State Street Global Advisors SPDR® ETFs Chart Pack

December 2018 Edition

STATE STREET GLOBAL ADVISORS.
SPDR®

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Market Environment

Asset Class Performance — EM equities rebounded and outperformed developed by the most since June 2016, while Treasuries rose on lower yields

Major Asset Class Performance (%)

> Oil's slump was exacerbated by the WTI oil price reaching the lowest level in more than one year, dragging down broad commodities
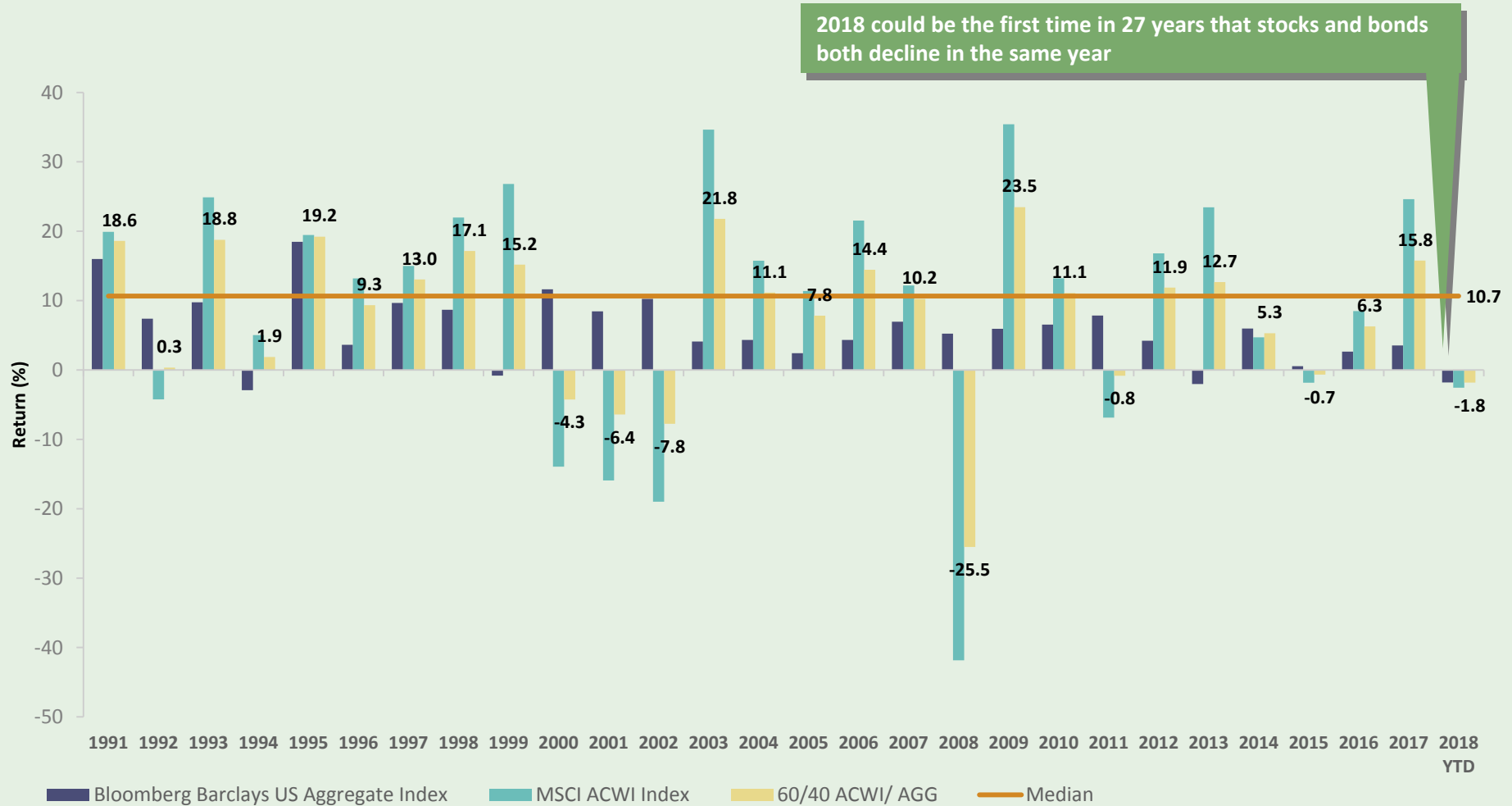

	US LARGE CAP	US SMALL CAP	DEVELOPED	EMERGING	HIGH YIELD	SENIOR LOAN	EM HARD CURRENCY DEBT	AGG	TREASURIES	GOLD	BROAD COMMODITIES	US DOLLAR
Trailing 12 Month	6.3	0.6	-7.9	-9.1	0.4	3.5	-3.8	-1.3	-1.0	-4.9	-3.7	4.5
YTD	5.1	1.0	-9.4	-12.2	0.1	3.1	-4.3	-1.8	-1.3	-5.7	-6.4	5.6
Prior Month	2.0	1.6	-0.1	4.1	-0.9	-0.9	-0.2	0.6	0.9	0.2	-0.8	0.1
Index	S&P 500 Index	Russell 2000 Index	MSCI EAFE Index	MSCI Emerging Markets Index	Bloomberg Barclays US Corporate High Yield Index	S&P/LSTA Leveraged Loan Index	Bloomberg Barclays EM Hard Currency Index	Bloomberg Barclays US Aggregate Index	Bloomberg Barclays US Treasury Index	LBMA Gold Price	Bloomberg Commodity Index	DXY Dollar Index

■ Trailing 12 Month ■ YTD ◆ Prior Month

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60/40 Portfolio Performance — As both stocks and bonds are negative for the year, 60/40 balanced portfolio returns are 13% below their long-term historical median
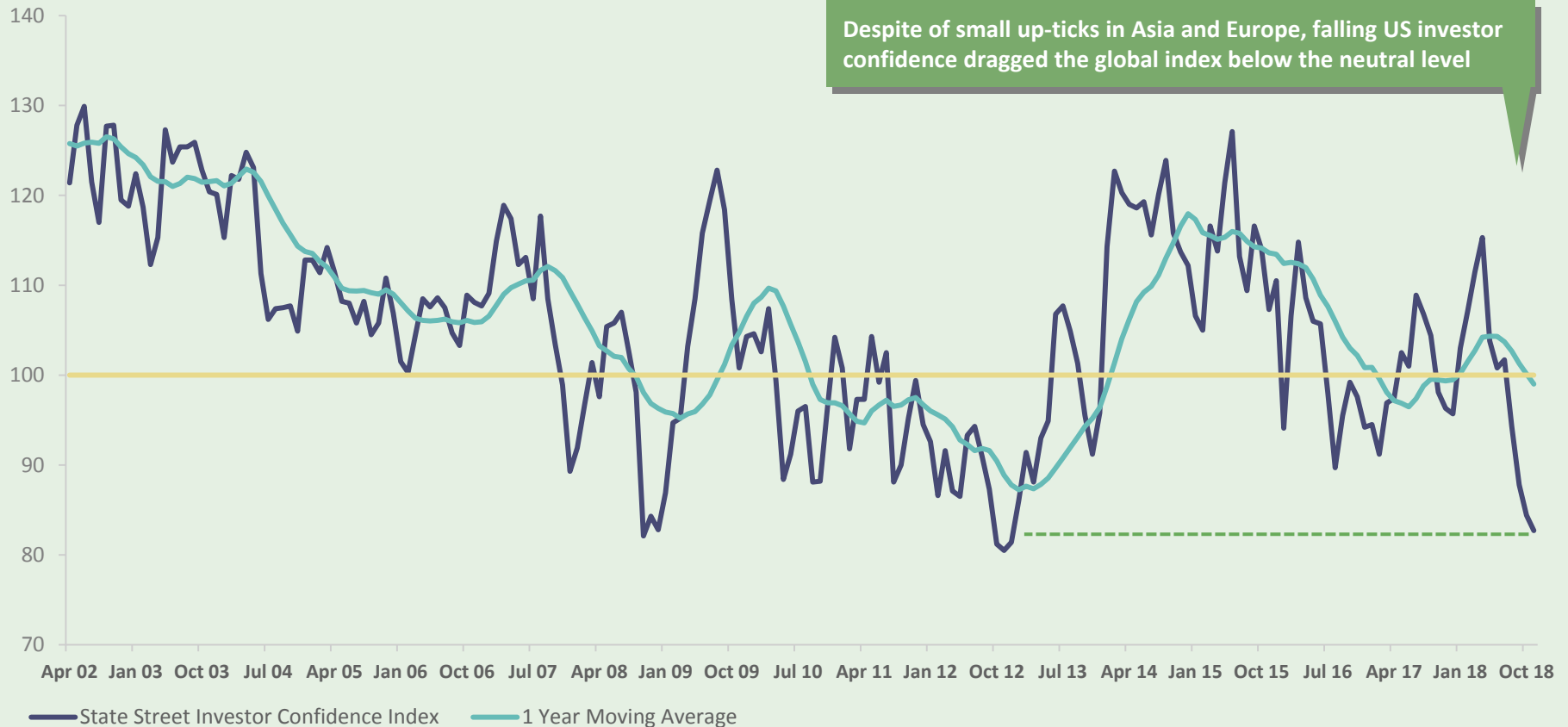
60/40 Historical Calendar Year Returns

2018 could be the first time in 27 years that stocks and bonds both decline in the same year

Legend: Bloomberg Barclays US Aggregate Index · MSCI ACWI Index · 60/40 ACWI/ AGG · Median

Investor Confidence — Investor confidence weakened further to its lowest level in more than five years, amid trade tensions and political turmoil in Europe

State Street Investor Confidence Index

> Despite of small up-ticks in Asia and Europe, falling US investor confidence dragged the global index below the neutral level

Legend: State Street Investor Confidence Index — 1 Year Moving Average

Source: Bloomberg Finance, L.P. As of November 30, 2018.
State Street Confidence Indexes Measures investor confidence or risk appetite quantitatively by analyzing the actual buying and selling patterns of institutional investors. The index assigns a precise meaning to changes in investor risk appetite: the greater the percentage allocation to equities, the higher risk appetite or confidence. A reading of 100 is neutral; it is the level at which investors are neither increasing nor decreasing their long-term allocations to risky assets. The results shown represent current results generated by State Street Investor Confidence Index. The results shown were achieved by means of a mathematical formula in addition to transactional market data, and are not indicative of actual future results which could differ substantially.

Cross-Asset Volatility — Oil and High Yield bond implied volatility jumped as oil saw its worst monthly drop since 2018
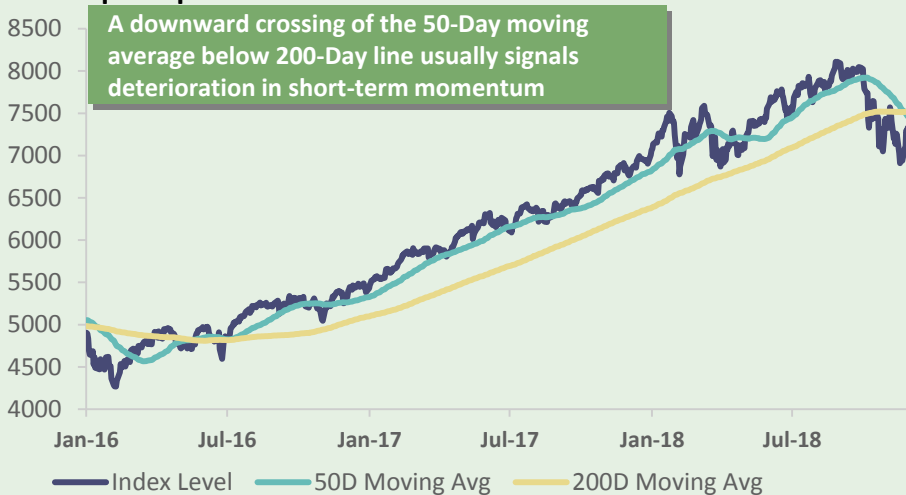
Cross-Asset Implied Volatility (Daily Average, Since January 2016)

Tail risk fell to its lowest level in almost three years

Implied Volatility Index Level (Base = 100)

Asset	Current	Last month	Max	Min	1/1/2018
Currency	87	85	118	76	76
Rates	82	80	124	68	70
Oil	91	60	128	45	47
S&P 500 Index	94	93	115	49	50
Emerging Markets Equity	102	98	122	57	60
U.S. High Yield Corproate Bonds	71	53	101	30	48
SKEW Index	85	92	104	85	95

● Current ■ Last month ▲ Max — Min ◆ 1/1/2018

Source: Bloomberg Finance, L.P. As of November 30, 2018. **Past performance is not a guarantee of future results.** Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Standard deviation is a historical measure of the volatility of returns. If a portfolio has a high standard deviation, its returns have been volatile; a low standard deviation indicates returns have been less volatile. Currency implied volatility is measured by the J.P. Morgan Global FX Volatility Index. Rates implied volatility is measured by the MOVE Index. Oil implied volatility is derived from oil future contracts. Emerging markets implied volatility is measured by the CBOE Emerging Markets ETF Volatility Index. High Yield bond implied volatility is measured by the CBOE High Yield Corporate Bond ETF Volatility Index.

Technicals — With 50% of the MSCI ACWI stocks 20% below their 52-week highs, most equity indices' 50D moving average crossed below the 200D line for the first time since 2016
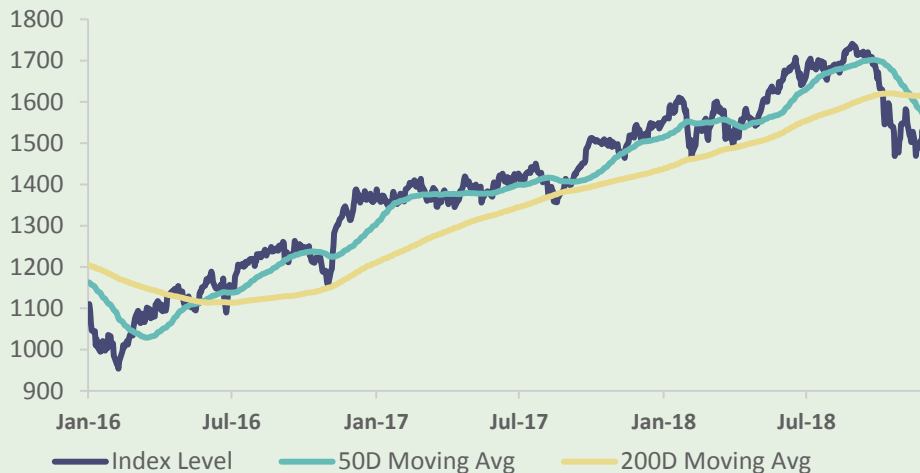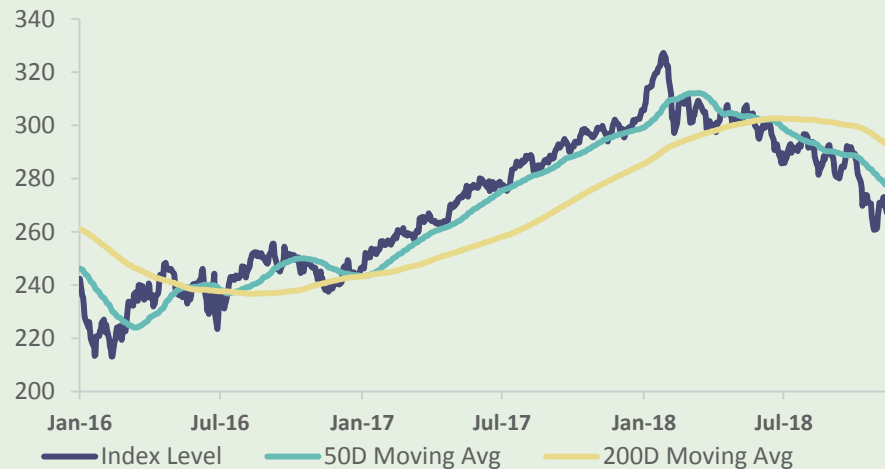
Nasdaq Composite Index

> A downward crossing of the 50-Day moving average below 200-Day line usually signals deterioration in short-term momentum

