Market Commentary
Model Portfolios

Q1 2024

State Street ETF Model Portfolios

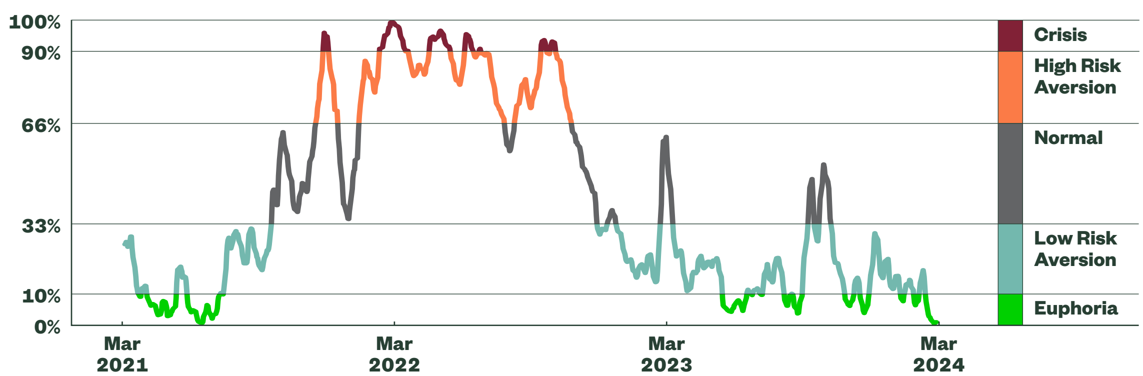
- Global economic activity improved, with both the services and manufacturing sectors advancing during the quarter.
- The US economy grew steadily, while the European economy rebounded from a downturn. Business activity in Japan also remained solid, while conditions in China improved.
- Inflation readings in advanced economies were closer to their respective central banks' targets but saw modest upticks during the quarter, especially in the United States.

The Market Regime Indicator

The Market Regime Indicator (MRI) employs a quantitative framework and forward-looking indicators to track risk appetite shifts in the market cycle.

- The MRI began January in the Low Risk regime and remained there until February 8.
- On February 9, the MRI decreased and reached the Euphoria regime. However, it quickly moved back to the Low Risk regime by February 13, and moved further into Low Risk until February 21. From that point, the MRI started to trend downward and entered the Euphoria regime on February 27 where it remained until March 4.
- On March 5, the MRI increased and stayed in the Low Risk regime until March 15, when it shifted back into Euphoria where it continued to trend lower until the end of the quarter.

Figure 1
A 3-Year Look at the MRI



Source: Investment Solutions Group, as of March 31, 2024.

Key Market Events	
February 20, 2020–April 14, 2020	COVID-19 spreads into Europe and the US
February 24, 2022–Present	Russia-Ukraine War
October 7, 2023–Present	Israel-Hamas War

US Equities

US equities rallied for a second straight quarter in Q1 2024. The S&P 500® Index posted a 10.40% return, its largest first-quarter gain since 2019. Within sectors, Communications Services (15.82%) and Information Technology (12.69%) were the leaders.

- Investment in artificial intelligence was a key tailwind for US equities in the first quarter.
- Macroeconomic data continued to highlight a strong US economy, delaying interest rate cuts by the Federal Reserve and further boosting optimism and investor confidence.
- Sticky core services inflation continued to be of concern, even as the US economy remained resilient.

International Equities

Global equities witnessed a very strong start to the year, posting positive returns.

- The MSCI All Country World Index (MSCI ACWI) returned 8.30% over the quarter. With the exception of China, all major regions in the MSCI ACWI Index were positive, led by Japan and the US. China, after a strong rally in February, lagged again in March.
- The MSCI Europe Index returned 5.40% during the first quarter, as inflation continued to decline.
- The MSCI All-Country Asia Pacific Index reported positive returns (5.10%) in Q1. Taiwan (12.50%), Japan (11.20%), and the Philippines (6.10%) were the top performing countries during the quarter. Hong Kong (-11.70%), Thailand (-9.00%), and New Zealand (-3.70%) were the bottom three.
- Emerging market equities had a slower start to the year compared to developed market equities. The MSCI Emerging Markets Index returned 2.40% over the quarter.

