

# ETF Analyzer

June 2011

## *Select Sector SPDR Edition*

- ▶ Evaluate Sector SPDRs based on investment merit using fundamental data and analysis
- ▶ Compare Sector SPDRs with ease on a variety of forward-looking valuation metrics
- ▶ Succinct reports in three easy-to-read sections: Investment Summary, Fundamentals, and Composition

## Disclosures

### Limitations on Usage

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### Risks

Select Sector SPDR Fund shareholders are subject to risks similar to those of holders of other sector stock portfolios. One primary consideration is that the general level of stock prices may decline, and thus the value of Select Sector SPDRs may decline. A Select Sector SPDR Fund may also be adversely affected by the performance of the specific sector or group of industries upon which it is based. You can expect that shares in a Select Sector SPDR Fund will move up or down in value with the value of its related Select Sector Index. In addition, the overall depth and liquidity of the secondary market in these shares may fluctuate.

Although Select Sector SPDR Funds are designed to provide investment results that, before expenses, generally correspond to the price and yield performance of their related Select Sector Indexes, the Funds of the Select Sector SPDR Trust may not be able to exactly replicate the performance of the Select Sector Indexes because of expenses and other factors.

Over time, the stock holdings of each Select Sector SPDR Fund may be rebalanced to reflect changes in the composition of its related index. A Select Sector SPDR Fund would incur transaction costs and other expenses as a result of rebalancing. Furthermore, a Select Sector SPDR Fund would realize capital gains or losses from the sale of securities in a rebalancing. Net long-term capital gains, if any, will be distributed to shareholders as capital gains distributions at least annually.

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There are no sales loads on Select Sector SPDR shares but ordinary brokerage commissions may apply and this expense is not reflected in performance calculations.

The stocks included in each Select Sector Index were selected by the compilation agent. Their composition and weighting can be expected to differ to that in any similar indexes that are published by the S&P.

### Data Definitions & Reliability

AltaVista believes the information contained in this report to be reasonably accurate at the time of publication, but makes no warranties with respect to its accuracy. Calculations of fundamental data are based on a weighted average of consensus estimates and reported results for current index constituents. As a result, historical figures for fundamental data such as dividends per share may not reflect those actually paid by the fund. To the extent that index reconstitution and rebalancing have altered fund composition, these differences may be significant. Definitions for some commonly used financial terms are as follows:

**Earnings/Net Income:** Unless denoted as a GAAP figure, earnings are calculated on a "pro forma" basis using consensus EPS results/estimates for the individual constituents of each fund, multiplied by the float-adjusted shares outstanding.

**Cash Flow:** Adds depreciation and amortization to consensus earnings estimates

**Standard deviation:** Statistical measure of volatility. For price, 3 years of monthly return data is used, and figures shown are annualized. For earnings, figure is based on analysts' individual EPS estimate contributions to consensus earnings.

**Beta:** Measures relative volatility of ETF versus S&P 500 by comparing 3 years of monthly return data.

**Book Value:** Common Equity as reported by fund constituents according to GAAP. Forecasts reflect pro-forma calculations using most recently reported figures, plus earnings less dividends.

**Dividends per share-gross:** Dividends paid by companies in the fund on a "pro forma" basis. Differs from actual dividends paid by the fund to shareholders due to index changes over time and fund expenses, as well as timing of distributions.

**Return on Equity:** Net income divided by average common equity over the period.

**Long-term growth:** Uses consensus estimates of 3-5 year earnings growth for individual constituents of each fund to calculate a float-adjusted earnings-weighted growth rate for the fund as a whole.

**Trend in Current FY Estimates:** Illustrates changes in consensus estimates over time by examining the monthly change in current fiscal year EPS estimates for individual constituents of each fund. Base period is set equal to 100.

### Additional information is available upon request.

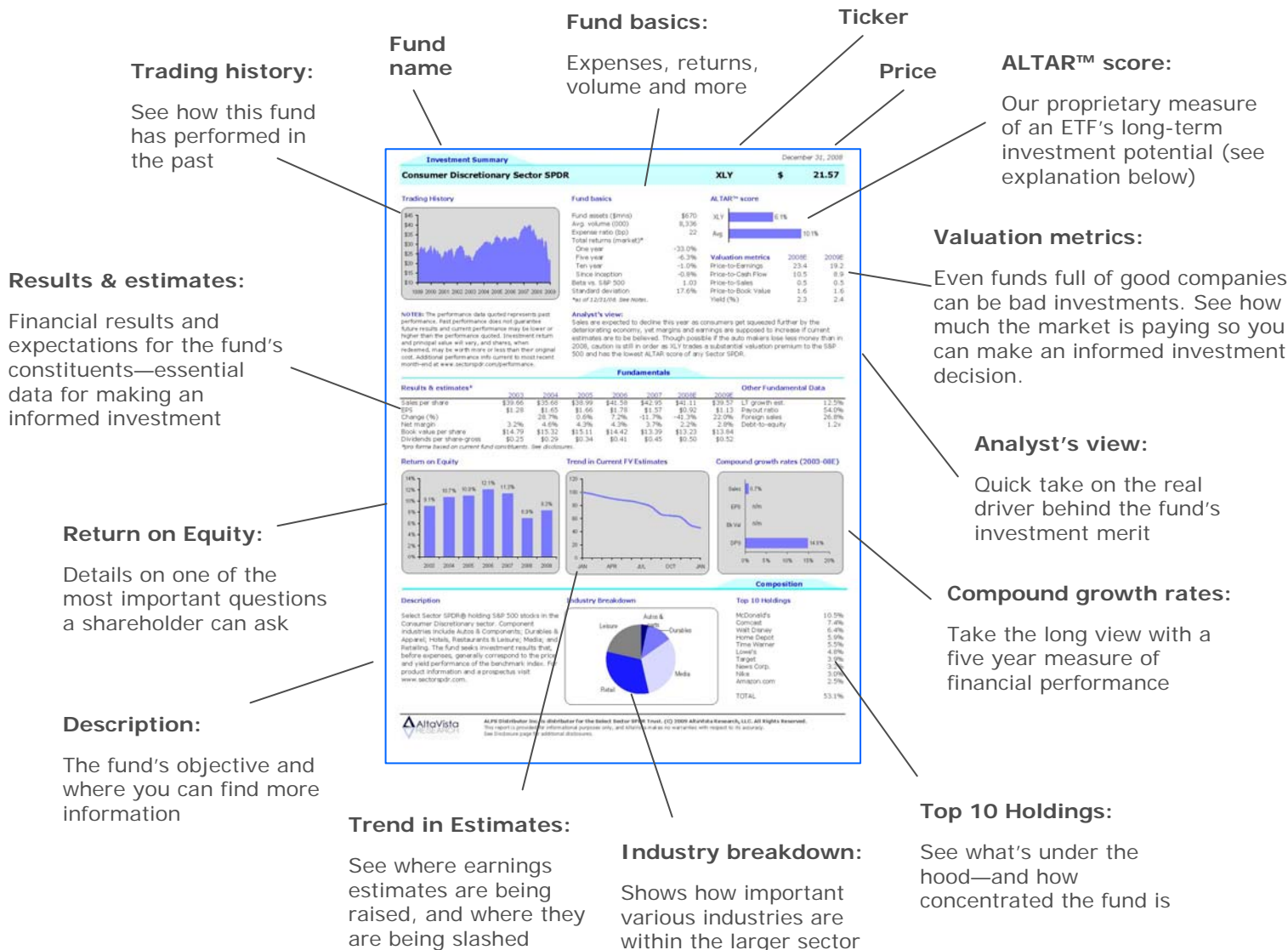
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## How to use this guide

### A fundamentally different approach

This guide presents fundamental data and analysis on each of the nine Select Sector SPDR funds so you can view and value them the way you would a single stock. Each Fund Detail page covers a single Sector SPDR with a wealth of information, organized into three sections: Investment Summary, Fundamentals, and Composition. The diagram below illustrates and explains each feature.

A Valuation Guide also helps you quickly see how each Select Sector SPDR is valued on a variety of forward-looking valuation metrics, both against other Sector SPDRs as well as the S&P 500. Use this data and analysis as a reference to help you make timely and informed decisions based on your own investment objectives.



### The ALTAR™ score

The AltaVista Long Term Annual Return (ALTAR™) forecast is AltaVista's proprietary measure of an ETF's long run investment potential based on the likely *internal* return to new shareholders. It is calculated by dividing the average return on equity (ROE) by the price-to-book value (P/BV) multiple, less the fund's expense ratio. It can be used to compare ETFs on investment merit, but is not intended as a prediction of future market performance. For more information go to [www.altavista-research.com/altar.htm](http://www.altavista-research.com/altar.htm).

### Keeping up-to-date

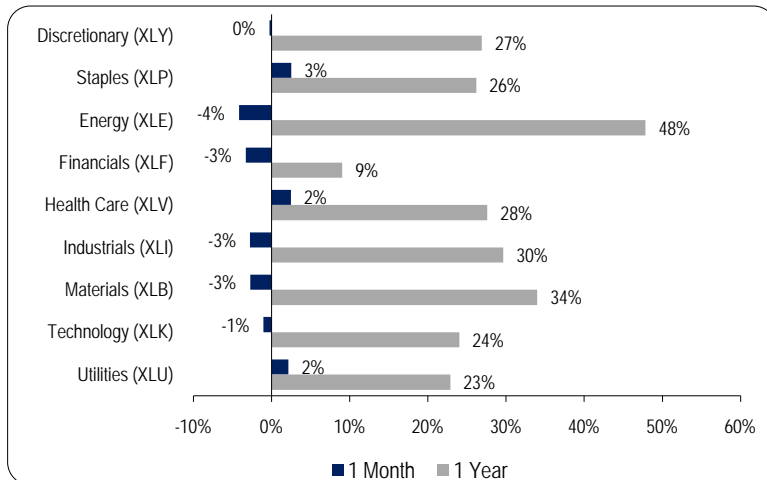
Market conditions and earnings expectations are changing all the time. Keep up-to-date with free monthly updates to this guide at [www.sectorspdrs.com](http://www.sectorspdrs.com) under "Research." Those needing more frequent updates can subscribe to the ETF Research Center at [www.etfresearchcenter.com](http://www.etfresearchcenter.com). It contains daily updates on fundamentals and valuation metrics for each of the Sector SPDRs plus all the other ETFs covered by AltaVista, and includes AltaVista's monthly newsletter, *ETF Advisor*, to keep you abreast of how changes in the economy and market may affect the investment outlook.

