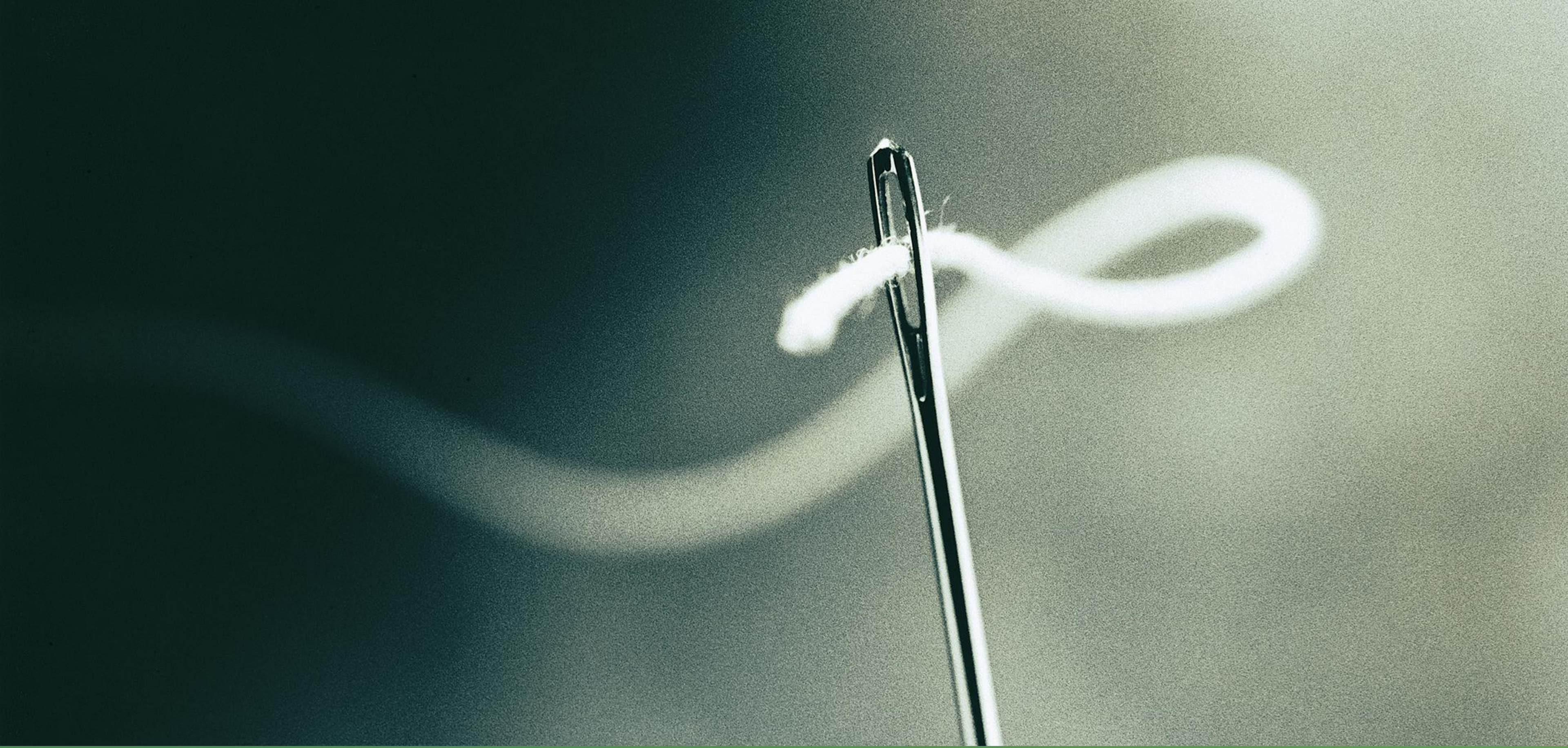

Exchange Traded Funds

A Brief Introduction

SPDR
STATE STREET GLOBAL ADVISORS

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Precise in a world that isn't.®

What You Need to Know about ETFs

ETF Basics

Potential Benefits of ETFs

ETFs versus Mutual Funds

The Role of ETFs in Your Portfolio

Our Next Steps

Frequently Asked Questions

ETF Basics

ETF [eee ● tee ● eff] n., exchange traded fund

- WHAT ARE ETFS?
- HOW DO ETFS WORK?
- ARE ETFS NEW?

What Are ETFs?

– A collection (or “basket”) of securities that typically tracks a specific market index
    - Are similar to index mutual funds
    - Possess trading flexibility of individual stocks and are listed on major exchanges

ETF Basics

WHAT ARE ETFS?

