

# ESG INTERMEDIATE CREDIT ETF

Strategy Overview

January 2018



## ABOUT SAGE: BY THE NUMBERS

1996

Year Founded

\$12.7B

AUM/AUA

100%

Employee Owned

18

Investment  
Professionals

15

Number of Years  
Implementing SRI/ESG

308

Investment Team  
Total Years Experience

49

Total Employees

66%

Institutional Clients

1998

Began Using ETFs

# SAGE ESG INTERMEDIATE CREDIT ETF

## Fund Objective

The Sage ESG Intermediate Credit ETF seeks to provide investors access to a portfolio of investment grade credit bonds issued by companies with strong ESG characteristics and fundamentals. This ETF will track the Sage ESG Credit Intermediate index and will be re-balanced quarterly and seeks to pay dividends monthly.

## Key Features



### Integrated ESG Approach

A 3-part ESG evaluation process is integrated into the fundamental evaluation of each bond



### Core Fixed Income Building Block

The portfolio serves as an important core building block for a diversified ESG-focused asset allocation



### Efficient Investment Vehicle

ETF of approximately 100 highly liquid corporate bonds diversified across industries and maturities



### Sage ESG Intermediate Credit ETF

Index	Sage ESG Intermediate Credit Index
Index Consultant	Wilshire Associates
Effective Duration	4.3 Years

Characteristics as of 9/30/2017. The SAGE ESG Intermediate Credit ETF inception date is 10/31/2017. The Fund is a new fund with a limited history of operations for investors to evaluate. The SAGE ESG Intermediate Credit Index is Powered by Wilshire, where Wilshire Associates is retained as index consultant and independent calculation agent. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. The referenced indices in this presentation are not meant to represent the Fund.

# THE ESG INVESTMENT LANDSCAPE

**Environment, Social, Governance (ESG) Investing** involves aligning financial interests with an investor's environmental, social, and governance (ESG) values. Integration includes identifying those ESG practices by public companies that are material to the company's financial performance and evaluating those factors in addition to conventional investment financial analysis. The result is an investment portfolio constructed with dual objectives: the achievement of desired environmental, social and corporate managerial outcomes as well as the maximization of investment portfolio returns.



## Environment

- Climate Change & Carbon Emissions
- Air/water pollution
- Energy Efficiency
- Water Scarcity
- Waste Management
- Deforestation



## Social

- Product Safety
- Data Protection/Privacy
- Gender & Diversity
- Employee Engagement
- Supply Chain Management
- Access to Education



