Exposure to Gold and the US Dollar — Wrapped in One ETF
The SPDR® Long Dollar Gold Trust (GLDW)

Volatility across major markets, slowing global growth and the threat of inflation rising too quickly may have investors questioning how to reposition portfolios to preserve capital and optimize outcomes.

Adjusting portfolios during choppy markets can be a tall order, one that research has suggested often leads to disappointing results. But adding exposure to a tangible, hard asset like gold — one that historically has functioned as a portfolio diversifier — may offer a potential long-term strategic solution.

Global investors have often turned to gold as a perceived “safe haven” investment.* And in certain market environments, combining gold and the US dollar (USD) may provide the potential of an additional ballast for portfolios, especially during times of market uncertainty and stress.

There is a unique and often misunderstood relationship that has formed between gold and the USD over time — especially since the 1970s when gold's price was untied from the USD. (See Page 3 for more on the history of gold and the USD.) Although the assets have historically typically moved symmetrically in opposite directions about 60% of the time, it is not imperative that they work in opposition to achieve positive results. See Figure 1.

For example, as illustrated in Figure 2, gold and the USD can be seen moving in tandem during certain periods of market stress, with notable rises in both assets happening after September 11, 2001, during the 2008/2009 Financial Crisis and the Sovereign Debt Crisis in 2010 and again in 2016 with Brexit. Near term, in the wake of the US equity market downturn in Q4 2018, both gold and the USD ended the year by increasing together for the first time in the same quarter since the Brexit vote in Q2 2016. Gold provided a return of 7.73% in Q4 and the USD returned 1.09% over the same period.²

The SPDR Long Dollar Gold Trust (GLDW) is designed to offer investors exposure to gold and the USD, two assets that have historically often appreciated during equity market downturns. GLDW is designed to track the Solactive GLD® USD Gold Index, which combines a long position in physical gold and long dollar exposure against a basket of

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* Assets may be considered “safe havens” based on investor perception that an asset’s value will hold steady or climb even as the value of other investments drops during times of economic stress. Perceived safe haven assets are not guaranteed to maintain value at any time.

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**Figure 1: The Relationship Between Gold, the USD and Key Market Events**

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Past performance is not a guarantee of future results. Performance above does not reflect charges and expenses associated with the fund or brokerage commissions associated with buying and selling exchange traded funds. Performance above is not meant to represent the performance of any investment product.

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non-US currencies. Portfolio construction techniques that deploy this unique diversification strategy — combining gold and the USD — may potentially find benefits, particularly if geopolitical stress persists and global growth continues to moderate. An investment in GLDW entails a risk of loss and the diversification offered by GLDW does not ensure a profit or guarantee against loss.

How Can Gold Potentially Benefit Portfolios?

Many investors around the globe tend to flock to gold when uncertainty rises and equity valuations get overstretched. For example, in Q4 2018, while the S&P 500 Index tumbled as much as 19.8%, US gold-backed ETFs accumulated approximately $2.5 billion over the period.³

In uncertain times, gold’s characteristics can potentially help buoy investor portfolios on several fronts:

1. Solid Long-term Returns that Preserve Capital

Since the advent of the free market in gold in 1971 (see sidebar on page 3), which we often refer to as the “Initial Public Offering,” the price of gold has increased from $43/oz to $1,295/oz at the end of March 2019, a compound annual growth rate (CAGR) of 7.56%.

Similarly, stocks, as measured by the S&P 500, fell sharply during the 2008/2009 financial crisis while gold rose. Subsequently, when stocks recovered, gold prices rose even further. Figure 3 illustrates an example of the inverse correlation gold has shown to equities when stocks decline. It also shows that in certain market environments gold and equities have risen together. In particular, when the US Federal Reserve (Fed) began its quantitative easing in December 2008, both gold and equities began rising in tandem.

Because several factors can interplay with gold and its price (including interest rates, inflation and global risk sentiment), it is worth noting that gold prices have also periodically declined in sync with equities, especially during periods of sudden and heightened liquidity risk, as evidenced in Figure 3 during the 2008 liquidity crisis.

Figure 2: Gold’s Uncorrelated Performance in Market Downturns

Figure 3: Gold and S&P 500 Index During Market Disruption

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Figure 4: Relationship Between Gold, USD and the S&P 500 During Downturns

<table>
<thead>
<tr>
<th></th>
<th>DXY US Dollar Index (%)</th>
<th>Gold (%)</th>
<th>S&amp;P 500 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negative US GDP</td>
<td>0.93</td>
<td>3.97</td>
<td>-0.97</td>
</tr>
<tr>
<td>Negative S&amp;P 500</td>
<td>0.20</td>
<td>4.25</td>
<td>-6.51</td>
</tr>
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2. Low Correlation to Traditional Equities and Fixed Income Enhances Diversification

Gold’s historically low or negative correlation to other traditional equity and fixed income asset classes offers the potential for greater portfolio diversification. For example, gold has demonstrated a -0.01 and 0.06 correlation to the S&P 500 Index and Bloomberg Barclays U.S. Aggregated Bond Index, respectively, since the 1970s. The correlation scale ranges from -1.0 to +1.0, with -1 representing a negative correlation and +1 representing a positive correlation. Adding a relatively liquid diversifier such as gold may potentially lower portfolio volatility, enhance overall risk-adjusted returns and help preserve an investor’s purchasing power.

