

SPDR Family Web

State Street Global Advisors, the investment management arm of State Street Corp., provides investment strategies across every asset class, investment approach and style. One of the SPDR ETF family's current objectives is to establish a solid presence in the underrepresented fixed-income segment of the ETF arena. State Street is partnering with Lehman Brothers to provide ETFs based on broad indices both in the U.S. and overseas

Q: What is your investment philosophy?

A: Our philosophy is to develop outstanding products that provide advisors and retail investors with precise exposure to segments of the market that have previously been inefficient or not readily accessible. We believe that SPDR family of ETFs can be used to gain one of the broadest market exposures with differing levels of correlation.

The size of the SPDR family has more than doubled over the last couple of years to include 70 ETFs. Most of our recent focus has been on the international and fixed income markets, which we felt were areas of the ETF industry that didn't have enough offerings.

We have seen considerable success in the international and fixed income space where we have introduced a number of first to market products that reached an untapped need. One example is in international real estate with RWX, the SPDR Dow Jones Wilshire

International Real Estate ETF, which rapidly gathered more than \$1 billion in assets.

An example in fixed income is BWX - the SPDR Lehman International Treasury ETF, which is the first ETF to provide investors with exposure to non-U.S. fixed income markets and their currencies. Launched in October 2007, BWX has already gathered \$800 million in assets. It is a portfolio of non-U.S. sovereign debt, or debt issued by the governments of non-U.S. countries. In the portfolio, you get exposure to 18 countries and 15 currencies. It's broadly diversified - the largest country weighting is Japan at just over 22%, and it has 10% emerging market bond exposure.

The SPDR Lehman International Treasury ETF provides precise exposure to the bonds of those countries and their currencies. These bonds were issued in the local currency and are not dollar denominated. This is one of the most powerful features of BWX - you get di-



THOMAS ANDERSON is a Vice President of State Street Global Advisors and Head of the Strategy and Research Group for the Intermediary Business Group. He is responsible for developing research content for the ETF marketplace, as well as developing and maintaining key relationships within the research, investment and intermediary communities.

Prior to joining the Intermediary Business Group, Anderson was Portfolio Manager and Investment Team Leader in the firm's Charitable Asset Management Group. In this capacity, he was responsible for setting asset allocation strategy and managing charitable-gift portfolios for all CAM customers. Anderson served on the CAM Investment and Annual Account Review Committees. Prior to this role, Anderson was a portfolio manager in the firm's Private Asset Management division, delivering wealth management services to high-net worth investors.