## Governance

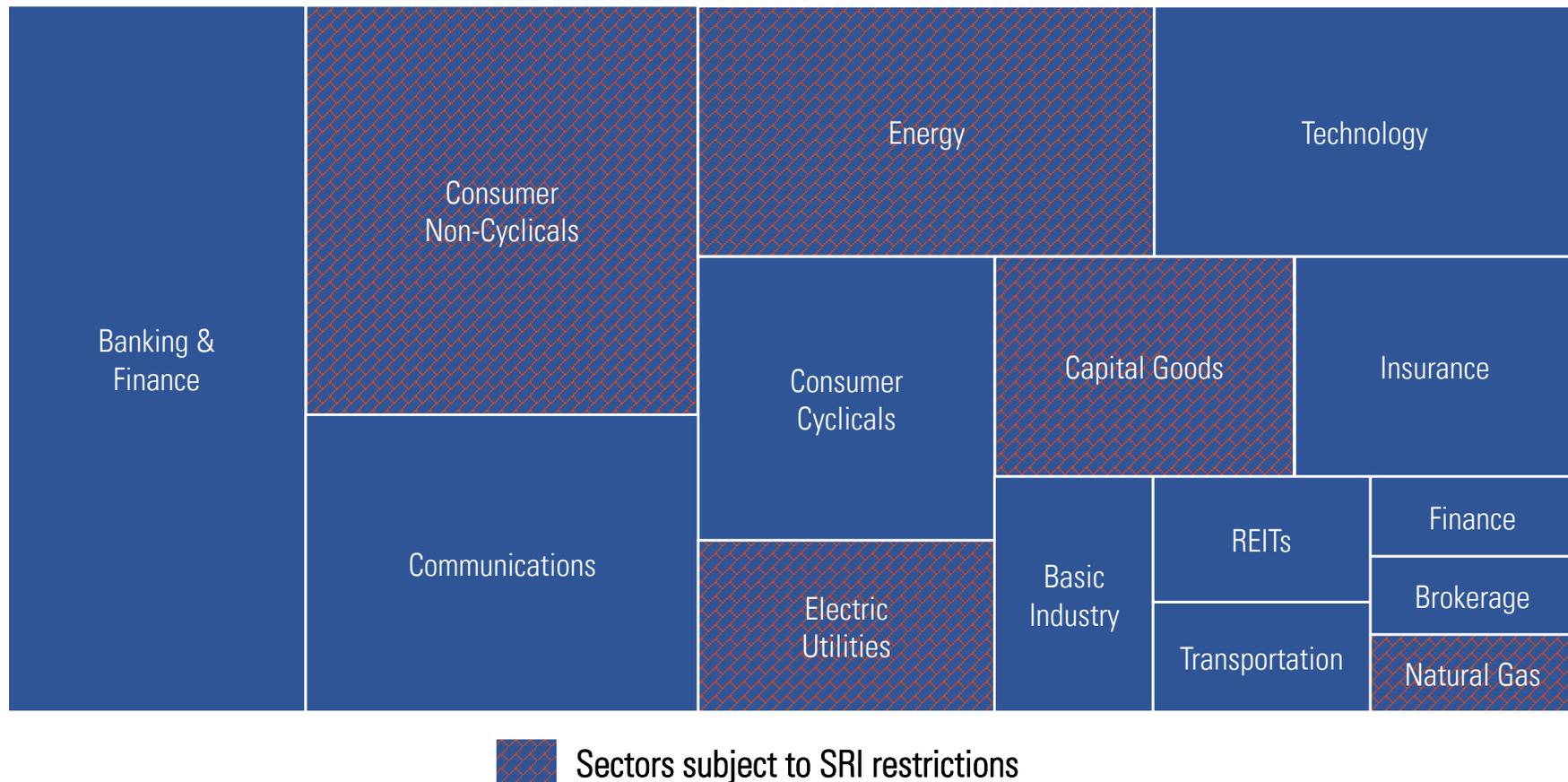
- Board Composition
- Audit Committee Structure
- Executive Compensation
- Lobbying
- Political Contributions
- Bribery and Corruption

# SUSTAINABLE INVESTING FOR FIXED INCOME INVESTORS

## Socially Responsible Investing (SRI)

- Process of Avoidance
- SRI excludes entire industries within bond market
- Introduces Additional Risk and Volatility
- Adds Tracking Error

