claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

SPDR® ETFs Guide to 2012 Investment Themes

Precise in a world that isn't.™

SPDR®
STATE STREET GLOBAL ADVISORS

claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

Visit www.spdretfsinsights.com to learn more…

claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

Table of Contents

Introduction to 2012 Investment Themes 2

I. Income Generation in a Low Yield Environment 2

ETFs in Focus: Income Generation 6

II. Tapping Into the Growth Potential of Emerging Markets 8

ETFs in Focus: Emerging Markets Growth Potential 12

Conclusion 14

claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

Introduction to 2012 Investment Themes

After facing a difficult year like 2011, it is reasonable that many investors may be either defensively positioned or out of the market all together. While equity markets around the globe are off to a strong start in the first part of 2012, it is also fair to say that investors may be cautious about the potential for further gains. With that being the case, the SPDR ETFs Strategy & Consulting Group has identified two thematic investment ideas that have the potential to fare well in today's uncertain market environment.

With the European Central Bank, Bank of England and the Federal Reserve sharing a similar commitment to keep rates low, investors around the world will continue to face the need to generate income in their portfolios. At the same time, after last year's sell-off in emerging markets, investors may begin to think differently about this asset class, whereby market participants seek to tap into the growth potential of emerging markets in new and creative ways.

I. Income Generation in a Low Yield Environment

At first glance, the S&P 500® Index returned 0% in 2011. In other words, it ended the year in the same place that it started. However, by including dividends in the return, the S&P 500 Index was up 2.1% (USD). This boost in total return is something that dividend investments can potentially offer investors in an environment characterised by uncertainty. And 2011 investment flows into dividend ETFs demonstrate that investors are turning to such products as a means of gaining a greater portion of portfolio return through dividend income as opposed to capital appreciation.

With a heightened level of macroeconomic uncertainty driving markets around the globe, investors have looked for solutions that offer some level of risk management. This comes at a time when central banks around the globe have depressed interest rates to historically low levels in an effort to bolster economic growth. With inflation expectations grounded in the US and parts of Europe, it seems that many central banks intend to keep rates low for an extended period of time.

Another driver of the search for income is related to secular trends. Developed countries around the world are facing aging populations. As these individuals grow older, they will move from the wealth accumulation phase of their lives to the wealth depletion phase. Since retirees and near-retirees are no longer working and saving, they often need to adjust their portfolios to reflect their increased need for income.

As alluded to earlier, the environment for income investing has been challenged from both the fixed income and equities side. While government bonds still have a place in many portfolios, as yields have reached historically low levels, they no longer seem as favourable to income investors. Equities, particularly in the US, have also seen an environment with low dividend yields and payout ratios.

claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

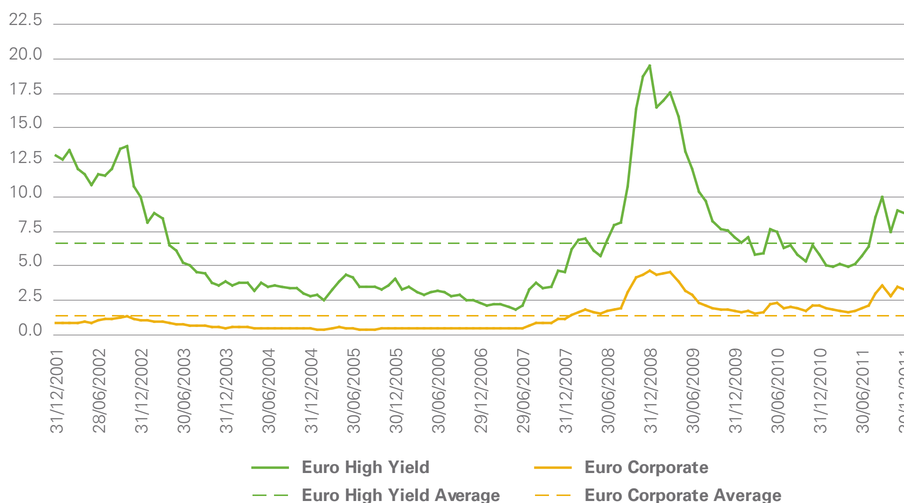
Historically, investors tended to have little choice in selecting the asset classes that could provide them with enough current income to meet their needs. Investors often allocated a significant portion of their capital to the fixed income market for the recurring stream of coupon payments.

At the same time, they looked to equities for their dividends which, while variable, added some current income without the interest rate risk of bonds. Over the long term, dividends have provided a significant portion of total return. Dividend-paying stocks also have the potential for capital appreciation, which enhances their total return. In some cases, dividends can offer increased downside protection. In addition, dividend-paying companies tend to be of higher quality as their ability to pay dividends is a sign of corporate maturity and strength. Paying dividends suggests that corporate management is committed to delivering value to shareholders and maintaining a disciplined use of capital.

Fortunately, savvy investors have a slew of options to access current income. These offerings span asset classes and include equities, fixed income and hybrid securities. Within the fixed income market, investors who are comfortable with additional risk can seek out higher yields in investment grade and high yield corporate bonds. They can also look outside of their home country to bonds issued by countries with strong balance sheets. These may include the local currency bonds of emerging market countries.

For example, Figure 1 shows the option-adjusted spreads (OAS) of Euro investment grade corporate and high yield bonds over the past ten years. This illustrates that during periods where the OAS spreads are greater between these bonds, there is also greater potential for risk and return. At present, both investment grade and high yield spreads are elevated relative to their ten-year average. This suggests that there may be opportunities for investors in the corporate bond market.