3. Positive Returns During Market Pullbacks May Improve Risk-Adjusted Returns

Because gold has historically tended to rise during stock market pullbacks, a strategic allocation to gold may help temper the impact of market volatility and reduce portfolio drawdown. As illustrated in Figure 2 and Figure 4, gold has the potential to add uncorrelated returns and diversification to investor portfolios during market downturns, which can help smooth out bouts of market turbulence.

Looking at 2018 as a whole, as global equities began their initial spiral at the end of January, the price of gold rose to the top of the trading range since the spring of 2013, reaching a peak of $1,354.95 on January 25, 2018. Apart from some intraday movements, gold maintained this high watermark (around $1,350.00 per ounce), through mid-April, 2018, through the first of several bouts of the year’s equity market volatility. And as equity market volatility reared its head again in Q4 2018, the price of gold again began to rise, finishing the year at $1,279.00, after an end of summer dip to $1,182.00 in mid-August.

A Deeper Dive into the Gold/USD Relationship

Based in a long history noted above, gold and the USD have been structurally and economically tied in many ways. As the value of the USD has fluctuated relative to other currencies around the globe, the price of gold has been impacted, resulting in the commonly cited negative relationship between gold and the USD. But this apparent negative correlation is a key structural link that should not be confused with the economic factors, like interest rates and inflation, that can also impact the USD and gold prices.

Economically, the US central bank’s inflation fighting credentials have helped stabilize global inflation dynamics and played an important role in increasing the attractiveness of the USD as a store of value. The US asset markets, particularly the US Treasury market, have grown and continue to provide much higher liquidity than many major markets, along with the easy access that is requisite to achieve reserve currency status. For example, as of December 31, 2018, US treasuries and US agencies held the top position in terms of trading volume — $485 and $378 billion per day, respectively, followed by Japanese government bonds coming in third with $215 billion per day.

The History of Gold and the USD

For a clearer understanding of the relationship between gold and the USD, a little history may be helpful. At the close of World War II, the US government held 20,000 tonnes of gold in its official reserves, 80% of the global total. The US also possessed the world’s strongest economy and most powerful military. In 1944, the US and 44 other nations met in Bretton Woods, New Hampshire, with the goal of creating an efficient foreign exchange system that would promote international economic growth. Under the Bretton Woods Agreement, other countries pegged their currencies to the USD, and the USD was pegged to a fixed price of gold. The US was responsible for maintaining the fixed price of gold at $35.00 per ounce and adjusting the supply of USD as needed.

Initially this system was beneficial for the US. But by the end of the 1960s, the amount of gold held by the US government had shrunk to 8,000 tonnes, resulting in more USDs being in circulation than were backed by bullion — effectively an overvaluation of the USD. This situation prompted President Richard Nixon to end the Bretton Woods Agreement in 1971, and to announce that the US would no longer benchmark its currency to gold and maintain gold’s fixed price. Going forward, the price of gold would be dictated by demand in the open market.

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Gold and USD — Why Now?

We believe the case for a long-term strategic allocation to gold and the USD combined is compelling, but is there a more tactical opportunity in the short term? The two assets have historically shared an important common driver; they have both shown a tendency to perform well during periods of economic and market turbulence. While the conventional wisdom that gold and the USD are inversely correlated is correct in many circumstances, these two assets have demonstrated that they can strengthen together during certain periods of financial market stress.

We believe we are currently at a late stage in the business cycle, facing potential recessionary pressures, but we believe now is not the time to panic — it is the time to prepare for downside risks in equity markets. That means this may be an appropriate time to make allocations to gold and the USD, two assets that have historically shown the potential to mitigate some of the impact of a market downturn on portfolios. GLDW combines exposure to these two assets in one convenient ETF wrapper. An investment in GLDW entails a risk of loss and the diversification offered by GLDW does not ensure a profit or guarantee against loss.

Invest with a Leader in Gold ETFs for Greater Liquidity

Gold is a relatively liquid market. Daily trading volumes of gold support deep liquidity with approximately US$120 billion traded per day through spot and derivative contracts.