HOW DO ETFS WORK?

ARE ETFS NEW?

How Do ETFs Work?

- Individual investors purchase and sell ETF shares through a brokerage, just like individual securities
- ETF sellers and buyers are matched via the exchange
- ETF shareholder trades have no tax impact on other shareholders

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ETF Basics

WHAT ARE ETFS?

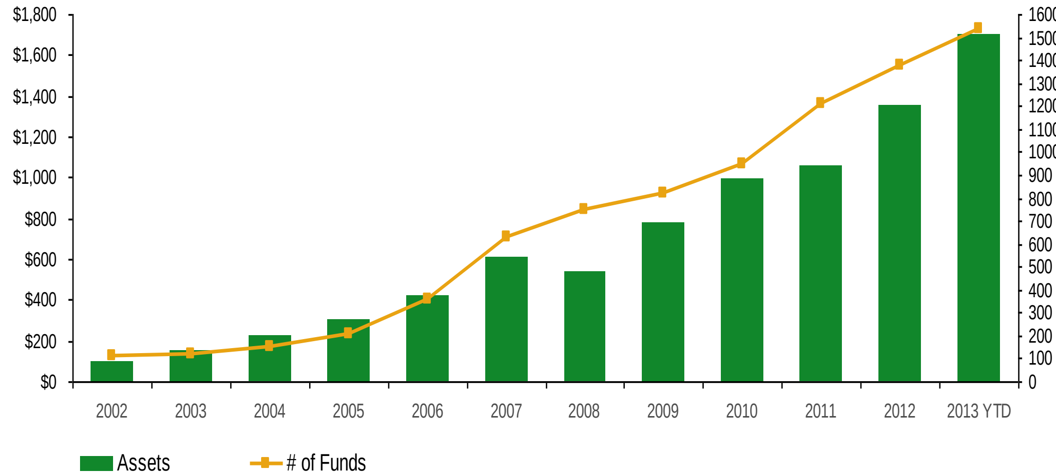
HOW DO ETFS WORK?

▸ **ARE ETFS NEW?**

Are ETFs New?

– First ETF launched in 1993

US ETF Growth over Last 10 Years



Source: SSgA, Morningstar, November 30, 2013.

Potential Benefits of ETFs

ETFs offer a compelling mix of benefits

Precise investment control

- **EASY DIVERSIFICATION**
- TRANSPARENCY
- TRADING FLEXIBILITY
- ADVANCED TRADING TECHNIQUES

Precise cost control

- LOW COSTS
- TAX EFFICIENCY

Easy Diversification

– You have precise control over your investment strategy
  - Indexing benefits: As index investments, ETFs offer diversified and/or target diversified exposure to virtually any segment of the market, both in the US and internationally
  - Broad market exposure: ETFs track broad indexes that cover nearly all market capitalizations and investment styles
  - Precise exposure: ETFs track the performance of specific sectors, industries and even commodities

Diversification does not ensure a profit or guarantee against loss.

Potential Benefits of ETFs

Precise investment control

EASY DIVERSIFICATION

▸ **TRANSPARENCY**

TRADING FLEXIBILITY

ADVANCED TRADING TECHNIQUES

Precise cost control

LOW COSTS

TAX EFFICIENCY

Transparency

– You have all the information you need to make informed investments – no strategy drift or black boxes to decipher
  - Generally with ETFs, you know which securities the ETF holds – there is no need to wait for the end of the quarter to review the fund's holdings

Potential Benefits of ETFs

Precise investment control

- EASY DIVERSIFICATION
- TRANSPARENCY
- **TRADING FLEXIBILITY**
- ADVANCED TRADING TECHNIQUES

Precise cost control

- LOW COSTS
- TAX EFFICIENCY

Trading Flexibility

– You have precise control over your investment strategy
  - Buy and sell ETF shares through a brokerage account, just as you would stocks
  - Buy and sell ETF shares at their current market price anytime during the trading day

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

Potential Benefits of ETFs

Precise investment control

- EASY DIVERSIFICATION
- TRANSPARENCY
- TRADING FLEXIBILITY
- **ADVANCED TRADING TECHNIQUES**

Precise cost control

- LOW COSTS
- TAX EFFICIENCY

Advanced Trading Techniques

– There are more options for implementing investment strategies and taking advantage of market movements

  - Because ETFs trade like stocks, investors can employ a wide range of trading techniques, including Limit Orders, Stop Loss Orders, and Short Selling

The use of short selling entails a high degree of risk, may increase potential losses and is not suitable for all investors.
Frequent trading of ETF could significantly increase commissions and other costs such that they may offset any savings from low fees or costs.

