STATE STREET GLOBAL ADVISORS.

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Contact: Ric Shadforth, State Street
Telephone: (02) 8249 1110
www.statestreet.com

Exchange Traded Products continue global growth with US$168 billion new inflows in 2011

Timing right for Australian launch of fixed income ETFs as high-yielding stock and bond ETPs forecast to continue growth in 2012

Sydney — 23 February 2012 - Exchange Traded Products (ETPs) which track high-yielding stocks and bonds are expected to be increasingly popular in 2012 as investors wary of uncertain market conditions seek less volatile investment options.

A comprehensive study of the global ETP industry over the past year by State Street Global Advisors (SSgA) entitled *ETPs Amidst the Continuing Global Financial Recovery: 2011 Recap and Shifting Dynamics in 2012* also predicts investors will continue to diversify outside their home countries and add investments with low or negative correlations to stock and bond investing, such as commodities.

Another trend for 2012, SSgA believes, is that actively managed ETPs could begin to gain traction. While traditionally viewed as passive strategies, ETPs can also be actively managed, offering transparency, liquidity and ease of dealing with the possibility of obtaining above-market returns due to manager skill.

In 2011, ETPs, which include Exchange Traded Funds (ETFs), Exchange Traded Commodities (ETCs) and Exchange Traded Notes (ETNs), increased total assets under management by US$50 billion as at December 31 2011 compared to 2010, according to the study.

ETPs received US$168 billion in net new cash inflows for the full year as investors continued to look to the products as a way of taking directional views and implementing investment strategies. However negative price movements and exchange rate fluctuations resulted in a decrease of US$118 billion in the value of assets held by the ETPs. Comparatively, global mutual funds saw total outflows of over US$235 billion and experienced negative market movements of over US$551 billion bringing their total decrease in assets to US$786 billion.

At the end of December 2011, there were 4,458 ETPs with total assets under management of US$1.59 trillion compared to 3,667 ETPs and assets of US$1.54 trillion at the end of 2010. Of that total, US$1.1 trillion in assets were in the Americas.

“Challenging market conditions and unprecedented volatility since the global financial crisis in 2008 have caused a significant shift in investors’ appetite for risk,” said Frank Henze, SSgA’s head of SPDR ETFs for Asia Pacific.

2011 inflows favoured developed markets, which saw sizeable net inflows of US$145bn, across all asset classes, including fixed income, equities, currency, alternatives and commodities, at the expense of emerging markets for the majority of the year. From the second quarter to the end of Q3, global investors moved toward a more risk averse position due to an increasingly unsettled market environment that saw many investors selling off high beta markets like emerging markets and opting for traditionally safer assets in the developed space.

"This move has ultimately led to a need for deeper liquidity and more transparency, which has translated into huge growth in demand for exchange traded products globally," he said. "ETF providers such as SSgA have responded with new products across a wide range of asset classes. As a result, we see a number of interesting trends emerging."

According to the SSgA study, North American equity was the most popular category; comprising 38 percent of total inflows despite macro-economic challenges in 2011. At a close second, North American fixed income-focused funds made up 27 percent of total net inflows. Also notable, though not in absolute terms, the global fixed income category posted asset growth of 117 percent from its end-2010 assets under management, indicating a significant increase in interest in fixed income by investors around the world.

Mr Henze said that in 2012 investors were likely to seek out income-oriented investments such as dividend-oriented ETFs or fixed income ETFs with higher yields such as high yield bonds, convertible bonds or preferred stocks.

He welcomed the recent change in Australian Securities Exchange (ASX) rules enabling ETF providers to launch products based on fixed income indices as an important step for local investors wanting to diversify and add more stability to their superannuation portfolios. He said SSgA anticipates launching its own fixed income ETF this year.

"People who are moving from the wealth creation phase into the capital protection and income generation phase of the investment lifecycle are naturally concerned about their exposure to volatile equities," he said.

"With smaller investors struggling to gain diversified access to the fixed income market in the past and fixed income yields in Australia looking very attractive compared to other international jurisdictions, the timing is right for the introduction of these products locally."

Asia Pacific has been a particular area of growth for ETPs, with assets under management in the region rising to US$105.8 billion at the end of the 2011, representing a growth rate nine times higher than the global growth rate. The region is still small on a global ETP scale however, accounting for just 7 percent of global assets under management compared to 72 percent for the US.

Australia is the ninth largest exchange in Asia Pacific ranked by ETP turnover with US$7.76 billion in 2011. Korea recorded the most ETP turnover of any Asian exchange with US$108.9 billion, followed by Hong Kong at US$70 billion and Shanghai at US$41.8 billion.

SSgA is Australia's largest ETF provider with A$2.5 billion in assets under management at the end of 2011.*

Unless otherwise stated the source of all quoted figures is the report 'ETPs Amidst the Continuing Global Financial Recovery: 2011 Recap and Shifting Dynamics in 2012', published by SSgA in February 2012.

**SSgA, as at 31 December 2011.*

About State Street Global Advisors
State Street Global Advisors (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 Corporation, one of the world's leading providers of financial services to institutional investors

About State Street Corporation
State Street Corporation (NYSE: STT) is one of the world's leading providers of financial services to institutional investors including investment servicing, investment management and investment research and trading. With US$21.8 trillion in assets under custody and administration and US$1.9 trillion[1] in assets under management at

December 31, 2011, State Street operates in 29 countries and more than 100 geographic markets. For more information, visit State Street's web site at www.statestreet.com.

About SPDR Exchange Traded Funds

Offered by State Street Global Advisors, SPDR ETFs are a family of ETFs that provide investors with the flexibility to select investments that are precisely aligned to their investment strategy. Recognised as an industry pioneer, State Street Global Advisors created the first ever ETF in 1993 - the SPDR S&P 500®, which is currently the world's largest ETF.[2] In 2001, SSgA introduced ETFs in Australia when it launched the SPDR S&P/ASX 200 Fund and the SPDR S&P/ASX 50 Fund. Currently, State Street Global Advisors manages more than US$271 billion of ETF assets worldwide.[1]

[1] This AUM includes the assets of the SPDR Gold Trust (approx. $63 billion as of December 31, 2011), for which State Street Global Markets, LLC, an affiliate of State Street Global Advisors serves as the marketing agent.
[2] Bloomberg, as of 31 December 2011.

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