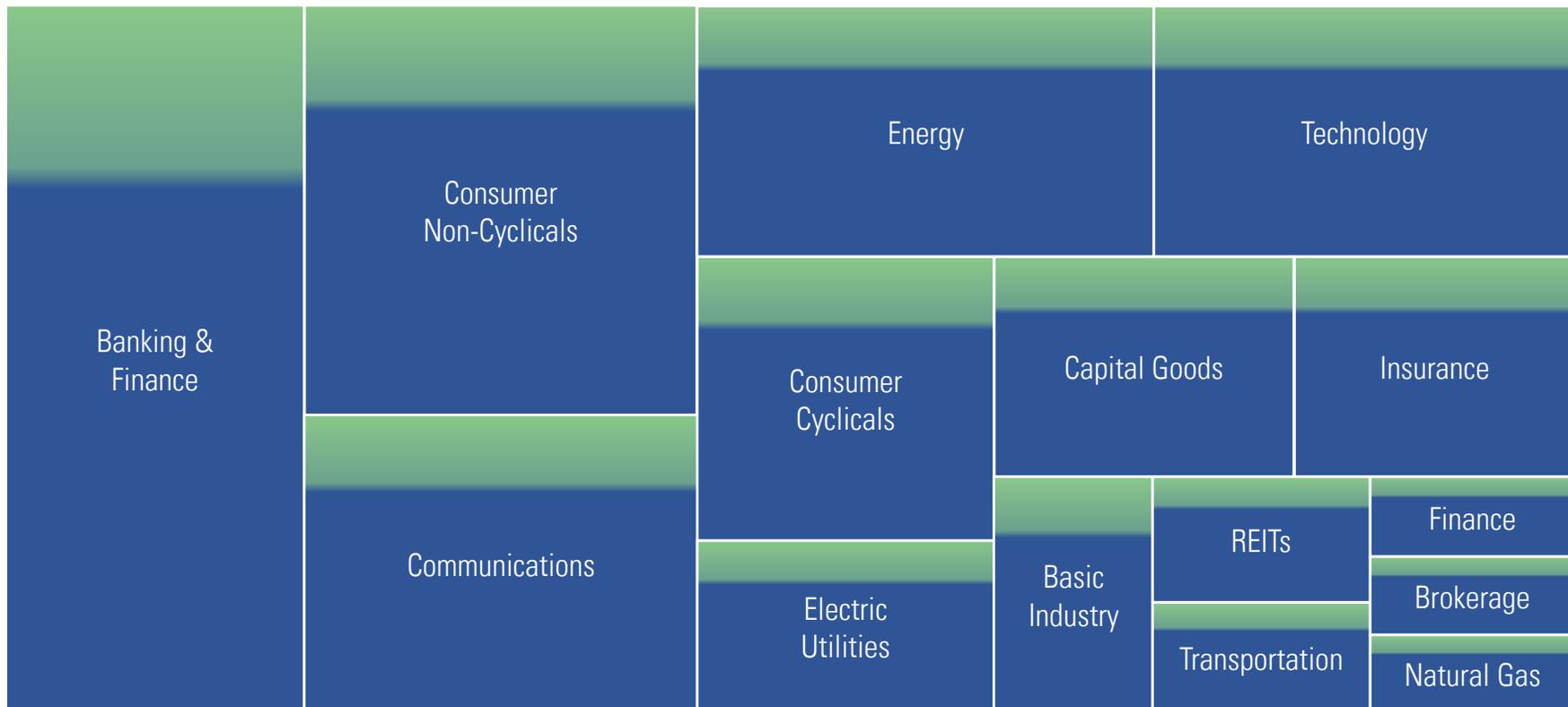
*SRI can exclude over 17% of corporate bond market\**



# SUSTAINABLE INVESTING FOR FIXED INCOME INVESTORS

## Environmental, Social, Governance (ESG)

- Process of Alignment
- Diversified Across Industries
- Decreases Volatility
- Limited Tracking Error



■ Top ESG-rated bonds in each sector

# SAGE ESG INVESTMENT FRAMEWORK

Sage built a custom ESG investment framework in partnership with Sustainalytics to identify organizations that are consciously building sustainable business models through better ESG management. This scoring framework provides an assessment of each company in terms of its preparedness and performance across a range of ESG indicators. Sustainalytics also audits the Sage process and ESG strategies on a semi-annual basis.