Fixed Income

Global bonds (Bloomberg Global Aggregate Bond Index — USD Hedged) closed the first quarter flat, posting 0.02% returns. Global bond yields rose 23 basis points (bps), driven primarily by bond underperformance in January and February.

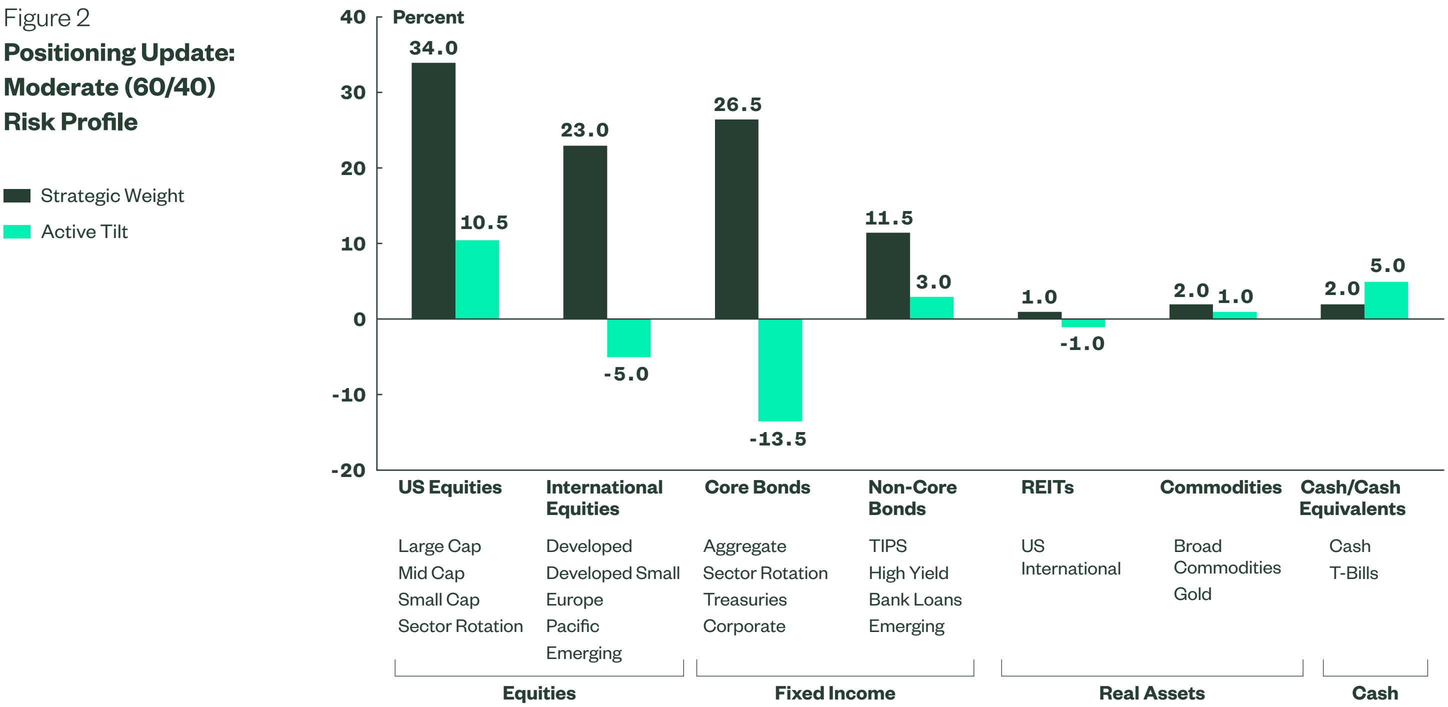
- Despite rallying in March, investment grade bonds (Bloomberg U.S. Aggregate Corporate Bond Index) ended the quarter at -0.78%. Yields widened by 24 bps, driven by policy uncertainty in the beginning of Q1.
- High yield (Bloomberg U.S. Corporate High Yield 2% Issuer Cap Index) continued to outperform US investment grade bonds, reporting 1.47% total return for the first quarter. Spreads tightened significantly by 24 bps during the quarter, as resilient growth, better-than-expected earnings, and elevated yields kept investors interested in high yield bonds.
- Market-based inflation expectations for the US, as measured by five-year breakevens, rose by 29 bps during the quarter to 2.44%, driven primarily by an uptick in inflation early in January. US Treasuries (-0.96%) underperformed US Treasury-inflation-protected securities (0.08%) during the quarter. The Treasury rally in March could not offset the sharp underperformance in January and February.[1]

