

foiapa

From: Request@ip-10-170-20-104.ec2.internal
Sent: Friday, May 25, 2018 11:39 AM
To: foiapa
Subject: Request for Document from Eiden, Steve

Steve Eiden
4600 IDS Center
80 South Eighth St
Minneapolis, Minnesota 55402
United States

612-256-3279
seiden@nka.com



Request:
COMP_NAME: Sage Advisory Services Ltd. Co.
DOC_DATE: 1996 - present
TYPE: ADV (Investment Adviser Applications and Amendments)
COMMENTS: Hello,

I am requesting all Form ADV Part II Brochures for Sage Advisory Services Ltd. (CRD# 106236 / SEC# 801-52937) from its founding in 1996 through the present.

Thank you,

Steve Eiden

ERISA Analyst

Nichols Kaster, PLLP
FEE_AUTHORIZED: Willing to Pay \$61
FEE_WAIVER_REQUESTED: No
EXPEDITED_SERVICE_REQUESTED: No



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
STATION PLACE
100 F STREET, NE
WASHINGTON, DC 20549-2465

Office of FOIA Services

June 18, 2018

Mr. Steven Eiden
Nichols Kaster, PLLP
4600 IDS Center 80 South Eighth St
Minneapolis, MN 55402

RE: Freedom of Information Act (FOIA), 5 U.S.C. § 552
Request No. 18-02070-FOIA

Dear Mr. Eiden:

This letter is in response to your request, dated and received in this office on May 25, 2018, for all Form ADV Part II Brochures for Sage Advisory Services Ltd.

Your request is granted in full. We are enclosing 136 pages with this letter.

As shown on the enclosed invoice, the processing fee is \$30.50 in accordance with our fee schedule. You may use our [Online Payment](#) option to pay by debit or credit card. If paying by mail, checks or money orders should be made payable to the SEC and a copy of the invoice should be mailed to our payment address: Enterprise Services Center, HQ Bldg., Room 181, AMZ-341, 6500 South MacArthur Boulevard, Oklahoma City, OK 73169. Please refer to the following link for detailed instructions on how to remit payments. <http://www.sec.gov/about/offices/ofm.htm>

If you have any questions, please contact me at Gbenoua@sec.gov or (202) 551-5327. You may also contact me at foiapa@sec.gov or (202) 551-7900. You also have the right to seek assistance from Jeffery Ovall as a FOIA Public Liaison or contact the Office of Government Information Services (OGIS) for dispute resolution services. OGIS can be reached at 1-877-684-6448 or Archives.gov or via e-mail at ogis@nara.gov.

Sincerely,

Amy Gbenou

Amy Gbenou
FOIA Research Specialist

Enclosure



SAGE ADVISORY SERVICES, LTD. CO.

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AUSTIN, TEXAS 78735

(512) 327-5530

WWW.SAGEADVISORY.COM

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ITEM 1 – COVER PAGE

CLIENT BROCHURE

Date of Brochure: March 28, 2013

This Brochure provides information about the qualifications and business practices of **Sage Advisory Services, Ltd. Co.** If you have questions about the contents of this Brochure, please contact us at (512) 327-5530.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Sage is available on the SEC's website at www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with, registered, and required to be registered as investment adviser representatives of Sage.

Sage is a registered investment adviser. The registration of an investment adviser does not imply any level of skill or training. The oral and written communications made to you by Sage, including the information contained in this Brochure, should provide you with information to determine whether to hire or retain Sage as your adviser.

Please be aware during your review of our brochure when we use the words "Sage", "we" and "our" we are referring to **Sage Advisory Services, Ltd. Co.** When we use the words "you", "your" and "client" we are referring to you as our client or our prospective client. We use the term "Associated Person" when referring to our officers, employees, and all individuals providing investment advice on behalf of Sage.

ITEM 2 – MATERIAL CHANGES

This Brochure does not contain any material changes from the previous Brochure dated March 30, 2012.

This Brochure dated **March 28, 2013** is prepared according to the SEC's requirements and rules.

We deliver to our clients, within 120 days of the end of each fiscal year, an updated Brochure that either includes or is accompanied by a summary of material changes.

Alternatively, we may deliver a summary of material changes that includes an offer to provide a copy of the updated Brochure and information on how our clients may obtain the brochure.

You may obtain our Brochure by visiting our web site www.sageadvisory.com or by contacting our Chief Compliance Officer at (512) 327-5530 or by email rwilliams@sageadvisory.com.

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ITEM 4 – ADVISORY BUSINESS

SAGE ADVISORY SERVICES, LTD. CO. is a Securities and Exchange Commission (SEC) registered investment adviser located in Austin, Texas. Sage was founded in 1996 and organized as a Texas Limited Liability Company.

We specialize in domestic and international fixed income, balanced and equity portfolio management for individual and institutional clients. We offer a common sense approach toward investing by utilizing strong risk-control disciplines and a process that is repeatable.

Our belief is a conscientiously monitored investment management program designed specifically for you can satisfy your constantly changing investment needs. We seek to add value through our investment management process applied based upon your investment risk constraints.

Our investment management process combines fundamental economic analysis with quantitative security and yield curve valuation techniques to produce a comprehensive core management style.

PRINCIPAL OWNERS

Sage is entirely employee-owned and does not have any affiliates or subsidiaries. The principal owners are:

Robert G. Smith III, its President and Chief Investment Officer, And

Mark C. MacQueen, its Executive Vice President

EDUCATION AND EXPERIENCE

Sage's Associated Persons are expected to have education and business backgrounds that enable them to perform their respective responsibilities effectively. In assigning responsibilities, we consider academic background (including studies in college and graduate schools, as well as degrees earned), industry training, licenses and certifications.

Work experience in a related field, such as investments, commodities, insurance, banking or accounting, is also considered.

No formal, specific standards have been set, but appropriate education and experience are required. See ADV Form Part 2B for additional information.

ASSETS UNDER MANAGEMENT (AUM)

As of January 31, 2013 Sage manages \$10,834,000,000 in total client assets of which, \$8,589,000,000 is managed on a discretionary basis, \$1,938,000,000 is managed on a model provision basis, and \$307,000,000 is managed on a non-discretionary basis.

OVERVIEW OF ADVISORY SERVICES

Sage offers investment management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, insurance companies, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds and other U.S. and international institutions.

We also offer advisory services to clients seeking liability directed investment solutions and insurance company specific services.

INVESTMENT MANAGEMENT

Sage offers a common sense and client objective-driven approach toward investing with strong risk-control disciplines utilizing a repeatable process. Sage distinguishes itself in the following areas:

- Investment Management - We seek to manage each client's portfolio separately and individually assist them in obtaining their safety, liquidity, income, tax sensitivity, total return and risk expectations.
- Disciplined Process - We adhere to a process that focuses on each client's financial objectives within a mutually understood risk tolerance.
- Client Education - We educate clients on market trends, economic forces and investment fundamentals to foster a better understanding of investment decisions.
- Investment Reporting - We provide clients with convenient password protected access to their account information anytime, from anywhere via Sage's website.

INVESTMENT STRATEGIES

Sage offers the following actively managed investment strategies:

- Taxable Fixed Income - Our client's objectives range from cash management to total return and high total income. We also deliver our investment strategies in short, intermediate and market duration profiles. Investment instruments include, but are not limited to, U.S. Government debt, U.S. Corporate debt, U.S. Municipal debt and Securitized Assets.
- Non-Taxable Fixed Income - Our client's objectives range from cash management to after-tax total return and high after-tax total income. We offer investment strategies in short, intermediate and market duration. Investment instruments include, but are not limited to, U.S. Treasury debt, Tax-exempt municipal general obligation debt, and Tax-exempt municipal revenue debt.
- Actively Managed Exchange Traded Funds (ETF) - Our client's objectives range from long-term total return to low-volatility income generation. We offer strategies in multi asset income, core plus equity, core plus fixed income and balanced accounts. Investment instruments include, but are not limited to, equity, fixed income and alternative ETF's.

LIABILITY DIRECTED INVESTMENT SOLUTIONS

In addition to traditional investment management services, Sage offers a comprehensive and innovative combination of analytic, investing and reporting services which focus on the key concerns in building an effective Asset/Liability (LDI) management strategy.

Specifically, the Sage Applied Solutions Group offers two categories of services:

- Asset/Liability Analysis, and
- Liability Driven Investing.

We provide these services independently or conjunctively for our clients. For example, we have clients for whom we solely perform Asset/Liability Analysis, clients for whom we solely provide Liability Driven Investing, and finally, clients for whom we perform Asset/Liability Analysis and provide Liability Driven Investing.

Asset/Liability Analysis is the first step in Asset/Liability Management and involves assessing a client's liability structure and existing asset solution given the current applicable regulatory environment by employing the following analyses:

- Term structure assessment
- Dynamic cash flow modeling
- Interest rate & inflation risk sensitivity analysis
- Customized liability benchmark creation
- Gap analysis & risk budget creation
- Deterministic and stochastic modeling of asset returns
- Accounting and statutory projections using actuarial forecasting software (optional)

Liability Driven Investing is the second step in Asset/Liability Management and involves developing and implementing a particular asset solution given the client's liability structure, funded status and goals and may include:

- Liability targeted investments
- Long duration portfolio management
- Excess alpha and low correlation investment strategies
- Inclusion of a broad range of investments such as futures, swaps and other derivative instruments, if warranted

If a client retains Sage to perform Asset/Liability Analysis, Liability Driven Investing or both, Sage provides reporting and administration services as follows:

- Daily online investment valuation and activity reports
- Year-round investment compliance and oversight reports
- Customized quarterly performance evaluations
- Monthly liability benchmark updates
- Assessment & negotiation of derivative agreements, if required

INSURANCE COMPANY SERVICES

We offer a comprehensive and innovative combination of analytic, investing and reporting services which focus on the key concerns in building an effective management strategy for insurance organizations.

Insurance Liability Assessment and Analysis

- Term structure analysis
- Dynamic cash flow modeling
- Interest rate & inflation risk sensitivity analysis
- Customized liability benchmark creation
- Gap analysis & risk budget creation
- Balance sheet and income statement projections
- Tax efficiency analysis

Insurance Investment Management

- Liability targeted investments
- Long duration portfolio management
- Excess alpha and low correlation investment strategies
- Tax sensitive portfolio management

Insurance Reporting and Administration

- Daily online investment valuation and activity reports
- Year-round investment compliance and oversight reports
- Customized quarterly performance evaluations
- Monthly liability benchmark updates
- Best's Capital Adequacy Ratio (BCAR) calculation and forecasting
- Statutory insurance reporting, including Schedule D reporting

EXCHANGE TRADED FUNDS (ETF)

The investment and research process for the Sage Tactical ETF strategies is based on forward-looking tactical management of the big market segment decisions, as we believe the market segment allocation has the biggest impact on portfolio performance and risk management.

Within fixed income, market segment exposure is driven by duration, yield curve positioning and non-core segment exposure.

Within equities, segment exposure is determined by size, style, sector and regional exposure. We maintain a forward-looking 1-2 quarter outlook for each segment and as the outlook for each market segment changes we

feel it is critical to have the ability to make meaningful tactical changes to the asset allocation.

The outlook and asset allocation decisions are determined by the Sage Investment committee during formal Investment Committee meetings. In these meetings, the Committee conducts a thorough assessment of the macro environment as well as an assessment of the proprietary fundamental, technical and valuation indicators.

Next, the above view is combined with market segment analysis in which we analyze and rank the attractiveness of the different market caps and style segments of the market. This is done by applying proprietary valuation models that aggregate fundamental characteristics, technical trends, and macro inputs shown to have the most impact on a particular segment.

This output paired with the qualitative judgment of our investment committee forms the basis of Sage tactical market weighting vs. the broad market.

INVESTMENT PROCESS AND COMMITTEE

Investment decisions are made by Sage's investment committee which is chaired by the Chief Investment Officer.

Decisions with regard to the broad market outlook, investment strategy and client portfolio positioning are determined by the investment committee, and recorded in the minutes of the semi-monthly meetings.

The committee's investment decision process is supplemented regularly with economic and quantitative market analysis provided by Sage's internal research analysts and its external economic and analytic consultants.

After the investment committee decides on the duration target, the sector allocation and the security characteristics desired, the portfolio managers, operating on a team basis, implement the decisions reached by the Investment Committee.

Each portfolio is managed separately and tailored to assist respective clients in meeting their safety, liquidity and total return expectations.

It is Sage's belief that only an individually designed and monitored investment management program can satisfy the constantly changing investment needs of each client.

Please see Item 16 for more information regarding investment discretion and client investment restrictions.

WRAP FEES

We manage wrap fee accounts using the same investment process described above.

The wrap fee program sponsor pays Sage a portion of the wrap fee they receive for investment management services.

ITEM 5 – FEES AND COMPENSATION

Sage is compensated by receiving a mutually agreed upon percentage of the assets under management or by receiving a fixed fee.

MANAGEMENT FEE CALCULATION & PAYMENT PROCEDURE

We manage accounts for a variety of individual and institutional clients on a discretionary and/or non-discretionary basis, subject to the investment guidelines contained in their respective client agreement.

- The amounts and specific manner in which fees are charged is negotiated and memorialized in your client agreement with us.
- We do not deduct fees from your account.
- We invoice our clients directly.
- We generally invoice our clients in advance on a quarterly basis.
- The valuation of securities and other instruments are generally determined by their last reported sale price on the principal market in which they are traded, if traded on a market for which transaction prices are publically reported. Otherwise, other readily marketable securities and instruments are valued by using a pricing service or by Sage determining a fair market value.
- Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.
- On the termination date of an account, any prepaid, unearned fees will be promptly refunded and earned and unpaid fees will be due and payable.

- Our client agreement typically requires 30 days notice for termination.

Additionally, management fees are not prorated for each capital contribution and withdrawal made during the applicable calendar quarter.

MANAGEMENT FEE GUIDELINES

Our standard fee schedules are provided below. However, in some instances, we will negotiate from our standard fee schedule based upon the circumstances.

Fixed Income Strategies	ETF Strategies
Cash Duration .25 of 1% to \$10 Million .20 of 1% on next \$15 Million Negotiable over \$25 Million	All Cap Core Plus Equity Core Plus Fixed Income Balanced Portfolios Multi Asset Income .40 of 1% to \$10 Million .35 of 1% on next \$15 Million .25 of 1% on next \$25 Million Negotiable over \$50 Million
Short Duration Moderate Duration Intermediate Duration .35 of 1% to \$10 Million .25 of 1% on next \$15 Million .20 of 1% on next \$25 Million Negotiable over \$50 Million	Target Date/Life Cycle Funds .40 of 1% to \$20 Million .30 of 1% on next \$20 Million .20 of 1% on next \$20 Million Negotiable over \$60 Million
Market Duration Fixed Income Liability Driven Investment (LDI) Management (6+ Years Duration) .40 of 1% to \$10 Million .35 of 1% on next \$15 Million .25 of 1% on next \$25 Million Negotiable over \$50 Million	
Core Plus Fixed Income .50 of 1% to \$25 Million .35 of 1% on next \$25 Million .20 of 1% on next \$50 Million Negotiable over \$100 Million	

FEE SCHEDULE FOR ASSET/LIABILITY ANALYSIS & ANALYTICS

Asset/Liability Study:

- Initial Asset/Liability Study Base Fee: \$15,000
- Subsequent Annual Study Fee: \$15,000
- Semi-Annual or Quarterly Update Fee: \$2,500

(Per each inter-period update other than an initial or annual report)

Fees for Asset/Liability Analysis & Analytics may be increased above the fee schedule amount based on our determination of the novelty, complexity and/or time required to perform these analyses. Additionally, any requested revisions, including additional assumption testing and/or scenarios, may result in additional fees depending on the nature and extent of the revisions.

Fixed Income management assignments of at least \$15 million requesting the Asset/Liability Study above will be provided as part of the overall investment management fee as outlined in the investment management fee schedule above.

In the event the fixed income assignment is less than \$15 million the fees for each of the services will be billed separately as outlined in the Investment Management Services section and the Asset Liability Analysis & Analytics section above.

Fees for the Asset Liability services will be billed upon completion and paid prior to sending the final report.

SCHEDULE D REPORTING FOR INSURANCE CLIENTS FEE SCHEDULE

The minimum fee for Schedule D services for Insurance Companies is:

- \$500 per month plus two (2) basis points on the net asset value of the entire investment portfolio.
- This minimum fee is based on one investment manager for the entire investment portfolio.
- In the event there is more than one investment manager for the portfolio the fee will be subject to negotiation.
- The fee will be billed quarterly in advance based on the net asset value of the portfolio on the last business day of the preceding quarter.

- If the Schedule D services are terminated (generally upon 7 days notice) before the end of a quarter, fees paid in advance will be pro-rated for the period and the excess refunded promptly to the client.

CLIENTS' S RESPONSIBILITY OF THIRD PARTY FEES

Our management fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment advisers and other third parties. Mutual funds and exchange traded funds also charge internal management fees which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of Sage's fee.

We do not receive any portion of these commissions, fees and costs.

ITEM 6 – PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not charge any performance-based fees or side-by-side management fees.

ITEM 7 – TYPES OF CLIENTS

Our minimum asset requirements are:

Client Type	Minimum Account Size
Wrap Program Clients	\$250,000
Taxable Clients	\$3 million
Municipal Clients	\$1 million

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

“Investing in securities involves risk of loss that clients should be prepared to bear.”

ANALYSIS METHODS

Security analysis methods utilized by Sage include the following:

FUNDAMENTAL

Fundamental analysis maintains that markets may misprice a security in the short run, but that the "correct" price will eventually be reached by the market. The fundamental analysis of a business involves analyzing a business's financial statements and health, management and competitive advantages, and competitors and markets.

When applied to futures and foreign exchange, it focuses on the overall state of the economy, interest rates, production, earnings, and management.

SOURCES OF INFORMATION

Sources of information Sage uses to analyze investment strategies include, but are not limited to, the following:

- Proprietary in-house research.
- Quantitative analytics & forecasting.
- NRSRO - Nationally Recognized Statistical Rating Organizations.
- Third party research materials & reports.
- Standard & subscribed databases.
- Financial newspapers and magazines
- Inspections of corporate activities
- Annual reports, prospectuses & Securities & Exchange Commission filings.

INVESTMENT STRATEGY RISKS

TAXABLE FIXED INCOME

Principal Investment Risks. Losing a portion or all of your investment is a risk of investing in taxable fixed income securities. The following principal risks could affect the value of your investment:

- *Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- *U.S. Government Obligations Risk.* If a government-sponsored entity is unable to meet its obligations, the performance of the strategy that holds securities of the entity will be adversely impacted. U.S. Government obligations are viewed as having minimal or no credit risk but are still subject to interest rate risk.
- *Mortgage and Asset-Backed Securities Risk.* Mortgage and asset-backed securities risk includes market risk, interest rate risk, credit risk, prepayment risk (*i.e.*, homeowners whose mortgages collateralize the securities *held by the Funds may be able* to prepay principal due on these mortgages) as well as the risk that *the structure of certain mortgage-backed securities may make their reaction to interest rates and other factors difficult to predict, making their prices very volatile.*
- *Issuer Risk.* *The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.*
- *Liquidity Risk.* *Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.*

MUNICIPAL FIXED INCOME

Principal Investment Risks. Losing a portion or all of *your investment is a risk of investing in municipal fixed income securities.* The following *principal risks could affect the value of your investment:*

- **Municipal Securities Risk.** Municipal securities rely on the creditworthiness or revenue production of their issuers or auxiliary credit enhancement features. Municipal securities may be difficult to obtain because of limited supply, which may increase the cost of such securities and effectively reduce a portfolio's yield. Typically, less information is available about a municipal issuer than is available for other types of securities issuers.
- **Debt Securities Risk.** Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to *reduce the resale value* of certain debt securities, including U.S. Government obligations.
- **Tax Risk.** A strategy that invests in municipal securities may be more adversely impacted by changes in tax rates and policies than other strategies. Because interest income on municipal obligations is normally not subject to regular federal income taxation, the attractiveness of municipal obligations in relation to other investment alternatives is affected by changes in federal income tax rates applicable to, or the continuing tax-exempt status of, such interest income.
- **Issuer Risk.** The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- **Liquidity Risk.** Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

ASSET LIABILITY

- **Debt Securities Risk.** Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- **Liability Risk.** The measurement of liabilities, whether pension fund, insurance, or non-profit, involve certain forward-looking assumptions and actuarial data. Actuarial data are affected by many factors, such as changes to fund provisions, participant population, and actuarial assumptions, and therefore are subject to change. Liability forecasts, and the current pricing of those forecasts, will be subject to change and should be monitored accordingly.
- **Issuer Risk.** The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- **Liquidity Risk.** Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

EXCHANGE TRADED FUNDS

- *ETF Trading Risk.* The strategy invests in ETFs. ETFs are investment companies that are bought and sold on a national securities exchange. Unlike mutual funds, ETFs do not necessarily trade at the net asset values of their underlying securities, which means an ETF could potentially trade above or below the value of the underlying portfolios. Additionally, because ETFs trade like stocks on exchanges, they are subject to trading and commission costs unlike mutual funds. Also, both mutual funds and ETFs have management fees that are part of their costs, and the strategy will indirectly bear its proportionate share of these costs.
- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

ITEM 9 – DISCIPLINARY INFORMATION

Registered investment advisers are required to *disclose all material facts* regarding any legal or disciplinary events that would be material to your evaluation of Sage or the integrity of Sage. Sage has never had disciplinary information disclosures *applicable* to this item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Sage has no activities or affiliations to be reported under this Item.

ITEM 11 – CODE OF ETHICS

Sage has adopted a Code of Ethics (the "Code") in compliance with Rule 204A-1. The Code expresses the policy and procedures of Sage and is intended to ensure that no one is taking advantage of his or her position, or even giving the appearance of placing his or her own interests above those of Sage's clients. Our personnel must act as fiduciaries, and as such must place the interests of clients before their own.

Our Code includes:

- standards of business conduct
- compliance with federal securities laws
- personal securities reporting
- pre-clearance of certain transactions
- reporting of code violations and
- review and enforcement

The Code was approved and adopted by Resolution by the Board of Members of Sage. All new employees receive and acknowledge the Code and Sage's Statement of Policy and Procedures Regarding the Detection and Prevention of Insider Trading.

PERSONAL TRADING POLICY

In connection with the Code of Ethics, Sage has adopted a Securities Trading Policy established to satisfy the applicable requirements of Section 206 and Rules 204A-1 and 204-2 under the Advisers Act.

Our policy is based on the principle that its directors, officers and employees owe a fiduciary duty to clients to conduct personal securities transactions in a manner that does not interfere with client transactions or otherwise take unfair advantage of their relationship with clients.

The policy includes:

- prohibitions on trading based on material, nonpublic or confidential information
- provisions requiring Access Persons, as defined under the Advisers Act, to pre-clear participation in initial public offerings and limited offerings
- submit monthly securities statements with respect to their personal securities investments

COMPLIANCE WITH THE CODE OF ETHICS

Sage's Chief Compliance Officer is primarily responsible for implementing and administering the Code of Ethics. Employees are required to report any violations of the Code of Ethics or applicable laws. Failure to comply with the Code of Ethics may result in disciplinary action, up to and including termination.

Upon request, we will provide a complete copy of our Code of Ethics at no charge.

ITEM 12 – BROKERAGE PRACTICES

NO SOFT DOLLAR ARRANGEMENTS OR OTHER BENEFITS

Sage *does not* have any soft dollar arrangements with brokers.

BROKERAGE ALLOCATIONS

Our overriding objective in effecting portfolio transactions will be to obtain the best combination of price and execution. While the best price, giving effect to brokerage commission, if any, and other costs, is an important factor in this decision, a number of other factors may also enter into the decision. These include:

- knowledge of negotiated commission rates currently available
- the nature of the security being traded
- the size of the transaction
- the desired timing of the trade
- the activity existing and expected in the market for the particular security
- confidentiality
- the execution, clearance and settlement capabilities of the broker or dealer being considered
- Sage’s knowledge of the financial stability of the broker or dealer being considered, and
- Sage’s knowledge of actual or apparent operational problems of any broker or dealer.

Recognizing the importance of these factors, Sage may pay commissions in excess of that which another broker or dealer might have charged for effecting the same transaction.

COMMISSION RATES

Generally, purchases and sales of fixed income securities do not have any commission and are presented net in terms of cost and proceeds.

In the event there are commissions incurred in the process of executing a trade for fixed income securities or exchange traded fund securities, evaluations of the

reasonableness of commissions will be made on an on-going basis by Sage’s portfolio managers while effecting portfolio transactions.

Sage’s evaluation of reasonableness will be based upon:

- Market conditions
- Sage’s knowledge of negotiated commission rates currently available and its desire to effect transactions at the optimal time, to choose brokers or dealers to effect portfolio transactions who charge a competitive commission applicable to transactions of similar types and sizes

Where possible, Sage will also have a policy of aggregating all transactions of its clients in the same security and then choose a broker or dealer to effect the aggregate transaction so that the commission charged will be lower because of the volume involved.

The general level of the commissions paid will be reviewed periodically by the Chief Compliance Officer.

BEST EXECUTION

Securities transactions are on a competitive basis. Use of a competitive bid/offer structure is intended to obtain the lowest possible transaction costs.

Sage strives to achieve best execution on each trade so that the client's total costs or proceeds in a transaction are the most favorable under the circumstances.

A significant portion of our securities trades are transacted on Electronic Communication Networks (“ECNs”).

Electronic Communication Networks are competitive systems which allow a broad range of multiple brokers to make competitive markets in securities.

For other trades, the portfolio managers may seek multiple broker dealer bids/offers, when market conditions permit.

The Chief Compliance Officer (the “CCO”) reviews trade executions and compares the prices obtained in the trades with historical prices in the relevant markets.

BLOCK TRADE ALLOCATIONS

Sage frequently buys and sells securities in blocks for multiple accounts when it is in the best interest of the clients.

After we have identified a security we are interested in buying or selling, we will check to determine if the security conflicts with other portfolio holdings or the portfolio investment guidelines.

Then when the name is cleared for each portfolio, we will determine its maximum desired allocation for each portfolio.

Then once this amount is determined, we buy or sell the security and allocate it as planned.

If the number of securities available is less than the original planned purchase or sale, then each account's allocation will be reduced on a pro-rata basis, i.e., net assets.

New issues are handled in the same manner so that all accounts are treated equally.

Block trading allows us to execute securities transactions in a timely, equitable manner and may reduce overall transaction costs to clients.

CROSS TRADES

Due to the unique attributes of the municipal market, we may utilize cross trades to minimize transaction costs and provide best execution for both parties.

By crossing bonds internally, the client selling the bonds will receive the best bid price currently offered in the market.

Simultaneously, the client buying the bonds will benefit as they will not incur the markups associated with purchasing bonds directly from the broker/dealer.

In the event of a client's requested partial liquidations, distributions or general market repositioning (and other factors related to portfolio management), each individual portfolio is analyzed and bonds are selected as potential sell candidates. If these bonds can be utilized in other similarly managed client accounts, a cross trade will be considered and examined.

The trader and portfolio manager review the market levels to determine if there will be an equitable benefit to

both parties. The proper levels are determined for each bond and the transaction is completed.

Finally, the cross trade will be executed through a registered broker/dealer who can facilitate the trade at the lowest possible processing fee.

On a monthly basis, all cross trades are reviewed by the Director of Trading and the Chief Investment Officer.

CLIENT DIRECTED BROKERAGE

We do not direct brokerage transactions, but should there be an instance where you direct Sage to use a particular broker, you may be disadvantaged because:

- The broker whom you have selected may charge higher commissions.
- We lose the opportunity to combine the client's transactions with those of others thereby obtaining better execution or lower commission or both.
- We may not be able to match the security with the broker to get the most favorable execution.

TRADE ERRORS

In the event a trade error occurs in your account, our policy is to immediately restore the account to the correct position. Based on the circumstances, corrective actions may include:

- canceling the trade
- unwind the trade with any loss charged to Sage's error account
- reimburse you for the trade error loss to your account

If a trade error results in a profit, you will keep the profit.

ITEM 13 REVIEW OF ACCOUNTS

ACCOUNT REVIEW

All accounts are reviewed on a daily basis relative to their:

- investment policy
- account objectives
- investment restrictions
- client need

Reviews are subject to financial market conditions which could alter investment policy and/or holdings with more frequency.

All accounts are reviewed on a quarterly basis in conjunction with Sage's formal performance reports to clients. The accounts are reconciled at least monthly, and if the custodian has web access and interface capabilities the accounts are reconciled daily by the Portfolio Administration Department.

The reviewers of the accounts are Sage's:

- Director of Trading
- Portfolio Managers
- Chief Compliance Officer

REPORTS

Our practice is to provide monthly portfolio evaluations, quarterly performance reviews and pertinent investment commentaries. Copies of all confirmations of purchases and sales are mailed by the executing broker directly to the client. Since we do not perform any custodial services, reports concerning such services will be forwarded directly to the client by the custodian.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

CLIENT REFERRALS

On occasion, Sage has entered into written solicitation agreements with third parties who refer potential clients to Sage. Such agreements will be disclosed to potential clients in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940.

The written agreement between Sage and any such solicitor requires, among other things, that the solicitor, at the time of rendering any solicitation activities for which compensation is to be paid, must provide the client with a current copy of Part II of Sage's Form ADV.

In addition, a separate written disclosure document containing:

- the name of the solicitor
- Sage's name
- the nature of the relationship between the solicitor and Sage
- a statement that the solicitor shall be compensated by Sage for his solicitation services
- the terms of such compensation arrangement and
- the amount, if any, the client will be charged for the cost of obtaining his account, in addition to the advisory fee, and the differential, if any, between the level of investment advisory fees the client shall be charged by Sage because of the existence of the arrangement between the solicitor and Sage and the amount the client would be charged if there were no such agreement

We currently maintain an agreement with one solicitor. Compensation paid by Sage to the solicitor is: 10% of fees paid to Sage by the referred client for the first 12 months subsequent to the date of the client's agreement with Sage.

ITEM 15 – CUSTODY

Our clients should receive quarterly statements from their broker dealer, bank or other qualified custodian that holds and maintains their investment assets.

Sage urges you to carefully review your statements and compare your qualified custodian statement to the account statements that we may provide to you.

Our statements may vary from custodial statements based on accounting procedures, trade reporting dates, or valuation methodologies of certain securities.

ITEM 16 – INVESTMENT DISCRETION

SCOPE

Sage will accept discretionary authority to manage securities on behalf of our clients. Sage specifically receives discretionary authority from clients to allow Sage to select securities bought and sold, open and close brokerage accounts and determine amounts in the portfolio without their prior approval.

RESTRICTIONS

A client can impose certain restrictions on the amount of investment discretion Sage is afforded. Typical types of restrictions may include:

Limitations on the types of transactions (e.g. sales, purchases and certain types of securities, and transactions within certain size limits)

Limitations on the situations where discretion can be exercised (e.g., unavailability of client) or

Limitations on specific brokers or dealers through whom transactions can be effected (e.g., sales or purchases only through the dealer or broker who acts as custodian for the client's portfolio under the investment advisory agreement with Sage)

Typically, the client's restrictions are communicated in their investment guidelines which are an attachment to the investment management agreement and must be provided to Sage in writing.