Potential Benefits of ETFs

Precise investment control

EASY DIVERSIFICATION

TRANSPARENCY

TRADING FLEXIBILITY

ADVANCED TRADING TECHNIQUES

Precise cost control

LOW COSTS

TAX EFFICIENCY

Low Costs

– You keep more of your returns when costs are low
  - By virtue of being index investments, ETF costs are generally low
  - Due to low turnover of most ETFs and the indexes they track, transaction costs are minimized
  - Investors should not frequently trade their ETF shares, since high brokerage commissions could erode their investment

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

Potential Benefits of ETFs

Precise investment control

- EASY DIVERSIFICATION
- TRANSPARENCY
- TRADING FLEXIBILITY
- ADVANCED TRADING TECHNIQUES

Precise cost control

- LOW COSTS
- **TAX EFFICIENCY**

Tax Efficiency

– You control when you incur most taxes
  - Because ETFs track market indexes, turnover is generally low
  - Typically, lower turnover results in fewer capital gains and thus lower taxes
  - Investors typically don't realize capital gains from other shareholder redemptions

Passive management and the creation/redemption process can help minimize capital gains distributions.

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ETFs versus Mutual Funds

ETFs and index mutual funds are similar in that each holds a collection of securities intended to represent a specific investment theme or objective (e.g., growth or value stocks, homebuilding industry, small cap stocks, etc.). They are not the same, however.

- **PRICING**
- TAX CONSEQUENCES
- COSTS
- MINIMUM INVESTMENT

Pricing

ETFs	MUTUAL FUNDS
– ETF shares are bought and sold during trading hours at their market value, just like stocks – ETF pricing captures the precise movement of the market at the time of purchase or sale	– Buy and sell orders for shares are placed and transacted after market close at the mutual fund's closing market value – The closing value of mutual fund shares is calculated at the end of the trading day

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

ETFs versus Mutual Funds

PRICING

▸ **TAX CONSEQUENCES**

COSTS

MINIMUM INVESTMENT

Tax Consequences

ETFs	MUTUAL FUNDS
– ETF Investors decide when to sell their ETF shares and any associated capital gains tax is theirs alone to pay – Like mutual funds, occasionally an ETF may have to pay taxes on capital gains triggered by changes but this is typically less than a mutual fund	– If multiple shareholders redeem their shares concurrently, the fund manager may have to sell underlying holdings to raise cash to pay those shareholders; in addition to transaction costs, this could trigger capital gains – In the above scenario, taxes on those capital gains would then be absorbed by all shareholders in the fund

ETFs versus Mutual Funds

PRICING

TAX CONSEQUENCES

COSTS

MINIMUM INVESTMENT

Costs

ETFs	MUTUAL FUNDS
– ETFs historically have had a lower average expense ratio — 0.61%*	– Mutual funds historically have had a higher average expense ratio — 1.27%*

* Source: Morningstar Direct. Data as of November 30, 2013. Average Net Prospectus Expense ratio for US ETFs and US Mutual Funds as defined by Morningstar.

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

ETFs versus Mutual Funds

PRINCIPAL NAV:

- PRICING
- TAX CONSEQUENCES
- COSTS
- ▸ **MINIMUM INVESTMENT**

Minimum Investment

ETFs	MUTUAL FUNDS
– Have no investment minimums*	– May require investment minimums of $2,500 or more**

* Subject to brokerage rules/ costs/ fees ** There are mutual funds that do not require investment minimums.

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The Role of ETFs in Your Portfolio

ETFs can play a pivotal role in achieving your investment goals

Goal

- **PROVIDE DIVERSIFICATION**
- BROADEN ASSET ALLOCATION
- ENHANCE PORTFOLIO TAX EFFICIENCY
- ADJUST PORTFOLIO TO NEW OBJECTIVES
- TACTICALLY REPOSITION PORTFOLIO

Provide More Diversification

– Potentially add low cost diversification to almost any market segment: domestic, international, equities, fixed income, etc.

Diversification does not ensure a profit or guarantee against loss.

The Role of ETFs in Your Portfolio

Goal

- PROVIDE DIVERSIFICATION
- ▸ **BROADEN ASSET ALLOCATION**
- ENHANCE PORTFOLIO TAX EFFICIENCY
- ADJUST PORTFOLIO TO NEW OBJECTIVES
- TACTICALLY REPOSITION PORTFOLIO

Broaden Asset Allocation

– Fill gaps in portfolio exposure: fixed income, international equities, domestic equities, REITs, commodities, precious metal, etc.

