSCI Europe Index</b>	<b>-0.11</b>	<b>0.06</b>	<b>0.27</b>	<b>1.00</b>	<b>18.16</b>	<b>–</b>
Comm. Services	-0.08	0.09	0.26	0.76	17.04	0.83
Consumer Disc.	-0.16	-0.02	0.21	1.25	25.12	0.93
Consumer Staples	-0.09	-0.03	0.21	0.73	16.01	0.85
Energy	0.00	0.45	0.35	0.52	21.83	0.45
Financials	-0.08	0.19	0.17	1.02	22.05	0.87
Health Care	-0.08	0.05	0.23	0.70	15.95	0.82
Industrials	-0.14	0.01	0.40	1.20	23.19	0.96
Materials	-0.11	0.10	0.26	1.07	21.53	0.93
Real Estate	-0.16	0.11	0.10	1.37	29.36	0.87
Technology	-0.18	-0.13	0.34	1.28	27.99	0.86
Utilities	-0.12	-0.04	0.36	0.98	20.68	0.88

Source: State Street Global Advisors, FactSet, Bloomberg Finance L.P., Morningstar, as of 29 December 2023. Past performance is not a reliable indicator of future performance.

\*\*\*\* 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.



# SPDR Sector ETFs

## Experienced Management

A leader in sector ETFs with more than \$260bn globally.<sup>1</sup>  
Track record of managing sector ETFs since 1998

## Physical Replication

One of the only providers with a full suite of physically replicated World, US and Europe sector ETFs in Europe

## Cost-Efficient\*

World UCITS Sector ETFs: **0.30%**  
US UCITS Sector ETFs: **0.15%**  
Europe UCITS Sector ETFs: **0.18%**