PROCEDURES

Before accepting investment discretion from the Client, Sage and the Client will first negotiate a contract for investment advisory services. This contract will contain a provision that appoints Sage as the investment manager and grants Sage investment discretion over the Client's account. Additionally, prior to initiating discretionary investment management services, Sage and the Client will negotiate and agree to investment guidelines which will provide additional detail on the scope and restrictions of Sage's investment discretion, as detailed above.

Should you decide to terminate our relationship, discretionary authority will cease automatically.

ITEM 17 – VOTING CLIENT SECURITIES

Sage is primarily a fixed income investment manager and does not manage client accounts with equities that would require a proxy vote. Holders of corporate fixed income obligations, as a matter of practice, do not vote proxies at any annual or special shareholders' meetings as do the holders of common stock.

In limited situations, we may receive a proxy to vote as a result of a client holding fixed income corporate obligations and ETFs.

These proxy votes are generally event driven, such as:

- a corporate bankruptcy or reorganization
- pre-packaged bankruptcy proceeding
- debt exchange offers resulting from mergers
- acquisitions or divestures, or
- consent for changes in the debt's indenture provisions or tender offers for the outstanding debt issue

The proxies generally come in the form of a prospectus from the dealer managers, agents or trustees. In the universe of investment grade corporate obligations, proxies are not a recurring event such as annual shareholder meetings.

A copy of our proxy voting policies and procedures as well as a copy of our voting record is available upon request.

ITEM 18 – FINANCIAL INFORMATION & REQUIRED DISCLOSURES

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Sage's financial condition.

Sage has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

[End of Brochure]



SAGE ADVISORY SERVICES, LTD. CO.

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ITEM 1 – COVER PAGE

CLIENT BROCHURE

Date of Brochure: March 30, 2012

This Brochure provides information about the qualifications and business practices of **Sage Advisory Services, Ltd. Co.** If you have questions about the contents of this Brochure, please contact us at (512) 327-5530.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Sage is available on the SEC's website at www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with, registered, and required to be registered as investment adviser representatives of Sage.

Sage is a registered investment adviser. The registration of an investment adviser does not imply any level of skill or training. The oral and written communications made to you by Sage, including the information contained in this Brochure, should provide you with information to determine whether to hire or retain Sage as your adviser.

Please be aware during your review of our brochure when we use the words "Sage", "we" and "our" we are referring to **Sage Advisory Services, Ltd. Co.** When we use the words "you", "your" and "client" we are referring to you as our client or our prospective client. We use the term "Associated Person" when referring to our officers, employees, and all individuals providing investment advice on behalf of Sage.

ITEM 2 – MATERIAL CHANGES

This Brochure does not contain any material changes from the previous Brochure dated March 29, 2011.

This Brochure dated March 30, 2012 is prepared according to the SEC's requirements and rules.

We deliver to our clients, within 120 days of the end of each fiscal year, an updated Brochure that either includes or is accompanied by a summary of material changes.

Alternatively, we may deliver a summary of material changes that includes an offer to provide a copy of the updated Brochure and information on how our clients may obtain the brochure.

You may obtain our Brochure by visiting our web site www.sageadvisory.com or by contacting our Chief Compliance Officer at (512) 327-5530 or by email rwilliams@sageadvisory.com.

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ITEM 4 – ADVISORY BUSINESS

SAGE ADVISORY SERVICES, LTD. CO. is a Securities and Exchange Commission (SEC) registered investment adviser located in Austin, Texas. Sage was founded in 1996 and organized as a Texas Limited Liability Company.

We specialize in domestic and international fixed income, balanced and equity portfolio management for individual and institutional clients. We offer a common sense approach toward investing by utilizing strong risk-control disciplines and a process that is repeatable.

Our belief is a conscientiously monitored investment management program designed specifically for you can satisfy your constantly changing investment needs. We seek to add value through our investment management process applied based upon your investment risk constraints.

Our investment management process combines fundamental economic analysis with quantitative security and yield curve valuation techniques to produce a comprehensive core management style.

PRINCIPAL OWNERS

Sage is entirely employee-owned and does not have any affiliates or subsidiaries. The principal owners are:

Robert G. Smith III, its President and Chief Investment Officer, And

Mark C. MacQueen, its Executive Vice President

EDUCATION AND EXPERIENCE

Sage's Associated Persons are expected to have education and business backgrounds that enable them to perform their respective responsibilities effectively. In assigning responsibilities, we consider academic background (including studies in college and graduate schools, as well as degrees earned), industry training, licenses and certifications.

Work experience in a related field, such as investments, commodities, insurance, banking or accounting, is also considered.

No formal, specific standards have been set, but appropriate education and experience are required. See ADV Form Part 2B for additional information.

ASSETS UNDER MANAGEMENT (AUM)

As of February 29, 2012, Sage manages \$10,470,000,000 in total client assets of which, \$8,934,000,000 is managed on a discretionary basis, \$1,131,000,000 is managed on a model provision basis, and \$405,000,000 is managed on a non-discretionary basis.

OVERVIEW OF ADVISORY SERVICES

Sage offers investment management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, insurance companies, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds and other U.S. and international institutions.

We also offer advisory services to clients seeking liability directed investment solutions and insurance company specific services.

INVESTMENT MANAGEMENT

Sage offers a common sense and client objective-driven approach toward investing with strong risk-control disciplines utilizing a repeatable process. Sage distinguishes itself in the following areas:

- Investment Management - We seek to manage each client's portfolio separately and individually assist them in obtaining their safety, liquidity, income, tax sensitivity, total return and risk expectations.

- Disciplined Process - We adhere to a process that focuses on each client's financial objectives within a mutually understood risk tolerance.
- Client Education - We educate clients on market trends, economic forces and investment fundamentals to foster a better understanding of investment decisions.
- Investment Reporting - We provide clients with convenient password protected access to their account information anytime, from anywhere via Sage's website.

INVESTMENT STRATEGIES

Sage offers the following actively managed investment strategies:

- Taxable Fixed Income - Our client's objectives range from cash management to total return and high total income. We also deliver our investment strategies in short, intermediate and market duration profiles. Investment instruments include, but are not limited to, U.S. Government debt, U.S. Corporate debt, U.S. Municipal debt and Securitized Assets.
- Non-Taxable Fixed Income - Our client's objectives range from cash management to after-tax total return and high after-tax total income. We offer investment strategies in short, intermediate and market duration. Investment instruments include, but are not limited to, U.S. Treasury debt, Tax-exempt municipal general obligation debt, and Tax-exempt municipal revenue debt.
- Actively Managed Exchange Traded Funds (ETF) - Our client's objectives range from long-term total return to low-volatility income generation. We offer strategies in multi asset income, core plus equity, core plus fixed income and balanced accounts. Investment instruments include, but are not limited to, equity, fixed income and alternative ETF's.

LIABILITY DIRECTED INVESTMENT SOLUTIONS

In addition to traditional investment management services, Sage offers a comprehensive and innovative combination of analytic, investing and reporting services which focus on the key concerns in building an effective Asset/Liability (LDI) management strategy.

Specifically, the Sage Asset/Liability Management group offers two categories of services:

- Asset/Liability Analysis, and
- Liability Driven Investing.

We provide these services independently or conjunctively for our clients. For example, we have clients for whom we solely perform Asset/Liability Analysis, clients for whom we solely provide Liability Driven Investing, and finally, clients for whom we perform Asset/Liability Analysis and provide Liability Driven Investing.

Asset/Liability Analysis is the first step in Asset/Liability Management and involves assessing a client's liability structure and existing asset solution given the current applicable regulatory environment by employing the following analyses:

- Term structure assessment
- Dynamic cash flow modeling
- Interest rate & inflation risk sensitivity analysis
- Customized liability benchmark creation
- Gap analysis & risk budget creation
- Deterministic and stochastic modeling of asset returns
- Accounting and statutory projections using actuarial forecasting software (optional)

Liability Driven Investing is the second step in Asset/Liability Management and involves developing and implementing a particular asset solution given the client's liability structure, funded status and goals and may include:

- Liability targeted investments
- Long duration portfolio management

- Excess alpha and low correlation investment strategies
- Inclusion of a broad range of investments such as futures, swaps and other derivative instruments, if warranted

If a client retains Sage to perform Asset/Liability Analysis, Liability Driven Investing or both, Sage provides reporting and administration services as follows:

- Daily online investment valuation and activity reports
- Year-round investment compliance and oversight reports
- Customized quarterly performance evaluations
- Monthly liability benchmark updates
- Assessment & negotiation of derivative agreements, if required

INSURANCE COMPANY SERVICES

We offer a comprehensive and innovative combination of analytic, investing and reporting services which focus on the key concerns in building an effective management strategy for insurance organizations.

Insurance Liability Assessment and Analysis

- Term structure analysis
- Dynamic cash flow modeling
- Interest rate & inflation risk sensitivity analysis
- Customized liability benchmark creation
- Gap analysis & risk budget creation
- Balance sheet and income statement projections
- Tax efficiency analysis

Insurance Investment Management

- Liability targeted investments
- Long duration portfolio management
- Excess alpha and low correlation investment strategies
- Tax sensitive portfolio management

Insurance Reporting and Administration

- Daily online investment valuation and activity reports

- Year-round investment compliance and oversight reports
- Customized quarterly performance evaluations
- Monthly liability benchmark updates
- Best's Capital Adequacy Ratio (BCAR) calculation and forecasting
- Statutory insurance reporting, including Schedule D reporting

EXCHANGE TRADED FUNDS (ETF)

The investment and research process for the Sage Tactical ETF strategies is based on forward-looking tactical management of the big market segment decisions, as we believe the market segment allocation has the biggest impact on portfolio performance and risk management.

Within fixed income, market segment exposure is driven by duration, yield curve positioning and non-core segment exposure.

Within equities, segment exposure is determined by size, style, sector and regional exposure. We maintain a forward-looking 1-2 quarter outlook for each segment and as the outlook for each market segment changes we feel it is critical to have the ability to make meaningful tactical changes to the asset allocation.

The outlook and asset allocation decisions are determined by the Sage Investment committee during formal Investment Committee meetings. In these meetings, the Committee conducts a thorough assessment of the macro environment as well as an assessment of the proprietary fundamental, technical and valuation indicators.

Next, the above view is combined with market segment analysis in which we analyze and rank the attractiveness of the different market caps and style segments of the market. This is done by applying proprietary valuation models that aggregate fundamental characteristics, technical trends, and macro inputs shown to have the most impact on a particular segment.

This output pared with the qualitative judgment of our investment committee forms the basis of Sage tactical market weighting vs. the broad market.

INVESTMENT PROCESS AND COMMITTEE

Investment decisions are made by Sage's investment committee which is chaired by the Chief Investment Officer.

Decisions with regard to the broad market outlook, investment strategy and client portfolio positioning are determined by the investment committee, and recorded in the minutes of the semi-monthly meetings.

The committee's investment decision process is supplemented regularly with economic and quantitative market analysis provided by Sage's internal research analysts and its external economic and analytic consultants.

After the investment committee decides on the duration target, the sector allocation and the security characteristics desired, the portfolio managers, operating on a team basis, implement the decisions reached by the Investment Committee.

Each portfolio is managed separately and tailored to assist respective clients in meeting their safety, liquidity and total return expectations.

It is Sage's belief that only an individually designed and monitored investment management program can satisfy the constantly changing investment needs of each client.

Please see Item 16 for more information regarding investment discretion and client investment restrictions.

WRAP FEES

We manage wrap fee accounts using the same investment process described above.

The wrap fee program sponsor pays Sage a portion of the wrap fee they receive for investment management services.

ITEM 5 – FEES AND COMPENSATION

Sage is compensated by receiving a mutually agreed upon percentage of the assets under management or by receiving a fixed fee.

MANAGEMENT FEE CALCULATION & PAYMENT PROCEDURE

We manage accounts for a variety of individual and institutional clients on a discretionary and/or non-discretionary basis, subject to the investment guidelines contained in their respective client agreement.

- The amounts and specific manner in which fees are charged is negotiated and memorialized in your client agreement with us.
- We do not deduct fees from your account.
- We invoice our clients directly.
- We generally invoice our clients in advance on a quarterly basis.
- The valuation of securities and other instruments are generally determined by their last reported sale price on the principal market in which they are traded, if traded on a market for which transaction prices are publically reported. Otherwise, other readily marketable securities and instruments are valued by using a pricing service or by Sage determining a fair market value.
- Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.
- On the termination date of an account, any prepaid, unearned fees will be promptly refunded and earned and unpaid fees will be due and payable.
- Our client agreement typically requires 30 days notice for termination.

Additionally, management fees are not prorated for each capital contribution and withdrawal made during the applicable calendar quarter.

MANAGEMENT FEE GUIDELINES

Our standard fee schedules are provided below. However, in some instances, we will negotiate from our standard fee schedule based upon the circumstances.

Fixed Income Strategies	ETF Strategies
Cash Duration .25 of 1% to \$10 Million .20 of 1% on next \$15 Million Negotiable over \$25 Million	All Cap Core Plus Equity Core Plus Fixed Income Balanced Portfolios Multi Asset Income .40 of 1% to \$10 Million .35 of 1% on next \$15 Million .25 of 1% on next \$25 Million Negotiable over \$50 Million
Short Duration Moderate Duration Intermediate Duration .35 of 1% to \$10 Million .25 of 1% on next \$15 Million .20 of 1% on next \$25 Million Negotiable over \$50 Million	Target Date/Life Cycle Funds .40 of 1% to \$20 Million .30 of 1% on next \$20 Million .20 of 1% on next \$20 Million Negotiable over \$60 Million
Market Duration Fixed Income Liability Driven Investment (LDI) Management (6+ Years Duration) .40 of 1% to \$10 Million .35 of 1% on next \$15 Million .25 of 1% on next \$25 Million Negotiable over \$50 Million	
Core Plus Fixed Income .50 of 1% to \$25 Million .35 of 1% on next \$25 Million .20 of 1% on next \$50 Million Negotiable over \$100 Million	

FEE SCHEDULE FOR ASSET/LIABILITY ANALYSIS & ANALYTICS

A. Asset/Liability Study (Basic):

- Initial Asset/Liability Study Base Fee: \$15,000
- Subsequent Annual Study Fee: \$15,000
- Semi-Annual or Quarterly Update Fee: \$2,500

(Per each inter-period update other than an initial or annual report)

B. Asset/Liability Study and Projections (utilizing actuarial forecasting programs):

- Initial Asset/Liability Study & Projections Base Fee: \$25,000
- Subsequent Annual Study and Projections Fee: \$25,000
- Semi-Annual or Quarterly Update Fee: \$ 2,500

(Per each inter-period update other than an initial or annual report)

Fees for Asset/Liability Analysis & Analytics may be increased above the fee schedule amount based on our determination of the novelty, complexity and/or time required to perform these analyses. Additionally, any requested revisions, including additional assumption testing and/or scenarios, may result in additional fees depending on the nature and extent of the revisions.

Fixed Income management assignments of at least \$15 million requesting the Basic Asset/Liability Study in item A. above will be provided as part of the overall investment management fee as outlined in the investment management fee schedule above.

Fixed Income management assignments of at least \$25 million requesting the Asset/Liability Study and Projections in B. above will be provided as part of the overall investment management fee as outlined in the investment management fee schedule above.

In the event the fixed income assignment is less than \$15 million or \$25 million depending on the Asset Liability Services in A. or B. above, the fees for each of the services will be billed separately as outlined in the Investment Management Services section and the Asset Liability Analysis & Analytics section above.

Fees for the Asset Liability services will be billed upon completion and paid prior to sending the final report.

SCHEDULE D REPORTING FOR INSURANCE CLIENTS FEE SCHEDULE

The minimum fee for Schedule D services for Insurance Companies is:

- \$500 per month plus two (2) basis points on the net asset value of the entire investment portfolio.
- This minimum fee is based on one investment manager for the entire investment portfolio.
- In the event there is more than one investment manager for the portfolio the fee will be subject to negotiation.
- The fee will be billed quarterly in advance based on the net asset value of the portfolio on the last business day of the preceding quarter.
- If the Schedule D services are terminated (generally upon 7 days notice) before the end of a quarter, fees paid in advance will be pro-rated for the period and the excess refunded promptly to the client.

CLIENTS'S RESPONSIBILITY OF THIRD PARTY FEES

Our management fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment advisers and other third parties. Mutual funds and exchange traded funds also charge internal management fees which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of Sage's fee.

We do not receive any portion of these commissions, fees and costs.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not charge any performance-based fees or side-by-side management fees.

ITEM 7 – TYPES OF CLIENTS

Our minimum asset requirements are:

Client Type	Minimum Account Size
Wrap Program Clients	\$250,000
Taxable Clients	\$3 million
Municipal Clients	\$1 million

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

"Investing in securities involves risk of loss that clients should be prepared to bear."

ANALYSIS METHODS

Security analysis methods utilized by Sage include the following:

FUNDAMENTAL

Fundamental analysis maintains that markets may misprice a security in the short run, but that the "correct" price will eventually be reached by the market. The fundamental analysis of a business involves analyzing a business's financial statements and health, management and competitive advantages, and competitors and markets.

When applied to futures and foreign exchange, it focuses on the overall state of the economy, interest rates, production, earnings, and management.

SOURCES OF INFORMATION

The main sources of information that Sage uses to analyze these investment strategies is:

- Financial newspapers and magazines
- Inspections of corporate activities
- Research materials prepared by others
- Corporate rating services
- Timing Services
- Annual reports, prospectuses, filings with the SEC
- Company press releases

INVESTMENT STRATEGY RISKS

TAXABLE FIXED INCOME

Principal Investment Risks. Losing a portion or all of your investment is a risk of investing in taxable fixed income securities. The following principal risks could affect the value of your investment:

- *Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- *U.S. Government Obligations Risk.* If a government-sponsored entity is unable to meet its obligations, the performance of the strategy that holds securities of the entity will be adversely impacted. U.S. Government obligations are

viewed as having minimal or no credit risk but are still subject to interest rate risk.

- *Mortgage and Asset-Backed Securities Risk.* Mortgage and asset-backed securities risk includes market risk, interest rate risk, credit risk, prepayment risk (*i.e.*, homeowners whose mortgages collateralize the securities *held by the Funds may be able* to prepay principal due on these mortgages) as well as the risk that *the structure of certain mortgage-backed securities may make their reaction to interest rates and other factors difficult to predict, making their prices very volatile.*
- *Issuer Risk.* *The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.*
- *Liquidity Risk.* *Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.*

MUNICIPAL FIXED INCOME

Principal Investment Risks. Losing a portion or all of your investment is a risk of investing in municipal fixed income securities. The following principal risks could affect the value of your investment:

- *Municipal Securities Risk.* Municipal securities rely on the creditworthiness or revenue production of their issuers or auxiliary credit enhancement features. Municipal securities may be difficult to obtain because of limited supply, which may increase the cost of such securities and effectively reduce a portfolio's yield. Typically, less information is available about a municipal issuer than is available for other types of securities issuers.
- *Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value.

Interest rate risk is the risk that interest rates may increase, which tends to *reduce the resale value* of certain debt securities, including U.S. Government obligations.

- **Tax Risk.** A strategy that invests in municipal securities may be more adversely impacted by changes in tax rates and policies than other strategies. Because interest income on municipal obligations is normally not subject to regular federal income taxation, the attractiveness of municipal obligations in relation to other investment alternatives is affected by changes in federal income tax rates applicable to, or the continuing tax-exempt status of, such interest income.
- **Issuer Risk.** The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- **Liquidity Risk.** Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

forecasts, will be subject to change and should be monitored accordingly.

- **Issuer Risk.** The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- **Liquidity Risk.** Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

ASSET LIABILITY

- **Debt Securities Risk.** Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- **Liability Risk.** The measurement of liabilities, whether pension fund, insurance, or non-profit, involve certain forward-looking assumptions and actuarial data. Actuarial data are affected by many factors, such as changes to fund provisions, participant population, and actuarial assumptions, and therefore are subject to change. Liability forecasts, and the current pricing of those

EXCHANGE TRADED FUNDS

- **ETF Trading Risk.** The strategy invests in ETFs. ETFs are investment companies that are bought and sold on a national securities exchange. Unlike mutual funds, ETFs do not necessarily trade at the net asset values of their underlying securities, which means an ETF could potentially trade above or below the value of the underlying portfolios. Additionally, because ETFs trade like stocks on exchanges, they are subject to trading and commission costs unlike mutual funds. Also, both mutual funds and ETFs have management fees that are part of their costs, and the strategy will indirectly bear its proportionate share of these costs.
- **Issuer Risk.** The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.

- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

ITEM 9 – DISCIPLINARY INFORMATION

Registered investment advisers are required to *disclose all material facts* regarding any legal or disciplinary events that would be material to your evaluation of Sage or the integrity of Sage. Sage has never had disciplinary information disclosures applicable to this item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Sage has no activities or affiliations to be reported under this Item.

ITEM 11 – CODE OF ETHICS

Sage has adopted a Code of Ethics (the “Code”) in compliance with Rule 204A-1. The Code expresses the policy and procedures of Sage and is intended to ensure that no one is taking advantage of his or her position, or even giving the appearance of placing his or her own interests above those of Sage’s clients. Our personnel must act as fiduciaries, and as such must place the interests of clients before their own.

Our Code includes:

- standards of business conduct
- compliance with federal securities laws
- personal securities reporting
- pre-clearance of certain transactions
- reporting of code violations and
- review and enforcement

The Code was approved and adopted by Resolution by the Board of Members of Sage. All new employees receive and acknowledge the Code and Sage’s Statement of Policy and Procedures Regarding the Detection and Prevention of Insider Trading.

PERSONAL TRADING POLICY

In connection with the Code of Ethics, Sage has adopted a Securities Trading Policy established to satisfy the applicable requirements of Section 206 and Rules 204A-1 and 204-2 under the Advisers Act.

Our policy is based on the principle that its directors, officers and employees owe a fiduciary duty to clients to conduct personal securities transactions in a manner that does not interfere with client transactions or otherwise take unfair advantage of their relationship with clients.

The policy includes:

- prohibitions on trading based on material, nonpublic or confidential information
- provisions requiring Access Persons, as defined under the Advisers Act, to pre-clear participation in initial public offerings and limited offerings
- submit monthly securities statements with respect to their personal securities investments

COMPLIANCE WITH THE CODE OF ETHICS

Sage’s Chief Compliance Officer is primarily responsible for implementing and administering the Code of Ethics. Employees are required to report any violations of the Code of Ethics or applicable laws. Failure to comply with the Code of Ethics may result in disciplinary action, up to and including termination.

Upon request, we will provide a complete copy of our Code of Ethics at no charge.

ITEM 12 – BROKERAGE PRACTICES

NO SOFT DOLLAR ARRANGEMENTS OR OTHER BENEFITS

Sage does not have any soft dollar arrangements with brokers.

BROKERAGE ALLOCATIONS

Our overriding objective in effecting portfolio transactions will be to obtain the best combination of price and execution. While the best price, giving effect to brokerage commission, if any, and other costs, is an important factor in this decision, a number of other factors may also enter into the decision. These include:

- knowledge of negotiated commission rates currently available
- the nature of the security being traded
- the size of the transaction
- the desired timing of the trade
- the activity existing and expected in the market for the particular security
- confidentiality
- the execution, clearance and settlement capabilities of the broker or dealer being considered
- Sage's knowledge of the financial stability of the broker or dealer being considered, and
- Sage's knowledge of actual or apparent operational problems of any broker or dealer.

Recognizing the importance of these factors, Sage may pay commissions in excess of that which another broker or dealer might have charged for effecting the same transaction.

COMMISSION RATES

Generally, purchases and sales of fixed income securities do not have any commission and are presented net in terms of cost and proceeds.

In the event there are commissions incurred in the process of executing a trade for fixed income securities or exchange traded fund securities, evaluations of the reasonableness of commissions will be made on an on-going basis by Sage's portfolio managers while effecting portfolio transactions.

Sage's evaluation of reasonableness will be based upon:

- Market conditions
- Sage's knowledge of negotiated commission rates currently available and its desire to effect transactions at the optimal time, to choose brokers or dealers to effect portfolio transactions who charge a competitive commission applicable to transactions of similar types and sizes

Where possible, Sage will also have a policy of aggregating all transactions of its clients in the same security and then choose a broker or dealer to effect the aggregate transaction so that the commission charged will be lower because of the volume involved.

The general level of the commissions paid will be reviewed periodically by the Chief Compliance Officer.

BEST EXECUTION

Securities transactions are made on a competitive basis. Use of a competitive bid/offer structure is intended to obtain the lowest possible transaction costs.

Sage strives to achieve best execution on each trade so that the client's total costs or proceeds in a transaction are the most favorable under the circumstances.

Historically, approximately 90%-95% of the fixed income trades are transacted on the Thomson Tradeweb Electronic Communication Network ("ECN").

This ECN is a competitive bidding system which allows up to 14 brokers to make a market in the treasury, agency, MBS, commercial paper and corporate fixed income security we are attempting to trade.

For the remaining 5%-10% of the fixed income trades, the portfolio managers seek multiple broker dealer bids/offers, when market conditions permit multiple bids/offers. The Chief Compliance Officer (the "CCO") reviews the records on the ECN's trade reporting system and compares the prices obtained in the trades with historical prices in the relevant markets. For example, the CCO will spot check a number of trades in a given week and compare the prices obtained with

quote information obtained from the ECN's quotation system. A record of such review is filed by the CCO.

In addition, the majority of the equity ETF trades are executed through the Bank of New York or other competitive dealers. The CCO reviews the records on the trade reporting system and compares the prices obtained in the trades with historical prices in the relevant markets. Weekly, the CCO spot checks a number of trades and compares the executed prices with quote information obtained from the BNY or other comparable quotation system. A record of such review is filed by the CCO.

BLOCK TRADE ALLOCATIONS

Sage frequently buys and sells securities in blocks for multiple accounts when it is in the best interest of the clients.

After we have identified a security we are interested in buying or selling, we will check to determine if the security conflicts with other portfolio holdings or the portfolio investment guidelines.

Then when the name is cleared for each portfolio, we will determine its maximum desired allocation for each portfolio.

Then once this amount is determined, we buy or sell the security and allocate it as planned.

If the number of securities available is less than the original planned purchase or sale, then each account's allocation will be reduced on a pro-rata basis, i.e., net assets.

New issues are handled in the same manner so that all accounts are treated equally.

Block trading allows us to execute securities transactions in a timely, equitable manner and may reduce overall transaction costs to clients.

CROSS TRADES

Due to the unique attributes of the municipal market, we may utilize cross trades to minimize transaction costs and provide best execution for both parties.

By crossing bonds internally, the client selling the bonds will receive the best bid price currently offered in the market.

Simultaneously, the client buying the bonds will benefit as they will not incur the markups associated with purchasing bonds directly from the broker/dealer.

In the event of a client's requested partial liquidations, distributions or general market repositioning (and other factors related to portfolio management), each individual portfolio is analyzed and bonds are selected as potential sell candidates. If these bonds can be utilized in other similarly managed client accounts, a cross trade will be considered and examined.

The Bloomberg Bid Wanted function ("MBWU") will be used to solicit bids on the bonds selected to be sold. The bid wanted list can be viewed by over 80 broker/dealers and each has the ability to bid on the bonds. Bloomberg organizes the bids from highest to lowest. The top three bids are shown on the MBWB screen and are printed once the list is in firm time.

The trader and portfolio manager review the bid wanted levels to determine if there will be a benefit to both parties. The proper levels are determined for each bond and a ticket processing fee is added to the buy side to handle typical fees associated with trading bonds.

Finally, the cross trade will be executed through a registered broker/dealer who can facilitate the trade at the lowest possible processing fee.

On a monthly basis, all cross trades are reviewed by the Director of Trading and the Chief Investment Officer.

CLIENT DIRECTED BROKERAGE

We do not direct brokerage transactions, but should there be an instance where you direct Sage to use a particular broker, you may be disadvantaged because:

The broker whom you have selected may charge higher commissions.

We lose the opportunity to combine the client's transactions with those of others thereby obtaining better execution or lower commission or both.

We may not be able to match the security with the broker to get the most favorable execution.

TRADE ERRORS

In the event a trade error occurs in your account, our policy is to immediately restore the account to the correct position. Based on the circumstances, corrective actions may include:

- canceling the trade
- adjusting an allocation and/or
- reimbursement to the account

If a trade error results in a profit, you will keep the profit.

ITEM 13 – REVIEW OF ACCOUNTS

ACCOUNT REVIEW

All accounts are reviewed on a daily basis relative to their:

- investment policy
- account objectives
- investment restrictions
- client need

Reviews are subject to financial market conditions which could alter investment policy and/or holdings with more frequency.

All accounts are reviewed on a quarterly basis in conjunction with Sage's formal performance reports to clients. The accounts are reconciled at least monthly, and if the custodian has web access and interface capabilities the accounts are reconciled daily by the Portfolio Administration Department.

The reviewers of the accounts are Sage's:

- Director of Trading

- Portfolio Managers
- Chief Compliance Officer

REPORTS

Our practice is to provide monthly portfolio evaluations, quarterly performance reviews and pertinent investment commentaries. Copies of all confirmations of purchases and sales are mailed by the executing broker directly to the client. Since we do not perform any custodial services, reports concerning such services will be forwarded directly to the client by the custodian.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

CLIENT REFERRALS

On occasion, Sage has entered into written solicitation agreements with third parties who refer potential clients to Sage. Such agreements will be disclosed to potential clients in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940.

The written agreement between Sage and any such solicitor requires, among other things, that the solicitor, at the time of rendering any solicitation activities for which compensation is to be paid, must provide the client with a current copy of Part II of Sage's Form ADV.

In addition, a separate written disclosure document containing:

- the name of the solicitor
- Sage's name
- the nature of the relationship between the solicitor and Sage
- a statement that the solicitor shall be compensated by Sage for his solicitation services
- the terms of such compensation arrangement and

- the amount, if any, the client will be charged for the cost of obtaining his account, in addition to the advisory fee, and the differential, if any, between the level of investment advisory fees the client shall be charged by Sage because of the existence of the arrangement between the solicitor and Sage and the amount the client would be charged if there were no such agreement

We currently maintain an agreement with one solicitor. Compensation paid by Sage to the solicitor is: 10% of fees paid to Sage by the referred client for the first 12 months subsequent to the date of the client's agreement with Sage.

ITEM 15 – CUSTODY

Our clients should receive quarterly statements from their broker dealer, bank or other qualified custodian that holds and maintains their investment assets.

Sage urges you to carefully review your statements and compare your qualified custodian statement to the account statements that we may provide to you.

Our statements may vary from custodial statements based on accounting procedures, trade reporting dates, or valuation methodologies of certain securities.

ITEM 16 – INVESTMENT DISCRETION

SCOPE

Sage will accept discretionary authority to manage securities on behalf of our clients. Sage specifically receives discretionary authority from clients to allow Sage to select securities bought and sold, open and close brokerage accounts and determine amounts in the portfolio without their prior approval.

