

Investing in Emerging Markets: Maximize the Long-Term Opportunity

Do you know emerging markets make up more than one-third of the world's 15 largest economies? Emerging market economies now make up close to half of all global GDP. According to The World Bank, the growth of emerging countries will continue to outpace that of the developed world in the decades ahead.

WHAT ARE EMERGING MARKETS?

Emerging markets are countries in transition, some emerging markets are industrialized while others are moving from agrarian economies to industrialized ones. While The World Bank defines emerging markets as countries with "low-to-middle" per capita income, their economies can be large (e.g., China) or small in size (e.g., Morocco). What makes them "emerging" is that they are experiencing rapid economic growth catalyzed by reforms, but have yet to reach their full potential.

GROWTH DRIVERS

Emerging markets, which are typically resource-rich in labor or materials, benefit from the following:

- Burgeoning populations (over 80% of the world's people live in emerging countries)
- Younger and increasingly educated workforces
- Rising levels of individual wealth
- Increasing domestic demand for products within emerging countries
- High global demand for labor and raw materials
- Strong flows of foreign direct investment

DIVERSIFICATION BENEFITS*

The concept of diversification is simple: don't put all of your money in one place. Invest in a wide variety of market segments or asset classes unlikely to perform in tandem to reduce the risk of a single investment eroding your portfolio's return. Because emerging markets are not perfectly correlated with the developed markets (i.e., they have not moved exactly in sync), adding broad emerging markets exposure to a traditional portfolio may boost its diversification benefit and, ultimately, lower the overall volatility of your portfolio.¹

*Diversification does not ensure a profit or guarantee against loss.

LONG-TERM RETURN POTENTIAL

Emerging markets possess the potential to exceed developed market returns over the long term. Rapid economic growth tends to translate into stronger company earnings growth and, thus, higher stock prices.

In fact, the figure below shows us that for the ten years ending June 30, 2011, the MSCI Emerging Markets Index posted a 16.20% return, versus a 5.66% return for international developed markets (MSCI EAFE Index) and a 2.72% return for US markets (S&P 500® Index). However, emerging markets are also considered riskier than developed markets, with increased potential for losses.

FIGURE 1: PERFORMANCE AS OF 6/30/2011

	QTD (%)	1 YEAR (%)	3 YEARS (%)	5 YEARS (%)	7 YEARS (%)	10 YEARS (%)
S&P 500 INDEX	0.10	30.69	3.34	2.94	4.22	2.72
MSCI EAFE INDEX	1.56	30.36	-1.77	1.48	6.44	5.66
MSCI EMERGING MARKETS INDEX	-1.15	27.80	4.22	11.42	17.69	16.20

Source: S&P, MSCI.

ASSESSING THE RISKS

Emerging markets can be highly volatile and investing in them entails unique risks, including but not limited to:

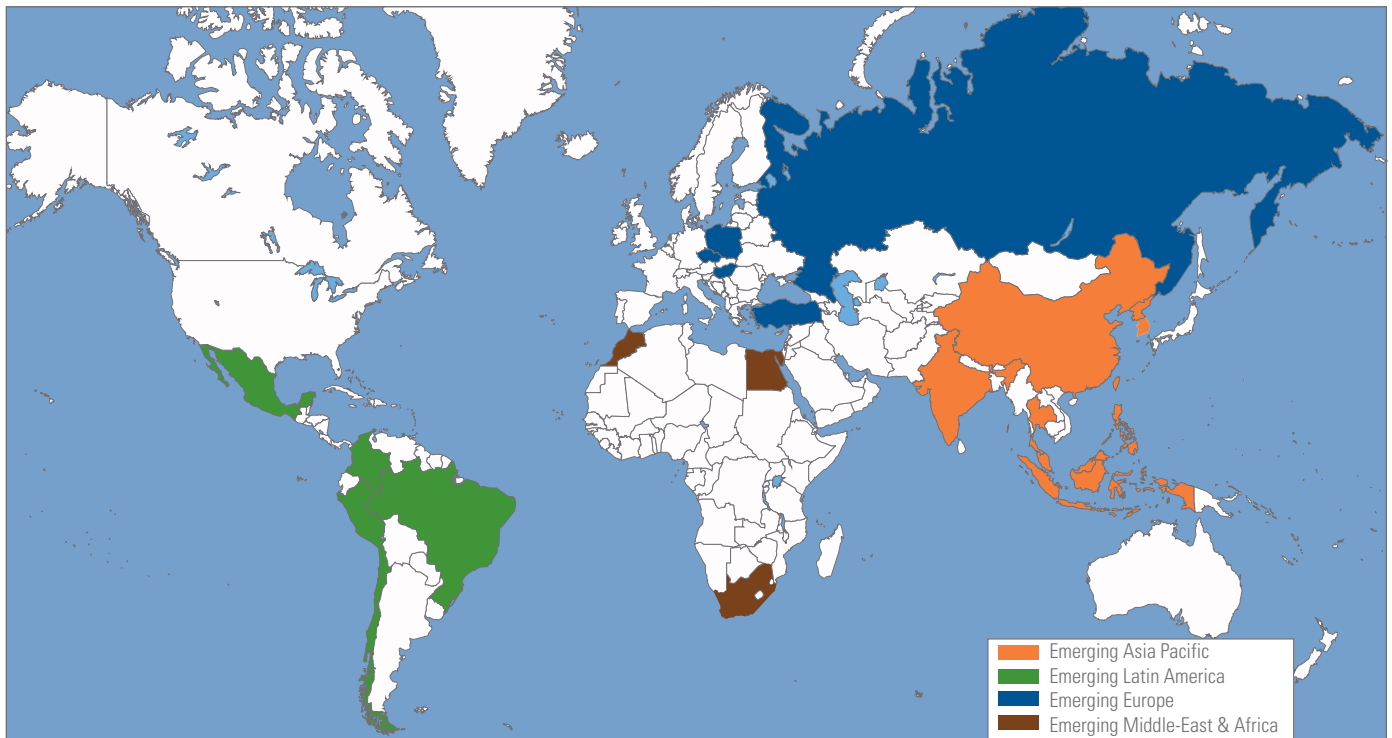
- Economic risks, such as local currency depreciation or significant policy changes that dramatically impact market performance
- Regulatory and operational challenges, such as lack of accounting, quality or information standards
- Political uncertainty or upheaval, such as social instability within an emerging country or region