FIGURE 1: BARCLAYS CAPITAL EURO INDICES OPTION-ADJUSTED SPREADS (OAS) (%)



Source: Barclays Capital, SPDR ETFs Strategy & Consulting Group, as of 31 December 2011.

"At present, both investment grade and high yield spreads are elevated relative to their ten-year average."

claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

Furthermore, according to Moody's Investor Service, Inc., the global speculative-grade default rate was 1.7% in 2011, which was consistent with their 1.9% forecast at the beginning of the year. Moody's is now forecasting speculative-grade debt to default at a 2.9% rate in 2012. While slightly higher than 2011, it does not seem consistent with current spread levels. This may mean that investors are being overly pessimistic about the current financial health of corporations. One reason for this may be that the significant macroeconomic overhang from Europe is weighing too heavily on investors. While corporations would be adversely affected by a deep recession in Europe, many have done substantial work to de-lever their balance sheets and now hold sizable amounts of cash on hand.

Within the equity market, income investors can look to sectors that historically have offered higher yields than the overall market, such as Telecoms and Utilities. They can also look to funds that explicitly tilt toward those stocks with the highest yields, have a strong track record of increasing dividends or have earnings strength and growth to pay dividends going forward. As shown in Figure 2, corporate cash flow has been extremely strong since bottoming in late 2008. At the same time, dividends per share of S&P 500 companies have been rising. Considering that the dividend payout ratio of the S&P 500 is 27%, a continued increase in dividends would be a welcome sign.

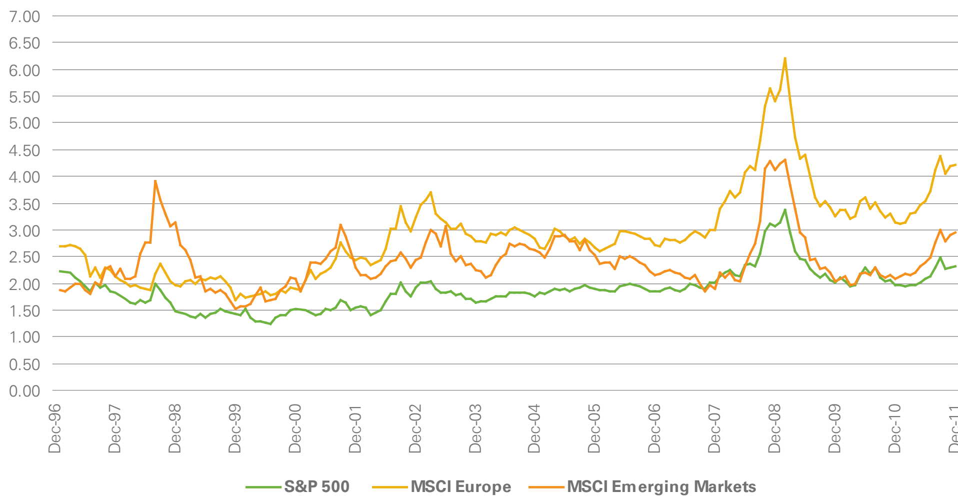
FIGURE 2: CASH FLOW & DIVIDENDS

Source: FactSet, The Conference Board, SPDR ETFs Strategy & Consulting Group, as of 31 December 2011.

claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

Yield opportunities are not limited to the US. As Figure 3 shows, they may actually be greater elsewhere. The dividend yields of MSCI Europe and MSCI Emerging Markets Indices have consistently exceeded those of the S&P 500 Index. While the exact difference varies, this seems to persist over time. It may be wise for investors to weigh the opportunities for income in both domestic and global markets.

FIGURE 3: DIVIDEND YIELDS (%)



"It may be wise for investors to weigh the opportunities for income in both domestic and global markets."

Source: FactSet, SPDR ETFs Strategy & Consulting Group, as of 31 December 2011.

Dividend-focussed indices have delivered yields as high as 7.1% for the S&P Emerging Markets Dividend Opportunities Index to 18.1% for the S&P US Dividend Aristocrats Index.[1]

1 SPDR ETFs Strategy & Consulting Group, as of 31 December 2011.

claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

ETFS IN FOCUS: INCOME GENERATION

The following SPDR ETFs provide the potential for income generation, along with the added benefits of diversification, liquidity and cost effectiveness.

SPDR S&P US DIVIDEND ARISTOCRATS ETF

- Having been in an environment where many US companies are continuing to hoard cash on their balance sheets, companies may be compelled to begin returning cash to their shareholders by increasing or initiating dividend programmes.[2]
- Dividend-based investment strategies have historically participated in the majority of market upswings, while offering a level of downside protection in turbulent times. In other words, dividends can provide a stable source of income even when stocks are declining.[3]
- The index methodology requires that each stock included in the index has increased its dividend every year for at least 25 consecutive years.

SPDR S&P EURO DIVIDEND ARISTOCRATS ETF

- With a focus on quality and stability, the underlying index methodology of this ETF requires that each company included in the index has consistently paid stable or increasing dividends for the last ten years.
- Investors gain access to high dividend paying companies from many Eurozone countries without added currency risk.
- The defensive qualities of high yielding stocks may make the SPDR S&P Euro Dividend Aristocrats ETF a good complement to other Eurozone equity investments.