### ETF Analyzer: Select Sector SPDR edition

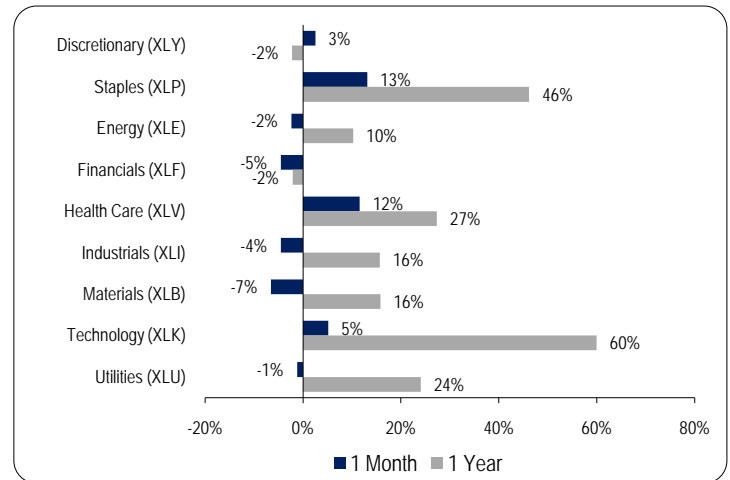
	Market Activity & Breakdown	5
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XLY	Consumer Discretionary Sector SPDR	8
XLP	Consumer Staples Sector SPDR	9
XLE	Energy Sector SPDR	10
XLF	Financial Sector SPDR	11
XLV	Health Care Sector SPDR	12
XLI	Industrial Sector SPDR	13
XLB	Materials Sector SPDR	14
XLK	Technology Sector SPDR	15
XLU	Utilities Sector SPDR	16

## Market Activity &amp; Breakdown

## Total Returns\* (last month &amp; one year)

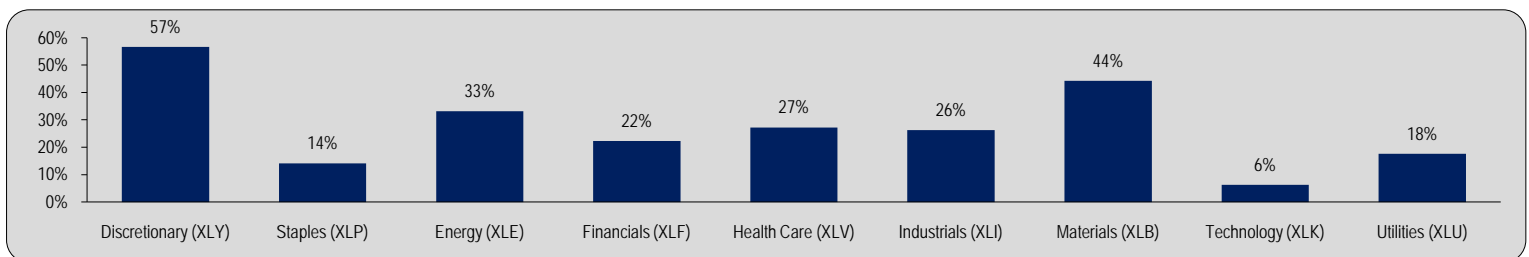


## Changes in Shares Outstanding (last month &amp; one year)

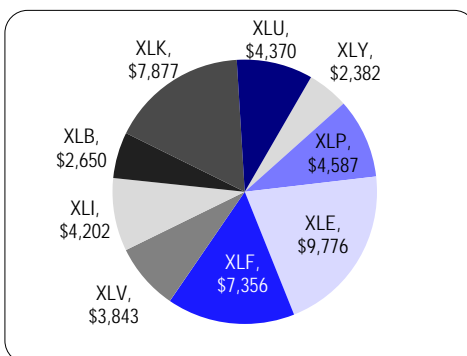


**\*NOTE:** The performance data quoted represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the performance quoted. Investment return and principal value will vary, and shares, when redeemed, may be worth more or less than their original cost. Additional performance info current to most recent month-end at [www.sectorspdr.com/performance](http://www.sectorspdr.com/performance).

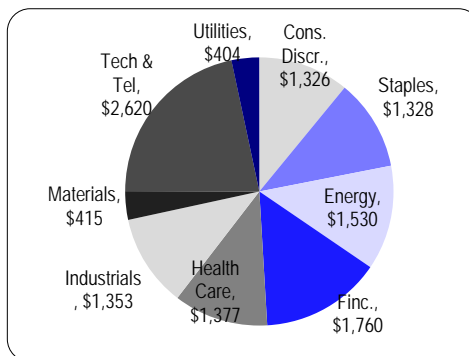
## Short Interest (as a percentage of total shares outstanding)



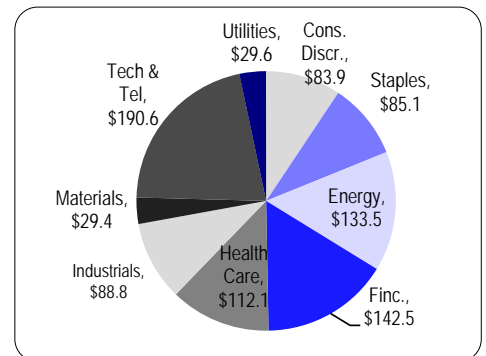
## Assets Under Management (\$mns)



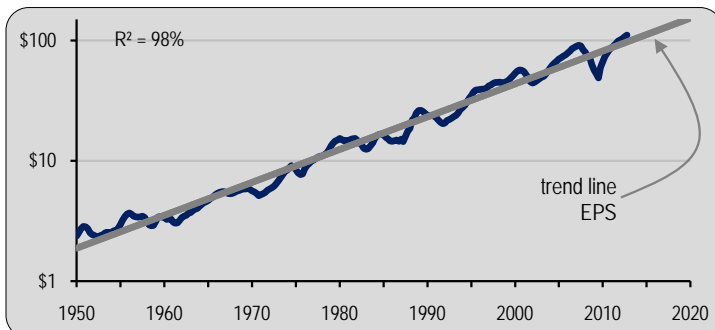
## S&amp;P500 Market Cap by Sector (\$bns)



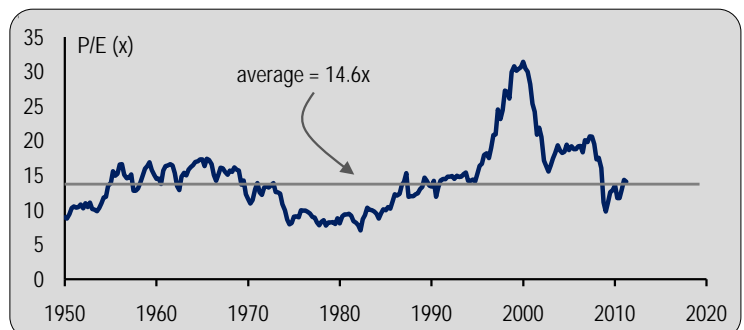
## S&amp;P500 2011E Profits by Sector (\$bns)



## S&amp;P500 Operating Earnings (4 qtrs. rolling, 1950-present)



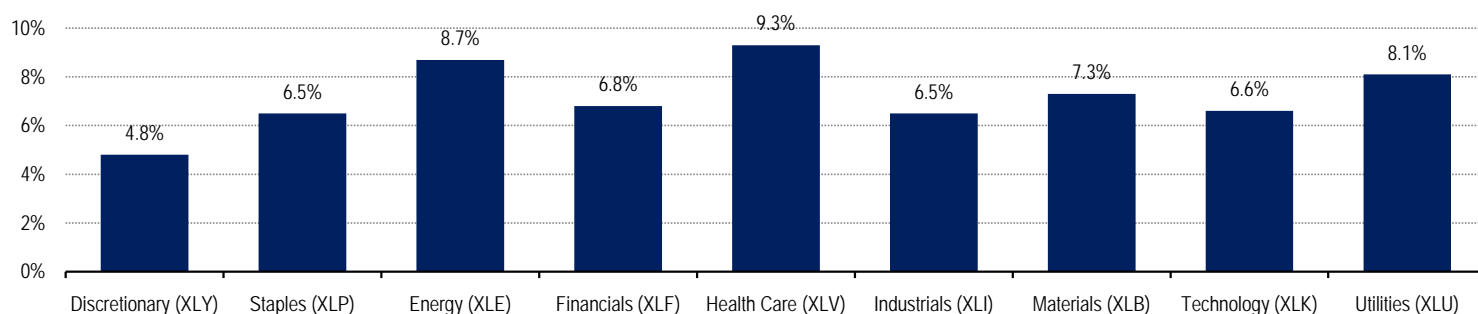
## S&amp;P500 Forward P/E multiple on Trend-line EPS



## Select Sector SPDRs

This page provides a summary of valuation metrics for the Select Sector SPDRs and S&P 500 which may be considered when buying or selling these funds.