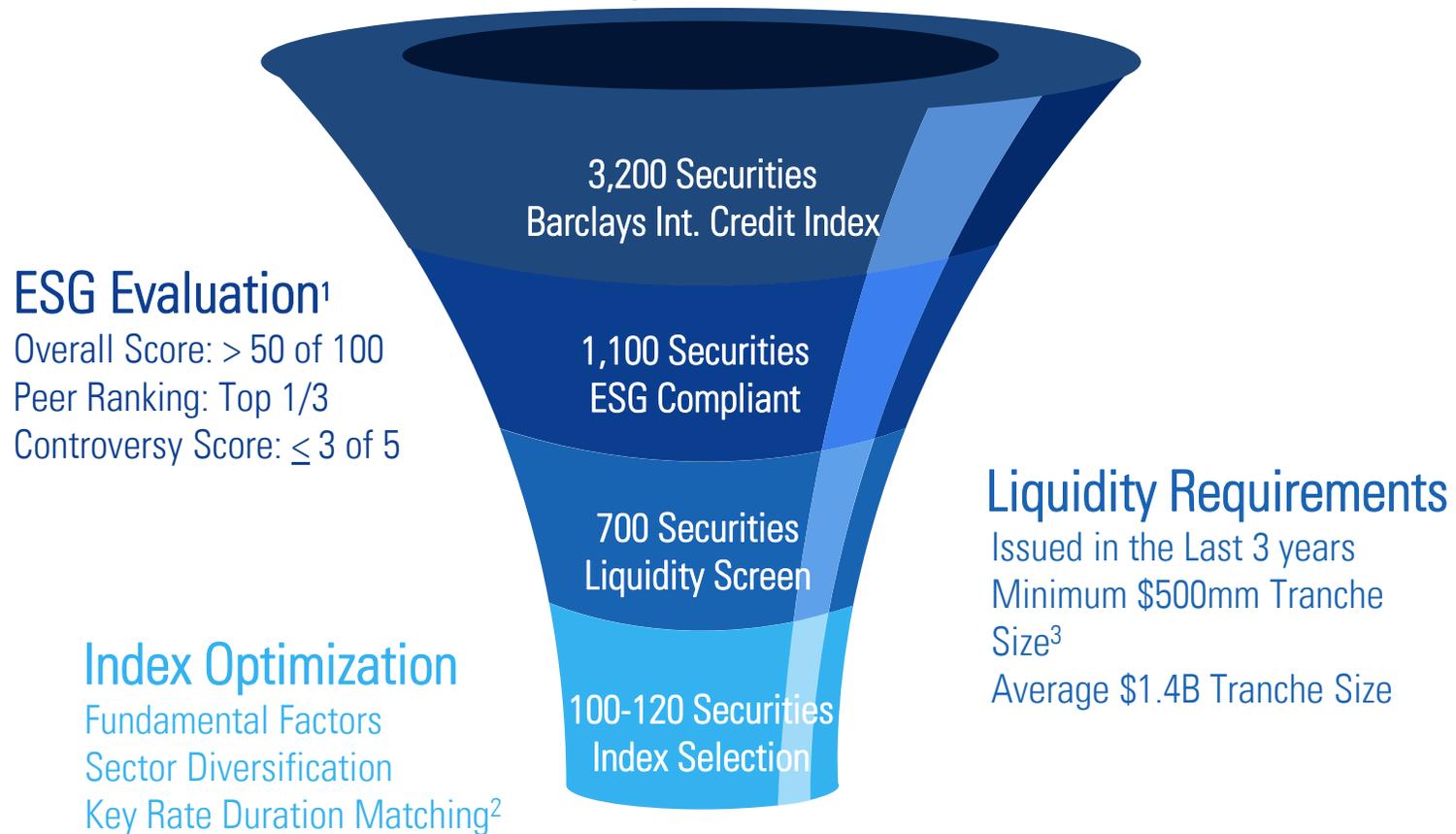


- 25+ years of ESG and corporate governance research
- 300+ ESG staff with over half engaged in research
- Comprehensive database of historical ESG ratings and statistical information
- 70 indicator level scores at the company level
- Research on 7,000 issuers
- Controversy research on 15,000 global companies
- Provides daily reporting on ESG & Controversy scores by issuer CUSIP



