

SPDR KBW Regional Bank ETF (KRE)



“For everything you invest in”

Description

- The investment seeks to replicate the total return performance, before expenses, of the KBW Regional Banking index. The fund uses a passive management strategy designed to track the total return performance of the KBW Regional Banking index. The index is a float adjusted modified-market capitalization weighted index of geographically diverse companies representing mortgage banks, loan processors, marketing and service institutions listed on U.S. stock markets. As of September 11, 2008, the Regional Banking index was comprised of 50 stocks.

Key Statistics

Dividend Yield	5.59%
FY1 P/E Ratio	16.62
Number of Holdings	53
Price/Book Ratio	1.17
Expense Ratio	0.35%
NAV	881,030,894.34
Premium/Discount	0.24%
Weighted Average Market Cap \$M	\$2,015.30

Holdings

Ticker	Issue Name	Shares Held	% of Total Assets
UB	Unionbanca Corp	440,885.00	3.45
FCF	First Comwlth Finl Corp Pa	2,286,784.00	2.96
ONB	Old Natl Bancorp Ind	1,359,192.00	2.92
PRSP	Prosperity Bancshares Inc	798,992.00	2.88
VLV	Valley Natl Bancorp	1,340,946.00	2.8
CVBF	Cvb Finl Corp	2,185,857.00	2.72
PFS	Provident Finl Svcs Inc	1,570,507.00	2.71
SBNY	Signature Bk New York N Y	743,893.00	2.67
FMER	Firstmerit Corp	1,111,286.00	2.63
UBSI	United Bankshares Inc West	835,858.00	2.58
SBIB	Sterling Bancshares Inc	2,158,416.00	2.54
CYN	City Natl Corp	413,289.00	2.47
HCBK	Hudson City Bancorp	1,212,301.00	2.46
TRMK	Trustmark Corp	1,009,347.00	2.43
SUSQ	Susquehanna Bancshares Inc	1,258,311.00	2.41
BRKL	Brookline Bancorp Inc Del	1,882,937.00	2.26
FMBI	First Midwest Bancorp Del	845,003.00	2.22
WTNY	Whitney Hldg Corp	918,518.00	2.21
TCB	Tcf Finl Corp	1,157,280.00	2.21
CATY	Cathay General Bancorp	909,277.00	2.2

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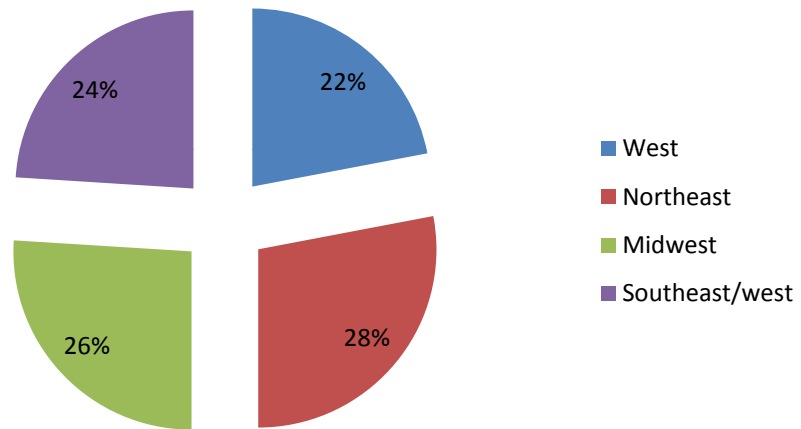
FULT	Fulton Finl Corp Pa	1,662,467.00	2.12
PACW	Pacwest Bancorp Del	606,310.00	1.99
UMPQ	Umpqua Hldgs Corp	1,148,169.00	1.99
BXS	Bancorpsouth Inc	725,623.00	1.95
BOH	Bank Hawaii Corp	312,268.00	1.86
SIVB	Svb Finl Group	303,132.00	1.85
CBSH	Commerce Bancshares Inc	366,973.00	1.83
WL	Wilmington Trust Corp	660,709.00	1.81
FNB	Fnb Corp Pa	1,194,233.00	1.81
ASBC	Associated Banc Corp	871,628.00	1.81
PCBC	Pacific Cap Bancorp New	973,777.00	1.79
CFR	Cullen Frost Bankers Inc	293,903.00	1.79
SOV	Sovereign Bancorp Inc	1,853,368.00	1.78
WABC	Westamerica Bancorporation	293,538.00	1.78
NPBC	National Penn Bancshares In	1,146,962.00	1.76
WTFC	Wintrust Financial Corp	578,782.00	1.7
BPFH	Boston Private Finl Hldgs I	1,662,638.00	1.66
WBS	Webster Finl Corp Conn	679,799.00	1.62
CNB	Colonial Bancgroup Inc	1,907,868.00	1.55
FTBK	Frontier Finl Corp Wash	1,183,326.00	1.5
UCBH	Ucbh Holdings Inc	2,082,913.00	1.49

