

Exchange Traded Funds

Are they right for you?



What you need to know...

- What are ETFs?
- What are the benefits of ETFs?
- How do ETFs compare to mutual funds?
- Do ETFs belong in your portfolio?

What are ETFs?

Exchange Traded Fund

[eee'tee'eff'] n., a collection of securities, similar to an index mutual fund, that trades like a stock throughout the day.

Fact: ETFs allow you to track more than 300 domestic and international indexes.



ETFs Offer Diversity

ETFs track the performance of nearly every market capitalization, investment style and asset class – even difficult to access segments of the market.

Choose the right one to match your precise goals.

Diversification does not ensure a profit or guarantee against loss.



ETF Benefits

- Transparency
- Trading flexibility
- Tax efficiency
- Relatively low costs
- Precise market exposure

ETFs vs Mutual Funds





ETFs vs Mutual Funds

There are important differences between ETFs and mutual funds.

Four key differences include:

- Pricing
- Tax consequences
- Fees and expenses
- Minimum investment



Mutual Fund Pricing

Mutual funds are priced at the end of the trading day.

Shareholders purchase and redeem shares at the closing value of the fund.

The price or net asset value (NAV) is the value of the fund's assets, less liabilities, divided by the total number of shares outstanding.





ETF Pricing

ETFs trade all day long at their market value, just like stocks.

Investors buy and sell shares continuously throughout the day.

Investors purchase ETF shares through a brokerage account, just like stocks.



Mutual Funds – Taxes

In order to meet the redemptions of individual shareholders, the fund may have to sell underlying securities, thus triggering capital gains.

Taxes on those gains are absorbed by all shareholders in the fund.

ETFs – Taxes

You decide when to sell your ETF shares, and any associated capital gains tax is yours alone to pay at the time of final sale.

You generally have greater control on the timing of your tax consequences.*

* Changes in an ETF's underlying index could trigger the sale of securities which, in addition to transaction costs, may trigger capital gains. In this scenario, capital on those gains are passed on to ETF shareholders.

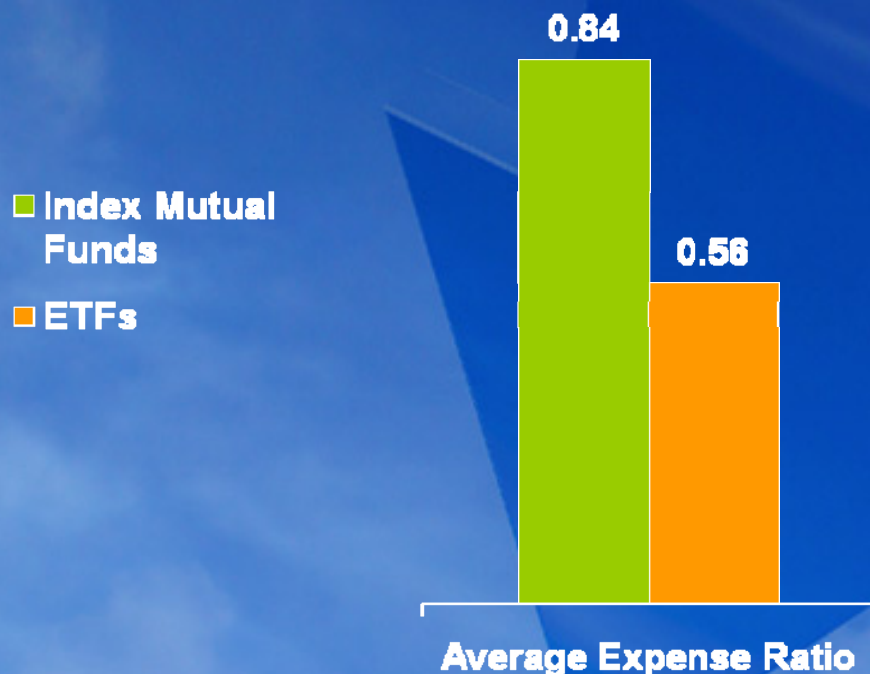
ETFs – Taxes

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In this scenario, capital on those gains are passed on to all ETF shareholders.

