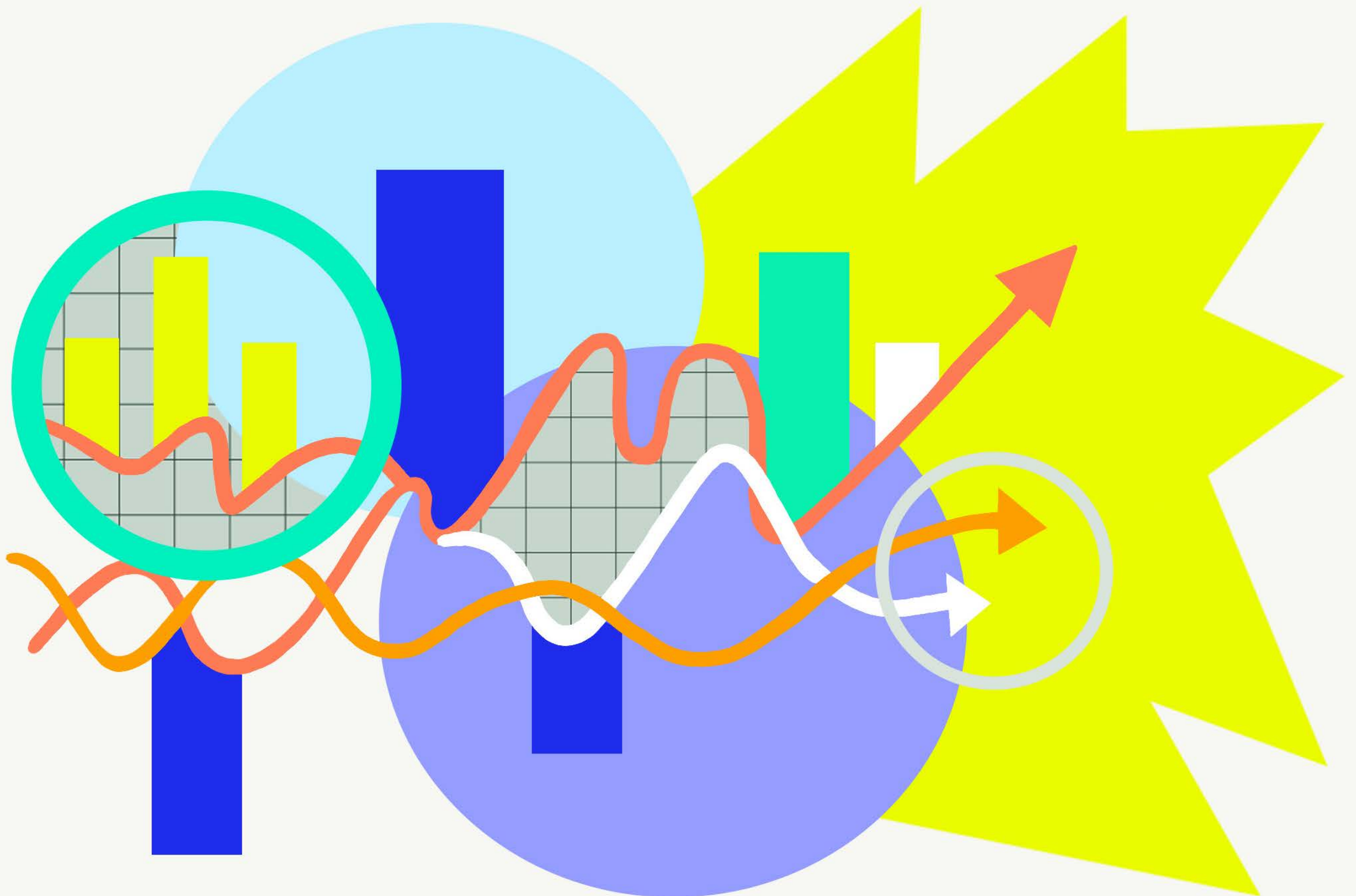
STATE STREET GLOBAL ADVISORS

Unlocking the Power of ETFs

A Guide for Institutional Investors



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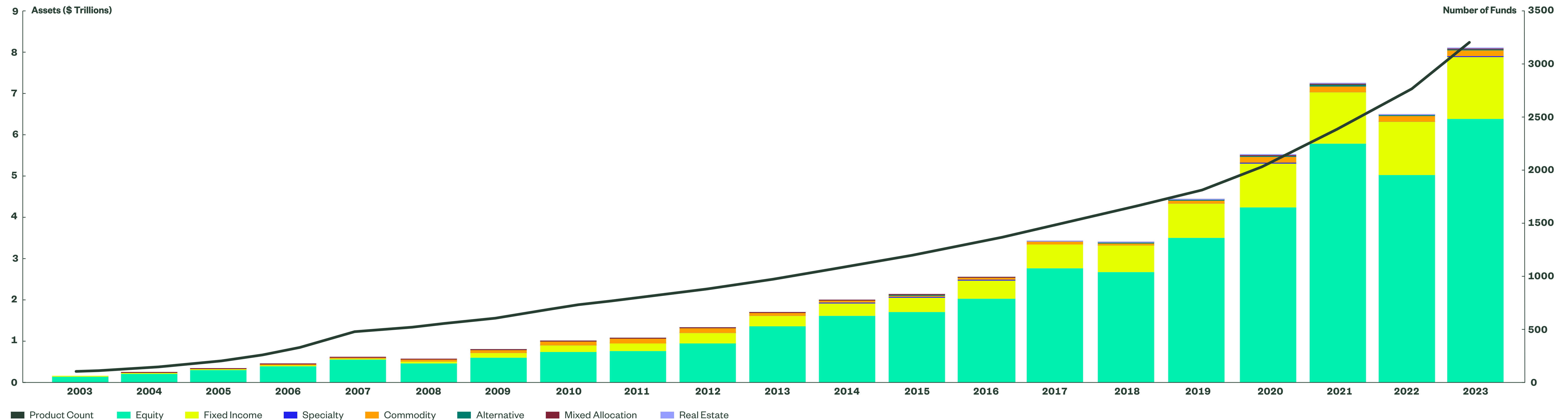
A Trusted ETF Leader

The ETF: A Resilient Investment Choice for Every Market

Exchange traded funds (ETFs) have revolutionized the investment landscape from the moment State Street Global Advisors launched the very first US ETF — SPY — in 1993. In the 30-plus years since SPY's launch, ETF adoption has surged with global ETF assets now surpassing $11 trillion dollars.[1] These products have a resilient track record that demonstrates their ability to deliver value in all kinds of markets and to all types of investors.

Figure 1

US-listed ETF AUM and Product Growth Over the Last 20 Years



Source: Morningstar, as of December 31, 2023. Past performance is not a reliable indicator of future performance.

ETF Adoption Surges in Uncertain Markets

In the years since the Great Financial Crisis alone, the US-listed ETF market — with a compound annual growth rate (CAGR) of 18.8%[2] — has grown through a variety of market and economic cycles, regulatory shifts, and crises. In that time, US-listed ETF AUM has increased from $0.54 trillion to $8.14 trillion and the number of products has more than tripled to 3,300-plus tickers.[3]

