Strategy Profile | June 30, 2018

Active Quantitative Equity
A pioneer in Quantitative and Sustainable investing

Global Defensive Equity

Portfolio Objective
The Global Defensive Equity strategy is a long-only active equity approach with dual-objectives over a market cycle: to provide long-term returns that outperform the cap-weighted MSCI World Index, while reducing volatility compared to the Index.

Our Approach
In managing the Global Defensive Equity strategy, we seek to avoid the empirical inefficiency of market capitalization benchmarks by constructing a well-diversified portfolio with an emphasis on maximizing Sharpe Ratio. We also assess risk from a total risk perspective rather than focusing on the strategy’s tracking error relative to the benchmark. Our systematic approach incorporates fundamental, technical indicators, macroeconomic, and earnings expectations to derive investment expectations for a vast number of stocks in the investment universe, and then we construct portfolios to preserve that breadth and deliver on the objectives.

Portfolio Managers
Olivia Engel, CFA
Chief Investment Officer, AQE
Chee Ooi
Senior Portfolio Manager

Investment Philosophy
- Markets are not efficient due to behavioral biases and limits to arbitrage, leading to opportunities for excess return
- Our insights are best applied to a wide investment universe with a robust and systematic investment process
- A strong emphasis on economic rationale, vetted by rigorous research is critical to help ensure successful outcomes

Our investment philosophy and process are founded on practices developed over the 30+ year history of our team.

ESG Integration
ESG is systematically integrated into the stock selection model as a component of the Quality theme, providing ESG scores for nearly 4,000 companies worldwide. Within Quality, ESG is weighted in the same manner as other components. The ESG factor uses the Active Quantitative Equity team’s proprietary materiality map, which identifies ESG metrics pertinent to each industry. In addition, the weighting across the E, S, and G components in the overall ESG score uses the team’s proprietary weighting scheme specific to each industry.

Investment Process
Research
Our team continually pursues new ideas utilizing a thorough research protocol backed by technical and investment governance.

Stock Selection
Using our stock selection model, we analyze and estimate the returns of global stocks using a combination of company fundamentals, market and economic indicators, and market participant data.

Portfolio Construction
We carefully assess and balance return forecasts with expected risks and transaction costs to optimize performance.

Portfolio Review & Risk Management
We leverage our centralized risk and model validation division to review portfolios against intended risk/return parameters.
**Research**
Rigorous and ongoing research is the core part of our active investment process. Research professionals and portfolio managers work collaboratively to generate and explore new ideas that refine and develop our investment process. Research generally applies along three dimensions: improving the accuracy of existing sources of alpha, identifying new sources of alpha, or exploring new ways of incorporating alpha insights into portfolio outcomes.

Our investment professionals have both market-tested experience and advanced academic backgrounds in economics, engineering, finance, and mathematics. Researchers bring extensive knowledge in applied machine learning, econometric modeling, database engineering, advanced statistical techniques and pattern recognition to lead our analysis well beyond traditional risk/return models.

**Stock Selection**
The Active Quantitative Equity team generates expected returns for more than 16,000 companies every day. High importance is placed on proprietary measures that have long term fundamental or behavioral rationale, such as valuation, sentiment/growth, and quality.

**Valuation:** When evaluating company value, we use indicators that utilize both balance sheet and income statement data, and introduce specific proprietary adjustments for businesses types such as those impacted by leverage, or high research and development.

**Quality:** There are many forms to assess company quality – earnings quality, balance sheet quality, quality of the company’s sustainability practices to name a few. We use proprietary metrics that enable a well-rounded assessment of the quality of company. Quality attributes help to avoid value traps.

**Sentiment/Growth:** In order to increase the likelihood of buying companies when their outlook and stock price is improving, we use growth and sentiment metrics. Sentiment measures are good predictor of future earnings growth. The ways we employ market sentiment and earnings growth take many forms, including price action, hedge fund positioning, and supply chain analysis.

Additionally, we evaluate sectors, countries, and themes on a top down basis using indicators on the macro environment, aggregate valuation and dispersion measures, as well as measures of risk aversion, with the goal of complementing our bottom up stock selection drivers above with some top-down drivers. While our global stock selection model uses a range of criteria with strong long term efficacy, we recognize that the characteristics favored by investors can change over time. We have developed a method to tactically exploit these changes in investor preference, and we include this in our stock selection methodology.

**Portfolio Construction**
Constructing portfolios involves the optimal balance of favoring companies with the highest expected returns from our stock selection model, while understanding and managing risk exposures. The Global Defensive Equity strategy is designed to simultaneously focus on generating higher total returns than the market, and managing total portfolio volatility, rather than tracking error. The entire investment universe for which we have an expected return is the selection universe from which to pick companies for the portfolio – individual companies will have varying balance of return and risk properties, but the portfolio as a whole will possess the expected properties we desire. We believe this approach ultimately results in a robust portfolio with balanced exposures. The portfolio construction method involves maximizing exposure to alpha, and minimizing transaction costs and total volatility.