SPDR ETF Information	ISIN	TER (%)	Euro-next	LSE	Xetra	Borsa Italiana	SIX	Mexico BMV	3 Month Fund Flow (\$mn)	FY 2023 Net Flows (\$mn)	AUM (\$mn)
<b>World Sector Funds</b>											
SPDR MSCI World Communication Services UCITS ETF	IE00BYTRRG40	0.30	WTEL	WTEL	–	–	WTEL	WTELN	3	22	51
SPDR MSCI World Consumer Discretionary UCITS ETF	IE00BYTRR640	0.30	WCOD	WCOD	–	–	WCOD	CDISN	-8	11	49
SPDR MSCI World Consumer Staples UCITS ETF	IE00BYTRR756	0.30	WCOS	WCOS	–	–	WCOS	–	7	4	93
SPDR MSCI World Energy UCITS ETF	IE00BYTRR863	0.30	WNRG	WNRG	–	WNRG	WNRG	WNRGN	61	-179	533
SPDR MSCI World Financials UCITS ETF	IE00BYTRR970	0.30	WFIN	WFIN	–	WFIN	WFIN	WFINN	-28	-230	211
SPDR MSCI World Health Care UCITS ETF	IE00BYTRRB94	0.30	WHEA	WHEA	–	WHEA	WHEA	–	-33	41	507
SPDR MSCI World Industrials UCITS ETF	IE00BYTRRC02	0.30	WIND	WIND	–	–	WIND	–	-7	-1	65
SPDR MSCI World Materials UCITS ETF	IE00BYTRRF33	0.30	WMAT	WMAT	–	–	WMAT	WMATN	1	-5	123
SPDR Dow Jones Global Real Estate UCITS ETF	IE00B8GF1M35	0.40	–	GLRE	SPYJ	GLRE	GBRE	–	0	-21	235
SPDR MSCI World Technology UCITS ETF	IE00BYTRRD19	0.30	WTCH	WTEC	–	WTEC	WTEC	WTECN	21	8	534
SPDR MSCI World Utilities UCITS ETF	IE00BYTRRH56	0.30	WUTI	WUTI	–	–	WUTI	–	0	10	25
<b>US Sector Funds</b>											
SPDR S&P U.S. Communication Services Select Sector UCITS ETF	IE00BFWFPX50	0.15	SXLC	SXLC	ZPKD	SXLC	SXLC	SXLCN	7	-64	153
SPDR S&P U.S. Consumer Discretionary Select Sector UCITS ETF	IE00BWBXM278	0.15	SXLY	SXLY	ZPDD	SXLY	SXLY	SXLYN	-3	-4	112
SPDR S&P U.S. Consumer Staples Select Sector UCITS ETF	IE00BWBXM385	0.15	SXLP	SXLP	ZPDS	SXLP	SXLP	SXLPN	-3	-12	264
SPDR S&P U.S. Energy Select Sector UCITS ETF	IE00BWBXM492	0.15	SXLE	SXLE	ZPDE	SXLE	SXLE	SXLEN	-173	293	787
SPDR S&P U.S. Financials Select Sector UCITS ETF	IE00BWBXM500	0.15	SXLF	SXLF	ZPDF	SXLF	SXLF	SXLFN	-12	-497	327
SPDR S&P U.S. Health Care Select Sector UCITS ETF	IE00BWBXM617	0.15	SXLV	SXLV	ZPDH	SXLV	SXLV	SXLVN	-13	54	349
SPDR S&P U.S. Industrials Select Sector UCITS ETF	IE00BWBXM724	0.15	SXLI	SXLI	ZPDI	SXLI	SXLI	SXLIN	-27	-124	203
SPDR S&P U.S. Materials Select Sector UCITS ETF	IE00BWBXM831	0.15	SXLB	SXLB	ZPDM	SXLB	SXLB	SXLBN	-6	-35	35
SPDR S&P U.S. Technology Select Sector UCITS ETF	IE00BWBXM948	0.15	SXLK	SXLK	ZPDT	SXLK	SXLK	SXLKN	67	193	945
SPDR S&P U.S. Utilities Select Sector UCITS ETF	IE00BWBXMB69	0.15	SXLU	SXLU	ZPDU	SXLU	SXLU	SXLUN	0	-6	28
<b>Europe Sector Funds</b>											
SPDR MSCI Europe Communication Services UCITS ETF	IE00BKWQON82	0.18	STT	TELE	SPYT	STTX	STTX	TELEN	101	61	123
SPDR MSCI Europe Consumer Discretionary UCITS ETF	IE00BKWQOC77	0.18	STR	CDIS	SPYR	STRX	STRX	–	-6	57	145
SPDR MSCI Europe Consumer Staples UCITS ETF	IE00BKWQOD84	0.18	STS	CSTP	SPYC	STSX	STSX	CSTPN	-164	19	205
SPDR MSCI Europe Energy UCITS ETF	IE00BKWQOF09	0.18	STN	ENGY	SPYN	STNX	STNX	ENGYN	-61	-79	1,022
SPDR MSCI Europe Financials UCITS ETF	IE00BKWQOG16	0.18	STZ	FNCL	SPYZ	STZX	STZX	FNCLN	-8	-154	319
SPDR MSCI Europe Health Care UCITS ETF	IE00BKWQOH23	0.18	STW	HLTH	SPYH	STWX	STWX	HLTHN	276	93	825
SPDR MSCI Europe Industrials UCITS ETF	IE00BKWQOJ47	0.18	STQ	NDUS	SPYQ	STQX	STQX	NDUSN	-113	-156	296
SPDR MSCI Europe Materials UCITS ETF	IE00BKWQOL68	0.18	STP	MTRL	SPYP	STPX	STPX	MTRLN	272	314	366
SPDR FTSE EPRA Europe ex UK Real Estate UCITS ETF	IE00BSJCQV56	0.30	–	EURE	ZPRP	EURE	EURE	–	-3	43	92
SPDR MSCI Europe Technology UCITS ETF	IE00BKWQOK51	0.18	STK	ITEC	SPYK	STKX	STKX	ITECN	-2	-9	74
SPDR MSCI Europe Utilities UCITS ETF	IE00BKWQOP07	0.18	STU	UTIL	SPYU	STUX	STUX	UTILN	31	-226	109

<sup>1</sup> Sources: Bloomberg Finance L.P., State Street Global Advisors, as of 29 December 2023. To view additional fund details, including full performance history, please click on the fund name.

