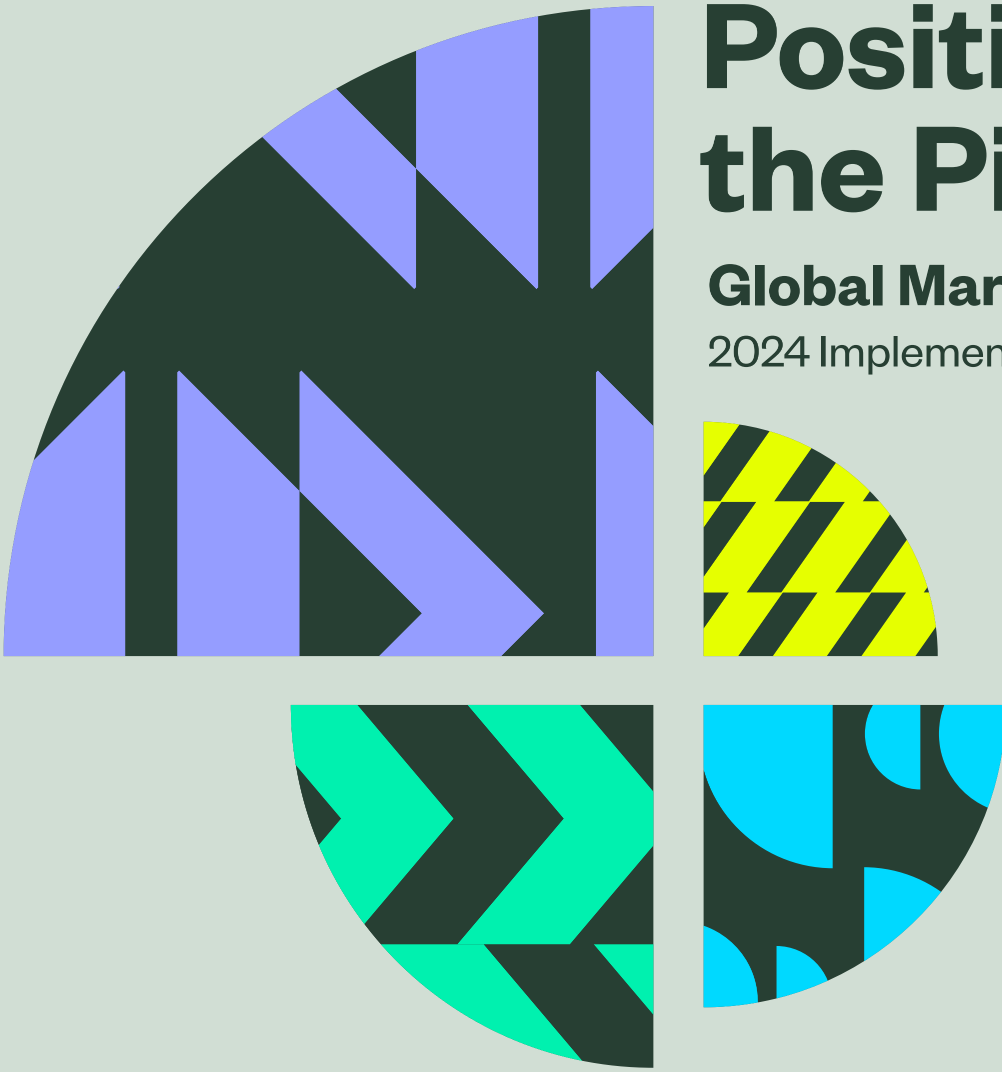

Positioning the Pieces

Global Market Outlook

2024 Implementation Guide

STATE STREET GLOBAL ADVISORS

Introduction

Amid an ever-changing landscape, the importance of "Positioning the Pieces" is key. As such, we weigh multiple factors within the macroeconomic environment to assess how they converge in order to refine our outlook and portfolio views.

We see fixed income as a bright spot for investors in 2024 given current yield levels, slowing growth, and continued disinflation. Amid heightened volatility and global fragility, we remain cautious on risk assets and favor quality stocks in equity markets. We believe emerging markets will remain vulnerable given the global landscape, but do see pockets of opportunity within emerging market debt and select emerging market equities.

In such challenging markets, it is critical to strike the appropriate balance, get portfolio implementation right, and retain flexibility to respond as clearer signals develop. We explore these themes and more in our 2024 Global Market Outlook.