# SAGE ESG INVESTMENT FRAMEWORK

## Sage ESG Intermediate Credit Index Powered by Wilshire



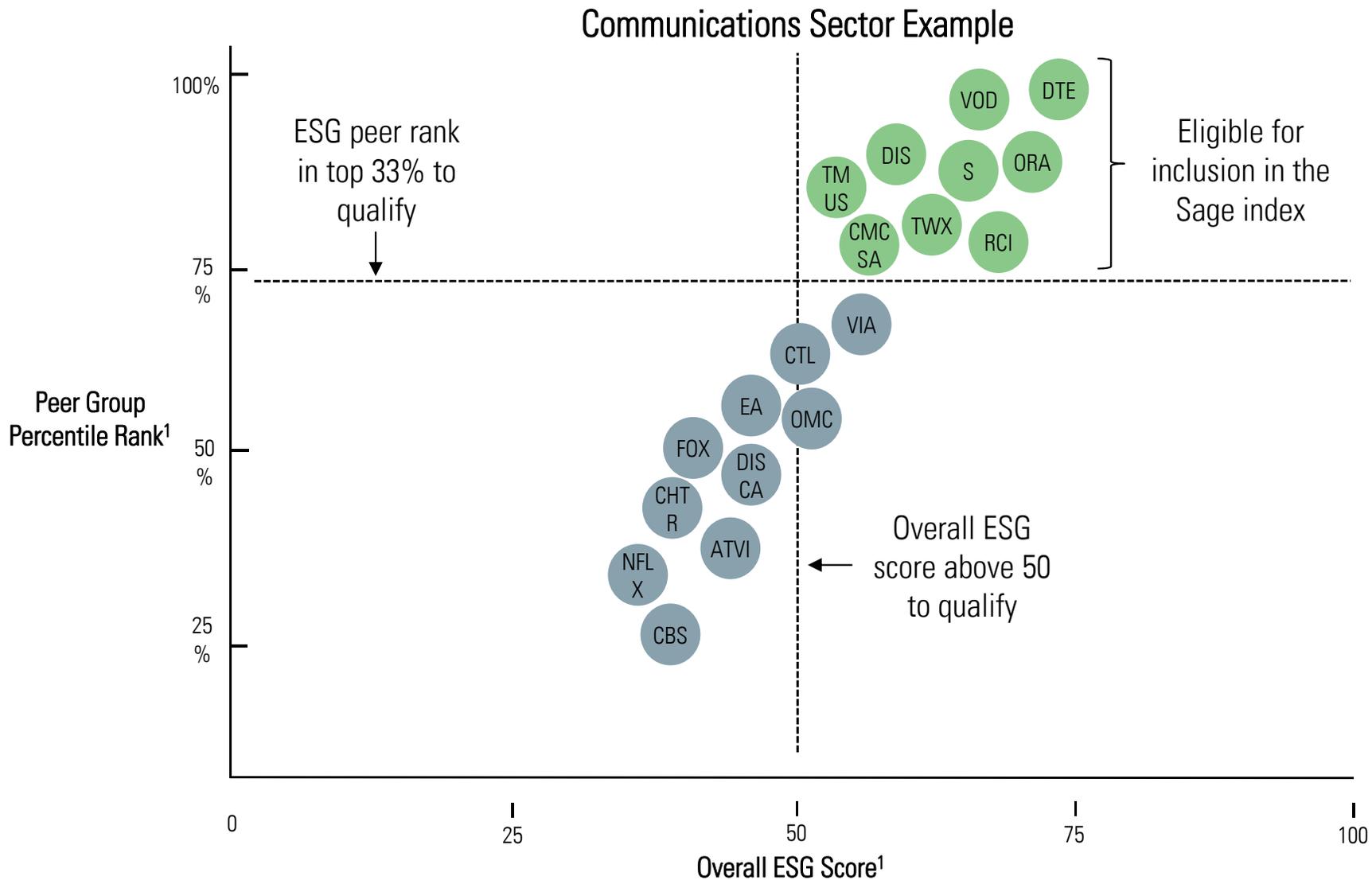
1. Scores and rankings provided by Sustainalytics. 2. Key rate duration matching refers to constructing the index to match the key rate duration, or interest rate sensitivity of securities held at different maturities along the yield curve, to the key rate duration of the broad credit index. 3. Tranche size refers to the total size of a bond's issuance.