RESTRICTIONS

A client can impose certain restrictions on the amount of investment discretion Sage is afforded. Typical types of restrictions may include:

Limitations on the types of transactions (e.g. sales, purchases and certain types of securities, and transactions within certain size limits)

Limitations on the situations where discretion can be exercised (e.g., unavailability of client) or

Limitations on specific brokers or dealers through whom transactions can be effected (e.g., sales or purchases only through the dealer or broker who acts as custodian for the client's portfolio under the investment advisory agreement with Sage)

Typically, the client's restrictions are communicated in their investment guidelines which are an attachment to the investment management agreement and must be provided to Sage in writing.

PROCEDURES

Before accepting investment discretion from the Client, Sage and the Client will first negotiate a contract for investment advisory services. This contract will contain a provision that appoints Sage as the investment manager and grants Sage investment discretion over the Client's account. Additionally, prior to initiating discretionary investment management services, Sage and the Client will negotiate and agree to investment guidelines which will provide additional detail on the scope and restrictions of Sage's investment discretion, as detailed above.

Should you decide to terminate our relationship, discretionary authority will cease automatically.

ITEM 17 – VOTING CLIENT SECURITIES

Sage is primarily a fixed income investment manager and does not manage client accounts with equities that would require a proxy vote. Holders of corporate fixed income obligations, as a matter of practice, do not vote proxies at any annual or special shareholders' meetings as do the holders of common stock.

In limited situations, we may receive a proxy to vote as a result of a client holding fixed income corporate obligations and ETFs.

These proxy votes are generally event driven, such as:

- a corporate bankruptcy or reorganization
- pre-packaged bankruptcy proceeding
- debt exchange offers resulting from mergers
- acquisitions or divestures, or
- consent for changes in the debt's indenture provisions or tender offers for the outstanding debt issue

The proxies generally come in the form of a prospectus from the dealer managers, agents or trustees. In the universe of investment grade corporate obligations, proxies are not a recurring event such as annual shareholder meetings.

A copy of our proxy voting policies and procedures as well as a copy of our voting record is available upon request.

ITEM 18 – FINANCIAL INFORMATION & REQUIRED DISCLOSURES

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Sage's financial condition.

Sage has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

[End of Brochure]



SAGE ADVISORY SERVICES, LTD. CO.

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CLIENT BROCHURE

Date of Brochure: March 29, 2011

This Brochure provides you information about the qualifications and business practices of **Sage Advisory Services, Ltd. Co.** If you have questions about the contents of this Brochure, please contact us at (512) 327-5530. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Sage is available on the SEC's website at www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with, registered, and required to be registered as investment adviser representatives of Sage.

Sage is a registered investment adviser. The registration of an investment adviser does not imply any level of skill or training. The oral and written communications made to you by Sage, including the information contained in this Brochure, should provide you with information to determine whether to hire or retain Sage as your adviser.

Please be aware during your review of our brochure when we use the words "Sage", "we" and "our" we are referring to **Sage Advisory Services, Ltd. Co.** When we use the words "you", "your" and "client" we are referring to you as our client or our prospective client. We use the term "Associated Person" when referring to our officers, employees, and all individuals providing investment advice on behalf of Sage.

ITEM 2 – MATERIAL CHANGES

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules.

This Brochure dated March 29, 2011 is a new document prepared according to the SEC’s new requirements and rules. Therefore, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future we will provide new clients with a brochure before or at the time we enter into an advisory agreement.

Additionally, we will deliver to our clients, within 120 days of the end of each fiscal year an updated Brochure that either includes or is accompanied by a summary of material changes.

Alternatively, we may deliver a summary of material changes that includes an offer to provide a copy of the updated brochure and information on how our clients may obtain the brochure.

You may obtain our Brochure by visiting our web site www.sageadvisory.com or by contacting our Chief Compliance Officer at (512) 327-5530 or by email rwilliams@sageadvisory.com.

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ITEM 4 – ADVISORY BUSINESS

SAGE ADVISORY SERVICES, LTD. CO. is a Securities and Exchange Commission registered investment adviser located in Austin, Texas. Sage was founded in 1996 and organized as a Texas Limited Liability Company.

We specialize in domestic and international fixed income, balanced and equity portfolio management for individual and institutional clients. We offer a common sense approach toward investing utilizing strong risk-control disciplines and a process that is repeatable.

Our belief is a conscientiously monitored investment management program designed specifically for you can satisfy your constantly changing investment needs. We seek to add value through our investment management process applied based upon your investment risk constraints.

Our investment management process combines fundamental economic analysis with quantitative security and yield curve valuation techniques to produce a comprehensive core management style.

PRINCIPAL OWNERS

Sage is entirely employee-owned and does not have any affiliates or subsidiaries.

The principal owners are:

- Robert G. Smith III, its President and Chief Investment Officer
- Mark C. MacQueen, its Executive Vice President

EDUCATION AND EXPERIENCE

Sage's Associated Persons are expected to have education and business backgrounds that enable them to perform their respective responsibilities effectively. In assigning responsibilities, we consider academic background (including studies in college and graduate schools, as well as degrees earned), industry training, licenses and certifications.

Work experience in a related field, such as investments, commodities, insurance, banking or accounting, is also considered.

No formal, specific standards have been set, but appropriate education and experience are required. See ADV Form Part 2B for additional information.

ASSETS UNDER MANAGEMENT (AUM)

As of February 28, 2011, Sage manages \$9,622,000,000 in total client assets of which \$8,678,000,000 is on a discretionary basis, \$500,000,000 is on a model provision basis, and \$444,000,000 is on a non-discretionary basis.

OVERVIEW OF ADVISORY SERVICES

Sage offers investment management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds and other U.S. and international institutions.

We also offer advisory services to clients seeking liability directed investment solutions and insurance company specific services.

INVESTMENT MANAGEMENT

Sage offers a common sense and client objective-driven approach toward investing with strong risk-control disciplines utilizing a repeatable process. Sage distinguishes itself in the following areas:

- Investment Management – We seek to manage each client’s portfolio separately and individually assist them in obtaining their safety, liquidity, income, tax sensitivity, total return and risk expectations.
- Disciplined Process – We adhere to a process that focuses on each client’s financial objectives within a mutually understood risk tolerance.
- Client Education – We educate clients on market trends, economic forces and investment fundamentals to foster a better understanding of investment decisions.
- Investment Reporting – We provide clients with convenient password protected access to their account information anytime, from anywhere via Sage’s website.

Sage offers the following actively managed investment strategies:

- Taxable Fixed Income – We manage client’s objectives which range from cash management to total return and high total income. We can offer investment strategies in short, intermediate and market duration. Investment instruments include, but are not limited to, U.S. Government debt, U.S. Corporate debt, U.S. Municipal debt and Securitized Assets.
- Non-Taxable Fixed Income – We manage client’s objectives which range from cash management to after-tax total return and high after-tax total income. We offer investment strategies in short, intermediate and market duration. Investment instruments include, but are not limited to, U.S. Treasury debt, Tax-exempt municipal general obligation debt, and Tax-exempt municipal revenue debt.
- Actively Managed Exchange Traded Funds (ETF) – We manage client’s objectives which ranges from long-term total return to low-volatility income generation. We offer strategies in core equity, core plus equity, core plus fixed income and balanced accounts. Investment instruments include, but are not limited to, equity, fixed income and alternative ETF’s.

LIABILITY DIRECTED INVESTMENT SOLUTIONS

In addition to traditional investment management services, Sage offers a comprehensive and innovative combination of analytic, investing and reporting services which focus on the key concerns in building an effective Asset/Liability (LDI) management strategy.

Specifically, the Sage Asset/Liability Management group offers two categories of services:

Asset/Liability Analysis and Liability Driven Investing.

We provide these services independently or conjunctively for our clients. For example, we have clients for whom we solely perform Asset/Liability Analysis, clients for whom we solely provide Liability Driven Investing, and finally, clients that have Sage perform Asset/Liability Analysis and provide Liability Driven Investing.

Asset/Liability Analysis is the first step in Asset/Liability Management and involves assessing a client's liability structure and existing asset solution given the current applicable regulatory environment by employing the following analyses:

- Term structure assessment
- Dynamic cash flow modeling
- Interest rate & inflation risk sensitivity analysis
- Customized liability benchmark creation
- Gap analysis & risk budget creation
- Deterministic and stochastic modeling of asset returns
- Accounting and statutory projections using actuarial forecasting software (optional)

Liability Driven Investing is the second step in Asset/Liability Management and involves developing and implementing a particular asset solution given the client's liability structure, funded status and goals and may include:

- Liability targeted investments
- Long duration portfolio management
- Excess alpha and low correlation investment strategies
- Inclusion of a broad range of investments such as futures, swaps and other derivative instruments, if warranted

If a client retains Sage to perform Asset/Liability Analysis, Liability Driven Investing or both, Sage provides reporting and administration services as follows:

- Daily online investment valuation and activity reports
- Year-round investment compliance and oversight reports
- Customized quarterly performance evaluations
- Monthly liability benchmark updates
- Assessment & negotiation of derivative agreements, if required

INSURANCE COMPANY SERVICES

We offer a comprehensive and innovative combination of analytic, investing and reporting services which focus on the key concerns in building an effective management strategy for insurance organizations.

Insurance Liability Assessment and Analysis

- Term structure analysis
- Dynamic cash flow modeling
- Interest rate & inflation risk sensitivity analysis
- Customized liability benchmark creation
- Gap analysis & risk budget creation
- Balance sheet and income statement projections
- Tax efficiency analysis

Insurance Investment Management

- Liability targeted investments
- Long duration portfolio management
- Excess alpha and low correlation investment strategies
- Tax sensitive portfolio management

Insurance Reporting and Administration

- Daily online investment valuation and activity reports
- Year-round investment compliance and oversight reports
- Customized quarterly performance evaluations
- Monthly liability benchmark updates
- Best's Capital Adequacy Ratio (BCAR) calculation and forecasting
- Statutory insurance reporting, including Schedule D

EXCHANGE TRADED FUNDS (ETF)

The investment and research process for the Sage Tactical ETF strategies is based on the forward-looking tactical management of the big market segment decisions, as we believe the market segment allocation has the biggest impact on portfolio performance and risk management.

- Within fixed income, market segment exposure is driven by duration, yield curve positioning and non-core segment exposure right.
- Within equities, segment exposure is determined by size, style, sector and regional exposure. We maintain a forward-looking 1-2 quarter outlook for each segment and as the outlook for each market segment change we feel it is critical to have the ability to make meaningful tactical changes to the asset allocation.

The outlook and asset allocation decisions are determined by the Sage Investment committee during formal Investment Committee meetings. In these meetings, the Committee conducts a thorough assessment of the macro environment as well as an assessment of the proprietary fundamental, technical and valuation indicators.

Next, the above view is combined with market segment analysis in which we analyze and rank the attractiveness of the different market caps and style segments of the market. This is done by applying proprietary valuation models that aggregate fundamental characteristics, technical trends, and macro inputs shown to have the most impact on a particular segment.

This output paired with the qualitative judgment of our investment committee forms the basis of Sage tactical market weighting vs. the broad market.

INVESTMENT PROCESS AND COMMITTEE

Investment decisions are made by Sage's investment committee which is chaired by the Chief Investment Officer.

Decisions with regard to the broad market outlook, investment strategy and client portfolio positioning are determined by the investment committee, and recorded in the minutes of the semi-monthly meetings.

The committee's investment decision process is supplemented regularly with economic and quantitative market analysis provided by Sage's internal research analysts and its external economic and analytic consultants.

After the investment committee decides on the duration target, the sector allocation and the security characteristics desired, the portfolio managers, operating on a team basis, implement the decisions reached by the Investment Committee.

Each portfolio is managed separately and tailored to assist respective clients in meeting their safety, liquidity and total return expectations.

It is Sage's belief that only an individually designed and monitored investment management program can satisfy the constantly changing investment needs of each client.

Please see Item 16 for more information regarding investment discretion and client investment restrictions.

WRAP FEES

We manage wrap fee accounts using the same investment process described above.

The wrap fee program sponsor pays Sage a portion of the wrap fee they receive for investment management services.

ITEM 5 – FEES AND COMPENSATION

Sage is compensated for investment services by:

- a percentage of assets under management, or a
- fixed fee

MANAGEMENT FEE CALCULATION AND PAYMENT PROCEDURE

We manage accounts for a variety of individual and institutional clients on a discretionary and/or non-discretionary basis, subject to the investment guidelines contained in their respective client agreement.

- The amounts and specific manner in which fees are charged is negotiated and memorialized in your client agreement with us.
- We do not deduct fees from your account.
- We invoice our clients directly.
- We generally invoice our clients in advance on a quarterly basis.
- The valuation of securities and other instruments are generally determined by their last reported sale price on the principal market in which they are traded, if traded on a market for which transaction prices are publically reported. Otherwise, other readily marketable securities and instruments are valued by using a pricing service or by Sage determining a fair market value.
- Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.
- On the termination date of an account, any prepaid, unearned fees will be promptly refunded and earned and unpaid fees will be due and payable.
- Our client agreement typically requires 30 days notice for termination.

Additionally, management fees are not prorated for each capital contribution and withdrawal made during the applicable calendar quarter.

MANAGEMENT FEE GUIDELINES

Our standard fee schedule is provided below. However, in some instances, we will negotiate from our standard fee schedule based upon the circumstances.

<ul style="list-style-type: none"> ■ Cash Duration Fixed Income <p>.25 of 1% to \$10 Million .20 of 1% on next \$15 Million Negotiable over \$25 Million</p>	<ul style="list-style-type: none"> ■ Core Plus Fixed Income <p>.50 of 1% to \$25 Million .35 of 1% on next \$25 Million .20 of 1% on next \$50 Million Negotiable over \$100 Million</p>
<ul style="list-style-type: none"> ■ Low Duration Fixed Income ■ Short Duration Fixed Income ■ Intermediate Duration Fixed Income ■ All Cap Core Equity (ETF) <p>.35 of 1% to \$10 Million .25 of 1% on next \$15 Million .20 of 1% on next \$25 Million Negotiable over \$50 Million</p>	<ul style="list-style-type: none"> ■ All Cap Core Plus Equity (ETF) ■ Core Plus Fixed Income (ETF) ■ Balanced Portfolios (ETF) ■ Market Duration Fixed Income ■ Liability Driven Investment (LDI) Management (6+ Years Duration) <p>.40 of 1% to \$10 Million .35 of 1% on next \$15 Million .25 of 1% on next \$25 Million Negotiable over \$50 Million</p>
<ul style="list-style-type: none"> ■ Target Date/Life Cycle Funds (ETF) <p>.40 of 1% to \$20 Million .30 of 1% on next \$20 Million .20 of 1% on next \$20 Million Negotiable over \$60 Million</p>	

FEE SCHEDULE FOR ASSET/LIABILITY ANALYSIS & ANALYTICS

A. Asset/Liability Study (Basic):

- Initial Asset/Liability Study Base Fee: \$15,000.00
- Annual Study Fee: \$15,000.00
- Semi-Annual or Quarterly Update Fee: \$2,500.00
(per each inter-period update other than an initial or annual report)

B. Asset/Liability Study and Projections (utilizing actuarial forecasting programs):

- Initial Asset/Liability Study & Projections Base Fee: \$25,000.00
- Annual Study and Projections Fee: \$25,000.00
- Semi-Annual or Quarterly Update Fee: \$ 2,500.00
(per each inter-period update other than an initial or annual report)

Fees for Asset/Liability Analysis & Analytics may be increased above the fee schedule amount based on our determination of the novelty, complexity and/or time required to perform these analyses. Additionally, any requested revisions, including additional assumption testing and/or scenarios, may result in additional fees depending on the nature and extent of the revisions.

Fixed Income management assignments of at least \$15 million requesting the Basic Asset/Liability Study in item A. above will be provided as part of the overall investment management fee as outlined in the investment management fee schedule above.

Fixed Income management assignments of at least \$25 million requesting the Asset/Liability Study and Projections in B. above will be provided as part of the overall investment management fee as outlined in the investment management fee schedule above.

In the event the fixed income assignment is less than \$15 million or \$25 million depending on the Asset Liability Services in A. or B. above, the fees for each of the services will be billed separately as outlined in the Investment Management Services section and the Asset Liability Analysis & Analytics section above.

Fees for the Asset Liability services will be billed upon completion and paid prior to sending the final report.

SCHEDULE D REPORTING FOR INSURANCE CLIENTS FEE SCHEDULE

The minimum fee for Schedule D services for Insurance Companies is:

- \$500 per month plus two (2) basis points on the net asset value of the entire investment portfolio.
- This minimum fee is based on one investment manager for the entire investment portfolio.
- In the event there is more than one investment manager for the portfolio the fee will be subject to negotiation.
- The fee will be billed quarterly in advance based on the net asset value of the portfolio on the last business day of the preceding quarter.
- If the Schedule D services are terminated (generally upon 7 days notice) before the end of a quarter, fees paid in advance will be pro-rated for the period and the excess refunded promptly to the client.

CLIENTS'S RESPONSIBILITY OF THIRD PARTY FEES

Our management fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment advisers and other third parties. Mutual funds and exchange traded funds also charge internal management fees which are disclosed in a fund's prospectus.

- Such charges, fees and commissions are exclusive of Sage's fee.
- We do not receive any portion of these commissions, fees, and costs.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not charge any performance-based fees or side-by-side management fees.

ITEM 7 – TYPES OF CLIENTS

Our portfolio management clients and minimum asset requirements are:

Clients	Minimum Account Size
Broker Dealers (Wrap Program Sponsors)	\$5 million
Banks & Thrifts	\$5 million
Education Entities	\$5 million
Healthcare Entities	\$5 million
Insurance Companies	\$5 million
Charitable Organizations	\$5 million
Public: State, Municipal & Education Funds	\$5 million
Pension, Profit Sharing & Retirement Plans	\$5 million
Pooled Investment Vehicles	\$5 million
Foundations & Endowments	\$5 million
Unions	\$5 million
Registered Mutual Funds	\$5 million
High Net Worth Individuals & Families	\$1 million
Private Investment Funds	\$5 million
Sovereign Funds	\$5 million
International Institutions	\$5 million

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

“Investing in securities involves risk of loss that clients should be prepared to bear”.

ANALYSIS METHODS

Security analysis methods utilized by Sage include the following:

FUNDAMENTAL

Fundamental analysis maintains that markets may misprice a security in the short run, but that the "correct" price will eventually be reached by the market. The fundamental analysis of a business involves analyzing a business': financial statements and health, management and competitive advantages, and competitors and markets. When applied to futures and forex, it focuses on the overall state of the economy, interest rates, production, earnings, and management.

SOURCES OF INFORMATION

The main sources of information that Sage uses to analyze these investment strategies is:

- Financial newspapers and magazines
- Inspections of corporate activities

- Research materials prepared by others
- Corporate rating services
- Timing Services
- Annual reports, prospectuses, filings with the SEC
- Company press releases

INVESTMENT STRATEGY RISKS

TAXABLE FIXED INCOME

Principal Investment Risks. Losing a portion or all of your investment is a risk of investing in taxable fixed income securities. The following principal risks could affect the value of your investment:

- *Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- *U.S. Government Obligations Risk.* If a government-sponsored entity is unable to meet its obligations, the performance of the strategy that holds securities of the entity will be adversely impacted. U.S. Government obligations are viewed as having minimal or no credit risk but are still subject to interest rate risk.
- *Mortgage- and Asset-Backed Securities Risk.* Mortgage- and Asset-Backed securities risk includes Market Risk, Interest Rate Risk, Credit Risk, Prepayment Risk (*i.e.*, homeowners whose mortgages collateralize the securities held by the Funds may be able to prepay principal due on these mortgages) as well as the risk that the structure of certain mortgage-backed securities may make their reaction to interest rates and other factors difficult to predict, making their prices very volatile.
- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

MUNICIPAL FIXED INCOME

Principal Investment Risks. Losing a portion or all of your investment is a risk of investing in municipal fixed income securities. The following principal risks could affect the value of your investment:

- *Municipal Securities Risk.* Municipal securities rely on the creditworthiness or revenue production of their issuers or auxiliary credit enhancement features. Municipal securities may be difficult to obtain because of limited supply, which may increase the cost of such securities and effectively reduce a portfolio's yield. Typically, less information is available about a municipal issuer than is available for other types of securities issuers.

- *Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- *Tax Risk.* A strategy that invests in municipal securities may be more adversely impacted by changes in tax rates and policies than other strategies. Because interest income on municipal obligations is normally not subject to regular federal income taxation, the attractiveness of municipal obligations in relation to other investment alternatives is affected by changes in federal income tax rates applicable to, or the continuing tax-exempt status of, such interest income.
- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

ASSET LIABILITY

- *Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- *Liability Risk.* The measurement of liabilities, whether pension fund, insurance, or non-profit, involve certain forward-looking assumptions and actuarial data. Actuarial data are affected by many factors, such as changes to fund provisions, participant population, and actuarial assumptions, and therefore are subject to change. Liability forecasts, and the current pricing of those forecasts, will be subject to change and should be monitored accordingly.
- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

EXCHANGE TRADED FUNDS

- *ETF Trading Risk.* The strategy invests in ETFs. ETFs are investment companies that are bought and sold on a national securities exchange. Unlike mutual funds, ETFs do not necessarily trade at the net asset values of their underlying securities, which means an ETF could potentially trade above or below the value of the underlying portfolios. Additionally, because ETFs trade like stocks on exchanges, they are subject to trading and commission costs unlike mutual funds.

Also, both mutual funds and ETFs have management fees that are part of their costs, and the strategy will indirectly bear its proportionate share of these costs.

- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

ITEM 9 – DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Sage or the integrity of Sage. Sage has never had disciplinary information disclosures applicable to this item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Sage has no activities or affiliations to be reported under this Item.

ITEM 11 – CODE OF ETHICS

Sage has adopted a Code of Ethics (the "Code") in compliance with Rule 204A-1. The Code expresses the policy and procedures of Sage and is intended to ensure that no one is taking advantage of his or her position, or even giving the appearance of placing his or her own interests above those of Sage's clients. Our personnel must act as fiduciaries, and as such must place the interests of clients before their own.

Our Code includes:

- standards of business conduct
- compliance with federal securities laws
- personal securities reporting
- pre-clearance of certain transactions
- reporting of code violations and
- review and enforcement

The Code was approved and adopted by Resolution by the Board of Members of Sage. All new employees receive and acknowledge the Code and Sage's Statement of Policy and Procedures Regarding the Detection and Prevention of Insider Trading.

PERSONAL TRADING POLICY

In connection with the Code of Ethics, Sage has adopted a Securities Trading Policy established to satisfy the applicable requirements of Section 206 and Rules 204A-1 and 204-2 under the Advisers Act.

Our policy is based on the principle that its directors, officers and employees owe a fiduciary duty to clients to conduct personal securities transactions in a manner that does not interfere with client transactions or otherwise take unfair advantage of their relationship with clients.

The policy includes:

- prohibitions on trading based on material, nonpublic or confidential information

- provisions requiring Access Persons, as defined under the Advisers Act, to pre-clear participation in initial public offerings and limited offerings
- submit monthly securities statements with respect to their personal securities investments

COMPLIANCE WITH THE CODE OF ETHICS

Sage's Chief Compliance Officer is primarily responsible for implementing and administering the Code of Ethics. Employees are required to report any violations of the Code of Ethics or applicable laws. Failure to comply with the Code of Ethics may result in disciplinary action, up to and including termination.

- Upon request, we will provide a complete copy of our Code of Ethics at no charge.

ITEM 12 – BROKERAGE PRACTICES

NO SOFT DOLLAR ARRANGEMENTS OR OTHER BENEFITS

Sage *does not* have any soft dollar arrangements with brokers.

BROKERAGE ALLOCATIONS

Our overriding objective in effecting portfolio transactions will be to obtain the best combination of price and execution. While the best price, giving effect to brokerage commission, if any, and other costs, is an important factor in this decision, a number of other factors may also enter into the decision. These include:

- knowledge of negotiated commission rates currently available
- the nature of the security being traded
- the size of the transaction
- the desired timing of the trade
- the activity existing and expected in the market for the particular security
- confidentiality
- the execution, clearance and settlement capabilities of the broker or dealer being considered
- Sage's knowledge of the financial stability of the broker or dealer being considered, and
- Sage's knowledge of actual or apparent operational problems of any broker or dealer.

Recognizing the importance of these factors, Sage may pay commissions in excess of that which another broker or dealer might have charged for effecting the same transaction.

COMMISSION RATES

Generally, purchases and sales of fixed income securities do not have any commission and are presented net in terms of cost and proceeds.

In the event there are commissions incurred in the process of executing a trade for fixed income securities or exchange traded fund securities, evaluations of the reasonableness of commissions will be made on an on-going basis by Sage's portfolio managers while effecting portfolio transactions.

It will be Sage's policy based upon:

- Market conditions

- Sage’s knowledge of negotiated commission rates currently available and its desire to effect transactions at the optimal time, to choose brokers or dealers to effect portfolio transactions who charge a competitive commission applicable to transactions of similar types and sizes

Where possible, Sage will also have a policy of aggregating all transactions of its clients in the same security and then choose a broker or dealer to effect the aggregate transaction so that the commission charged will be lower because of the volume involved.

The general level of the commissions paid will be reviewed periodically by the Chief Compliance Officer.

BEST EXECUTION

Securities transactions are made on a competitive basis. Use of a competitive bid/offer structure is intended to obtain the lowest possible transaction costs.

- Sage strives to achieve best execution on each trade so that the client's total costs or proceeds in a transaction are the most favorable under the circumstances.
- Historically, approximately 90%-95% of the fixed income trades are transacted on the Thomson Tradeweb Electronic Communication Network (“ECN”).
- This ECN is a competitive bidding system which allows up to 14 brokers to make a market in the treasury, agency, MBS, commercial paper and corporate fixed income security we are attempting to trade

For the remaining 5%-10% of the fixed income trades, the portfolio managers seek multiple broker dealer bids/offers, when market conditions permit multiple bids/offers. The Chief Compliance Officer (the “CCO”) reviews the records on the ECN’s trade reporting system and compares the prices obtained in the trades with historical prices in the relevant markets. For example, the CCO will spot check a number of trades in a given week and compare the prices obtained with quote information obtained from the ECN’s quotation system. A record of such review is filed by the CCO.

In addition, the majority of the equity ETF trades are executed through the Bank of New York or other competitive dealers. The CCO reviews the records on the trade reporting system and compares the prices obtained in the trades with historical prices in the relevant markets. Weekly, the CCO spot checks a number of trades and compares the executed prices with quote information obtained from the BNY or other comparable quotation system. A record of such review is filed by the CCO.

BLOCK TRADE ALLOCATIONS

Sage frequently buys and sells securities in blocks for multiple accounts when it is in the best interest of the clients.

After we have identified a security we are interested in buying or selling, we will:

- First check to determine if the security conflicts with other portfolio holdings or the portfolio investment guidelines
- Then when the name is cleared for each portfolio, we will determine its maximum desired allocation for each portfolio
- Then once this amount is determined, we buy or sell the security and allocate it as planned

If the number of securities available is less than the original planned purchase or sale, then each account’s allocation will be reduced on a pro-rata basis, i.e., net assets.

New issues are handled in the same manner so that all accounts are treated equally.

Block trading allows us to execute securities transactions in a timely, equitable manner and may reduce overall transaction costs to clients.

CROSS TRADES

Due to the unique attributes of the municipal market, we may utilize cross trades to minimize transaction costs and provide best execution for both parties.

- By crossing bonds internally, the client selling the bonds will receive the best bid price currently offered in the market.
- Simultaneously, the client buying the bonds will benefit as they will not incur the markups associated with purchasing bonds directly from the broker/dealer.
- In the event of a client's requested partial liquidations, distributions or general market repositioning (and other factors related to portfolio management), each individual portfolio is analyzed and bonds are selected as potential sell candidates. If these bonds can be utilized in other similarly managed client accounts, a cross trade will be considered and examined.
- The Bloomberg Bid Wanted function ("MBWU") will be used to solicit bids on the bonds selected to be sold. The bid wanted list can be viewed by over 80 broker/dealers and each has the ability to bid on the bonds. Bloomberg organizes the bids from highest to lowest. The top three bids are shown on the MBWB screen and are printed once the list is in firm time.
- The trader and portfolio manager review the bid wanted levels to determine if there will be a benefit to both parties. The proper levels are determined for each bond and a ticket processing fee is added to the buy side to handle typical fees associated with trading bonds.
- Finally, the cross trade will be executed through a registered broker/dealer who can facilitate the trade at the lowest possible processing fee.

On a monthly basis, all cross trades are reviewed by the Director of Trading and the Chief Investment Officer.

CLIENT DIRECTED BROKERAGE

We do not direct brokerage transactions, but should there be an instance where you direct Sage to use a particular broker, you may be disadvantaged because:

- The broker whom you have selected may charge higher commissions.
- We lose the opportunity to combine the client's transactions with those of others thereby obtaining better execution or lower commission or both.
- We may not be able to match the security with the broker to get the most favorable execution.

TRADE ERRORS

In the event a trade error occurs in your account, our policy is to immediately restore the account to the correct position. Based on the circumstances, corrective actions may include:

- canceling the trade
- adjusting an allocation and/or
- reimbursement to the account

If a trade error results in a profit, you will keep the profit.

ITEM 13 – REVIEW OF ACCOUNTS

ACCOUNT REVIEW

All accounts are reviewed on a daily basis relative to their:

- investment policy
- account objectives
- investment restrictions
- client need

Reviews are subject to financial market conditions which could alter investment policy and/or holdings with more frequency.

All accounts are reviewed on a quarterly basis in conjunction with Sage's formal performance reports to clients. The accounts are reconciled at least monthly, and if the custodian has web access and interface capabilities the accounts are reconciled daily by the Portfolio Administration Department.

The reviewers of the accounts are Sage's:

- Director of Trading
- Portfolio Managers
- Chief Compliance Officer

REPORTS

Our practice is to provide monthly portfolio evaluations, quarterly performance reviews and pertinent investment commentaries. Copies of all confirmations of purchases and sales are mailed by the executing broker directly to the client. Since we do not perform any custodial services, reports concerning such services will be forwarded directly to the client by the custodian.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

CLIENT REFERRALS

Sage rarely, but on occasion has entered into written solicitation agreements with third parties who refer potential clients to Sage. Such agreements will be disclosed to potential clients in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940.

The written agreement between Sage and any such solicitor requires, among other things, that the solicitor, at the time of rendering any solicitation activities for which compensation is to be paid, must provide:

- Client with a current copy of Part II of Sage’s Form ADV
- A separate written disclosure document containing:
 1. the name of the solicitor
 2. Sage’s name
 3. the nature of the relationship between the solicitor and Sage
 4. a statement that the solicitor shall be compensated by Sage for his solicitation services
 5. the terms of such compensation arrangement and
 6. the amount, if any, the client will be charged for the cost of obtaining his account, in addition to the advisory fee, and the differential, if any, between the level of investment advisory fees the client shall be charged by Sage because of the existence of the arrangement between the solicitor and Sage and the amount the client would be charged if there were no such agreement

We currently maintain an agreement with one solicitor. Compensation paid by Sage to the solicitor is: 10% of fees paid to Sage by the referred client for the first 12 months subsequent to the date of the client’s agreement with Sage.