In this Implementation Guide, we look at how investors can consider gaining exposure to the key themes unfolding over the coming year and beyond.

The Right Course Avoids the Wrong Action.

Investors plotting a path through 2024 must do so amid sub-trend economic growth, a volatile geopolitical backdrop, and worries about the ability of central banks to manage the transition from a monetary policy built to bring down inflation to one that limits recession risks.

Macroeconomic and Geopolitical Outlook

In our Global Market Outlook, we projected that disinflationary trends and decelerating growth would support a soft economic landing. However, the longer the hawkish positions of central banks are maintained, the greater the risk that it morphs into something harder. The geopolitical landscape also warrants particular attention given global fragmentation, the potential for violent conflicts to escalate, and the ability of elections (more voters than ever in history head to the polls in 2024, representing ~49% of the world's population) to reshape market outcomes.

A soft landing remains our base case but we anticipate uncertainty to persist, with sub-trend growth anticipated across global economies. 2024 will continue to be a year in flux with many factors pressuring the path to recovery. Against this backdrop, we have identified three macroeconomic sub-themes that will shape investment positioning: volatility, diversification, and a declining US dollar.

We explore these sub-themes and portfolio implications in the following sections.

Ongoing Volatility

During 2023, financial markets experienced periods of unpredictable, and sometimes sharp, price movements. And 2024 has started with strongly positive moves for risk assets. Yet the mixed backdrop that we laid out as part of our base case remains largely in place and we expect volatility to continue to be a feature this year.

To address ongoing volatility, investors should consider low-risk equity strategies as part of their portfolio decisions.

Investment Solution	Investment Style	State Street Global Advisors Solution	Description
Low-Risk Equities	**Active**	Global Defensive Equity Strategy	This long-only active systematic equity strategy targets a 2%-4% outperformance and long-term total volatility reduction of approximately 25% relative to the cap-weighted index over a market cycle.
	Index	Global Managed Volatility Equity Strategy	This systematic beta strategy seeks to deliver downside protection while also participating in rising markets by taking a low exposure to more volatile, higher beta (glamor) stocks, limiting downside in falling markets and benefitting from compounding over the long term.

Diversification

Diversification is a critical tool for investors to mitigate concentration risk and to generate more consistent returns. By building broadly diversified portfolios, investors can capture exposure to themes we believe drive markets over the long term while also minimizing concentrated exposure to individual stocks or segments within the market.

To achieve greater diversification, investors should consider asset allocation, real assets, and alternatives solutions as part of their portfolio decisions.

Investment Solution	Investment Style	State Street Global Advisors Solution	Description
Asset Allocation	**Active**	Flexible Asset Allocation	This long-only discretionary active absolute return strategy uses Dynamic Asset Allocation guided by State Street Global Advisors' proprietary Market Regime Indicator with layers of judgmental and fundamental reviews provided by experts from across the firm as well as multiple levers to provide volatility control and drawdown management.
Real Assets	**Active**	Real Assets Strategy	The Strategy seeks to offer diversification, the potential for inflation mitigation, as well as income through a combination of commodities, global natural resource stocks, global infrastructure stocks, US REITs, and US intermediate Treasury inflation-protected securities (TIPS), with a disciplined rebalancing process.
Alternatives	**Active**	Global Alternative Beta Strategy	A rules-based and dynamic systematic investment strategy. This strategy takes into account liquidity, and provides efficient beta exposure to hedge funds as an asset class using various market factors.

Declining Dollar

We have long held the view that the US dollar is likely to weaken at least 10–15%, but it is currently in a noisy transition period from a bull to a bear market; a sustained US dollar bear market does not appear imminent. While the world is in a fragile place, the US is continuing to grow at a healthy pace presenting high yield potential for investors. And although the US dollar tends to provide a good hedge for risky assets should the current run of compelling data falter, we strongly recommend investors with a horizon of two years or more to position for a lower US dollar.

