A Guide to the State Street Real Assets ETF Model Portfolio

Designed to Protect Client Portfolios Against Inflation

Combating Inflation with Real Asset Model Portfolios

Investors who find themselves vulnerable to a sustained move higher in inflation should consider the inclusion of inflation-hedging assets, such as real assets, which have historically performed well and shown a higher beta and correlation to inflation than traditional assets.

Consider the State Street Real Assets ETF Model Portfolio

Inflationary pressures fuel chatter about what assets intermediaries should be allocating toward to protect clients from the ravages of rising consumer prices. Real assets are an increasingly prominent part of the inflation-fighting conversation.

Investors looking for depth and diversification when it comes to beating inflation can consider the State Street Real Assets Model Portfolio, which is designed to provide:

- Protection from inflation shocks
- Relatively attractive returns
- Broad diversification benefits
- Alpha and income opportunities in a low yielding environment

You can offer your clients consistent, institutional quality investment insights that not only capture the wider market but also have specific objectives such as managing inflationary challenges — enabling you to spend less time managing money and more time building the valuable relationships that grow your business.

State Street ETF Model Portfolios are designed for a range of investment outcomes and provide diversification opportunities across a variety of asset classes.

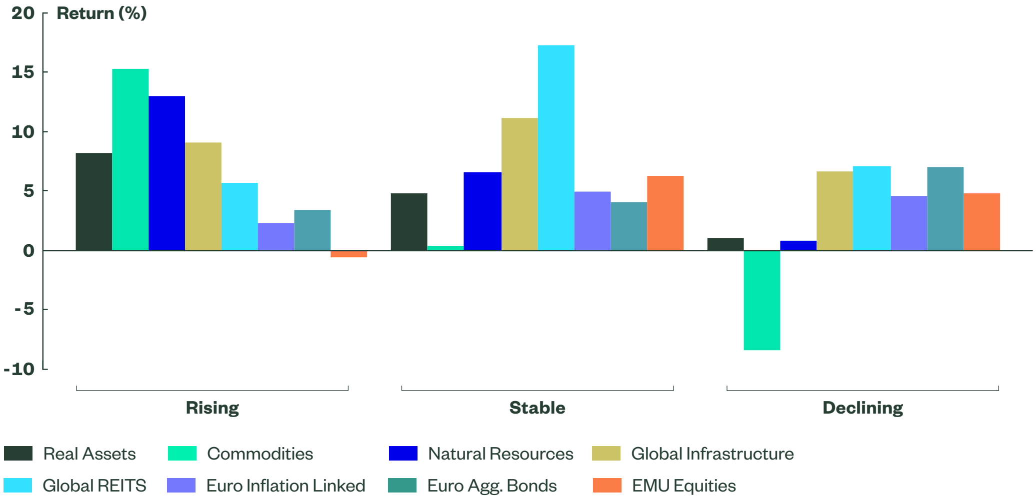
Why Include Real Assets in your Client Portfolios

Over the last decade, inflation has been subdued around the globe and struggled to come close to central bank targets despite loose monetary policy actions. However, influenced by the economic effects of the global pandemic, inflation has re-emerged in 2021 and could have an impact in the years to come. The core view of the Fed is that inflation is likely to be transient, driven by pent-up re-opening demand and supply chain bottlenecks. However, despite upwards revisions to inflation forecasts from central banks and market participants, inflation in key developed markets such as the US and UK has still surprised to the upside and could persist for longer than expected.

Given this backdrop, it is prudent to include inflation-hedging assets, such as real assets including commodities and infrastructure, within the investment toolkit.