— Index Level — 50D Moving Avg — 200D Moving Avg

Russell 3000 Index

— 50D Moving Avg — 200D Moving Avg — Index Level

Russell 2000 Index

— Index Level — 50D Moving Avg — 200D Moving Avg

MSCI ACWI ex-US Index

— Index Level — 50D Moving Avg — 200D Moving Avg

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Sentiment — The risk-off sentiment triggered trend following strategies to rotate into ultra-short cash equivalent exposures during the selloffs this year

S&P 500 200-Day Moving Average vs. Cumulative Flows to Ultra-short Government Bonds
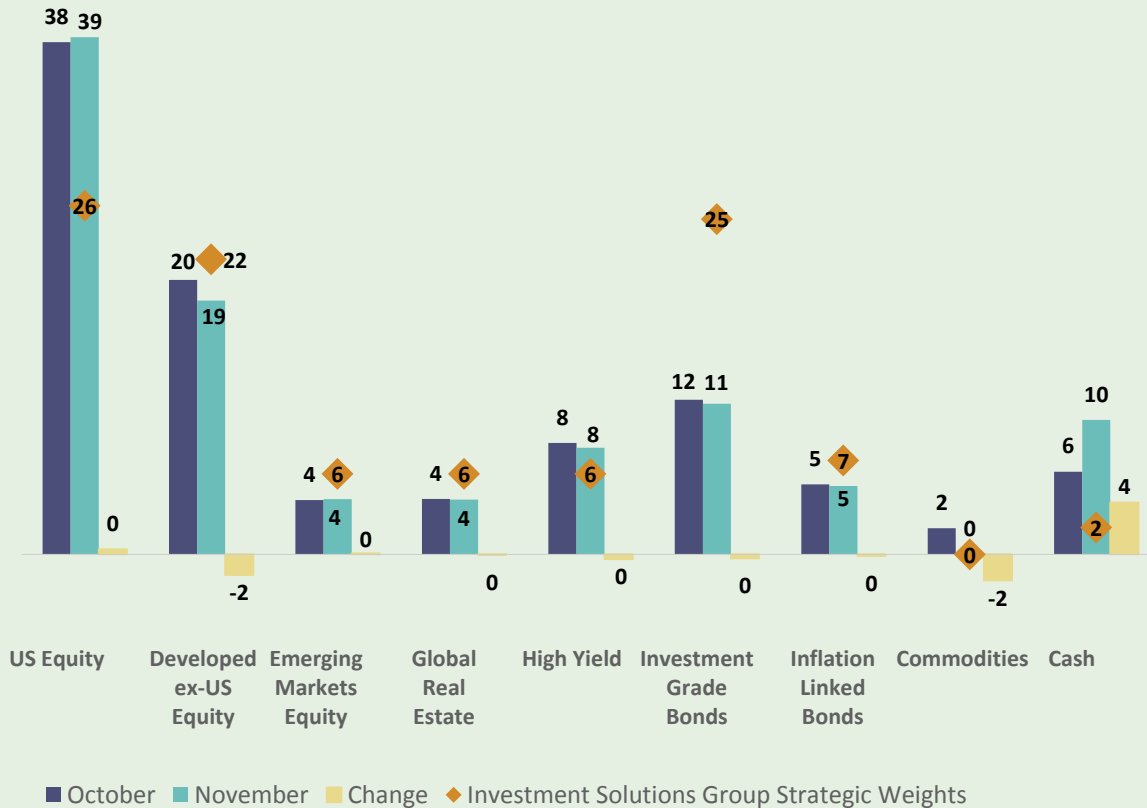
> A popular trend following indicator includes the index last price relative to the 200-day moving average
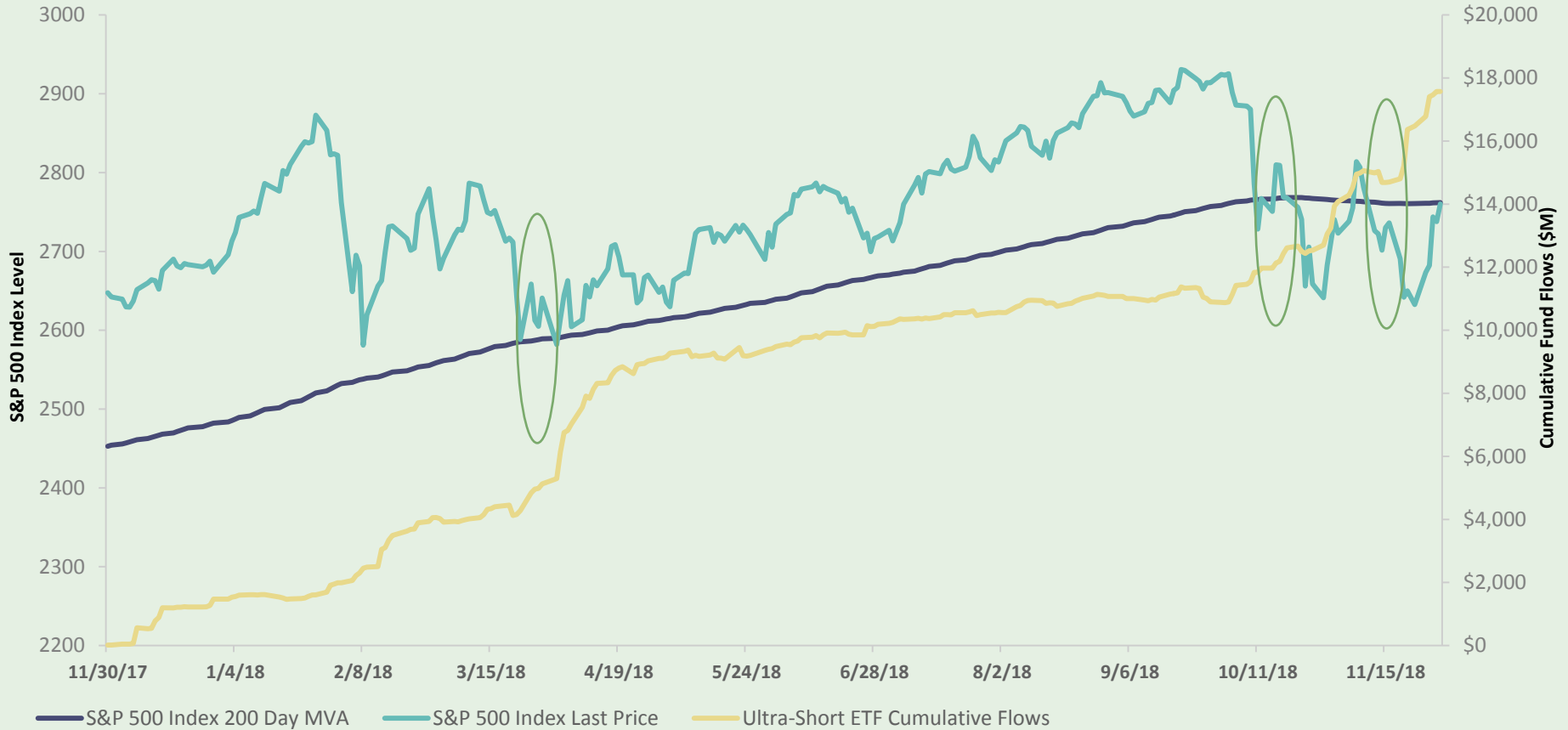
Legend:
— S&P 500 Index 200 Day MVA
— S&P 500 Index Last Price
— Ultra-Short ETF Cumulative Flows
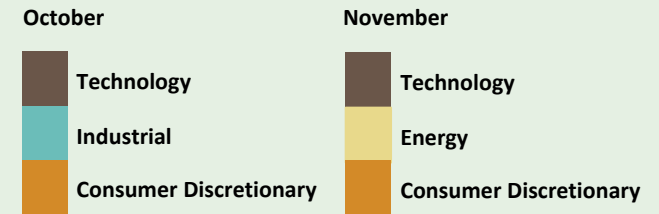
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State Street Current Positioning — State Street trimmed down commodities and developed ex-US equities and moved into cash amid increasing market risk

SPDR SSGA Global Allocation ETF [GAL] Current and Strategic Exposures (%)

Chart data:

Category	October	November	Change	Investment Solutions Group Strategic Weights
US Equity	38	39	0	26
Developed ex-US Equity	20	19	-2	22
Emerging Markets Equity	4	4	0	6
Global Real Estate	4	4	0	6
High Yield	8	8	0	6
Investment Grade Bonds	12	11	0	25
Inflation Linked Bonds	5	5	0	7
Commodities	2	0	-2	0
Cash	6	10	4	2

Legend: ■ October ■ November ■ Change ◆ Investment Solutions Group Strategic Weights

November Tactical Rebalance Trades:

Sold Commodities

Sold Developed ex-US Equities

Bought Cash

Sector Rotation Trades:

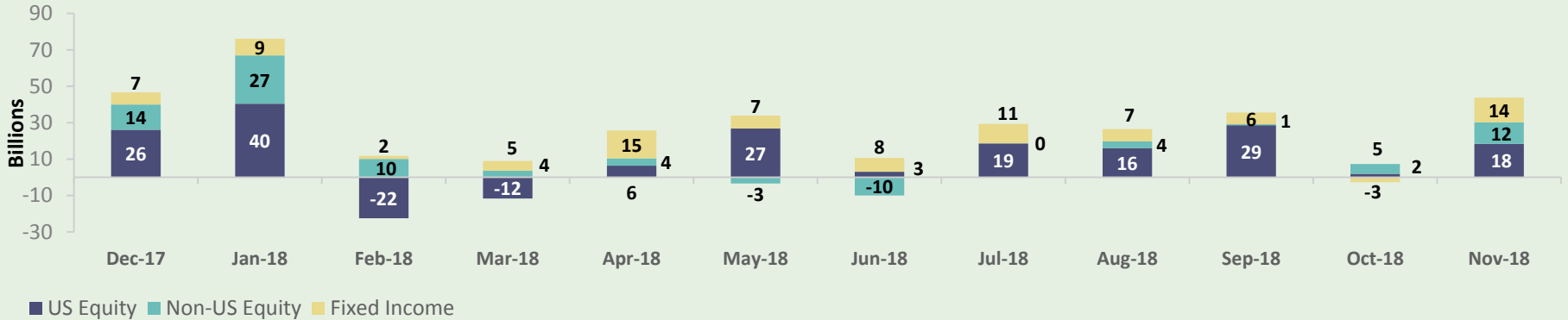| October	November
Technology	Technology
Industrial	Energy
Consumer Discretionary	Consumer Discretionary

Positions are 2% Each for 6% of US Equity Allocation

Sectors are included based on their relative valuation, momentum and earnings sentiment
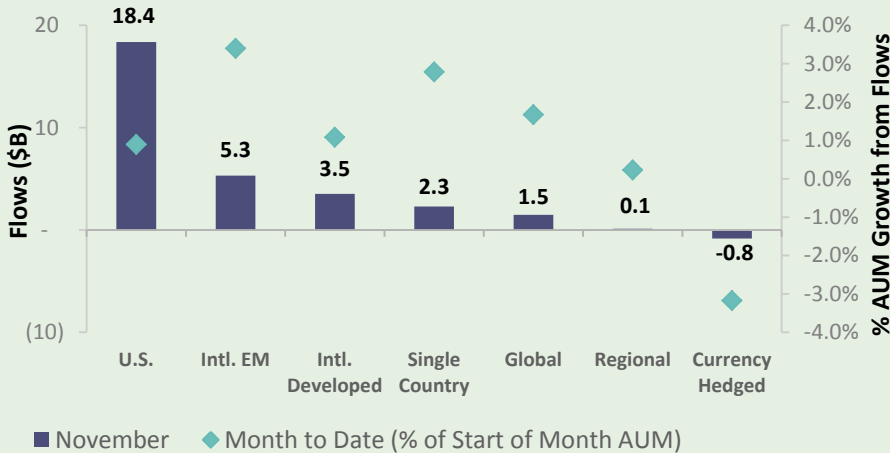
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Global Flows & Fundamentals, US Factors

Flow Trends — US-listed ETFs attracted the largest flows since January, as both equity and fixed income flows were above their 5-year monthly average
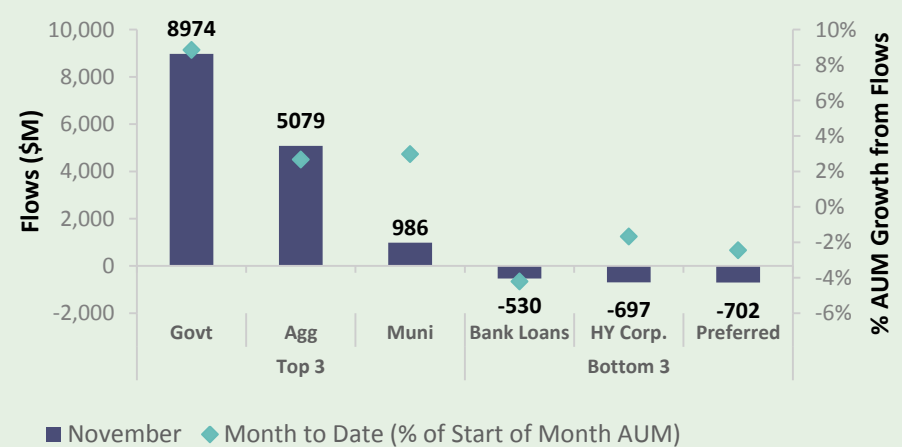
Flows by Asset Class

Billions

	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
Fixed Income	7	9	2	5	15	7	8	11	7	1	5	14
Non-US Equity	14	27	10		4			0	4	6		12
US Equity	26	40	-22	-12	6	27, -3	-10, 3	19	16	29	-3, 2	18

Legend: ■ US Equity ■ Non-US Equity ■ Fixed Income

Flows by Equity Regions

Flows ($B) / % AUM Growth from Flows

	November
U.S.	18.4
Intl. EM	5.3
Intl. Developed	3.5
Single Country	2.3
Global	1.5
Regional	0.1
Currency Hedged	-0.8

Legend: ■ November ◆ Month to Date (% of Start of Month AUM)

US outpaced developed ex-US equities, while EM equities attracted the largest flows since January of this year

Fixed Income Top and Bottom 3 Sectors by Flows

Flows ($M) / % AUM Growth from Flows

	November
Govt (Top 3)	8974
Agg (Top 3)	5079
Muni (Top 3)	986
Bank Loans (Bottom 3)	-530
HY Corp. (Bottom 3)	-697
Preferred (Bottom 3)	-702

Legend: ■ November ◆ Month to Date (% of Start of Month AUM)

Government and Aggregate bond exposures took in over 104% of fixed income flows in November

Source: State Street Global Advisors, Bloomberg Finance, L.P. As of November 30, 2018.
Sectors, asset classes and flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

Global Economy — The bounce-back of Eurozone economic sentiment was short-lived, while US sentiment has trended lower