SPDR S&P EMERGING MARKETS DIVIDEND ETF

- By screening for profitable companies with positive earnings growth, the fund has the ability to participate in the potential growth of emerging markets while capturing the benefits of stocks that have the potential to generate high dividends.
- The fund's underlying index methodology is focused on providing diversification through the use of caps at the country, sector and security level. At the sector level, this results in a tilt toward more defensive sectors, such as utilities and telecommunications services.

SPDR BARCLAYS CAPITAL EURO HIGH YIELD BOND ETF

- Aims to provide broad market exposure to a significant, though sometimes overlooked segment of the fixed income market.
- Euro high yield bonds have a low negative correlation to Euro government bonds and can offer diversification benefits for a wide range of investors.[4]
- With the volatility and risk aversion of the last several years, yields on Euro high yield bonds have risen, offering significant return potential for investors willing to take on additional risk.[5]

2 FactSet, SPDR ETFs Strategy & Consulting Group, as of 31 December 2011.
3 Zephyr StyleADVISOR, SPDR ETFs Strategy & Consulting Group, as of 31 December 2011.
4 SPDR ETFs Strategy & Consulting Group, as of 31 December 2011.
5 SPDR ETFs Strategy & Consulting Group, as of 31 December 2011.

claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

SPDR ETFS FOR INCOME GENERATION

NAME	ISIN	UNDERLYING INDEX	TOTAL EXPENSE RATIO CAP (BPS)	YIELD (%)*
EQUITY				
SPDR S&P US Dividend Aristocrats ETF	IE00B6YX5D40	S&P High Yield Dividend Aristocrats Index	35	3.5
SPDR S&P Euro Dividend Aristocrats ETF	IE00B5M1WJ87	S&P Euro High Yield Dividend Aristocrats Index	30	5.1
SPDR S&P UK Dividend Aristocrats ETF	IE00B6S2Z822	S&P UK High Yield Dividend Aristocrats Index	30	4.1
SPDR S&P Emerging Markets Dividend ETF	IE00B6YX5B26	S&P Emerging Markets Dividend Opportunities Index	65	7.5
SPDR MSCI Europe Energy[SM] ETF	FR0000001810	MSCI Europe Energy Index[SM]	30	3.9
SPDR MSCI Europe Telecommunication Services[SM] ETF	FR0000001687	MSCI Europe Telecommunication Services Index[SM]	30	7.5
SPDR MSCI Europe Utilities[SM] ETF	FR0000001646	MSCI Europe Utilities Index[SM]	30	6.5
FIXED INCOME				
SPDR Barclays Capital Euro High Yield Bond ETF	IE00B6YX5M31	Barclays Capital Liquidity Screened Euro High Yield Bond Index	45	7.1
SPDR Barclays Capital Euro Corporate Bond ETF	IE00B3T9LM79	Barclays Capital euro Corporate Index	20	4.7
SPDR Barclays Capital Emerging Markets Local Bond ETF	IE00B4613386	Barclays Capital EM Local Currency Liquid Government Index	55	5.6

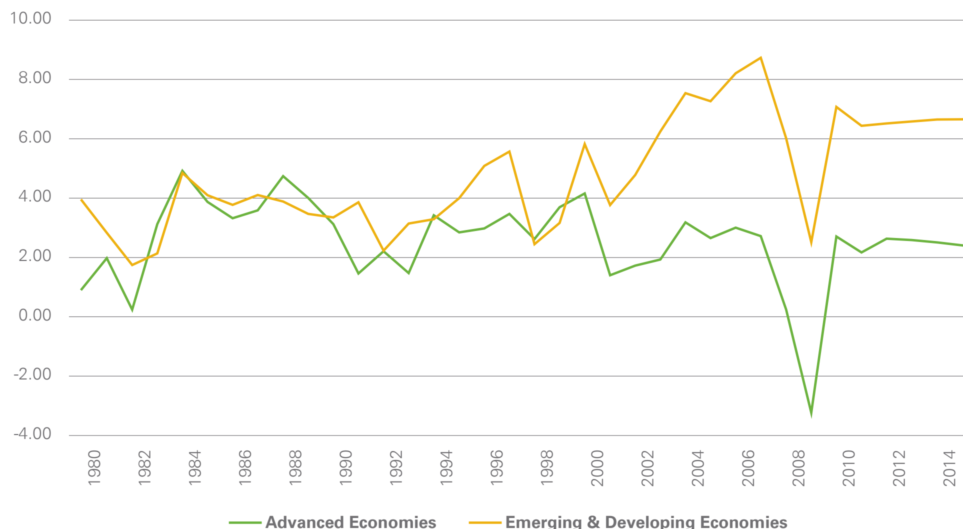
Source: Barclays Capital, FactSet, www.spdrseurope.com, SPDR ETFs Strategy & Consulting Group, as of 29 February 2012.
* For equity ETFs, yield represents gross dividend yields of stocks in the ETF, while for fixed income ETFs, yield is the current yield of bonds in the ETF.

claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

II. Tapping into the Growth Potential of Emerging Markets

While 2011 was a tough year for emerging market investors, especially those with equity exposure, the growth profile of emerging markets should remain significantly better than that of developed markets. As shown in Figure 4, the IMF projects the developing world to grow at an average 6.6% clip versus 2.5% in advanced economies from 2012 until 2015. Based on their analysis, this would equate to the emerging world comprising 52.1% of global GDP on a purchasing power parity basis by 2015.