**Portfolio Review & Risk Management**
Portfolio Review includes the process of evaluating drivers of return, biases and positions in portfolios, and sometimes using these as idea generation for the research process. While portfolio managers are held accountable for the risk positions in the portfolios, Risk oversight is also implemented by the Risk Management Group, which is independent from the portfolio management team and reports to the Chief Risk Officer. The segregated reporting relationship is intended to ensure proper objectivity and governance with respect to managing the investment risks in the strategy. The Risk Management Group is comprised of Investment, Model, Counterparty, Liquidity, Operational Risk Management, Infrastructure & Program Management and Analytics & Stress Testing Teams.
**Characteristics as of June 30, 2018**

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Portfolio</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price/Earnings (Forward 12 Months)</td>
<td>13.8x</td>
<td>15.8x</td>
</tr>
<tr>
<td>Price/Book Ratio</td>
<td>2.0x</td>
<td>2.3x</td>
</tr>
<tr>
<td>Annual Dividend Yield (Trailing 12 Months)</td>
<td>2.9%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Estimated 3-5 Year EPS Growth</td>
<td>8.99%</td>
<td>11.78%</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>19.10</td>
<td>18.45</td>
</tr>
<tr>
<td>Beta (Trailing 36 Months)</td>
<td>0.70</td>
<td>1.00</td>
</tr>
<tr>
<td>Standard Deviation (Annualized 36 Months)</td>
<td>7.93</td>
<td>10.62</td>
</tr>
<tr>
<td>Volatility of Total Returns (Inception to Date)</td>
<td>10.25%</td>
<td>14.17%</td>
</tr>
<tr>
<td>Composite Assets Under Management ($M)</td>
<td>$1,009.52</td>
<td></td>
</tr>
<tr>
<td>Weighted Average Market Cap ($B)</td>
<td>63.2</td>
<td>130.9</td>
</tr>
<tr>
<td>Total Number of Holdings</td>
<td>115</td>
<td>1642</td>
</tr>
</tbody>
</table>

**Top Country Exposures as of June 30, 2018**

- UNITED STATES: 64.14%
- JAPAN: 14.06%
- HONG KONG: 4.52%
- CANADA: 3.61%
- ITALY: 1.76%
- AUSTRALIA: 1.75%
- FRANCE: 1.53%
- SWEDEN: 1.50%
- DENMARK: 1.43%
- SWITZERLAND: 1.37%

**Sector Exposures as of June 30, 2018**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Portfolio</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care</td>
<td>18.27%</td>
<td>12.16%</td>
</tr>
<tr>
<td>Financials</td>
<td>17.54%</td>
<td>16.75%</td>
</tr>
<tr>
<td>Industrials</td>
<td>13.41%</td>
<td>11.19%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>11.95%</td>
<td>18.53%</td>
</tr>
<tr>
<td>Utilities</td>
<td>11.57%</td>
<td>3.01%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>10.02%</td>
<td>8.29%</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>6.78%</td>
<td>12.72%</td>
</tr>
<tr>
<td>Telecommunication Services</td>
<td>3.95%</td>
<td>2.61%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>2.86%</td>
<td>3.04%</td>
</tr>
<tr>
<td>Materials</td>
<td>2.22%</td>
<td>4.93%</td>
</tr>
<tr>
<td>Energy</td>
<td>1.42%</td>
<td>6.78%</td>
</tr>
</tbody>
</table>

**Top Ten Holdings as of June 30, 2018**

- MOTOROLA SOLUTIONS INC: 1.72%
- UNITEDHEALTH GROUP INC: 1.71%
- QUEST DIAGNOSTICS INC: 1.61%
- BAXTER INTERNATIONAL INC: 1.58%
- JPMORGAN CHASE & CO: 1.55%
- SYSCO CORP: 1.51%
- SWEDISH MATCH AB: 1.50%
- WASTE MANAGEMENT INC: 1.46%
- ELI LILLY & CO: 1.38%
- ANTHEM INC: 1.38%

**Annualized Performance (%) in USD as of June 30, 2018**

<table>
<thead>
<tr>
<th>Period</th>
<th>Portfolio</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2018</td>
<td>0.75</td>
<td>0.56%</td>
</tr>
<tr>
<td>1 Year</td>
<td>6.72</td>
<td>5.92%</td>
</tr>
<tr>
<td>3 Years</td>
<td>8.43</td>
<td>7.72%</td>
</tr>
<tr>
<td>5 Years</td>
<td>11.84</td>
<td>11.17%</td>
</tr>
<tr>
<td>Inception to Date</td>
<td>12.26</td>
<td>11.59%</td>
</tr>
</tbody>
</table>

Source: State Street Global Advisors. Performance returns are displayed in U.S. dollars. Returns greater than one year are annualized. Returns represent past performance and are not a guarantee of future results. Current performance may differ from the performance shown. Returns shown are asset-weighted using Composite (as defined below) member market values, where the Composite member’s return calculations are time-weighted and reflect the reinvestment of dividends and other income.