Citigroup Economic Surprise Indices and the Citi Macro Risk Index

Risk aversion surged amid increasing market volatility and headline risk

Legend: Citi Macro Risk Index | Eurozone | US | EM | Global
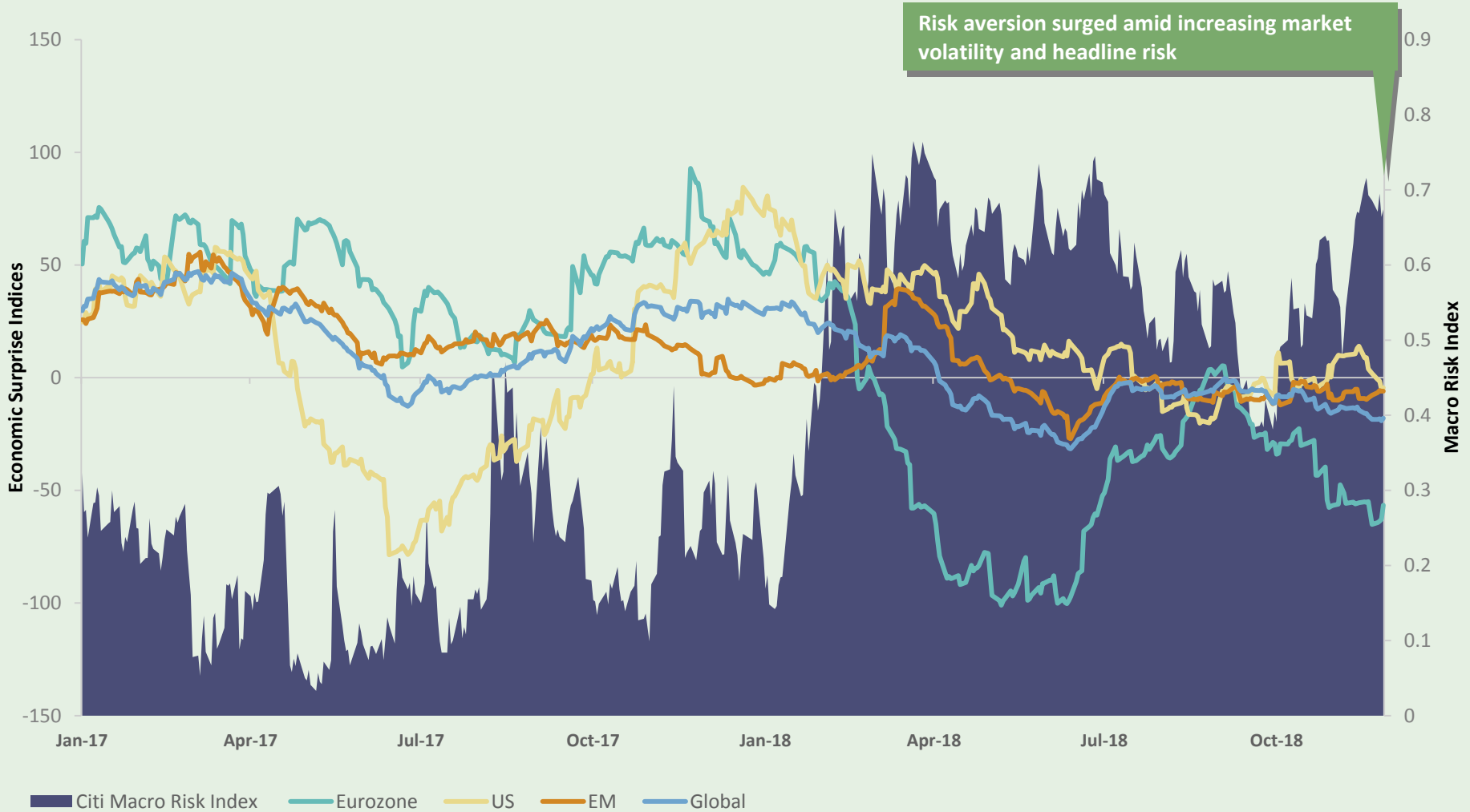
Source: Bloomberg Finance L.P., as of 11/29/2018.

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Global Earnings — Despite better sales growth prospects in the US, analysts have downgraded earnings growth, reflecting concerns about margin pressure

2019 EPS Growth Est.
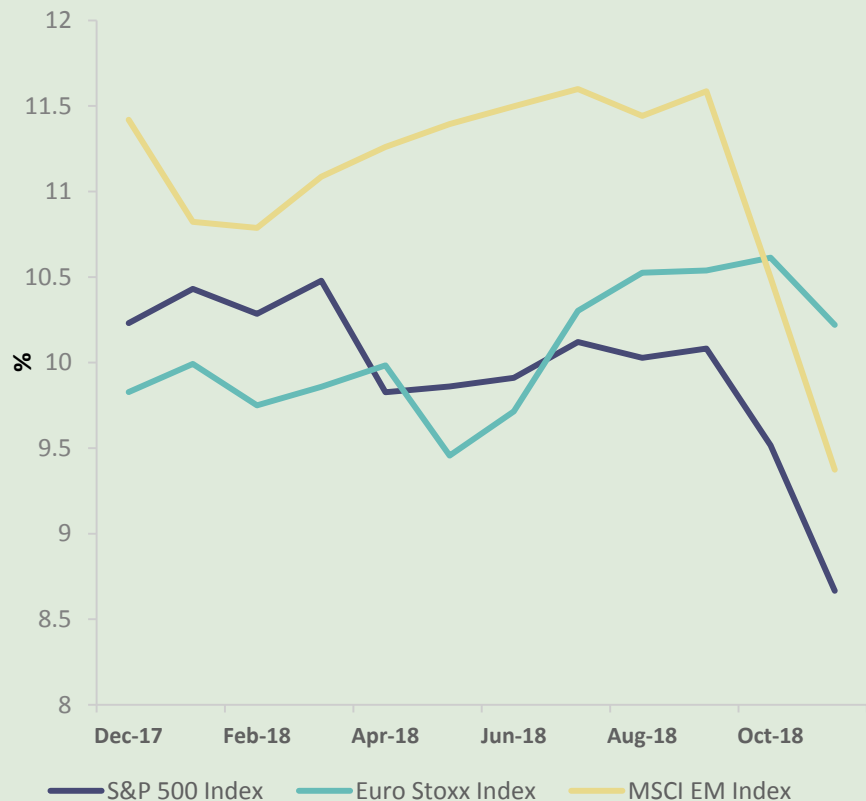
2019 Sales Growth Est.
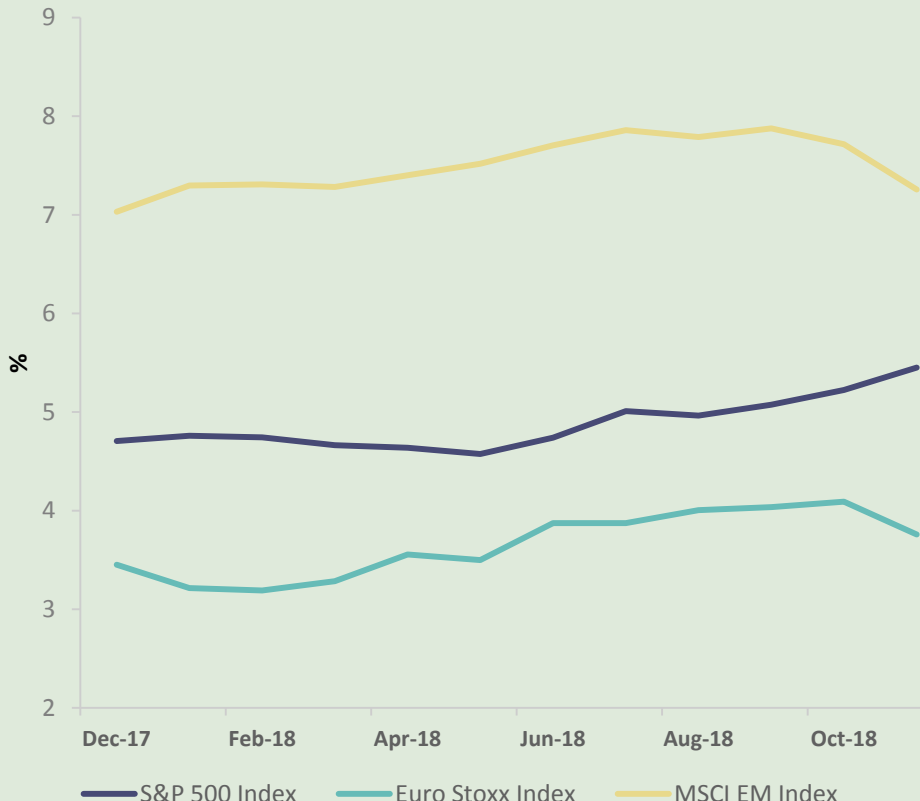
> **Analysts are projecting declines in both top and bottom lines of emerging and European companies**

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US Fundamentals — Increasing margin pressure from higher input costs and record-high corporate debt point to a late economic cycle

S&P 500 Profit Margins

While net margin broke above last cycle's highs due to lower taxes, EBIT margins have peaked

— EBIT Margin   — Net Margin
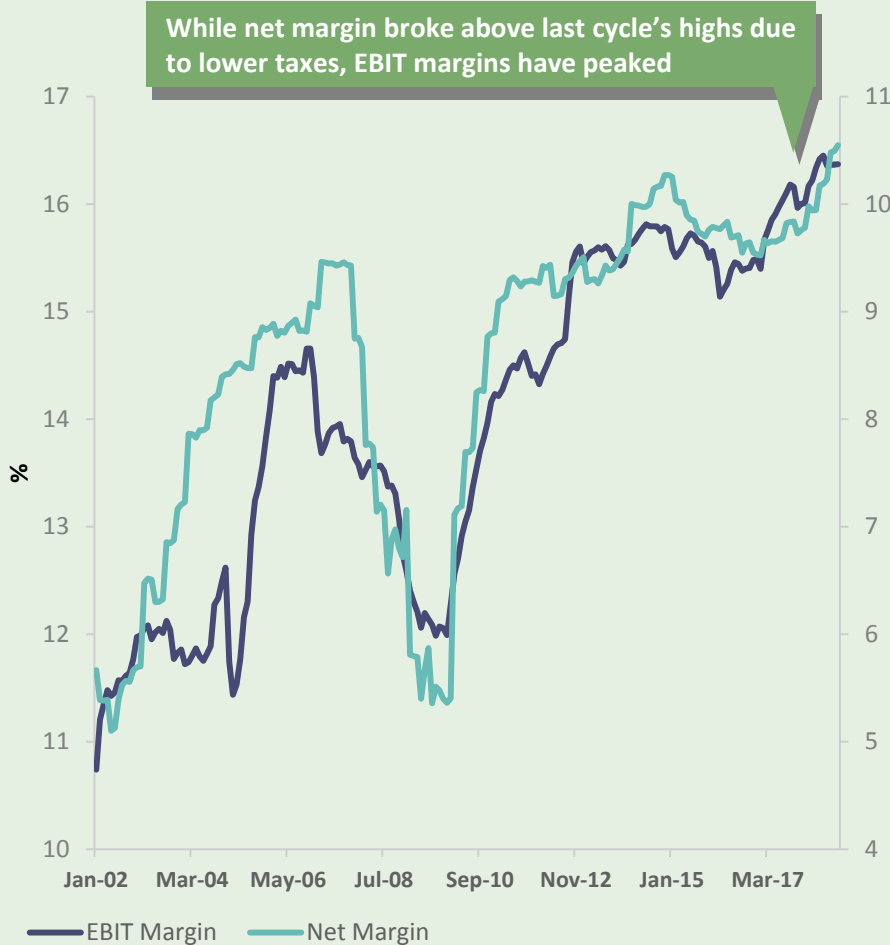
US Nonfinancial Corporate Debt Level to GDP

— Nonfinancial Corporate Debt % GDP: yearlong ratio

— Net Nonfinancial Corporate Debt % GDP: yearlong ratio
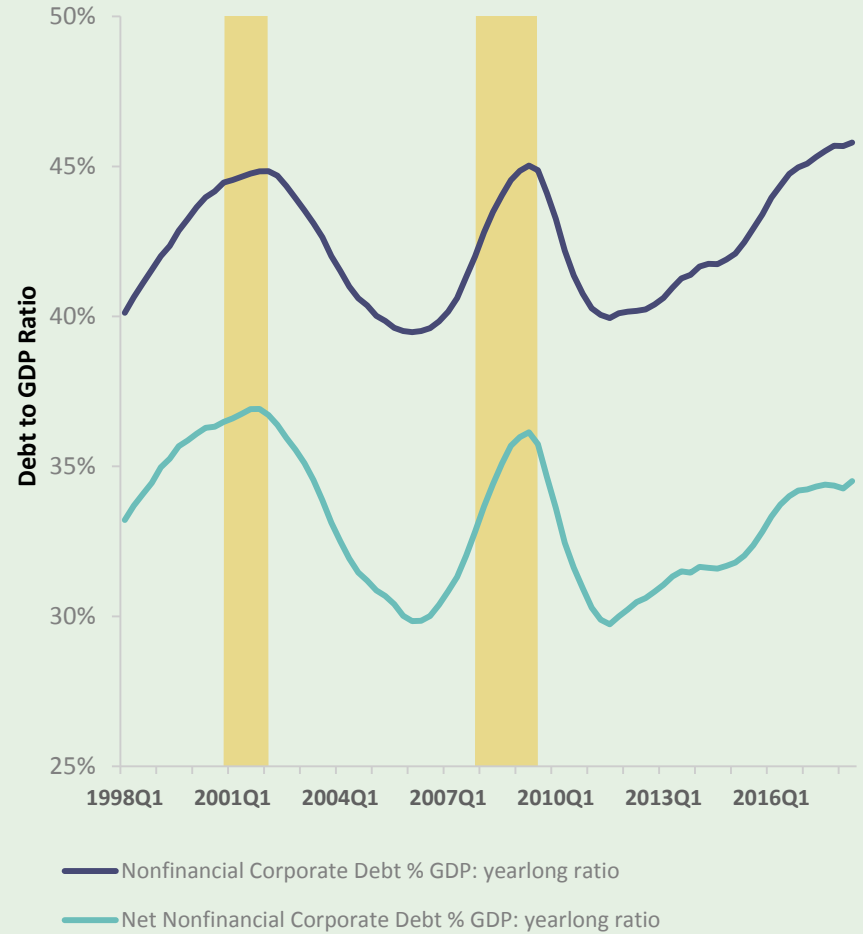
Source: FactSet, as of 11/30/2018, Debt level to GDP is sourced from Moody's Investors Service, as of 06/30/2018.

Global Valuation — EM valuations appear most attractive on an absolute basis, while US mid-cap valuations are most attractive relative to US large caps

Absolute and Relative Valuation Z-Score*

Scatter plot — *Valuation Relative to the S&P 500* (y-axis, 1.0 to -3.0) vs *Valuations Relative to Segment History* (x-axis, -2.00 to 1.50):

- US Large Value
- US Small Caps
- US Mid Caps
- World ex-US
- Eurozone
- EM
- Japan
- US Large Growth
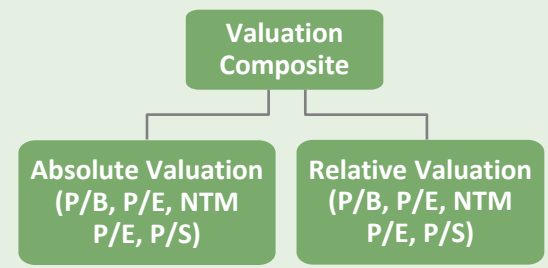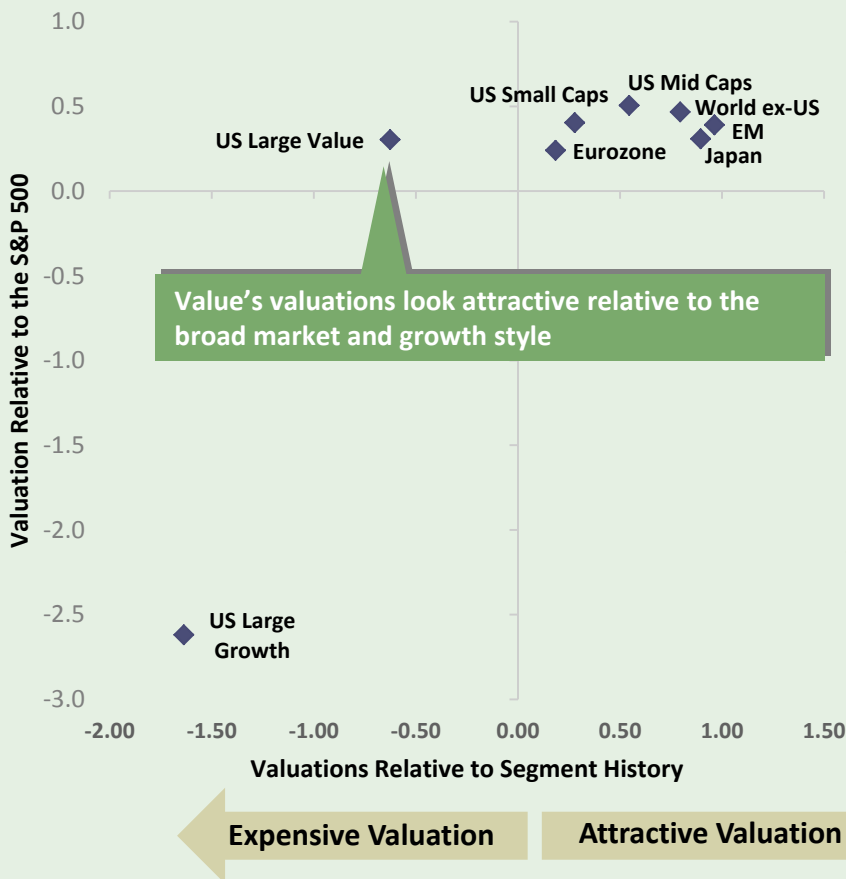
Callout: **Value's valuations look attractive relative to the broad market and growth style**