## ALTAR Score™



## Calculation of ALTAR Score™

	Avg. ROE (07-11E)	Div. by 11 P/BV	Less Exp.	equals ALTAR™
Discretionary (XLY)	13.8%	2.7x	20 bp	4.8%
Staples (XLP)	21.3%	3.2x	20 bp	6.5%
Energy (XLE)	18.0%	2.0x	20 bp	8.7%
Financials (XLF)	7.4%	1.1x	20 bp	6.8%
Health Care (XLV)	21.4%	2.2x	20 bp	9.3%
Industrials (XLI)	18.1%	2.7x	20 bp	6.5%
Materials (XLB)	18.1%	2.4x	20 bp	7.3%
Technology (XLK)	18.9%	2.7x	20 bp	6.6%
Utilities (XLU)	12.2%	1.5x	20 bp	8.1%

## Risk measures: Standard Deviation

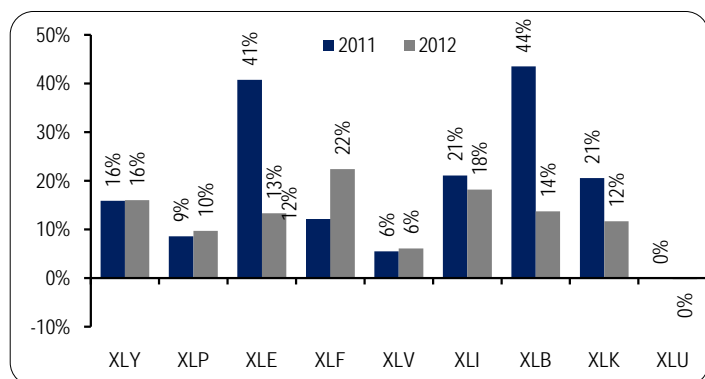
Prices (3yr Ann.)	Earnings Est. 2011-12E
27.2%	1.9%
14.9%	1.5%
26.7%	2.8%
37.1%	3.1%
17.9%	1.2%
28.8%	1.3%
29.9%	1.3%
23.4%	2.0%
16.9%	1.9%

**NOTE:** The AltaVista Long Term Annual Return (ALTAR) forecast is our proprietary measure of an ETF's likely internal return to new shareholders over the coming years. It is calculated by dividing average Return on Equity by the price-to-book value multiple, less the fund's expense ratio. It can be used to compare funds based on investment merit, but it is not intended as a prediction of future performance. For more information go to [www.etfresearchcenter.com](http://www.etfresearchcenter.com).

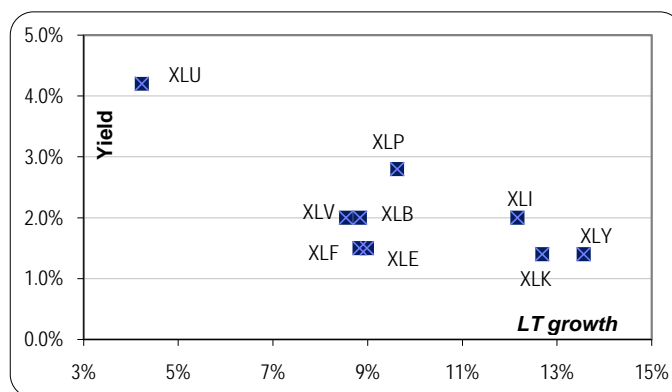
## Valuation multiples (based on 2011 estimates)

	Price	P/E	PEG	P/CF	P/Sales	P/BV	Yield
Discretionary (XLY)	\$40.44	15.8	1.1	9.9	1.1	2.7	1.4
Staples (XLP)	\$32.31	15.5	1.6	11.7	0.9	3.2	2.8
Energy (XLE)	\$77.11	12.4	1.3	7.0	1.0	2.0	1.5
Financials (XLF)	\$15.84	12.3	1.3	6.7	1.6	1.1	1.5
Health Care (XLV)	\$36.11	12.6	1.4	9.8	1.2	2.2	2.0
Industrials (XLI)	\$37.63	15.3	1.2	10.8	1.2	2.7	2.0
Materials (XLB)	\$39.75	13.4	1.5	9.0	1.1	2.4	2.0
Technology (XLK)	\$26.46	13.9	1.0	9.2	2.1	2.7	1.4
Utilities (XLU)	\$33.87	13.5	3.1	6.0	1.1	1.5	4.2
S&P500	1,345.20	13.5	1.3	8.8	1.3	2.0	1.9

## Earnings per share growth



## Yield vs. long-term growth



Note: All valuation metrics on this page calculated based on consensus estimates of current fund constituents, as collected by Thomson/Reuters and Bloomberg. Definitions of technical terms can be found on page 2 of this document.

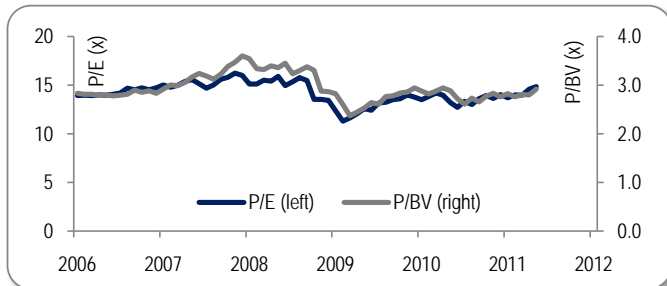
## Select Sector SPDRs

## Trends in P/E and P/BV multiples

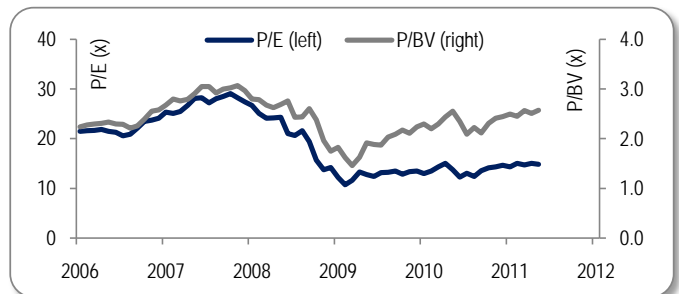
This page contains historical price-to-earnings (P/E) and price-to-book value (P/BV) multiples based on rolling twelve-months' earnings and book value per share figures, respectively, for each Sector SPDR (maximum value of 100). It illustrates how these funds have traded in the recent past in relation to these two valuation metrics.

Investors may consider this along with other data and information when buying or selling these funds.

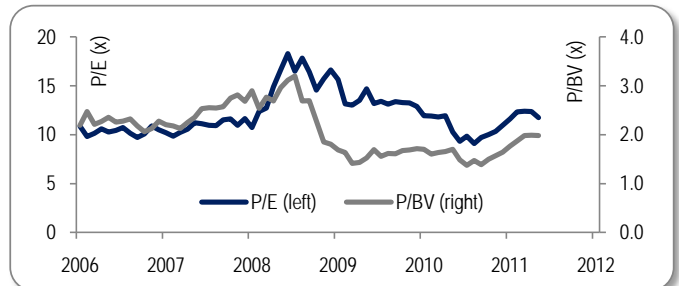
## Consumer Staples Sector (XLP)



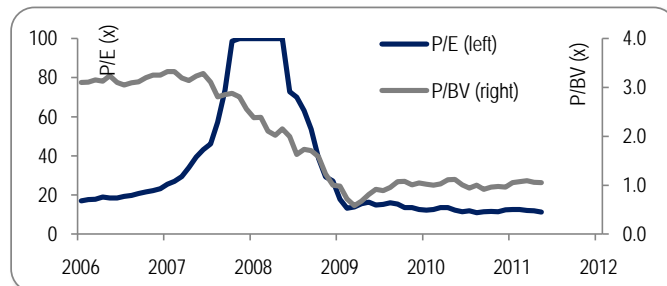
## Consumer Discretionary Sector (XLY)



## Energy Sector (XLE)

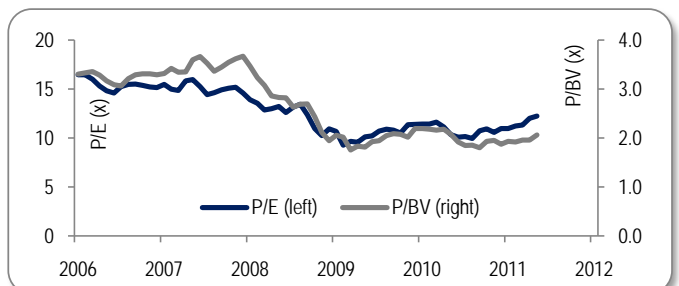


## Financial Sector (XLF) \*

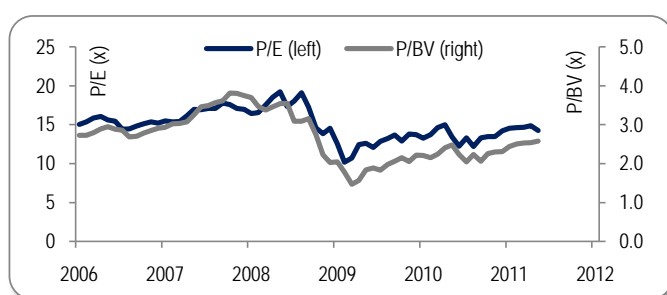


\*Note: maximum P/E = 100, may also indicate losses

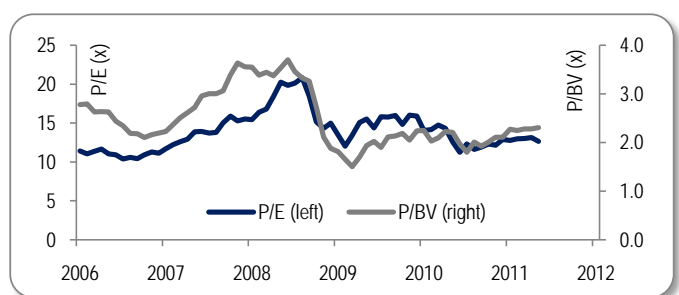
## Health Care Sector (XLV)