Figure 1

Average Return vs. Inflation Regimes (2000–2020)



Source: State Street Global Advisors, Bloomberg and FactSet as at 31 December 2020. All average returns are calculated in euro. Past performance is not a reliable indicator of future performance.
Note 1: Declining regime is an annual decrease in headline CPI of greater than 50bp. Rising regime is an annual increase in headline CPI of greater than 50bp. Stable regime is everything else in between. Historical annual index returns from 2000-2020.
Note 2: Real Assets Portfolio consists of 20% Morningstar Multi-Asset Global Infrastructure Index, 20% Global Inflation Linked Bonds (10% Bloomberg Barclays Euro Inflation Linked Bond Index + 10% Bloomberg Barclays EM Inflation Linked Local Bond), 20% Bloomberg Commodity Total Return Index, 30% Natural Resources Index (12% MSCI Energy Sector and 18% Material Sector) , 10% Global REITS (5% DJ Global Select Real Estate Securities Index + 5% FTSE EPRA Europe ex UK Real Estate).

Figure 2

State Street Real Assets ETF Model Portfolio

Tickers	Asset Classes	ETF	Moderate
	Commodities Broad Basket		**20.0**
COMF		L&G Longer Dated All Commodities UCITS ETF EUR	20.0
	Global Natural Resources		**30.0**
WNRG NA	Global Energy Sector	SPDR MSCI World Energy UCITS ETF	12.0
WMAT NA	Global Materials Sector	SPDR MSCI World Materials UCITS ETF	18.0
	Global REITS		**10.0**
SPYJ GY	Global Real Estate	SPDR Dow Jones Global Real Estate UCITS ETF (Dist)	5.0
ZPRP GY	Europe Ex UK Real Estate	SPDR FTSE EPRA Europe ex UK Real Estate UCITS ETF (Acc)	5.0
	Infrastructure		**20.0**
ZPRI GY	Multi-Asset Global Infrastructure	SPDR Morningstar Multi-Asset Global Infrastructure UCITS ETF (Dist)	20.0
	Inflation-Linked Bonds		**20.0**
IBCI	Euro Inflation-Linked Bonds	iShares € Inflation Linked Govt Bond UCITS ETF	10.0
SYBI GY	EM Inflation Linked Bonds	SPDR Bloomberg Barclays EM Inflation Linked Local Bond UCITS ETF(Dist)	10.0
Weighted TER bps			**34.50**
Portfolio (Asset Class Returns) Expected Return %			**4.12**
Portfolio (Asset Class Returns) Volatility %			**10.86**

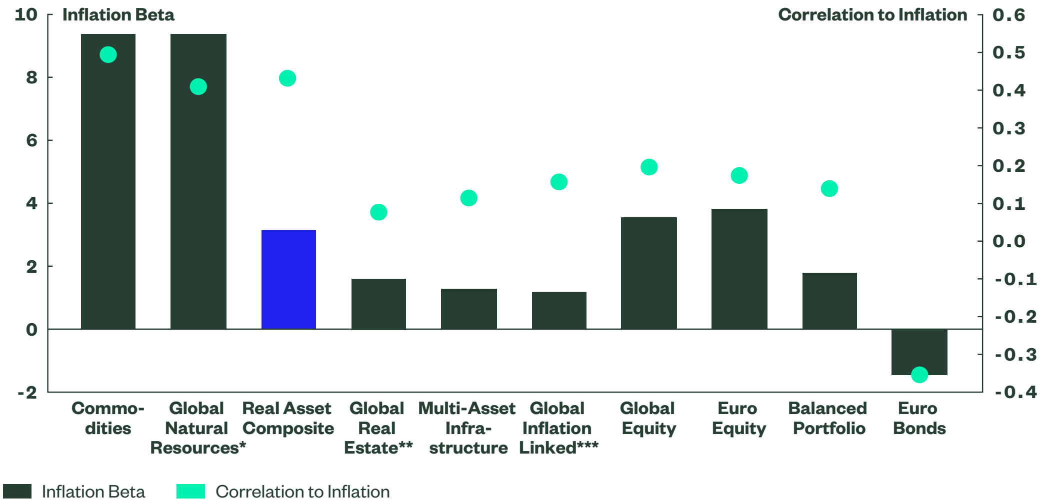
Source: State Street Global Advisors Investment Solutions Group, as of 30 October 2021. Portfolio allocations are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. Expected returns are based upon estimates and reflect subjective judgments and assumptions. These results were achieved by means of a mathematical formula and do not reflect the effect of unforeseen economic and market factors on decision-making. The Expected returns are not necessarily indicative of future performance, which could differ substantially. Model Portfolio Allocations presented above are hypothetical and have been provided for illustrative purposes only. They do not reflect the results of the actual trading of any account or group of accounts and actual results could differ substantially.
A model portfolio is an allocation to a list of funds that are grouped together. Where a model portfolio is offered on an investment platform, investors who select it effectively instruct the platform operator to acquire units in the ETFs that comprise the model portfolio. The model portfolio described above has not yet been implemented by State Street, so the results are hypothetical. The actual results of accounts managed by the Platform or Managed Accounts provider ("Provider") that receives access to the models may differ substantially from the hypothetical results for a variety of reasons including, but not limited to, the Provider's decision to exercise its discretion to implement a model in a way that differs from the information provided by State Street. State Street cannot guarantee any payment of dividends, which is subject to the dividend payment policy of the individual issuers of the underlying ETFs and the Provider