Axis labels: **Attractive Valuation** / **Expensive Valuation**

Valuation Composite
- **Absolute Valuation (P/B, P/E, NTM P/E, P/S)**
- **Relative Valuation (P/B, P/E, NTM P/E, P/S)**

	Absolute Valuation Relative to Regional History Composite Score	Valuation Relative to the S&P 500 Composite Score	Valuation Composite Score
US Large Cap	-1.40	N/A	N/A
US Mid Cap	0.54	0.51	0.53
US Small Cap	0.28	0.40	0.34
US Value	-0.63	0.30	-0.16
US Growth	-1.64	-2.62	-2.13
Developed ex US	0.79	0.47	0.63
EM	0.90	0.31	0.60
Japan	0.96	0.39	0.68
Eurozone	0.18	0.24	0.21

Higher Score: Attractive Valuation   **Lower Score: Expensive Valuation**

US Factor Trends — Min. Vol. and Dividend Yield led the market higher, while Value is the worst performer in 2018

MSCI USA Factor Index versus MSCI USA Index (3 Years)

Legend: Min. Vol, Quality, Size, Yield, Momentum, Value
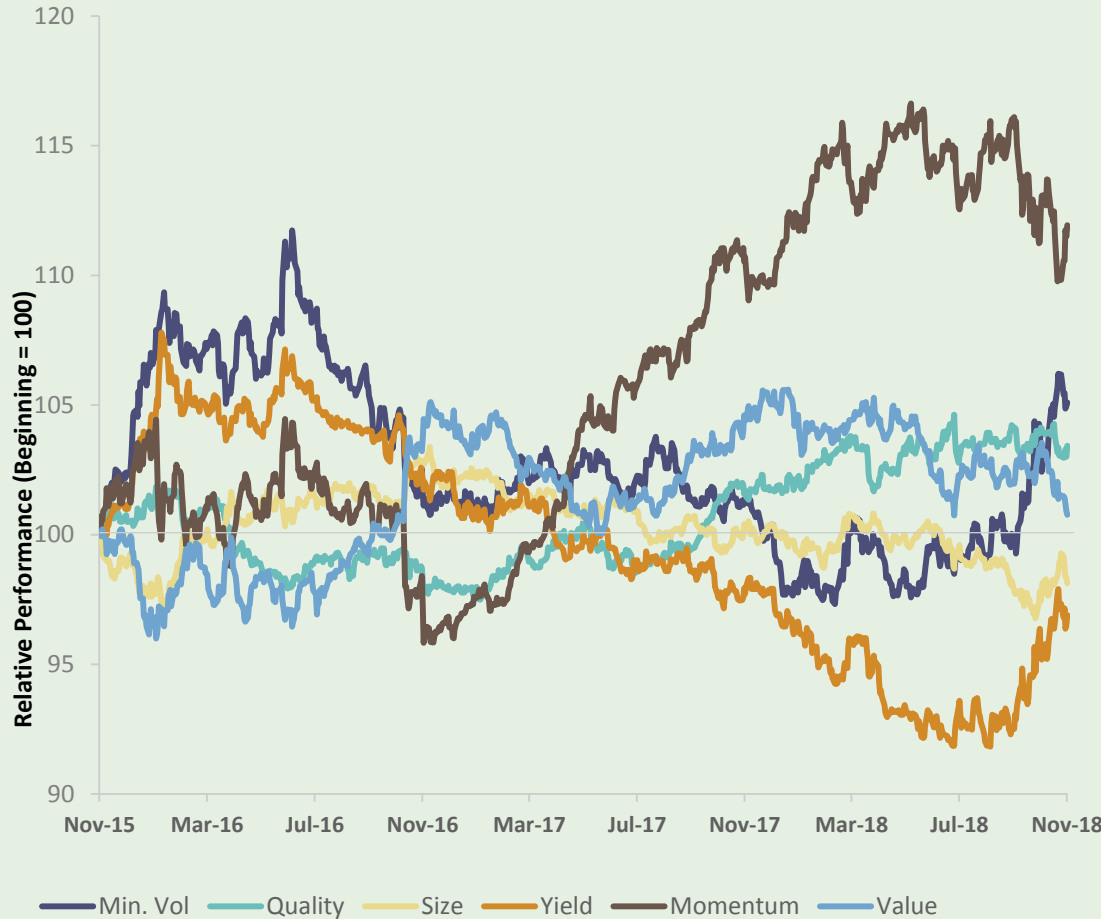
Period Excess Returns versus MSCI USA Index

Factor	Prior Month	YTD	Trailing 12 Month
Value	-2.4	-4.2	-3.7
Momentum	-0.5	2.2	1.2
Yield	2.1	2.0	2.4
Size	0.7	-2.3	-2.3
Quality	-0.7	1.7	1.8
Min. Vol.	1.9	4.9	4.0
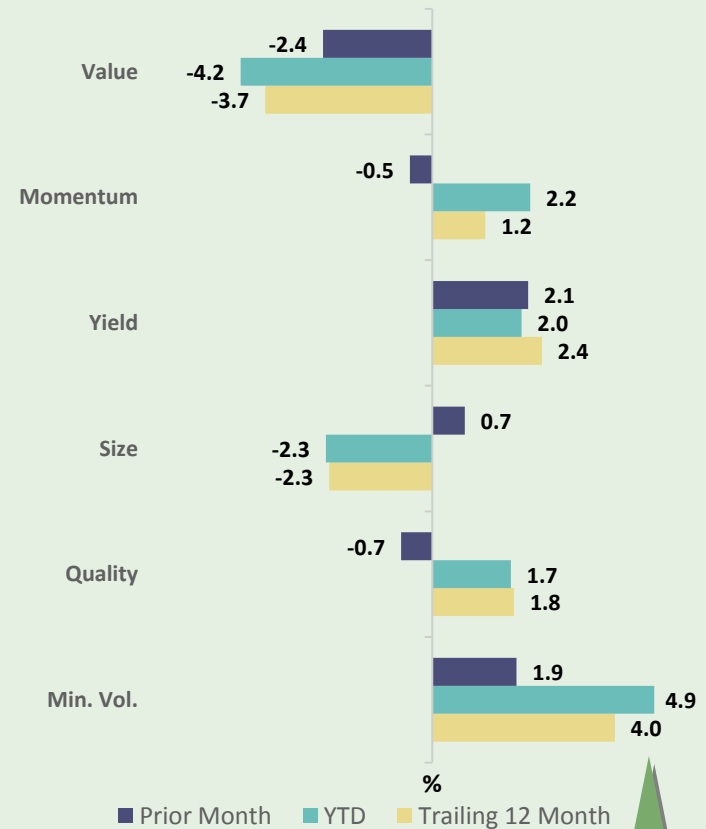
Min. Vol. led in performance across all periods

Source: Bloomberg Finance, L.P. As of November 30, 2018.
Past performance is not a guarantee of future results. MSCI USA Minimum Volatility Index, MSCI USA Enhanced Value Index, MSCI USA Quality Index, MSCI USA Equal Weighted Index, MSCI USA High Dividend Yield Index, and MSCI USA Momentum Index were used above compared to the MSCI USA Index. Index returns are unmanaged and do not reflect the deduction of any fees or expenses.

Value vs. Growth — Value's attractive valuations and the narrowing difference in growth prospects between the two styles drove investors to rotate into Value

Value Index vs. the Parent Index

%

Index	Value
Russell Top 200 Index	1.9
Russell Top 200 Value Index	3.3
Russell 1000 Index	2.0
Russell 1000 Value Index	3.0
S&P 500 Index	2.0
S&P 500 Pure Value Index	0.7
MSCI USA Index	1.9
MSCI USA Enhanced Value Index	-0.5
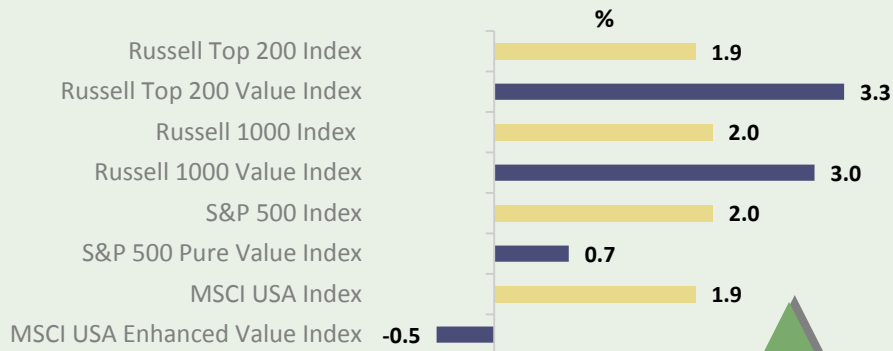
Nuances in Value exposures led to performance variance

Est. 2019 EPS Growth (%) Trends

Legend: Difference — Russell 1000 Growth Index — Russell 1000 Value Index

US ETF Flow Rotation from Growth to Value
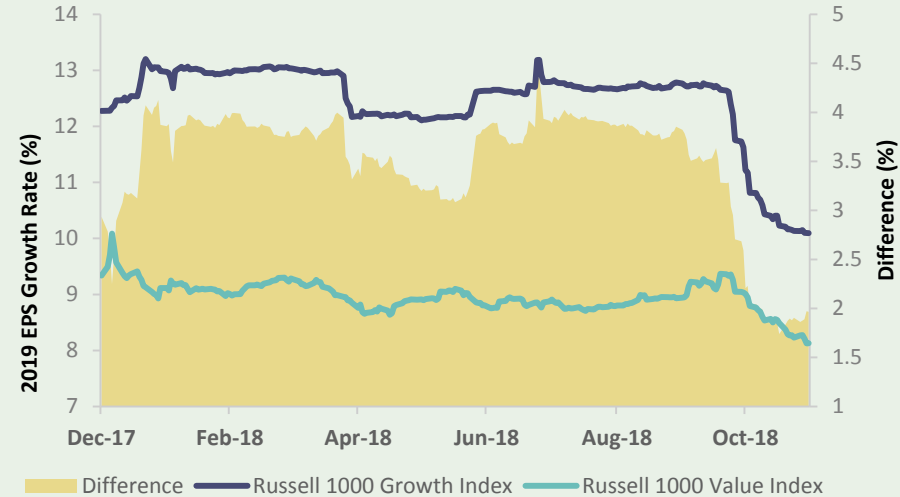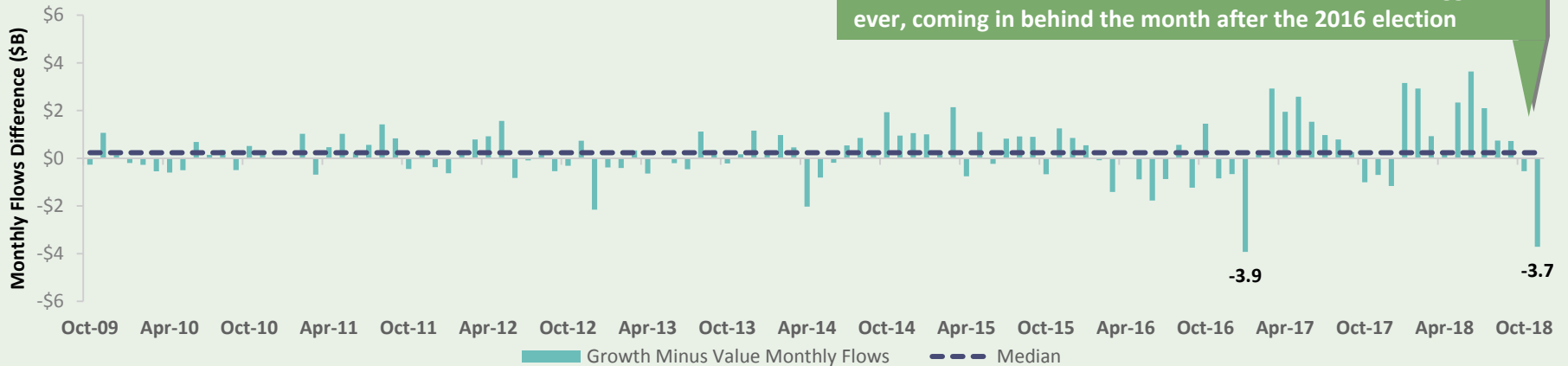
Flow rotation into value focused ETFs was the second biggest ever, coming in behind the month after the 2016 election

-3.9   -3.7

Legend: Growth Minus Value Monthly Flows — — Median

Sectors

Sector Flow and Returns Heat Map — Noncyclical sectors, like Health Care, Cons. Staples and Utilities, took in the most flows last month

	Positioning				Returns		
	Prior Month Flow ($M)	YTD Flow ($M)	Current Short Interest (%)	1M Prior Short Interest (%)	Prior Month Return (%)	3-Month Return (%)	YTD Return (%)
Consumer Discretionary	(549)	(1,624)	10.8%	12.2%	2.81	-7.83	10.03
Consumer Staples	929	1,507	7.2%	10.5%	1.93	5.37	0.80
Energy	634	(1,376)	11.6%	11.3%	-1.65	-10.47	-6.21
Financial	(1,298)	(4,172)	7.2%	7.0%	2.80	-4.24	-1.98
Health Care	1,886	8,359	10.0%	11.1%	7.05	2.82	16.50
Industrials	(1,489)	(1,255)	9.1%	9.7%	3.84	-5.36	-2.90
Materials	(369)	3,406	7.9%	8.9%	4.05	-7.77	-8.38
Real Estate	(48)	(2,851)	5.0%	5.7%	5.63	1.11	5.60
Technology	(3,550)	10,215	10.7%	11.5%	-1.88	-10.00	8.93
Communication	(359)	3,957	1.5%	0.9%	-5.75	-4.79	0.26
Utilities	780	1,223	21.3%	31.0%	3.58	4.98	8.47

Health Care took in the most flows for the third month in a row, closing the gap between it and Tech on a YTD basis

Flows followed performance, as investors piled into the top three best performing sectors for the last three months

Best Performing Sector
Most Flows in Period

Worst Performing Sector
Least Flows in Period

Sector Scorecard — Health Care and Utilities ranked high overall, while Tech continued to lead given its less stretched valuations and supportive momentum

Sector Composite Z-Score*

	Valuation Composite Score	Momentum Composite Score	Earnings Sentiment Composite Score	Aggregate Score	Volatility Composite Score
Consumer Discretionary	-1.44	0.34	0.30	-0.80	1.06
Consumer Staples	-0.27	0.91	-0.39	0.25	0.13
Energy	0.85	-1.21	0.25	-0.10	0.50
Financials	0.94	-0.58	0.23	0.59	-0.71
Health Care	-0.58	0.86	0.36	0.64	-0.86
Industrials	0.38	-0.78	-0.36	-0.76	0.92
Information Technology	-0.55	1.51	0.38	1.34	0.67
Materials	0.55	-1.56	-0.21	-1.21	-0.35
Communication	0.45	0.17	-0.28	0.34	
Real Estate	0.09	0.06	-1.07	-0.93	-0.81
Utilities	-0.43	0.28	0.79	0.64	-0.56

Valuations of certain cyclical sectors have become attractive

Consumer Staples' momentum improved significantly and exceeded Health Care as the 2nd highest momentum sector

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Sector Trends — Defensive and bond-proxy sectors stood strong amid recent market turbulence, while concerns about peak growth weighed down growth-oriented sectors