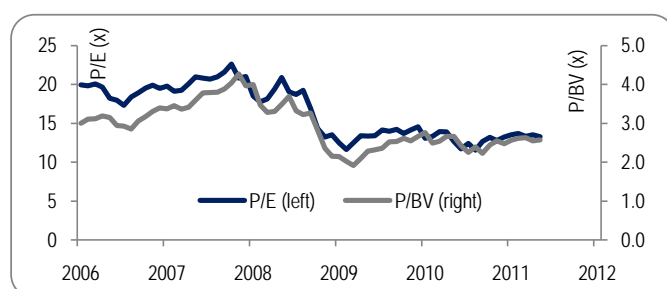
## Industrials Sector (XLI)



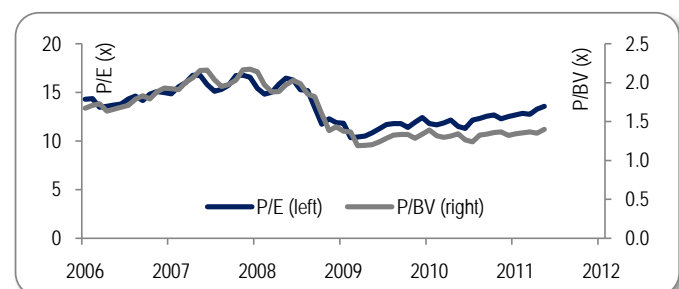
## Materials Sector (XLB)



## Technology Sector (XLK)



## Utilities Sector (XLU)





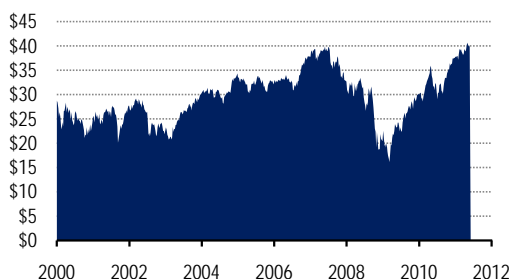
## Consumer Discretionary Sector SPDR

XLY

\$

40.44

## Trading History



## Fund basics

Fund assets (\$mns)	2,382
Avg. volume (000)	6,799
Expense ratio (bp)	20
Total returns (market)*	
One year	26.9%
Five year	5.3%
Ten year	4.9%
Since inception	4.8%
Beta vs. S&P 500	1.16
Standard deviation	27.2%

\*as of 05/31/11. See Notes.

## ALTAR™ score



Valuation metrics	2011E	2012E
Price-to-Earnings	15.8	13.6
Price-to-Cash Flow	9.9	8.9
Price-to-Sales	1.1	1.0
Price-to-Book Value	2.7	2.4
Yield (%)	1.4	1.5

**NOTES:** The performance data quoted represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the performance quoted. Investment return and principal value will vary, and shares, when redeemed, may be worth more or less than their original cost. Additional performance info current to most recent month-end at [www.sectorspdr.com/performance](http://www.sectorspdr.com/performance).

## Analyst's view:

Expectations are that both margins and ROE will reach record levels in 2011-12E as employment and consumption continue to recover, suggesting that firms in XLY are much leaner than before the great recession. Nonetheless, shares are trading near all-time highs (seen during the housing bubble) despite a more subdued long-term outlook given the shift by consumers away from debt in favor of saving. As a result valuation multiples are already rich, giving XLY the lowest ALTAR Score of any Sector SPDR.

## Fundamentals

## Results &amp; estimates\*

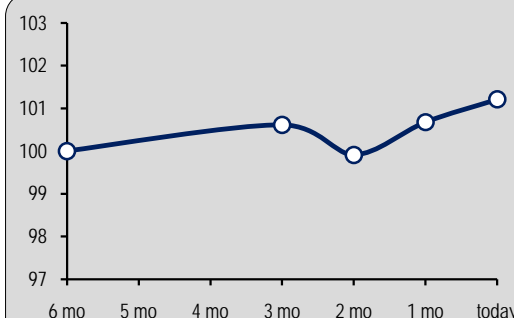
	2006	2007	2008	2009	2010	2011E	2012E	Other Fundamental Data	
Sales per share	\$33.60	\$35.51	\$34.88	\$32.22	\$34.29	\$37.05	\$39.56	LT growth est.	13.6%
EPS	\$1.54	\$1.59	\$1.19	\$1.52	\$2.20	\$2.55	\$2.97	Payout ratio	22.4%
Change (%)		3.2%	-25.0%	27.2%	45.0%	15.9%	16.0%	Foreign sales	27.2%
Net margin	4.6%	4.5%	3.4%	4.7%	6.4%	6.9%	7.5%	Debt-to-equity	1.1x
Book value per share	\$14.58	\$14.59	\$11.69	\$11.73	\$12.80	\$14.78	\$17.13		
Dividends per share-gross	\$0.36	\$0.40	\$0.45	\$0.40	\$0.53	\$0.57	\$0.62		

\*pro forma based on current fund constituents. See disclosures.

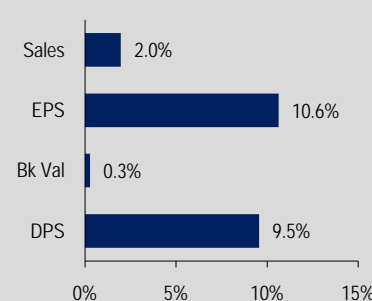
## Return on Equity



## Trend in Current FY Estimates



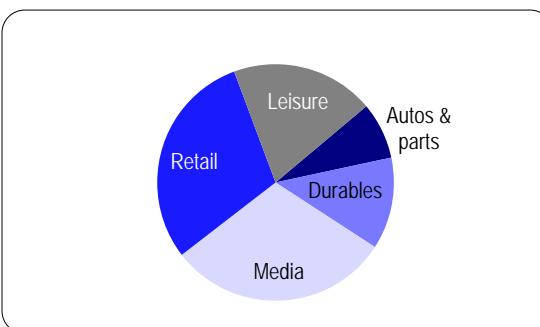
## Compound growth rates (2006-11E)



## Top 10 Holdings

MCDONALD'S CORP	6.6%
WALT DISNEY CO/THE	6.1%
AMAZON.COM INC	5.4%
COMCAST CORP-CL A	5.4%
HOME DEPOT INC	4.6%
FORD MOTOR CO	4.3%
NEWS CORP-CL A	3.2%
DIRECTV GROUP INC/THE	3.1%
TIME WARNER INC	3.1%
TARGET CORP	2.7%
TOTAL	44.4%

## Industry Breakdown



## Description

Select Sector SPDR® holding S&P 500 stocks in the Consumer Discretionary sector. Component industries include Autos & Components; Durables & Apparel; Hotels, Restaurants & Leisure; Media; and Retailing. The fund seeks investment results that, before expenses, generally correspond to the price and yield performance of the benchmark index. For product information and a prospectus visit [www.sectorspdr.com](http://www.sectorspdr.com).



## Consumer Staples Sector SPDR

XLP

\$

32.31

## Trading History



**NOTES:** The performance data quoted represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the performance quoted. Investment return and principal value will vary, and shares, when redeemed, may be worth more or less than their original cost. Additional performance info current to most recent month-end at [www.sectorspdr.com/performance](http://www.sectorspdr.com/performance).

## Fund basics

Fund assets (\$mns)	4,587
Avg. volume (000)	9,474
Expense ratio (bp)	20
Total returns (market)*	
One year	26.2%
Five year	8.9%
Ten year	4.5%
Since inception	3.6%
Beta vs. S&P 500	0.61
Standard deviation	14.9%

\*as of 05/31/11. See Notes.

## ALTAR™ score



Valuation metrics	2011E	2012E
Price-to-Earnings	15.5	14.1
Price-to-Cash Flow	11.7	10.5
Price-to-Sales	0.9	0.9
Price-to-Book Value	3.2	2.8
Yield (%)	2.8	3.1

## Analyst's view:

Sales growth is likely resume this year as firms pass along higher costs for raw materials in order to maintain and possibly improve margins, but recent quarterly results suggest current margin forecasts may be under pressure. In any case, XLP's rich price-to-book value multiple reflects the sector's relatively high and stable profitability (ROE) over the long term, resulting in an ALTAR Score slightly below average.

## Fundamentals

## Results &amp; estimates\*

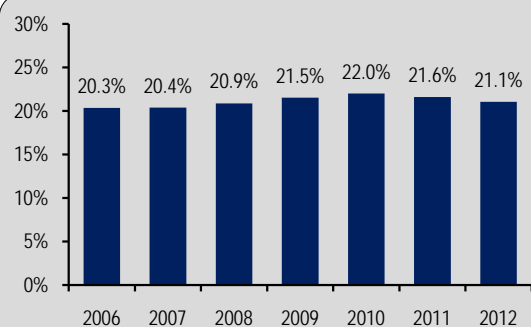
	2006	2007	2008	2009	2010	2011E	2012E
Sales per share	\$27.64	\$29.98	\$32.29	\$32.26	\$32.55	\$35.09	\$36.71
EPS	\$1.67	\$1.77	\$1.80	\$1.78	\$1.92	\$2.09	\$2.29
Change (%)		6.3%	1.5%	-1.3%	8.3%	8.6%	9.7%
Net margin	6.0%	5.9%	5.6%	5.5%	5.9%	6.0%	6.2%
Book value per share	\$8.14	\$9.03	\$8.10	\$8.39	\$9.09	\$10.25	\$11.54
Dividends per share-gross	\$0.57	\$0.65	\$0.71	\$0.77	\$0.84	\$0.92	\$1.01

\*pro forma based on current fund constituents. See disclosures.