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

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## US Equities

### Benefitting from the Economic Exceptionalism Across the Board

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US Equities delivered stronger gains than many market participants expected at the beginning of 2023. Large Caps delivered 26% total return and, while until end of October it was driven predominantly by the Magnificent 7 stocks<sup>1</sup>, we observed a broadening from the beginning of November as inflation abated while growth and labour market in the US remained strong. With that broadening Small and Mid Caps, which underperformed for the majority of 2023, bounced back delivering 22% and 18%, respectively from 31 October 2023 until year end.<sup>1</sup>

The US remains in the sweet spot, with growth surprising to the upside, and inflation abating thanks to the aggressive tightening. At the same time, on a relative basis geopolitical challenges are less detrimental compared with other regions. We acknowledge that forward looking price to earnings at 20x<sup>2</sup> screens expensively, especially given Large Cap earnings growth expectations at 11.5%<sup>3</sup> maybe optimistic. As such, there may be less juice to squeeze in 2024 compared with last year. However, with these valuation levels in mind, the US growth advantage, potential upside from AI and clear headwinds elsewhere, we see it as a better play for Q1 relative to Europe or EM Large Caps.

A broadening of performance is likely not only within S&P 500 but also across US Small and Mid Caps. The combination of better than expected growth, resilient labour market and moderating inflation sent yields lower causing a sharp rally in November and December yet both the Russell 2000 and the S&P Mid Cap 400 Indices have not yet fully caught up with Large Caps. As such we continue to see an investment case in these areas in Q1, as domestic and cyclical profiles of Small and Mid caps are allowed to benefit from US exceptionalism in a more direct way.

The key risk for US Equities of all sizes continues to stem from higher interest rates. However, for Large Caps the key challenge is in high multiples which may screen unattractively relative to bonds while for Small and, to some extent, Mid Caps prolonged higher interest rates remain a risk as the lagged effects of monetary policy manifesting itself through potential financial distress vis-a-vis refinancing channels or through a broader systematic shock to the US economy would likely harm smaller companies to a larger extent. For that reason Small Caps are likely to fare better with the positive surprises from economic growth and labour market while Large Caps may be less sensitive to any economic slowdown.

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## EM Small Cap Equities

### More Domestic and Less China Dependent

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While emerging market countries maintain an economic growth advantage over the developed world, we believe that investing in EM Equities warrants caution and selectivity as there are two main challenges. First one is China, which represents 27%<sup>4</sup> of the MSCI EM Index and has been a source of disappointments over the last twelve months. A suboptimal reopening effect, geopolitical posturing and the re-emergence of technology crackdown through potential new curbs on video gaming industry weigh on the whole Large Cap exposure. The second challenge comes from the fact that the economic growth of EM countries does not necessarily translate into performance of EM Equities.

EM Small Caps offer a solution to these challenges as they allow investors to access companies operating within rapidly growing EM economies but with limited exposure to China which represents only 7% of the index. Instead, the MSCI Small Cap Index has an overweight to India, which accounts for 26%, and whose economy is expected to grow at rate above 6% in FY 2024 and FY 2025,<sup>5</sup> taking the baton of growth leader among major economies. Taiwan (23% of the index) is an indispensable part of the semiconductor supply chain while South Korea (14% of the index) is a high quality emerging market, a powerhouse in technology. It is important to note that both India and Taiwan will hold elections in 2024 and particularly Taiwanese elections need to be watched closely as they may raise geopolitical risks.

Companies within MSCI EM Small Cap Index generate a larger share of their revenue domestically allowing a more direct benefit from relatively robust EM economies which continue to enjoy growth advantage over the developed world (perhaps with the exception of the US). A more domestic profile with China underweight allowed EM Small Caps to rally by 24%<sup>6</sup> in 2023 and we believe these characteristics should provide a tailwind in the first quarter of 2024.