% of S&P 500 Stocks 10% or 20% Below 52-Week Highs
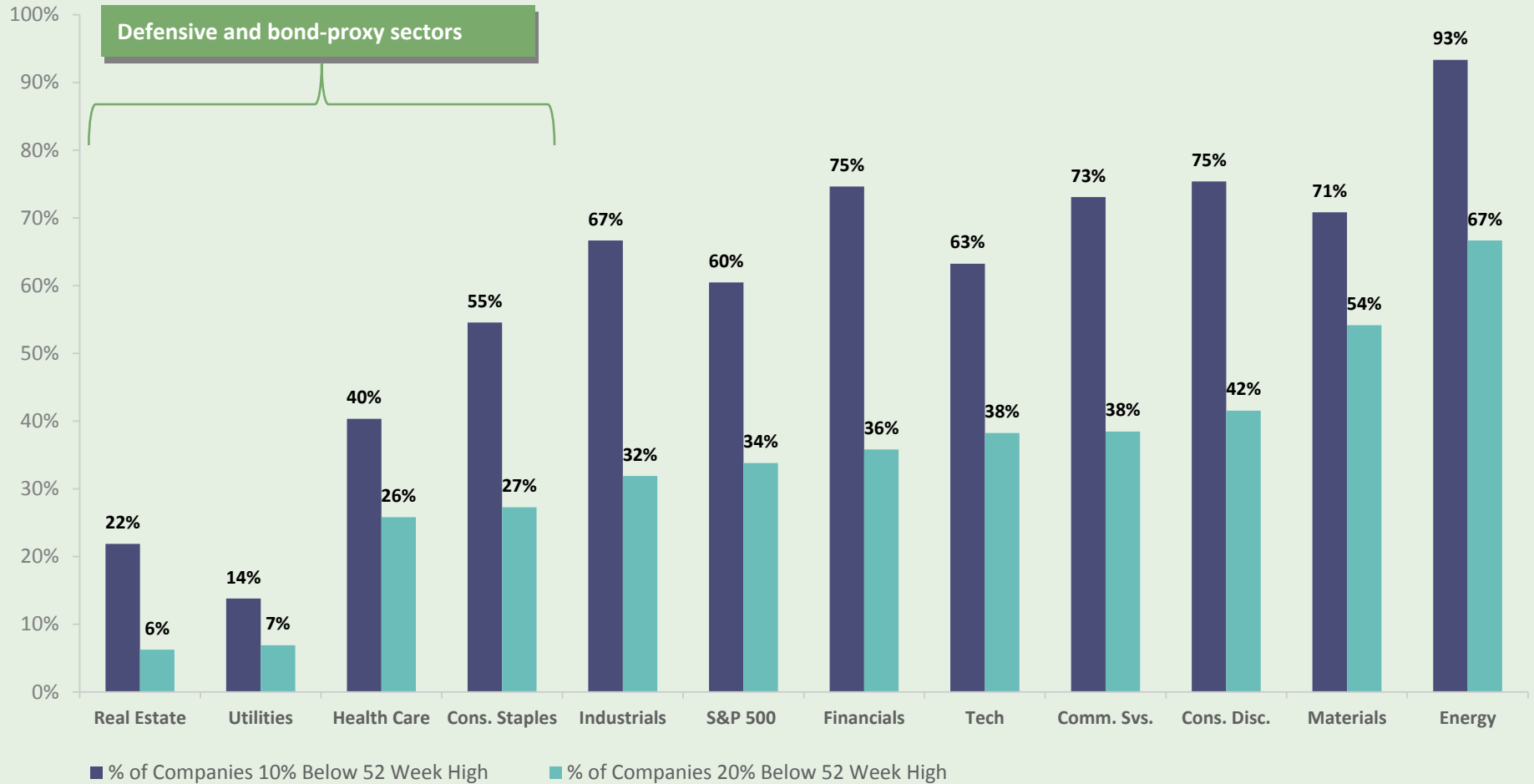
Defensive and bond-proxy sectors

Sector	% of Companies 10% Below 52 Week High	% of Companies 20% Below 52 Week High
Real Estate	22%	6%
Utilities	14%	7%
Health Care	40%	26%
Cons. Staples	55%	27%
Industrials	67%	32%
S&P 500	60%	34%
Financials	75%	36%
Tech	63%	38%
Comm. Svs.	73%	38%
Cons. Disc.	75%	42%
Materials	71%	54%
Energy	93%	67%

■ % of Companies 10% Below 52 Week High   ■ % of Companies 20% Below 52 Week High

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Sector Earnings — Growth-oriented sectors saw greater downgrades for next year's growth than the broad market, while analysts have adjusted noncyclical sectors' price targets upward

Changes to 2019 Earnings Growth Estimates by Sector

Downgrades in Interactive Media and Entertainment contributed the most to negative adjustments in the Comm. Svs.

Changes Since 9/30/2018 values:
- Utilities: 1.07
- Materials: -0.16
- Financials: -0.16
- Cons. Staples: -0.91
- Health Care: -0.92
- Energy: -1.22
- S&P 500: -1.47
- Industrials: -1.79
- Real Estate: -1.83
- Tech: -1.84
- Cons. Disc.: -2.82
- Comm. Svs.: -4.51

Legend:
- Growth Est. 28 Sep '18E
- Growth Est. 30 Nov '18E
- Changes Since 9/30/2018

Sector Aggregated Price Target Change (%) since 09/30/2018

- Health Care: 2.2%
- Utilities: 1.0%
- Cons. Staples: 0.6%
- Real Estate: 0.3%
- Financials: -0.9%
- Comm. Svs.: -1.2%
- S&P 500: -1.4%
- Energy: -2.4%
- Tech: -2.8%
- Cons. Disc.: -3.2%
- Industrials: -3.3%
- Materials: -6.1%

Noncyclical sectors
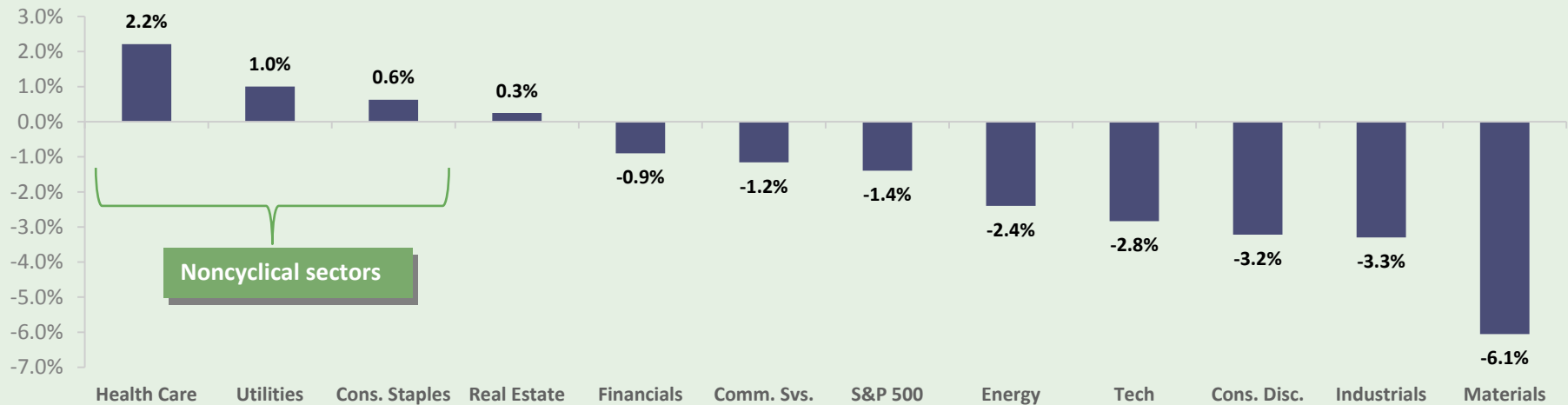
Source: FactSet. As of 11/30/2018. Characteristics are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. EPS growth estimates are based on Consensus Analyst Estimates compiled by FactSet.

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Fixed Income

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Yield Curve — The yield curve continued flattening as the market re-assessed the rate path for 2019 and adjusted inflation expectations lower

US Treasury Curve

	1M	3M	6M	1Y	2Y	3Y	5Y	7Y	10Y	30Y

US Treasury Active Curve 11/30/2017:
1.13, 1.26, 1.44, 1.61, 1.78, 1.89, 2.14, 2.31, 2.41, 2.83

US Treasury Active Curve 10/31/2018:
2.19, 2.33, 2.49, 2.66, 2.87, 2.93, 2.98, 3.06, 3.14, 3.39

US Treasury Active Curve 11/30/2018:
2.31, 2.35, 2.52, 2.68, 2.79, 2.80, 2.81, 2.90, 2.99, 3.29

Yield (%) — axis 0.0 to 4.0

— US Treasury Active Curve 11/30/2017   — US Treasury Active Curve 10/31/2018   — US Treasury Active Curve 11/30/2018

Long-term yields retreated in an riskoff environment

Change in Bps:

	1M	3M	6M	1Y	2Y	3Y	5Y	7Y	10Y	30Y
1 Year	118	109	108	107	100	91	68	59	58	46
YTD	107	96	99	94	90	83	61	56	58	55
November	12	2	3	2	-8	-13	-16	-17	-16	-10

■ 1 Year ■ YTD ■ November

Source: Bloomberg Finance, L.P. As of November 30, 2018. **Past performance is not a guarantee of future results.**

Inflation — Core inflation and inflation expectations have moderated, but labor costs rose to the highest level since 2009, giving the Fed more leeway to raise interest rates

Inflation and the Fed Fund Rate

With another hike likely in December, the Fed fund rate will be higher than key inflation measurements, if November inflation readings are unchanged

Legend:
- US Personal Consumption Expenditure Core Price Index YoY
- US CPI Urban Consumers Less Food & Energy YoY
- Federal Funds Target Rate Mid Point of Range
- U.S. 5yr 5yr Forward Breakeven
- US Average Hourly Earnings Yearly Percent Change Seasonal Adjusted

Source: Bloomberg Finance, L.P. As of October 31, 2018.

Rates — Markets re-assessed the rate path for 2019 after Powell's remarks, leading to a significant unwinding in longer term Treasury futures positions

The FOMC and Market Projected Rate Path

Market consensus rate path has become much less hawkish than the Fed's projection

Legend:
- FOMC Dots Median
- Fed Funds Futures Implied Rate as of Sep FOMC Meeting
- Fed Funds Futures Implied Rate as of 11/30/2018
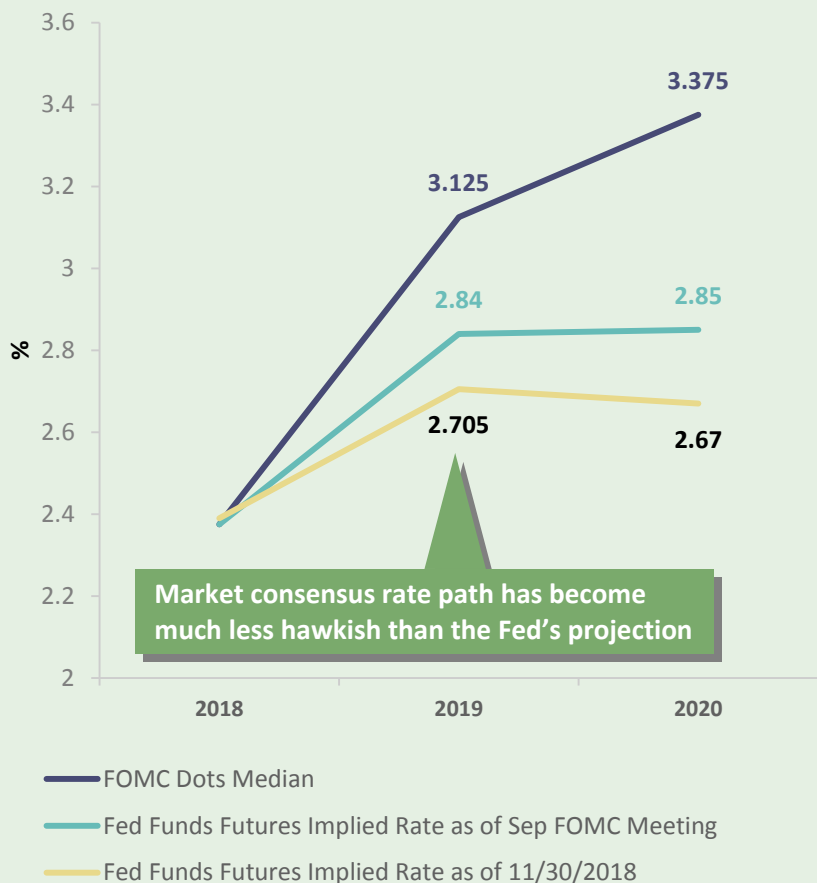
US Treasury Futures Contract Positioning
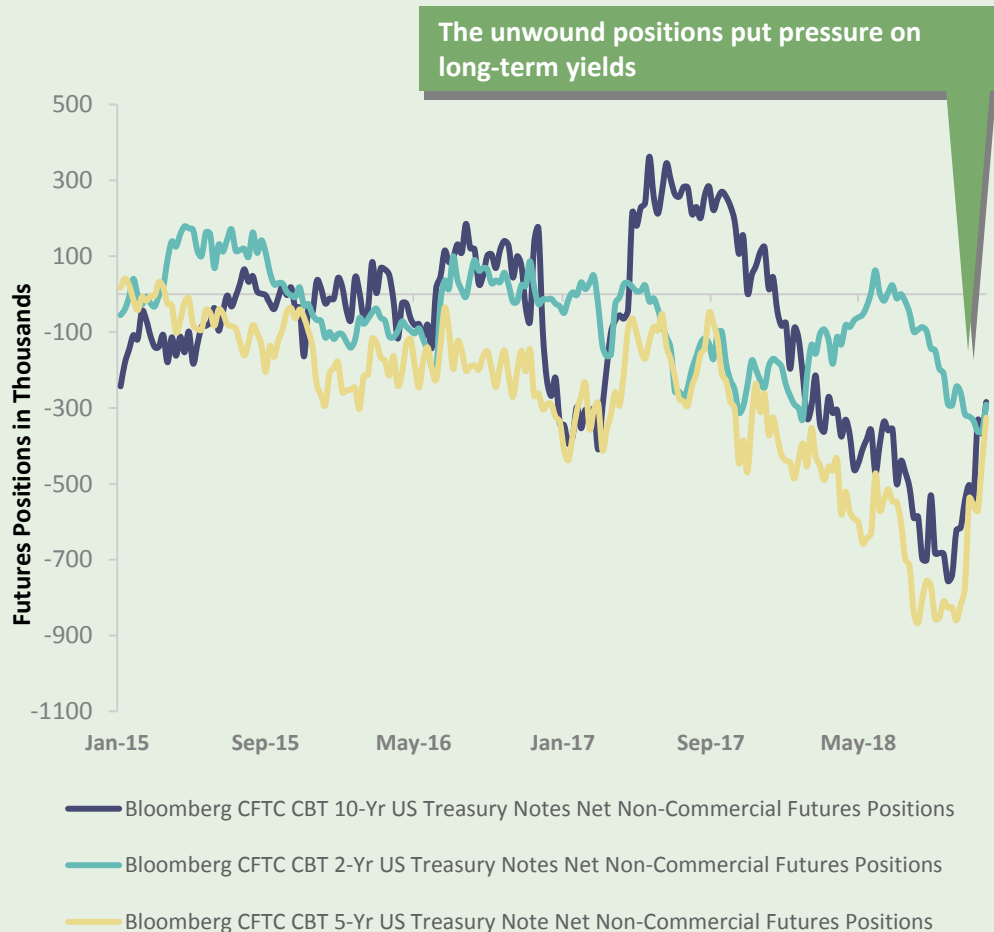
The unwound positions put pressure on long-term yields