ITEM 15 – CUSTODY

Our clients should receive quarterly statements from their broker dealer, bank or other qualified custodian that holds and maintains their investment assets.

- Sage urges you to carefully review your statements and compare your qualified custodian statement to the account statements that we may provide to you.
- Our statements may vary from custodial statements based on accounting procedures, trade reporting dates, or valuation methodologies of certain securities.

ITEM 16 – INVESTMENT DISCRETION

SCOPE

Sage will accept discretionary authority to manage securities on behalf of our clients. Sage specifically receives discretionary authority from clients to allow Sage to select securities bought and sold, open and close brokerage accounts and determine amounts in the portfolio without their prior approval.

RESTRICTIONS

A client can impose certain restrictions on the amount of investment discretion Sage is afforded. Typical types of restrictions may include:

- Limitations on the types of transactions (e.g. sales, purchases and certain types of securities, and transactions within certain size limits)
- Limitations on the situations where discretion can be exercised (e.g., unavailability of client) or
- Limitations on specific brokers or dealers through whom transactions can be effected (e.g., sales or purchases only through the dealer or broker who acts as custodian for the client's portfolio under the investment advisory agreement with Sage)

Typically, the client's restrictions are communicated in their investment guidelines which are an attachment to the investment management agreement and must be provided to Sage in writing.

PROCEDURES

Before accepting investment discretion from the Client, Sage and the Client will first negotiate a contract for investment advisory services. This contract will contain a provision that appoints Sage as the investment manager and grants Sage investment discretion over the Client's account. Additionally, prior to initiating discretionary investment management services, Sage and the Client will negotiate and agree to investment guidelines which will provide additional detail on the scope and restrictions of Sage's investment discretion, as detailed above.

Should you decide to terminate our relationship, discretionary authority will cease automatically.

ITEM 17 – VOTING CLIENT SECURITIES

Sage is primarily a fixed income investment manager and does not manage client accounts with equities that would require a proxy vote. Holders of corporate fixed income obligations, as a matter of practice, do not vote proxies at any annual or special shareholders' meetings as do the holders of common stock.

In limited situations, we may receive a proxy to vote as a result of a client holding fixed income corporate obligations.

These proxy votes are generally event driven, such as:

- a corporate bankruptcy or reorganization
- pre-packaged bankruptcy proceeding
- debt exchange offers resulting from mergers
- acquisitions or divestitures, or
- consent for changes in the debt's indenture provisions or tender offers for the outstanding debt issue

The proxies generally come in the form of a prospectus from the dealer managers, agents or trustees. In the universe of investment grade corporate obligations, proxies are not a recurring event such as annual shareholder meetings.

A copy of our proxy voting policies and procedures as well as a copy of our voting record is available upon request.

ITEM 18 – FINANCIAL INFORMATION & REQUIRED DISCLOSURES

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Sage's financial condition.

Sage has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

SAGE

INVEST WITH WISDOM

ITEM 1 COVER PAGE

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CLIENT BROCHURE

Date of Brochure: March 25, 2014

This Brochure provides information about the qualifications and business practices of **Sage Advisory Services, Ltd. Co.** If you have questions about the contents of this Brochure, please contact us at (512) 327-5530.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Sage is available on the SEC's website at www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with, registered, and required to be registered as investment adviser representatives of Sage.

Sage is a registered investment adviser. The registration of an investment adviser does not imply any level of skill or training. The oral and written communications made to you by Sage, including the information contained in this Brochure, should provide you with information to determine whether to hire or retain Sage as your adviser.

Please be aware during your review of our Brochure when we use the words "Sage", "we" and "our" we are referring to **Sage Advisory Services, Ltd. Co.** When we use the words "you", "your" and "client" we are referring to you as our client or our prospective client. We use the term "Associated Person" when referring to our officers, employees, and all individuals providing investment advice on behalf of Sage.

ITEM 2 MATERIAL CHANGES

The following is a summary of material changes made to our Brochure since the last annual update on March 25, 2013:

Item 4 – Advisory Business

The discussion of Sage’s advisory business was updated to disclose that Sage manages proprietary accounts in the Actively Managed ETF strategies. These proprietary accounts are managed to allow Sage to establish a performance track record in these strategies. Sage’s previous Brochure did not include a discussion of proprietary accounts.

Item 7 – Types of Clients

The discussion of Sage’s types of clients was updated to disclose that Sage manages proprietary accounts in the Actively Managed ETF strategies. Sage’s previous Brochure did not include a discussion of proprietary accounts.

Item 11 – Code of Ethics

The discussion of Sage’s Code of Ethics was updated to disclose Sage’s pre-clearance requirements and personal trading restrictions, including requirements related to Sage’s proprietary accounts which fall under the definition of beneficial ownership due to certain Associated Persons’ ownership stake in the firm. As provided for in Sage’s portfolio management and trading policies, these accounts may participate in trade orders along with client accounts. This may create an incentive for Sage to put the interests of the firm ahead of clients; however, the Code requires Sage to put clients’ interests first and to report personal transactions and holdings to the Chief Compliance Officer. These accounts are exempt from the pre-clearance requirements and personal trading restrictions described above provided the transactions are done in accordance with Sage’s portfolio management and trading policies and procedures. Sage’s previous Brochure did not include a discussion of proprietary accounts. In addition, Item 11 was updated to include additional information regarding Sage’s personal trading restrictions and pre-clearance requirements.

Item 12 – Brokerage Practices

Several updates were made to this section, including the following:

- A discussion of Sage’s Brokerage Oversight Committee and the important role the Committee plays in overseeing trading and brokerage practices was included.
- The disclosures related to Sage’s trade aggregation and allocation practices were enhanced, including clarifying that investments in proprietary accounts in the Actively Managed ETF strategies are made alongside other client transactions.
- Disclosures were updated to reflect that, on occasion, Sage may manage accounts for clients who have client-directed brokerage arrangements.
- Finally, this item was updated to clarify that Sage may engage in cross transactions.

Item 17 – Proxy Voting

This item was updated to describe Sage’s proxy voting policies and procedures, including its process to address potential conflicts of interest. Due to the nature of Sage’s investments, Sage rarely votes proxies on behalf of clients. Therefore, Sage’s previous Brochure contained a very limited discussion of Sage’s proxy voting practices.

Other Information

Sage added a new section titled “Other Information” to disclose the potential conflicts of interest as a result of the Chief Compliance Officer also serving as the Chief Financial Officer. In addition, Sage added disclosure informing clients Sage does not participate in class actions or other legal proceedings on behalf of clients.

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ITEM 4 ADVISORY BUSINESS

SAGE ADVISORY SERVICES, LTD. CO. is a Securities and Exchange Commission (SEC) registered investment adviser located in Austin, Texas. Sage was founded in 1996 and is organized as a Texas Limited Liability Company.

Sage specializes in domestic and international fixed income, balanced and equity portfolio management for individual and institutional clients. Sage offers a common sense approach toward investing by utilizing strong risk-control disciplines and a process that is repeatable.

Sage's belief is a conscientiously monitored investment management program designed specifically for each client can satisfy clients' constantly changing investment needs. Sage seeks to add value through its investment management process applied based upon each client's investment risk constraints.

Sage's investment management process combines fundamental economic analysis with quantitative security and yield curve valuation techniques to produce a comprehensive core management style.

PRINCIPAL OWNERS

Sage is independently operated and owned entirely by employees. The principal owners are:

- Robert G. Smith III, its President and Chief Investment Officer; and
- Mark C. MacQueen, its Executive Vice President.

EDUCATION AND EXPERIENCE

Sage's Associated Persons are expected to have education and business backgrounds that enable them to perform their respective responsibilities effectively. In assigning responsibilities, Sage considers academic background (including studies in college and graduate schools, as well as degrees earned), industry training, licenses and certifications.

Work experience in a related field, such as investments, commodities, insurance, banking or accounting, is also considered.

No formal, specific standards have been set, but appropriate education and experience are required. See ADV Form Part 2B for additional information.

ASSETS UNDER MANAGEMENT & ASSETS UNDER ADVISEMENT (AUM/AUA)

As of December 31, 2013 Sage manages \$10,122,592,000 in total client assets of which, \$8,328,451,000 is managed on a discretionary basis, \$1,506,483,000 is managed on a model provision basis, and \$287,658,000 is managed on a non-discretionary basis.

OVERVIEW OF ADVISORY SERVICES

Sage offers investment management services to individuals and high net worth individuals, including those managed through wrap programs, corporate pension and profit-sharing plans, Taft-Hartley plans, insurance companies, charitable institutions, foundations, endowments, municipalities, registered mutual funds, exchange traded funds, unitized funds, collective investment funds, trust programs, and other U.S. and international institutions.

While Sage generally makes investment decisions on behalf of clients, Sage does permit clients to impose restrictions on investing certain securities or other limitations as mutually agreed upon.

Sage also offers advisory services to clients seeking liability directed investment solutions and insurance company specific services.

All clients are subject to a written agreement which describes the nature of our services, limitations, objectives, fees and other matters.

INVESTMENT MANAGEMENT

Sage offers a common sense and client objective-driven approach toward investing with strong risk-control disciplines utilizing a repeatable process. Sage distinguishes itself in the following areas:

- Investment Management - Sage seeks to manage each client's portfolio separately and individually to assist them in obtaining their safety, liquidity, income, tax sensitivity, total return and risk expectations.

- Disciplined Process - Sage adheres to a process that focuses on each client's financial objectives within a mutually understood risk tolerance.
- Client Education - Sage educates clients on market trends, economic forces and investment fundamentals to foster a better understanding of investment decisions.
- Investment Reporting - Sage provides clients with convenient password protected access to their account information anytime, from anywhere via Sage's website.

INVESTMENT PROCESS AND COMMITTEE

Investment decisions are made by Sage's Investment Committee which is chaired by the Chief Investment Officer.

Decisions with regard to the broad market outlook, investment strategy and client portfolio positioning are determined by the Investment Committee, and recorded in the minutes of the semi-monthly meetings.

The Investment Committee's investment decision process is supplemented regularly with economic and quantitative market analysis provided by Sage's internal research analysts and its external economic and analytic consultants.

After the Investment Committee decides on the duration target, the sector allocation and the security characteristics desired, the portfolio managers, operating on a team basis, implement the decisions reached by the Investment Committee.

Each portfolio is managed separately and tailored to assist respective clients in meeting their safety, liquidity and total return expectations.

It is Sage's belief that only an individually designed and monitored investment management program can satisfy the constantly changing investment needs of each client.

Please see Item 8 for additional information regarding our investment strategies and please see Item 16 for more information regarding investment discretion and client investment restrictions.

INVESTMENT STRATEGIES

Sage offers the following actively managed investment strategies:

- Taxable Fixed Income - Sage's client's objectives range from cash management to total return and

high total income. Sage also delivers investment strategies in short, intermediate and market duration profiles. Investment instruments include, but are not limited to, U.S. Government debt, U.S. Corporate debt, U.S. Municipal debt and Securitized Assets.

- Municipal Fixed Income - Sage's client's objectives range from cash management to after-tax total return and high after-tax total income. Sage offers investment strategies in short, intermediate and market duration. Investment instruments include, but are not limited to, U.S. Treasury debt, tax-exempt municipal general obligation debt, and tax-exempt municipal revenue debt.
- Actively Managed Exchange Traded Funds (ETF) - Sage's client's objectives range from long-term total return to low-volatility income generation. Sage offers strategies in multi asset income, core plus equity, core plus fixed income and balanced accounts. Investment instruments include, but are not limited to, equity, fixed income and alternative ETFs. These strategies include Target Date/Lifecycle Fund clients and certain proprietary accounts.

Please see Item 8 for additional information regarding our investment strategies.

WRAP ACCOUNTS

Sage manages wrap accounts using the same investment process described above.

The wrap fee program sponsor pays Sage a portion of the wrap fee they receive for investment management services.

MODEL PROVISION EXCHANGE TRADED FUNDS (ETF)

Sage offers model provision ETF allocation services to clients whereby Sage provides the client with an updated model as Sage makes changes to the model. The investment and research process for the Sage Tactical ETF strategies follows the same investment strategy as Sage's Actively Managed ETF strategies described above.

LIABILITY DIRECTED INVESTMENT SOLUTIONS

In addition to traditional investment management services, Sage offers a comprehensive and innovative combination of analytic, investing and reporting services which focus on the key concerns in building an effective Liability Directed Investment management strategy.

Specifically, Sage offers two categories of services:

- Asset/Liability Analysis, and
- Liability Driven Investing.

Sage provides these services independently or conjunctively for its clients. For example, Sage has clients for whom it solely performs Asset/Liability Analysis, clients for whom it solely provides Liability Driven Investing, and finally, clients for whom it performs Asset/Liability Analysis and provides Liability Driven Investing.

Asset/Liability Analysis is the first step in Asset/Liability Management and involves assessing a client's liability structure and existing asset solution given the current applicable regulatory environment by employing the following analyses:

- Term structure assessment
- Dynamic cash flow modeling
- Interest rate & inflation risk sensitivity analysis
- Customized liability benchmark creation
- Gap analysis & risk budget creation
- Deterministic and stochastic modeling of asset returns
- Accounting and statutory projections using actuarial forecasting software (optional)

Liability Driven Investing is the second step in Asset/Liability Management and involves developing and implementing a particular investment management solution given the client's liability structure, funded status and goals and may include:

- Liability targeted investments
- Long duration portfolio management
- Excess alpha and low correlation investment strategies

- A broad range of investments such as futures, swaps and other derivative instruments, if warranted

If a client retains Sage to perform Asset/Liability Analysis, Liability Driven Investing or both, Sage provides reporting and administration services as follows:

- Daily online investment valuation and activity reports
- Year-round investment compliance and oversight reports
- Customized periodic performance evaluations
- Monthly liability benchmark updates
- Assessment & negotiation of derivative agreements, if required

INSURANCE COMPANY SERVICES

Sage offers a comprehensive and innovative combination of analytic, investing and reporting services which focus on the key concerns in building an effective management strategy for insurance organizations.

Insurance Liability Assessment and Analysis

- Term structure analysis
- Dynamic cash flow modeling
- Interest rate & inflation risk sensitivity analysis
- Customized liability benchmark creation
- Gap analysis & risk budget creation
- Balance sheet and income statement projections
- Tax efficiency analysis

Insurance Investment Management

- Liability targeted investments
- Long duration portfolio management
- Excess alpha and low correlation investment strategies
- Tax sensitive portfolio management

Insurance Reporting and Administration

- Daily online investment valuation and activity reports
- Year-round investment compliance and oversight reports
- Customized quarterly performance evaluations
- Monthly liability benchmark updates
- Best's Capital Adequacy Ratio (BCAR) calculation and forecasting

- Statutory insurance reporting, including Schedule D reporting
- Investment Accounting

ITEM 5 FEES AND COMPENSATION

Sage is compensated by receiving a mutually agreed upon percentage of the assets under management or by receiving a fixed fee.

INVESTMENT MANAGEMENT FEE CALCULATION & PAYMENT PROCEDURE

Sage manages accounts for a variety of individual and institutional clients on a discretionary and/or non-discretionary basis, subject to the investment guidelines contained in their respective client agreement.

- The amounts and specific manner in which fees are charged is negotiated and memorialized in each client's agreement with Sage.
- Sage does not deduct fees from client accounts.
- Sage invoices clients directly.
- Sage generally invoices clients in advance on a quarterly basis.
- Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.
- On the termination date of an account, any prepaid, unearned fees will be promptly refunded and earned and unpaid fees will be due and payable.
- Sage's client agreement typically requires 30 days notice for termination.

Additionally, management fees are not prorated for each capital contribution and withdrawal made during the applicable calendar quarter.

Sage uses account market values to calculate investment performance and client fees, where applicable. Sage uses pricing information provided by Interactive Data Corporation ("IDC") to value client portfolios. In instances where Sage is unable to determine a price for a security or determines a price received from IDC is not reflective of fair market value, Sage will determine a fair value for that security according to the methodology outlined in Sage's Portfolio Valuation Policy.

There are inherent conflicts of interest when Sage values client accounts, as higher security prices increase market values, thereby enhancing performance results and increasing fees. In addition, because clients pay different fees based on differing fee schedules or the size of the account, Sage has an incentive to favor those accounts where it earns the highest fees. Sage maintains investment, trade allocation and account valuation (including fair valuation) policies and procedures to address such conflicts of interest. Further, investment performance return dispersion is reviewed regularly by Portfolio Managers, the Systems and Operations Department and Compliance to reasonably ensure certain clients are not favored over other clients.

INVESTMENT MANAGEMENT FEE SCHEDULES

Sage's standard fee schedules (including those for its Model Provision ETF and wrap fee account clients) are provided below. However, in some instances, Sage will negotiate from its standard fee schedule, or waive fees, based upon the circumstances. Sage maintains investment, trade allocation and account valuation policies and procedures designed to address potential conflicts of interest related to the fact that clients pay varying fees.

Fixed Income Strategies	ETF Strategies
Cash Duration .25 of 1% to \$10 Million .20 of 1% on next \$15 Million Negotiable over \$25 Million	All Cap Core Plus Equity Core Plus Fixed Income Balanced Portfolios Multi Asset Income .40 of 1% to \$10 Million .35 of 1% on next \$15 Million .25 of 1% on next \$25 Million Negotiable over \$50 Million
Short Duration Moderate Duration Intermediate Duration .35 of 1% to \$10 Million .25 of 1% on next \$15 Million .20 of 1% on next \$25 Million Negotiable over \$50 Million	Target Date/Life Cycle Funds .40 of 1% to \$20 Million .30 of 1% on next \$20 Million .20 of 1% on next \$20 Million Negotiable over \$60 Million
Market Duration Fixed Income Liability Driven Investment (LDI) Management (6+ Years Duration) .40 of 1% to \$10 Million .35 of 1% on next \$15 Million .25 of 1% on next \$25 Million Negotiable over \$50 Million	

Core Plus Fixed Income

.50 of 1% to \$25 Million
.35 of 1% on next \$25 Million
.20 of 1% on next \$50 Million
Negotiable over \$100 Million

FEE SCHEDULE FOR ASSET/LIABILITY ANALYSIS & ANALYTICS

Asset/Liability Study:

- Initial Asset/Liability Study Base Fee: \$15,000
- Subsequent Annual Study Fee: \$15,000
- Semi-Annual or Quarterly Update Fee: \$2,500

(Per each inter-period update other than an initial or annual report)

Fees for Asset/Liability Analysis & Analytics may be increased above the fee schedule amount based on Sage's determination of the novelty, complexity and/or time required to perform these analyses. Additionally, any requested revisions, including additional assumption testing and/or scenarios, may result in additional fees depending on the nature and extent of the revisions.

Fixed income management assignments of at least \$15 million requesting the Asset/Liability Study above will be provided the study as part of the overall investment management fee as outlined in the investment management fee schedule above.

In the event the fixed income assignment is less than \$15 million the fees for each of the services will be billed separately as outlined in the Investment Management Fee Schedule and the Fee Schedule for Asset Liability Analysis & Analytics sections above.

In some instances, Sage will negotiate from its standard fee schedule based upon the circumstances. Fees for the Asset Liability services will be billed upon completion and paid prior to sending the final report.

SCHEDULE D REPORTING FOR INSURANCE CLIENTS FEE SCHEDULE

The minimum fee for Schedule D services for Insurance Companies is:

- 2.5 basis points on the net asset value of the entire investment portfolio subject to an annual minimum fee of \$15,000.
- Additional fees may be charged for additional entities and services, including automated general ledger accounting and backloading data.
- In the event there is more than one investment manager for the portfolio the fee may be higher and is subject to negotiation.
- The fee will be billed quarterly in advance based on the net asset value of the portfolio on the last business day of the preceding quarter.
- If the Schedule D services are terminated (generally upon 7 days notice) before the end of a quarter, fees paid in advance will be pro-rated for the period and the excess refunded promptly to the client.

CLIENT'S RESPONSIBILITY OF THIRD PARTY FEES

Sage's investment management fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment advisers and other third parties. Please see Item 12 for additional information about Sage's brokerage practices.

Mutual funds and exchange traded funds also charge internal management fees and other expenses which are disclosed in the fund's prospectus.

Such charges, fees and commissions are exclusive of Sage's fee. Sage does not receive any portion of these commissions, fees and expenses.

ITEM 6 PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT

Sage does not charge any performance-based management fees.

ITEM 7 TYPES OF CLIENTS

Sage offers investment management services to individuals and high net worth individuals, including those managed through wrap programs, corporate pension and profit-sharing plans, Taft-Hartley plans, insurance companies, charitable institutions, foundations, endowments, municipalities, registered

mutual funds, exchange-traded funds, unitized funds, collective investment funds, trust programs, and other U.S. and international institutions.

Sage generally requires the account minimums listed below; however, account minimums are subject to negotiation.

Client Type	Minimum Account Size
Wrap Program Clients	\$100,000
Taxable Clients	\$3 million
Municipal Clients	\$1 million
Actively Managed ETF	\$1 million
Liability Driven Investing	\$10 million
Insurance Company Clients	\$10 million

Sage manages certain proprietary accounts. These accounts are traded alongside client accounts; therefore, Sage maintains investment, trade allocation and account valuation (including fair valuation) policies and procedures to address potential conflicts of interest related to these accounts.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

ANALYSIS METHODS

Security analysis methods utilized by Sage include the following:

FUNDAMENTAL

Fundamental analysis maintains that markets may misprice a security in the short run, but that the "correct" price will eventually be reached by the market. The fundamental analysis of a business involves analyzing a business's financial statements and health, management

and competitive advantages, and competitors and markets.

When applied to futures and foreign exchange, it focuses on the overall state of the economy, interest rates, production, earnings, and management.

SOURCES OF INFORMATION

Sources of information Sage uses to analyze investment strategies include, but are not limited to, the following:

- Proprietary in-house research.
- Quantitative analytics & forecasting.
- NRSRO - Nationally Recognized Statistical Rating Organizations.
- Third party research materials & reports.
- Standard & subscribed databases.
- Financial newspapers and magazines
- Annual reports, prospectuses and Securities & Exchange Commission filings.

INVESTMENT STRATEGY RISKS

TAXABLE FIXED INCOME

Principal Investment Risks. Losing a portion or all of an investment is a risk of investing in taxable fixed income securities. The following principal risks could affect the value of a client's investment:

- *Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- *U.S. Government Obligations Risk.* If a government-sponsored entity is unable to meet its obligations, the performance of the strategy that holds securities of the entity will be adversely impacted. U.S. Government obligations are viewed as having minimal or no credit risk but are still subject to interest rate risk.
- *Mortgage and Asset-Backed Securities Risk.* Mortgage and asset-backed securities risk includes

market risk, interest rate risk, credit risk, prepayment risk (*i.e.*, homeowners whose mortgages collateralize the securities held by the Funds may be able to prepay principal due on these mortgages) as well as the risk that the structure of certain mortgage-backed securities may make their reaction to interest rates and other factors difficult to predict, making their prices very volatile.

- **Issuer Risk.** The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- **Liquidity Risk.** Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.
- **High Yield Bond Risk.** While high yield bonds generally pay higher interest rates than other fixed income securities, there is a higher risk of income and principal loss.

MUNICIPAL FIXED INCOME

Principal Investment Risks. Losing a portion or all of an investment is a risk of investing in municipal fixed income securities. The following principal risks could affect the value of a client's investment:

- **Municipal Securities Risk.** Municipal securities rely on the creditworthiness or revenue production of their issuers or auxiliary credit enhancement features. Municipal securities may be difficult to obtain because of limited supply, which may increase the cost of such securities and effectively reduce a portfolio's yield. Typically, less information is available about a municipal issuer than is available for other types of securities issuers.
- **Debt Securities Risk.** Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- **Tax Risk.** A strategy that invests in municipal securities may be more adversely impacted by

changes in tax rates and policies than other strategies. Because interest income on municipal obligations is normally not subject to regular federal income taxation, the attractiveness of municipal obligations in relation to other investment alternatives is affected by changes in federal income tax rates applicable to, or the continuing tax-exempt status of, such interest income.

- **Issuer Risk.** The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- **Liquidity Risk.** Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

LIABILITY DRIVEN INVESTING AND INSURANCE COMPANY SERVICES

- **Debt Securities Risk.** Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- **Futures Risk.** On occasion, Sage may recommend its Liability Driven Investing clients invest in futures to help lengthen duration. The use of futures can magnify the risk of loss in an unfavorable market. Futures may not always be successful hedges and their prices can be highly volatile. Using futures could lower the client's total return, and the potential loss can exceed a strategy's initial investment in such contracts.
- **Liability Risk.** The measurement of liabilities, whether pension fund, insurance, or non-profit, involve certain forward-looking assumptions and actuarial data. Actuarial data are affected by many factors, such as changes to fund provisions, participant population, and actuarial assumptions, and therefore are subject to change. Liability forecasts, and the current pricing of those forecasts, will be subject to change and should be monitored accordingly.

- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer’s goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

EXCHANGE TRADED FUNDS

- *ETF Trading Risk.* This strategy invests in ETFs. ETFs are investment companies that are bought and sold on a national securities exchange. Unlike mutual funds, ETFs do not necessarily trade at the net asset values of their underlying securities, which means an ETF could potentially trade above or below the value of the underlying portfolios. Additionally, because ETFs trade like stocks on exchanges, they are subject to trading and commission costs unlike mutual funds. Also, both mutual funds and ETFs have management fees that are part of their costs, and the strategy will indirectly bear its proportionate share of these costs.
- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer’s goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

OTHER INFORMATION

In addition to the strategy specific risks identified above, client accounts are subject to general market risk and Investing in securities involves risk of loss that clients should be prepared to bear. Securities purchased and held in client accounts may decline in value because of a general decline in the market. Securities markets move in cycles, with periods of rising prices followed by periods of falling prices. The value of the securities held in client accounts will tend to increase or decrease in response to these movements. Sage does not offer any products or services that guarantee rates of return on investments for any time period to any client. All clients assume the risk that investment returns may be negative or below the rates of return of other investment advisers, market indices or investment products.

ITEM 9 DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of Sage or the integrity of Sage. Sage has never had disciplinary information disclosures applicable to this item.

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Sage provides investment management services to registered investment companies on a sub-advised basis.

ITEM 11 CODE OF ETHICS

Sage has adopted a Code of Ethics and Personal Trading Policy (the “Code”) in compliance with Rule 204A-1. The Code expresses the policy and procedures of Sage and is intended to ensure that no one is taking advantage of his or her position, or even giving the appearance of placing his or her own interests above those of Sage’s clients. Sage’s personnel must act as fiduciaries, and as such must place the interests of clients before its own.

Sage’s Code includes:

- standards of business conduct, including limitations on giving and receiving gifts and business entertainment, making political contributions, serving as a director or trustee for an outside organization and engaging in outside business activities;
- compliance with federal securities laws;
- personal securities reporting;
- pre-clearance of certain transactions;
- prohibitions from using nonpublic information to trade in personal or client accounts;
- reporting of code violations; and
- review and enforcement.

All Associated Persons receive and acknowledge the Code and Sage’s Compliance Policy Manual. In addition, all Associated Persons are required to certify compliance with the Compliance Policy Manual, including the Code, on an annual basis.

PERSONAL TRADING POLICY

Sage has adopted a personal trading policy outlined within its Code.

Sage's policy is based on the principle that it owes a fiduciary duty to clients to conduct personal securities transactions in a manner that does not interfere with client transactions or otherwise take unfair advantage of their relationship with clients.

Sage requires Associated Persons to pre-clear certain personal securities transactions. In addition, the Code requires Associated Persons to report certain security holdings initially upon being hired and annually thereafter. Finally, Associate Persons are required to report personal securities transactions to the Chief Compliance Officer on a quarterly basis.

Sage has certain proprietary accounts which fall under the definition of beneficial ownership due to certain Associated Persons' ownership stake in the firm. As provided for in Sage's portfolio management and trading policies, these accounts may participate in trade orders along with client accounts. This may create an incentive for Sage to put the interests of the firm ahead of clients; however, the Code requires Sage to put clients' interests first and to report personal transactions and holdings to the Chief Compliance Officer in accordance with the reporting requirements described above. These accounts are exempt from the pre-clearance requirements and personal trading restrictions described above provided the transactions are done in accordance with Sage's portfolio management and trading policies and procedures.

COMPLIANCE WITH THE CODE OF ETHICS

Sage's Chief Compliance Officer is primarily responsible for implementing and administering the Code. Associated Persons are required to report any violations of the Code or applicable laws. Failure to comply with the Code may result in disciplinary action, up to and including termination.

Upon request, Sage will provide a complete copy of our Code at no charge.

ITEM 12 BROKERAGE PRACTICES

OVERSIGHT

Sage's Brokerage Oversight Committee provides oversight of trading and brokerage policies and practices.

In addition, Sage maintains investment, trading and brokerage policies and procedures. The following is an overview of trading and brokerage practices, policies and procedures.

SOFT DOLLAR ARRANGEMENTS OR OTHER BENEFITS

Sage does not have any formal or informal soft dollar arrangements with brokers. On occasion, Sage receives unsolicited research from outside sources. This information is not used in the investment decision-making process.

SELECTION OF BROKERS

Sage utilizes traditional brokers, electronic communication networks and trading systems to execute trades on clients' behalf. Sage has established a Brokerage Oversight Committee to monitor and evaluate the quality of execution received from broker-dealers executing transactions on behalf of Sage's clients and to oversee trading practices and procedures. Sage's overriding objective in effecting portfolio transactions is to seek best execution. While the best price, giving effect to brokerage commission, if any, and other costs, is an important factor in this decision, a number of other factors may also enter into the decision. These include:

- Ability to locate liquidity;
- Inventory of fixed income securities;
- New issue supply or underwriting;
- Knowledge of and dominance in specific markets, securities and industries;
- Participation in bid/want lists;
- Quality of execution;
- Financial condition of the firm;
- Acceptable record keeping, administrative and settlement functions; and
- Reputation and integrity.

Recognizing the importance of these factors, Sage may pay commissions in excess of that which another broker or dealer might have charged for effecting the same transaction.

BROKERAGE FOR CLIENT REFERRALS

Sage does not consider a broker-dealer's promotion or sale of registered investment companies sub-advised by Sage when determining whether to select such broker-dealer to execute transactions for clients.

CLIENT DIRECTED BROKERAGE

In very limited circumstances, clients require Sage to direct transactions in their accounts to a particular broker-dealer (“directed brokers”). For clients utilizing a directed broker, the client may forgo any benefit from savings on execution costs that Sage may obtain for other clients, such as negotiating volume discounts on blocked orders. In addition, the client may not receive the same price or commission paid by other clients who utilize different brokers selected by Sage.

TRADE AGGREGATION AND ALLOCATION

TAXABLE FIXED INCOME

It is Sage’s policy to trade taxable fixed income securities for client accounts based on each client’s investment strategy. When practical, Sage separate client account trades will be bunched in a single order (a “block”) in an effort to obtain best execution. If a block order is filled (full or partial fill) at several prices through multiple trades on the same day, an average price will be calculated for all trades executed by the broker for the block, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day may be combined for purposes of calculating the average price. While generally infrequent, partial fills may be allocated to accounts within the strategy on a pro rata basis, subject to rounding and reasonable efforts to minimize trading costs.