IS INVESTING IN EMERGING MARKETS RIGHT FOR YOU?

As emerging economies mature and become more accessible to foreign investment, the availability of mutual funds and ETFs that track these markets increases, making investing in this asset class possible for an ever widening number of investors. By holding a diversified emerging market index fund or ETF long enough to capture growth over time, regardless of short-term ups and downs in the market, you may be able to improve your portfolio's diversification benefit and long-term return potential.

If you're a long-term investor who doesn't shy away from sudden short-term market turbulence, consult with your advisor about whether adding a modest amount of diversified emerging markets exposure to your portfolio can help you improve your long-term investment outlook.

EMERGING MARKETS REGIONS



COUNTRIES IN EMERGING MARKETS REGIONS

Asia Pacific	Latin America	Europe	Middle East & Africa
 China	 Brazil	 Czech Republic	 Egypt
 India	 Chile	 Hungary	 Morocco
 Indonesia	 Colombia	 Poland	 South Africa
 Korea	 Mexico	 Russia	
 Malaysia	 Peru	 Turkey	
 Philippines			
 Republic of China (Taiwan)			
 Thailand			

Source: MSCI International Equity Indices, www.msibarra.com, as of 6/30/2011.

INDEX DEFINITIONS

S&P 500® INDEX

The S&P 500 Index is composed of 500 selected stocks, all of which are listed on the Exchange, the NYSE or NASDAQ, and spans over 24 separate industry groups. Since 1968, the S&P 500 Index has been a component of the US Commerce Department's list of Leading Indicators that track key sectors of the US economy. Current information regarding the market value of the S&P 500 Index is available from market information services. The S&P 500 Index is determined, comprised and calculated without regard to the Trust.

MSCI EAFE INDEX

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.²

MSCI EMERGING MARKETS INDEX

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.³

TALK TO YOUR FINANCIAL ADVISOR

If this topic interests you or you want to learn more about investing in emerging markets, contact your financial advisor.

ABOUT SPDR® ETFS

SPDR ETFs are a comprehensive fund family of over 100 ETFs, spanning an array of international and domestic asset classes. Offered by State Street Global Advisors, SPDR ETFs provide investors with the flexibility to select investments that are precisely aligned to their investment strategy. Recognized as the industry pioneer, State Street created the first ETF in 1993 (SPDR S&P 500® – Ticker SPY). Since then, we've sustained our place as an industry innovator through the introduction of many ground-breaking products, including first-to-market launches with gold, international real estate, international fixed income and sector ETFs.

For information about our ETF family, visit www.spdrs.com

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¹ Source: SSgA Global ETF Strategy & Research.

² As of May 30, 2011.

³ As of May 30, 2011.

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IMPORTANT RISK INFORMATION

ETFs trade like stocks, 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.

Foreign investments involve greater risks than US investments, including political and economic risks and the risk of currency fluctuations, all of which may be magnified in emerging markets.

Diversification does not ensure a profit or guarantee against loss.

Past performance is no guarantee of future results.

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

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