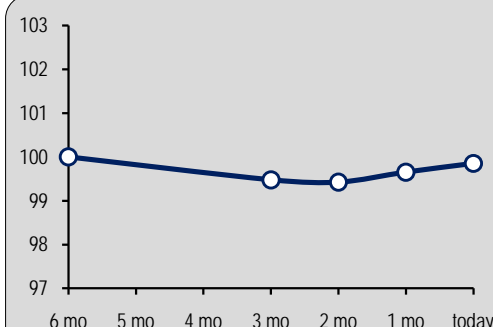
## Other Fundamental Data

LT growth est.	9.6%
Payout ratio	44.2%
Foreign sales	28.2%
Debt-to-equity	0.8x

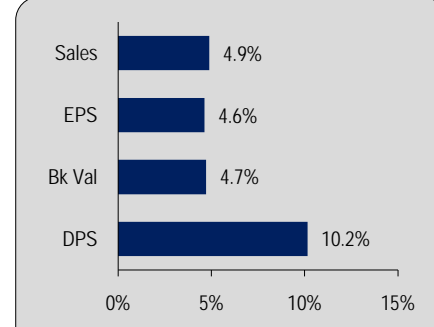
## Return on Equity



## Trend in Current FY Estimates



## Compound growth rates (2006-11E)

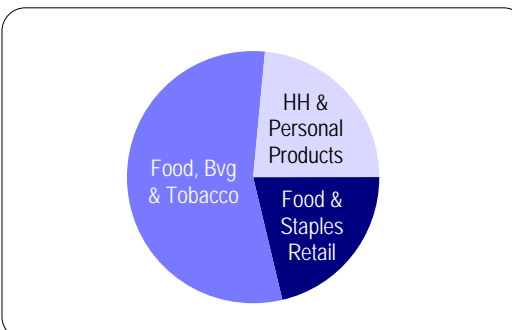


## Composition

## Top 10 Holdings

PROCTER & GAMBLE CO/THE	14.5%
PHILIP MORRIS INTERNATIONAL	10.0%
WAL-MART STORES INC	8.4%
COCA-COLA CO/THE	7.0%
KRAFT FOODS INC-CLASS A	4.7%
CVS CAREMARK CORP	4.6%
ALTRIA GROUP INC	4.6%
PEPSICO INC	4.4%
COLGATE-PALMOLIVE CO	3.7%
WALGREEN CO	3.3%
TOTAL	65.1%

## Industry Breakdown



## Description

Select Sector SPDR® holding S&P 500 stocks in the Consumer Staples sector. Component industries include Food & Staples Retailing, Food, Beverage & Tobacco producers, and Household and Personal Products companies. The fund seeks investment results that, before expenses, generally correspond to the price and yield performance of the benchmark index. For product information and a prospectus visit [www.sectorspdr.com](http://www.sectorspdr.com).

## Energy Sector SPDR

XLE

\$

77.11

## Trading History



**NOTES:** The performance data quoted represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the performance quoted. Investment return and principal value will vary, and shares, when redeemed, may be worth more or less than their original cost. Additional performance info current to most recent month-end at [www.sectorspdr.com/performance](http://www.sectorspdr.com/performance).

## Fund basics

Fund assets (\$mns)	9,776
Avg. volume (000)	23,197
Expense ratio (bp)	20
Total returns (market)*	
One year	47.8%
Five year	8.4%
Ten year	10.4%
Since inception	11.8%
Beta vs. S&P 500	0.95
Standard deviation	26.7%

\*as of 05/31/11. See Notes.

## ALTAR™ score



Valuation metrics	2011E	2012E
Price-to-Earnings	12.4	10.9
Price-to-Cash Flow	7.0	6.2
Price-to-Sales	1.0	0.9
Price-to-Book Value	2.0	1.8
Yield (%)	1.5	1.6

## Analyst's view:

The rise in oil prices should result in a double-digit increase in EPS again this year, while next year profits are forecast to surpass their previous peak, even though growth will likely moderate. The recent rally in share prices has reduced the sector's upside potential, although XLE maintains an above average ALTAR Score. Longer term, new technology should result in more plentiful supplies of US oil (nat. gas supplies are already up) and ultimately lower energy prices.

## Fundamentals

## Results &amp; estimates\*

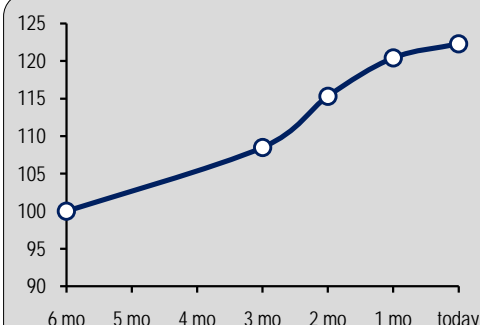
	2006	2007	2008	2009	2010	2011E	2012E	Other Fundamental Data	
Sales per share	\$60.32	\$64.68	\$79.55	\$50.31	\$61.74	\$77.91	\$83.40	LT growth est.	9.0%
EPS	\$5.29	\$5.59	\$6.81	\$2.87	\$4.42	\$6.23	\$7.06	Payout ratio	18.8%
Change (%)		5.5%	21.9%	-57.7%	53.8%	40.8%	13.3%	Foreign sales	39.8%
Net margin	8.8%	8.6%	8.6%	5.7%	7.2%	8.0%	8.5%	Debt-to-equity	0.4x
Book value per share	\$22.68	\$26.56	\$27.37	\$27.85	\$33.15	\$38.21	\$44.02		
Dividends per share-gross	\$0.74	\$0.88	\$1.00	\$1.10	\$1.09	\$1.17	\$1.24		

\*pro forma based on current fund constituents. See disclosures.

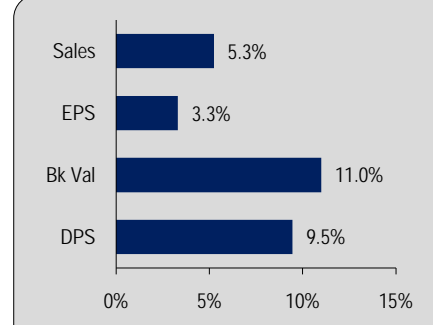
## Return on Equity



## Trend in Current FY Estimates



## Compound growth rates (2006-11E)

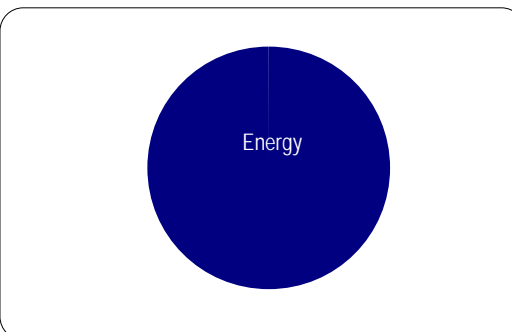


## Composition

## Top 10 Holdings

EXXON MOBIL CORP	17.3%
CHEVRON CORP	13.3%
SCHLUMBERGER LTD	7.5%
CONOCOPHILLIPS	4.8%
OCCIDENTAL PETROLEUM CORP	4.7%
APACHE CORP	3.4%
HALLIBURTON CO	3.4%
ANADARKO PETROLEUM CORP	2.8%
MARATHON OIL CORP	2.8%
BAKER HUGHES INC	2.6%
TOTAL	62.6%

## Industry Breakdown



## Description

Select Sector SPDR® holding S&P 500 stocks in the Energy sector. The fund seeks investment results that, before expenses, generally correspond to the price and yield performance of the benchmark index. For product information and a prospectus visit [www.sectorspdr.com](http://www.sectorspdr.com).

## Investment Summary

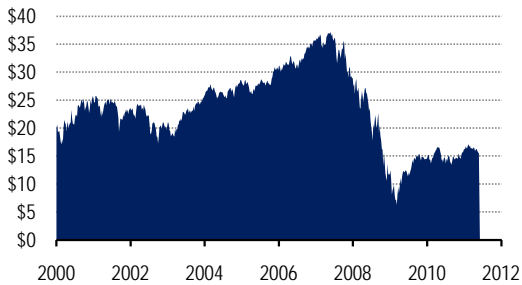
## Financial Sector SPDR

XLF

\$

15.84

## Trading History



**NOTES:** The performance data quoted represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the performance quoted. Investment return and principal value will vary, and shares, when redeemed, may be worth more or less than their original cost. Additional performance info current to most recent month-end at [www.secterspdr.com/performance](http://www.secterspdr.com/performance).

## Fund basics

Fund assets (\$mns)	7,356
Avg. volume (000)	61,308
Expense ratio (bp)	20
Total returns (market)*	
One year	9.0%
Five year	-11.4%
Ten year	-3.7%
Since inception	-1.1%
Beta vs. S&P 500	1.52
Standard deviation	37.1%

\*as of 05/31/11. See Notes.

## ALTAR™ score



Valuation metrics	2011E	2012E
Price-to-Earnings	12.3	10.1
Price-to-Cash Flow	6.7	5.5
Price-to-Sales	1.6	1.5
Price-to-Book Value	1.1	1.0
Yield (%)	1.5	2.1

## Analyst's view:

Revenue has surpassed pre-crisis levels but profits remain well below their prior peaks, reflecting deleveraging and new regulations that have resulted in a downshift to lower levels of Return on Equity, probably permanently. Yet shares appear fully valued in relation to this "new normal," especially considering the high degree of uncertainty in estimates and the questionable value of assets that remain on the books. As a result, XLF has an ALTAR Score of about average.

