Understanding Our Tax-Sensitive ETF Model Portfolios

State Street Tax-Sensitive ETF Model Portfolios use a disciplined investment process to offer global diversification across a range of risk tolerances. They are designed to be more sensitive to the negative effects of investment-related taxes by capturing the potential tax advantages of SPDR municipal bond ETFs, managed by Nuveen.

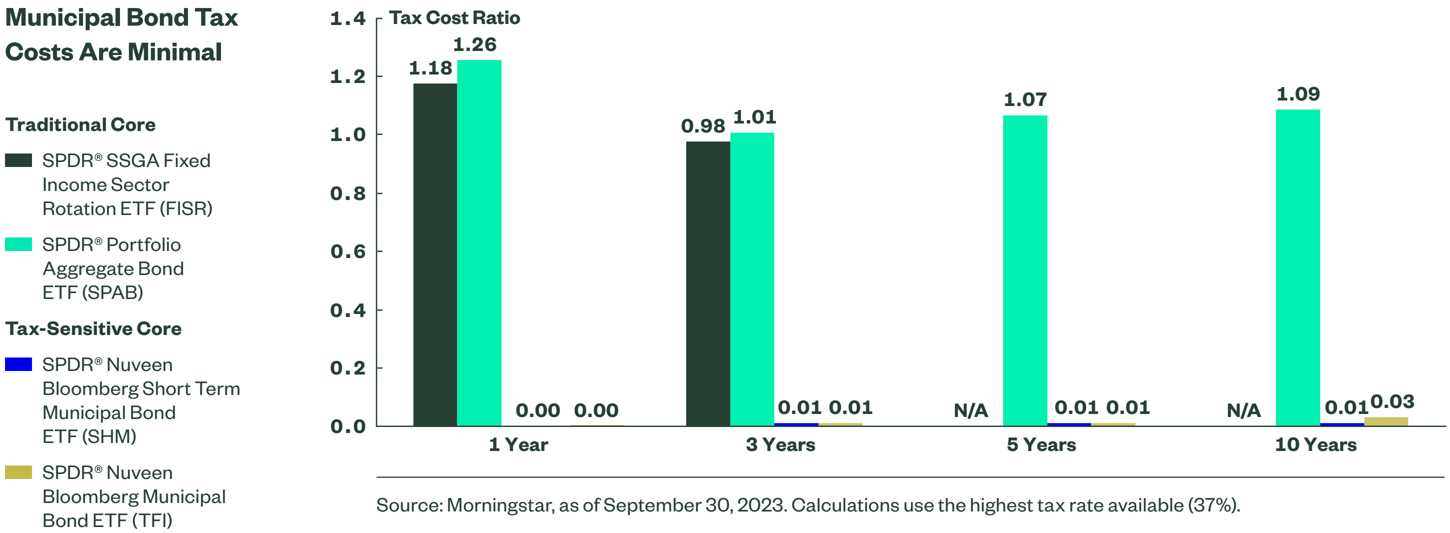
Pursuing Tax Efficiency

ETFs as an Investment Vehicle The model portfolios use ETFs to gain precise exposure to market segments that align with the portfolio's overall goals and respond to changing economic environments. ETFs typically carry low management fees and operating expenses. They are also are generally more tax efficient than other investment vehicles are because they can transfer securities in and out of the portfolio in the most tax-efficient manner, via the in-kind creation/redemption process. And, because ETFs generally track market indexes, turnover is typically low, resulting in fewer capital gains and a lower tax burden. If there are capital gains, they are paid at the time of final sale, so you can better control the timing of tax consequences compared to mutual funds.

Municipal Bond Exposure The portfolios use municipal bond ETFs as their "core" fixed income holding. The inclusion of municipal bonds is likely to produce a higher after-tax yield from the potentially federal tax-exempt status of the municipal bonds the fund holds. This tax-exempt status can increase the after-tax yield compared to traditional fixed income securities. For example, an investor in the 24% tax bracket would need a traditional bond yielding 5.85% to generate the same after-tax income as a municipal bond yielding 4.45%. This benefit increases as the marginal tax bracket of the investor increases.

The following chart shows the historical tax cost of assets used in tax-sensitive versus standard models as a percentage of assets, much like an expense ratio. As shown, municipal bond tax costs are negligible versus the ETF assets that the tax-sensitive strategy is replacing. Over time, these savings can compound to the benefit of the investor.

Municipal Bond Tax Costs Are Minimal



Source: Morningstar, as of September 30, 2023. Calculations use the highest tax rate available (37%).

Tax-Sensitive Implementation

The Investment Solutions Group (ISG), the team that manages the State Street Tax-Sensitive ETF Model Portfolios, also manages money for large institutions around the world, including pensions, central banks, sovereign wealth funds, and endowments. Established in 1982, the 130+ member team reviews qualitative and quantitative inputs to determine overall positioning and implementation. ISG employs the same process when evaluating the duration and credit quality profile of the municipal bond exposure. They can invest in ETFs that have either a short or a long time to maturity, and the funds offer optimized credit exposure from Nuveen. Their research team seeks large, high-quality debt issues, which often have better interest rate coverage relative to commercial bonds. The funds also seek higher credit quality relative to their indexes.

Built in Partnership with Nuveen

- **Research Team** Evaluates municipal bonds, with 25 dedicated analysts seeking value in bonds that may be overlooked.
- **Institutional Access** Navigates the inefficient municipal bond market through established relationships with more than 100 national and regional dealers.
- **Tax-Aware Investing** Trades at institutional prices to capture tax losses and offset gains.

ssga.com

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Diversification does not ensure a profit or guarantee against loss.
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.
The municipal market is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities. Interest rate increases can cause the price of a debt security to decrease. A portion of the dividends you receive may be subject to federal, state, or local income tax or may be subject to the federal alternative minimum tax.
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.
The models presented herein have different investment objectives, costs and expenses. The performance of each model will necessarily depend on the ability of their respective managers to select portfolio investments. These differences, among others, may result in significant disparity in the model's portfolio assets and performance.

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