MUNICIPAL FIXED INCOME

It is Sage’s policy to trade tax-exempt fixed income for client accounts based on each client’s investment strategy. When practical, Sage seeks to block account trades and avoid partial fill situations. If a block order is filled (full or partial fill) at several prices through multiple trades on the same day, an average price will be calculated for all trades executed by the broker for the block, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day may be combined for purposes of calculating the average price. While generally infrequent, partial fills may be allocated to accounts within the strategy on a pro rata basis, subject to rounding and reasonable efforts to minimize trading costs. On occasion, in order to avoid odd lots Sage may not allocate a partial fill on a pro rata basis, rather Sage may identify a comparable bond that

will be allocated to client accounts in which case the original allocation will be revised for the original bond.

ACTIVELY MANAGED ETF

It is Sage’s policy to make investment recommendations for actively managed ETF accounts, including Sage’s proprietary accounts, together. Once a decision has been made to update the ETF investment allocation model(s), Sage rotates the order in which clients are notified of changes to the model including Sage’s trading desk which then executes trades on behalf of clients. Certain actively managed ETF clients direct Sage to use a specific broker-dealer to execute trades. Sage will generally place these trades simultaneously with other client trades. Please see the Client Directed Brokerage Section for additional information.

If a block order is filled (full or partial fill) at several prices through multiple trades on the same day, an average price will be calculated for all trades executed by the broker for the block, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day may be combined for purposes of calculating the average price. While generally infrequent, partial fills may be allocated to accounts within the strategy on a pro rata basis, subject to rounding and reasonable efforts to minimize trading costs.

DEVIATIONS FROM POLICY

Sage’s policy allows for acceptable deviations from the practices described above.

CROSS TRADES

Sage may enter into cross transactions between client accounts when, in Sage’s judgment, it is in the best interest of each client participating in the transaction.

All cross transactions will be done in accordance with our Cross Transactions Policy. In addition, the Brokerage Oversight Committee is responsible for oversight of cross transactions.

TRADE ERRORS

It is Sage’s policy for clients to be made whole following a trade error. When Sage causes a trade error to occur in a client account that results in a loss, Sage will reimburse the client. If the trade error results in a gain, the client

will keep that gain. In situations where a trade error occurs due to a third party's error, Sage will work with the third party to reasonably ensure the client is not negatively impacted by the error.

ITEM 13 REVIEW OF ACCOUNTS

ACCOUNT REVIEW

Sage regularly monitors and reviews client accounts with the objective of ensuring Sage operates in accordance with: clients' investment policy statements, investment objectives and investment restrictions; written disclosures; management objectives; and Sage's fiduciary obligation to act in the best interests of its clients. Reviews are consistently performed by the investment personnel assigned to the account and all accounts are reviewed on a regular basis. Clients are generally provided with monthly reports, while certain clients may receive additional reporting based on the nature of the services received.

REPORTS

Our practice is to provide monthly portfolio evaluations, quarterly performance reviews and pertinent investment commentaries. Sage provides clients with convenient password protected access to their account information anytime, from anywhere via Sage's website. Copies of all confirmations of purchases and sales are mailed by the executing broker directly to the client. Since Sage does not perform any custodial services, reports concerning such services will be forwarded directly to the client by the custodian.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

CLIENT REFERRALS

On occasion, Sage has entered into written solicitation agreements with third parties who refer potential clients to Sage. Such agreements will be disclosed to potential clients in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940.

The written agreement between Sage and any such solicitor requires, among other things, that the solicitor, at the time of rendering any solicitation activities for which compensation is to be paid, must provide the client with a current copy of Part 2A of Sage's Form ADV.

In addition, a separate written disclosure document containing:

- the name of the solicitor
- Sage's name
- the nature of the relationship between the solicitor and Sage
- a statement that the solicitor shall be compensated by Sage for his solicitation services
- the terms of such compensation arrangement and
- the amount, if any, the client will be charged for the cost of obtaining his account, in addition to the advisory fee, and the differential, if any, between the level of investment advisory fees the client shall be charged by Sage because of the existence of the arrangement between the solicitor and Sage and the amount the client would be charged if there were no such agreement

ITEM 15 CUSTODY

Sage does not maintain custody of client assets. Sage's clients should receive quarterly statements from their broker dealer, bank or other qualified custodian that holds and maintains their investment assets.

Sage urges clients to carefully review their statements and compare the qualified custodian statement to the account statements that Sage may provides.

Our statements may vary from custodial statements based on accounting procedures, trade reporting dates, or valuation methodologies of certain securities.

ITEM 16 INVESTMENT DISCRETION

Sage generally provides portfolio management services on a discretionary basis. All accounts are subject to a written investment advisory agreement which describes discretionary authority, any investment limitations, investment objectives, fees and other matters.

ITEM 17 VOTING CLIENT SECURITIES

A client's investment advisory agreement with Sage governs the responsibility for voting proxies within client accounts. As Sage is primarily a fixed income investment manager it is very rare for Sage to receive a proxy in which to vote. In limited situations, Sage may receive a proxy to vote as a result of a client holding fixed income corporate obligations and ETFs.

In evaluating a particular proxy proposal, Sage takes into consideration, among other items:

- Management's assertions regarding the proxy proposal;
- Sage's determination of how the proxy proposal will impact its clients; and
- Sage's determination of whether the proxy proposal will create dilution for shareholders.

Sage will generally support management's recommendations on proxy issues related to business operations matters. Sage believes a company's management should generally have the latitude to make decisions related to the company's business operations. However, when Sage believes the company's management is acting in an inconsistent manner with its clients' best interests Sage will vote against management's recommendations. Sage will generally vote against non-salary compensation plans (such as stock compensation plans, employee stock purchase plans and long-term incentive plans) unless, in Sage's opinion, such plans are structured to not create serious dilution to shareholders and Sage will analyze all other compensation plans on a case-by-case basis. Sage will review proxy proposals regarding control matters (e.g., mergers and anti-takeover tactics) related to a company on a case-by-case basis. Sage generally opposes measures limiting the rights of shareholders. Sage generally opposes measures preventing shareholders from accepting an offer of a sale of a company.

In evaluating a proxy proposal, Sage may encounter a material conflict of interest. Sage has a duty to recognize and resolve a conflict before voting the proxy. Sage's proxy voting policies and procedures describe the actions taken when a conflict is identified.

A copy of Sage's proxy voting policies and procedures as well as a copy of our voting record is available upon request.

ITEM 18 FINANCIAL INFORMATION & REQUIRED DISCLOSURES

Registered investment advisers are required in this Item to provide certain financial information or disclosures about Sage's financial condition.

Sage has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to

clients, and has not been the subject of a bankruptcy proceeding.

OTHER INFORMATION

CLASS ACTIONS AND OTHER LEGAL PROCEEDINGS

Sage does not file legal proceedings, including class actions, on behalf of clients.

DUAL ROLES

Sage's Chief Compliance Officer is also its Chief Financial Officer which may present a conflict of interest in performing the dual roles. Sage maintains policies, procedures and controls to routinely monitor this conflict, and does not believe it results in unfair treatment of its clients.

[End of Brochure]

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CLIENT BROCHURE

Date of Brochure: March 28, 2016

This Brochure provides information about the qualifications and business practices of **Sage Advisory Services, Ltd. Co.** If you have questions about the contents of this Brochure, please contact us at (512) 327-5530.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Sage is available on the SEC's website at www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with, registered, and required to be registered as investment adviser representatives of Sage.

Sage is a registered investment adviser. The registration of an investment adviser does not imply any level of skill or training. The oral and written communications made to you by Sage, including the information contained in this Brochure, should provide you with information to determine whether to hire or retain Sage as your adviser.

Please be aware during your review of our Brochure when we use the words "Sage", "we" and "our" we are referring to **Sage Advisory Services, Ltd. Co.** When we use the words "you", "your" and "client" we are referring to you as our client or our prospective client. We use the term "Associated Person" when referring to our officers, employees, and all individuals providing investment advice on behalf of Sage.

ITEM 2 – MATERIAL CHANGES

The following is a summary of material changes made to our Brochure since the last updated on March 27, 2015.

Item 4 - Advisory Business

The discussion of Sage’s advisory business was updated to reflect the following:

- Fiduciary (3(38)) Services. This offering provides services to ERISA Plan Fiduciaries of DC and DB plans. Services for DC plans include investment policy statement assistance, selection and monitoring of investment options, and comprehensive reporting. Services for DB plans include asset/liability analytics, investment policy statement assistance, creation and monitoring of investment strategies and comprehensive reporting.
- Municipal Fixed Income Model Provision Services. In addition to our Model Provision Exchange Traded Funds (ETF) Services, we also provide model provision services related to municipal fixed income investments.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

The discussion of Mortgage and Asset-backed Securities Risk and of Futures Risk was updated to include counterparty risk and risk of loss of collateral posted in certain types of transactions.

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ITEM 4 – ADVISORY BUSINESS

SAGE ADVISORY SERVICES, LTD. CO. is a Securities and Exchange Commission (SEC) registered investment adviser located in Austin, Texas. Sage was founded in 1996 and is organized as a Texas Limited Liability Company.

Sage specializes in domestic and international fixed income, balanced and equity portfolio management for individual and institutional clients. Sage offers a common sense approach toward investing by utilizing strong risk-control disciplines and a process that is repeatable.

Sage's belief is a conscientiously monitored investment management program designed specifically for each client can satisfy clients' constantly changing investment needs. Sage seeks to add value through its investment management process applied based upon each client's investment risk constraints.

Sage's investment management process combines fundamental economic analysis with quantitative security and yield curve valuation techniques to produce a comprehensive core management style.

PRINCIPAL OWNERS

Sage is independently operated and owned entirely by employees. The principal owners are:

- Robert G. Smith III, its President and Chief Investment Officer; and
- Mark C. MacQueen, its Executive Vice President.

EDUCATION AND EXPERIENCE

Sage's Associated Persons are expected to have education and business backgrounds that enable them to perform their respective responsibilities effectively. In assigning responsibilities, Sage considers academic background (including studies in college and graduate schools, as well as degrees earned), industry training, licenses and certifications.

Work experience in a related field, such as investments, commodities, insurance, banking or accounting, is also considered.

No formal, specific standards have been set, but appropriate education and experience are required. See ADV Form Part 2B for additional information.

ASSETS UNDER MANAGEMENT & ASSETS UNDER ADVISEMENT (AUM/AUA)

As of December 31, 2015 Sage manages \$11,822,006,000 in total client assets of which, \$9,193,126,000 is managed on a discretionary basis, \$2,412,075,000 is managed on a model provision basis, and \$216,804,000 is managed on a non-discretionary basis.

OVERVIEW OF ADVISORY SERVICES

Sage offers investment management services to individuals and high net worth individuals as well as institutional clients, including those clients managed through wrap programs, corporate pension and profit-sharing plans, Taft-Hartley plans, insurance companies, charitable institutions, foundations, endowments, municipalities, registered mutual funds, exchange traded funds, unitized funds, collective investment funds, trust programs, and other U.S. and international institutions.

While Sage generally makes investment decisions on behalf of clients, Sage does permit clients to impose restrictions on investing certain securities or other limitations as mutually agreed upon.

Sage also offers advisory services to clients seeking liability directed investment solutions, fiduciary (3(38)) services, and insurance company specific services.

All clients are subject to a written agreement which describes the nature of our services, limitations, objectives, fees and other matters.

INVESTMENT MANAGEMENT

Sage offers a common sense and client objective-driven approach toward investing with strong risk-control disciplines utilizing a repeatable process. Sage distinguishes itself in the following areas:

- Investment Management - Sage seeks to manage each client's portfolio separately and individually to assist them in obtaining their safety, liquidity, income, tax sensitivity, total return and risk expectations.

- Disciplined Process - Sage adheres to a process that focuses on each client's financial objectives within a mutually understood risk tolerance.
- Client Education - Sage educates clients on market trends, economic forces and investment fundamentals to foster a better understanding of investment decisions.
- Investment Reporting - Sage provides clients with convenient password protected access to their account information anytime, from anywhere via Sage's website.

Sage offers certain investment management services to employers sponsoring defined contribution retirement plans with participant-directed investments. As the plan's fiduciary and investment manager, Sage selects and monitors the exchange traded funds that are offered as investment options to participants under the plan's investment menu.

INVESTMENT PROCESS AND COMMITTEE

Investment decisions are made by Sage's Investment Committee which is chaired by the Chief Investment Officer.

Decisions with regard to the broad market outlook, investment strategy and client portfolio positioning are determined by the Investment Committee, and recorded in the minutes of the semi-monthly meetings.

The Investment Committee's investment decision process is supplemented regularly with economic and quantitative market analysis provided by Sage's internal research analysts and its external economic and analytic consultants.

After the Investment Committee decides on the duration target, the sector allocation and the security characteristics desired, the portfolio managers, operating on a team basis, implement the decisions reached by the Investment Committee.

Each portfolio is managed separately and tailored to assist respective clients in meeting their safety, liquidity and total return expectations.

It is Sage's belief that only an individually designed and monitored investment management program can satisfy the constantly changing investment needs of each client.

Please see Item 8 for additional information regarding our investment strategies and please see Item 16 for

more information regarding investment discretion and client investment restrictions.

INVESTMENT STRATEGIES

Sage offers the following actively managed investment strategies:

- Taxable Fixed Income - Sage's client's objectives range from cash management to total return and high total income. Sage also delivers investment strategies in short, intermediate and market duration profiles. Investment instruments include, but are not limited to, U.S. Government debt, U.S. Corporate debt, U.S. Municipal debt and Securitized Assets, such as mortgage-backed securities and to-be-announced transactions in mortgage-backed securities and other securities ("TBA Transactions").
- Municipal Fixed Income - Sage's client's objectives range from cash management to after-tax total return and high after-tax total income. Sage offers investment strategies in short, intermediate and market duration. Investment instruments include, but are not limited to, U.S. Treasury debt, tax-exempt municipal general obligation debt, and tax-exempt municipal revenue debt.
- Actively Managed Exchange Traded Funds (ETF) - Sage's client's objectives range from long-term total return to low-volatility income generation. Sage offers strategies in multi asset income, core plus equity, core plus fixed income and balanced accounts. Investment instruments include, but are not limited to, equity, fixed income and alternative ETFs. These strategies include Target Date/Lifecycle Fund clients, Cash Balance strategies, LDI Small Plan Solutions and certain proprietary accounts.

Please see Item 8 for additional information regarding our investment strategies.

WRAP ACCOUNTS

Sage manages wrap accounts using the same investment process described above.

The wrap fee program sponsor pays Sage a portion of the wrap fee they receive for investment management services.

MODEL PROVISION SERVICES

Sage offers model provision ETF allocation services to clients whereby Sage provides the client with an updated model as Sage makes changes to the model. The investment and research process for the Sage Tactical ETF strategies follows the same investment strategy as Sage's Actively Managed ETF strategies described above.

In addition, Sage offers model provision Municipal allocation services to clients whereby Sage provides the client analysis on specific municipal securities to purchase for the portfolio. The investment and research process follows the same investment strategy as Municipal Fixed Income strategies described above.

SAGE COLLECTIVE INVESTMENT FUNDS (ETF)

Collective Investment Funds (CIFs) are institutional investment vehicles that are solely available for ERISA retirement plans. Like mutual funds, CIFs allow investors efficient access to an investment strategy, offer daily valuation and are easily traded through the National Securities Clearing Corporation (NSCC). Relative to mutual funds, CIFs offer a transparent institutional fee structure and more flexible record keeper pass-through arrangements.

The Sage Funds are collective investment funds ("CIFs") created by the Hand Composite Employee Benefit Trust and sponsored by Hand Benefits & Trust Company, a BPAS company, that invests in the strategies of Sage Advisory Services, Ltd. Co. which serves as the subadvisor to the CIFs.

These CIFs are available for investment by eligible qualified retirement plan trusts only and has been created specifically for employer-sponsored retirement plan investors. All of Sage's actively managed ETF strategies are available through these CIFs.

LIABILITY DIRECTED INVESTMENT SOLUTIONS

In addition to traditional investment management services, Sage offers a comprehensive and innovative combination of analytic, investing and reporting services which focus on the key concerns in building an effective Liability Directed Investment management strategy.

Specifically, Sage offers two categories of services:

- Asset/Liability Analysis, and

- Liability Driven Investing.

Sage provides these services independently or conjunctively for its clients. For example, Sage has clients for whom it solely performs Asset/Liability Analysis, clients for whom it solely provides Liability Driven Investing, and finally, clients for whom it performs Asset/Liability Analysis and provides Liability Driven Investing.

Asset/Liability Analysis is the first step in Asset/Liability Management and involves assessing a client's liability structure and existing asset solution given the current applicable regulatory environment by employing the following analyses:

- Term structure assessment
- Dynamic cash flow modeling
- Interest rate & inflation risk sensitivity analysis
- Customized liability benchmark creation
- Gap analysis & risk budget creation
- Deterministic and stochastic modeling of asset returns
- Accounting and statutory projections using actuarial forecasting software (optional)

Liability Driven Investing is the second step in Asset/Liability Management and involves developing and implementing a particular investment management solution given the client's liability structure, funded status and goals and may include:

- Liability targeted investments
- Long duration portfolio management
- Excess alpha and low correlation investment strategies
- A broad range of investments such as futures, swaps and other derivative instruments, if warranted

If a client retains Sage to perform Asset/Liability Analysis, Liability Driven Investing or both, Sage provides reporting and administration services as follows:

- Daily online investment valuation and activity reports
- Year-round investment compliance and oversight reports

- Customized periodic performance evaluations
- Monthly liability benchmark updates
- Assessment & negotiation of derivative agreements, if required

FIDUCIARY (3(38)) SERVICES

Sage is engaged by ERISA Plan Fiduciaries as a co-fiduciary to provide one or more of the following services: investment policy statement assistance, selection and monitoring of investment options, creation and monitoring of investment strategies, asset/liability analytics, and comprehensive reporting.

Specifically, Sage offers two categories of services:

- Fiduciary Services for DC Plans
- Pension Risk Management for DB Plans.

Fiduciary Services

Sage Fiduciary Services provide plan fiduciaries of DC plans with investment selection support, a flexible suite of Qualified Default Investment Alternative (QDIA) options, and comprehensive reporting. Plan investment solutions are implemented entirely with ETFs which are low-cost, efficient, and transparent.

Pension Risk Management

Sage serves as a fiduciary partner to plan fiduciaries of DB plans by providing asset/liability analytics, an appropriate pension investment solution, and supportive monitoring and reporting. Plan investment solutions are implemented entirely with ETFs which are low-cost, efficient, and transparent.

INSURANCE COMPANY SERVICES

Sage offers a comprehensive and innovative combination of analytic, investing and reporting services which focus on the key concerns in building an effective management strategy for insurance organizations.

Insurance Liability Assessment and Analysis

- Term structure analysis
- Dynamic cash flow modeling
- Interest rate & inflation risk sensitivity analysis
- Customized liability benchmark creation
- Gap analysis & risk budget creation
- Balance sheet and income statement projections
- Tax efficiency analysis

Insurance Investment Management

- Liability targeted investments
- Long duration portfolio management
- Excess alpha and low correlation investment strategies
- Tax sensitive portfolio management

Insurance Reporting and Administration

- Daily online investment valuation and activity reports
- Year-round investment compliance and oversight reports
- Customized quarterly performance evaluations
- Monthly liability benchmark updates
- Best's Capital Adequacy Ratio (BCAR) calculation and forecasting
- Statutory insurance reporting, including Schedule D reporting
- Investment Accounting

ITEM 5 – FEES AND COMPENSATION

Sage is compensated by receiving a mutually agreed upon percentage of the assets under management or by receiving a fixed fee.

INVESTMENT MANAGEMENT FEE CALCULATION & PAYMENT PROCEDURE

Sage manages accounts for a variety of individual and institutional clients on a discretionary and/or non-discretionary basis, subject to the investment guidelines contained in their respective client agreement.

- The amounts and specific manner in which fees are charged is negotiated and memorialized in each client's agreement with Sage.
- Sage does not deduct fees from client accounts.
- Sage invoices clients directly.
- Sage generally invoices clients in advance on a quarterly basis and will also invoice in arrears or prorate fees for capital contributions and withdrawals.
- Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.
- On the termination date of an account, any prepaid, unearned fees will be promptly refunded and earned and unpaid fees will be due and payable.

- Sage’s client agreement typically requires 30 days notice for termination.

Sage uses account market values to calculate investment performance and client fees, where applicable. Sage uses pricing information provided by Interactive Data Corporation (“IDC”) to value client portfolios. In instances where Sage is unable to determine a price for a security or determines a price received from IDC is not reflective of fair market value, Sage will determine a fair value for that security according to the methodology outlined in Sage’s Portfolio Valuation Policy.

There are inherent conflicts of interest when Sage values client accounts, as higher security prices increase market values, thereby enhancing performance results and increasing fees. In addition, because clients pay different fees based on differing fee schedules or the size of the account, Sage has an incentive to favor those accounts where it earns the highest fees. Sage maintains investment, trade allocation and account valuation (including fair valuation) policies and procedures to address such conflicts of interest. Further, investment performance return dispersion is reviewed regularly by Portfolio Managers, the Systems and Operations Department and Compliance to reasonably ensure certain clients are not favored over other clients.

When providing investment management services to employers sponsoring defined contribution plans with participant-directed investments, Sage will invoice clients directly or as expressly directed by the plan sponsor in the investment management agreement.

INVESTMENT MANAGEMENT FEE SCHEDULES

Sage’s standard fee schedules (including those for its Model Provision ETF and wrap fee account clients) are provided below. However, in some instances, Sage will negotiate from its standard fee schedule, or waive fees, based upon the circumstances. Sage maintains investment, trade allocation and account valuation policies and procedures designed to address potential conflicts of interest related to the fact that clients pay varying fees.

Fixed Income Strategies	ETF Strategies
Cash Duration .25 of 1% to \$10 Million .20 of 1% on next \$15 Million Negotiable over \$25 Million	All Cap Core Plus Equity Core Plus Fixed Income Balanced Portfolios Multi Asset Income .40 of 1% to \$10 Million .35 of 1% on next \$15 Million .25 of 1% on next \$25 Million Negotiable over \$50 Million
Short Duration Moderate Duration Intermediate Duration .35 of 1% to \$10 Million .25 of 1% on next \$15 Million .20 of 1% on next \$25 Million Negotiable over \$50 Million	Target Date/Life Cycle Funds .40 of 1% to \$20 Million .30 of 1% on next \$20 Million .20 of 1% on next \$20 Million Negotiable over \$60 Million
Market Duration Fixed Income Liability Driven Investment (LDI) Management (6+ Years Duration) .40 of 1% to \$10 Million .35 of 1% on next \$15 Million .25 of 1% on next \$25 Million Negotiable over \$50 Million	Liability Driven Investment (LDI) Management – ETF (8+ Years Duration) .40 of 1% to \$15 Million .Minimum fee of \$20,000
Core Plus Fixed Income .50 of 1% to \$25 Million .35 of 1% on next \$25 Million .20 of 1% on next \$50 Million Negotiable over \$100 Million	Cash Balance .40 of 1% to \$3 Million .35 of 1% on next \$7 Million .30 of 1% over \$10 Million Negotiable over \$25 Million

Sage’s investment management fee for employers sponsoring defined contribution plans with participant-directed investments is negotiable for each particular plan client’s situation and other relevant factors, including but not limited to the size of the plan, number of participants and the plan’s custodial and recordkeeping arrangement.

FEE SCHEDULE FOR ASSET/LIABILITY ANALYSIS & ANALYTICS

Asset/Liability Study:

- Initial Asset/Liability Study Base Fee: \$15,000
- Subsequent Annual Study Fee: \$15,000
- Semi-Annual or Quarterly Update Fee: \$2,500

(Per each inter-period update other than an initial or annual report)

Fees for Asset/Liability Analysis & Analytics may be increased above the fee schedule amount based on Sage's determination of the novelty, complexity and/or time required to perform these analyses. Additionally, any requested revisions, including additional assumption testing and/or scenarios, may result in additional fees depending on the nature and extent of the revisions.

Fixed income management assignments of at least \$25 million requesting the Asset/Liability Study above will be provided the study as part of the overall investment management fee as outlined in the investment management fee schedule above.

In the event the fixed income assignment is less than \$25 million the fees for each of the services will be billed separately as outlined in the Investment Management Fee Schedule and the Fee Schedule for Asset Liability Analysis & Analytics sections above.

In some instances, Sage will negotiate from its standard fee schedule based upon the circumstances. Fees for the Asset Liability services will be billed upon completion and paid prior to sending the final report.

FEE SCHEDULE FOR FIDUCIARY SERVICES

Fiduciary Services for DC plans:

- .35 of 1% to \$2.5 Million
- .32 of 1% on next \$2.5 Million
- .30 of 1% over \$5 Million

Fees for 3(38) services are assessed at the plan level and will be 0.35% per year; in this case, Sage will charge zero sub-advisor fees for assets placed in the Sage-managed CITs.

Pension Risk Management

- .40 of 1% to \$15 Million
- .Minimum fee of \$20,000

SCHEDULE D REPORTING FOR INSURANCE CLIENTS FEE SCHEDULE

The minimum fee for Schedule D services for Insurance Companies is:

- 2.5 basis points on the net asset value of the entire investment portfolio subject to an annual minimum fee of \$15,000.
- Additional fees may be charged for additional entities and services, including automated general ledger accounting and backloading data.

- In the event there is more than one investment manager for the portfolio the fee may be higher and is subject to negotiation.
- The fee will be billed quarterly in advance based on the net asset value of the portfolio on the last business day of the preceding quarter.
- If the Schedule D services are terminated (generally upon 7 days notice) before the end of a quarter, fees paid in advance will be pro-rated for the period and the excess refunded promptly to the client.

CLIENT'S RESPONSIBILITY OF THIRD PARTY FEES

Sage's investment management fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment advisers and other third parties. Please see Item 12 for additional information about Sage's brokerage practices.

Mutual funds and exchange traded funds also charge internal management fees and other expenses which are disclosed in the fund's prospectus.

Such charges, fees and commissions are exclusive of Sage's fee. Sage does not receive any portion of these commissions, fees and expenses.

ITEM 6 – PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Sage does not charge any performance-based management fees.

ITEM 7 – TYPES OF CLIENTS

Sage offers investment management services to individuals and high net worth individuals as well as institutional clients, including those clients managed through wrap programs, corporate pension and profit-sharing plans, Taft-Hartley plans, insurance companies, charitable institutions, foundations, endowments, municipalities, registered mutual funds, exchange-traded funds, unitized funds, collective investment funds, trust programs, and other U.S. and international institutions.

Sage generally requires the account minimums listed below; however, account minimums are subject to negotiation.

Client Type	Minimum Account Size
Wrap Program Clients	\$100,000
Model Provision ETF Clients	\$25,000
Taxable Clients	\$3 million
Municipal Clients	\$1 million
Actively Managed ETF	\$1 million
Liability Driven Investing	\$10 million
Pension Risk Management	\$1 million
Fiduciary Services for DC Plans	\$1 million
Insurance Company Clients	\$10 million

Sage manages certain proprietary accounts. These accounts are traded alongside client accounts; therefore, Sage maintains investment, trade allocation and account valuation (including fair valuation) policies and procedures to address potential conflicts of interest related to these accounts.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

ANALYSIS METHODS

Security analysis methods utilized by Sage include the following:

FUNDAMENTAL

Fundamental analysis maintains that markets may misprice a security in the short run, but that the "correct" price will eventually be reached by the market. The fundamental analysis of a business involves analyzing a business's financial statements and health, management and competitive advantages, and competitors and markets.

When applied to futures and foreign exchange, it focuses on the overall state of the economy, interest rates, production, earnings, and management.

SOURCES OF INFORMATION

Sources of information Sage uses to analyze investment strategies include, but are not limited to, the following:

- Proprietary in-house research.
- Quantitative analytics & forecasting.
- NRSRO - Nationally Recognized Statistical Rating Organizations.
- Third party research materials & reports.
- Standard & subscribed databases.
- Financial newspapers and magazines
- Annual reports, prospectuses and Securities & Exchange Commission filings.

INVESTMENT STRATEGY RISKS

TAXABLE FIXED INCOME

Principal Investment Risks. Losing a portion or all of an investment is a risk of investing in taxable fixed income securities. The following principal risks could affect the value of a client's investment:

- *Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- *U.S. Government Obligations Risk.* If a government-sponsored entity is unable to meet its obligations, the performance of the strategy that holds securities of the entity will be adversely impacted. U.S. Government obligations are viewed as having minimal or no credit risk but are still subject to interest rate risk.
- *Mortgage and Asset-Backed Securities Risk.* Mortgage and asset-backed securities risk includes market risk, interest rate risk, credit risk, prepayment risk (*i.e.*, homeowners whose mortgages

collateralize the securities held by the Funds may be able to prepay principal due on these mortgages), counterparty-risk and risks related to collateral posted in transactions such as TBA Transactions, as well as the risk that the structure of certain mortgage-backed securities may make their reaction to interest rates and other factors difficult to predict, making their prices very volatile.

- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.
- *High Yield Bond Risk.* While high yield bonds generally pay higher interest rates than other fixed income securities, there is a higher risk of income and principal loss.

MUNICIPAL FIXED INCOME

Principal Investment Risks. Losing a portion or all of an investment is a risk of investing in municipal fixed income securities. The following principal risks could affect the value of a client's investment:

- *Municipal Securities Risk.* Municipal securities rely on the creditworthiness or revenue production of their issuers or auxiliary credit enhancement features. Municipal securities may be difficult to obtain because of limited supply, which may increase the cost of such securities and effectively reduce a portfolio's yield. Typically, less information is available about a municipal issuer than is available for other types of securities issuers.
- *Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- *Tax Risk.* A strategy that invests in municipal securities may be more adversely impacted by

changes in tax rates and policies than other strategies. Because interest income on municipal obligations is normally not subject to regular federal income taxation, the attractiveness of municipal obligations in relation to other investment alternatives is affected by changes in federal income tax rates applicable to, or the continuing tax-exempt status of, such interest income.

- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

LIABILITY DRIVEN INVESTING, FIDUCIARY SERVICES, AND INSURANCE COMPANY SERVICES

- *Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- *Futures Risk.* On occasion, Sage may recommend its Liability Driven Investing clients invest in futures to help lengthen duration. Risks in such transactions include, but are not limited to counterparty failures and risks related to collateral or margin. The use of futures can magnify the risk of loss in an unfavorable market. Futures may not always be successful hedges and their prices can be highly volatile. Using futures could lower the client's total return, and the potential loss can exceed a strategy's initial investment in such contracts.
- *Liability Risk.* The measurement of liabilities, whether pension fund, insurance, or non-profit, involve certain forward-looking assumptions and actuarial data. Actuarial data are affected by many factors, such as changes to fund provisions, participant population, and actuarial assumptions,

and therefore are subject to change. Liability forecasts, and the current pricing of those forecasts, will be subject to change and should be monitored accordingly.

- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

EXCHANGE TRADED FUNDS

- *ETF Trading Risk.* This strategy invests in ETFs. ETFs are investment companies that are bought and sold on a national securities exchange. Unlike mutual funds, ETFs do not necessarily trade at the net asset values of their underlying securities, which means an ETF could potentially trade above or below the value of the underlying portfolios. Additionally, because ETFs trade like stocks on exchanges, they are subject to trading and commission costs unlike mutual funds. Also, both mutual funds and ETFs have management fees that are part of their costs, and the strategy will indirectly bear its proportionate share of these costs.
- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

OTHER INFORMATION

In addition to the strategy specific risks identified above, client accounts are subject to general market risk and Investing in securities involves risk of loss that clients should be prepared to bear. Securities purchased and held in client accounts may decline in value because of a general decline in the market. Securities markets move in cycles, with periods of rising prices followed by periods of falling prices. The value of the securities held in client accounts will tend to increase or decrease in response to these movements. Sage does not offer any products or services that guarantee rates of return on

investments for any time period to any client. All clients assume the risk that investment returns may be negative or below the rates of return of other investment advisers, market indices or investment products.

ITEM 9 – DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of Sage or the integrity of Sage. Sage has never had disciplinary information disclosures applicable to this item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Sage provides investment management services to registered investment companies on a sub-advised basis. Sage also sub-advises certain bank collective investment funds (CIFs) that are intended to serve as investment options for defined contribution plans with participant-directed investments. When a plan sponsor client selects Sage to serve as the investment manager for the plan's investment menu and also selects any of the CIFs to serve as additional investment options under the plan, Sage will reduce and offset its investment management fee by the amount it earns from the plan as a sub-adviser to the CIFs. With respect to Sage's management of client funds deemed to be "plan assets," Sage relies upon the U.S. Department of Labor's Qualified Professional Asset Manager exemption to avoid engaging in non-exempt prohibited transactions in those assets under ERISA and the Internal Revenue Code, and all of Sage's investment management and other related services are designed to be compliant with or exempt from the prohibited transaction rules under ERISA. Sage is not registered as a Commodities Trading Adviser, in reliance on an exemption from registration with the CFTC under the Commodity Exchange Act. .

ITEM 11 – CODE OF ETHICS

Sage has adopted a Code of Ethics and Personal Trading Policy (the "Code") in compliance with Rule 204A-1. The Code expresses the policy and procedures of Sage and is intended to ensure that no Associated Person is taking advantage of his or her position, or even giving the appearance of placing his or her own interests above those of Sage's clients. Sage's personnel must act as fiduciaries, and as such must place the interests of clients before its own.

Sage's Code includes:

- standards of business conduct, including limitations on giving and receiving gifts and business entertainment, making political contributions, serving as a director or trustee for an outside organization and engaging in outside business activities;
- compliance with federal securities laws;
- personal securities reporting;
- pre-clearance of certain transactions;
- prohibitions from using nonpublic information to trade in personal or client accounts;
- reporting of code violations; and
- review and enforcement.

All Associated Persons receive and acknowledge the Code and Sage's Compliance Policy Manual. In addition, all Associated Persons are required to certify compliance with the Compliance Policy Manual, including the Code, on an annual basis.

PERSONAL TRADING POLICY

Sage has adopted a personal trading policy outlined within its Code.

Sage's policy is based on the principle that it owes a fiduciary duty to clients to conduct personal securities transactions in a manner that does not interfere with client transactions or otherwise take unfair advantage of their relationship with clients.

Sage requires Associated Persons to pre-clear certain personal securities transactions. In addition, the Code requires Associated Persons to report certain security holdings initially upon being hired and annually thereafter. Finally, Associated Persons are required to report personal securities transactions to the Chief Compliance Officer on a quarterly basis.

Sage has certain proprietary accounts which fall under the definition of beneficial ownership due to certain Associated Persons' ownership stake in the firm. As provided for in Sage's portfolio management and trading policies, these accounts may participate in trade orders along with client accounts. This may create an incentive for Sage to put the interests of the firm ahead of clients; however, the Code requires Sage to put clients' interests first and to report personal transactions and holdings to the Chief Compliance Officer in accordance with the

reporting requirements described above. These accounts are exempt from the pre-clearance requirements and personal trading restrictions described above provided the transactions are done in accordance with Sage's portfolio management and trading policies and procedures.

COMPLIANCE WITH THE CODE OF ETHICS

Sage's Chief Compliance Officer is primarily responsible for implementing and administering the Code. Associated Persons are required to report any violations of the Code or applicable laws. Failure to comply with the Code may result in disciplinary action, up to and including termination.

Upon request, Sage will provide a complete copy of our Code at no charge.

ITEM 12 – BROKERAGE PRACTICES

OVERSIGHT

Sage's Brokerage Oversight Committee provides oversight of trading and brokerage policies and practices. In addition, Sage maintains investment, trading and brokerage policies and procedures. The following is an overview of trading and brokerage practices, policies and procedures.

SOFT DOLLAR ARRANGEMENTS OR OTHER BENEFITS

Sage does not have any formal or informal soft dollar arrangements with brokers. On occasion, Sage receives unsolicited research from outside sources. This information is not used in the investment decision-making process.

SELECTION OF BROKERS

Sage utilizes traditional brokers, electronic communication networks and trading systems to execute trades on clients' behalf. Sage has established a Brokerage Oversight Committee to monitor and evaluate the quality of execution received from broker-dealers executing transactions on behalf of Sage's clients and to oversee trading practices and procedures. Sage's overriding objective in effecting portfolio transactions is to seek best execution. While the best price, giving effect to brokerage commission, if any, and other costs, is an important factor in this decision, a number of other factors may also enter into the decision. These include:

- Ability to locate liquidity;
- Inventory of fixed income securities;
- New issue supply or underwriting;
- Knowledge of and dominance in specific markets, securities and industries;
- Participation in bid/want lists;
- Quality of execution;
- Financial condition of the firm;
- Acceptable record keeping, administrative and settlement functions; and
- Reputation and integrity.

Recognizing the importance of these factors, Sage may pay commissions in excess of that which another broker or dealer might have charged for effecting the same transaction.

BROKERAGE FOR CLIENT REFERRALS

Sage does not consider a broker-dealer's promotion or sale of registered investment companies sub-advised by Sage when determining whether to select such broker-dealer to execute transactions for clients.

CLIENT DIRECTED BROKERAGE

In very limited circumstances, clients require Sage to direct transactions in their accounts to a particular broker-dealer ("directed brokers"). For clients utilizing a directed broker, the client may forgo any benefit from savings on execution costs that Sage may obtain for other clients, such as negotiating volume discounts on blocked orders. In addition, the client may not receive the same price or commission paid by other clients who utilize different brokers selected by Sage.

TRADE AGGREGATION AND ALLOCATION

TAXABLE FIXED INCOME

It is Sage's policy to trade taxable fixed income securities for client accounts based on each client's investment strategy. When practical, Sage separate client account trades will be bunched in a single order (a "block") in an effort to obtain best execution. Sage seeks to block account trades and avoid partial fill situations. If a block order is filled (full or partial fill) at several prices through multiple trades on the same day, an average price will be calculated for all trades executed by the broker for the block, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day may be combined for purposes of calculating the average price. While generally infrequent, partial fills may be allocated to give priority to those

accounts that require alignment with its investment strategy. On occasion, in order to avoid odd lots Sage may identify a comparable bond that will be allocated to client accounts in which case the original allocation will be revised for the original bond.

MUNICIPAL FIXED INCOME

It is Sage's policy to trade tax-exempt fixed income for client accounts based on each client's investment strategy. When practical, Sage seeks to block account trades and avoid partial fill situations. If a block order is filled (full or partial fill) at several prices through multiple trades on the same day, an average price will be calculated for all trades executed by the broker for the block, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day may be combined for purposes of calculating the average price. While generally infrequent, partial fills may be allocated to give priority to those accounts that require alignment with its investment strategy. On occasion, in order to avoid odd lots Sage may identify a comparable bond that will be allocated to client accounts in which case the original allocation will be revised for the original bond.

ACTIVELY MANAGED ETF

It is Sage's policy to make investment recommendations for actively managed ETF accounts, including Sage's proprietary accounts, together. Once a decision has been made to update the ETF investment allocation model(s), Sage rotates the order in which clients are notified of changes to the model including Sage's trading desk which then executes trades on behalf of clients. Certain actively managed ETF clients direct Sage to use a specific broker-dealer to execute trades. Sage will generally place these trades simultaneously with other client trades. Please see the Client Directed Brokerage Section for additional information.

If a block order is filled (full or partial fill) at several prices through multiple trades on the same day, an average price will be calculated for all trades executed by the broker for the block, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day may be combined for purposes of calculating the average price. While generally infrequent, partial fills may be allocated to accounts

within the strategy on a pro rata basis, subject to rounding and reasonable efforts to minimize trading costs.

DEVIATIONS FROM POLICY

Sage's policy allows for acceptable deviations from the practices described above.

CROSS TRADES

Sage may enter into cross transactions between client accounts when, in Sage's judgment, it is in the best interest of each client participating in the transaction.

All cross transactions will be done in accordance with our Cross Transactions Policy. In addition, the Brokerage Oversight Committee is responsible for oversight of cross transactions.

TRADE ERRORS

It is Sage's policy for clients to be made whole following a trade error. When Sage causes a trade error to occur in a client account that results in a loss, Sage will reimburse the client. If the trade error results in a gain, the client will keep that gain. In situations where a trade error occurs due to a third party's error, Sage will work with the third party to reasonably ensure the client is not negatively impacted by the error.

ITEM 13 REVIEW OF ACCOUNTS

ACCOUNT REVIEW

Sage regularly monitors and reviews client accounts with the objective of ensuring Sage operates in accordance with: clients' investment policy statements, investment objectives and investment restrictions; written disclosures; management objectives; and Sage's fiduciary obligation to act in the best interests of its clients. Reviews are consistently performed by the investment personnel assigned to the account and all accounts are reviewed on a regular basis. Clients are generally provided with monthly reports, while certain clients may receive additional reporting based on the nature of the services received.

REPORTS

Our practice is to provide monthly portfolio evaluations, quarterly performance reviews and pertinent investment commentaries. Sage provides clients with convenient password protected access to their account information

anytime, from anywhere via Sage's website. Copies of all confirmations of purchases and sales are mailed by the executing broker directly to the client. Since Sage does not perform any custodial services, reports concerning such services will be forwarded directly to the client by the custodian.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

CLIENT REFERRALS

On occasion, Sage has entered into written solicitation agreements with third parties who refer potential clients to Sage. Such agreements will be disclosed to potential clients in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940.

The written agreement between Sage and any such solicitor requires, among other things, that the solicitor, at the time of rendering any solicitation activities for which compensation is to be paid, must provide the client with a current copy of Part 2A of Sage's Form ADV.

In addition, a separate written disclosure document containing:

- the name of the solicitor
- Sage's name
- the nature of the relationship between the solicitor and Sage
- a statement that the solicitor shall be compensated by Sage for his solicitation services
- the terms of such compensation arrangement and
- the amount, if any, the client will be charged for the cost of obtaining his account, in addition to the advisory fee, and the differential, if any, between the level of investment advisory fees the client shall be charged by Sage because of the existence of the arrangement between the solicitor and Sage and the amount the client would be charged if there were no such agreement

ITEM 15 – CUSTODY

Sage does not maintain custody of client assets. Sage's clients should receive quarterly statements from their broker dealer, bank or other qualified custodian that holds and maintains their investment assets.

Sage urges clients to carefully review their statements and compare the qualified custodian statement to the account statements that Sage provides.

Our statements may vary from custodial statements based on accounting procedures, trade reporting dates, or valuation methodologies of certain securities.

ITEM 16 – INVESTMENT DISCRETION

Sage generally provides portfolio management services on a discretionary basis. All accounts are subject to a written investment advisory agreement which describes discretionary authority, any investment limitations, investment objectives, fees and other matters.

ITEM 17 VOTING CLIENT SECURITIES

A client's investment advisory agreement with Sage governs the responsibility for voting proxies within client accounts. As Sage is primarily a fixed income investment manager it is very rare for Sage to receive a proxy in which to vote. In limited situations, Sage may receive a proxy to vote as a result of a client holding fixed income corporate obligations and ETFs. When providing investment management services to employers sponsoring defined contribution plans with participant-directed investments, Sage will be responsible for voting any proxies relating to the exchange traded funds that are offered as investment options to participants under the plan, unless the plan sponsor reserves such responsibility to itself in accordance with ERISA and as provided under the investment management agreement.

When voting a particular proxy proposal, Sage takes into consideration, among other items:

- Management's assertions regarding the proxy proposal;
- Sage's determination of how the proxy proposal will impact its clients; and
- Sage's determination of whether the proxy proposal will create dilution for shareholders.

Sage will generally support management's recommendations on proxy issues related to business operations matters. Sage believes a company's management should generally have the latitude to make decisions related to the company's business operations. However, when Sage believes the company's management is acting in an inconsistent manner with its clients' best interests Sage will vote against

management's recommendations. Sage will generally vote against non-salary compensation plans (such as stock compensation plans, employee stock purchase plans and long-term incentive plans) unless, in Sage's opinion, such plans are structured to not create serious dilution to shareholders and Sage will analyze all other compensation plans on a case-by-case basis. Sage will review proxy proposals regarding control matters (e.g., mergers and anti-takeover tactics) related to a company on a case-by-case basis. Sage generally opposes measures limiting the rights of shareholders. Sage generally opposes measures preventing shareholders from accepting an offer of a sale of a company.

In evaluating a proxy proposal, Sage may encounter a material conflict of interest. Sage has a duty to recognize and resolve a conflict before voting the proxy. Sage's proxy voting policies and procedures describe the actions taken when a conflict is identified.

A copy of Sage's proxy voting policies and procedures as well as a copy of our voting record is available upon request.

ITEM 18 – FINANCIAL INFORMATION & REQUIRED DISCLOSURES

Registered investment advisers are required in this Item to provide certain financial information or disclosures about Sage's financial condition.

Sage has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

OTHER INFORMATION

CLASS ACTIONS AND OTHER LEGAL PROCEEDINGS

Sage does not file legal proceedings, including class actions, on behalf of clients.

DUAL ROLES

Sage's Chief Compliance Officer is also its Chief Financial Officer which may present a conflict of interest in performing the dual roles. Sage maintains policies, procedures and controls to routinely monitor this conflict, and does not believe it results in unfair treatment of its clients. *[End of Brochure]*

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CLIENT BROCHURE

Date of Brochure: March 27, 2015

This Brochure provides information about the qualifications and business practices of **Sage Advisory Services, Ltd. Co.** If you have questions about the contents of this Brochure, please contact us at (512) 327-5530.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Sage is available on the SEC's website at www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with, registered, and required to be registered as investment adviser representatives of Sage.

Sage is a registered investment adviser. The registration of an investment adviser does not imply any level of skill or training. The oral and written communications made to you by Sage, including the information contained in this Brochure, should provide you with information to determine whether to hire or retain Sage as your adviser.

Please be aware during your review of our Brochure when we use the words "Sage", "we" and "our" we are referring to **Sage Advisory Services, Ltd. Co.** When we use the words "you", "your" and "client" we are referring to you as our client or our prospective client. We use the term "Associated Person" when referring to our officers, employees, and all individuals providing investment advice on behalf of Sage.

ITEM 2 – MATERIAL CHANGES

Sage Advisory Services, Ltd. Co. has made no material changes to our Brochure since the last annual update on March 25, 2014.

Item 4 - Advisory Business

The discussion of Sage’s advisory business was updated to disclose that Sage is offering investment management services to employers sponsoring defined contribution plans with participant-directed investments.

Item 10 – Other Financial Industry Activities and Affiliations

This item was updated to disclose that when Sage is serving as the investment manager for a defined contribution plan’s investment menu, the plan sponsor may also select bank collective investment funds that are sub-advised by Sage as additional investment options under the plan

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ITEM 4 – ADVISORY BUSINESS

SAGE ADVISORY SERVICES, LTD. CO. is a Securities and Exchange Commission (SEC) registered investment adviser located in Austin, Texas. Sage was founded in 1996 and is organized as a Texas Limited Liability Company.

Sage specializes in domestic and international fixed income, balanced and equity portfolio management for individual and institutional clients. Sage offers a common sense approach toward investing by utilizing strong risk-control disciplines and a process that is repeatable.

Sage's belief is a conscientiously monitored investment management program designed specifically for each client can satisfy clients' constantly changing investment needs. Sage seeks to add value through its investment management process applied based upon each client's investment risk constraints.

Sage's investment management process combines fundamental economic analysis with quantitative security and yield curve valuation techniques to produce a comprehensive core management style.

PRINCIPAL OWNERS

Sage is independently operated and owned entirely by employees. The principal owners are:

- Robert G. Smith III, its President and Chief Investment Officer; and
- Mark C. MacQueen, its Executive Vice President.

EDUCATION AND EXPERIENCE

Sage's Associated Persons are expected to have education and business backgrounds that enable them to perform their respective responsibilities effectively. In assigning responsibilities, Sage considers academic background (including studies in college and graduate schools, as well as degrees earned), industry training, licenses and certifications.

Work experience in a related field, such as investments, commodities, insurance, banking or accounting, is also considered.

No formal, specific standards have been set, but appropriate education and experience are required. See ADV Form Part 2B for additional information.

ASSETS UNDER MANAGEMENT & ASSETS UNDER ADVISEMENT (AUM/AUA)

As of December 31, 2014 Sage manages \$10,600,461,000 in total client assets of which, \$8,952,270,000 is managed on a discretionary basis, \$1,368,430,000 is managed on a model provision basis, and \$279,761,000 is managed on a non-discretionary basis.

OVERVIEW OF ADVISORY SERVICES

Sage offers investment management services to individuals and high net worth individuals as well as institutional clients, including those clients managed through wrap programs, corporate pension and profit-sharing plans, Taft-Hartley plans, insurance companies, charitable institutions, foundations, endowments, municipalities, registered mutual funds, exchange traded funds, unitized funds, collective investment funds, trust programs, and other U.S. and international institutions.

While Sage generally makes investment decisions on behalf of clients, Sage does permit clients to impose restrictions on investing certain securities or other limitations as mutually agreed upon.

Sage also offers advisory services to clients seeking liability directed investment solutions and insurance company specific services.

All clients are subject to a written agreement which describes the nature of our services, limitations, objectives, fees and other matters.

INVESTMENT MANAGEMENT

Sage offers a common sense and client objective-driven approach toward investing with strong risk-control disciplines utilizing a repeatable process. Sage distinguishes itself in the following areas:

- Investment Management - Sage seeks to manage each client's portfolio separately and individually to assist them in obtaining their safety, liquidity, income, tax sensitivity, total return and risk expectations.

- Disciplined Process - Sage adheres to a process that focuses on each client's financial objectives within a mutually understood risk tolerance.
- Client Education - Sage educates clients on market trends, economic forces and investment fundamentals to foster a better understanding of investment decisions.
- Investment Reporting - Sage provides clients with convenient password protected access to their account information anytime, from anywhere via Sage's website.

Sage offers certain investment management services to employers sponsoring defined contribution retirement plans with participant-directed investments. As the plan's fiduciary and investment manager, Sage selects and monitors the exchange traded funds that are offered as investment options to participants under the plan's investment menu.

INVESTMENT PROCESS AND COMMITTEE

Investment decisions are made by Sage's Investment Committee which is chaired by the Chief Investment Officer.

Decisions with regard to the broad market outlook, investment strategy and client portfolio positioning are determined by the Investment Committee, and recorded in the minutes of the semi-monthly meetings.

The Investment Committee's investment decision process is supplemented regularly with economic and quantitative market analysis provided by Sage's internal research analysts and its external economic and analytic consultants.

After the Investment Committee decides on the duration target, the sector allocation and the security characteristics desired, the portfolio managers, operating on a team basis, implement the decisions reached by the Investment Committee.

Each portfolio is managed separately and tailored to assist respective clients in meeting their safety, liquidity and total return expectations.

It is Sage's belief that only an individually designed and monitored investment management program can satisfy the constantly changing investment needs of each client.

Please see Item 8 for additional information regarding our investment strategies and please see Item 16 for

more information regarding investment discretion and client investment restrictions.

INVESTMENT STRATEGIES

Sage offers the following actively managed investment strategies:

- Taxable Fixed Income - Sage's client's objectives range from cash management to total return and high total income. Sage also delivers investment strategies in short, intermediate and market duration profiles. Investment instruments include, but are not limited to, U.S. Government debt, U.S. Corporate debt, U.S. Municipal debt and Securitized Assets.
- Municipal Fixed Income - Sage's client's objectives range from cash management to after-tax total return and high after-tax total income. Sage offers investment strategies in short, intermediate and market duration. Investment instruments include, but are not limited to, U.S. Treasury debt, tax-exempt municipal general obligation debt, and tax-exempt municipal revenue debt.
- Actively Managed Exchange Traded Funds (ETF) - Sage's client's objectives range from long-term total return to low-volatility income generation. Sage offers strategies in multi asset income, core plus equity, core plus fixed income and balanced accounts. Investment instruments include, but are not limited to, equity, fixed income and alternative ETFs. These strategies include Target Date/Lifecycle Fund clients and certain proprietary accounts.

Please see Item 8 for additional information regarding our investment strategies.

WRAP ACCOUNTS

Sage manages wrap accounts using the same investment process described above.

The wrap fee program sponsor pays Sage a portion of the wrap fee they receive for investment management services.

MODEL PROVISION EXCHANGE TRADED FUNDS (ETF)

Sage offers model provision ETF allocation services to clients whereby Sage provides the client with an updated model as Sage makes changes to the model. The investment and research process for the Sage Tactical

ETF strategies follows the same investment strategy as Sage's Actively Managed ETF strategies described above.

SAGE COLLECTIVE INVESTMENT FUNDS (ETF)

Collective Investment Funds (CIFs) are institutional investment vehicles that are solely available for ERISA retirement plans. Like mutual funds, CIFs allow investors efficient access to an investment strategy, offer daily valuation and are easily traded through the National Securities Clearing Corporation (NSCC). Relative to mutual funds, CIFs offer a transparent institutional fee structure and more flexible record keeper pass-through arrangements.

The Sage Funds are collective investment funds ("CIFs") created by the Hand Composite Employee Benefit Trust and sponsored by Hand Benefits & Trust Company, a BPAS company, that invests in the strategies of Sage Advisory Services, Ltd. Co. which serves as the subadvisor to the CIFs.

These CIFs are available for investment by eligible qualified retirement plan trusts only and has been created specifically for employer-sponsored retirement plan investors. All of Sage's actively managed ETF strategies are available through these CIFs.

LIABILITY DIRECTED INVESTMENT SOLUTIONS

In addition to traditional investment management services, Sage offers a comprehensive and innovative combination of analytic, investing and reporting services which focus on the key concerns in building an effective Liability Directed Investment management strategy.

Specifically, Sage offers two categories of services:

- Asset/Liability Analysis, and
- Liability Driven Investing.

Sage provides these services independently or conjunctively for its clients. For example, Sage has clients for whom it solely performs Asset/Liability Analysis, clients for whom it solely provides Liability Driven Investing, and finally, clients for whom it performs Asset/Liability Analysis and provides Liability Driven Investing.

Asset/Liability Analysis is the first step in Asset/Liability Management and involves assessing a client's liability structure and existing asset solution

given the current applicable regulatory environment by employing the following analyses:

- Term structure assessment
- Dynamic cash flow modeling
- Interest rate & inflation risk sensitivity analysis
- Customized liability benchmark creation
- Gap analysis & risk budget creation
- Deterministic and stochastic modeling of asset returns
- Accounting and statutory projections using actuarial forecasting software (optional)

Liability Driven Investing is the second step in Asset/Liability Management and involves developing and implementing a particular investment management solution given the client's liability structure, funded status and goals and may include:

- Liability targeted investments
- Long duration portfolio management
- Excess alpha and low correlation investment strategies
- A broad range of investments such as futures, swaps and other derivative instruments, if warranted

If a client retains Sage to perform Asset/Liability Analysis, Liability Driven Investing or both, Sage provides reporting and administration services as follows:

- Daily online investment valuation and activity reports
- Year-round investment compliance and oversight reports
- Customized periodic performance evaluations
- Monthly liability benchmark updates
- Assessment & negotiation of derivative agreements, if required

INSURANCE COMPANY SERVICES

Sage offers a comprehensive and innovative combination of analytic, investing and reporting services which focus on the key concerns in building an effective management strategy for insurance organizations.

Insurance Liability Assessment and Analysis

- Term structure analysis
- Dynamic cash flow modeling
- Interest rate & inflation risk sensitivity analysis
- Customized liability benchmark creation
- Gap analysis & risk budget creation
- Balance sheet and income statement projections
- Tax efficiency analysis

Insurance Investment Management

- Liability targeted investments
- Long duration portfolio management
- Excess alpha and low correlation investment strategies
- Tax sensitive portfolio management

Insurance Reporting and Administration

- Daily online investment valuation and activity reports
- Year-round investment compliance and oversight reports
- Customized quarterly performance evaluations
- Monthly liability benchmark updates
- Best's Capital Adequacy Ratio (BCAR) calculation and forecasting
- Statutory insurance reporting, including Schedule D reporting
- Investment Accounting

ITEM 5 – FEES AND COMPENSATION

Sage is compensated by receiving a mutually agreed upon percentage of the assets under management or by receiving a fixed fee.

INVESTMENT MANAGEMENT FEE CALCULATION & PAYMENT PROCEDURE

Sage manages accounts for a variety of individual and institutional clients on a discretionary and/or non-discretionary basis, subject to the investment guidelines contained in their respective client agreement.

- The amounts and specific manner in which fees are charged is negotiated and memorialized in each client's agreement with Sage.
- Sage does not deduct fees from client accounts.
- Sage invoices clients directly.
- Sage generally invoices clients in advance on a quarterly basis and will also invoice in arrears or

prorate fees for capital contributions and withdrawals.

- Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.
- On the termination date of an account, any prepaid, unearned fees will be promptly refunded and earned and unpaid fees will be due and payable.
- Sage's client agreement typically requires 30 days notice for termination.

Sage uses account market values to calculate investment performance and client fees, where applicable. Sage uses pricing information provided by Interactive Data Corporation ("IDC") to value client portfolios. In instances where Sage is unable to determine a price for a security or determines a price received from IDC is not reflective of fair market value, Sage will determine a fair value for that security according to the methodology outlined in Sage's Portfolio Valuation Policy.

There are inherent conflicts of interest when Sage values client accounts, as higher security prices increase market values, thereby enhancing performance results and increasing fees. In addition, because clients pay different fees based on differing fee schedules or the size of the account, Sage has an incentive to favor those accounts where it earns the highest fees. Sage maintains investment, trade allocation and account valuation (including fair valuation) policies and procedures to address such conflicts of interest. Further, investment performance return dispersion is reviewed regularly by Portfolio Managers, the Systems and Operations Department and Compliance to reasonably ensure certain clients are not favored over other clients.

When providing investment management services to employers sponsoring defined contribution plans with participant-directed investments, Sage will either invoice clients directly or deduct fees from plan assets as expressly directed by the plan sponsor in the investment management agreement.

INVESTMENT MANAGEMENT FEE SCHEDULES

Sage's standard fee schedules (including those for its Model Provision ETF and wrap fee account clients) are provided below. However, in some instances, Sage will negotiate from its standard fee schedule, or waive fees, based upon the circumstances. Sage maintains investment, trade allocation and account valuation policies and procedures designed to address potential

conflicts of interest related to the fact that clients pay varying fees.

Fixed Income Strategies	ETF Strategies
Cash Duration .25 of 1% to \$10 Million .20 of 1% on next \$15 Million Negotiable over \$25 Million	All Cap Core Plus Equity Core Plus Fixed Income Balanced Portfolios Multi Asset Income .40 of 1% to \$10 Million .35 of 1% on next \$15 Million .25 of 1% on next \$25 Million Negotiable over \$50 Million
Short Duration Moderate Duration Intermediate Duration .35 of 1% to \$10 Million .25 of 1% on next \$15 Million .20 of 1% on next \$25 Million Negotiable over \$50 Million	Target Date/Life Cycle Funds .40 of 1% to \$20 Million .30 of 1% on next \$20 Million .20 of 1% on next \$20 Million Negotiable over \$60 Million
Market Duration Fixed Income Liability Driven Investment (LDI) Management (6+ Years Duration) .40 of 1% to \$10 Million .35 of 1% on next \$15 Million .25 of 1% on next \$25 Million Negotiable over \$50 Million	Liability Driven Investment (LDI) Management – ETF (8+ Years Duration) .40 of 1% to \$15 Million .Minimum fee of \$20,000
Core Plus Fixed Income .50 of 1% to \$25 Million .35 of 1% on next \$25 Million .20 of 1% on next \$50 Million Negotiable over \$100 Million	Cash Balance .40 of 1% to \$3 Million .35 of 1% on next \$7 Million .30 of 1% over \$10 Million Negotiable over \$25 Million

Sage’s investment management fee for employers sponsoring defined contribution plans with participant-directed investments is negotiable for each particular plan client’s situation and other relevant factors, including but not limited to the size of the plan, number of participants and the plan’s custodial and recordkeeping arrangement.

FEE SCHEDULE FOR ASSET/LIABILITY ANALYSIS & ANALYTICS

Asset/Liability Study:

- Initial Asset/Liability Study Base Fee: \$15,000
- Subsequent Annual Study Fee: \$15,000
- Semi-Annual or Quarterly Update Fee: \$2,500

(Per each inter-period update other than an initial or annual report)

Fees for Asset/Liability Analysis & Analytics may be increased above the fee schedule amount based on Sage’s determination of the novelty, complexity and/or time required to perform these analyses. Additionally, any requested revisions, including additional assumption testing and/or scenarios, may result in additional fees depending on the nature and extent of the revisions.

Fixed income management assignments of at least \$25 million requesting the Asset/Liability Study above will be provided the study as part of the overall investment management fee as outlined in the investment management fee schedule above.

In the event the fixed income assignment is less than \$25 million the fees for each of the services will be billed separately as outlined in the Investment Management Fee Schedule and the Fee Schedule for Asset Liability Analysis & Analytics sections above.

In some instances, Sage will negotiate from its standard fee schedule based upon the circumstances. Fees for the Asset Liability services will be billed upon completion and paid prior to sending the final report.

SCHEDULE D REPORTING FOR INSURANCE CLIENTS FEE SCHEDULE

The minimum fee for Schedule D services for Insurance Companies is:

- 2.5 basis points on the net asset value of the entire investment portfolio subject to an annual minimum fee of \$15,000.
- Additional fees may be charged for additional entities and services, including automated general ledger accounting and backloading data.
- In the event there is more than one investment manager for the portfolio the fee may be higher and is subject to negotiation.
- The fee will be billed quarterly in advance based on the net asset value of the portfolio on the last business day of the preceding quarter.
- If the Schedule D services are terminated (generally upon 7 days notice) before the end of a quarter, fees paid in advance will be pro-rated for the period and the excess refunded promptly to the client.