Inflation Beta and Correlation to Inflation

Real assets have historically performed well in such an environment, with higher beta and correlation to inflation than traditional assets.

Higher inflation will not surprise the markets, but the accompanying volatility will test investors' asset allocation strategies. All investors may soon find themselves vulnerable to a sustained move higher in inflation, and should consider the inclusion of inflation-hedging assets, such as real assets, in their portfolios because of strong historical performance during inflationary periods.

Figure 3
Asset Class Inflation Beta and Correlation to Inflation Quarterly Correlations from Dec 2000 to Sep 2021



Data as of 30 September 2021. **Data Sources:** State Street Global Advisors Performance, State Street Global Advisors, FactSet and Bloomberg. Return series reflect index returns aggregated through FactSet Analytics. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. **Index** returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable. Following are the indices used for each asset class mentioned in above chart: **Eurozone Equities** — MSCI EMU, **Euro Agg. Bonds** — Bloomberg Barclays Euro Agg. Bond Index, * **Global Natural Resources** — 40% MSCI Energy Sector and 60% Material Sector, Global Infrastructure — Morningstar Global Multi-Asset Infrastructure Index (S&P Global Infrastructure Index was used from 1 Jan 2001 through 31 December 2003), ****Global Inflation Linked Bond** — 50% Bloomberg Barclays Euro Inflation Linked Bond Index + 50% Bloomberg Barclays EM Inflation Linked Local Bond, *** **Global REITS** — 50% DJ Global Real Estate + 50% FTSE EPRA Europe ex UK Real Estate and **Commodities** — Bloomberg Commodity Total Return Index.

Our Investment Strategy for the State Street Real Assets ETF Model Portfolio

The Real Asset strategy is expected to perform best during periods of increasing inflation or rising unexpected inflation (see Figure 1) . The strategy is meant to complement traditional equity and bond assets, providing further diversification, relatively attractive returns, and a source of income in a low-yielding environment.

State Street aims to offer investors a seasoned, diversified multi-asset strategy that combines exposure to a broad array of liquid real asset securities (see Figure 2). These allocations are carefully refined and finalised by our experienced portfolio management team.

Why Use State Street ETF Model Portfolios

This model portfolio is designed for growth-oriented investors with a long-term horizon looking to maximize capital appreciation through a globally diversified set of real asset ETFs.

Following a strategic model portfolio's buy, hold and rebalance strategy rather than attempting to time the market — either with individual securities or asset classes — may result in a more efficient investment outcome given the liquidity profile of the underlying assets classes. A strategic rebalancing approach for the real assets model portfolio reflects the diversification and discipline that is central to successful multi-asset investing. This standardisation increases your efficiency by reducing time spent on investment research, portfolio management and performance reporting, allowing you to spend more time cultivating client relationships and growing your practice.

In addition to benefitting from more of your attention, your clients gain:

- Access to institutional-quality investment solutions. We have experience in managing multi-asset class solutions since 1987
- Discipline to curtail potentially harmful emotional reactions to market volatility
- Access to real asset products across a broad array of global strategic benchmarks
- Cost-effective portfolios matched to their goals, risk tolerance and time horizon[1]

State Street Global Advisors Advisement & AUM in ETF Model Portfolios

$4.2B	+	**$5.2B**	=	**$9.4B**
AUA In Q3 2021		**AUM In Q3 2021**		**Total in Q3 2021**

Source: State Street Global Advisors, as of 30 September 2021. Past performance is not a guarantee of future results. Diversification does not ensure a profit or guarantee against loss.