The Sage ESG Intermediate Credit Index uses a systematic, rules-based approach to identify securities from the Bloomberg Barclays US Intermediate Credit Index with optimal ESG ratings, while closely aligning duration and risk characteristics.

The Bloomberg Barclays Capital Intermediate Credit Maturity Bond Market Index represents securities that are U.S. Agencies, U.S. investment grade corporates, foreign debentures and secured notes with maturities from one year up to, but not including, ten years.

Characteristics as of 9/30/2017. The SAGE ESG Intermediate Credit Index is Powered by Wilshire, where Wilshire Associates is retained as index consultant and independent calculation agent. Index data is not representative of the Sage Intermediate Credit ETF.

# SAGE ESG INVESTMENT FRAMEWORK



1. To measure corporate sustainability, a set of environment, social and governance indicators specific to the industry of the respective issuer are scored. A score from 0 to 100 is given to each indicator. The ESG score is determined by the weighted sum of the indicator scores for a particular issuer. To be eligible for inclusion in the Index, an issuer must have a minimum overall ESG score of 50 and must rank in the top third of its peer group. The Peer Group Percentile Rank demonstrates how an issuer compares to industry peers, and are on a 0% to 100% scale. Scores and rankings provided by Sustainalytics.

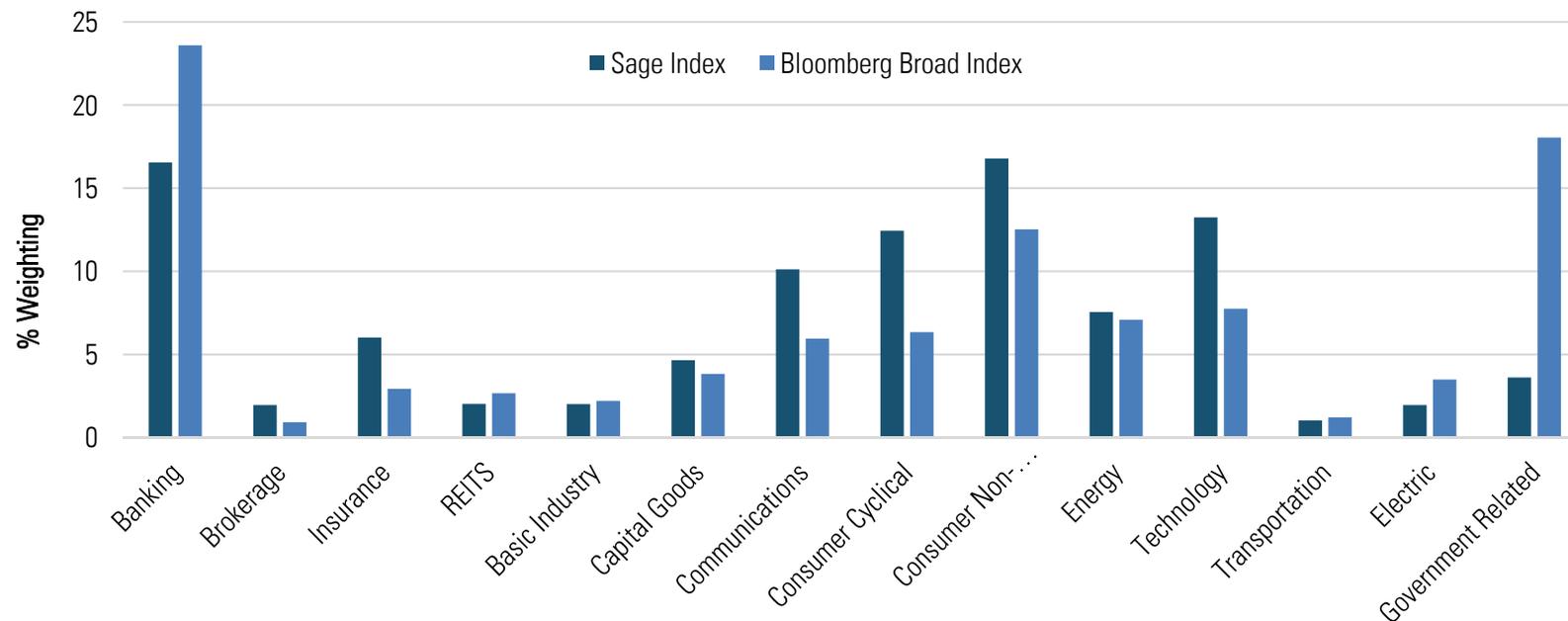
# SAGE INTERMEDIATE CREDIT INDEX CHARACTERISTICS

