# Strategas Global Policy Opportunities ETF (SAGP)
## PORTFOLIO OVERVIEW

Dear SAGP Investor,

Strategas' Global Policy Opportunities ETF (ticker: SAGP) returned +13.3% for the fourth quarter of 2022, net of fees and expenses, and outperformed the MSCI World Index's (ticker: ACWI) return of + 9.8 percent over the same time period. Fourth quarter returns continued the funds outperformance over its benchmark.

From inception on January 24th, SAGP declined -5.4 percent, less than half of the -12.9 percent decline in the ACWI over the same time period. We believe the portfolio remains uniquely positioned to take advantage of a once in 40-year shift of fiscal, monetary, and geopolitical events taking place.

SAGP invests across market capitalizations and geographies, and we are pleased that in 2022 all three buckets of our asset allocation outperformed their respective benchmarks. This includes our US Large Cap (S&P 500 benchmark), US Small and Mid-Cap (S&P 600 and 400 benchmarks), and non-US (All Country World Index ex-US) holdings.

We do not believe it was a coincidence that with such a large upheaval in government policy, our portfolio of stocks designed to benefit from changes in public policy had such a strong relative performance in 2022.

**Portfolio Rationale**:

In 2020 the US experienced four policy "shocks" in one year: **1)** A pandemic; **2)** A recession; **3)** Mass protests; and **4)** A new president. Any one of these events by itself historically led to large-scale policy changes, but the confluence of these four events is quite rare.

In fact, the last time these same four events occurred was in the 1968/69 time period and resulted in economic and policy tail risk events. This included negative GDP growth, elevated inflation, war, an energy embargo, a complete upending of the global financial system, "minimum" taxes on individuals and companies, price controls, and even the removal of a sitting president. All of these issues are relevant to today's political environment.

Aftershocks from the pandemic's policy events are rapidly transforming the three major macro policy frameworks used by many investors: 1) Monetary policy; 2) Fiscal policy; and 3) Geopolitics. For example, the Federal Reserve has to get inflation out of the system for the first time in 40 years. This monetary tightening is raising the interest cost on US debt and substantially raising the servicing cost of the federal government. And China is making good on its promise to challenge the Western world order with the goal of creating a multipolar world.

Policy challenges for the US government are growing while political volatility is increasing in the US. The 2022 midterm elections resulted in the eighth time US voters changed political parties out of the last nine federal elections. This constant political change is the most political volatility since following the post-Civil War Reconstruction Era.

Combined, investors are likely facing an environment that more closely resembles the years before the Berlin Wall came down. This includes slightly higher inflation, slightly higher interest rates, and lower Price to Earnings ratios on stocks compared to the period following the fall of the Berlin Wall.

Strategas Asset Management believes company lobbying is an essential and effective form of corporate governance in this period of heightened policy and political change. We feel companies have too much at stake to be sitting on the sidelines when policymakers can ban product sales into other countries or impose national security reviews on companies' foreign investment. We have not seen this type of policy environment in more than 30 years.

Smart companies should boost their engagement with policymakers or possibly face risks to their business models resulting from these policy tail risks. We are beginning to see this take place. Last year was a banner year for S&P 500 lobbying activity, which increased 12.5% through the first three quarters of 2022 relative to the same period in 2021, and the largest increase we had on record going back to 2012 according to Strategas' analysis of S&P 500 companies' lobbying disclosures.

Taken together, in an environment where the Fed may need to remove inflation from the system for the first time in 40 years, the debt servicing cost of the US government will restrict fiscal policy for the first time in 35 years, and the Western world order is seriously being challenged for the first time since the Berlin Wall fell, we believe the risks and opportunities from policy have never been greater. And this means investors, who have largely grown accustomed to a low inflation and low interest rate environment, may need to adjust to this rapidly evolving policy landscape. SAGP is designed to capture this.

**Portfolio Highlights:**

SAGP benefitted by being positioned for a number of themes that played out in 2022:

1. **Geopolitical Risk/Global Defense Spending**: Even before Russia's attack on Ukraine, we could feel geopolitical tension building with growing pressure on governments to lift their Defense spending over the next couple of years. Russia's attack on Ukraine accelerated this development. SAGP was overweight Industrials stocks with a heavy tilt towards Defense companies which had strong gains in 2022. Nearly 60 percent of SAGP's 750 basis point return above the ACWI was attributable to its overweight position in Defense and other Industrials stocks. We expect this to be less of a tailwind in the first half of 2023 if investors rotate towards multinational stocks and deficit politics raises the prospect of potential spending cuts. Still, we find it difficult for Defense spending to go down in such a tough geopolitical environment in the medium term.

2. **Supply Chains/Manufacturing/Onshoring**: National security risks around supply chains are leading to a once in 40-year reversal for companies and supply chain resiliency is an emerging theme that played out in 2022. We expressed this in several ways such as our overweight positions in Industrials and Materials which benefit from more infrastructure development, as well as select Technology companies (although we benefitted from being heavily underweight Technology stocks generally).