March of 2020 indicates a tipping point in the adoption of ETFs by institutional investors. That month marks the establishment of the Secondary Market Corporate Credit Facility (SMCCF), created to support credit to employers by providing liquidity to the market for outstanding corporate bonds, in reaction to the adverse impact pandemic-related events had on financial markets. The Federal Reserve used fixed income ETFs as the primary instrument. This led to the broad perception that if fixed income ETFs were an appropriate structure for taxpayer money, then they must also be an appropriate investing tool for all types of investors.

Among institutional investors, we continue to see asset owners and asset managers add ETFs to their individually managed accounts (IMAs) and their portfolios. And within that combined space, 13F filings show institutional ETF ownership has grown to $795.7 billion in the US. Breaking this ownership down, as of the end of 4Q2023, 161 asset owner clients own a combined 840 unique ETF tickers in the US-listed ETF universe across all market exposures.

The ETF Edge

Given their unique combination of features — from intraday liquidity and transparency to cost efficiency and versatility — ETFs can be an attractive option for investors seeking flexible and efficient access to a broad range of asset classes and investment strategies.

As a result, ETFs have become popular with individual investors and financial advisors looking to build diversified portfolios, implement tactical allocation strategies, and gain targeted exposure to asset classes that had once been inaccessible to all but the largest investors. But broad adoption among institutions has been more measured, as institutional investors tend to use ETFs for more specific purposes or to solve for their unique challenges.