FIGURE 4: GDP GROWTH (ANNUAL % CHANGE)



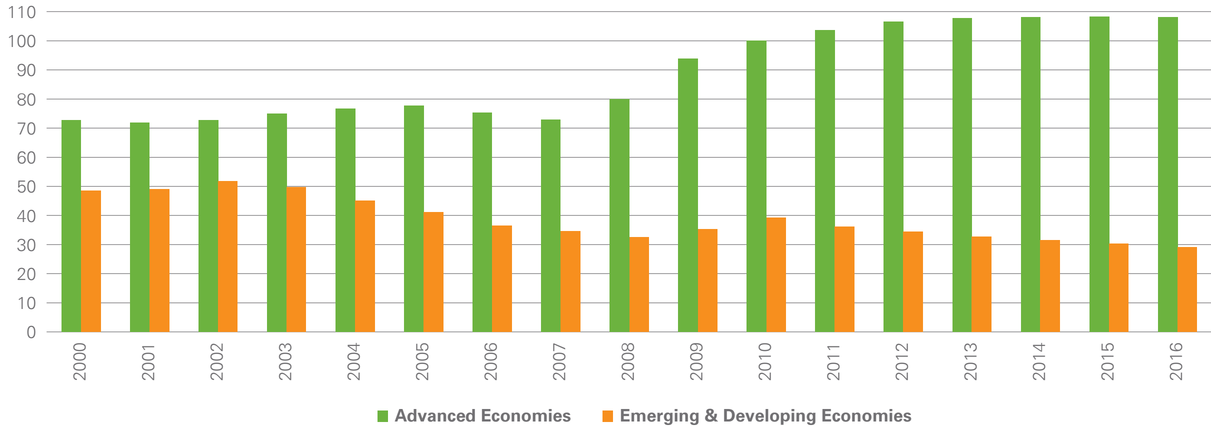
"...the IMF projects the developing world to grow at an average 6.6% clip versus 2.5% in advanced economies..."

Source: International Monetary Fund, World Economic Outlook Database, September 2011.

Furthermore, with concerns surrounding public sector debt in developed countries mounting, the emerging world may offer a refuge from developed market issues. On average, emerging market countries have much less debt. As of the end of 2011, as shown in Figure 5, the IMF estimates that the debt as a per cent of GDP is 104% in advanced economies, but only 36% in emerging. Lower debt levels may imply that growth rates will not be impacted by high levels of debt. Recent studies have shown that once countries reach certain thresholds, their ability to grow is hampered and they can be more susceptible to financial shocks.

claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

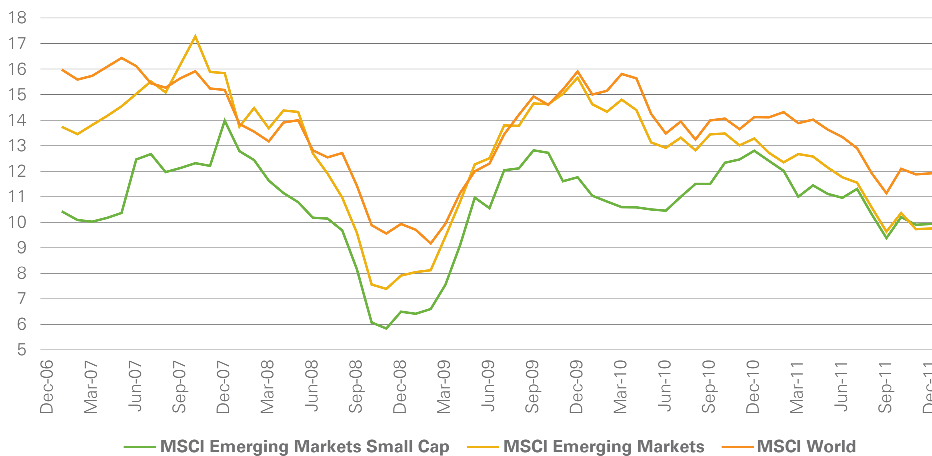
FIGURE 5: GENERAL GOVERNMENT GROSS DEBT AS A PER CENT OF GDP



Source: International Monetary Fund, World Economic Outlook Database, September 2011.

In uncertain and risk averse environments, investors have a tendency to sell first and ask questions later. The outflows and disappointing returns for emerging markets in 2011 certainly seem to fit into that camp. However, with the selloff, emerging market equities may now offer a better entry point. For example, using the Price to FY1 Earnings ratio (P/FY1E) as a forward-looking valuation tool, emerging markets appear more attractively priced, especially relative to developed markets. As shown in Figure 6, the P/FY1E of the MSCI Emerging Markets and the MSCI Emerging Markets Small Cap Indices are less than the P/FY1E of the MSCI World. Consistent with market performance, this gap seems to have become more exaggerated after last year's market retreat. While there are always risks to investing, especially in emerging markets, purchasing emerging market stocks at a cheaper price may help mitigate some of these risks.

FIGURE 6: PRICE TO FY1 EARNINGS RATIO



"Emerging markets appear more attractively priced, especially relative to developed markets."

Source: FactSet, SPDR ETFs Strategy & Consulting Group, as of 31 December 2011.