## Fundamentals

## Results &amp; estimates\*

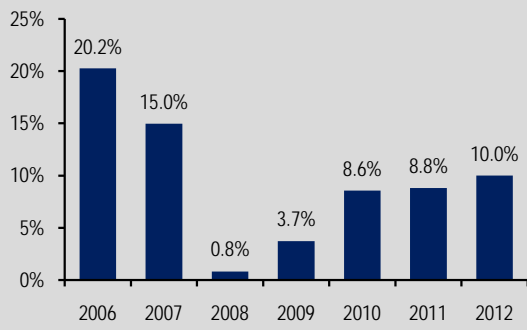
	2006	2007	2008	2009	2010	2011E	2012E
Sales per share	\$8.71	\$9.03	\$8.12	\$9.48	\$9.83	\$10.03	\$10.55
EPS	\$1.90	\$1.58	\$0.09	\$0.46	\$1.14	\$1.28	\$1.57
Change (%)		-16.9%	-94.0%	391.9%	147.4%	12.1%	22.4%
Net margin	21.9%	17.5%	1.2%	4.9%	11.6%	12.8%	14.9%
Book value per share	\$10.13	\$10.96	\$12.11	\$12.68	\$14.04	\$15.08	\$16.31
Dividends per share-gross	\$0.67	\$0.75	\$0.68	\$0.18	\$0.17	\$0.24	\$0.34

\*pro forma based on current fund constituents. See disclosures.

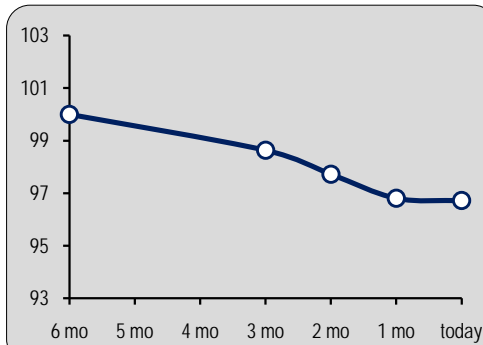
## Other Fundamental Data

LT growth est.	8.8%
Payout ratio	19.0%
Foreign sales	27.4%
Debt-to-equity	3.0x

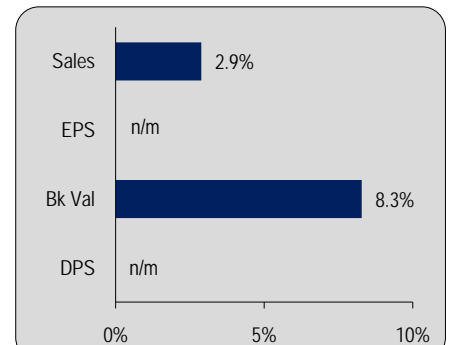
## Return on Equity



## Trend in Current FY Estimates



## Compound growth rates (2006-11E)

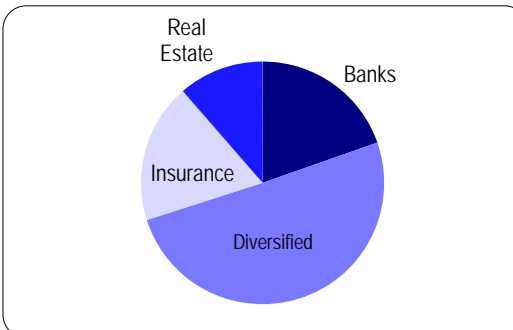


## Composition

## Top 10 Holdings

JPMORGAN CHASE & CO	9.2%
WELLS FARGO & CO	8.0%
BERKSHIRE HATHAWAY INC-CL A	7.3%
CITIGROUP INC	6.4%
BANK OF AMERICA CORP	6.4%
GOLDMAN SACHS GROUP INC	3.9%
AMERICAN EXPRESS CO	2.9%
US BANCORP	2.6%
METLIFE INC	2.5%
MORGAN STANLEY	2.0%
TOTAL	51.3%

## Industry Breakdown



## Description

Select Sector SPDR® holding S&P 500 stocks in the Financial sector. Component industries include Banks; Diversified Financials; Insurance; and Real Estate Investment Trusts. The fund seeks investment results that, before expenses, generally correspond to the price and yield performance of the benchmark index. For product information and a prospectus visit [www.secterspdr.com](http://www.secterspdr.com).

## Investment Summary

## Health Care Sector SPDR

XLV

\$

36.11

## Trading History



**NOTES:** The performance data quoted represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the performance quoted. Investment return and principal value will vary, and shares, when redeemed, may be worth more or less than their original cost. Additional performance info current to most recent month-end at [www.sectorspdr.com/performance](http://www.sectorspdr.com/performance).

## Fund basics

Fund assets (\$mns)	3,843
Avg. volume (000)	9,484
Expense ratio (bp)	20
Total returns (market)*	
One year	27.6%
Five year	5.4%
Ten year	3.3%
Since inception	4.2%
Beta vs. S&P 500	0.66
Standard deviation	17.9%

\*as of 05/31/11. See Notes.

## ALTAR™ score



Valuation metrics	2011E	2012E
Price-to-Earnings	12.6	11.8
Price-to-Cash Flow	9.8	9.2
Price-to-Sales	1.2	1.2
Price-to-Book Value	2.2	2.0
Yield (%)	2.0	2.1

## Analyst's view:

We believe a revaluation of the sector may be underway. Although sales have been on a trend towards slower growth and profitability (ROE) seems headed in the wrong direction, our analysis shows biotech firms may halt or even reverse the slide. Meanwhile, the sector trades at valuation metrics that appear cheap by historic standards, including a P/E discount to the overall market. XLV enjoys the highest ALTAR Score of any Sector SPDR.

## Fundamentals

## Results &amp; estimates\*

	2006	2007	2008	2009	2010	2011E	2012E
Sales per share	\$20.70	\$22.64	\$24.27	\$25.59	\$27.90	\$29.09	\$29.90
EPS	\$1.93	\$2.21	\$2.42	\$2.43	\$2.72	\$2.88	\$3.05
Change (%)		14.6%	9.4%	0.4%	12.0%	5.5%	6.1%
Net margin	9.3%	9.8%	10.0%	9.5%	9.8%	9.9%	10.2%
Book value per share	\$9.54	\$10.11	\$9.93	\$12.83	\$14.01	\$16.14	\$18.40
Dividends per share-gross	\$0.58	\$0.65	\$0.71	\$0.64	\$0.67	\$0.74	\$0.79

\*pro forma based on current fund constituents. See disclosures.

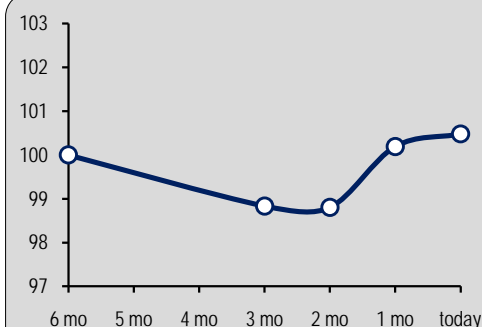
## Other Fundamental Data

LT growth est.	8.5%
Payout ratio	25.8%
Foreign sales	18.9%
Debt-to-equity	0.4x

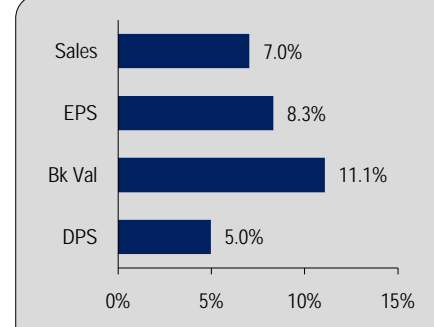
## Return on Equity



## Trend in Current FY Estimates



## Compound growth rates (2006-11E)

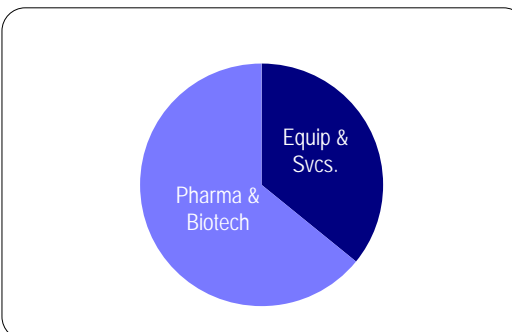


## Composition

## Top 10 Holdings

JOHNSON & JOHNSON	12.9%
PFIZER INC	12.0%
MERCK & CO. INC.	7.9%
ABBOTT LABORATORIES	4.8%
AMGEN INC	3.9%
UNITEDHEALTH GROUP INC	3.8%
BRISTOL-MYERS SQUIBB CO	3.4%
MEDTRONIC INC	3.1%
ELI LILLY & CO	2.7%
BAXTER INTERNATIONAL INC	2.4%
TOTAL	57.0%

## Industry Breakdown



## Description

Select Sector SPDR® holding S&P 500 stocks in the Health Care sector. Component industries include Health Care Equipment & Services; and Pharmaceutical & Biotechnology. The fund seeks investment results that, before expenses, generally correspond to the price and yield performance of the benchmark index. For product information and a prospectus visit [www.sectorspdr.com](http://www.sectorspdr.com).

## Industrial Sector SPDR

XLI

\$

37.63

## Trading History



**NOTES:** The performance data quoted represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the performance quoted. Investment return and principal value will vary, and shares, when redeemed, may be worth more or less than their original cost. Additional performance info current to most recent month-end at [www.sectorspdr.com/performance](http://www.sectorspdr.com/performance).

## Fund basics

Fund assets (\$mns)	4,202
Avg. volume (000)	18,970
Expense ratio (bp)	20
Total returns (market) *	
One year	29.6%
Five year	4.2%
Ten year	3.8%
Since inception	5.7%
Beta vs. S&P 500	1.28
Standard deviation	28.8%

\*as of 05/31/11. See Notes.

## ALTAR™ score



Valuation metrics	2011E	2012E
Price-to-Earnings	15.3	13.0
Price-to-Cash Flow	10.8	9.4
Price-to-Sales	1.2	1.1
Price-to-Book Value	2.7	2.3
Yield (%)	2.0	2.1

## Analyst's view:

The Industrial recovery appears to be firing on all cylinders: both sales and EPS are forecast to surpass their prior peaks by year's end with growth continuing strong into 2012--and expectations are still rising. Profitability measures such as ROE and margins are also approaching boom-time levels. However, stock prices already reflect this, trading at a premium to the S&P500 on most multiples (including a lofty double-digit Cash Flow multiple) resulting in a slightly below average ALTAR Score.