SPDR ETFs

Fund Name	Ticker Symbol	Inception Date	Market Price Returns Since Inception
CORE			
Dow Diamonds	DIA	01/13/98	N/A
SPDR DJ Global Titans ETF	DGT	09/25/00	0.01%
SPDR DJ Wilshire Large Cap ETF	ELR	11/08/05	8.00%
SPDR DJ Wilshire Mid Cap ETF	EMM	11/08/05	9.41%
SPDR DJ Wilshire Small Cap ETF	DSC	11/08/05	7.89%
SPDR DJ Wilshire Total Market ETF	TMW	10/04/00	2.11%
SPDR S&P 500 ETF	SPY	01/29/93	N/A
SPDR S&P Dividend ETF	SDY	11/08/05	3.27%
FIXED INCOME			
SPDR Barclays Capital TIPS ETF	IPE	05/25/07	12.60%
SPDR DB Interl Government Inflation-Protected Bond ETF	WIP	03/13/08	N/A
SPDR Lehman 1-3 Month T-Bill ETF	BIL	05/25/07	3.44%
SPDR Lehman Aggregate Bond ETF	LAG	05/23/07	6.54%
SPDR Lehman California Municipal Bond ETF	CXA	10/10/07	1.67%
SPDR Lehman High Yield Bond ETF	JNK	11/28/07	0.59%
SPDR Lehman Intermediate Term Treasury ETF	ITE	05/23/07	8.69%
SPDR Lehman International Treasury Bond ETF	BWX	10/02/07	8.99%
SPDR Lehman Long Term Treasury ETF	TLO	05/23/07	9.20%
SPDR Lehman Municipal Bond ETF	TFI	09/11/07	1.99%
SPDR Lehman New York Municipal Bond ETF	INY	10/11/07	2.74%
SPDR Lehman Short Term Municipal Bond ETF	SHM	10/10/07	4.08%
INDUSTRY			
DJ EURO STOXX 50 ETF	FEZ	10/15/02	20.13%
DJ STOXX 50 ETF	FEU	10/15/02	15.83%
SPDR DJ Wilshire International Real Estate ETF	RWX	12/19/06	-4.67%
SPDR FTSE/Macquarie Global Infrastructure 100 ETF	GII	01/20/07	10.98%
SPDR MSCI ACWI ex-US ETF	CWI	01/10/07	11.96%
SPDR Russell/Nomura PRIME Japan ETF	JPP	11/09/06	0.75%
SPDR Russell/Nomura Small Cap Japan ETF	JSC	11/09/06	-3.63%
SPDR S&P BRIC 40 ETF	BIK	06/19/07	37.81%
SPDR S&P China ETF	GXC	03/19/07	40.07%
SPDR S&P Emerging Asia Pacific ETF	GMF	03/19/07	27.82%
SPDR S&P Emerging Europe ETF	GUR	03/19/07	25.27%
SPDR S&P Emerging Latin America ETF	GML	03/19/07	55.40%
SPDR S&P Emerging Markets ETF	GMM	03/17/07	33.83%
SPDR S&P Emerging Middle East & Africa ETF	GAF	03/19/07	17.19%
SPDR S&P International Dividend ETF	DWX	02/12/08	N/A
SPDR S&P International Small Cap ETF	GWX	04/20/07	-3.93%
SPDR S&P World ex-US ETF	GWL	04/20/07	0.49%
STYLE			
SPDR DJ Wilshire Large Cap Growth ETF	ELG	09/25/00	-5.91%
SPDR DJ Wilshire Large Cap Value ETF	ELV	09/25/00	4.74%
SPDR DJ Wilshire Mid Cap Growth ETF	EMG	11/08/05	10.91%
SPDR DJ Wilshire Mid Cap Value ETF	EMV	11/08/05	6.99%
SPDR DJ Wilshire Small Cap Growth ETF	DSG	09/25/00	-0.08%
SPDR DJ Wilshire Small Cap Value ETF	DSV	09/25/00	13.15%
SECTOR			
Consumer Discretionary Select Sector SPDR Fund	XLY	12/16/98	3.80%
Consumer Staples Select Sector SPDR Fund	XLP	12/16/98	2.57%
Energy Select Sector SPDR Fund	XLE	12/16/98	16.40%
Financial Select Sector SPDR Fund	XLF	12/16/98	3.23%
Health Care Select Sector SPDR Fund	XLV	12/16/98	4.11%
Industrial Select Sector SPDR Fund	XLI	12/16/98	7.38%
Materials Select Sector SPDR Fund	XLB	12/16/98	10.88%
Morgan Stanley Technology ETF	MTK	09/25/00	-5.78%
Technology Select Sector SPDR Fund	XLK	12/16/98	-1.26%
Utilities Select Sector SPDR Fund	XLU	12/16/98	7.31%
COMMODITIES			
SPDR Gold Shares	GLD	11/12/04	20.80%

Data through: 03/31/2008

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versification within the bond portfolio and the currency exposure. These exposures tend to be inversely related to the U.S. currency.

Q: Why is the product called SPDR?

A: In 2007, we rebranded all of our ETFs under a single umbrella brand-SPDR. Everything we do that’s an exchange traded fund is branded SPDR – it’s a name investors recognize and trust.

Q: How many ETFs are in the family?

A: There are currently 70 ETFs in the SPDR family. Most of our focus in the last year-and-a-half has been on international and fixed income ETFs. In our view, the SPDR ETF family is broad enough and there are enough products with enough diversity that you could build a nice portfolio completely out of SPDR ETFs.