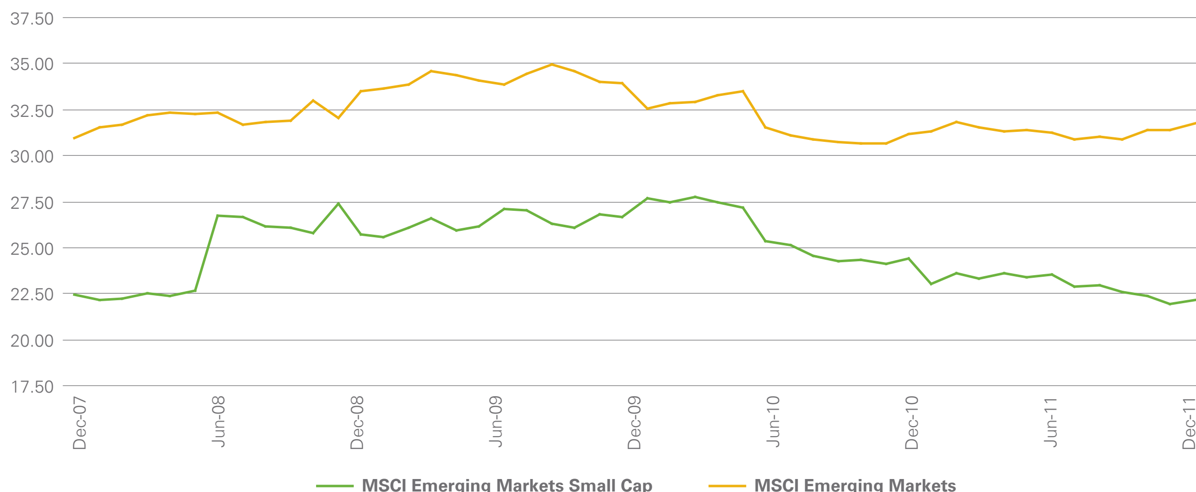
claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

Even with the valuation picture in mind, investors have long known the benefits of adding emerging markets to a diversified portfolio. One component of emerging market exposure that may not be fully appreciated is that of small cap emerging market equities. Market participants often tout the growth of the emerging consumer as a catalyst for investing in emerging market equities. However, investing solely in the MSCI Emerging Markets Index would not directly access this growth driver. For example, due to its index construction methodology, the MSCI Emerging Markets Index is comprised mostly of large to mid cap companies and not small caps. Ten per cent of non-US developed market equities are small cap stocks[6] – yet the small cap weighting in the MSCI EAFE Index is less than 1%. Similarly, small caps represent 15% of emerging market stocks,[7] but just 3% of the MSCI Emerging Markets Index.[8] Amplifying small cap exposure in an existing emerging market portfolio can offer additional benefits. Emerging market small caps can potentially improve sector diversification by increasing exposure to sectors that are tied more to local economies – such as consumer discretionary, information technology, and industrials – and found less in large multinational corporations.

Figure 7 shows the per cent of foreign sales for the MSCI Emerging Markets Small Cap and the MSCI Emerging Markets Indices. It is clear the components of the MSCI Emerging Markets Index derive a greater portion of their sales from outside of their home countries.

This could be interpreted to mean that these companies have greater exposure to the broader global economy with less exposure to names driven by local consumer purchases. On the other hand, the MSCI Emerging Markets Small Cap Index with its explicit focus on smaller companies may do so.

FIGURE 7: PER CENT OF FOREIGN SALES



Source: FactSet, SPDR ETFs Strategy & Consulting Group, as of 31 December 2011.

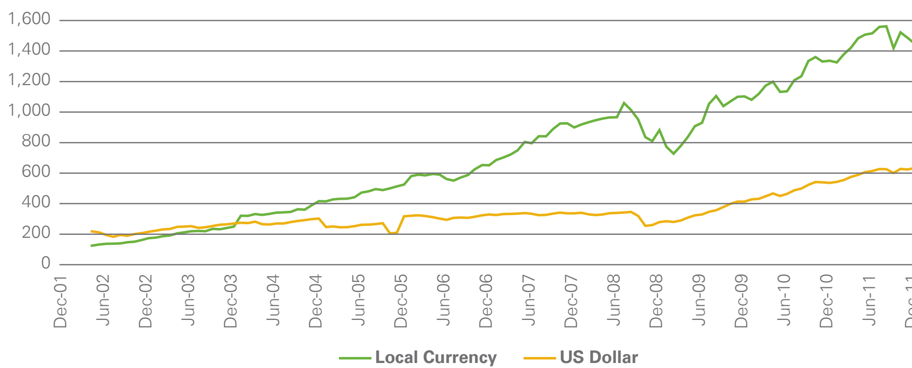
6 Standard & Poor's.
7 FactSet, Standard & Poor's, as of 31 December 2011.
8 www.spdrs.com.

claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

Another important innovation in emerging markets is the rapid growth of local currency bonds. Historically, emerging market countries have tended to issue debt in US dollars as opposed to their local currency. Over time, governments have been paying down their US dollar debt while issuing debt in their local currency. Figure 8 highlights this trend in greater detail.

Local currency issues have proved popular because investors now have an additional source of emerging market returns and the opportunity to benefit from currency appreciation that may occur over time. Finally, because emerging market economies continue to grow, demand has also expanded to include local investors.

FIGURE 8: EMERGING MARKETS DEBT BY CURRENCY ($ BILLIONS)



"...emerging market debt, particularly in the form of local currency issues, may offer investors a fruitful investment opportunity."

Source: Barclays Capital Live, SPDR ETFs Strategy & Consulting Group, as of 31 December 2011.