Asset allocation can not ensure a profit or guarantee against loss.

The Role of ETFs in Your Portfolio

Goal

- PROVIDE DIVERSIFICATION
- BROADEN ASSET ALLOCATION
- **ENHANCE PORTFOLIO TAX EFFICIENCY**
- ADJUST PORTFOLIO TO NEW OBJECTIVES
- TACTICALLY REPOSITION PORTFOLIO

Enhance Portfolio Tax Efficiency

– ETFs are inherently tax efficient vehicles and can be effective for tax-loss planning

Passive management and the creation/redemption process can help minimize capital gains distributions.

The Role of ETFs in Your Portfolio

Goal

- PROVIDE DIVERSIFICATION
- BROADEN ASSET ALLOCATION
- ENHANCE PORTFOLIO TAX EFFICIENCY
- **ADJUST PORTFOLIO TO NEW OBJECTIVES**
- TACTICALLY REPOSITION PORTFOLIO

Adjust Portfolio to New Objectives

– The precise nature of ETFs enables easy alignment with investor objectives

The Role of ETFs in Your Portfolio

Goal

- PROVIDE DIVERSIFICATION
- BROADEN ASSET ALLOCATION
- ENHANCE PORTFOLIO TAX EFFICIENCY
- ADJUST PORTFOLIO TO NEW OBJECTIVES
- **TACTICALLY REPOSITION PORTFOLIO**

Tactically Reposition Portfolio

– Liquidity, trading flexibility and low cost make ETFs effective for short-term portfolio repositioning

At liquidation, the value of an ETF may be worth more or less than the principal invested. Frequent trading of ETFs could significantly increase commissions and other costs such that they may offset any savings from low fees or costs.

Our Next Steps

Let's explore how ETFs potentially enhance your portfolio's performance

By adding

- Exposure to missing asset classes
- Potential diversification to reduce risk
- Lower cost vehicles

… while improving your portfolio's tax efficiency

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.
Diversification does not ensure a profit or guarantee against loss.
Frequent trading of ETF could significantly increase commissions and other costs such that they may offset any savings from low fees or costs.
Passive management and the creation/redemption process can help minimize capital gains distributions.

Frequently Asked Questions

FAQs

What are exchange traded funds?

– A collection, or “basket”, of securities that typically track a specific market index; ETFs are similar to index mutual funds, possess the trading flexibility of individual stocks and are listed on major exchanges. They are not the same as mutual funds, however.

How can I buy or sell ETFs?

– Investors can buy or sell ETFs through a brokerage, the same as stocks.

How does the performance of an ETF compare with the performance of its underlying index?

– Exchange traded funds are designed to provide investment results that generally correspond to their underlying benchmark index by holding a portfolio of securities designed to give similar price and yield performance.

FAQs

Do I get paid dividends on ETFs?

– ETF holders are eligible to receive their pro rata share of dividends, if any, accumulated on the stocks held in an ETF, and interest on the bonds held in an ETF, less fees and expenses. Of course, based on past performance, little, if any, dividend distributions can be expected on certain ETFs. There may also be the opportunity for dividend reinvestment.

What are the risks of investing in ETFs?

– Equity-based ETFs are subject to risks similar to those of stocks; fixed income-based ETFs are subject to risks similar to those of bonds. Investment returns will fluctuate and are subject to market volatility. An investor's shares, when redeemed or sold, may be worth more or less than their original cost. Foreign investments have unique and greater risks than domestic investments. Past performance is no guarantee of future results.

What are the tax implications of trading index ETFs?

– Trading an index ETF will trigger a gain or loss on a transaction. This gain or loss will be either ordinary or capital in nature, depending on the holding period. Dealers in securities will be treated differently, in that they utilize mark-to-market rules.

Glossary of Terms

Transparency — Defined as the accessibility of information on the order flow for a particular stock, allowing knowledge of the quantities of stock being offered and the bids at the various price levels.

Diversification — A risk-management technique that mixes a wide variety of investments within a portfolio. The rationale contends that a portfolio of different kinds of investments will, on average, yield higher returns and pose a lower risk than any individual investment found within the portfolio. It strives to smooth out events in a portfolio so that the positive performance of some investments will neutralize the negative performance of others. Diversification does not ensure a profit or guarantee against a loss.

Disclosure

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Important Risk Information

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.

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.

Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk.

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. Past performance is no guarantee of future results.

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.

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