Real Assets

Commodities (as measured by the Bloomberg Commodity Total Return Index) reported positive returns (2.20%), buoyed by energy and gold prices. Precious metals was the top performing sector, followed by energy, while agriculture and industrial metals detracted. Real estate investment trusts (REITs), as measured by FTSE EPRA Nareit Developed Real Estate Index, declined 1.60%, while the Dow Jones US Select REIT Index was down 0.40%.

- The Energy sector was up 4.80% in Q1. Concerns about potential supply disruptions due to ongoing supply cuts by OPEC+ and geopolitical tensions pushed crude prices higher.
- Conversely, the Bloomberg Natural Gas Sub-Index declined by 28.70%, as an unusually warm winter, combined with higher inventory, pushed natural gas prices to the lowest levels since the pandemic.
- The Bloomberg Precious Metals Subindex returned 6.60%. Gold was up 7.40%, posting its best two-quarter stretch in eight years.
- REITs, an interest rate sensitive asset class, suffered on the back of higher interest rates.

Figure 2
Positioning Update: Moderate (60/40) Risk Profile



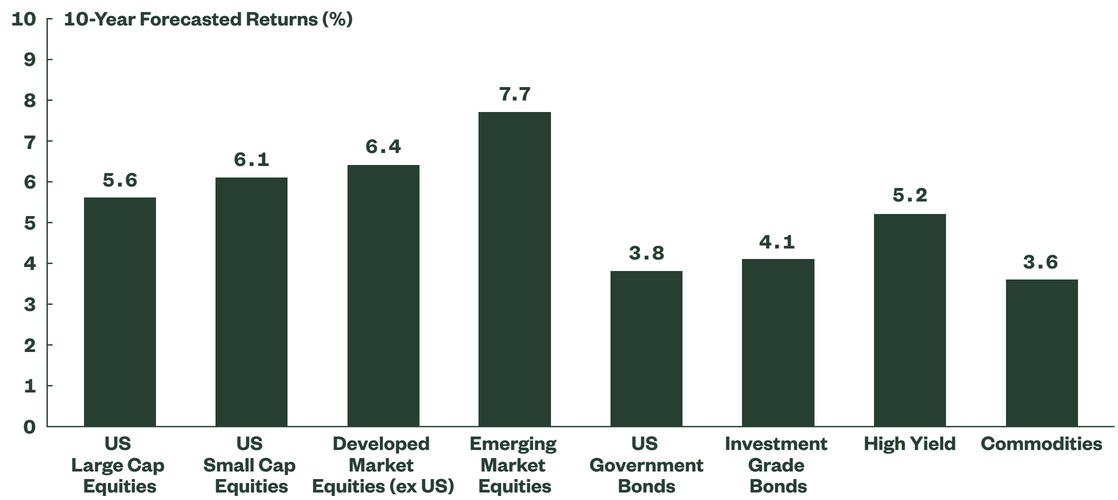
Source: State Street Global Advisors, as of March 31, 2024.
The Strategic Weight is based on a custom Active Asset Allocation Benchmark. The Active Tilt is based on the weights in the State Street Active Asset Allocation ETF Portfolio (Moderate). Positions are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. The model portfolio positions presented above are representative of ISG's market views and our positioning for our active portfolios as of the date given. The results shown were achieved by means of a mathematical formula and are not indicative of actual future results which could differ substantially. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

Figure 3
Asset Class Performance

Asset Class	Q1 2024 (%)	Trailing 12-Months (%)
Large Cap Equities	10.60	29.90
Small Cap Equities	5.20	19.70
Developed Market Equities (ex US)	5.80	15.30
Emerging Market Equities	2.40	8.20
US Government Bonds	-1.00	0.10
Investment Grade Bonds	-0.40	4.40
High Yield	1.50	11.20
Commodities	2.20	-0.60