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FHN	First Horizon Natl Corp	1,201,183.00	1.4
STSA	Sterling Finl Corp Wash	1,073,578.00	1.38
EWBC	East West Bancorp Inc	944,787.00	1.3
TSFG	South Finl Group Inc	1,339,733.00	1.24
CPF	Central Pac Finl Corp	890,140.00	1.2
SNV	Synovus Finl Corp	1,137,823.00	1.19
CORS	Corus Bankshares Inc	2,092,212.00	1.11
PBKS	Provident Bankshares Corp	1,046,088.00	0.98
CRBC	Citizens Republic Bancorp I	1,991,342.00	0.96
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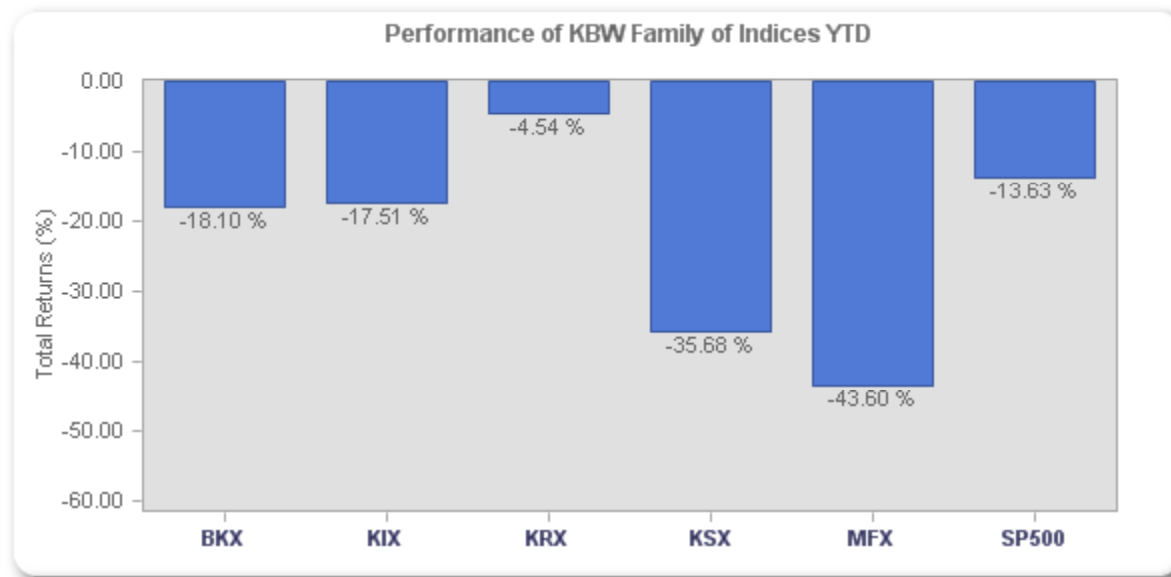
State Street

Geographic Breakdown



Compared to Other Related Financials

Closing Price as of 9/11/2008



KBW Bank Index (BKX)