MSCI EM Small Cap Index is well diversified with the top 10 companies representing only 3.3%<sup>7</sup> of the total index while the corresponding number for the MSCI Emerging Market Index is 23.1%. Moreover, the share of state owned companies, which may be less efficient, particularly across EM, is much lower in the EM Small Cap Index representing only 8% (vs. 23% for the MSCI Emerging Markets Index). Finally, as disinflation continues, the US dollar may weaken against key EM currencies (INR, TWD, KRW, CNY) which have not yet rebounded to levels observed at the end of 2021 when the persistent nature of inflation became clear. Currency appreciation relative to the US dollar would support both EM Small Cap stock performance and EM economies which, from the index composition perspective, by and large are commodity importers.

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## Japan Equities

### A Leap Forward?

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MSCI Japan delivered an impressive 29%<sup>8</sup> a release in 2023 with the majority of gains occurring in the second quarter driven by a persistently weak yen and a release of the market restructuring rules from the Tokyo Stock Exchange. Slowing inflation combined with an accelerating wage growth is a combination that should bode well for Japan Equities in 2024, in our view.

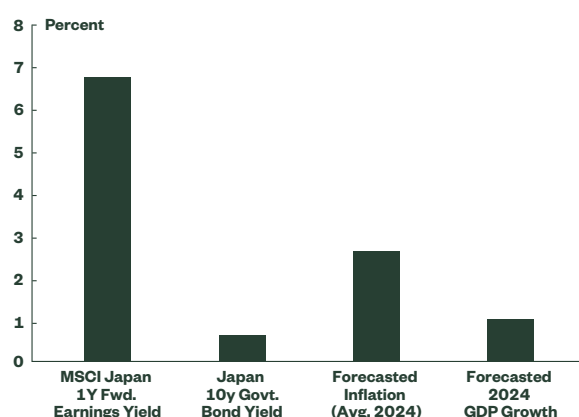
Average inflation in Japan is expected to moderate from 3.3% in 2023 to 2.6% in 2024, according to SSGA Economists. This should allow the Bank of Japan to remain relatively dovish compared with other central banks, even if some normalisation is plausible. Dovishness of the BOJ should allow the yen to remain weak which in turn benefits MSCI Japan as 53%<sup>9</sup> of revenues are generated outside the country. Monetary easing not only allows access to cheap financing for Japanese businesses but also makes equities earnings' yield attractive compared to local bond yields.

Japan, this year, may enjoy a similar “Goldilocks” scenario as the United States did in 2023 with moderating inflation and a strong labour market. Indeed the “shunto” negotiations are expected to translate into a robust wage growth in 2024 which should support domestic consumption and subsequently revenue growth across Japanese companies.

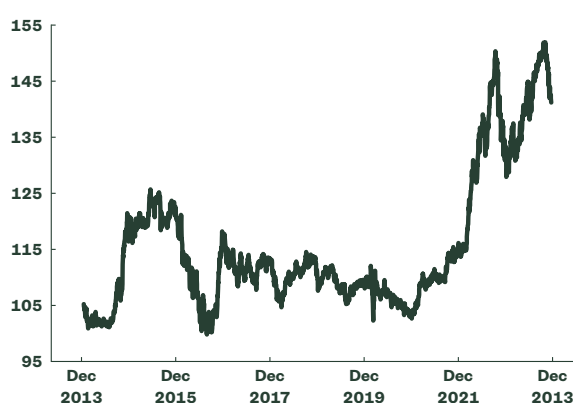
The Tokyo Stock Exchange initiative to improve corporate governance of listed stocks is another tailwind which is expected improve efficiency of Japanese firms over the medium term as companies representing 25% of the MSCI Japan still trade below book value.<sup>10</sup> The number improved from 35% at the beginning of 2023 but significant potential remains and the direction is clear.

The key risk to Japanese Equities is from outside Japan. Should the lagged effect of restrictive monetary policy hinder global growth, Japanese export oriented companies may suffer. Similarly, demand slowdown in China which is one of the largest trading partners of Japan may be another headwind. On the other hand, weak yen improved competitiveness of Japanese companies which can mitigate worsening demand and if advanced economies surprise to the upside as it is the case in the US, cyclical MSCI Japan may benefit further.