Source: Bloomberg Finance, L.P., as of March 31, 2024. **Past performance is not a reliable indicator of future performance.** Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. Performance returns for periods of less than one year are not annualized. US Large Cap = S&P 500 Total Return Index, US Small Cap = Russell 2000 Total Return Index, Developed ex-US = MSCI EAFE Index, Emerging Markets = MSCI Emerging Markets Index, US Government Bonds = Bloomberg US Treasury Total Return Index, IG Corp = Bloomberg US Corporate Total Return Index, US High Yield = Bloomberg US Corporate High Yield Total Return Index, Broad Commodities = Bloomberg Commodity Total Return Index.

Figure 4
Long-Term Asset Class Forecasts



Source: State Street Global Advisors Investment Solutions Group, as of December 31, 2023. The forecasted performance data is reported on a gross of fees basis. Additional fees, such as the advisory fee, would reduce the return. For example, if an annualised gross return of 10% was achieved over a five-year period and a management fee of 1% per year was charged and deducted annually, then the resulting return would be reduced from 61% to 53%. The performance includes the reinvestment of dividends and other corporate earnings and is calculated in the local (or regional) currency presented. It does not take into consideration currency effects. The forecasted performance is not necessarily indicative of future performance, which could differ substantially. Please reference the Appendix for the assumptions used by SSGA Investment Solutions Group to create asset class forecasts.

Appendix

Asset Class Forecast: Assumptions

Fixed Income	Our return forecasts for fixed income derive from current yield conditions together with expectations as to how real and nominal yield curves could evolve relative to historical averages. For corporate bonds, we also analyze credit spreads and their term structures, with separate assessments of investment-grade and high-yield bonds.
Equities	Our long-term equity forecasts begin with expectations for developed market large capitalization stocks. The foundation for these forecasts are estimates of real return potential, derived from current dividend yields, forecast real earnings growth rates, and potential for expansion or contraction of valuation multiples. Our forecasting method incorporates long run estimates of potential economic growth based on forecast labor and capital inputs to estimate real earning growth.
Factor Returns	Over a one to three-year forecast horizon, we look to see how cheap each factor is relative to its own history. Specifically, we focus on book/price spreads for each factor and relate that to their subsequent returns. We find that valuation ratios are useful for forecasting market returns.
Commodities	Our long-term commodity forecast is based on the level of world GDP, as a proxy for consumption demand, as well as on our inflation outlook. Additional factors affecting the returns to a commodities investor include how commodities are held (e.g., physically, synthetically, or via futures) and the various construction methodologies of different commodity benchmarks.

Endnote

Unless otherwise noted, the source for index returns is FactSet, as of March 31, 2024.

1 Bloomberg Finance, L.P., State Street Global Advisors, as of March 31, 2024.

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Glossary

Emerging Markets Developing countries where the characteristics of mature economies, such as political stability, market liquidity and accounting transparency, are beginning to manifest. Emerging market investments are generally expected to achieve higher returns than developed markets but are also accompanied by greater risk, decreasing their correlation to investments in developed markets.

Developed Markets Refers to countries or market areas with relatively high levels of economic growth, market liquidity and transparency as well as political stability, rule of law and safety.

High Yield A company or bond that is rated 'BB' or lower is known as junk grade or high yield, in which case the probability that the company will repay its issued debt is deemed to be speculative.

Real Assets Physical or tangible assets that have value and often are investable. Real assets include precious metals, commodities, real estate, agricultural land and oil, and their inclusion in most diversified portfolios is considered appropriate.

REITs or Real Estate Investment Trust Companies that own and operate commercial properties, such as office buildings and apartment complexes.

TIPS or Treasury Inflation-Protected Securities Treasury securities that are indexed to inflation in order to protect investors from the negative effects of inflation. TIPS are backed by the US government and are thus considered an extremely low-risk investment. The par value of TIPS rises with inflation, as measured by the Consumer Price Index, while the interest rate remains fixed.

MSCI ACWI Index, or MSCI All Country World Index A free-float weighted global equity index that includes companies in 23 emerging market countries and 23 developed market countries and is designed to be a proxy for most of the investable equities universe around the world.

