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Investor Confidence Drops from 105.7 to 98 in July

BOSTON, July 26, 2016 — State Street Global Exchange today released the results of the State Street Investor Confidence Index® (ICI) for July 2016.

The Global ICI decreased to 98, down 7.7 points from June's revised reading of 105.7. The decline in sentiment was driven by a decrease in the European ICI from 100.3 to 92.4. The North American ICI also dropped by 5.9 points to 99.9 along with the Asian ICI falling 5.2 points to 108.

The Investor Confidence Index was developed by Kenneth Froot and Paul O'Connell at State Street Associates, State Street Global Exchange's research and advisory services business. It measures investor confidence or risk appetite quantitatively by analyzing the actual buying and selling patterns of institutional investors. The index assigns a precise meaning to changes in investor risk appetite: the greater the percentage allocation to equities, the higher risk appetite or confidence. A reading of 100 is neutral; it is the level at which investors are neither increasing nor decreasing their long-term allocations to risky assets. The index differs from survey-based measures in that it is based on the actual trades, as opposed to opinions, of institutional investors.

"The numbers this month signaled unequivocally a decline in institutional investor confidence. Not surprisingly, risk aversion surged as market participants grappled with the wider implications of Brexit and Turkey's recent geopolitical turmoil," commented Ken Froot. "Global growth prospects, while being already lackluster, have worsened, and institutional investors responded by putting the accumulation of risky assets on hold."

"Looking regionally, it is clear that the setbacks this month were felt most strongly by Europe-based institutional investors who were caught off guard by the Brexit referendum in June. Brexit is a visible sign that globalization has come under heavy political pressure, and market participants are only in the first innings of assessing the impact of anti-globalization measures on economic growth," commented Jessica Donohue, executive vice president and chief innovation officer, State Street Global Exchange. "In Asia, institutional investors were more



optimistic, with the ICI reading above the critical 100 level. The positive sentiment was likely driven by good news out of China, with its Q2 GDP growth beating consensus.”

About the State Street Investor Confidence Index®

The index is released globally at 10 a.m. Eastern time in Boston on the last Tuesday of each month. More information on the State Street Investor Confidence Index is available at

<http://www.statestreet.com/ideas/investor-confidence-index.html>.

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The views expressed in this material are the views of State Street Associates and Jessica Donohue through the period ended July 26, 2016 and are subject to change based on market and other conditions.

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Expiration Date: 07/31/2018

CORP-2116