## Sage ESG Intermediate Credit Index

- 109 Bonds
- Average ESG Score<sup>1</sup>: 70/100
- Avg. Percentile Rank<sup>1</sup>: 84%
- Effective Duration: 4.2 years

## Bloomberg Barclays Intermediate Credit Index

- 4,216 Bonds
- Average ESG Score<sup>1</sup>: 59/100
- Avg. Percentile Rank<sup>1</sup>: 50%
- YTW: 2.57%
- Average Rating: A3
- Effective Duration: 4.3 years



1. The Average ESG Score is the average of each ESG Score for all issuers that compile the index. The Average Percentile Rank is the average of each Percentile Rank for all issuers that compile the index. The ESG Scores and Percentile Rankings are provided by Sustainalytics.

**The Sage ESG Intermediate Credit Index** uses a systematic, rules-based approach to identify securities from the Bloomberg Barclays US Intermediate Credit Index with optimal ESG ratings, while closely aligning duration and risk characteristics.

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# DISCLOSURES

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***Investors should carefully consider the investment objectives, risks, charges and expenses of the Sage ESG Intermediate Credit ETF. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling 888-724-3911. The prospectus should be read carefully before investing. The Fund is distributed by Northern Lights Distributors, LLC, Member FINRA/SIPC.***

***Sage Advisory Services LTD Co. and Northern Lights Distributors, LLC are not affiliated.***

The Fund generally will invest at least 80% of its total assets in the component securities of the SAGE ESG Credit Index (the "Index"). The Index consists of corporate bonds selected from the Barclays Capital U.S. Intermediate Credit Bond Index that meet Environmental, Social and Governance (ESG) criteria. The ESG investment strategy limits the types and number of investment opportunities available and, as a result, the strategy may underperform other strategies that do not have an ESG focus.

Investing involves risk including possible loss of principal. The Fund is a new fund with a limited history of operations for investors to evaluate. There is no guarantee that the Fund will achieve its objectives.

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Investors should make their own decisions on investment strategies based on their specific investment objectives and financial circumstances. All investments contain risk and may lose value. Debt or fixed income securities are subject to market risk, credit risk, interest rate risk, call risk, tax risk, political and economic risk, derivatives risk, income risk, and other investment company risk. As interest rates rise, bond prices fall. Credit risk refers to an issuer's ability to make interest payments when due. Below investment grade or high yield debt securities are subject to liquidity risk and heightened credit risk. Foreign investments involve additional risks as noted above. Investing involves substantial risk and high volatility, including possible loss of principal. Bonds and bond funds will decrease in value as interest rates rise. Past performance is not a guarantee of future results.

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