Gain Real Asset Exposure with Cost-Efficient ETFs

As investing's great democratizer, ETFs offer a transparent and cost-efficient way to invest. And real assets ETFs now make investment strategies that were once available only to the largest investors available to everyone.

The model portfolio features our suite of SPDR ETFs as well as ETFs from third-party issuers. The offerings are global in nature, diversified at the asset class levels.

The potential benefits of using ETFs in model portfolios include:

Transparency

Easy and straightforward way to build exposure to each market by tracking an index. The result is high level transparency and low expenses and management fees.

Diversification

ETFs hold a diverse group of securities, delivering the potential benefit of broad exposure to a single asset class or category.

UCITS Compliant

All SPDR ETFs proposed in the portfolios are UCITS compliant.

Precision

ETFs are available in many asset classes, market capitalisations and investment styles.

A Partnership that Works

The Potential Benefits of Working With State Street Global Advisors

With a heritage dating back to 1978, State Street Global Advisors is entrusted with $3.9 trillion in assets under management (AUM).[2] As the pioneer and one of the leaders of the exchange traded fund (ETF) industry since creating the first US ETF in 1993, State Street Global Advisors has grown to $1.2 trillion in global ETF AUM.[3]

With an established team of over 50 dedicated investment strategists and portfolio managers, the State Street Global Advisors Investment Solutions Group (ISG)[4] designs, develops and manages portfolios of SPDR ETFs on both a strategic and tactical basis in line with a client's objectives.

Endnotes

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

2 This figure is presented as of September 30, 2021 and includes approximately $59.84 billion of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

3 Source: Morningstar Direct as of period end 31 December 2021 for North America, EMEA, Latin America and APAC. This figure is presented as of 31 December 2021 and includes approximately $61.4 billion of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

4 As of 30 September 2021. Total ISG AUM $385 billion. Derivatives-based exposure management AUM represents the notional value of exposure managed. Assets Under Advisory/Consulting of $237.5 billion includes mandates for which the firm provides advisory or consulting services supporting an investment management process that does not include the responsibility to arrange or effect the purchase or sale of securities and/or funds. AUA is based on estimates. In 2015, ISG revised the AUM and AUAC calculation methodology and account categorization process. All figures in USD.

About State Street Global Advisors

State Street Global Advisors serves governments, institutions and financial advisors with a rigorous approach, breadth of capabilities and belief that good stewardship is good investing for the long term. Pioneers in index, ETF, and ESG investing and the world's fourth-largest asset manager*, we are always inventing new ways to invest.

* Pensions & Investments Research Center, as of 31 December 2020.

ssga.com/etfs

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Investing in high yield fixed income securities, otherwise known as "junk bonds", is considered speculative and involves greater risk of loss of principal and interest than investing in investment grade fixed income securities. These Lower-quality debt securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer.

International Government bonds and corporate bonds generally have more moderate short-term price fluctuations than stocks, but provide lower potential long-term returns.

Investing in REITs involves certain distinct risks in addition to those risks associated with investing in the real estate industry in general. Equity REITs may be affected by changes in the value of the underlying property owned by the REITs, while mortgage REITs may be affected by the quality of credit extended. REITs are subject to heavy cash flow dependency, default by borrowers and self-liquidation. REITs, especially mortgage REITs, are also subject to interest rate risk (i.e., as interest rates rise, the value of the REIT may decline).

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There are risks associated with investing in Real Assets and the Real Assets sector, including real estate, precious metals and natural resources. Investments can be significantly affected by events relating to these industries.

Asset Allocation is a method of diversification which positions assets among major investment categories. Asset Allocation may be used in an effort to manage risk and enhance returns. It does not, however, guarantee a profit or protect against loss.

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