Per a 2022 Greenwich Associates survey, 38% of institutional investors globally reported using ETFs versus 68% of financial advisors. We believe this suggests a wealth of untapped potential for ETFs within the institutional investment community. And, as institutional investors grapple with an increasingly complex investment landscape, we think the case for ETF adoption has never been stronger.

Global Use of ETFs

38%
of institutional investors

68%
of financial advisors

How Institutions Are Using ETFs

Institutional investors face a variety of challenges in the pursuit of optimal portfolio construction to generate risk-adjusted returns. ETFs are solution-oriented tools that can help investors navigate complex market conditions effectively, enhance portfolio efficiency, and achieve their unique investment objectives.

Transition Management

ETFs can serve as an investment placeholder to maintain market exposure when transitioning between managers or investment strategies, helping to reduce cash drag and enable more efficient transitions. The ETF creation and redemption mechanism affords investors the ability to work with an authorized participant (AP) to easily convert traditional constituent-based portfolios into ETFs, and also the reverse, with notably lower execution costs relative to the strategy of full liquidation and re-deployment of capital.

More specifically, asset owners that are insourcing capital or changing external managers can use ETFs to maintain market exposures with a single line item or just a handful of tickers at a relatively low cost while future manager decisions are being made, and without the need to rebalance those exposures on their own.

Additionally, new mandates can be funded quietly through the anonymous exercise of accumulating ETF shares in the secondary market, and then redeeming those ETF shares (with an AP) into their underlying constituents. Fixed income is a popular asset class for this use case given the often limited supply dealers hold in the space, and given the effect that deploying large amounts of capital may have on pricing and transaction costs.

Potential Benefits of Using ETFs

Lower Transaction Costs
Taking advantage of the ETF creation and redemption mechanism, in-kind delivery is notably faster and less expensive than liquidating a legacy portfolio and subsequently building the new target portfolio.

Consistent Market Exposure
Maintain market exposure through the transition without using derivatives.

Consolidate Holdings
Convert a portfolio with hundreds or even thousands of constituents into one or a handful of low-cost ETFs.

ETF Types to Consider

ETFs Benchmarked to Commercial Indices

Passively Managed ETFs

ETFs with an In-Kind Create/Redeem Mechanism
Rather than with cash

ETFs with a Notable Asset Base
$1 billion-plus AUM and 10 times the opportunity size

Examples in Practice

Holdings Consolidation
State Street Global Advisors helped a client convert an $87 million Bloomberg Agg Separately Managed Account (SMA) portfolio into the SPDR® Portfolio Aggregate Bond ETF (SPAB) to take advantage of the ETF wrapper. The result? We consolidated holdings into one line item versus 905 (odd-lot) with daily liquidity — while eliminating the need to manually rebalance.

Quiet Funding of New Mandate
A pension fund invested $800 million in a high yield portfolio by quietly accumulating the SPDR® Bloomberg High Yield Bond ETF shares in the secondary market, and then redeeming their ETF shares for a diversified portfolio of underlying bonds.

Market Access

With the proliferation of ETFs covering an expansive number of market segments, factors, and themes, institutions can use ETFs to gain targeted exposures to specific areas of the market that align with their investment objectives and views.

ETF issuers have largely delivered exposure to equity, fixed income, commodity, and alternative markets by creating products benchmarked to commercial indices like the S&P 500® and the Bloomberg Aggregate Bond Index (Agg). But more niche exposures — including (but not limited to) bank loans, convertible bonds, preferreds, factor-based equities, gold, and non-USD markets — may offer attractive upside potential in specific economic environments, given certain fundamentals and unique payout structures.

Investors who recognize these investing opportunities but lack the expertise and infrastructure to analyze and execute in these more nuanced and less liquid markets, have historically had limited options (often derivative-based) for gaining these exposures. Additionally, ETFs offer further granularity within commercial benchmarks enabling investors to make active bets and create portfolio tilts (e.g., sectors or maturity-based fixed income) or to seek more precise exposures. For multi-asset managers who appreciate precise access to niche markets, ETFs may be an especially useful tool.

Potential Benefits of Using ETFs

Ease of Analysis

ETFs are transparent vehicles that publish their holdings daily and, typically, are very prescriptive in their investment process and strategies.