Legend:
- Bloomberg CFTC CBT 10-Yr US Treasury Notes Net Non-Commercial Futures Positions
- Bloomberg CFTC CBT 2-Yr US Treasury Notes Net Non-Commercial Futures Positions
- Bloomberg CFTC CBT 5-Yr US Treasury Note Net Non-Commercial Futures Positions
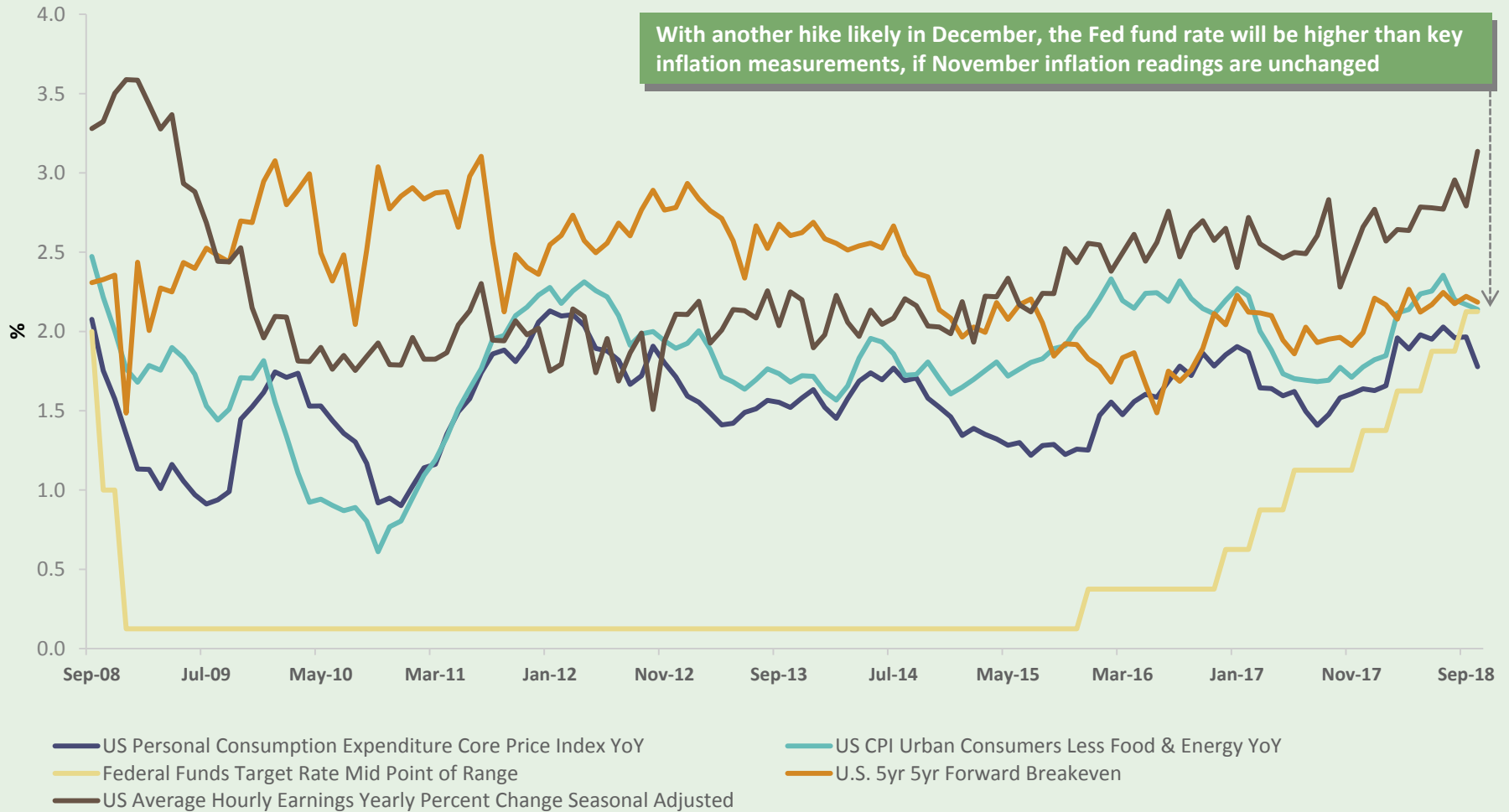
Source: Bloomberg Finance L.P., as of November 30, 2018. Past performance is not a guarantee of future results. Index returns are unmanaged and do not reflect the deduction of any fees or expenses.

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Bond Market — As yields on traditional bonds remain below historical averages, investors may have to turn to other fixed income sectors when allocating portfolios

Bond Market Segment Yield, Duration and Spreads

Legend: ■ Yield* ■ Duration ◆ Credit Spread Over Treasuries --- Bloomberg Barclays US Aggregate Bond Index (the Agg) 20-Year Average Yield

Data points by index:

Index	Yield*	Duration	Credit Spread Over Treasuries
Bloomberg Barclays Global Agg Government Index	1.5	7.7	0.2
Bloomberg Barclays Global-Aggregate Index	2.2	7.0	0.5
Bloomberg Barclays FRN < 5yr Index	3.3	0.1	0.7
Bloomberg Barclays US Treasury Index	2.9	6.0	0.0
Bloomberg Barclays US Agg Index	3.5	6.3	0.5
Bloomberg Barclays US MBS Index Index	3.6	6.1	0.3
Bloomberg Barclays Intermediate Corporate Index	4.1	4.3	1.2
Bloomberg Barclays US Credit Index	4.3	7.0	1.3
S&P/LSTA Leveraged Loan 100 Index	6.0	0.2	3.2
Bloomberg Barclays EM USD Aggregate Index	6.2	5.7	3.2
Bloomberg Barclays US Corporate High Yield Index	7.2	4.3	4.2 → 4.0

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Short Duration — Focusing on shorter duration bond segments may better mitigate equity risk while still generating income with limited duration risks

Bond Market Segments

Chart — Yield (%), Duration (Yrs), Credit Spread (%), Max Drawdown (%) on left axis; Correlation on right axis.

Data labels shown for Yield to Worst (%):
- Bloomberg Barclays U.S. Tr Bills 1-3 Months Index (T-Bills): 2.3
- Bloomberg Barclays US FRN < 5 yrs Index (Floating Rate Notes): 3.3
- S&P/LSTA U.S. Leveraged Loan 100 Index (Senior Loans): 6.0
- Bloomberg Barclays US Corporate 1-3 Year Index (ST Corp.): 3.6
- Bloomberg Barclays U.S. Treasury 1-3 Year Index (ST Treasuries): 2.8
- Bloomberg Barclays US Corporate High Yield Index (US HY): 7.2
- Bloomberg Barclays US Agg Index (Agg): 3.5
- Bloomberg Barclays EM USD Aggregate Index (EM Debt): 6.2
- Bloomberg Barclays US Corporate Index (IG Corp.): 4.4

15 Year Correlation to MSCI ACWI Index values:
-0.06, 0.20, 0.45, 0.08, -0.25, 0.64, -0.11, 0.55, 0.02

Short duration segments

Legend: ■ Yield to Worst (%)* ■ Duration (Yrs) ■ Max Drawdown Since 1/1/2017 (%) ● Credit Spread Over Treasuries (%) ◆ 15 Year Correlation to MSCI ACWI Index
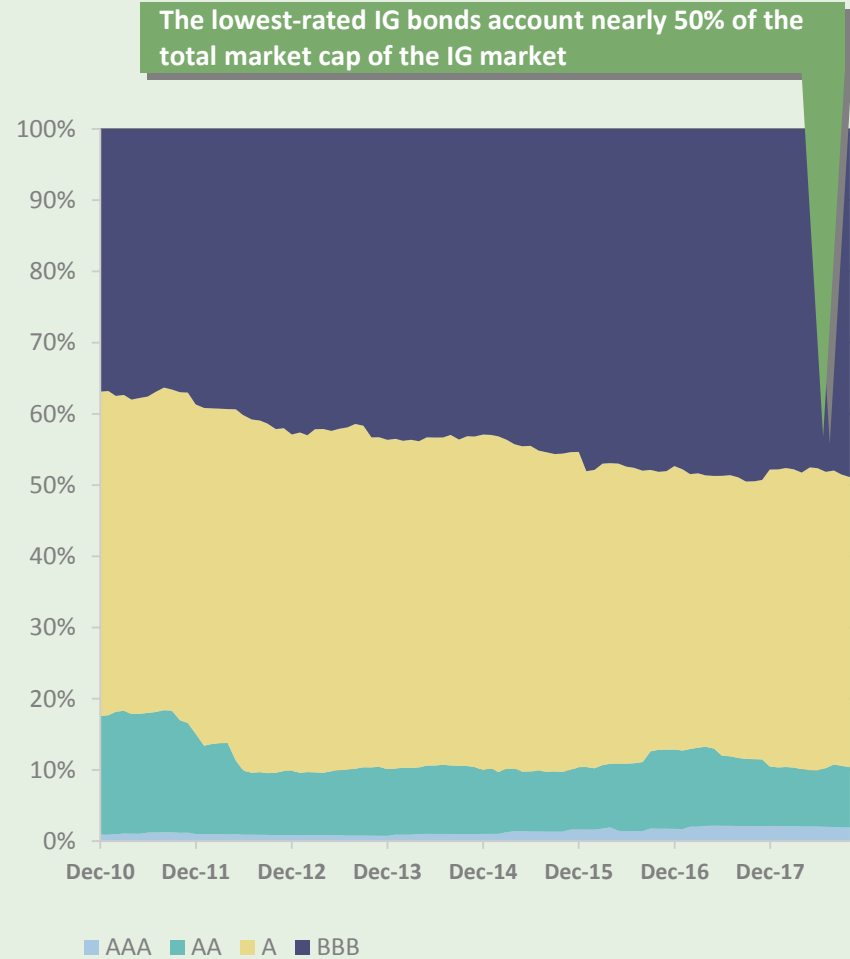
Source: Bloomberg Finance, L.P. As of November 30, 2018. **Past performance is not a guarantee of future results.** Index returns are unmanaged and do not reflect the deduction of any fees or expenses.
*Yield to maturity is used for the S&P/LSTA Leveraged Loan 100 Index. Yield to worst is used for other indices.

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Corporate Debt — Credit quality in the investment grade market has deteriorated, and a large amount of IG debt needs to be refinanced in the coming two years

IG and HY bonds Outstanding Amount by Maturity Year

Billion $

IG   High Yield

Increasing percentage of BBB rated IG debt*

The lowest-rated IG bonds account nearly 50% of the total market cap of the IG market

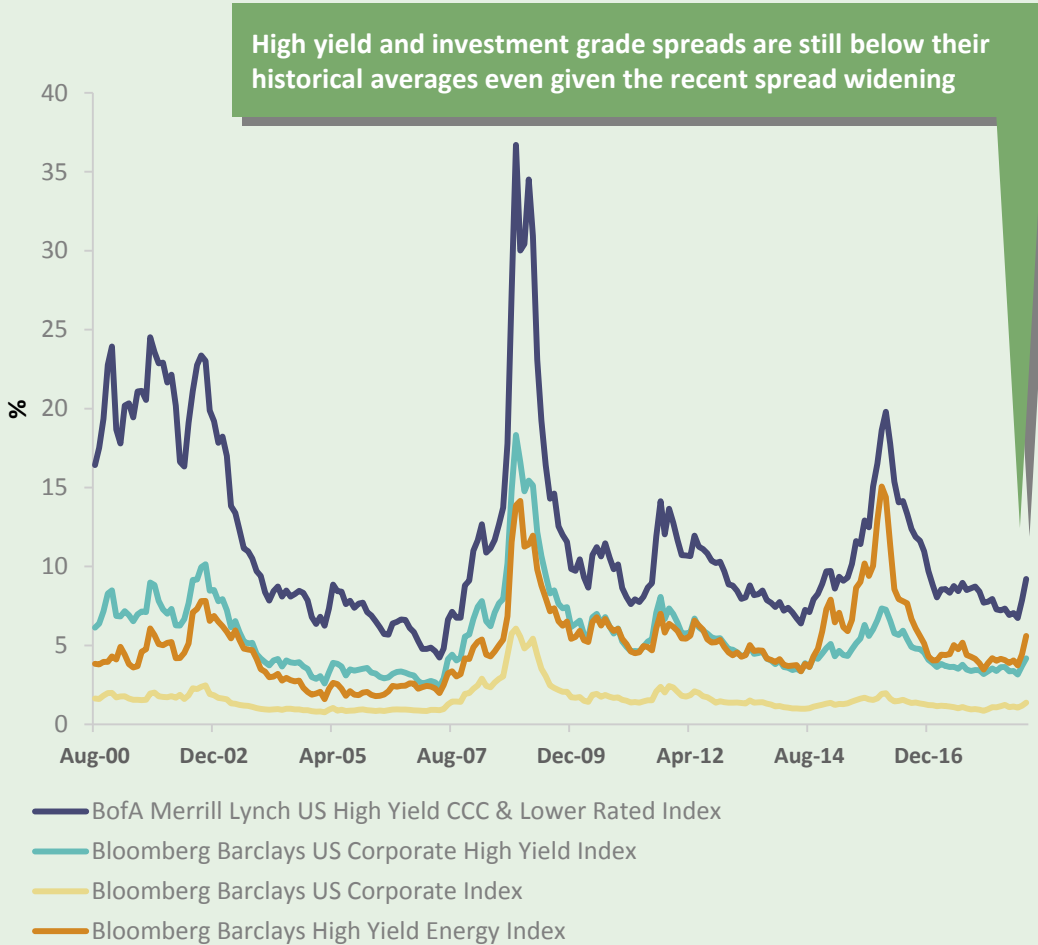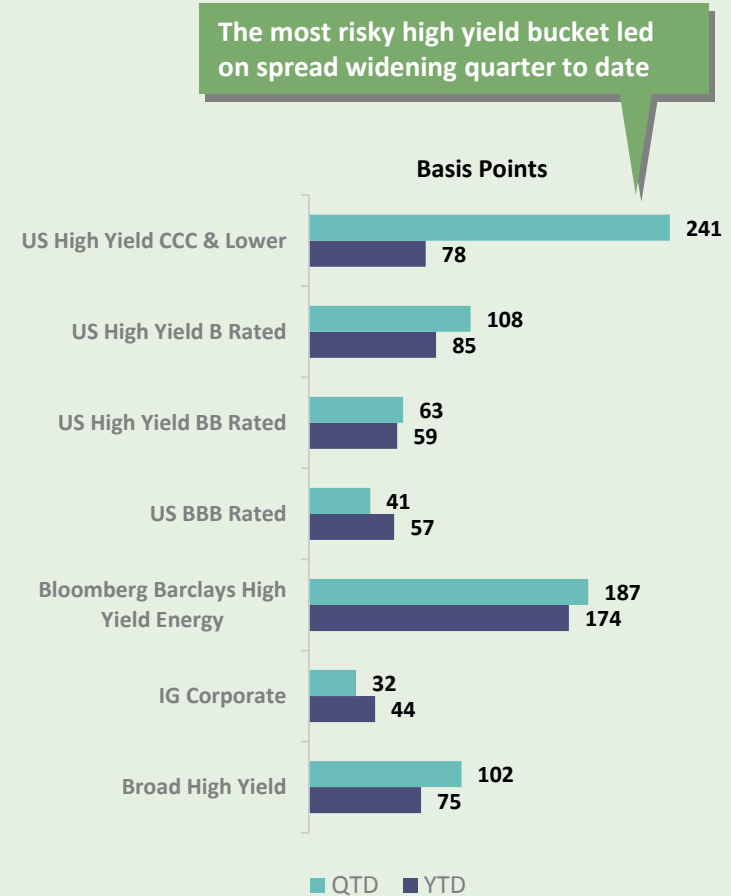AAA   AA   A   BBB

Source: Bloomberg Finance L.P., as of 11/30/2018. Characteristics are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.
*The Bloomberg Barclays US Corporate Index is used to represented the total investment grade bond market.