MSCI Emerging Markets Index The MSCI Emerging Markets Index captures large and mid-cap representation across 23 emerging markets countries. With 834 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI All-Country Asia Pacific Index The index captures large and mid cap representation across 5 Developed Markets countries and 8 Emerging Markets countries in the Asia Pacific region.

S&P 500® Index A popular benchmark for U.S. large-cap equities that includes 500 companies from leading industries and captures approximately 80% coverage of available market capitalization.

Market Regime Indicator (MRI) A proprietary macro indicator developed by the SSGA Investment Solutions Group. The MRI is designed to identify a level of forward-looking, implied volatility. Factors utilized to generate the signal include implied equity and currency volatility as well as spreads on fixed income.

Bloomberg Natural Gas Subindex The index is a commodity group subindex of the Bloomberg CI composed of futures contracts on Natural Gas. It reflects the return of underlying commodity futures price movements only and is quoted in USD.

Bloomberg Precious Metals Subindex Total Return The index is composed of futures contracts on gold and silver. It reflects the return on fully collateralized futures positions and is quoted in USD.

MSCI Europe Index A benchmark capturing large- and mid-cap representation across 15 developed market countries in Europe.

Bloomberg Global Aggregate Bond Index A benchmark that provides a broad-based measure of the global investment-grade fixed income markets. The three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro-Yen corporate bonds, Canadian government, agency and corporate securities, and USD investment-grade 144A securities.

Bloomberg U.S. Corporate High Yield 2% Issuer Cap Index The index measures the performance of high yield corporate bonds, with a maximum allocation of 2% to any one issuer.

Bloomberg U.S. Corporate Bond Index Measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

Core Inflation A measure of inflation that excludes certain items (food and energy) that move with more volatility that other price movements in the economy. Core inflation is considered to reflect the long-term trend in prices more accurately than so-called headline inflation that includes food and energy.

Treasuries The debt obligations of a national government. Also known as "government securities," Treasuries are backed by the credit and taxing power of a country, and are thus regarded as having relatively little or no risk of default.

Commodities A basic good used in commerce that is interchangeable, or "fungible," with other commodities of the same type. Commodities are most often used as inputs in the production of other goods or services For example, crude oil is a commodity that is used to make motor fuels, and heating oil and lubricants.

Bloomberg Commodity Total Return Index The index is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 13 week (3 Month) U.S. Treasury Bills.

FTSE EPRA Nareit Developed Index An index that is designed to track the performance of listed real estate companies and REITS worldwide. By making the index constituents free-float adjusted, liquidity, size and revenue screened, the series is suitable for use as the basis for investment products, such as derivatives and Exchange Traded Funds (ETFs).

Dow Jones U.S. Select REIT Index The index tracks the performance of publicly traded REITs and REIT-like securities and is designed to serve as a proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

Important Risk Information

The views expressed in this material are the views of State Street Global Advisors' Investment Solutions Group (ISG) through the period ended March 31, 2024 and are subject to change based on market and other conditions.

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.

All information is from SSGA unless otherwise noted and has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.

All performance cited is calculated in US dollars unless otherwise stated.

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 not a reliable indicator of future performance.

Index returns reflect capital gains and losses, income, and the reinvestment of dividends.

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.

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.

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

Investing in **REITs** involves certain distinct risks in addition to those risks associated with investing in the real estate industry in general. Equity REITs may be affected by changes in the value of the underlying property owned by the REITs, while mortgage REITs may be affected by the quality of credit extended. REITs are subject to heavy cash flow dependency, default by borrowers and self-liquidation. REITs, especially mortgage REITs, are also subject to interest rate risk (i.e., as interest rates rise, the value of the REIT may decline).

The **index returns** are unmanaged and do not reflect the deduction of any fees or expenses. Investing involves risk including the risk of loss of principal.

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.

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.

Bonds generally present less short-term risk and volatility than stocks but contain interest rate risk (as interest rates rise 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.

Commodities and commodity-index linked securities may be affected by changes in overall market movements, changes in interest rates, and other factors such as weather, disease, embargoes, or political and regulatory developments, as well as trading activity of speculators and arbitrageurs in the underlying commodities.

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