Ease of Execution

Navigating smaller and nuanced markets as a tourist investor could potentially lead to a notable lack of liquidity and unreasonably priced bid/ask spreads. ETFs offer highly observable pricing and democratize access for all investors.

Ease of Ownership and Reduction in Portfolio Line Items

Own a single diversified line item where the ETF portfolio manager typically handles corporate actions, rebalancing, and other portfolio maintenance that may be onerous for the end investor.

ETF Types to Consider

Fixed Income

Consider ETFs offering exposure to segments within the fixed income universe, like bank loans, convertible bonds, and preferred securities.

Equities

Consider ETFs offering exposure to local China and small cap emerging markets.

Commodities

Consider ETFs that offer exposure to physical gold.

Examples in Practice

Exposure to Bank Loan Market

Expecting higher interest rates, a public pension plan sought exposure to the bank loan market but lacked the internal infrastructure or trading expertise to quickly deploy $300 million to create a diversified portfolio. Instead, they bought $300 million of the SPDR Blackstone Senior Loan ETF (SRLN) in an afternoon, which offered the benefits of daily liquidity, diversification, and portfolio transparency in a single ticker.

Liquidity Enhancement and Cash Equitization

Liquidity management is both a critical concern and a complex challenge for institutional investors, especially in the face of market uncertainty or volatility.

Institutional investors managing SMAs, mutual funds, general accounts, and Collective Investment Trusts (CITs) need to balance the competing demands of maintaining sufficient cash reserves while deploying capital effectively. Too much cash can be a drag on performance, but being fully invested can leave them vulnerable to unexpected liquidity needs where they may need to raise cash on short notice, and without disrupting long-term holdings. This could force them to sell assets at unfavorable prices and pay higher bid/ask spreads.

Institutions also face increased scrutiny from regulators and must comply with various rules, like SEC Rule 22e-4, which requires them to establish formal liquidity risk management programs and regularly assess the liquidity of their holdings. Meeting these demands while still maintaining investment flexibility can be a delicate balancing act.

Finally, institutions' investment portfolios may include less liquid securities that can be difficult to trade. And, in many cases, investors may strongly prefer not to sell these positions that were such a challenge to source in the first place.

To overcome these challenges, institutions need sophisticated liquidity management tools. This is where ETFs can play a critical role. Adding an ETF liquidity sleeve to a portfolio can greatly enhance the portfolio's liquidity profile, while maintaining desired exposures. ETFs, with their multiple layers of liquidity derived from both the primary and secondary markets, are highly liquid vehicles institutional investors can trade with relative ease and typically with lower transaction costs, especially when executing sizable trades.

Did you know? As a liquidity leader, SPDR ETFs accounted for **36.3%** of all notional trading volume of US-listed ETFs in 2023.[4]

Potential Benefits of Using ETFs

Multiple Layers of Liquidity
ETFs are well-diversified macro vehicles that can be readily created and redeemed through an AP to help balance supply and demand in the market.

Ability to Raise and Deploy Cash Quickly
Their creation and redemption mechanism, along with their centralized liquidity and implementation flexibility, make ETFs an ideal vehicle to raise and deploy cash at a moment's notice and to satisfy regulatory liquidity requirements.

Reducing Trading Costs
ETFs typically trade at notably tighter bid/ask spreads compared to their underlying constituents.

Daily Liquidity
An ETF liquidity sleeve can offer daily liquidity to SMAs and fund products that typically don't offer daily liquidity.

Enhanced Flexibility
An investor can own the ETF alongside or within an SMA and avoid having to obtain board approval for a change in the IMA.

ETF Types to Consider

Liquid ETFs
Consider ETFs with larger AUM and average daily trading volume profiles, in addition to tight average bid/ask spreads and low-impact historical block trades.

Examples in Practice

SPY Liquidity Sleeve
As a result of their struggle with market liquidity in the face of higher volatility, a public pension plan carved $1.4 billion from a domestic equities portfolio to create a SPY liquidity sleeve. Compared to the Market On Close Order (MOC) liquidity the SMA offered, where the pension plan experienced less-than-desirable liquidity and higher transaction costs, they appreciated the deep intraday liquidity of the world's most liquid ETF.