CLIENT'S RESPONSIBILITY OF THIRD PARTY FEES

Sage's investment management fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment advisers and other third parties. Please see Item 12 for additional information about Sage's brokerage practices.

Mutual funds and exchange traded funds also charge internal management fees and other expenses which are disclosed in the fund's prospectus.

Such charges, fees and commissions are exclusive of Sage's fee. Sage does not receive any portion of these commissions, fees and expenses.

ITEM 6 – PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Sage does not charge any performance-based management fees.

ITEM 7 – TYPES OF CLIENTS

Sage offers investment management services to individuals and high net worth individuals as well as institutional clients, including those clients managed through wrap programs, corporate pension and profit-sharing plans, Taft-Hartley plans, insurance companies, charitable institutions, foundations, endowments, municipalities, registered mutual funds, exchange-traded funds, unitized funds, collective investment funds, trust programs, and other U.S. and international institutions.

Sage generally requires the account minimums listed below; however, account minimums are subject to negotiation.

Client Type	Minimum Account Size
Wrap Program Clients	\$100,000
Taxable Clients	\$3 million
Municipal Clients	\$1 million
Actively Managed ETF	\$1 million

Liability Driven Investing	\$10 million
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Insurance Company Clients	\$10 million
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Sage manages certain proprietary accounts. These accounts are traded alongside client accounts; therefore, Sage maintains investment, trade allocation and account valuation (including fair valuation) policies and procedures to address potential conflicts of interest related to these accounts.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

ANALYSIS METHODS

Security analysis methods utilized by Sage include the following:

FUNDAMENTAL

Fundamental analysis maintains that markets may misprice a security in the short run, but that the "correct" price will eventually be reached by the market. The fundamental analysis of a business involves analyzing a business's financial statements and health, management and competitive advantages, and competitors and markets.

When applied to futures and foreign exchange, it focuses on the overall state of the economy, interest rates, production, earnings, and management.

SOURCES OF INFORMATION

Sources of information Sage uses to analyze investment strategies include, but are not limited to, the following:

- Proprietary in-house research.
- Quantitative analytics & forecasting.
- NRSRO - Nationally Recognized Statistical Rating Organizations.
- Third party research materials & reports.
- Standard & subscribed databases.
- Financial newspapers and magazines
- Annual reports, prospectuses and Securities & Exchange Commission filings.

TAXABLE FIXED INCOME

Principal Investment Risks. Losing a portion or all of an investment is a risk of investing in taxable fixed income securities. The following principal risks could affect the value of a client's investment:

- **Debt Securities Risk.** Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- **U.S. Government Obligations Risk.** If a government-sponsored entity is unable to meet its obligations, the performance of the strategy that holds securities of the entity will be adversely impacted. U.S. Government obligations are viewed as having minimal or no credit risk but are still subject to interest rate risk.
- **Mortgage and Asset-Backed Securities Risk.** Mortgage and asset-backed securities risk includes market risk, interest rate risk, credit risk, prepayment risk (*i.e.*, homeowners whose mortgages collateralize the securities held by the Funds may be able to prepay principal due on these mortgages) as well as the risk that the structure of certain mortgage-backed securities may make their reaction to interest rates and other factors difficult to predict, making their prices very volatile.
- **Issuer Risk.** The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- **Liquidity Risk.** Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.
- **High Yield Bond Risk.** While high yield bonds generally pay higher interest rates than other fixed income securities, there is a higher risk of income and principal loss.

MUNICIPAL FIXED INCOME

Principal Investment Risks. Losing a portion or all of an investment is a risk of investing in municipal fixed income securities. The following principal risks could affect the value of a client's investment:

- **Municipal Securities Risk.** Municipal securities rely on the creditworthiness or revenue production of their issuers or auxiliary credit enhancement features. Municipal securities may be difficult to obtain because of limited supply, which may increase the cost of such securities and effectively reduce a portfolio's yield. Typically, less information is available about a municipal issuer than is available for other types of securities issuers.
- **Debt Securities Risk.** Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- **Tax Risk.** A strategy that invests in municipal securities may be more adversely impacted by changes in tax rates and policies than other strategies. Because interest income on municipal obligations is normally not subject to regular federal income taxation, the attractiveness of municipal obligations in relation to other investment alternatives is affected by changes in federal income tax rates applicable to, or the continuing tax-exempt status of, such interest income.
- **Issuer Risk.** The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- **Liquidity Risk.** Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

LIABILITY DRIVEN INVESTING AND INSURANCE COMPANY SERVICES

- *Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- *Futures Risk.* On occasion, Sage may recommend its Liability Driven Investing clients invest in futures to help lengthen duration. The use of futures can magnify the risk of loss in an unfavorable market. Futures may not always be successful hedges and their prices can be highly volatile. Using futures could lower the client's total return, and the potential loss can exceed a strategy's initial investment in such contracts.
- *Liability Risk.* The measurement of liabilities, whether pension fund, insurance, or non-profit, involve certain forward-looking assumptions and actuarial data. Actuarial data are affected by many factors, such as changes to fund provisions, participant population, and actuarial assumptions, and therefore are subject to change. Liability forecasts, and the current pricing of those forecasts, will be subject to change and should be monitored accordingly.
- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

EXCHANGE TRADED FUNDS

- *ETF Trading Risk.* This strategy invests in ETFs. ETFs are investment companies that are bought and sold on a national securities exchange. Unlike mutual funds, ETFs do not necessarily trade at the net asset values of their underlying securities, which means an ETF could potentially trade above or

below the value of the underlying portfolios. Additionally, because ETFs trade like stocks on exchanges, they are subject to trading and commission costs unlike mutual funds. Also, both mutual funds and ETFs have management fees that are part of their costs, and the strategy will indirectly bear its proportionate share of these costs.

- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

OTHER INFORMATION

In addition to the strategy specific risks identified above, client accounts are subject to general market risk and Investing in securities involves risk of loss that clients should be prepared to bear. Securities purchased and held in client accounts may decline in value because of a general decline in the market. Securities markets move in cycles, with periods of rising prices followed by periods of falling prices. The value of the securities held in client accounts will tend to increase or decrease in response to these movements. Sage does not offer any products or services that guarantee rates of return on investments for any time period to any client. All clients assume the risk that investment returns may be negative or below the rates of return of other investment advisers, market indices or investment products.

ITEM 9 – DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of Sage or the integrity of Sage. Sage has never had disciplinary information disclosures applicable to this item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Sage provides investment management services to registered investment companies on a sub-advised basis. Sage also sub-advises certain bank collective investment funds (CIFs) that are intended to serve as investment options for defined contribution plans with participant-directed investments. When a plan sponsor client selects

Sage to serve as the investment manager for the plan's investment menu and also selects any of the CIFs to serve as additional investment options under the plan, Sage may earn compensation as the provider of investment management services and as the sub-adviser to the CIFs. However, Sage's investment management services are limited to the selection and monitoring of the exchange traded fund options for participants, and in no event would its investment management services extend to the selection or monitoring of the CIFs as investment options under the plan.] All investment management and other related services are designed to be compliant with or exempt from the prohibited transaction rules under ERISA.

ITEM 11 – CODE OF ETHICS

Sage has adopted a Code of Ethics and Personal Trading Policy (the "Code") in compliance with Rule 204A-1. The Code expresses the policy and procedures of Sage and is intended to ensure that no one is taking advantage of his or her position, or even giving the appearance of placing his or her own interests above those of Sage's clients. Sage's personnel must act as fiduciaries, and as such must place the interests of clients before its own.

Sage's Code includes:

- standards of business conduct, including limitations on giving and receiving gifts and business entertainment, making political contributions, serving as a director or trustee for an outside organization and engaging in outside business activities;
- compliance with federal securities laws;
- personal securities reporting;
- pre-clearance of certain transactions;
- prohibitions from using nonpublic information to trade in personal or client accounts;
- reporting of code violations; and
- review and enforcement.

All Associated Persons receive and acknowledge the Code and Sage's Compliance Policy Manual. In addition, all Associated Persons are required to certify compliance with the Compliance Policy Manual, including the Code, on an annual basis.

PERSONAL TRADING POLICY

Sage has adopted a personal trading policy outlined within its Code.

Sage's policy is based on the principle that it owes a fiduciary duty to clients to conduct personal securities transactions in a manner that does not interfere with client transactions or otherwise take unfair advantage of their relationship with clients.

Sage requires Associated Persons to pre-clear certain personal securities transactions. In addition, the Code requires Associated Persons to report certain security holdings initially upon being hired and annually thereafter. Finally, Associate Persons are required to report personal securities transactions to the Chief Compliance Officer on a quarterly basis.

Sage has certain proprietary accounts which fall under the definition of beneficial ownership due to certain Associated Persons' ownership stake in the firm. As provided for in Sage's portfolio management and trading policies, these accounts may participate in trade orders along with client accounts. This may create an incentive for Sage to put the interests of the firm ahead of clients; however, the Code requires Sage to put clients' interests first and to report personal transactions and holdings to the Chief Compliance Officer in accordance with the reporting requirements described above. These accounts are exempt from the pre-clearance requirements and personal trading restrictions described above provided the transactions are done in accordance with Sage's portfolio management and trading policies and procedures.

COMPLIANCE WITH THE CODE OF ETHICS

Sage's Chief Compliance Officer is primarily responsible for implementing and administering the Code. Associated Persons are required to report any violations of the Code or applicable laws. Failure to comply with the Code may result in disciplinary action, up to and including termination.

Upon request, Sage will provide a complete copy of our Code at no charge.

ITEM 12 – BROKERAGE PRACTICES

OVERSIGHT

Sage's Brokerage Oversight Committee provides oversight of trading and brokerage policies and practices.

In addition, Sage maintains investment, trading and brokerage policies and procedures. The following is an overview of trading and brokerage practices, policies and procedures.

SOFT DOLLAR ARRANGEMENTS OR OTHER BENEFITS

Sage does not have any formal or informal soft dollar arrangements with brokers. On occasion, Sage receives unsolicited research from outside sources. This information is not used in the investment decision-making process.

SELECTION OF BROKERS

Sage utilizes traditional brokers, electronic communication networks and trading systems to execute trades on clients' behalf. Sage has established a Brokerage Oversight Committee to monitor and evaluate the quality of execution received from broker-dealers executing transactions on behalf of Sage's clients and to oversee trading practices and procedures. Sage's overriding objective in effecting portfolio transactions is to seek best execution. While the best price, giving effect to brokerage commission, if any, and other costs, is an important factor in this decision, a number of other factors may also enter into the decision. These include:

- Ability to locate liquidity;
- Inventory of fixed income securities;
- New issue supply or underwriting;
- Knowledge of and dominance in specific markets, securities and industries;
- Participation in bid/want lists;
- Quality of execution;
- Financial condition of the firm;
- Acceptable record keeping, administrative and settlement functions; and
- Reputation and integrity.

Recognizing the importance of these factors, Sage may pay commissions in excess of that which another broker or dealer might have charged for effecting the same transaction.

BROKERAGE FOR CLIENT REFERRALS

Sage does not consider a broker-dealer's promotion or sale of registered investment companies sub-advised by Sage when determining whether to select such broker-dealer to execute transactions for clients.

CLIENT DIRECTED BROKERAGE

In very limited circumstances, clients require Sage to direct transactions in their accounts to a particular broker-dealer ("directed brokers"). For clients utilizing a directed broker, the client may forgo any benefit from savings on execution costs that Sage may obtain for other clients, such as negotiating volume discounts on blocked orders. In addition, the client may not receive the same price or commission paid by other clients who utilize different brokers selected by Sage.

TRADE AGGREGATION AND ALLOCATION

TAXABLE FIXED INCOME

It is Sage's policy to trade taxable fixed income securities for client accounts based on each client's investment strategy. When practical, Sage separate client account trades will be bunched in a single order (a "block") in an effort to obtain best execution. Sage seeks to block account trades and avoid partial fill situations. If a block order is filled (full or partial fill) at several prices through multiple trades on the same day, an average price will be calculated for all trades executed by the broker for the block, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day may be combined for purposes of calculating the average price. While generally infrequent, partial fills may be allocated to accounts within the strategy on a pro rata basis, subject to rounding and reasonable efforts to minimize trading costs. On occasion, in order to avoid odd lots Sage may not allocate a partial fill on a pro rata basis, rather Sage may identify a comparable bond that will be allocated to client accounts in which case the original allocation will be revised for the original bond.

MUNICIPAL FIXED INCOME

It is Sage's policy to trade tax-exempt fixed income for client accounts based on each client's investment strategy. When practical, Sage seeks to block account trades and avoid partial fill situations. If a block order is filled (full or partial fill) at several prices through multiple trades on the same day, an average price will be calculated for all trades executed by the broker for the block, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day may be combined for purposes of calculating the average price. While generally infrequent, partial fills may be allocated to accounts within the strategy on a pro

rata basis, subject to rounding and reasonable efforts to minimize trading costs. On occasion, in order to avoid odd lots Sage may not allocate a partial fill on a pro rata basis, rather Sage may identify a comparable bond that will be allocated to client accounts in which case the original allocation will be revised for the original bond.

ACTIVELY MANAGED ETF

It is Sage's policy to make investment recommendations for actively managed ETF accounts, including Sage's proprietary accounts, together. Once a decision has been made to update the ETF investment allocation model(s), Sage rotates the order in which clients are notified of changes to the model including Sage's trading desk which then executes trades on behalf of clients. Certain actively managed ETF clients direct Sage to use a specific broker-dealer to execute trades. Sage will generally place these trades simultaneously with other client trades. Please see the Client Directed Brokerage Section for additional information.

If a block order is filled (full or partial fill) at several prices through multiple trades on the same day, an average price will be calculated for all trades executed by the broker for the block, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day may be combined for purposes of calculating the average price. While generally infrequent, partial fills may be allocated to accounts within the strategy on a pro rata basis, subject to rounding and reasonable efforts to minimize trading costs.

DEVIATIONS FROM POLICY

Sage's policy allows for acceptable deviations from the practices described above.

CROSS TRADES

Sage may enter into cross transactions between client accounts when, in Sage's judgment, it is in the best interest of each client participating in the transaction.

All cross transactions will be done in accordance with our Cross Transactions Policy. In addition, the Brokerage Oversight Committee is responsible for oversight of cross transactions.

TRADE ERRORS

It is Sage's policy for clients to be made whole following a trade error. When Sage causes a trade error to occur in a client account that results in a loss, Sage will reimburse the client. If the trade error results in a gain, the client will keep that gain. In situations where a trade error occurs due to a third party's error, Sage will work with the third party to reasonably ensure the client is not negatively impacted by the error.

ITEM 13 REVIEW OF ACCOUNTS

ACCOUNT REVIEW

Sage regularly monitors and reviews client accounts with the objective of ensuring Sage operates in accordance with: clients' investment policy statements, investment objectives and investment restrictions; written disclosures; management objectives; and Sage's fiduciary obligation to act in the best interests of its clients. Reviews are consistently performed by the investment personnel assigned to the account and all accounts are reviewed on a regular basis. Clients are generally provided with monthly reports, while certain clients may receive additional reporting based on the nature of the services received.

REPORTS

Our practice is to provide monthly portfolio evaluations, quarterly performance reviews and pertinent investment commentaries. Sage provides clients with convenient password protected access to their account information anytime, from anywhere via Sage's website. Copies of all confirmations of purchases and sales are mailed by the executing broker directly to the client. Since Sage does not perform any custodial services, reports concerning such services will be forwarded directly to the client by the custodian.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

CLIENT REFERRALS

On occasion, Sage has entered into written solicitation agreements with third parties who refer potential clients to Sage. Such agreements will be disclosed to potential clients in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940.

The written agreement between Sage and any such solicitor requires, among other things, that the solicitor, at the time of rendering any solicitation activities for

which compensation is to be paid, must provide the client with a current copy of Part 2A of Sage's Form ADV.

In addition, a separate written disclosure document containing:

- the name of the solicitor
- Sage's name
- the nature of the relationship between the solicitor and Sage
- a statement that the solicitor shall be compensated by Sage for his solicitation services
- the terms of such compensation arrangement and
- the amount, if any, the client will be charged for the cost of obtaining his account, in addition to the advisory fee, and the differential, if any, between the level of investment advisory fees the client shall be charged by Sage because of the existence of the arrangement between the solicitor and Sage and the amount the client would be charged if there were no such agreement

ITEM 15 – CUSTODY

Sage does not maintain custody of client assets. Sage's clients should receive quarterly statements from their broker dealer, bank or other qualified custodian that holds and maintains their investment assets.

Sage urges clients to carefully review their statements and compare the qualified custodian statement to the account statements that Sage may provide.

Our statements may vary from custodial statements based on accounting procedures, trade reporting dates, or valuation methodologies of certain securities.

ITEM 16 – INVESTMENT DISCRETION

Sage generally provides portfolio management services on a discretionary basis. All accounts are subject to a written investment advisory agreement which describes discretionary authority, any investment limitations, investment objectives, fees and other matters.

ITEM 17 – VOTING CLIENT SECURITIES

A client's investment advisory agreement with Sage governs the responsibility for voting proxies within client accounts. As Sage is primarily a fixed income

investment manager it is very rare for Sage to receive a proxy in which to vote. In limited situations, Sage may receive a proxy to vote as a result of a client holding fixed income corporate obligations and ETFs. When providing investment management services to employers sponsoring defined contribution plans with participant-directed investments, Sage will be responsible for voting any proxies relating to the exchange traded funds that are offered as investment options to participants under the plan, unless the plan sponsor reserves such responsibility to itself in accordance with ERISA and as provided under the investment management agreement.

When voting a particular proxy proposal, Sage takes into consideration, among other items:

- Management's assertions regarding the proxy proposal;
- Sage's determination of how the proxy proposal will impact its clients; and
- Sage's determination of whether the proxy proposal will create dilution for shareholders.

Sage will generally support management's recommendations on proxy issues related to business operations matters. Sage believes a company's management should generally have the latitude to make decisions related to the company's business operations. However, when Sage believes the company's management is acting in an inconsistent manner with its clients' best interests Sage will vote against management's recommendations. Sage will generally vote against non-salary compensation plans (such as stock compensation plans, employee stock purchase plans and long-term incentive plans) unless, in Sage's opinion, such plans are structured to not create serious dilution to shareholders and Sage will analyze all other compensation plans on a case-by-case basis. Sage will review proxy proposals regarding control matters (e.g., mergers and anti-takeover tactics) related to a company on a case-by-case basis. Sage generally opposes measures limiting the rights of shareholders. Sage generally opposes measures preventing shareholders from accepting an offer of a sale of a company.

In evaluating a proxy proposal, Sage may encounter a material conflict of interest. Sage has a duty to recognize and resolve a conflict before voting the proxy. Sage's proxy voting policies and procedures describe the actions taken when a conflict is identified.

A copy of Sage's proxy voting policies and procedures as well as a copy of our voting record is available upon request.

ITEM 18 – FINANCIAL INFORMATION & REQUIRED DISCLOSURES

Registered investment advisers are required in this Item to provide certain financial information or disclosures about Sage's financial condition.

Sage has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

OTHER INFORMATION

CLASS ACTIONS AND OTHER LEGAL PROCEEDINGS

Sage does not file legal proceedings, including class actions, on behalf of clients.

DUAL ROLES

Sage's Chief Compliance Officer is also its Chief Financial Officer which may present a conflict of interest in performing the dual roles. Sage maintains policies, procedures and controls to routinely monitor this conflict, and does not believe it results in unfair treatment of its clients.

[End of Brochure]

SAGE

INVEST WITH WISDOM

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ITEM 1 –COVER PAGE

CLIENT BROCHURE

Date of Brochure: March 28, 2017

This Brochure provides information about the qualifications and business practices of **Sage Advisory Services, Ltd. Co.** If you have questions about the contents of this Brochure, please contact us at (512) 327-5530.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Sage is available on the SEC’s website at www.adviserinfo.sec.gov . The SEC’s web site also provides information about any persons affiliated with, registered, and required to be registered as investment adviser representatives of Sage.

Sage is a registered investment adviser. The registration of an investment adviser does not imply any level of skill or training. The oral and written communications made to you by Sage, including the information contained in this Brochure, should provide you with information to determine whether to hire or retain Sage as your adviser.

Please be aware during your review of our Brochure when we use the words “Sage”, “we” and “our” we are referring to **Sage Advisory Services, Ltd. Co.** When we use the words “you”, “your” and “client” we are referring to you as our client or our prospective client. We use the term “Associated Person” when referring to our officers, employees, and all individuals providing investment advice on behalf of Sage.

ITEM 2 – MATERIAL CHANGES

The following is a summary of material changes made to our Brochure since the last updated on March 28, 2016.

Sage has enhanced existing strategy offerings to include Environmental, Social and Governance (“ESG”) profiles in addition to the core profiles in certain strategies. The following items were updated to reflect the additional strategy offerings:

- Item 4 – Advisory Business: The discussion of the Taxable Fixed Income, Municipal Fixed Income and Actively Managed Exchange Traded Funds (ETF) strategies were updated to include the ESG profile option.
- Item 5 – Fees and Compensation: The fee schedules for the new strategy options were added to this item.
- Item 7 – Types of Clients: The minimum account size for the new strategy options were added to this item.
- Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss: The discussion of investment risk was updated to include the risks of investing in an ESG strategy.

Sage has also updated Item 4 – Advisory Business to include disclosure of sub-advisory services provided to registered investment companies.

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ITEM 4 – ADVISORY BUSINESS

SAGE ADVISORY SERVICES, LTD. CO. is a Securities and Exchange Commission (SEC) registered investment adviser located in Austin, Texas. Sage was founded in 1996 and is organized as a Texas Limited Liability Company.

Sage strictly offers registered investment advisory services and is not affiliated with any broker-dealer and does not provide investment banking or broker-dealer services.

Sage specializes in domestic and international fixed income, balanced and equity portfolio management for individual and institutional clients. Sage offers a common sense approach toward investing by utilizing strong risk-control disciplines and a process that is repeatable.

Sage's belief is a conscientiously monitored investment management program designed specifically for each client can satisfy clients' constantly changing investment needs. Sage seeks to add value through its investment management process applied based upon each client's investment risk constraints.

Sage's investment management process combines fundamental economic analysis with quantitative security and yield curve valuation techniques to produce a comprehensive core management style.

PRINCIPAL OWNERS

Sage is independently operated and owned entirely by employees. The principal owners are:

- Robert G. Smith III, its President and Chief Investment Officer; and
- Mark C. MacQueen, its Executive Vice President.

EDUCATION AND EXPERIENCE

Sage's Associated Persons are expected to have education and business backgrounds that enable them to perform their respective responsibilities effectively. In assigning responsibilities, Sage considers academic background (including studies in college and graduate schools, as well as degrees earned), industry training, licenses and certifications.

Work experience in a related field, such as investments, commodities, insurance, banking or accounting, is also considered.

No formal, specific standards have been set, but appropriate education and experience are required. See ADV Form Part 2B for additional information.

ASSETS UNDER MANAGEMENT & ASSETS UNDER ADVISEMENT (AUM/AUA)

As of December 31, 2016, Sage manages \$11,994,414,000 in total client assets of which, \$9,859,059,000 is managed on a discretionary basis, \$1,811,389,000 is managed on a model provision basis, and \$323,966,000 is managed on a non-discretionary basis.

OVERVIEW OF ADVISORY SERVICES

Sage offers investment management services to individuals and high net worth individuals as well as institutional clients, including those clients managed through wrap programs, corporate pension and profit-sharing plans, Taft-Hartley plans, insurance companies, charitable institutions, foundations, endowments, municipalities, registered mutual funds, exchange traded funds, unitized funds, collective investment funds, trust programs, and other U.S. and international institutions.

While Sage generally makes investment decisions on behalf of clients, Sage does permit clients to impose restrictions on investing certain securities or other limitations as mutually agreed upon.

Sage also offers advisory services to clients seeking liability directed investment solutions, fiduciary (3(38)) services, and insurance company specific services.

All clients are subject to a written agreement which describes the nature of our services, limitations, objectives, fees and other matters.

INVESTMENT MANAGEMENT

Sage offers a common sense and client objective-driven approach toward investing with strong risk-control disciplines utilizing a repeatable process. Sage distinguishes itself in the following areas:

- Investment Management - Sage seeks to manage each client's portfolio separately and individually to assist them in obtaining their safety, liquidity, income, tax sensitivity, total return and risk expectations.
- Disciplined Process - Sage adheres to a process that focuses on each client's financial objectives within a mutually understood risk tolerance.

- Client Education - Sage educates clients on market trends, economic forces and investment fundamentals to foster a better understanding of investment decisions.
- Investment Reporting - Sage provides clients with convenient password protected access to their account information anytime, from anywhere via Sage's website.

Sage offers certain investment management services to employers sponsoring defined contribution retirement plans with participant-directed investments. As the plan's fiduciary and investment manager, Sage selects and monitors the exchange traded funds that are offered as investment options to participants under the plan's investment menu.

INVESTMENT PROCESS AND COMMITTEE

Investment decisions are made by Sage's Investment Committee which is chaired by the Chief Investment Officer.

Decisions with regard to the broad market outlook, investment strategy and client portfolio positioning are determined by the Investment Committee, and recorded in the minutes of the semi-monthly meetings.

The Investment Committee's investment decision process is supplemented regularly with economic and quantitative market analysis provided by Sage's internal research analysts and its external economic and analytic consultants.

After the Investment Committee decides on the duration target, the sector allocation and the security characteristics desired, the portfolio managers, operating on a team basis, implement the decisions reached by the Investment Committee.

Each portfolio is managed separately and tailored to assist respective clients in meeting their safety, liquidity and total return expectations.

It is Sage's belief that only an individually designed and monitored investment management program can satisfy the constantly changing investment needs of each client.

Please see Item 8 for additional information regarding our investment strategies and please see Item 16 for more information regarding investment discretion and client investment restrictions.

INVESTMENT STRATEGIES

Sage offers the following actively managed investment strategies:

- Taxable Fixed Income - Sage's client's objectives range from cash management to total return and high total income. Sage also delivers investment strategies in short, intermediate, core duration and Environmental, Social and Governance ("ESG") profiles. Investment instruments include, but are not limited to, U.S. Government debt, U.S. Corporate debt, U.S. Municipal debt and Securitized Assets, such as mortgage-backed securities and to-be-announced transactions in mortgage-backed securities and other securities ("TBA Transactions").
- Municipal Fixed Income - Sage's client's objectives range from cash management to after-tax total return and high after-tax total income. Sage offers investment strategies in short, intermediate, core duration and ESG profiles. Investment instruments include, but are not limited to, U.S. Treasury debt, tax-exempt municipal general obligation debt, and tax-exempt municipal revenue debt.
- Actively Managed Exchange Traded Funds (ETF) - Sage's client's objectives range from long-term total return to low-volatility income generation. Sage offers strategies in multi asset income, core plus equity, core plus fixed income and balanced accounts. Investment instruments include, but are not limited to, equity, fixed income and alternative ETFs. These strategies include Target Date/Lifecycle Fund clients, Target Risk, Cash Balance strategies, LDI Small Plan Solutions, ESG Global Equity and certain proprietary accounts.

Please see Item 8 for additional information regarding our investment strategies.

WRAP ACCOUNTS

Sage manages wrap accounts using the same investment process described above.

The wrap fee program sponsor pays Sage a portion of the wrap fee they receive for investment management services.

While wrap accounts utilizing the same investment strategy generally perform similarly to the applicable Sage composites, there are expected to be performance differences between them. Actual performance results

can differ depending on the size of the account, investment guidelines and/or restrictions, inception date, timing of transactions and other factors. Portfolio Managers, the Systems and Operations Department and Compliance perform regular reviews of performance return dispersion in order to reasonably ensure that certain clients are not favored over other clients.

MODEL PROVISION SERVICES

Sage offers model provision ETF allocation services to clients whereby Sage provides the client with an updated model as Sage makes changes to the model. The investment and research process for the Sage Tactical ETF strategies follows the same investment strategy as Sage's Actively Managed ETF strategies described above.

In addition, Sage offers model provision Taxable and Municipal Fixed Income allocation services to clients whereby Sage provides the client analysis on specific fixed income securities to purchase for the portfolio. The investment and research process follows the same investment strategy as the Taxable and Municipal Fixed Income strategies described above.

While model provision accounts that utilize the same investment strategy generally perform similarly to the applicable Sage composites, there are expected to be performance differences between them because Sage does not have trading discretion over these accounts. Actual performance results can differ depending on the size of the account, investment guidelines and/or restrictions, inception date, timing of transactions and other factors.

SAGE COLLECTIVE INVESTMENT FUNDS (ETF)

Collective Investment Funds (CIFs) are institutional investment vehicles that are solely available for ERISA retirement plans. Like mutual funds, CIFs allow investors efficient access to an investment strategy, offer daily valuation and are easily traded through the National Securities Clearing Corporation (NSCC). Relative to mutual funds, CIFs offer a transparent institutional fee structure and more flexible record keeper pass-through arrangements.

The CIFs are created by the Hand Composite Employee Benefit Trust and sponsored by Hand Benefits & Trust Company, a BPAS company, that invests in the strategies of Sage Advisory Services, Ltd. Co. which serves as the subadvisor to the CIFs.

These CIFs are available for investment by eligible qualified retirement plan trusts only and have been created specifically for employer-sponsored retirement plan investors. All of Sage's actively managed ETF strategies are available through these CIFs.

LIABILITY DIRECTED INVESTMENT SOLUTIONS

In addition to traditional investment management services, Sage offers a comprehensive and innovative combination of analytic, investing and reporting services which focus on the key concerns in building an effective Liability Directed Investment management strategy.

Specifically, Sage offers two categories of services:

- Asset/Liability Analysis, and
- Liability Driven Investing.

Sage provides these services independently or conjunctively for its clients. For example, Sage has clients for whom it solely performs Asset/Liability Analysis, clients for whom it solely provides Liability Driven Investing, and finally, clients for whom it performs Asset/Liability Analysis and provides Liability Driven Investing.

Asset/Liability Analysis is the first step in Asset/Liability Management and involves assessing a client's liability structure and existing asset solution given the current applicable regulatory environment by employing the following analyses:

- Term structure assessment
- Dynamic cash flow modeling
- Interest rate & inflation risk sensitivity analysis
- Customized liability benchmark creation
- Gap analysis & risk budget creation
- Deterministic and stochastic modeling of asset returns
- Accounting and statutory projections using actuarial forecasting software (optional)

Liability Driven Investing is the second step in Asset/Liability Management and involves developing and implementing a particular investment management solution given the client's liability structure, funded status and goals. The investment solution will include a warranted:

- Liability targeted investments
- Long duration portfolio management
- Excess alpha and low correlation investment strategies
- A broad range of investments such as futures, swaps and other derivative instruments, if warranted

If a client retains Sage to perform Asset/Liability Analysis, Liability Driven Investing or both, Sage provides reporting and administration services as follows:

- Daily online investment valuation and activity reports
- Year-round investment compliance and oversight reports
- Customized periodic performance evaluations
- Monthly liability benchmark updates
- Assessment & negotiation of derivative agreements, if required

FIDUCIARY (3(38)) SERVICES

ERISA Plan Fiduciaries can engage Sage as a co-fiduciary to provide one or more of the following services: investment policy statement assistance, selection and monitoring of investment options, creation and monitoring of investment strategies, asset/liability analytics, and comprehensive reporting.