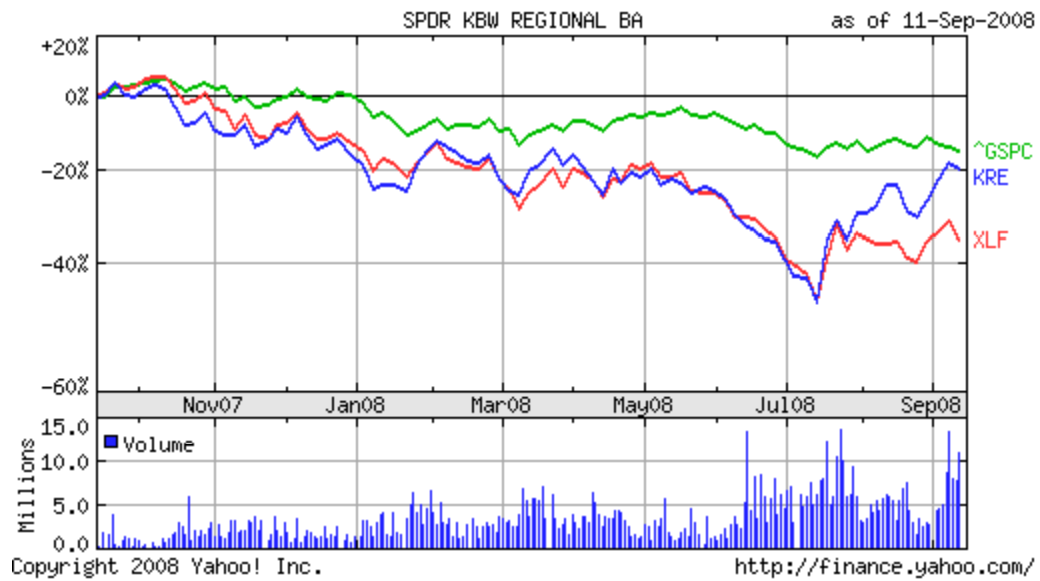
BW Insurance Index (KIX)

KBW Capital Markets Index (KSX)

KBW Regional Banking Index (KRX)

KBW Mortgage Finance Index (MFX)

Performance



Yahoo Finance

It's in the Details

- All the stocks are assigned maximum initial weights equal to the lesser of their actual capitalization weight or 2% in the reconstituted index.
- Based on capitalizations as of the close on the Monday before the third Saturday of the last month in each calendar quarter, the KRX Index re-balancing will be calculated according to the following rules:
- If any of the institutions' index weightings have increased beyond 3.0%, their weighting will be reduced to a maximum of 2.0% in the quarterly rebalancing.
- If any of the institutions' index weightings have dropped below 1.0%, their weightings will be increased to 2.0% in the rebalancing.
- Any excess weighting available will be reallocated to the smaller institutions and any weighting needed to increase weighting in the larger institutions will be taken from the smaller institutions in the same manner as in the initial allocation at the time of the rebalancing.
- The rebalancing will be implemented at the close on the Friday before the third Saturday of the last month in each calendar quarter.

Correlation

High Correlation(ETF)		Low Correlation(ETF+ Stocks)		Specific Stocks	
KBE	0.97	DBC	-0.90	BAC	0.97
SDY	0.96	USO	-0.89	PRU	0.87
XLF	0.94	DBA	-0.75	GS	0.72
SPY	0.85	TIP	-0.58		
DIA	0.87				

KBE: SPDR KBW Bank Index

SDY: SPDR Dividend Trust

XLF: SPDR Select Financial

SPY: SPDR S&P 500

DIA: Dow Jones Industrial ETF

DBC: Deutsche Bank Commodity

USO: Oil Futures ETF

DBA: Deutsche Bank Ag

TIP: TIPS

State Street

Catalysts

- Possibly bottoming US economy
- Historically low Price/Book valuations
- Decreasing mortgage rates

Risks

- Continued deterioration in asset quality
- Lower home sales
- More bank failures
- Minimal EPS loss due to Fannie and Freddie Preferred

Recommendation

- We recommend buying this ETF in conjunction with either another ETF or equity that has different types of financial exposure. This is a very specific ETF and does not account for all types of financial exposure.

The End My Friends

- Questions?
- Comments?
- Complaints?