High Yield Bond Portfolio Liquidity Sleeve
A public pension plan added a 10% ETF liquidity sleeve to their high yield bond portfolio to help manage flows, equitize their cash, and take delivery of bonds when supply is limited.

Tactical Asset Allocation

The ability to quickly react to new information or changes in market sentiment is vital for capitalizing on short-term opportunities and mitigating risks. Due to their liquidity and the wide range of granular exposures to various asset classes they provide, ETFs are helpful tools institutional investors can use to make tactical portfolio adjustments and implement their views with relative ease and, often times, lower transaction costs.

Potential Benefits of Using ETFs

Operational Efficiency

ETFs are well diversified macro instruments institutional investors can buy and sell in a single trade rather than managing a complex portfolio of individual securities or having to buy or sell an entire program across many line items.

Intraday Liquidity and Lower Transaction Costs

With ETFs, investors can capture second-by-second price moves in the market compared to other 40-Act products that can be traded exclusively at the market close, or sometimes less frequently.

Ability to Implement Views Quickly

ETFs offer deep liquidity where $250 million-plus positions often can be added to a portfolio in a matter of seconds. This is compared to trading the underlying components, which may take hours or days, potentially causing investors to miss out on tactical opportunities.

ETF Types to Consider

Focused Exposures

Consider ETFs that offer more precise exposure to specific market segments. For example, use sector ETFs to overweight or underweight specific industries based on their short-term economic outlook. Tactically allocate to gold ETFs based on conviction about inflation or geopolitical risks. Adjust the duration and credit exposure of bond portfolios in response to changes in rates or credit spreads. Or, for example, tactically allocate to small caps based on cyclical trends.

Liquid ETFs

Consider ETFs with appropriate AUM, bid/ask spreads, and daily trading volumes in the secondary market, and ones with which you can execute low-impact block trades.

Examples in Practice

Capture Yield Opportunistically

In late September 2022, when the high yield corporates market crossed above 9% yield,[5] we saw an 21% MoM increase in ETF volumes[6] looking to capture that yield.

Respond to Market Event

During the regional banking crisis of 2023, the SPDR® S&P Regional Banking ETF (KRE) became a sought-after vehicle for investors seeking to take advantage of the panic selling taking place in Q2 of that year. KRE saw a 380% increase in volume for the month after the beginning of the regional banking crisis relative to the month prior,[7] while maintaining its $0.01 bid/ask spread.[8]

Low-cost Beta

For institutions, fees can significantly impact long-term returns. With almost every exposure within the traditional equities, fixed income, currencies, and commodities markets represented in the US-listed ETF market, ETFs may be ideal low-cost building blocks for creating a desired portfolio, family of portfolios, or multi-asset strategy.

Potential Benefits of Using ETFs

Time Saved
Instead of institutional investors spending time analyzing and buying hundreds or thousands of individual securities, using ETFs for low-cost beta exposure frees up time that may be better spent on value-added activities like research and asset allocation.

Reduced Risks
ETFs offer investors the ability to decompose their benchmarks into the individual sectors and sub-asset class exposures needed to create portfolio tilts that express their views without having to select individual securities that carry more concentration risks.

Lower Costs
Why pay more? Especially when you can use ETFs to replicate market performance at a lower cost relative to active mutual funds.

Did you know? SPDR® Portfolio ETFs™ have an average expense ratio of **just 4 basis points** — that's 95% less than the average US-listed mutual fund.[9]

ETF Types to Consider

Broad Market Equity ETFs
Funds that track broad equity indices typically have very low expense ratios, making them a cost-effective way to gain diversified equity exposure.

Fixed Income ETFs
These ETFs can provide diversified exposure to various bond sectors, credit qualities, and maturities at a significantly lower cost than actively managed bond mutual funds.

Asset Allocation ETFs
These can be particularly useful for institutions with smaller portfolios or those looking to outsource a portion of their asset allocation decisions.

Factor-based ETFs
Factor-based ETFs offer a cost-effective way to gain targeted exposure to factors like value, growth, momentum, or low volatility.

