

# Strategas Global Policy Opportunities ETF (SAGP)

## PORTFOLIO OVERVIEW



**Strategas' Global Policy Opportunities ETF (ticker: SAGP) was initiated to give investors exposure to a core idea: policy is becoming more important to companies' earnings.**

Public policy is cementing itself into a super-cyclical investment theme as regulatory and legislative developments cast a larger shadow over financial markets. Strategas believes this theme will continue across both business and political cycles.

The last two decades alone have seen major regulatory and legislative actions with extensive implications for the economy, sectors, and individual companies. A handful of major legislative and regulatory actions that investors have had to navigate include: Dodd-Frank, Affordable Care Act, 2017 Tax Cuts And Jobs Act, Trump tariffs, 2020-2021 Covid-19 packages, 2021 Infrastructure Investment And Jobs Act, and the 2022 Inflation Reduction Act.

**Legislative, regulatory, and executive policy – and its ability to create winners and losers - makes government a necessary, but often underutilized, consideration for investors.**

The US' federal oversight impacts companies across the cap-scale in the US. Small and mid-cap companies may at times be even more impacted by a potential government action if they are unable to absorb costs as well as their larger competitors or have a business more levered to a given issue due to less revenue diversification.

Additionally, the reverberations of US policy do not stop at the US' borders. Foreign domiciled companies doing business in the US must maneuver everything from US tax and environmental policy to competing for government contracts and US trade policy. Foreign companies lobby the US government, just like their US competitors, to have a seat at the table and a voice on issues that could be detrimental or advantageous towards their businesses.

**Strategas' Global Policy Opportunities ETF invests across market capitalizations and geographies.**

To capture the breadth of government's impact on policy, SAGP's holdings include US large-cap, US small and mid-cap, and non-US large-cap holdings. Holdings are based off companies' lobbying intensity, a proprietary Strategas measurement of companies' lobbying activities.

**The strategy rebalances quarterly to capture changes in companies' lobbying activities.**

Issues that companies are focused on in Washington evolve with the changing geopolitical and domestic political environment in Washington, DC. SAGP's scheduled quarterly rebalances allow the strategy to move with the changing landscape.

**Critically, in a political environment shaped by volatility, the strategy is apolitical.**

A change in administration can drastically alter the political, and therefore investing, landscape. But predicting the outcome of an election, and when the market will begin to price it in, is difficult. Voters have removed parties in power in eight of the past nine midterm and presidential elections. The 2016 and 2020 presidential elections were decided by three states each that had margins of victory of less than 80,000 voters.

SAGP adjusts to election volatility not by subjectively picking winners, but through its quarterly rebalances of companies' lobbying activities. Strategas believes companies know their political risks and opportunities best.

# Strategas Global Policy Opportunities ETF (SAGP)

## PORTFOLIO OVERVIEW



Based off companies' current lobbying activities, there are five themes in Strategas' view that envelop lobbying priorities within the strategy.

- 1. Healthcare Innovation:** SAGP has been overweight Health Care relative to its benchmark the MSCI All Country World Index (ACWI) since inception. Companies across the cap-scale and geography are engaged with policymakers on issues ranging from Medicare and Medicaid drug coverage to tax credits for research. In addition, the 2022 Inflation Reduction Act and the requisite price negotiations for certain drugs is a key issue for large-cap US and foreign drugmakers.
- 2. Defense Spending:** A second sector that the strategy has been overweight since inception is Industrials. Deglobalization and a deteriorating geopolitical environment have led to national security and Defense becoming bipartisan priorities. In calendar year 2023, Defense spending rose nearly 10 percent year-over-year, with expectations for another, albeit smaller, increase in 2024. Still, Aerospace & Defense names must compete for these funds in the form of contracts and to get their specific specialties- such as marine, missiles, or aerial – a larger piece of the pie. We expect to see an increase focused on space funding in the coming years, a theme already showing up in a handful of companies' lobbying disclosures.
- 3. Tax Policy:** Companies lobbied aggressively, and successfully, in 2017 for a reduction in the corporate tax rate – among other changes – in the Tax Cuts and Jobs Act (TCJA). But while most of the corporate changes were made permanent, a handful have expired. Companies have remained vigilant at lobbying for full R&D expensing (rather than amortization), along with reinstatement of 100% capital expensing and more generous interest treatment. Additionally, the individual tax cuts from TCJA expire year-end 2025. Extending these cuts will be a priority regardless of the election but how the individual cuts' extension is paid for will depend on the post-election partisan make-up. Companies are already, and we expect will continue to, lay the groundwork to mitigate any efforts at raising corporate taxes to pay for individual provisions next year.
- 4. Supply Chains & Manufacturing:** Tensions between the US and China, along with direct conflicts in the Middle East, Europe, and other regions have pushed national security beyond simply the Defense budget. Now national security, deglobalization, and supply chains are becoming intertwined. Policymakers are looking at national security vulnerabilities in everything from imports to entire supply chains, particularly as it pertains to reliance on China. This has led to carrots, like the CHIPS Act, as well as sticks, such as export controls, to encourage companies to onshore or "friendshore" their supply chains. The 2024 election could escalate and expedite these trends.
- 5. Privacy & Cyber Governance:** As technology continues to develop, companies across sectors and industries have the potential to benefit to the extent that the regulatory and legislative environment permits it. National security concerns have bled into tech, with policymakers concerned about foreign governments' influence on Americans and access to data. Artificial intelligence is one of a handful of issues where there was an increase in S&P 500 companies disclosing lobbying in 2023 versus 2022, showing the importance of AI for companies and the potential for regulatory changes to impact how companies can utilize it.

# Strategas Global Policy Opportunities ETF (SAGP)

## PORTFOLIO OVERVIEW



MSCI ACWI Index captures large and mid-cap representation across 23 Developed Markets (DM) and 25 Emerging Markets (EM) countries. The index covers approximately 85% of the global investable equity opportunity set. DM countries include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK, and the US. EM countries include Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Kuwait, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates.

This information 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 [strategasetfs.com/sagp](https://strategasetfs.com/sagp). Holdings are subject to change.

**Carefully consider the 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](https://strategasetfs.com). Please read the prospectus carefully before investing.**

Strategas Asset Management, LLC serves as the investment advisor for the Fund and Vident Investment Advisory, LLC serves as a sub advisor to the Fund. The Fund is 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.

The fund may be more heavily invested in particular sectors and may be especially sensitive to factors and economic risks that specifically affect those sectors. 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.