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Credit Trends — Credit spreads widened further, led by lower rated bonds and the energy sector amidst the oil selloff
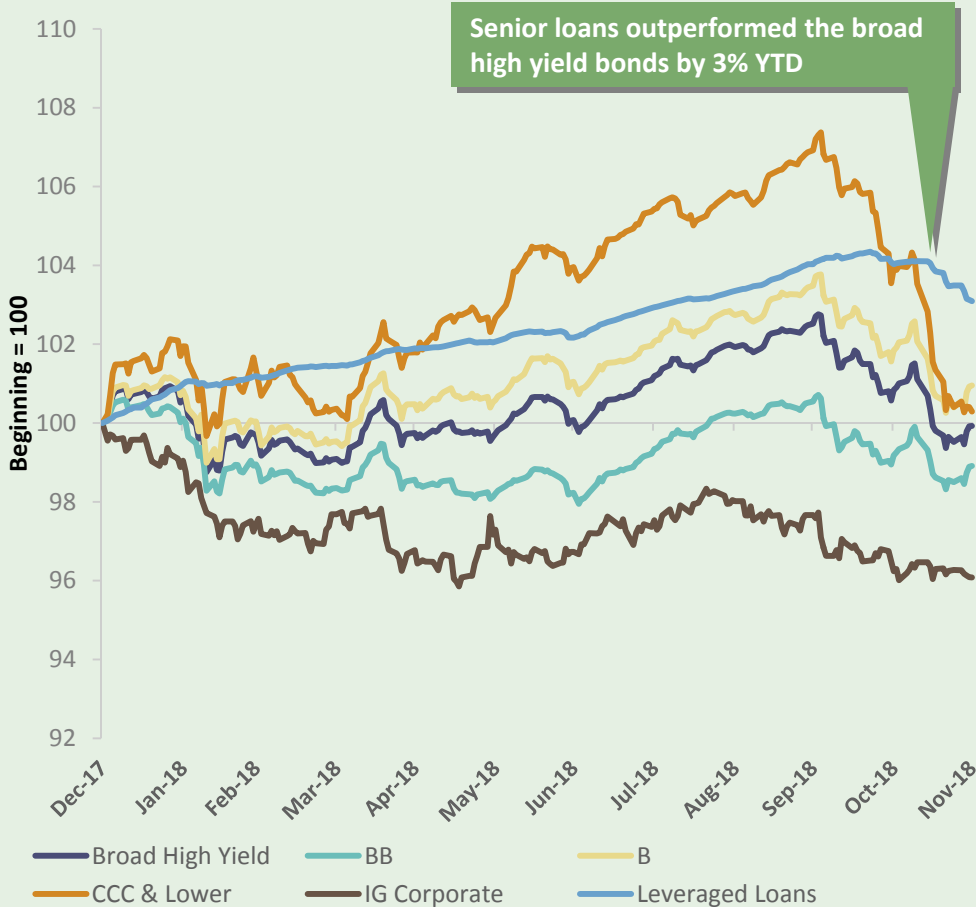
Credit Spreads

> High yield and investment grade spreads are still below their historical averages even given the recent spread widening

- BofA Merrill Lynch US High Yield CCC & Lower Rated Index
- Bloomberg Barclays US Corporate High Yield Index
- Bloomberg Barclays US Corporate Index
- Bloomberg Barclays High Yield Energy Index

Credit Spread Changes in Basis Points

> The most risky high yield bucket led on spread widening quarter to date

Basis Points

	QTD	YTD
US High Yield CCC & Lower	241	78
US High Yield B Rated	108	85
US High Yield BB Rated	63	59
US BBB Rated	41	57
Bloomberg Barclays High Yield Energy	187	174
IG Corporate	32	44
Broad High Yield	102	75

■ QTD ■ YTD

Source: Bloomberg Finance, L.P. BofA Merrill Lynch, as of November 30, 2018. European high yield = Bloomberg Barclays Pan European High Yield Index. US High Yield CCC & Lower = BofA ML US High Yield CCC & Lower Rated Index. US High Yield B Rated = BofAML US High Yield B Rated Index. BBB Rated = BofA ML US Investment Grade BBB Rated Index. Broad high yield = Bloomberg Barclays US Corporate High Yield Index. IG Corporate = Bloomberg Barclays US Corporate Index.

Credit Trends — Loans stood strong during the recent setback in credit and historical spread widening

YTD Cumulative Performance of Segments in the Credit Market

> Senior loans outperformed the broad high yield bonds by 3% YTD

Beginning = 100

Y-axis: 92, 94, 96, 98, 100, 102, 104, 106, 108, 110

X-axis: Dec-17, Jan-18, Feb-18, Mar-18, Apr-18, May-18, Jun-18, Jul-18, Aug-18, Sep-18, Oct-18, Nov-18

Legend:
— Broad High Yield
— BB
— B
— CCC & Lower
— IG Corporate
— Leveraged Loans

Average Monthly Return and Max Drawdown (Since February 1994)

%

Y-axis: 0, -1, -2, -3, -4, -5, -6, -7

Category	Bloomberg Barclays High Yield Very Liquid Index	Credit Suisse Leveraged Loan Index
Avg Monthly Return When Spreads Widen	-0.93	-0.06
Avg Monthly Return During the 20 worst spread widening	-5.82	-2.28
Max Drawdown During the Fed hiking cycles	-5.96	-0.26

Legend:
■ Bloomberg Barclays High Yield Very Liquid Index
■ Credit Suisse Leveraged Loan Index
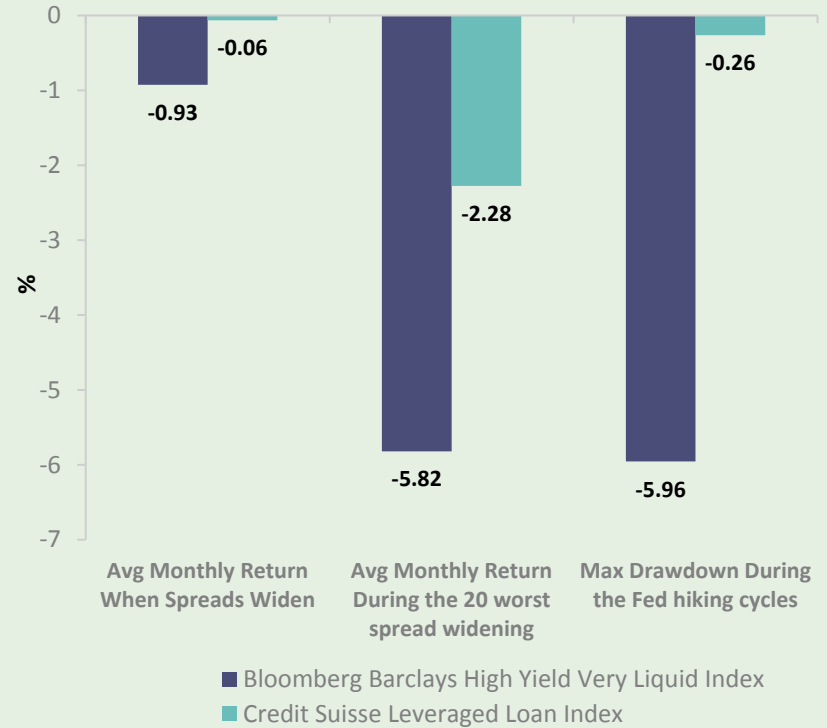
> Senior loans outperformed fixed rate high yield bonds during spread widening and the Fed hiking cycles

Source: Bloomberg Finance, L.P., as of November 30, 2018,. CCC rated = BofA Merrill Lynch US High Yield CCC Rated Index. Broad High Yield = BofA Merrill Lynch US High Yield Bond Index. BB rated = BofA Merrill Lynch US High Yield BB Rated Index. Single B rated = BofA Merrill Lynch US High Yield B Rated Index. IG Corporate = Bloomberg Barclays US Corporate Index. Leveraged Loans = S&P/LSTA Leveraged Loan Index. **Past performance is not a guarantee of future results.** Index returns are unmanaged and do not reflect the deduction of any fees or expenses.

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EM Debt — As EM currency stabilizes and concerns about US high yield credit emerged amid the oil selloff, EM local currency debt started catching up with HY

High Yield vs. EM Debt 1 Year Performance

Legend:
— Bloomberg Barclays EM Local Currency Government Index
— Bloomberg Barclays US High Yield Index
— JP Morgan EM Currency Index

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Appendix A: Flow Summary

Fund Flow Summary

Asset Category

Equity Region	Prior Month ($M)	Year to Date ($M)	Trailing 12 Month ($M)
US	18,361	125,473	153,560
Global	1,471	15,240	17,488
International-Developed	3,521	38,431	46,306
International-Emerging Markets	5,305	12,887	15,184
International-Region	113	-9,936	-9,514
International-Single Country	2,285	8,566	10,191
Currency Hedged	-842	-12,689	-13,811

US Size and Style

	Prior Month ($M)	Year to Date ($M)	Trailing 12 Month ($M)
Broad Market	3,670	24,165	27,296
Large-Cap	10,057	38,688	45,045
Mid-Cap	2,020	10,472	12,715
Small-Cap	724	21,059	19,716
Growth	1,488	15,580	15,850
Value	5,197	19,597	23,782

Fixed Income Sectors

	Prior Month ($M)	Year to Date ($M)	Trailing 12 Month ($M)
Aggregate	5,079	24,935	28,266
Government	8,974	39,415	41,883
Inflation Protected	-208	4,516	5,398
Mortgage-Backed	184	3,805	4,033
IG Corporate	-31	8,645	8,691
High Yield Corp.	-697	-7,062	-8,006
Bank Loans	-530	-120	-439
EM Bond	474	3,300	3,677
Preferred	-702	-1,949	-1,787
Convertible	29	393	340
Municipals	986	4,564	5,492

Government ETF Maturity Focus

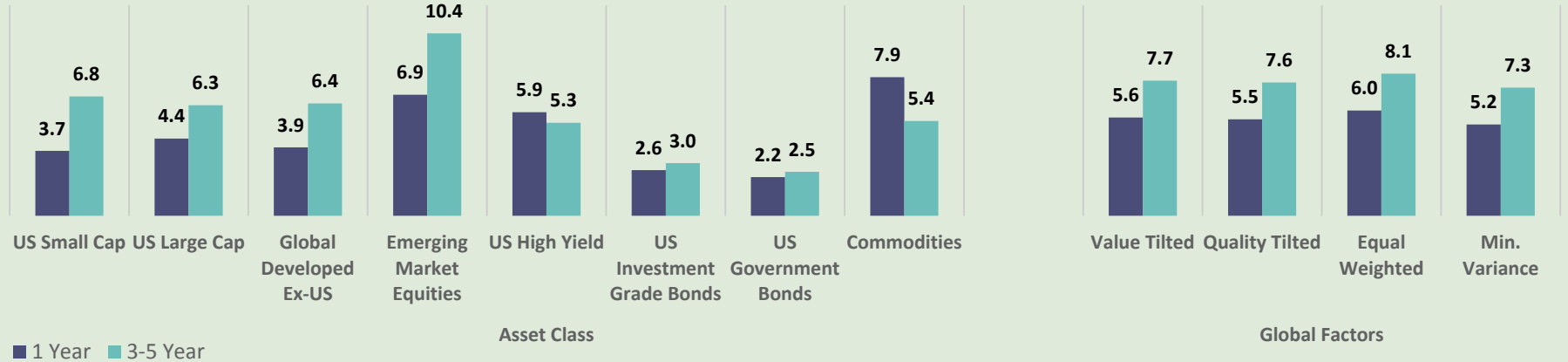|	Prior Month ($M)	Year to Date ($M)	Trailing 12 Month ($M)
Ultra Short	3,609	16,617	18,129
Short Term	4,299	15,450	15,950
Intermediate	1,208	5,800	6,167
Long Term (>10 yr)	-85	2,308	2,530

Source: State Street Global Advisors, Bloomberg Finance, L.P. As of November 30, 2018.
Sectors, asset classes and flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.
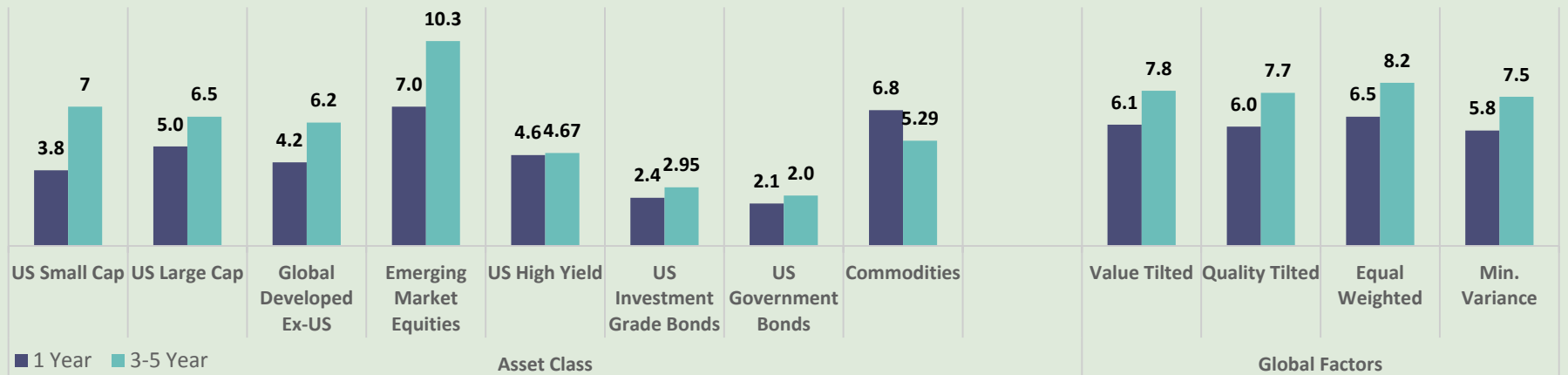
Appendix B: Asset Class Forecast

SSGA Asset Class Forecasts

Forecasted Return (%) as of June 30, 2018

Legend: ■ 1 Year ■ 3-5 Year

Asset Class (1 Year / 3-5 Year):
- US Small Cap: 3.7 / 6.8
- US Large Cap: 4.4 / 6.3
- Global Developed Ex-US: 3.9 / 6.4
- Emerging Market Equities: 6.9 / 10.4
- US High Yield: 5.9 / 5.3
- US Investment Grade Bonds: 2.6 / 3.0
- US Government Bonds: 2.2 / 2.5
- Commodities: 7.9 / 5.4

Global Factors (1 Year / 3-5 Year):
- Value Tilted: 5.6 / 7.7
- Quality Tilted: 5.5 / 7.6
- Equal Weighted: 6.0 / 8.1
- Min. Variance: 5.2 / 7.3

Forecasted Return (%) as of September 30, 2018

Legend: ■ 1 Year ■ 3-5 Year

Asset Class (1 Year / 3-5 Year):
- US Small Cap: 3.8 / 7
- US Large Cap: 5.0 / 6.5
- Global Developed Ex-US: 4.2 / 6.2
- Emerging Market Equities: 7.0 / 10.3
- US High Yield: 4.6 / 4.67
- US Investment Grade Bonds: 2.4 / 2.95
- US Government Bonds: 2.1 / 2.0
- Commodities: 6.8 / 5.29

Global Factors (1 Year / 3-5 Year):
- Value Tilted: 6.1 / 7.8
- Quality Tilted: 6.0 / 7.7
- Equal Weighted: 6.5 / 8.2
- Min. Variance: 5.8 / 7.5

Source: State Street Global Advisors (SSGA) Investment Solutions Group. **The forecasted returns are based on SSGA's Investment Solutions Group's September 30, 2018 forecasted returns and long-term standard deviations. The forecasted performance data is reported on a gross of fees basis. Additional fees, such as the advisory fee, would reduce the return**. For example, if an annualized gross return of 10% was achieved over a 5-year period and a management fee of 1% per year was charged and deducted annually, then the resulting return would be reduced from 61% to 54%. The performance includes the reinvestment of dividends and other corporate earnings and is calculated in the local (or regional) currency presented. It does not take into consideration currency effects. **The forecasted performance is not necessarily indicative of future performance, which could differ substantially.** Please reference Appendix B for the assumptions used by SSGA Investment Solutions Group to create asset class forecasts.

Asset Class Forecast Assumptions

Forecast Assumptions

For Fixed Income:
Our return forecasts for fixed income derive from current yield conditions together with expectations as to how real and nominal yield curves could evolve relative to historical averages. For corporate bonds, we also analyze credit spreads and their term structures, with separate assessments of investment-grade and high-yield bonds.