In the last eighteen months, we have added ETFs for regional and emerging markets like Middle East and Africa, Latin America, and the BRIC countries (Brazil, Russia, India, and China). We have added international small cap and global infrastructure ETFs. On the fixed income side, we have added ETFs based on the Lehman Aggregate index,

short term Treasury bills (BIL), as well as inflation protected government securities for the US and international—IPE and WIP, respectively.

Q: Is there an area where you have seen a lot of interest recently?

A: We introduced a municipal bond ETF in September 2007 – the SPDR Lehman Municipal Bond ETF (TFI). Assets have really begun to move into the asset class in 2008, as investors have recognized that municipal bonds are offering compelling value relative to treasuries from a yield standpoint. High yield bonds are another area offering an interesting opportunity to investors, and we have seen strong interest in JNK, our SPDR Lehman High Yield Bond ETF.

Q: Are there areas where you see growth opportunities?

A: Fixed income, in general, is underrepresented in the ETF industry. Bond ETF assets are about 7% of the industry and if you look at mutual funds, it's closer to a third of the industry. So there is a room for the asset base to grow in the fixed income ETFs.

There is also tremendous interest in non-U.S. exposure from institutions, advisors and individual investors. We knew that nobody had effectively covered the non-U.S. bond area well enough. When you look at products like the International REITs, being first to market can be a very important advantage in the ETF market. Being able to offer a product that's truly unique and could become the default brand in that space is significant and we certainly saw that opportunity with international government bonds.

Q: Are bond ETFs linked to any index?

A: For BWX, the international treasury ETF, we are working with Lehman Brothers. By far, the most significant

portion of fixed income ETF assets are based on Lehman indexes. Lehman had an established global treasury ex-US index. For the ETF we needed to use a capped version of this index, as Japan actually represents almost 40% of the non-U.S. Treasury market and we needed to limit the exposure in the fund to 25%.

Our goal is to provide diversification benefits through an ETF that is non-correlated, well represented, and based on a broad index. From an ETF provider standpoint, you need to be comfortable that it's an asset class you can manage and we are fortunate to have extensive management and indexing capabilities both in the U.S. and non-U.S. equity, and the U.S. and non-U.S. fixed income side.

Q: So 25% is capped for Japan and what are the other components of that index?

A: That would be Germany at almost 13%, Italy at 12%, and then Spain and Belgium providing exposure to the Euro and various government maturities.

Q: What would be the third currency exposure besides the Yen and the Euro?

A: The third would be the British pound.

Q: Could you give us another example of a recently launched product?

A: The SPDR Lehman Municipal Bond ETF is a good example.

In working with Lehman, we identified the Lehman Brothers Municipal Managed Money Index, which is a broadly diversified index that's already been screened to eliminate some of the less liquid or more idiosyncratic parts of the muni bond market including Alternative Minimum Tax bonds, hospital bonds, airport bonds, and housing

bonds. The index is of very high quality, AA or higher, which provides access to the most liquid parts of the municipal bond market.

In fact, the Lehman Brothers Municipal Managed Money Index offers higher liquidity and higher quality than the overall municipal bond market. In our view, that made it a better match for an ETF structure.

TFI is the ticker for the SPDR Lehman Municipal Bond ETF. The ETF has seen strong inflow of funds so far in 2008.

Q: How old is the product now?

A: The fund was launched in September of 2007 and currently has \$250 million dollars in assets. Of these assets about \$190 million were gathered this year.

Q: When was the SPDR Gold Shares (GLD) product launched and what has been the progress in asset gathering since then?

A: SPDR Gold Shares (GLD), the first US commodity based exchange traded security, was launched on November 18, 2004, and quickly emerged as one of the fastest growing exchange traded products. Having reached a high of approximately \$21 billion in March of 2008, GLD currently has approximately \$17.1 billion in assets in the Trust as of May 28, 2008. 

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