Examples in Practice

Duration-matched Blended Portfolio
A corporate Defined Benefit (DB) plan benchmarked to the Bloomberg US Long Government/Credit Index for a specific strategy didn't want to choose from the ~3,400 members of the index to build a portfolio to passively track the index. Using just two ETFs instead, they built a duration-matched blended portfolio with an expense ratio of 3.5 basis points (bps)[11] and de minimus tracking difference to the benchmark. This solution also gave them the option to tilt the portfolio toward either exposure within the benchmark.

New Asset Allocation Strategy
A public fund launched a new asset allocation strategy, where they expanded their use of passive index strategies across different asset classes by using ETFs, moving away from individual holdings. Currently, they manage over $7 billion, holding 50 different ETFs across both fixed income and equity markets.

Securities Lending

Securities lending involves temporarily loaning out securities held in a portfolio to borrowers, such as short sellers or market makers, in exchange for collateral and a lending fee. Given the ETF's broad user-base and diversified nature, the lending markets have adopted the ETF structure for a "long and lend" strategy to pursue enhanced portfolio yields and to earn incremental income, while still retaining economic interest in the assets.

Lenders — typically institutional investors like governments, foundations, endowments, asset managers, corporations, and mutual funds — can participate in a securities lending program through their custodian or lending agent, potentially earning 0-40 bps of incremental yield or more[12] based on demand. Typically, borrower motivations are for trade settlement, short interest, hedging or arbitrage, and balance sheet and collateral management.

While securities lending can offer benefits, investors should carefully consider the risks and operational requirements involved. Institutions should weigh the potential income generated against the risks of reduced liquidity, counterparty defaults, and the requirement of posting collateral.

Potential Benefits of Using ETFs

Large Pool of Potential Borrowers
At the end of 2023, about $350 billion in US-listed ETFs were available for loan[13] across various securities lending pools. Due to their liquidity, trading volumes, and broad user base, ETFs are often the vehicle of choice for borrowers.

Lower Costs and Greater Efficiency
ETFs are an in-demand structure for securities lending because new shares can be created to satisfy borrower demand, which may help a particular product from trading at unreasonable premiums/discounts.

Flexibility
Both the expansiveness and granularity of the ETF market allows for the hedging, short exposure, and balance sheet management for many market exposures across all asset classes.

ETF Types to Consider

ETFs with at Least $500 Million in Lendable Assets
Consider State Street SPDR ETFs for your securities lending needs. All of the following funds had at least $500 million in lendable assets (at the ETF level) at the end of 2023:

Ticker	Fund Name
SPY	SPDR® S&P 500® ETF Trust
XLF	The Financial Select Sector SPDR® Fund
JNK	SPDR® Bloomberg High Yield Bond ETF
XLV	The Health Care Select Sector SPDR® Fund
XLK	The Technology Select Sector SPDR® Fund
SPTL	SPDR® Portfolio Long Term Treasury ETF
XLE	The Energy Select Sector SPDR® Fund
GLD®	SPDR® Gold Shares
XLP	The Consumer Staples Select Sector SPDR® Fund
XLU	The Utilities Select Sector SPDR® Fund
XBI	SPDR® S&P® Biotech ETF
TIPX	SPDR® Bloomberg 1-10 Year TIPS ETF

Examples in Practice

Enhance Yield
A variety of well-known life insurers and pension managers have lent out SPDR ETFs with the goal of enhancing their portfolio yields.

Partner with State Street Global Advisors

A Trusted ETF Leader

As the world's third largest ETF issuer and inventor of SPY — now the largest, most liquid, and most-traded ETF in the world[14] — State Street Global Advisors continues to forge its path as a liquidity leader with products that offer investors sought-after exposures across an expansive range of markets and asset class segments. Currently, US-listed SPDR ETFs total $1.22 trillion in AUM (~15% market share) across 137 unique tickers, with an average daily volume of approximately $55.2 billion for the entire suite of SPDR ETFs (36.3% of volume share).[15]

About SPDR Exchange Traded Funds

SPDR ETFs are designed to be portfolio building blocks, span an array of asset classes, and provide investors with the flexibility to select investments that align with their investment strategy. The comprehensive family of SPDR ETFs is sponsored by affiliates of State Street Global Advisors.

About State Street Global Advisors

For four decades, State Street Global Advisors has served the world's governments, institutions, and financial advisors. With a rigorous, risk-aware approach built on research, analysis, and market-tested experience, we build from a breadth of index and active strategies to create cost-effective solutions. And, as pioneers in index and ETF investing, we are always inventing new ways to invest.