## Fundamentals

## Results &amp; estimates\*

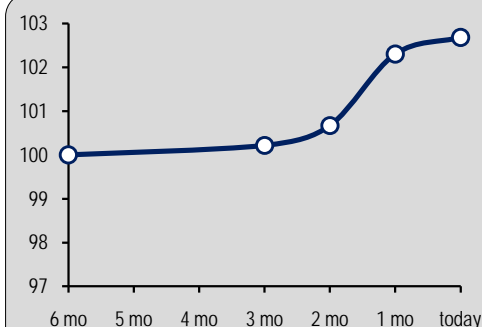
	2006	2007	2008	2009	2010	2011E	2012E	Other Fundamental Data	
Sales per share	\$26.80	\$28.24	\$30.23	\$26.94	\$28.27	\$30.82	\$33.30	LT growth est.	12.2%
EPS	\$2.08	\$2.30	\$2.31	\$1.61	\$2.03	\$2.46	\$2.90	Payout ratio	30.7%
Change (%)		10.9%	0.1%	-30.1%	25.7%	21.1%	18.2%	Foreign sales	39.3%
Net margin	7.7%	8.2%	7.6%	6.0%	7.2%	8.0%	8.7%	Debt-to-equity	1.4x
Book value per share	\$11.46	\$12.08	\$10.51	\$11.38	\$12.42	\$14.12	\$16.20		
Dividends per share-gross	\$0.65	\$0.71	\$0.80	\$0.68	\$0.66	\$0.76	\$0.83		

\*pro forma based on current fund constituents. See disclosures.

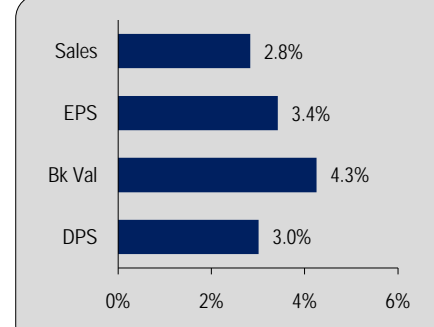
## Return on Equity



## Trend in Current FY Estimates



## Compound growth rates (2006-11E)

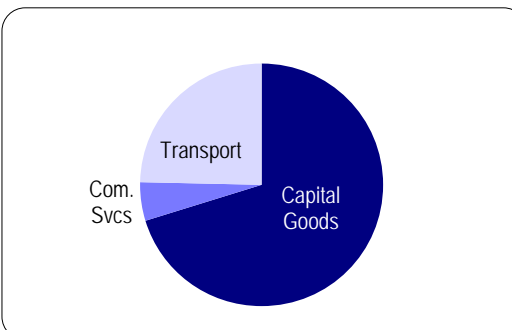


## Composition

## Top 10 Holdings

GENERAL ELECTRIC CO	10.8%
UNITED TECHNOLOGIES CORP	5.8%
UNITED PARCEL SERVICE-CL B	5.1%
CATERPILLAR INC	5.0%
3M CO	4.8%
BOEING CO	4.2%
UNION PACIFIC CORP	3.9%
HONEYWELL INTERNATIONAL INC	3.4%
EMERSON ELECTRIC CO	3.0%
DEERE & CO	2.8%
TOTAL	48.9%

## Industry Breakdown



## Description

Select Sector SPDR® holding S&P 500 stocks in the Industrials sector. Component industries include Capital Goods; Commercial Services & Supplies; and Transportation firms. The fund seeks investment results that, before expenses, generally correspond to the price and yield performance of the benchmark index. For product information and a prospectus visit [www.sectorspdr.com](http://www.sectorspdr.com).

## Investment Summary

## Materials Sector SPDR

XLB

\$

39.75

## Trading History



**NOTES:** The performance data quoted represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the performance quoted. Investment return and principal value will vary, and shares, when redeemed, may be worth more or less than their original cost. Additional performance info current to most recent month-end at [www.sectorspdr.com/performance](http://www.sectorspdr.com/performance).

## Fund basics

Fund assets (\$mns)	2,650
Avg. volume (000)	14,846
Expense ratio (bp)	20
Total returns (market)*	
One year	34.0%
Five year	7.0%
Ten year	8.1%
Since inception	7.9%
Beta vs. S&P 500	1.27
Standard deviation	29.9%

\*as of 05/31/11. See Notes.

## ALTAR™ score



Valuation metrics	2011E	2012E
Price-to-Earnings	13.4	11.7
Price-to-Cash Flow	9.0	8.2
Price-to-Sales	1.1	1.0
Price-to-Book Value	2.4	2.1
Yield (%)	2.0	2.0

## Analyst's view:

Sales should surpass their prior peak this year, although we have concerns that both the demand growth from emerging markets and commodity price inflation fueling the revenue increase may be rolling over, just as margins and return on equity appear to be peaking. Still, valuation multiples appear reasonable in relation to cycle-average profitability, so XLB has an ALTAR Score of about average.

## Fundamentals

## Results &amp; estimates\*

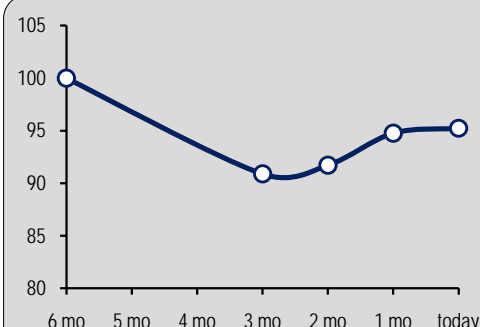
	2006	2007	2008	2009	2010	2011E	2012E	Other Fundamental Data	
Sales per share	\$27.19	\$31.13	\$34.42	\$26.88	\$31.66	\$36.35	\$38.51	LT growth est.	8.8%
EPS	\$2.75	\$3.13	\$2.69	\$1.52	\$2.07	\$2.98	\$3.38	Payout ratio	27.1%
Change (%)		13.9%	-14.2%	-43.5%	36.6%	43.5%	13.7%	Foreign sales	43.2%
Net margin	10.1%	10.1%	7.8%	5.6%	6.6%	8.2%	8.8%	Debt-to-equity	0.9x
Book value per share	\$10.44	\$15.97	\$11.70	\$12.34	\$14.50	\$16.67	\$19.24		
Dividends per share-gross	\$1.07	\$0.84	\$0.88	\$0.60	\$0.64	\$0.81	\$0.82		

\*pro forma based on current fund constituents. See disclosures.

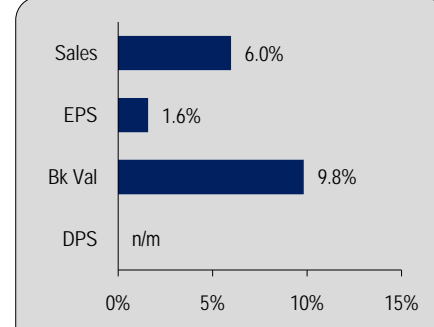
## Return on Equity



## Trend in Current FY Estimates



## Compound growth rates (2006-11E)

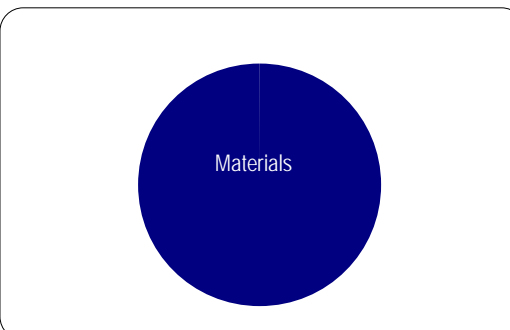


## Composition

## Top 10 Holdings

DU PONT (E.I.) DE NEMOURS	11.1%
FREEPORT-MCMORAN COPPER	11.1%
DOW CHEMICAL	9.6%
MONSANTO CO	8.6%
NEWMONT MINING CORP	6.3%
PRAXAIR INC	4.9%
AIR PRODUCTS & CHEMICALS INC	4.7%
ALCOA INC	4.2%
PPG INDUSTRIES INC	3.3%
INTERNATIONAL PAPER CO	3.2%
TOTAL	67.0%

## Industry Breakdown



## Description

Select Sector SPDR® holding S&P 500 stocks in the Basic Materials sector. The fund seeks investment results that, before expenses, generally correspond to the price and yield performance of the benchmark index. For product information and a prospectus visit [www.sectorspdr.com](http://www.sectorspdr.com).



## Investment Summary

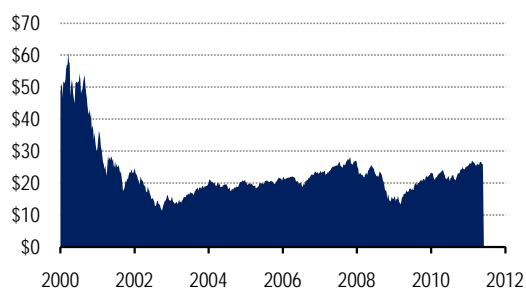
## Technology Sector SPDR

XLK

\$

26.46

## Trading History



**NOTES:** The performance data quoted represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the performance quoted. Investment return and principal value will vary, and shares, when redeemed, may be worth more or less than their original cost. Additional performance info current to most recent month-end at [www.secterspdr.com/performance](http://www.secterspdr.com/performance).

## Fund basics

Fund assets (\$mns)	7,877
Avg. volume (000)	11,665
Expense ratio (bp)	20
Total returns (market)*	
One year	24.0%
Five year	6.6%
Ten year	0.5%
Since inception	-0.8%
Beta vs. S&P 500	0.99
Standard deviation	23.4%

\*as of 05/31/11. See Notes.