As the local currency bond market has matured, investors can now better evaluate the prospects of investing in local and hard currency bonds. Figure 9 plots the yield to maturity spread of the local currency and US dollar versions of the JP Morgan Emerging Market Debt Indices. Based on these spread levels, emerging market debt, particularly in the form of local currency issues, may offer investors a fruitful investment opportunity.

FIGURE 9: JP MORGAN EM DEBT INDICIES YIELD TO MATURITY SPREADS (%)

Source: FactSet, SPDR ETFs Strategy & Consulting Group, as of 31 December 2011.

claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

ETFS IN FOCUS: EMERGING MARKETS GROWTH POTENTIAL

The following SPDR ETFs provide access to the growth potential of emerging markets, along with the added benefits of diversification, liquidity and cost effectiveness.

SPDR MSCI EMERGING MARKETS ETF

- For investors looking for broad, diversified exposure to emerging market equities, this ETF delivers immediate access with the transparency and liquidity inherently available with ETFs.
- Emerging markets can offer strong risk/return potential, attractive valuations, vigorous fundamental growth, significant diversification benefits and a broad range of opportunities not often available to investors in developed markets.

SPDR MSCI EMERGING MARKETS SMALL CAP ETF

- Investors interested in gaining emerging markets exposure may also want to consider targeted small cap exposure given that traditional broad emerging markets typically exclude small cap stocks.
- As larger cap emerging market companies tend to have a higher percentage of sales derived outside of their local markets that tie more directly to economic trends in developed nations, smaller cap companies can provide more precise exposure to their local economies and the growing consumer class.
- Relative to the MSCI Emerging Markets, the index tracks significantly larger weightings to sectors benefiting from local markets and consumer demand such as the consumer discretionary, industrial and information technology sectors. The index underweights those sectors that tend to drive the global economy such as energy, telecommunication services and financials.

SPDR BARCLAYS CAPITAL EMERGING MARKETS LOCAL BOND ETF

- In a historically low rate environment, this ETF's focus on debt issued by emerging market countries in their local currency may offer a compelling yield compared to other domestic and international fixed income and equity alternatives.
- The growth of home country bond issuance is supported by favourable economic fundamentals relative to the developed world, meaning that these countries may be in a strong position to service their debt over time.[9]
- Being issued in their local currencies, emerging market debt offers diversification benefits through a low correlation to traditional asset classes and hedge against the dollar-dominated assets found in many portfolios.[10]

9 SPDR ETFs Strategy & Consulting Group, as of 31 December 2011.
10 SPDR ETFs Strategy & Consulting Group, as of 31 December 2011.

claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

SPDR ETFS FOR ACCESSING EMERGING MARKETS

NAME	ISIN	UNDERLYING INDEX	TOTAL EXPENSE RATIO CAP (BPS)	YIELD (%)*
EQUITY				
SPDR MSCI Emerging Markets ETF	IE00B469F816	MSCI Emerging Markets Index	65	2.8
SPDR MSCI Emerging Markets Small Cap ETF	IE00B48X4842	MSCI Emerging Markets Small Cap Index	65	3.3
SPDR MSCI EM Asia ETF	IE00B466KX20	MSCI EM Asia Index	65	2.4
SPDR MSCI EM Europe ETF	IE00B431K857	MSCI EM Europe Index	65	3.2
SPDR MSCI EM Latin America ETF	IE00B454X613	MSCI EM Latin America Index	65	2.9
SPDR MSCI ACWI ETF	IE00B44Z5B48	MSCI ACWI (All Country World Index) Index	50	2.8
SPDR MSCI ACWI IMI ETF	IE00B3YLTY66	MSCI ACWI IMI (All Country World Investable Market Index) Index	55	2.6
SPDR S&P Emerging Markets Dividend ETF	IE00B6YX5B26	SPDR S&P Emerging Markets Dividend Opportunities Index	65	7.5
FIXED INCOME				
SPDR Barclays Capital Emerging Markets Local Bond ETF	IE00B4613386	Barclays Capital EM Local Currency Liquid Government Index	55	5.6

Source: Barclays Capital, FactSet, www.spdrseurope.com, SPDR ETFs Strategy & Consulting Group, as of 29 February 2012.
* For equity ETFs, yield represents gross dividend yields of stocks in the ETF, while for fixed income ETFs, yield is the current yield of bonds in the ETF.

claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

Conclusion

After a volatile year, risk assets generally ended 2011 strongly as investors held out hope that the feared US double dip recession would not materialize and that emerging markets were experiencing something of a mid-cycle slowdown rather than heading towards a hard landing. Above all else, it was the perception that European policy makers were heading towards a sustainable solution for restructuring the sovereign debt of Greece and developing an adequate support system for other troubled Eurozone countries that buoyed investor sentiment. The support given to European banks from the ECB via its Long Term Refinancing Operations reduced liquidity concerns and contributed to lowering bond yields for Italy, Spain and Portugal to more sustainable levels. However, much uncertainty remains and questions linger as to whether these measures will work over the long term. Ultimately, strong economic growth will be required and with austerity currently the name of the game, investors remain sceptical as to whether that will be forthcoming.