$4.13T
AUM managed globally[16]

$2.84T
AUM with institutional clients[17]

1st
US's first, and world's largest, ETF[18]

45 yrs
Managing investments

57
Countries with clients[19]

10
Global investment centers

Unlock More ETF Resources

Our ETF Investing and Capital Markets experts are here to help you better understand the unique attributes of ETFs and how to use them, so that you can make the best possible investment decisions. We work with clients at every step of the investment process and are committed to providing leading-edge market research and insights, product construction and comparison analyses, index methodology insights, as well as product liquidity and trade implementation analyses.

Get in Touch with Us Directly

Contact our ETF Strategy and Research Team for

- Optimizing trading outcomes
- ETF trade strategies
- Quarterly liquidity recaps
- Product liquidity summaries and comparisons
- Product liquidity decks
- Institutional ETF use case decks
- Fixed income flows

Connect with our Capital Markets Team for

- Daily flows and volumes
- Dealer rankings
- Capital markets weekly recaps
- Focus fund liquidity summaries
- Portfolio funds weekly liquidity reports

Lean on Our Insights

ETF Market Trends
What you need to know about ETFs, from ETF mechanics to optimizing trade execution.

ETF Education
Get the latest ETF market commentary, chart packs, dashboards, scorecards, and ETF flows data.

Endnotes

1 Global ETF Survey 2024: Leading ETF Industry Data, Trackinsight, as of February 28, 2024.

2 Bloomberg L.P., as of February 8, 2024.

3 Bloomberg L.P., as of February 8, 2024.

4 Bloomberg L.P. and HIS Markit, as of January 3, 2024.

5 Bloomberg L.P., as of February 8, 2024.

6 Bloomberg L.P., as of February 8, 2024.

7 Bloomberg L.P., as of February 8, 2024.

8 Bloomberg L.P., as of February 8, 2024.

9 State Street Global Advisors, Morningstar, as of September 12, 2023. Based on median prospectus net expense ratio for US domiciled open-end mutual funds across 18 Morningstar categories representing SPDR Portfolio ETFs.

10 Bloomberg L.P., as of February 8, 2024.

11 Bloomberg L.P., as of February 8, 2024.

12 IHS Markit, as of January 2, 2024.

13 IHS Markit, as of Dece,ber 31, 2023.

14 Bloomberg L.P., as of February 8, 2024.

15 Bloomberg L.P. and HIS Markit, as of January 3, 2024.

16 ETFs managed by State Street Global Advisors have the oldest inception dates within the US, Australia, Hong Kong, and Singapore. State Street Global Advisors launched the first ETF in the US on January 22, 1993; launched the first ETF in Hong Kong on November 11, 1999; launched the first ETF in Australia on August 24, 2001; and launched the first ETF in Singapore on April 11, 2002.

17 State Street Corporation, as of December 31, 2023.

18 State Street Corporation, as of December 31, 2023.

Important Information

For institutional/professional investors use only.
The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor.
All information is from SSGA unless otherwise noted and has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.
ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETF's net asset value.
Brokerage commissions and ETF expenses will reduce returns.
Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates raise, 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.
Investing involves risk including the risk of loss of principal.
The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without SSGA's express written consent.
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.
Equity securities may fluctuate in value and can decline significantly in response to the activities of individual companies and general market and economic conditions.
The trademarks and service marks referenced herein are the property of their respective owners. Third party data providers make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data and have no liability for damages of any kind relating to the use of such data.
The views expressed in this material are the views of SPDR through the period ended March 22, 2024 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.
There can be no assurance that a liquid market will be maintained for ETF shares.
In general, ETFs can be expected to move up or down in value with the value of the applicable index. Although ETFs may be bought and sold on the exchange through any brokerage account, ETFs are not individually redeemable from the Fund. Investors may acquire ETFs and tender them for redemption through the Fund in Creation Unit Aggregations only, please see the prospectus for more details.
While the shares of ETFs are tradable on secondary markets, they may not readily trade in all market conditions and may trade at significant discounts in periods of market stress.
Diversification does not ensure a profit or guarantee against loss. Frequent trading of ETFs could significantly increase commissions and other costs such that they may offset any savings from low fees or costs.
Volatility management techniques may result in periods of loss and underperformance may limit the Fund's ability to participate in rising markets and may increase transaction costs.