**Yield, Inflation and Growth profile**



**USD JPY FX Rate**



Source: Bloomberg Finance L.P, State Street Global Advisors. Earnings Yield, Bond Yield and FX rates, as of 29 December 2023. Inflation Wage Growth and GDP Growth are State Street Global Advisors forecasts, as of 18 December 2023.

# SPDR Broad Equity ETFs

Fund Name	Ticker	ISIN	Inception Date	Index	TER (%)	AUM (\$Mn)
<b>Global</b>						
▲ SPDR® MSCI ACWI UCITS ETF	ACWD	IE00B44Z5B48	05/13/2011	MSCI ACWI Net Total Return USD Index	0.40	2,534
● SPDR® MSCI ACWI EUR Hdg UCITS ETF (Acc)	SPP1	IE00BF1B7389	10/01/2019	MSCI ACWI with DM Hedged EUR Index	0.45	388
● SPDR® MSCI ACWI USD Hdg UCITS ETF (Acc)	SPP2	IE00BF1B7272	10/22/2020	MSCI ACWI with DM Hedged USD Index	0.45	50
■ SPDR® MSCI ACWI Climate Paris Aligned UCITS	SPF8	IE00BYTH5370	04/20/2022	MSCI World Climate Paris Aligned Net USD	0.20	4
▲ SPDR® MSCI ACWI IMI UCITS ETF	IMID	IE00B3YLT66	05/13/2011	MSCI ACWI IMI Net Total Return USD Index	0.17	963
▲ SPDR® MSCI World UCITS ETF	SWRD	IE00BFYOGT14	03/01/2019	MSCI World Net Total Return USD Index	0.12	4,360
● SPDR® MSCI World EUR Hdg UCITS ETF (Acc)	SPFH	IE000BZ1HVL2	07/20/2023	MSCI World 100% Hedged to EUR Index	0.17	113
● SPDR® MSCI World GBP Hdg UCITS ETF (Dist)	SWLH	IE0005P0VJH8	07/19/2023	MSCI World 100% Hedged to GBP Index	0.17	28
■ SPDR® MSCI World Climate Paris Aligned UCITS ETF (Acc)	SPFW	IE00BYTH5594	03/07/2022	MSCI World Climate Paris Aligned Net USD	0.15	4
○ SPDR® MSCI World Small Cap UCITS ETF	WDS	IE00BCBJG560	11/25/2013	MSCI World Small Cap Net Total Return USD Index	0.45	801
<b>US</b>						
▲ SPDR® S&P® 500 UCITS ETF Dist	SPY5	IE00B6YX5C33	03/19/2012	S&P 500 Net Total Return Index	0.03	6,430
▲ SPDR® S&P® 500 UCITS ETF Acc	SPYL	IE00B6YX5C33	10/31/2023	S&P 500 Net Total Return Index	0.03	1,230
● SPDR® S&P® 500 UCITS ETF EUR Acc H	SPPE	IE00BYW2V44	10/31/2018	S&P 500 EUR Dynamic Hedged Index NTR	0.05	419
○ SPDR® S&P® 400 US Mid Cap UCITS ETF	SPY4	IE00B4YBJ215	01/30/2012	S&P 400 Net Total Return Index	0.30	1,776
○ SPDR® Russell 2000 US Small Cap UCITS ETF	R2US	IE00BJ38QD84	06/30/2014	Russell 2000 Net 30% Return	0.30	2,385
■ SPDR® MSCI USA Climate Paris Aligned UCITS ETF (Acc)	SPF9	IE00BYTH5719	03/07/2022	MSCI USA Climate Paris Aligned Net USD	0.12	1
■ SPDR® S&P® 500 ESG Leaders UCITS ETF	500X	IE00BH4GPZ28	12/03/2019	S&P 500 ESG Leaders Index (USD) NTR	0.03	1,698
<b>Europe</b>						
▲ SPDR® MSCI Europe UCITS ETF	ERO	IE00BKW00Q14	12/05/2014	MSCI Europe Net Total Return EUR Index	0.25	287
■ SPDR® MSCI Europe Climate Paris Aligned UCITS ETF (Acc)	SPF5	IE00BYTH5487	03/07/2022	MSCI EUROPE CLIMATE PARIS ALIGNED Net EUR Index	0.15	1
▲ SPDR® MSCI EMU UCITS ETF	ZPRE	IE00B910VR50	01/25/2013	MSCI EMU Net Total Return EUR Index	0.18	228
○ SPDR® MSCI Europe Small Cap UCITS ETF	SMC	IE00BKW00M75	12/05/2014	MSCI Europe Small Cap Net Return EUR Index	0.30	148
■ SPDR® STOXX Europe 600 SRI UCITS ETF (Acc)	ZPDX	IE00BK5H8015	10/01/2019	STOXX Europe 600 SRI Net Return EUR	0.12	272
<b>Emerging Markets</b>						
▲ SPDR® MSCI Emerging Markets UCITS ETF	EMRD	IE00B469F816	05/13/2011	MSCI Emerging Net Total Return USD Index	0.18	416
▲ SPDR® MSCI EM Asia UCITS ETF	EMAD	IE00B466KX20	05/13/2011	MSCI Emerging Asia Net Total Return USD Index	0.55	952
■ SPDR® MSCI Emerging Markets Climate Paris Aligned UCITS ETF (Acc)	SPF7	IE00BYTH5263	07/19/2022	MSCI EM Climate Paris Aligned Net USD	0.23	4
○ SPDR® MSCI Emerging Markets Small Cap UCITS ETF	EMSD	IE00B48X4842	05/13/2011	MSCI EM Emerging Markets Small Cap USD Net	0.55	278
<b>Single Country</b>						
▲ SPDR® FTSE UK All Share UCITS ETF Acc	FTAL	IE00B7452L46	02/28/2012	FTSE UK Series FTSE All Share TR	0.20	869
▲ SPDR® FTSE UK All Share UCITS ETF GBP (Dist)	ZPRD	IE00BD5FCF91	04/26/2018	FTSE UK Series FTSE All Share TR	0.20	86
▲ SPDR® MSCI Japan UCITS ETF	JPJP	IE00BZOG8B96	11/30/2015	MSCI Japan Net Return JPY Index	0.12	417
● SPDR® MSCI Japan EUR Hdg UCITS ETF	ZPDW	IE00BZOG8C04	11/30/2015	MSCI Japan Hedged to EUR Net Index	0.17	33
■ SPDR® MSCI Japan Climate Paris Aligned UCITS ETF (Acc)	SPF6	IE00B0QP184	03/07/2022	MSCI JAPAN CLIMATE PARIS ALIGNED in JPY Net Index	0.12	6

