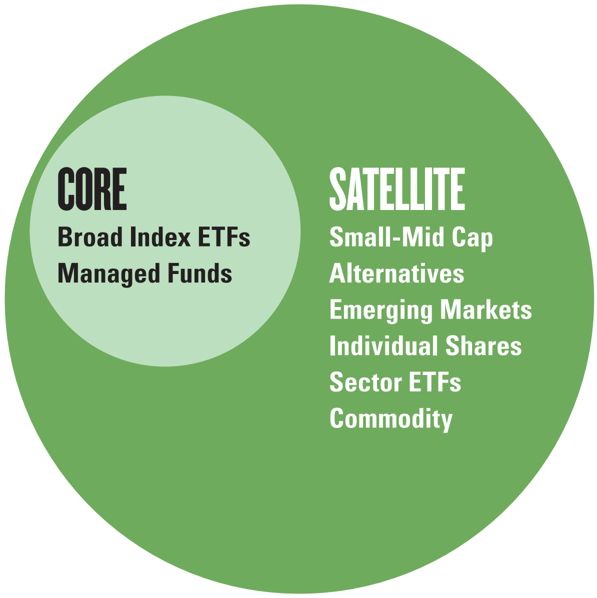
Using Exchange Traded Funds

The unique attributes and benefits of ETFs appeal to both institutional and individual investors. Typically structured like mutual funds, but listed and traded on an exchange like stocks, ETFs are flexible trading and investment vehicles that can be used to help satisfy a number of critical investment needs.

A Core-Satellite Strategy



Asset Allocation

Savvy investors are discovering what institutional investors have known for some time: asset allocation, not security selection, helps drive long-term investment results. However, advanced asset allocation strategies have been difficult for many individual investors to implement, given the costs and asset size required to achieve proper levels of diversification.

The introduction of ETFs now offer investors a sophisticated tool to efficiently gain exposure to broad market segments, encompassing a wide range of asset classes, equity market capitalizations and sectors. This enables investors to build customized investment portfolios consistent with their financial needs, risk tolerance and investment horizon. It's important to remember that diversification and asset allocation do not ensure a profit or guarantee against loss.

Sample Uses

Strategic Asset Allocation

Research shows that a properly allocated portfolio is the most critical factor in explaining the difference in returns across portfolios. The value of asset allocation has been witnessed at most during and after the global financial crisis.

After an investor decides what its long term asset allocation will be, i.e. equities vs. fixed income vs. commodities, it can then utilize passive investment vehicles like ETFs to provide easily managed, low cost proxies for the broader asset markets.

Core-Satellite Strategy

Investors can also use ETFs to achieve their core-satellite strategy by holding relatively stable and diversified investments as their "core" holdings to form a shock absorber and add "satellite" positions around their core investments in the hopes of generating alpha.

STATE STREET GLOBAL ADVISORS
SPDR

Broad-based ETFs can be used as the core of an investment strategy and complemented with other style- and sector-specific ETFs or mutual funds.

Sector-, commodity-based or other ETFs that track "satellite" asset classes can be used as a cost-effective and efficient complement to a "core" investment in a separately managed account, mutual fund or broad benchmark ETF.

Tactical Asset Allocation

In today's ever changing macro and geo-political environment, investors often need to make real-time adjustments to their long term asset allocation to reflect changing views on short term asset class performance. ETFs provide a fast and efficient vehicle to access markets to help facilitate these tactical adjustments. Investor can also unwind the positions just as easily as when they were first implemented, after the effects that motivated the tactical adjustment have run their course.

Risk Management

ETFs are an attractive hedging vehicle because they can be sold short. Portfolios that have exposure to certain markets can purchase or short sell an ETF in that particular market to hedge against risk. Investors can counter risk by taking the opposite position with the correlating ETF.