The value style of investing that emphasizes undervalued companies with characteristics for improved valuations, which may never improve and may actually have lower returns than other styles of investing or the overall stock market.

The Funds may emphasize a "growth" style of investing. The market values of growth stocks may be more volatile than other types of investments. The prices of growth stocks tend to reflect future expectations, and when those expectations change or are not met, share prices generally fall. The returns on "growth" securities may or may not move in tandem with the returns on other styles of investing or the overall stock market.

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

Funds that are actively managed and may underperform its benchmarks. An investment in the Fund is not appropriate for all investors and is not intended to be a complete investment program. Investing in the Fund 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.

Passively managed funds invest by sampling the index, holding a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. This may cause the fund to experience tracking errors relative to performance of the index.

A Smart Beta strategy does not seek to replicate the performance of a specified cap-weighted index and as such may underperform such an index. The factors to which a Smart Beta strategy seeks to deliver exposure may themselves undergo cyclical performance. As such, a Smart Beta strategy may underperform the market or other Smart Beta strategies exposed to similar or other targeted factors. In fact, we believe that factor premia accrue over the long term (5-10 years), and investors must keep that long time horizon in mind when investing.

The ETFs listed above have historically paid dividends to investors and/or invest in the securities of dividend paying issuers; however, there is no guarantee that these ETFs will consistently pay dividends to investors in the future or will appreciate in value. Investors could lose money by investing in ETFs.

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.

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.

Investing in commodities entails significant risk and is not appropriate for all investors. Commodities investing entail significant risk as commodity prices can be extremely volatile due to wide range of factors. A few such factors include overall market movements, real or perceived inflationary trends, commodity index volatility, international, economic and political changes, change in interest and currency exchange rates. Investing in foreign domiciled securities may involve risk of capital loss from unfavorable fluctuation in currency values, withholding taxes, from differences in generally accepted accounting principles or from economic or political instability in other nations. Investments in emerging or developing markets may be more volatile and less liquid than investing in developed markets and may involve exposure to economic structures that are generally less diverse and mature and to political systems which have less stability than those of more developed countries.

Because of their narrow focus, sector investing tends to be more volatile than investments that diversify across many sectors and companies.

The use of short selling entails a high degree of risk, may increase potential losses and is not suitable for all investors. Please assess your financial circumstances and risk tolerance prior to short selling.

Securities lending programs and the subsequent reinvestment of the posted collateral are subject to a number of risks, including the risk that the value of the investments held in the collateral may decline in value and may at any point be worth less than the original cost of that investment. 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.

The funds presented herein have different investment objectives, costs and expenses. Each fund is managed by a different investment firm, and the performance of each fund will necessarily depend on the ability of their respective managers to select portfolio investments. These differences, among others, may result in significant disparity in the funds' portfolio assets and performance. For further information on the funds, please review their respective prospectuses, which you can view here: www.ssga.com/etfs/fund-finder.

GLD Disclosure

Investing involves risk, and you could lose money on an investment in SPDR® Gold Trust ("GLD®" or "GLD).

Commodities and commodity-index linked securities may be affected by changes in overall market movements, changes in interest rates, and other factors such as weather, disease, embargoes, or political and regulatory developments, as well as trading activity of speculators and arbitrageurs in the underlying commodities.

Investing in commodities entails significant risk and is not appropriate for all investors.

Important Information Relating to GLD:

GLD has filed a registration statement (including a prospectus) with the Securities and Exchange Commission ("SEC") for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents GLD has filed with the SEC for more complete information about GLD and this offering. Please see the GLD prospectus for a detailed discussion of the risks of investing in GLD shares. The GLD prospectus is available by clicking here. You may get these documents for free by visiting EDGAR on the SEC website at sec.gov or by visiting spdrgoldshares.com. Alternatively, GLD or any authorized participant will arrange to send you the prospectus if you request it by calling 866.320.4053.

GLD is not an investment company registered under the Investment Company Act of 1940 (the "1940 Act") and is not subject to regulation under the Commodity Exchange Act of 1936 (the "CEA"). As a result, shareholders of GLD do not have the protections associated with ownership of shares in an investment company registered under the 1940 Act or the protections afforded by the CEA.

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