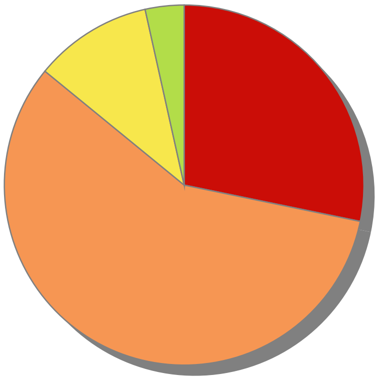
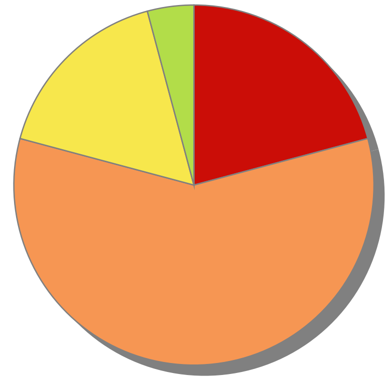
KBE - Very Dangerous Rating

SPDR KBW Bank ETF

- **We strongly recommend investors avoid SPDR KBW Bank ETF (KBE).**
- **KBE ranks in the 0th percentile of the 400+ ETFs we cover.**
- **KBE gets a Very Dangerous rating because of the Quality of Earnings and Valuation of the stocks it holds. Details are in the table at the bottom of the page.**



Allocation		Holdings
28.23%	Very Dangerous	5
57.67%	Dangerous	14
10.61%	Neutral	4
3.49%	Attractive	1
0.00%	Very Attractive	0
0.00%	Unrated	0



Expense Ratio Impact

Expense Ratio	**0.35%**
Rank	**58.90%**
10-Year Cost	**$893.64**

KBE's fees will cost an investor $893.64 over 10 years with a $10,000 investment and 10% returns. To cover all fees, KBE will need to outperform the S&P 500 by 0.35% every year.

ETF Basics

Net Asset Value ($MM)	**$1,505.60**
Issuer	**State Street**
Category	**Financials Equities**
Index	**KBW Bank**
Active/Passive	**Passive**
Exposure	**Long**
Inception Date	**11/08/05**

Rating Details

The ETF rating is based on the combined financials and valuation of the 24 stocks in KBE. ETFs are not made the same. They have different holdings, allocations and investment merit.

- **False Positive means that reported earnings are positive or improving while economic earnings are negative and falling.**
- **The combination of negative economic earnings with a rich stock valuation drives a Risk/Reward Rating of Very Dangerous for KBE.**
- **Our ETF rating is based on our stock rating system, consistently top-ranked by Barron's.**

Overall Risk/Reward Rating	Quality of Earnings		Valuation		
	Econ vs Reported Earnings	Return on Invested Capital (ROIC)	Free Cash Flow Yield	Price-to-EBV	Growth Appreciation Period (yrs)
Very Dangerous	Misleading Trend	Bottom Quintile	<-5%	> 3.5 or -1 < 0	> 50
Dangerous	False Positive	4th Quintile	-5%<-1%	2.4 < 3.5 or < -1	20 < 50
Neutral	Neutral EE	3rd Quintile	-1%<3%	1.6 < 2.4	10 < 20
Attractive	Positive EE	2nd Quintile	3%<10%	1.1 < 1.6	3 < 10
Very Attractive	Rising EE	Top Quintile	>10%	0 < 1.1	0 < 3
Weighted-Avg	n/a	3.54%	0.15%	3.89	83

Explanation of New Constructs' ETF Rating System

Our ETF research aggregates results from our Company Valuation models for each of the companies held by an ETF. Our rating system grades ETFs according to the 5 most important criteria for assessing the risk versus reward of an ETF. Our analysis results in the 5 ratings: Very Attractive corresponds to a "Strong Buy" rating, Attractive to "Buy", Very Dangerous to a "Sell or Short", and everything in-between to a "Hold" rating.