## ALTAR™ score



Valuation metrics	2011E	2012E
Price-to-Earnings	13.9	12.5
Price-to-Cash Flow	9.2	8.4
Price-to-Sales	2.1	1.9
Price-to-Book Value	2.7	2.3
Yield (%)	1.4	1.5

## Analyst's view:

Fundamentals in the Tech sector are robust with sales, earnings and profitability measures all in record territory, although as comparisons get tougher growth rates are forecast to decelerate in 2011-12E. One risk may be that supply constraints in Japan cause some firms in XLK to stumble. Valuation-wise, XLK trades at a premium to the S&P500 on most multiples resulting in a slightly below average ALTAR Score, but rarely has the sector rated so highly on a relative basis.

## Fundamentals

## Results &amp; estimates\*

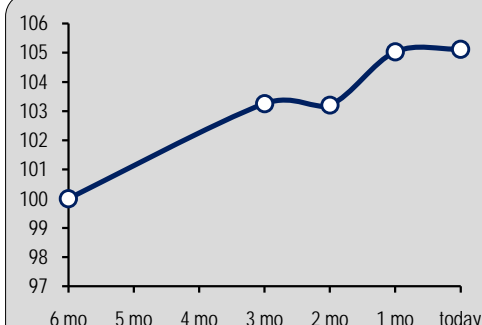
	2006	2007	2008	2009	2010	2011E	2012E	Other Fundamental Data	
Sales per share	\$8.95	\$10.05	\$10.57	\$10.48	\$11.56	\$12.88	\$13.78	LT growth est.	12.7%
EPS	\$1.07	\$1.19	\$1.27	\$1.14	\$1.58	\$1.90	\$2.12	Payout ratio	20.9%
Change (%)		11.1%	6.3%	-10.0%	38.2%	20.6%	11.7%	Foreign sales	45.0%
Net margin	12.0%	11.9%	12.0%	10.9%	13.6%	14.8%	15.4%	Debt-to-equity	0.5x
Book value per share	\$6.96	\$6.92	\$6.63	\$7.08	\$8.16	\$9.66	\$11.36		
Dividends per share-gross	\$0.25	\$0.28	\$0.33	\$0.35	\$0.37	\$0.40	\$0.42		

\*pro forma based on current fund constituents. See disclosures.

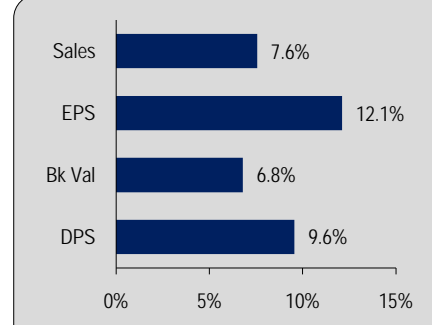
## Return on Equity



## Trend in Current FY Estimates



## Compound growth rates (2006-11E)

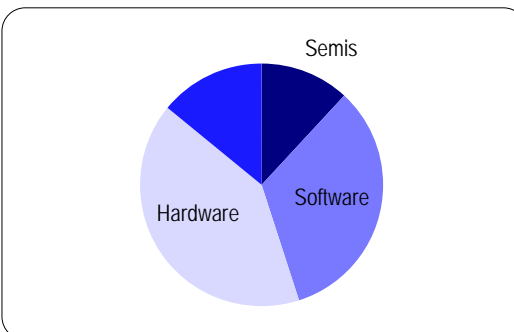


## Composition

## Top 10 Holdings

APPLE INC	12.4%
INTL BUSINESS MACHINES CORP	7.9%
AT&T INC	7.2%
MICROSOFT CORP	7.1%
ORACLE CORP	5.2%
GOOGLE INC-CL A	5.1%
INTEL CORP	4.1%
VERIZON COMMUNICATIONS INC	4.0%
QUALCOMM INC	3.7%
CISCO SYSTEMS INC	3.6%
TOTAL	60.3%

## Industry Breakdown



## Description

Select Sector SPDR® holding S&P 500 stocks in the Technology sector. Component industries include Semiconductors & Semi Equipment; Software & Services; Tech Hardware & Equipment; and Telecommunication Services. The fund seeks investment results that, before expenses, generally correspond to the price and yield performance of the benchmark index. For product information and a prospectus visit [www.secterspdr.com](http://www.secterspdr.com).



## Investment Summary

## Utilities Sector SPDR

XLU

\$

33.87

## Trading History



## Fund basics

Fund assets (\$mns)	4,370
Avg. volume (000)	6,193
Expense ratio (bp)	20
Total returns (market)*	
One year	22.9%
Five year	5.0%
Ten year	3.9%
Since inception	4.6%
Beta vs. S&P 500	0.53
Standard deviation	16.9%

\*as of 05/31/11. See Notes.

## ALTAR™ score



Valuation metrics	2011E	2012E
Price-to-Earnings	13.5	13.6
Price-to-Cash Flow	6.0	6.1
Price-to-Sales	1.1	1.1
Price-to-Book Value	1.5	1.4
Yield (%)	4.2	4.3

**NOTES:** The performance data quoted represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the performance quoted. Investment return and principal value will vary, and shares, when redeemed, may be worth more or less than their original cost. Additional performance info current to most recent month-end at [www.sectorspdr.com/performance](http://www.sectorspdr.com/performance).

## Analyst's view:

Earnings are forecast to be flat this year and next as slimmer margins offset small gains in revenue. In any case, valuations remain modest resulting in an above average ALTAR Score. But Return on Equity appears to be in secular decline, and the outlook for the sector is particularly clouded by potential policy changes, from carbon emissions limits, nuclear permitting (especially in the wake of Japan's disaster), and incentives and mandates for alternative sources.

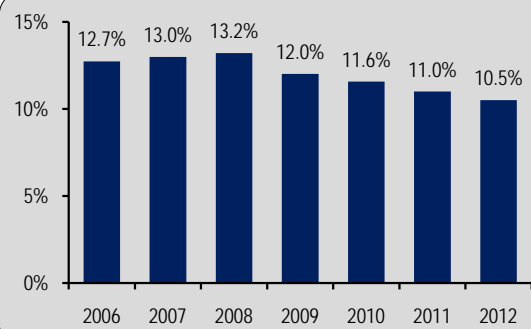
## Fundamentals

## Results &amp; estimates\*

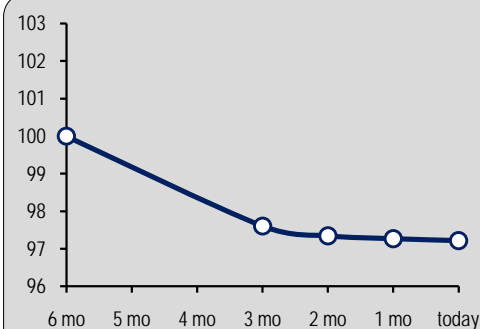
	2006	2007	2008	2009	2010	2011E	2012E	Other Fundamental Data	
Sales per share	\$29.95	\$31.42	\$33.89	\$27.40	\$28.61	\$29.82	\$30.82	LT growth est.	4.2%
EPS	\$2.23	\$2.45	\$2.56	\$2.44	\$2.50	\$2.50	\$2.50	Payout ratio	57.5%
Change (%)		9.8%	4.2%	-4.4%	2.3%	0.0%	-0.2%	Foreign sales	5.3%
Net margin	7.5%	7.8%	7.5%	8.9%	8.7%	8.4%	8.1%	Debt-to-equity	1.3x
Book value per share	\$18.76	\$19.04	\$19.68	\$21.01	\$22.20	\$23.27	\$24.28		
Dividends per share-gross	\$1.22	\$1.26	\$1.34	\$1.36	\$1.39	\$1.44	\$1.48		

\*pro forma based on current fund constituents. See disclosures.

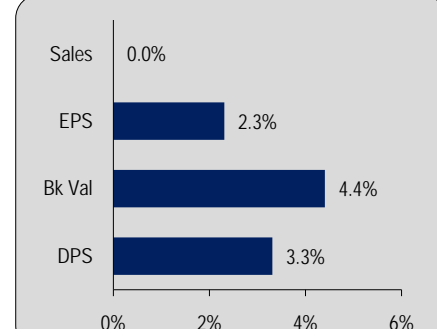
## Return on Equity



## Trend in Current FY Estimates



## Compound growth rates (2006-11E)

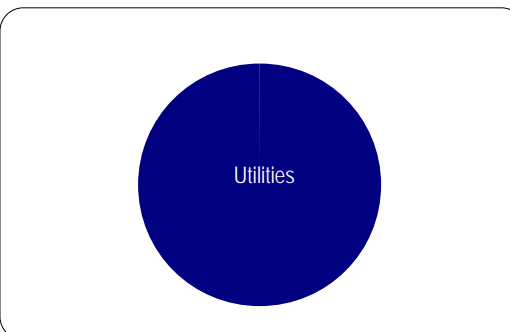


## Composition

## Top 10 Holdings

SOUTHERN CO	8.3%
DOMINION RESOURCES INC/VA	6.8%
EXELON CORP	6.8%
NEXTERA ENERGY GROUP	6.0%
DUKE ENERGY CORP	5.6%
FIRSTENERGY CORP	4.6%
AMERICAN ELECTRIC POWER	4.5%
P G & E CORP	4.2%
PUBLIC SERVICE ENTERPRISE GP	4.2%
PPL CORPORATION	3.9%
TOTAL	54.9%

## Industry Breakdown



## Description

Select Sector SPDR® holding S&P 500 stocks in the Utilities sector. The fund seeks investment results that, before expenses, generally correspond to the price and yield performance of the benchmark index. For product information and a prospectus visit [www.sectorspdr.com](http://www.sectorspdr.com).