And, gold-backed ETFs may offer convenient access to movements in gold’s price and trading efficiencies for investors in certain markets. In 2004, State Street Global Advisors launched the SPDR Gold Shares (GLD) as the first US gold ETF, offering investors a relatively transparent and cost-effective way to access the gold market. Today, the SPDR Gold Shares (GLD) is the largest gold-backed ETF in the world in terms of AUM. Since its start, GLD has traded on average in excess of US$1 billion nominal value per day, almost 10x the volume of its closest gold-backed ETF competitor.

Today, our gold ETF assets top $33.3B in a suite of ETFs that is designed to meet distinct investor needs: SPDR Gold Shares (GLD), SPDR Gold MiniShares (GLDM) and SPDR Long Dollar Gold Trust (GLDW).
**Exposure to Gold and the US Dollar — Wrapped in One ETF The SPDR® Long Dollar Gold Trust (GLDW)**

*Important Risk Information*

Investing involves risk, and you could lose money on an investment in each of SPDR® Gold Trust ("GLD") and SPDR® Long Dollar Gold Trust ("GLDW"), a series of the World Gold Trust (together, the "Funds").

ETFs trade like stocks, are subject to investment risk, 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.

Commodities and commodity-index linked securities may be affected by changes in overall market movements, changes in interest rates, and other factors such as weather, disease, embargoes, or political and regulatory developments, as well as trading activity of speculators and arbitrageurs in the underlying commodities.

GLDW is subject to regulation under the Commodity Exchange Act of 1936 (the "CEA"). US regulation of swap agreements is rapidly changing and is subject to further regulatory developments which could be adverse to GLDW. GLDW’s swap agreements will be subject to counterparty risk and liquidity risk.

Currency exchange rates between the US dollar and non-US currencies may fluctuate significantly over short periods of time and may cause the value of GLDW’s investments to decline.

GLDW is a passive investment vehicle that is designed to track the Index. GLDW’s performance may deviate from changes in the levels of the Index (i.e., create "tracking error" between GLDW and the Index) for a number of reasons, such as the fees and expenses of GLDW, which are not accounted for by the Index.

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

Investing in commodities entails significant risk and is not appropriate for all investors.

**Important Information Relating to SPDR® Gold Trust ("GLD") and SPDR® Long Dollar Gold Trust ("GLDW"):**

The SPDR Gold Trust ("GLD") and the World Gold Trust have each filed a registration statement (including a prospectus) with the Securities and Exchange Commission ("SEC") for GLD and GLDW, respectively. The World Gold Trust has also filed the prospectus for GLDW with the National Futures Association. Before you invest, you should read the prospectus in the registration statement and other documents each Fund has filed with the SEC for more complete information about each Fund and these offerings. Please see each Fund’s prospectus for a detailed discussion of the risks of investing in each Fund’s shares. The GLD prospectus is available by clicking here, and the GLDW prospectus is available by clicking here. You may get these documents for free by visiting EDGAR on the SEC website at sec.gov or by visiting spdrshares.com. Alternatively, the Funds or any authorized participant will arrange to send you the prospectus if you request it by calling 866.320.4053.

None of the Funds is an investment company registered under the Investment Company Act of 1940 (the “1940 Act”). As a result, shareholders of each Fund do not have the protections associated with ownership of shares in an investment company registered under the 1940 Act. GLD is not subject to regulation under the CEA. As a result, shareholders of GLD do not have the protections afforded by the CEA.

Shares of each Fund trade like stocks, are subject to investment risk and will fluctuate in market value.

GLD shares trade like stocks, are subject to investment risk and will fluctuate in market value. The value of GLD shares relates directly to the value of the gold held by GLD (less its expenses), and fluctuations in the price of gold could materially and adversely affect an investment in the shares. The price received upon the sale of the shares, which trade at market price, may be more or less than the value of the gold represented by them. GLD does not generate any income, and as GLD regularly sells gold to pay for its ongoing expenses, the amount of gold represented by each Share will decline over time to that extent.

GLDW shares trade like stocks, are subject to investment risk and will fluctuate in market value. The value of GLDW shares relates directly to the value of the gold held by GLDW (less its expenses) and the value of a basket ("FX Basket") comprising the Euro, Japanese yen, British pound sterling, Canadian dollar, Swedish krona and Swiss franc (“Reference Currencies”) against the US dollar. A decline in the price of gold and/or an increase in the value of the Reference Currencies comprising the FX basket against the US dollar could materially and adversely affect an investment in the shares. The price received upon the sale of the shares, which trade at market price, may be more or less than the value of the gold and the price of each Reference Currency against the US dollar represented by them.

None of the Funds generate any income, and as each Fund regularly sells gold to pay for its ongoing expenses, the amount of gold represented by each Fund share will decline over time to that extent.

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