Source: State Street Global Advisors, Bloomberg Finance L.P., as of 29 December 2023.

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## Methodologies

**SPDR Sectors in Focus 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.<sup>8</sup>

**Unique Custody Data** As part of State Street, we have access to information gleaned from our large global custody business. By aggregating \$40 trillion of financial assets, we can observe behavioural trends of this important investor constituent.<sup>11</sup> This includes not only the direction of flows, but also the relative positioning of portfolios. These metrics are generated from regression analysis based on aggregated and anonymous flow data in order to better capture investor preference and to ensure the safeguarding of client confidentiality.

**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).

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## Endnotes

- 1 Source: Bloomberg Finance L.P., as of 29 December 2023.
- 2 Source: Bloomberg Finance L.P., as of 29 December 2023.
- 3 Source: FactSet, as of 29 December 2023.
- 4 Source: FactSet, as of 29 December 2023.
- 5 Source: Bloomberg Finance L.P., as of 29 December 2023.
- 6 Source: Bloomberg Finance L.P., as of 29 December 2023.
- 7 Source: MSCI, as of 30 November 2023. Share of state owned companies as of 31 October 2023.
- 8 Source: Bloomberg Finance L.P., as of 29 December 2023.
- 9 Source: FactSet, State Street Global Advisors, based on index holdings, as of 29 December 2023 and revenue breakdown available on 2 January 2024.
- 10 Source: FactSet, as of 29 December 2023.
- 11 Source: State Street, as of 29 September 2023.



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