Overall Risk/Reward Rating

The Overall Risk/Reward Rating provides a final rating based on the equal-weighted average rating of each criterion.

Very Dangerous	All criteria are equal-weighted in the average calculation except FCF Yield is excluded.
Dangerous	All criteria are equal-weighted in the average calculation except FCF Yield is excluded.
Neutral	All criteria are equal-weighted in the average calculation.
Attractive	All criteria are equal-weighted in the average calculation.
Very Attractive	All criteria are equal-weighted in the average calculation.

Economic vs Reported Earnings

Rates ETFs based on how their Economic Earnings compare their Reported Earnings. Values based on Latest Fiscal Year.

Misleading Trend	Very Dangerous = negative and declining Economic Earnings despite positive and rising Reported Earnings
False Positive	Dangerous = same as above except Reported Earnings are not positive or are not rising
Neutral EE	Neutral = Negative Economic and Reported Earnings
Positive EE	Attractive = Economic Earnings are positive
Rising EE	Very Attractive = Economic Earnings are positive and rising

Return on Invested Capital (ROIC)

Rates ETFs based on their ROIC. Values based on Latest Fiscal Year.

Bottom Quintile	Very Dangerous = in the bottom 20% of all companies
4th Quintile	Dangerous = in the bottom 40% of all companies
3rd Quintile	Neutral = in the middle 20% of all companies
2nd Quintile	Attractive = in the top 40% of all companies
Top Quintile	Very Attractive = in the top 20% of all companies

FCF Yield

Rates ETFs based on their Free Cash Flow Yield. Values based on Latest Closing Stock price and Latest Fiscal Year.

< -5%	Very Dangerous = less than or equal to -5%
-5% < -1%	Dangerous = more than -5% but less than or equal to -1%
-1% < 3%	Neutral = more than -1% but less than or equal to +3%
3% < 10%	Attractive = more than +3% but less than or equal to +10%
> 10%	Very Attractive = more than +10%

Price-to-EBV

Rates ETFs based on their Price-to-Economic Book Value. Values based on Latest Closing Stock price and Latest Fiscal Year.

> 3.5 or -1 < 0	Very Dangerous = greater than or equal to 3.5 or less than 0 but greater than -1
2.4 < 3.5 or < -1	Dangerous = greater than or equal to 2.4 but less than 3.5 and less than or equal to -1
1.6 < 2.4	Neutral = greater than or equal to 1.6 but less than 2.4
1.1 < 1.6	Attractive = greater than or equal to 1.1 but less than 1.6
0 < 1.1	Very Attractive = greater than or equal to 0 but less than 1.1

Growth Appreciation Period (yrs)

Rates ETFs based on their Market-Implied Growth Appreciation Period. Values based on Latest Closing Stock price and Default Forecast Scenario.

> 50	Very Dangerous = greater than or equal to 50 years
20 < 50	Dangerous = greater than or equal to 20 years but less than 50
10 < 20	Neutral = greater than or equal to 10 years but less than 20
3 < 10	Attractive = greater than or equal to 3 years but less than 10
0 < 3	Very Attractive = greater than or equal to 0 years but less than 3

New Constructs® - Profile

Incorporated in July 2002, New Constructs is an independent publisher of investment research that provides clients with consulting, advisory and research services. We specialize in quality-of-earnings, forensic accounting and discounted cash flow valuation analyses for all U.S. public companies.

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5. **Objectivity** - New Constructs is an independent research firm, not tied to Wall Street or investment banking services. See our **presentation of the Senate Banking Committee**, the SEC and many others in DC.

Our Philosophy About Research

Accounting data is not designed for equity investors, but for debt investors. Accounting data must be translated into economic earnings to understand the profitability and valuation relevant to equity investors. Respected investors (e.g. Adam Smith, Warren Buffett and Ben Graham) have repeatedly emphasized that accounting results should not be used to value stocks. Economic earnings are what matter because they are:

1. Based on the complete set of financial information available.
2. Standard for all companies.
3. A more accurate representation of the true underling cash flows of the business.

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