Composite Gross: These performance figures are provided gross of fees and other expenses other than actual trading fees and expenses, and reflect all items of income, gain, and loss (other than unrealized gain or loss on units of the securities lending pools held by any portfolio in the Composite). The performance figures do not take account of the mark to market value of the units of the securities lending cash collateral pools held by any of the portfolios in the Composite. It may have incurred an actual investment management fee higher than that fee assumed in calculating the performance shown above; and (iii) reflect all items of income, gain and loss (other than unrealized gain or loss on units of the securities lending pools held by any portfolio in the Composite).

Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income and the reinvestment of dividends (net of withholding tax rates) and other income and are calculated in U.S. dollars. It is not possible to invest directly in an index.

The Supplemental Information above (except for the Beta and Standard Deviation) is that of a single representative account within the Composite, which is subject to change. The representative account was chosen because it has no material restrictions and fairly represents the investment style of the Strategy. The Supplemental Information should not be deemed to be reflective of (and could differ from) the overall Composite or any other single account within the Composite. Certain Supplemental Information may be rounded to the nearest hundredth decimal and may result in the total not adding up to 100. Characteristics are calculated using the month-end market value of holdings of the representative account, and where averages are shown these reflect the market weights of the securities in the representative account. For beta and standard deviation, if shown, these reflect Composite month-end returns. Characteristics are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. Market data, prices, and dividend estimates for characteristics calculations provided by Factset Research Systems, Inc. All other portfolio data provided by State Street Global Advisors.
Glossary

Alpha The excess return of a fund relative to the return of a benchmark index.
Beta Measures the volatility of a security or portfolio in relation to the market, for example, the S&P 500 Index. A beta of 1 indicates the security will move with the market. A beta of 1.3 means the security is expected to be 30 percent more volatile than the market, while a beta of 0.8 means the security is expected to be 20 percent less volatile than the market.
Sharpe Ratio Represents the average return earned in excess of the risk free rate relative to level of volatility. It is used as a measure of risk-adjusted returns.
Standard Deviation Quantifies how much a series of numbers vary around the mean or average value. A higher standard deviation would indicate more fluctuation.
Tracking error A measure of how closely a portfolio follows the index to which it is benchmarked.
ESG Environmental, Social and Governance criteria is used by socially-conscious investors to screen potential investments.
MSCI World Index A stock market index of ‘world’ stocks.
Information Ratio Represents the portfolio returns above the returns of a benchmark relative to the volatility of those returns.
Correlation to Benchmark Strength of the relationship of a strategy’s performance and its market, as measured by the benchmark.
Dividend Yield The ratio of dividends paid in a given year relative to its stock price.
EPS Growth Earnings per Share Growth is the percentage change in profits divided by the number of common outstanding shares.
Price/Book Ratio Represents a stock’s market value to the net assets of the company.
Price/Earnings Ratio Represents a stock’s market value to the net assets of the company.
Weighted Average Market Cap A measure of the average size of a company in a given strategy or index, calculated by weighting the market capitalization of each stock held.

Marketing communication

State Global Global Advisors Worldwide Entities


Disclosure

Investing involves risk including the risk of loss of principal.

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Actively managed Strategy do not seek to replicate the performance of a specified index.

The Strategy is actively managed and may underperform its benchmarks. An investment in this strategy is not appropriate for all investors and is not intended to be a complete investment program. Investing in the strategy involves risks, including the risk that investors may receive little or no return on the investment or that investors may lose part or even all of the investment.

Risk associated with equities investing include stock values which may fluctuate in response to the activities of individual companies and general market and economic conditions.

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Companies with large market capitalizations go in and out of favor based on market and economic conditions. Larger companies tend to be less volatile than companies with smaller market capitalizations. In exchange for this potentially lower risk, the value of the security may not rise as much as companies with smaller market capitalizations.

SSGA uses quantitative models in an effort to enhance returns and manage risk. While SSGA expects these models to perform as expected, deviation between the forecasts and the actual events can result in either no advantage or in results opposite to those desired by SSGA. In particular, these models may draw from unique historical data that may not predict future trades or market performance adequately. There can be no assurance that the models will behave as expected in all market conditions. In addition, computer programming used to create quantitative models, or the data on which such models operate, might contain one or more errors. Such errors might never be detected, or might be detected only after the Portfolio has sustained a loss or (reduced performance) related to such errors. Availability of third-party models could be reduced or eliminated in the future.

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Low volatility funds can exhibit relative low volatility and excess returns compared to the Index over the long term; both portfolio investments and returns may differ from those of the Index. The fund may not experience lower volatility or provide returns in excess of the Index and may provide lower returns in periods of a rapidly rising market. Active stock selection may be added to risk in exchange for the potential outperformance relative to the Index.