The positive sentiment has continued into the new year, with equities and the riskier areas of the fixed income market rallying aggressively, as further signs of improvement showed up in economic data releases. Nonetheless, interest rates in the US and Europe remain at rock bottom levels and Central Banks continue to adopt unconventional policy measures in an attempt to kick-start economic growth. The 'lower for longer' interest rate view is very much the consensus at the moment, which has a significant impact on the way that investors should build their portfolios going forward. As we look out over the next 12 to 18 months, the low interest rate environment seems likely to remain in place, with economic growth below the levels that we came to expect prior to the financial crisis. We see a two-speed world in many respects, with weakness in parts of the developed world, notably Europe, and strength in the emerging markets. With global economic growth further held back by private sector deleveraging, the potential for an environment of relatively modest capital market returns seems to be most likely. With this in mind, we believe the themes highlighted in this piece will serve investors well over the coming months and years. Dividend-based equity strategies offer the prospect of a relatively defensive way to play any sustained equity market recovery, while providing a level of income that can partially compensate for lower yields currently on offer in investment grade bond markets. Such strategies seem likely to perform best if market volatility remains elevated and economic growth challenged, with investors rewarding companies that can deliver stable dividends over time.

The decent performance of parts of the private sector suggest that higher yielding fixed income assets, such as corporate and high yield bonds, are also an attractive way to pick up yield, particularly given the still wide spreads relative to US, UK and German government bonds. Emerging market local currency bonds also offer the potential for a pick-up in yield and are ultimately supported by stronger government balance sheets, favourable demographic trends and better long-term growth potential.

After experiencing a weak period of performance in 2011, we believe investors will be well served to re-examine their emerging markets equities exposure in 2012. The structural growth story of the asset class remains and relative valuations are compelling which may provide a good entry point to the asset class. As noted above, many emerging market countries do not face the same issues as developed market countries, so seem better equipped to continue delivering strong economic growth, which should flow through to decent corporate sector results.

Whatever happens in 2012, one investment theme that should never be forgotten is portfolio diversification. If 2011 taught investors anything, it is that capital markets can and do deliver surprises consistently, so the starting point for all investors should be a well-diversified portfolio, covering a range of asset classes, regions and sectors.

claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

SPDR ETFS STRATEGY & CONSULTING

The SPDR ETFs Strategy & Consulting Group is responsible for the development of world class investment content and industry leading consulting services for the ETF marketplace. By leveraging SSgA's global investment expertise across asset classes, the SPDR ETFs Strategy & Consulting Group works to develop and implement investment themes and product ideas while also providing Investment Professionals with the insights, tools and overall support services they require in the ever-changing global investment landscape.

To contact SPDR ETFs Strategy & Consulting, email: SPDRStrategy&Consulting@ssga.com.

ABOUT SPDR ETFS

Offered by State Street Global Advisors (SSgA), SPDR ETFs provide professional investors with the flexibility to select investments that are precisely aligned to their investment strategy. Recognised as an industry pioneer, SSgA created the first ETF in 1993 (SPDR S&P 500® ETF – ticker SPY US).1 Since then, each new member of the SPDR ETFs family has been built to reflect our intimate knowledge of the ETF market and over 30 years of indexing experience. Today we manage more than $300B in over 170 ETFs worldwide.[2]

We believe ETFs are about finding simple solutions to precisely meet investors' needs. This belief is reflected in every member of the SPDR ETFs family. All of our ETFs are physically backed, providing a simple, transparent way to access each market segment.

SSgA is a global leader in asset management. The firm is relied on by sophisticated investors worldwide for its disciplined investment process, powerful global investment platform and access to every major asset class, capitalisation range and style. SSgA is the asset management business of State Street, one of the world's leading providers of financial services to institutional investors.

BLOOMBERG PAGE

Enter SPDR <GO> to find us on Bloomberg.

1 SPDR S&P 500® ETF (SPY US) is not registered for sale in Europe.
2 As of 30.6.2012.

claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

Important Information

This document has been issued by State Street Global Advisors Limited ("SSgA"). Authorised and regulated by the Financial Services Authority/Registered No. 2509928. VAT No. 5776591 81. Registered office: 20 Churchill Place, Canary Wharf, London, E14 5HJ. Telephone: 020 3395 6000. Facsimile: 020 3395 6350. Web: www.ssga.com.

SPDR ETFs is the exchange traded funds ("ETF") platform of State Street Global Advisors and is comprised of funds that have been authorised by European regulatory authorities as open-ended UCITS investment companies ("Companies").

SSgA SPDR ETFs Europe I plc issue SPDR ETFs and is an open-ended investment company with variable capital having segregated liability between its sub-funds and is organised as an Undertaking for Collective Investments in Transferable Securities (UCITS) under the laws of Ireland and authorised as a UCITS by the Central Bank of Ireland.

SPDR ETFs is a French open-ended investment company organised as an Undertaking for Collective Investments in Transferable Securities (UCITS) under the laws of France and authorised by the Autorité des Marchés Financiers.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering in the United States, Canada or any province or territory thereof, where the Companies are not authorised or registered for distribution and where the Companies prospectuses have not been filed with any securities commission or regulatory authority. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States. The Companies have not and will not be registered under the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

SPDR ETFs may not be available or suitable for you. This advertisement does not constitute investment advice or an offer or solicitation to purchase shares. The information in this document is designed solely for use by sophisticated, professional and institutional investors and any other persons should not rely on this communication. You should obtain and read the Companies' prospectuses prior to investing.

For Investors in Germany The offering of SPDR ETFs by the Companies has been notified to the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) in accordance with section 132 of the German Investment Act. Prospective investors may obtain the current sales Prospectuses, the articles of incorporation, the Simplified Prospectuses as well as the latest annual and semi-annual reports free of charge from State Street Global Advisors GmbH, Brienner Strasse 59, D-80333 Munich. Telephone +49 (0)89-55878-400. Facsimile +49 (0)89-55878-440.