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

An Investor Makes Money Only when a Shorted Security Falls in Value

01 Short seller borrows ETF shares from a lender.

02 Short seller sells ETF shares.

03 Short seller repurchases ETF shares, ideally at a lower price.

04 Short seller returns ETF shares to lender.

05 Ideally, short seller keeps profit.

Sample Use

An investor in Singapore has identified SGD 1 million worth of diversified long investments, but has only identified SGD 200,000 in single stocks to be short, this would result in SGD 800,000 of net exposure to the market. If he is bullish this may be perfectly fine, however if he is uneasy about the market's short term prospects an ETF that tracks Straits Times Index could be sold short (subject to securing a proper borrow) to reduce the portfolio's net exposure.

Transition Management

When investors change asset managers, they are often concerned with how to preserve their exposure during the transition. One way to achieve this goal is to liquidate the portfolio and re-invest the assets in an ETF with a high correlation to the benchmark of the active manager. Once established, the new manager can then sell the ETF shares to fund the purchase of the new portfolio's holdings.[1]

SELL → **HOLD** → **BUY**

Old fund manager | Use ETF as a temporary holding for market exposure | New fund manager

Sample Use

An investor is no longer satisfied and decides to terminate the current investment manager of his active large cap portfolio. Until he identifies a new active manager, he temporarily chooses to place his assets in an index ETF. This will maintain proper asset allocation exposure and limit cash drag until a new manager can be identified.

Once he selects a new manager, his ETF portfolio can be easily sold and the proceeds can be used to fund the new active manager.

[1] Liquidating a portfolio and re-investing the assets could incur additional costs such as fees, expenses and possible tax consequences. Additionally, the investment return and principal value of your investment could fluctuate in value, so that when shares are sold or redeemed they may be worth more or less than when they were purchased.

ssga.com | spdrs.com.sg

For public use.

State Street Global Advisors Singapore Limited 168, Robinson Road, #33-01 Capital Tower, Singapore 068912 (Company Reg. No: 200002719D, regulated by the Monetary Authority of Singapore). T: +65 6826-7555. F: +65 6826-7501.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs' net asset value. Brokerage commissions and ETF expenses will reduce returns.

The investment return and principal value of an investment will fluctuate in value, so that when shares are sold or redeemed they may be worth more or less than when they were purchased.

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.

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

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.

Investing in commodities entail 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.

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

Investing involves risk including the risk of loss of principal.

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

In addition to the normal risks associated with equity investing, narrowly focused investments and investments in smaller companies typically exhibit higher volatility.

Foreign investments involve greater risks than US investments, including political and economic risks and the risk of currency fluctuations, all of which may be magnified in emerging markets.

Funds investing in a single sector may be subject to more volatility than funds investing in a diverse group of sectors.

Diversification does not ensure a profit or protect against loss.

This document is prepared by State Street Global Advisors Singapore Limited and for information purposes only. Nothing in this document constitutes investment advice and should not be relied upon as such. This document and the information contained herein may not be distributed and published in jurisdictions in which such distribution and publication is not permitted. Investment involves risk. The value of funds may fall or rise and past performance of the fund is not indicative of future performance. Distributions from the funds may be contingent on dividends paid on underlying investments of the funds and are not guaranteed. Listing of the fund on relevant stock exchanges does not guarantee a liquid market for the units and the funds may be delisted. Investors should read the relevant fund's prospectus for further details including the risk factors.

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 material has been obtained from sources believed to be reliable. There is no representation or warranty as to the accuracy of the information and State Street shall have no liability for decisions based on such information.

Standard & Poor's®, S&P® and SPDR® are registered trademarks of Standard & Poor's Financial Services LLC (S&P); Dow Jones is a registered trademark of Dow Jones Trademark Holdings LLC (Dow Jones); and these trademarks have been licensed for use by S&P Dow Jones Indices LLC (SPDJI) and sublicensed for certain purposes by State Street Corporation. State Street Corporation's financial products are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates and third party licensors and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability in relation thereto, including for any errors, omissions, or interruptions of any index.

State Street Global Advisors

IBGAP-3134 0716 Exp. Date: 31/07/2017