3. **Healthcare Innovation/Merger Activity:** SAGP was overweight Health Care stocks in 2022 which held up well in a high inflation environment. The defensive property of the sector and the strong gains in biotech and pharma stocks offset macro weakness in other sectors. Health care stocks added one percent to the return above ACWI. Driving this was innovation in life saving drugs including Eisai's promising experimental drug slowing the development of Alzheimer's in early stage cases. We also had two large mergers late in the year with Abiomed (ABMD) being purchased by Johnson and Johnson with a 50 percent premium and Horizon Pharmaceuticals being purchased by Amgen with a 48 percent premium.

4. **Corporate Tax Increases**: A number of companies in the portfolio successfully worked against the enactment of higher corporate tax rates as well as new taxes on foreign source revenue. These tax increases could have lowered potential EPS growth in 2023. With Republicans winning the House, tax increases are now unlikely for the next two years.

5. **A Global Allocation With A US Tilt**: In addition to thematic and sector allocation, the strategy's relative performance also benefited from its non-US allocation. For much of 2022, the US was viewed as a safe haven as Russia invaded Ukraine and as China maintained restrictive covid-19 policies. While SAGP did reduce its non-US target weight to the minimum 40 percent following Russia's invasion of Ukraine, the Fund's non-US holdings outperformed the MXWD (iShares MSCI ACWI ex US ETF) in 2022. Non-US companies that lobby in the US, as SAGP's holdings do, generally do so because they have a US business or revenue interest. In our view, holding non-US companies with US presence helped insulate the strategy.

**Outlook For 2023**

We continue to believe that policy will have an outsized effect on financial markets in 2023. Our outlook for 2023 differs from 2022, however, as we see policy this year responding to the effects of last year which will lead to different outcomes.

More specifically, we expect more national security justifications for limiting trade to certain countries. But we also expect the countries, such as the US and China, to promote more economic growth internally as global catalysts decelerate.

SAGP utilizes Strategas' asset allocation to determine US versus non-US and large-cap versus small and mid-cap weightings. Strategas' asset allocation views are shifting away from the US and towards non-US developed economies. This could benefit the strategy given the prevalence of European holdings in the Fund. The strategy does not own Chinese equities currently. While this could hinder performance, particularly as China pursues a growth strategy to maintain competition with the West, we are comfortable with our current limits on allocation given the risk of new trade and investment restrictions.

One consequence of domestic efforts to promote growth is that there will be more pressure on the Fed to relax its monetary policy tightening campaign, more pressure on fiscal policy to rein in budget deficits, and more focus on the energy transition to deal with elevated energy costs.

We want to thank everyone for their trust in us in 2022 and we look forward to working with you in 2023 as we attempt to navigate this evolving policy landscape.

Please do not hesitate to reach out to us if we can be of assistance to your efforts this year.

Wishing you all the best in 2023,

Daniel Clifton & Courtney Rosenberger

The Fund may trade securities actively, which could increase its transaction costs (thereby lowering its performance) and could increase the amount of taxes you owe by generating short-term gains, which may be taxed at a higher rate. The linked video represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding the fund or any security in particular. This research is provided for educational purposes only. Strategas claims no responsibility for its accuracy or the reliability of the data provided. This information is not intended to provide legal and/or tax advice. Please consult your financial advisor for further information. For fund holdings and standard performance click here http://strategasetfs.com/sagp. Holdings are subject to change.

**Carefully consider each Fund's investment objectives, risk, and charges and expenses. This and other information can be found in the Fund's summary or full prospectus which can be obtained by calling 855-457-3637 or by visiting strategasetfs.com. Please read the prospectus carefully before investing. Each Fund is new and has a limited operating history.**

Strategas Asset Management, LLC serves as the investment advisor for each Fund and Vident Investment Advisory, LLC serves as a sub advisor to each Fund. The Funds are distributed by SEI Investments Distribution Co. (SIDCO), which is not affiliated with Strategas Asset Management, LLC or any of its affiliates. Shares of any ETF are generally bought and sold at market price (not NAV) and are not individually redeemed from the fund. Brokerage commissions will reduce returns. An investment in the Fund involves risk, including possible loss of principal. In addition to the normal risks associated with investing, the Strategas Global Policy Opportunities ETF (SAGP) is subject to lobbying focused investment risk. The advisor's investment process utilizes lobbying intensity as the primary input when selecting investments for the Fund's portfolio and does not consider an investment's traditional financial metrics. The Fund may underperform other funds that select investments utilizing more traditional investment metrics. The Fund may also focus its investments in a particular country or geographic region outside the U.S. and may be more susceptible to economic, political, regulatory or other events or conditions affecting issuers and countries within that country or geographic regions well as risks of increased volatility and lower trading volume.

In addition to the normal risks associated with investing, the Strategas Global Policy Opportunities ETF (SAGP) is subject to macro-thematic trend investing strategy risk. Therefore, the value of the Fund may decline if, among other reasons, macro-thematic trends believed to be beneficial to the Fund do not develop as anticipated or maintain over time, or the securities selected for inclusion in the Fund's portfolio do not perform as anticipated. Diversification may not protect against market risk.

Both funds may be more heavily invested in particular sectors and may be especially sensitive to factors and economic risks that specifically affect those sectors. These funds may trade securities actively, which could increase its transaction costs (thereby lowering its performance) and could increase the amount of taxes you owe by generating short-term gains, which may be taxed at a higher rate.