For Equities:
Our long-term equity forecasts begin with expectations for developed market large capitalization stocks. The foundation for these forecasts are estimates of real return potential, derived from current dividend yields, forecast real earnings growth rates, and potential for expansion or contraction of valuation multiples. Our forecasting method incorporates long run estimates of potential economic growth based on forecast labor and capital inputs to estimate real earning growth.
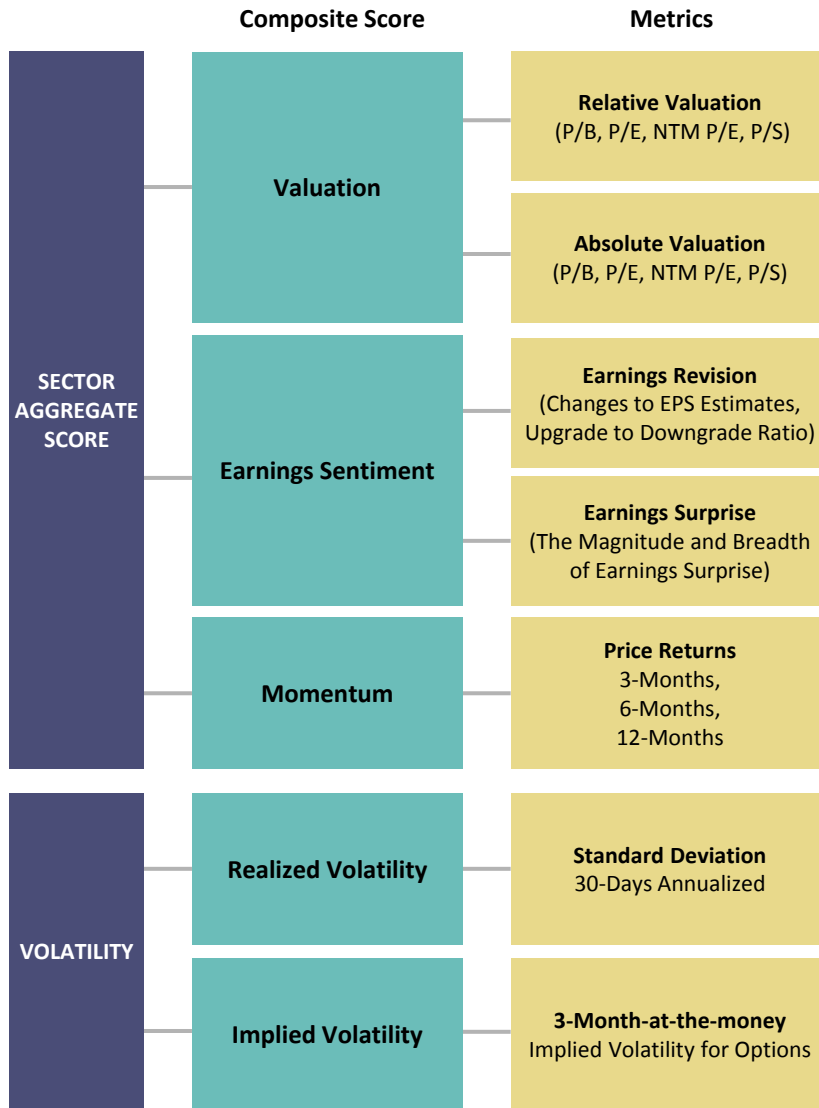
For Factor Returns:
Over a one to three-year forecast horizon, we look to see how cheap each factor is relative to its own history. Specifically, we focus on book/price spreads for each factor and relate that to their subsequent returns. We find that valuation ratios are useful for forecasting market returns.

For Commodities:
Our long-term commodity forecast is based on the level of world GDP, as a proxy for consumption demand, as well as on our inflation outlook. Additional factors affecting the returns to a commodities investor include how commodities are held (e.g., physically, synthetically, or via futures) and the various construction methodologies of different commodity benchmarks.

Appendix C: SPDR Sector Scorecard

SPDR Sector Scorecard

Composite Score	**Metrics**

SECTOR AGGREGATE SCORE

Valuation
- **Relative Valuation** (P/B, P/E, NTM P/E, P/S)
- **Absolute Valuation** (P/B, P/E, NTM P/E, P/S)

Earnings Sentiment
- **Earnings Revision** (Changes to EPS Estimates, Upgrade to Downgrade Ratio)
- **Earnings Surprise** (The Magnitude and Breadth of Earnings Surprise)

Momentum
- **Price Returns** 3-Months, 6-Months, 12-Months

VOLATILITY

Realized Volatility
- **Standard Deviation** 30-Days Annualized

Implied Volatility
- **3-Month-at-the-money** Implied Volatility for Options

The metrics shown are z-scores, which are calculated using the mean and standard deviation of the relevant metrics within S&P 500 sectors. Using Z-scores to standardize results across all sectors allows for easier relative assessment. Sectors with cheaper valuation, higher price momentum, higher sentiment and higher volatility will have higher z-scores.

We calculate a composite score by equally weighting each metric z-score in the same category.

The scorecard does not represent the investment views of State Street. Metrics used in the scorecard have not been backtested for any sector strategies by State Street. These are for illustrative and educational purposes as we seek to bring greater transparency to the sector investing landscape and the due diligence required to build sophisticated portfolios to meet specific client objectives.

Source: SPDR America Research.

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Appendix D: Definitions

Definitions

S&P500 Index: A popular benchmark for US large-cap equities that includes 500 companies from leading industries and captures approximately 80% coverage of available market capitalization.

CBOE VIX Index: The Chicago Board Options Exchange (CBOE) Volatility Index shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options.

Implied Volatility: A way of estimating volatility of a security's price based on a number of predictive variables. Implied volatility rises when the market is falling when investors believe that the asset's price will decline over time, and it falls when the market is rising when investors believe that the security's price will rise over time. This is due to the common belief that bearish markets are riskier than bullish markets.

MSCI Emerging Market Index: The MSCI Emerging Markets Index captures large and mid-cap representation across 23 emerging markets countries. With 834 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Russell 2000 Index: A benchmark that measures the performance of the small-cap segment of the US equity universe.

MSCI EAFE Index: An equities benchmark that captures large- and mid-cap representation across developed market countries around the world, excluding the US and Canada.

Bloomberg U.S. High Yield Index: The Bloomberg USD High Yield Corporate Bond Index is a rules-based, market-value weighted index engineered to measure publicly issued non-investment grade USD fixed-rate, taxable, corporate bonds. To be included in the index a security must have a minimum par amount of 250MM.

Bloomberg Barclays U.S. Aggregate Index: A benchmark that provides a measure of the performance of the US dollar denominated investment grade bond market, which includes investment grade government bonds, investment grade corporate bonds, mortgage pass through securities, commercial mortgage backed securities and asset backed securities that are publicly for sale in the US.

Bloomberg U.S. Treasury Index: The Bloomberg US Treasury Bond Index is a rules-based, market-value weighted index engineered to measure the performance and characteristics of fixed rate coupon US Treasuries which have a maturity greater than 12 months. To be included in the index a security must have a minimum par amount of 1,000MM.

Bloomberg Commodity Index: Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification.

MSCI Europe Index: The MSCI Europe Index is a free-float weighted equity index designed to measure the equity market performance of the developed markets in Europe.

Euro STOXX 50 Index: Europe's leading blue-chip index for the Eurozone, provides a blue-chip representation of super-sector leaders in the Eurozone. The index covers 50 stocks from 12 Eurozone countries.

MSCI Japan Index: The MSCI Europe Index is a free-float weighted equity index designed to measure the equity market performance of the developed markets in Japan.

Bloomberg Dollar Spot Index: The Bloomberg Dollar Spot Index tracks the performance of a basket of ten leading global currencies versus the US Dollar. Each currency in the basket and their weight is determined annually based on their share of international trade and FX liquidity.

Bloomberg Barclays Global Aggregate Bond Index: A benchmark that provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the US Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment-grade 144A securities.

State Street Confidence Indexes: Measures investor confidence or risk appetite quantitatively by analyzing the actual buying and selling patterns of institutional investors. The index assigns a precise meaning to changes in investor risk appetite: the greater the percentage allocation to equities, the higher risk appetite or confidence. A reading of 100 is neutral; it is the level at which investors are neither increasing nor decreasing their long-term allocations to risky assets. The results shown represent current results generated by State Street Investor Confidence Index. The results shown were achieved by means of a mathematical formula in addition to transactional market data, and are not indicative of actual future results which could differ substantially.

Yield to worst: Yield to worst is an estimate of the lowest yield that you can expect to earn from a bond when holding to maturity, absent a default. It is a measure that is used in place of yield to maturity with callable bonds.

Definitions

MSCI USA Index: The MSCI World Index, which is part of The Modern Index Strategy, is a broad global equity benchmark that represents large and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country and MSCI World benchmark does not offer exposure to emerging markets.

MSCI USA Minimum Volatility Index: The MSCI USA Minimum Volatility (USD) Index aims to reflect the performance characteristics of a minimum variance strategy applied to the MSCI large and mid cap equity universe. The index is calculated by optimizing the MSCI USA Index, its parent index, for the lowest absolute risk (within a given set of constraints). Historically, the index has shown lower beta and volatility characteristics relative to the MSCI World Index.

MSCI USA Enhanced Value Weighted Index: The MSCI USA Enhanced Value Weighted Index captures large and mid-cap representation across the US equity markets exhibiting overall value style characteristics. The index is designed to represent the performance of securities that exhibit higher value characteristics relative to their peers within the corresponding GICS® sector.

MSCI USA Quality Index: The MSCI USA Quality Index is based on MSCI USA, its parent index. The index aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity (ROE), stable year-over-year earnings growth and low financial leverage.

MSCI USA Equal Weighted Index: The MSCI USA Equal Weighted Index represents an alternative weighting scheme to its market cap weighted parent index, the MSCI USA Index. At each quarterly rebalance date, all index constituents are weighted equally, effectively removing the influence of each constituent's current price (high or low).

MSCI USA High Dividend Yield Index: The MSCI World High Dividend Yield Index is based on the MSCI USA Index, its parent index, and includes large and mid cap stocks. The index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent. The index also applies quality screens and reviews 12-month past performance to omit stocks with potentially deteriorating fundamentals that could force them to cut or reduce dividends.

Price-to-book ratio (P/B Ratio): The price-to-book ratio (P/B Ratio) is a ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share. Also known as the "price-equity ratio.

Price-earnings ratio (P/E Ratio): The price-earnings ratio (P/E Ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings. The price-earnings ratio can be calculated as: Market Value per Share/Earnings per Share.

Russell 1000 Growth Index: The index is a style index designed to track the performance of stocks that exhibit the strongest growth characteristics by using a style-attractiveness-weighting scheme.

Russell 1000 Value Index: The index is a style-concentrated index designed to track the performance of stocks that exhibit the strongest value characteristics by using a style-attractiveness-weighting scheme.

Russell 1000 Defensive Index and Russell 1000 Dynamic Index: The index measures a portion of the market based on the sensitivity to economic cycles, credit cycles, and market volatility, referred to as stability. Stability is measured at the company level in terms of volatility (price and earnings), leverage, and return on assets. The more stable half of the index is called the Defensive Index® and the less stable half is called the Dynamic Index®.

Z-score: It indicates how many standard deviations an element is from the mean. A z-score can be calculated from the following formula. $z = (X - \mu) / \sigma$ where z is the z-score, X is the sector relative performance. μ is the mean of the eleven sector relative performance, and σ is the standard deviation of sectors' relative performance.

Implied Volatility: The estimated volatility of a security's price. In general, implied volatility increases when the market is bearish and decreases when the market is bullish. This is due to the common belief that bearish markets are more risky than bullish markets.

Minimum Volatility Factor: A category of stocks that are characterized by relatively less movement in share price than many other equities.

Quality Factor: One of the six widely recognized, research-based smart beta factors that refers to "quality" equities. Companies whose stocks qualify exhibit consistent profitability, stability of earnings, low financial leverage and other characteristics consistent with long-term reliability such as ethical corporate governance.

Size Factor: A smart beta factor based on the tendency of small-cap stocks to outperform their large-cap peers over long time periods.

Yield Factor: A factor which screens for companies with a higher than average dividend yield relative to the broad market, and which have demonstrated dividend sustainability and persistence.

Momentum Factor: The tendency for a security to maintain a certain direction of price trajectory. This tendency is well documented in academic research, which has made "momentum" one of the six smart beta factors that are systematically being isolated in new-generation strategic indexes.

Value Factor: One of the basic elements of "style"-focused investing that focuses on companies that may be priced below intrinsic value. The most commonly used methodology to assess value is by examining price-to-book (P/B) ratios, which compare a company's total market value with its assessed book value.

Definitions

Standard Deviation: Measures the historical dispersion of a security, fund or index around an average. Investors use standard deviation to measure expected risk or volatility, and a higher standard deviation means the security has tended to show higher volatility or price swings in the past.

Excess Returns: A security's return minus the return from another security in the same time period.

Current Short Interest (%): The percentage of tradable outstanding shares which have been shorted. Used as a measure of investor sentiment.

Yield: The income produced by an investment, typically calculated as the interest received annually divided by the investment's price.

Basis Point: One hundredth of one percent, or 0.01%.

Yield Curve: A graph or line that plots the interest rates or yields of bonds with similar credit quality but different durations, typically from shortest to longest duration. When the yield curve is said to be flat, it means the difference in yields between bonds with shorter and longer durations is relatively narrow. When the yield curve is said to be steepened, it means the difference in yields between short term and long term bonds increases.

Spread Changes: Changes in the spread between Treasury securities and non-Treasury securities that are identical in all respects except for quality rating.

Bloomberg Barclays Global Aggregate Bond Index: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays U.S. Corporate High Yield Index: The index consists of fixed rate, high yield, USD-denominated, taxable securities issued by US corporate issuers.

Bloomberg Barclays EM USD Aggregate Index: The index is a hard currency emerging markets debt benchmark that includes US dollar-denominated debt from sovereign, quasi-sovereign, and corporate issuers in the developing markets.

Bloomberg Barclays U.S. Corporate Bond Index: The Bloomberg Barclays US Corporate Bond Index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

The Global Industry Classification Standard (GICS): An industry taxonomy developed in 1999 by MSCI and Standard & Poor's (S&P) for use by the global financial community. The GICS structure consists of 10 sectors, 24 industry groups, 67 industries and 156 sub-industries [1]into which S&P has categorized all major public companies.

Credit Spread: A credit spread is the difference in yield between a US Treasury bond and a debt security with the same maturity but of lesser quality.

S&P 500 Health Care Sector Index: The Index comprises of those companies included in the S&P 500 that are classified as members of the GICS® health care sector.

S&P 500 Consumer Discretionary Index: The Index comprises of those companies included in the S&P 500 that are classified as members of the GICS® consumer discretionary sector.

S&P 500 Consumer Staples Index: The Index comprises of those companies included in the S&P 500 that are classified as members of the GICS® consumer staples sector.

S&P 500 Financial Sector Index: The Index comprises of those companies included in the S&P 500 that are classified as members of the GICS® financial sector.

S&P 500 Utilities Index: The Index comprises of those companies included in the S&P 500 that are classified as members of the GICS® utilities sector.

S&P500 Information Technology Sector Index: The Index comprises of those companies included in the S&P 500 that are classified as members of the GICS® information technology sector.

S&P 500 Industrial Sector Index: The Index comprises of those companies included in the S&P 500 that are classified as members of the GICS® industrial sector.

S&P 500 Materials Sector Index: The Index comprises of those companies included in the S&P 500 that are classified as members of the GICS® materials sector.

S&P 500 Real Estate Sector Index: The Index comprises of those companies included in the S&P 500 that are classified as members of the GICS® real estate sector.

S&P 500 Communication Services Sector Index: The Index comprises of those companies included in the S&P 500 that are classified as members of the GICS® Communication Services sector.

Breakeven Inflation Rate: It is a market based measure of expected inflation. It is the difference between the yield of a nominal bond and an inflation linked bond of the same maturity.

Appendix D: Important Disclosures

Important Disclosures

The views expressed in this material are the views of SPDR Americas Research Team and are subject to change based on market and other conditions. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected.

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Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise, bond prices usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

The values of **debt securities** may decrease as a result of many factors, including, by way of example, general market fluctuations; increases in interest rates; actual or perceived inability or unwillingness of issuers, guarantors or liquidity providers to make scheduled principal or interest payments; illiquidity in debt securities markets; and prepayments of principal, which often must be reinvested in obligations paying interest at lower rates.

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Investments in **small-sized companies** may involve greater risks than in those of larger, better known companies.

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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.

Value stocks can perform differently from the market as a whole. They can remain undervalued by the market for long periods of time.

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Because of their narrow focus, **sector funds** tend to be more volatile.

Commodities investing entail significant risk as commodity prices can be extremely volatile due to wide range of factors Bond funds contain interest rate risk (as interest rates rise bond prices usually fall); the risk of issuer default; issuer credit risk; liquidity risk; and inflation risk.

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