Investment Solution	Investment Style	State Street Global Advisors Solution	Description
FX-Hedged Strategies	**Active**	(Enhanced) Dynamic Strategic Hedging Overlay	All FX-hedged strategies use a combination of derivative and spot FX transactions overlaid on existing strategies to provide some protection against foreign currency movements versus the home currency. FX hedging can be back to a static weight (e.g. 50%/75%/100%) typically rebalanced monthly, or using our Dynamic and Enhanced Dynamic Strategic Hedging (DSH) approaches which use our proprietary purchasing power parity-based (PPP) FX valuation model to determine the direction and magnitude of FX transactions.
	Index	Currency Hedged (e.g. 50%/ 75%/ 100%) Index Strategies	

“Lower inflation means central banks are better placed to step in to nurture the soft landing via rate cuts.”

Simona Mocuta, Chief Economist

Moving to Center Stage.

Given current yield levels, slowing growth, and continued disinflation, fixed income moves into the limelight, offering attractive prospects for investors.

Fixed Income Outlook

With 2024 likely to experience a slowdown in economic activity, we believe sovereign fixed income — and US Treasuries in particular — offers investors an increasingly attractive proposition over the medium term. As with several other asset classes, we anticipate that progress will likely be against the backdrop of continued 'choppiness.' The seemingly unrelenting strength of the US labor market and its implications for Federal Reserve Board (Fed) policy continue to be a source of angst.

Meanwhile, favorable tailwinds are coalescing as the slowdown and the anchor of long-term demographics start to take hold. As the impressive resilience of the US economy may fade in 2024, we believe that sovereign fixed income offers investors a rewarding prospect. The US Treasury market is probably best placed to capture this opportunity. The short end of several sovereign debt markets also presents a compelling yield-duration profile for those investors unwilling to embrace duration more fully.

Shift to US Duration

With interest rates at decades-high levels in many developed markets, and major central banks indicating that next moves will be downward, investors are rotating back into core fixed income. With compelling yields, history suggests now could be an opportune time to increase allocations to fixed income. US 10-year Treasury yields may not see 5% again in this cycle, but current levels are still appealing. Investors can take advantage of the rise in yields by extending duration.

Investment Solution	Investment Style	State Street Global Advisors Solution	Description
US Treasuries	**Index**	US Treasury Bond Index Strategy	All these Bond Index strategies seek an investment return that approximates as closely as practicable, before expenses, the performance of their relevant bond index benchmarks over the long term. Many of these can also be FX-hedged at the portfolio level back to the investor's home currency.
Global Treasuries	**Index**	Global Treasury Bond Index Strategy	
	Index	Global 1–10 Year Treasury Bond Index Strategy	

Short-End Value ex-US

The case for adding duration in non-US fixed income may not be as strong given a less resilient macroeconomic backdrop. However, the dramatic rise in short-dated bond yields through the latest rate-hiking cycle of the European Central Bank suggests that the risk-reward profile across several European markets presents an attractive potential opportunity.

Investment Solution	Investment Style	State Street Global Advisors Solution	Description
Euro Corporate Bonds	**Index**	Sustainable Climate Euro Corporate Bond Strategy	The Strategy seeks to deliver an improved carbon profile, and reduced climate risk while keeping risk and return characteristics broadly in place while using a systematic approach to target Paris-aligned reductions in carbon emissions and fossil fuel exposure while reallocating capital towards companies benefitting from low-carbon technologies and aiding the transition.
Euro Corporate Bonds	**Index**	Euro Corporate Bond Index Strategy	The Strategy seeks to track the performance of an ESG-screened investment grade euro corporate bond index with a minimum index average rating at A-.
Cash	**Active**	A Range of Liquidity Solutions Available	Our cash product offerings include Money Market Funds, Ultra-Short Bond Funds, Separately Managed Accounts and Sweep, Lending and Sub-Advised Asset Management.

"Amid likely economic slowdown and continued disinflation, fixed income, especially high quality fixed income, should be a bright spot for investors this year."

Matt Nest, Global Head of Active Fixed Income

Proceed with Caution.

Being selective is key to finding the right equities in this environment.

Equity Outlook

For equity investors the prospect of lower interest rates in 2024 is a tailwind that must be weighed against the impact of economic slowdown and potential squeeze on earnings. However, equities have a natural place in the diversified portfolios of most investors, although how that is allocated is dependent on their requirements and risk appetite. In the current environment, we believe large cap quality stocks in the US warrant consideration.

US Resilience, Quality

We favor selectively owning aspects of the market that exhibit characteristics of Quality investing. The US market is preferred due to its sector composition and the competitive advantage of its companies. By sector, information technology, industrials, and materials are major beneficiaries of recent US incentives for clean technologies and new infrastructure investment.