For Investors in Luxembourg This document is directed only at sophisticated investors. In Luxembourg, the sale of the shares for certain of the funds has not been authorised by the Commission du Surveillance du Secteur Financier and, accordingly, those shares have not been and may not be offered, directly or indirectly, to the public in or from Luxembourg, unless the relevant legal and regulatory requirements for public offerings have been complied with.

For Investors in the Netherlands This communication is directed at qualified investors within the meaning of Section 2:72 of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht) as amended. The products and services to which this communication relates are only available to such persons and persons of any other description should not rely on this communication. Distribution of this document does not trigger a licence requirement for the Companies or SSgA in the Netherlands and consequently no prudential and conduct of business supervision will be exercised over the Companies or SSgA by the Dutch Central Bank (De Nederlandsche Bank N.V.) and the Dutch Authority for the Financial Markets (Stichting Autoriteit Financiële Markten). The Companies have completed their notification to the Authority Financial Markets in the Netherlands in order to market their shares for sale to the public in the Netherlands and the Companies are, accordingly, investment institutions (beleggingsinstellingen) according to Section 2:72 Dutch Financial Markets Supervision Act of Investment Institutions.

For Investors in Switzerland This document is directed at qualified investors only, as defined by Article 10(3) of the Swiss Act on Collective Investment Schemes (CISA) and Article 6 of the Swiss Ordinance on Collective Investment Schemes (CISO). Certain of the funds are not registered with the Swiss Financial Market Supervisory Authority (FINMA) which acts as supervisory authority in investment fund matters. Certain of the funds referenced herein have not been authorised by the FINMA as a foreign Collective Investment Scheme under Article 120 of the Collective Investment Schemes Act of June 23, 2006. Accordingly, the shares of these funds may not be offered to the public in or from Switzerland unless they are placed without public solicitation as such term is defined by FINMA from time to time. In relation to those funds which are registered with FINMA, prospective investors may obtain the current sales prospectus, the articles of incorporation, the simplified prospectuses as well as the latest annual and semi-annual report free of charge from the Swiss representative, State Street Fund Management Ltd., Beethovenstrasse 19, 8027 Zurich, from the Swiss paying agent, State Street Bank GmbH Munich, Zurich Branch, Beethovenstrasse 19, 8027 Zurich as well as from the main distributor in Switzerland, State Street Global Advisors AG , Beethovenstrasse 19, 8027 Zurich. Before investing please read the prospectus, complete and simplified, copies of which can be obtained from the Swiss representative, or at www.spdrseurope.com.

For Investors in the UK The Companies are recognised schemesunder Section 264 of the Financial Services and Markets Act 2000 ("the Act") and are directed at 'professional clients' in the UK (within the meaning of the rules of the Act) who are deemed both knowledgeable and experienced in matters relating to investments. The products and services to which this communication relates are only available to such persons and persons of any other description should not rely on this communication. Many of the protections provided by the UK regulatory system do not apply to the operation of the Companies and compensation will not be available under the UK Financial Services Compensation Scheme.

The views expressed in this material are the views of Matt Arnold, ETF Specialist, State Street Global Advisors, through the period ended 31 December 2011 and are subject to change based on market and other conditions. The information provided does not constitute investment advice and it should not be relied on as such. All material has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. 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.

Exchange traded-funds (ETFs) trade like stocks, are subject to investment risk and will fluctuate in market value. The value of the investment can go down as well as up and the return upon the investment will therefore be variable. Changes in exchange rates may have an adverse effect on the value, price or income of an investment. Further, there is no guarantee an ETF will achieve its investment objective.

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

Barclays Capital is a trademark of Barclays Capital, the investment banking division of Barclays Bank PLC (arclays Capital and has been licensed for use in connection with the listing and trading of the SPDR Barclays Capital ETFs. The products are not sponsored by, endorsed, sold or promoted by Barclays Capital and Barclays Capital makes no representation regarding the advisability of investing in them.

"SPDR" is a registered trademark of Standard & Poor's Financial Services LLC ("S&P") and has been licensed for use by State Street Corporation. STANDARD & POOR'S, S&P, S&P 500 and S&P MIDCAP 400 are registered trademarks of Standard & Poor's Financial Services LLC. No financial product offered by State Street Corporation or its affiliates is sponsored, endorsed, sold or promoted by S&P or its Affiliates, and S&P and its affiliates make no representation, warranty or condition regarding the advisability of buying, selling or holding units/shares in such products. Further limitations and important information that could affect investors' rights are described in the prospectus for the applicable product.

Expiration Date: 31.7.2013 IBGE-0546

© 2012 State Street Corporation – All rights reserved.

claude gaudin : claudegaudin@bluewin.ch : 2012-08-06 15:57:18

CONTACT US

Visit www.spdrseurope.com.

Contact our SPDR ETFs Sales and Support team at spdrseurope@ssga.com or +44 (0) 20 3395 6888.

Or call your local SPDR ETFs representative.

Benelux & Nordics	+32 (0) 2 793 4632
France	+33 (0) 1 44 45 40 48
Germany	+49 (0) 89 5587 8422
Italy	+39 02 3206 6140
Middle East & North Africa	+971 (0) 4-437 2800
Switzerland	+41 (0) 44 245 7026
United Kingdom	+44 (0) 20 3395 6888

Precise in a world that isn't.

SPDR®

STATE STREET GLOBAL ADVISORS