

TAX LOSS HARVESTING with ETFs



One of the biggest worries for clients is how to treat underperforming investments. The advantage of taking a loss for tax purposes must be balanced against the possibility that their investment will bounce back in price. Sector ETFs may help solve this problem by offering the opportunity to maintain exposure to a particular market segment while simultaneously generating a loss.

The following table shows widely held stocks that are currently trading well below their 3 year highs and may have generated significant unrealized losses in client portfolios. In addition, each of these stocks is a major component of one of the Select Sector SPDR ETFs.

% PRICE DROP 3 Year High

data as 11/18/09

Stock	Citigroup (C)	General Electric (GE)	Morgan Stanley (MS)	Time Warner (TWX)	Dell Inc. (Dell)	Conoco Phillips (COP)	Merck (MRK)	Pfizer (PFE)	EI Dupont (DD)	Home Depot (HD)	Intel Corp. (INTC)
3 Year High	55.70	41.77	73.26	68.19	30.05	94.26	60.55	28.78	53.10	41.44	27.73
11/18/09 Price	4.25	16.02	32.14	31.77	14.43	51.96	35.33	18.40	34.32	26.80	19.15
% Drop	-92%	-62%	-56%	-53%	-52%	-45%	-42%	-36%	-35%	-35%	-31%

Source: Select Sector SPDR. Past performance does not guarantee future results.

SWAP OPPORTUNITY

By selling a stock that is a major component of the Sector SPDRs and buying the corresponding Sector SPDR ETF, an investor can maintain some exposure to a particular market segment while simultaneously generating a loss for tax purposes. After a minimum of 30 days, the investor may then repurchase the original stock without triggering a wash sale or continue to hold the Sector SPDR for more diversified exposure to the sector.

Stock	Sector SPDR Swap Candidate	Symbol	Stock Weighting in Sector SPDR*	Correlation to SPDR
C	Financials	XLF	3.9%	0.98
GE	Industrials	XLI	11.8%	0.97
MS	Financials	XLF	3.2%	0.97
TWX	Cons Disc	XLY	4.2%	0.96
Dell	Technology	XLK	1.3%	0.94
COP	Energy	XLE	4.8%	0.95
MRK	Health Care	XLV	8.6%	0.91
PFE	Health Care	XLV	11.9%	0.93
DD	Materials	XLB	9.2%	0.97
HD	Cons Disc	XLY	5.0%	0.92
INTC	Technology	XLK	4.5%	0.97

For more information on correlations to Sector SPDR ETFs, please visit the [Correlation Tracker](#) on our website www.sectorspdrs.com

* Percentage represents each stock's weight in the corresponding Sector SPDR as of 11/18/09. Holdings subject to change and there is no assurance that Select Sector SPDR ETFs currently hold these securities.

Sector SPDRs are subject to risks similar to those of stocks, including short-selling and margin account maintenance. Sector SPDRs Funds bear a higher level of risk than more broadly diversified funds.

ETFs provide attractive tax-management opportunities because investors have a wide array of funds from which to choose. ETFs provide advisors and their clients with the opportunity to track different benchmarks, achieve asset correlation targets and preserve market exposure. However, it must be noted that while tax harvesting has the potential to improve the overall

after-tax performance of a portfolio, the strategy does involve fund trading that often incurs additional expenses. For these and other reasons, investors and advisors who lack a strong tax background should always consult the advice of a tax attorney or accountant before implementing any such strategy.

An investor should consider investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus, which contains this and other information, call 1.800.843.2639 or visit www.sectorspdrs.com. Read the prospectus carefully before investing.

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