Japan's Resurgence

For various structural reasons, we believe Japan should maintain its momentum of positive performance. However, investors looking for outperformance from Europe, broad emerging markets, and China could face headwinds due to the cyclical nature of their economies and deteriorating economic conditions.

Investment Solution	Investment Style	State Street Global Advisors Solution	Description
US Equities, Quality	**Active**	US Equity Select Strategy	The management team takes an active fundamental approach to stock-picking using a philosophy that's been developed over decades. The focus is on identifying quality companies through deep fundamental analysis and holding them for the long term, letting the power of compounding sustainable growth deliver outperformance. This Strategy is a concentrated portfolio of the best long-term ideas of the US research analysts.
	Active	US Premier Growth Strategy	As above, this Strategy focuses on Quality companies offering sustainable growth at reasonable valuation, but has a distinct focus on sustainable double-digit earnings growers, giving the Strategy a distinct growth tilt.
	Active	US Value Spotlight Strategy	The Strategy uses a fundamental research-based investment process to build a concentrated portfolio of North American equities the team believes to be undervalued.
US Equities	**Index**	US Index Equity Strategy	The Strategy's objective is to track the performance of the US equity market.
Japanese Equities	**Index**	Japan Index Equity Strategy	The Strategy's objective is to track the performance of the Japanese equity market.

Keep EM on the Radar

Emerging markets remain vulnerable given the global backdrop, but real pockets of opportunity exist.

Emerging Markets Outlook

Although China's economic challenges, high US interest rates, and strong US dollar cast a shadow across the overall case for emerging markets, we believe that there are opportunities across the broad EM investment universe. Overall, we have a relatively more favorable outlook on emerging market bonds over equities, with a moderately greater emphasis on hard currency debt over local currency debt. Within equities, an active approach that focuses on structurally growing parts of the market is preferred. Overall, both emerging market debt and equities offer exposure to countries with superior economic growth and lower leverage compared to developed market economies, delivering diversification benefits as part of broader portfolios.

Emerging Market Debt Local Currency

Local currency debt performance is driven by emerging market (EM) rates and currencies. It is noteworthy, and unusual, that emerging market monetary policy has decoupled from the Fed in recent years. And having moved more swiftly to raise rates in this cycle, EM central banks have been quicker to cut rates over the past year.

Investment Solution	Investment Style	State Street Global Advisors Solution	Description
EMD Local Currency	**Index**	Emerging Markets Local Currency Bond Index Strategy	The objective of each Strategy is to track the performance of investible local currency denominated, emerging markets sovereign bonds. In the first case, the underlying index is the J.P. Morgan Government Bond Index – Emerging Markets Global Diversified, whereas for the ESG strategy it is the J.P. Morgan ESG-Government Bond Index. Both strategies try to minimize costs by minimizing tax drag and the cost of trading as well as employing selective turnover among other tools.
	Index	Emerging Markets ESG Local Currency Bond Index Strategy	

Emerging Market Debt Hard Currency

We are now in a familiar place where a data-driven Fed has become again the dominant driver of emerging market debt returns. Hard currency sovereign debt looks attractive as EM spreads still offer value and, in the absence of a US recession, we believe these have the potential to tighten further.

Investment Solution	Investment Style	State Street Global Advisors Solution	Description
EM Hard Currency	**Index**	Emerging Markets Hard Currency Sovereign Bond Index Strategy	The objective of each Strategy is to track the performance of the U.S. dollar-denominated emerging markets government bond market. In the first case the underlying index is the J.P. Morgan Government Bond Index Global Diversified, whereas for the ESG strategy it is the J.P. Morgan EMBI Global Diversified ESG Screened HC Index. Both strategies try to reduce trading costs and harness the new issue premium.
	Index	Emerging Markets ESG Hard Currency Sovereign Bond Index Strategy	

Breaking Down Emerging Market Equities

While there are undoubtedly shared risks across the emerging markets spectrum, such as the countries' sensitivity to continued heightened geopolitical risks along with broad risk-taking appetite, it is important for investors to recognize where variations lie. Adopting a core-satellite approach that encompasses both active and indexed approaches to EM equity can work well for investors looking to tailor their exposures.