Lower Investment Costs

The average expense ratio for ETFs is lower than that of index mutual funds.



Source: Morningstar. Data as of April 2009. Average Prospectus Net Expense ratio for open end Index mutual funds as defined by Morningstar.




No Minimum Investment

With ETFs, there is no minimum investment requirement.* You can purchase as few as one ETF share or as many as you like.

In contrast, some mutual funds may require investment minimums of \$2,500 or more.**

* Subject to brokerage rules/ costs/ fees.

** There are mutual funds that do not require investment minimums.



Do ETFs belong in your portfolio ?

ETFs may help you...

- Diversify your portfolio.
- Balance your portfolio or fill in asset class gaps.
- Create a more tax efficient portfolio.
- Match an ETF to a specific investment objective.



Do ETFs belong in your portfolio ?

Next Step...

Discuss with your trusted financial advisor whether ETFs belong in your portfolio.

Ask how you can use them to pursue your financial goals!

Glossary of Terms

Asset allocation — An investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon. Asset allocation is one of the most important decisions that investors make.

Asset class — A group of securities that are similar and subject to the same laws and regulations. Cash, fixed income and equities are the three main asset classes, and some investment professionals add a fourth – commodities – to the asset class mix.

Diversification — A risk-management technique that mixes a wide variety of investments within a portfolio. The rationale contends that a portfolio of different kinds of investments will, on average, yield higher returns and pose a lower risk than any individual investment found within the portfolio. It strives to smooth out events in a portfolio so that the positive performance of some investments will neutralize the negative performance of others. Diversification does not ensure a profit or guarantee against a loss

Exchange — A market in which securities, commodities, options, or futures are traded.

Expenses — Operating expenses associated with mutual funds that are paid directly by fund investors.

Fees — Costs associated with mutual funds but not included in operating expense are loads and redemption fees, which, if they apply, are paid directly by fund investors.

Index — An imaginary portfolio of securities representing a particular market or a portion of it. Stock and bond market indexes are used to construct index mutual funds and exchange-traded funds (ETFs) whose portfolios mirror the components of the index. The Standard & Poor's 500 is one of the world's best known indexes, and is the most commonly used benchmark for the stock market. It is not possible to invest directly in an index.

Limit orders — An order placed with a brokerage to buy or sell a set number of shares at a specified price or better. Limit orders also allow an investor to limit the length of time an order can be outstanding before being canceled. Limit orders are especially useful on a low-volume or highly volatile stock.

Source: Descriptions based on definitions found on www.investopedia.com

Glossary of Terms

Portfolio — The group of assets - such as stocks, bonds and cash - held by an investor.

Security — An instrument representing ownership (stocks), a debt agreement (bonds), or the rights to ownership (derivatives).

Short selling — The selling of a security that the seller does not own, or any sale that is completed by the delivery of a security borrowed by the seller. Short sellers make money if the stock goes down in price. The use of short selling entails a high degree of risk, may increase potential losses and is not suitable for all investors. Please assess your financial circumstances and risk tolerances prior to short selling.

Stop loss orders — An order placed with a broker to sell a security when it reaches a certain price. It is designed to limit an investor's loss on a security position. In other words, setting a stop-loss order for 10% below the price you paid for the stock would limit your loss to 10%.

Tax-efficient fund — A fund in which structure and operations are based on reducing the tax liability that its shareholders face through strategies such as: purchasing tax-free (or low taxed) investments; keeping the fund's turnover low (stocks held for more than one year are taxed at a lower long-term capital gains rate than short-term transactions); and avoiding income-generating assets, such as dividend-paying stocks.

Source: Descriptions based on definitions found on www.investopedia.com

Disclosure

ETFs trade like stocks, are subject to investment risk and will fluctuate in market value.

Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk.

Past performance is no guarantee of future results.

Frequent trading of ETFs could significantly increase commissions and other costs such that they may offset any savings from low fees or costs.

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