Investment Solution	Investment Style	State Street Global Advisors Solution	Description
EM Equity	**Active**	Emerging Markets Small Cap Active Strategy	The Strategy seeks to outperform the MSCI Emerging Markets Small Cap index by 3% p.a. with an expected tracking error of 4%-6% p.a. over the long term through a rigorous quantitative stock selection process to find stocks that offer attractive valuation with improving fundamentals and sentiment while controlling key sources of risk.
	Active	China Equity Select Strategy	The management team takes an active fundamental approach to stock-picking focused on identifying quality companies through deep fundamental analysis and holding them for the long term, letting the power of compounding sustainable growth deliver outperformance. The Strategy, with a 20+ year track-record of active investing in China equity, seeks to outperform through a high-quality, long-term approach.
	Active	Emerging Markets Small Cap ESG Screened Equity Strategy	The Strategy seeks to outperform the MSCI Emerging Markets Small Cap index. The investment policy will also involve screening out securities based on an assessment of their adherence to ESG criteria (i.e. international norms in relation to environmental protection, human rights, labor standards, anticorruption, and controversial weapons).

Summary of State Street Global Advisors' Investment Solutions

Section	Theme	Investment Solution / Theme	Active Implementation	Index Implementation
Macro	**Ongoing Volatility**	Low-Risk Equities	Global Defensive Equity Strategy	Global Managed Volatility Equity Strategy
	Diversification	Asset Allocation	Flexible Asset Allocation	
		Real Assets	Real Assets Strategy	
		Alternatives	Global Alternative Beta Strategy	
	Declining Dollar	FX-Hedged Strategies	(Enhanced) Dynamic Strategic Hedging Overlay	Passively hedged (e.g. 50%/75%/100%) Strategies
Fixed Income	**Shift to US Duration**	US Treasuries		US Treasury Bond Index Strategy
		Global Treasuries		Global Treasury Bond Index Strategy Global 1–10 Year Treasury Bond Index Strategy
	Short End Value ex-US	Euro Corporate Bonds		Sustainable Climate Euro Corporate Bond Strategy Euro Corporate Bond Index Strategy
		Cash	A Range of Liquidity Solutions Available	
Equities	**US Equities, Quality**	US Large Caps	US Equity Select Strategy US Premier Growth Strategy US Value Spotlight Strategy	
	US Equities			US Index Equity Strategy
	Japan Equities			Japan Index Equity Strategy
EM Theme	**EM Debt**	EMD Local Currency		Emerging Markets Local Currency Bond Index Strategy Emerging Markets ESG Local Currency Bond Index Strategy
		EMD Hard Currency		Emerging Markets Hard Currency Sovereign Bond Index Strategy Emerging Markets ESG Hard Currency Sovereign Bond Index Strategy
	Breaking Down EM Equities	EM Equity	Emerging Markets Small Cap Active Strategy China Equity Select Strategy Emerging Markets Small Cap ESG Screened Equity Strategy	

About State Street Global Advisors

Our clients are the world's governments, institutions and financial advisors. To help them achieve their financial goals we live our guiding principles each and every day:

Start with rigor
Build from breadth
Invest as stewards
Invent the future

For four decades, these principles have helped us be the quiet power in a tumultuous investing world. Helping millions of people secure their financial futures. This takes each of our employees in 29 offices around the world, and a firm-wide conviction that we can always do it better. As a result, we are the world's fourth-largest asset manager* with US $4.13 trillion† under our care.

* Pensions & Investments Research Center, as of December 31, 2022.
† This figure is presented as of December 31, 2023 and includes approximately $64.44 billion USD of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

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Marketing Communication

Important Risk Information

For a complete list of State Street Global Advisors Global Entities please visit: State Street Global Advisors Worldwide Entities

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Investing involves risk including the risk of loss of principal.

Equity securities may fluctuate in value in response to the activities of individual companies and general market and economic conditions.

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 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.

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.

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.

The returns on a portfolio of securities which exclude companies that do not meet the portfolio's specified ESG criteria may trail the returns on a portfolio of securities which include such companies. A portfolio's ESG criteria may result in the portfolio investing in industry sectors or securities which underperform the market as a whole.

This document provides summary information regarding the Strategy. This document should be read in conjunction with the Strategy's Disclosure Document, which is available from SSGA. The Strategy Disclosure Document contains important information about the Strategy, including a description of a number of risks.

Diversification does not ensure a profit or guarantee against loss.

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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Exp. Date 03/31/2025