Specifically, Sage offers two categories of services:

- Fiduciary Services for DC Plans; and
- Pension Risk Management for DB Plans.

Fiduciary Services

Sage Fiduciary Services provide plan fiduciaries of DC plans with investment selection support, a flexible suite of Qualified Default Investment Alternative (QDIA) options, and comprehensive reporting. Plan investment solutions are implemented entirely with ETFs which are low-cost, efficient, and transparent.

Pension Risk Management

Sage serves as a fiduciary partner to plan fiduciaries of DB plans by providing asset/liability analytics, an appropriate pension investment solution, and supportive monitoring and reporting. Plan investment solutions are

implemented entirely with ETFs which are low-cost, efficient, and transparent.

INSURANCE COMPANY SERVICES

Sage offers a comprehensive and innovative combination of analytic, investing and reporting services which focus on the key concerns in building an effective management strategy for insurance organizations.

Insurance Liability Assessment and Analysis

- Term structure analysis
- Dynamic cash flow modeling
- Interest rate & inflation risk sensitivity analysis
- Customized liability benchmark creation
- Gap analysis & risk budget creation
- Balance sheet and income statement projections
- Tax efficiency analysis

Insurance Investment Management

- Liability targeted investments
- Long duration portfolio management
- Excess alpha and low correlation investment strategies
- Tax sensitive portfolio management

Insurance Reporting and Administration

- Daily online investment valuation and activity reports
- Year-round investment compliance and oversight reports
- Customized quarterly performance evaluations
- Monthly liability benchmark updates
- Statutory insurance reporting, including Schedule D reporting
- Investment Accounting

INVESTMENT ADVISORY SERVICES TO REGISTERED INVESTMENT COMPANIES

Sage acts as a sub-advisor to registered investment companies (including Mutual Funds and ETFs each individually, a “Fund”) that are advised by either ALPS or AdvisorShares respectfully. For its sub-advisory services to these Funds, Sage receives an annual sub-advisory fee based on the average daily value of the assets under management in the Fund(s). Sage currently sub-advises the AdvisorShares Sage Core Reserves ETF (HOLD) advised by AdvisorShares Trust and the Insignia Macro Fund (IGMFX) advised by Meritage Capital, LLC. Please

see each Fund’s prospectus and Statement of Additional Information for additional information regarding objectives, investments, fees, risks and other additional disclosures.

ITEM 5 – FEES AND COMPENSATION

Sage is compensated by receiving a mutually agreed upon percentage of the assets under management or by receiving a fixed fee.

INVESTMENT MANAGEMENT FEE CALCULATION & PAYMENT PROCEDURE

Sage manages accounts for a variety of individual and institutional clients on a discretionary and/or non-discretionary basis, subject to the investment guidelines contained in their respective client agreement.

- The amounts and specific manner in which fees are charged is negotiated and memorialized in each client’s agreement with Sage.
- Sage does not deduct fees from client accounts.
- Sage invoices clients directly.
- Sage generally invoices clients in advance on a quarterly basis and will also invoice in arrears or prorate fees for capital contributions and withdrawals.
- Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.
- On the termination date of an account, any prepaid, unearned fees will be promptly refunded and earned, unpaid fees will be due and payable.
- Sage’s client agreement typically requires 30 days notice for termination.

Sage uses account market values to calculate investment performance and client fees, where applicable. Sage uses pricing information provided by Interactive Data Corporation (“IDC”) to value client portfolios. In instances where Sage is unable to determine a price for a security or determines a price received from IDC is not reflective of fair market value, Sage will determine a fair value for that security according to the methodology outlined in Sage’s Portfolio Valuation Policy.

There are inherent conflicts of interest when Sage values client accounts, as higher security prices increase market values, thereby enhancing performance results and increasing fees. In addition, because clients pay different fees based on differing fee schedules or the size

of the account, Sage has an incentive to favor those accounts where it earns the highest fees. Sage maintains investment, trade allocation and account valuation (including fair valuation) policies and procedures to address such conflicts of interest. Further, investment performance return dispersion is reviewed regularly by Portfolio Managers, the Systems and Operations Department and Compliance to reasonably ensure certain clients are not favored over other clients.

When providing investment management services to employers sponsoring defined contribution plans with participant-directed investments, Sage will invoice clients directly or as expressly directed by the plan sponsor in the investment management agreement.

INVESTMENT MANAGEMENT FEE SCHEDULES

Sage’s standard fee schedules (including those for its Model Provision ETF and wrap fee account clients) are provided below. However, in some instances, Sage will negotiate from its standard fee schedule, or waive fees, based upon the circumstances. Sage maintains investment, trade allocation and account valuation policies and procedures designed to address potential conflicts of interest related to the fact that clients pay varying fees.

Fixed Income Strategies

Cash Duration
 .20 of 1% to \$25 Million
 Negotiable over \$25 Million

Short Duration
 Moderate Duration
 Intermediate Duration
 Intermediate Corporate ESG

.35 of 1% to \$10 Million
 .25 of 1% on next \$15 Million
 .20 of 1% on next \$25 Million
 Negotiable over \$50 Million

ETF Strategies

All Cap Core Plus Equity
 Core Plus Fixed Income
 Balanced Portfolios
 Multi Asset Income
 ESG Global Equity

.40 of 1% to \$10 Million
 .35 of 1% on next \$15 Million
 .25 of 1% on next \$25 Million
 Negotiable over \$50 Million

Target Date/Life Cycle Funds

.40 of 1% to \$20 Million
 .30 of 1% on next \$20 Million
 .20 of 1% on next \$20 Million
 Negotiable over \$60 Million

Core Duration Fixed Income
Tax Sensitive ESG
Liability Driven Investment
(LDI) Management (6+ Years
Duration)

.40 of 1% to \$10 Million
.35 of 1% on next \$15 Million
.25 of 1% on next \$25 Million
Negotiable over \$50 Million

Liability Driven Investment
(LDI) Management – ETF (8+
Years Duration)
.40 of 1% to \$15 Million
.Minimum fee of \$20,000

Core Plus Fixed Income

.50 of 1% to \$25 Million
.35 of 1% on next \$25 Million
.20 of 1% on next \$50 Million
Negotiable over \$100 Million

Cash Balance

.40 of 1% to \$3 Million
.35 of 1% on next \$7 Million
.30 of 1% over \$10 Million
Negotiable over \$25 Million

Sage’s investment management fee for employers sponsoring defined contribution plans with participant-directed investments is negotiable for each particular plan client’s situation and other relevant factors, including but not limited to the size of the plan, number of participants and the plan’s custodial and recordkeeping arrangement.

Clients who select Sage to manage their SMA assets through a wrap fee program will typically do so under a single contract that the client enters into with the sponsor of the wrap fee program (“Sponsor Firm”). Under this kind of arrangement, the client pays an asset-based fee to the Sponsor Firm and, out of that fee, the Sponsor Firm is responsible for paying an investment advisory fee to Sage pursuant to the fee agreed upon in the sub-advisory agreement between Sage and the Sponsor Firm. Sage’s advisory fees are negotiated separately with each Sponsor Firm and will vary from wrap program to wrap program. Further, the fees paid to Sponsor Firms by clients participating in wrap programs will vary and Sage does not have control or influence over the fees charged to clients by Sponsor Firms.

FEE SCHEDULE FOR ASSET/LIABILITY ANALYSIS & ANALYTICS

Asset/Liability Study:

- Initial Asset/Liability Study Base Fee: \$15,000
- Subsequent Annual Study Fee: \$15,000
- Semi-Annual or Quarterly Update Fee: \$2,500

(Per each inter-period update other than an initial or annual report)

Fees for Asset/Liability Analysis & Analytics will be increased above the fee schedule amount based on Sage’s determination of the novelty, complexity and/or

time required to perform these analyses. Additionally, any requested revisions, including additional assumption testing and/or scenarios, will result in additional fees depending on the nature and extent of the revisions.

Fixed income management assignments of at least \$25 million requesting the Asset/Liability Study above will be provided the study as part of the overall investment management fee as outlined in the investment management fee schedule above.

In the event the fixed income assignment is less than \$25 million the fees for each of the services will be billed separately as outlined in the Investment Management Fee Schedule and the Fee Schedule for Asset Liability Analysis & Analytics sections above.

In some instances, Sage will negotiate from its standard fee schedule based upon the circumstances. Fees for the Asset Liability services will be billed upon completion and paid prior to sending the final report.

FEE SCHEDULE FOR FIDUCIARY SERVICES

Fiduciary Services for DC plans:

.35 of 1% to \$2.5 Million
.32 of 1% on next \$2.5 Million
.30 of 1% over \$5 Million

Fees for 3(38) fiduciary services are assessed at the plan level and will be 0.35% per year; in this case, Sage will charge zero sub-advisor fees for assets placed in the Sage-managed CITs.

Pension Risk Management:

.40 of 1% to \$15 Million
.Minimum fee of \$20,000

SCHEDULE D REPORTING FOR INSURANCE CLIENTS FEE SCHEDULE

The minimum fee for Schedule D services for Insurance Companies is:

- 2.5 basis points on the net asset value of the entire investment portfolio subject to an annual minimum fee of \$15,000.
- Additional fees are generally charged for additional entities and services, including automated general ledger accounting and backloading data.
- In the event there is more than one investment manager for the portfolio the fee may be higher and is subject to negotiation.

- The fee will be billed quarterly in advance based on the net asset value of the portfolio on the last business day of the preceding quarter.
- If the Schedule D services are terminated (generally upon 7 days notice) before the end of a quarter, fees paid in advance will be pro-rated for the period and the excess refunded promptly to the client.

CLIENT'S RESPONSIBILITY OF THIRD PARTY FEES

Sage's investment management fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment advisers and other third parties. Please see Item 12 for additional information about Sage's brokerage practices.

Mutual funds and exchange traded funds also charge internal management fees and other expenses which are disclosed in the fund's prospectus.

Such charges, fees and commissions are exclusive of Sage's fee. Sage does not receive any portion of these commissions, fees and expenses.

ITEM 6 – PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Sage does not charge any performance-based management fees.

ITEM 7 – TYPES OF CLIENTS

Sage offers investment management services to individuals and high net worth individuals as well as institutional clients, including those clients managed through wrap programs, corporate pension and profit-sharing plans, Taft-Hartley plans, insurance companies, charitable institutions, foundations, endowments, municipalities, registered mutual funds, exchange-traded funds, unitized funds, collective investment funds, trust programs, and other U.S. and international institutions.

Sage generally requires the account minimums listed below; however, account minimums are subject to negotiation.

Client Type	Minimum Account Size
Wrap Program Clients	\$100,000
Wrap Program ESG Clients	\$100,000
Model Provision ETF Clients	\$25,000
Model Provision ETF ESG Clients	\$25,000
Taxable Clients	\$3 million
Municipal Clients	\$1 million
ESG Clients	\$1 million
Actively Managed ETF	\$1 million
Liability Driven Investing	\$10 million
Pension Risk Management	\$1 million
Fiduciary Services for DC Plans	\$1 million
Insurance Company Clients	\$10 million

Sage manages certain proprietary accounts which are traded alongside client accounts which creates an incentive for Sage to favor proprietary accounts over other client accounts. Sage maintains investment, trade allocation and account valuation (including fair valuation) policies and procedures to address conflicts of interest related to these accounts.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

ANALYSIS METHODS

Security analysis methods utilized by Sage include the following:

FUNDAMENTAL

Fundamental analysis maintains that markets may misprice a security in the short run, but that the "correct"

price will eventually be reached by the market. The fundamental analysis of a business involves analyzing a business's financial statements and health, management and competitive advantages, and competitors and markets.

When applied to futures and foreign exchange, it focuses on the overall state of the economy, interest rates, production, earnings, and management.

SOURCES OF INFORMATION

Sources of information Sage uses to analyze investment strategies include, but are not limited to, the following:

- Proprietary in-house research.
- Quantitative analytics & forecasting.
- NRSRO - Nationally Recognized Statistical Rating Organizations.
- Third party research materials & reports.
- Standard & subscribed databases.
- Financial newspapers and magazines
- Annual reports, prospectuses and Securities & Exchange Commission filings.

INVESTMENT STRATEGY RISKS

TAXABLE FIXED INCOME

Principal Investment Risks. Losing a portion or all of an investment is a risk of investing in taxable fixed income securities. The following principal risks could affect the value of a client's investment:

- *Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- *U.S. Government Obligations Risk.* If a government-sponsored entity is unable to meet its obligations, the performance of the strategy that holds securities of the entity will be adversely impacted. U.S. Government obligations are viewed as having

minimal or no credit risk but are still subject to interest rate risk.

- *Mortgage and Asset-Backed Securities Risk.* Mortgage and asset-backed securities risk includes market risk, interest rate risk, credit risk, prepayment risk (*i.e.*, homeowners whose mortgages collateralize the securities held by the Funds may be able to prepay principal due on these mortgages), counterparty-risk and risks related to collateral posted in transactions such as TBA Transactions, as well as the risk that the structure of certain mortgage-backed securities may make their reaction to interest rates and other factors difficult to predict, making their prices very volatile.
- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.
- *High Yield Bond Risk.* While high yield bonds generally pay higher interest rates than other fixed income securities, there is a higher risk of income and principal loss.

MUNICIPAL FIXED INCOME

Principal Investment Risks. Losing a portion or all of an investment is a risk of investing in municipal fixed income securities. The following principal risks could affect the value of a client's investment:

- *Municipal Securities Risk.* Municipal securities rely on the creditworthiness or revenue production of their issuers or auxiliary credit enhancement features. Municipal securities may be difficult to obtain because of limited supply, which may increase the cost of such securities and effectively reduce a portfolio's yield. Typically, less information is available about a municipal issuer than is available for other types of securities issuers.
- *Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may

increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.

- *Tax Risk.* A strategy that invests in municipal securities may be more adversely impacted by changes in tax rates and policies than other strategies. Because interest income on municipal obligations is normally not subject to regular federal income taxation, the attractiveness of municipal obligations in relation to other investment alternatives is affected by changes in federal income tax rates applicable to, or the continuing tax-exempt status of, such interest income.
- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

LIABILITY DRIVEN INVESTING, FIDUCIARY SERVICES, AND INSURANCE COMPANY SERVICES

- *Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- *Futures Risk.* On occasion, Sage may recommend its Liability Driven Investing clients invest in futures to help lengthen duration. Risks in such transactions include, but are not limited to counterparty failures and risks related to collateral or margin. The use of futures can magnify the risk of loss in an unfavorable market. Futures may not always be successful hedges and their prices can be highly volatile. Using futures could lower the client's total return, and the potential loss can exceed a strategy's initial investment in such contracts.

- *Liability Risk.* The measurement of liabilities, whether pension fund, insurance, or non-profit, involve certain forward-looking assumptions and actuarial data. Actuarial data are affected by many factors, such as changes to fund provisions, participant population, and actuarial assumptions, and therefore are subject to change. Liability forecasts, and the current pricing of those forecasts, will be subject to change and should be monitored accordingly.
- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

EXCHANGE TRADED FUNDS

- *ETF Trading Risk.* This strategy invests in ETFs. ETFs are investment companies that are bought and sold on a national securities exchange. Unlike mutual funds, ETFs do not necessarily trade at the net asset values of their underlying securities, which means an ETF could potentially trade above or below the value of the underlying portfolios. Additionally, because ETFs trade like stocks on exchanges, they are subject to trading and commission costs unlike mutual funds. Also, both mutual funds and ETFs have management fees that are part of their costs, and the strategy will indirectly bear its proportionate share of these costs.
- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

ESG INVESTMENT STRATEGY RISK

ESG Investment Strategy Risk. The Fund's ESG investment strategy limits the types and number of investment opportunities available to the Fund and, as a result, the Fund may underperform other funds that do not have an ESG focus. The Fund's ESG investment

strategy may result in the Fund investing in securities or industry sectors that underperform the market as a whole or underperform other funds screened for ESG standards. In addition, the Index Provider may be unsuccessful in creating an index composed of companies that exhibit positive ESG characteristics.

OTHER INFORMATION

In addition to the strategy specific risks identified above, client accounts are subject to general market risk and investing in securities involves risk of loss that clients should be prepared to bear. Securities purchased and held in client accounts may decline in value because of a general decline in the market. Securities markets move in cycles, with periods of rising prices followed by periods of falling prices. The value of the securities held in client accounts will tend to increase or decrease in response to these movements. Sage does not offer any products or services that guarantee rates of return on investments for any time period to any client. All clients assume the risk that investment returns may be negative or below the rates of return of other investment advisers, market indices or investment products.

ITEM 9 – DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of Sage or the integrity of Sage. Sage has never had disciplinary information disclosures applicable to this item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Sage provides investment management services to registered investment companies on a sub-advised basis. Sage also sub-advises certain CIFs that are intended to serve as investment options for defined contribution plans with participant-directed investments. When a plan sponsor client selects Sage to serve as the investment manager for the plan's investment menu and also selects any of the CIFs to serve as additional investment options under the plan, Sage will reduce and offset its investment management fee by the amount it earns from the plan as a sub-adviser to the CIFs. With respect to Sage's management of client funds deemed to be "plan assets," Sage relies upon the U.S. Department of Labor's Qualified Professional Asset Manager exemption to avoid engaging in non-exempt prohibited

transactions in those assets under ERISA and the Internal Revenue Code, and all of Sage's investment management and other related services are designed to be compliant with or exempt from the prohibited transaction rules under ERISA. Sage is not registered as a Commodities Trading Adviser, in reliance on an exemption from registration with the CFTC under the Commodity Exchange Act.

ITEM 11 – CODE OF ETHICS

Sage has adopted a Code of Ethics and Personal Trading Policy (the "Code") in compliance with Rule 204A-1. The Code expresses the policy and procedures of Sage and is intended to ensure that no Associated Person is taking advantage of his or her position, or even giving the appearance of placing his or her own interests above those of Sage's clients. Sage's personnel must act as fiduciaries, and as such must place the interests of clients before their own.

Sage's Code includes:

- standards of business conduct, including limitations on giving and receiving gifts and business entertainment, making political contributions, serving as a director or trustee for an outside organization and engaging in outside business activities;
- compliance with federal securities laws;
- personal securities reporting;
- pre-clearance of certain transactions;
- prohibitions from using nonpublic information to trade in personal or client accounts;
- reporting of code violations; and
- review and enforcement.

All Associated Persons receive and acknowledge the Code and Sage's Compliance Policy Manual. In addition, all Associated Persons are required to certify compliance with the Compliance Policy Manual, including the Code, on an annual basis.

PERSONAL TRADING POLICY

Sage has adopted a personal trading policy outlined within its Code.

Sage's policy is based on the principle that it owes a fiduciary duty to clients to conduct personal securities transactions in a manner that does not interfere with

client transactions or otherwise take unfair advantage of their relationship with clients.

Sage requires Associated Persons to pre-clear certain personal securities transactions. In addition, the Code requires Associated Persons to report certain security holdings initially upon being hired and annually thereafter. Finally, Associated Persons are required to report personal securities transactions to the Chief Compliance Officer on a quarterly basis.

Sage has certain proprietary accounts which fall under the definition of beneficial ownership due to certain Associated Persons' ownership stake in the firm. As provided for in Sage's portfolio management and trading policies, these accounts may participate in trade orders along with client accounts. This creates an incentive for Sage to put the interests of the firm ahead of clients; however, the Code requires Sage to put clients' interests first and to report personal transactions and holdings to the Chief Compliance Officer in accordance with the reporting requirements described above. These accounts are exempt from the pre-clearance requirements and personal trading restrictions described above provided the transactions are done in accordance with Sage's portfolio management and trading policies and procedures.

COMPLIANCE WITH THE CODE OF ETHICS

Sage's Chief Compliance Officer is primarily responsible for implementing and administering the Code. Associated Persons are required to report any violations of the Code or applicable laws. Failure to comply with the Code may result in disciplinary action, up to and including termination.

Upon request, Sage will provide a complete copy of our Code at no charge.

ITEM 12 – BROKERAGE PRACTICES

OVERSIGHT

Sage's Brokerage Oversight Committee provides oversight of trading and brokerage policies and practices. In addition, Sage maintains investment, trading and brokerage policies and procedures. The following is an overview of trading and brokerage practices, policies and procedures.

SOFT DOLLAR ARRANGEMENTS OR OTHER BENEFITS

Sage does not have any formal or informal soft dollar arrangements with brokers. On occasion, Sage receives unsolicited research from outside sources. This information is not used in the investment decision-making process.

SELECTION OF BROKERS

Sage utilizes traditional brokers, electronic communication networks and trading systems to execute trades on clients' behalf. Sage has established a Brokerage Oversight Committee to monitor and evaluate the quality of execution received from broker-dealers executing transactions on behalf of Sage's clients and to oversee trading practices and procedures. Sage's overriding objective in effecting portfolio transactions is to seek best execution. While the best price, giving effect to brokerage commission, if any, and other costs, is an important factor in this decision, a number of other factors may also enter into the decision. These include:

- Ability to locate liquidity;
- Inventory of fixed income securities;
- New issue supply or underwriting;
- Knowledge of and dominance in specific markets, securities and industries;
- Participation in bid/want lists;
- Quality of execution;
- Financial condition of the firm;
- Acceptable record keeping, administrative and settlement functions; and
- Reputation and integrity.

Recognizing the importance of these factors, Sage may pay commissions in excess of that which another broker or dealer might have charged for effecting the same transaction.

When managing assets for a wrap platform, Sage will trade away ("step out" trades) from the wrap program sponsor. These trades generally involve fixed income securities and do not include commissions.

BROKERAGE FOR CLIENT REFERRALS

Sage does not consider a broker-dealer's promotion or sale of registered investment companies sub-advised by Sage when determining whether to select such broker-dealer to execute transactions for clients.

CLIENT DIRECTED BROKERAGE

In very limited circumstances, clients require Sage to direct transactions in their accounts to a particular broker-dealer ("directed brokers"). For clients utilizing a directed broker, the client may forgo any benefit from

savings on execution costs that Sage may obtain for other clients, such as negotiating volume discounts on blocked orders. In addition, the client may not receive the same price or commission paid by other clients who utilize different brokers selected by Sage.

TRADE AGGREGATION AND ALLOCATION

TAXABLE FIXED INCOME

It is Sage's policy to trade taxable fixed income securities for client accounts based on each client's investment strategy. When practical, Sage separate client account trades will be bunched in a single order (a "block") in an effort to obtain best execution. Sage seeks to block account trades and avoid partial fill situations. If a block order is filled (full or partial fill) at several prices through multiple trades on the same day, an average price will be calculated for all trades executed by the broker for the block, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day are combined for purposes of calculating the average price. While generally infrequent, partial fills are allocated to give priority to those accounts that require alignment with its investment strategy. On occasion, in order to avoid odd lots Sage may identify a comparable bond that will be allocated to client accounts in which case the original allocation will be revised for the original bond.

MUNICIPAL FIXED INCOME

It is Sage's policy to trade tax-exempt fixed income for client accounts based on each client's investment strategy. When practical, Sage seeks to block account trades and avoid partial fill situations. If a block order is filled (full or partial fill) at several prices through multiple trades on the same day, an average price will be calculated for all trades executed by the broker for the block, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day are combined for purposes of calculating the average price. While generally infrequent, partial fills are allocated to give priority to those accounts that require alignment with its investment strategy. On occasion, in order to avoid odd lots Sage may identify a comparable bond that will be allocated to client accounts in which case the original allocation will be revised for the original bond.

ACTIVELY MANAGED ETF

It is Sage's policy to make investment recommendations for actively managed ETF accounts, including Sage's proprietary accounts, together. Once a decision has been made to update the ETF investment allocation model(s), Sage rotates the order in which clients are notified of changes to the model including Sage's trading desk which then executes trades on behalf of clients. Sage does not exercise trading discretion over its model provision accounts. Sage utilizes a rotation process to place trades on behalf of client accounts and notify its model provision participating platforms of model changes so that no group of clients is consistently favored or disfavored over any other clients.

Certain actively managed ETF clients direct Sage to use a specific broker-dealer to execute trades. Sage will generally place these trades simultaneously with other client trades. Please see the Client Directed Brokerage Section for additional information.

If a block order is filled (full or partial fill) at several prices through multiple trades on the same day, an average price will be calculated for all trades executed by the broker for the block, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day are combined for purposes of calculating the average price. While generally infrequent, partial fills are allocated to accounts within the strategy on a pro rata basis, subject to rounding and reasonable efforts to minimize trading costs.

DEVIATIONS FROM POLICY

Sage's policy allows for acceptable deviations from the practices described above.

CROSS TRADES

Sage will enter into cross transactions between client accounts when, in Sage's judgment, it is in the best interest of each client participating in the transaction. However, Sage will not engage in cross transactions with its ERISA or proprietary accounts.

All cross transactions will be done in accordance with our Cross Transactions Policy. In addition, the Brokerage Oversight Committee is responsible for oversight of cross transactions.

TRADE ERRORS

It is Sage's policy for clients to be made whole following a trade error. When Sage causes a trade error to occur in a client account that results in a loss, Sage will reimburse the client. If the trade error results in a gain, the client will keep that gain. In situations where a trade error occurs due to a third party's error, Sage will work with the third party to reasonably ensure the client is not negatively impacted by the error.

ITEM 13 REVIEW OF ACCOUNTS

ACCOUNT REVIEW

Sage regularly monitors and reviews client accounts with the objective of ensuring Sage operates in accordance with: clients' investment policy statements, investment objectives and investment restrictions; written disclosures; management objectives; and Sage's fiduciary obligation to act in the best interests of its clients. Reviews are consistently performed by the investment personnel assigned to the account and all accounts are reviewed on a regular basis. Clients are generally provided with monthly reports, while certain clients receive additional reporting based on the nature of the services received.

REPORTS

Our practice is to provide monthly portfolio evaluations, quarterly performance reviews and pertinent investment commentaries. Sage provides clients with convenient password protected access to their account information anytime, from anywhere via Sage's website. Copies of all confirmations of purchases and sales are mailed by the executing broker directly to the client. Since Sage does not perform any custodial services, reports concerning such services will be forwarded directly to the client by the custodian.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

CLIENT REFERRALS

On occasion, Sage has entered into written solicitation agreements with third parties who refer potential clients to Sage. Such agreements will be disclosed to potential clients in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940.

The written agreement between Sage and any such solicitor requires, among other things, that the solicitor, at the time of rendering any solicitation activities for which compensation is to be paid, must provide the client with a current copy of Part 2A of Sage's Form ADV.

In addition, a separate written disclosure document containing:

- the name of the solicitor
- Sage's name
- the nature of the relationship between the solicitor and Sage
- a statement that the solicitor shall be compensated by Sage for his solicitation services
- the terms of such compensation arrangement and
- the amount, if any, the client will be charged for the cost of obtaining his account, in addition to the advisory fee, and the differential, if any, between the level of investment advisory fees the client shall be charged by Sage because of the existence of the arrangement between the solicitor and Sage and the amount the client would be charged if there were no such agreement

ITEM 15 – CUSTODY

Sage does not maintain custody of client assets. Sage's clients should receive quarterly statements from their broker dealer, bank or other qualified custodian that holds and maintains their investment assets.

Sage urges clients to carefully review their statements and compare the qualified custodian statement to the account statements that Sage provides.

Our statements may vary from custodial statements based on accounting procedures, trade reporting dates, or valuation methodologies of certain securities.

ITEM 16 – INVESTMENT DISCRETION

Sage generally provides portfolio management services on a discretionary basis, however some accounts are managed on a non-discretionary basis. All accounts are subject to a written investment advisory agreement which describes discretionary authority, any investment limitations, investment objectives, fees and other matters.

ITEM 17 VOTING CLIENT SECURITIES

A client's investment advisory agreement with Sage governs the responsibility for voting proxies within client accounts. As Sage is primarily a fixed income investment manager it is very rare for Sage to receive a proxy in which to vote. In limited situations, Sage may receive a proxy to vote as a result of a client holding fixed income corporate obligations and ETFs. When providing investment management services to employers sponsoring defined contribution plans with participant-directed investments, Sage will be responsible for voting any proxies relating to the exchange traded funds that are offered as investment options to participants under the plan, unless the plan sponsor reserves such responsibility to itself in accordance with ERISA and as provided under the investment management agreement.

When voting a particular proxy proposal, Sage takes into consideration, among other items:

- Management's assertions regarding the proxy proposal;
- Sage's determination of how the proxy proposal will impact its clients; and
- Sage's determination of whether the proxy proposal will create dilution for shareholders.

Sage will generally support management's recommendations on proxy issues related to business operations matters. Sage believes a company's management should generally have the latitude to make decisions related to the company's business operations. However, when Sage believes the company's management is acting in an inconsistent manner with its clients' best interests Sage will vote against management's recommendations. Sage will generally vote against non-salary compensation plans (such as stock compensation plans, employee stock purchase plans and long-term incentive plans) unless, in Sage's opinion, such plans are structured to not create serious dilution to shareholders and Sage will analyze all other compensation plans on a case-by-case basis. Sage will review proxy proposals regarding control matters (e.g., mergers and anti-takeover tactics) related to a company on a case-by-case basis. Sage generally opposes measures limiting the rights of shareholders. Sage generally opposes measures preventing shareholders from accepting an offer of a sale of a company.

In evaluating a proxy proposal, Sage may encounter a material conflict of interest. Sage has a duty to

recognize and resolve a conflict before voting the proxy. Sage's proxy voting policies and procedures describe the actions taken when a conflict is identified.

A copy of Sage's proxy voting policies and procedures as well as a copy of our voting record is available upon request.

ITEM 18 – FINANCIAL INFORMATION & REQUIRED DISCLOSURES

Registered investment advisers are required in this Item to provide certain financial information or disclosures about Sage's financial condition.

Sage has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

OTHER INFORMATION

CLASS ACTIONS AND OTHER LEGAL PROCEEDINGS

Sage does not file legal proceedings, including class actions, on behalf of clients.

DUAL ROLES

Sage's Chief Compliance Officer is also its Chief Financial Officer which may present a conflict of interest in performing the dual roles. Sage maintains policies, procedures and controls to routinely monitor this conflict, and does not believe it results in unfair treatment of its clients. *[End of Brochure]*



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ITEM 1 –COVER PAGE

CLIENT BROCHURE

Date of Brochure: March 28, 2018

This Brochure provides information about the qualifications and business practices of **Sage Advisory Services, Ltd. Co.** If you have questions about the contents of this Brochure, please contact us at (512) 327-5530.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Sage is available on the SEC’s website at www.adviserinfo.sec.gov . The SEC’s web site also provides information about any persons affiliated with, registered, and required to be registered as investment adviser representatives of Sage.

Sage is a registered investment adviser. The registration of an investment adviser does not imply any level of skill or training. The oral and written communications made to you by Sage, including the information contained in this Brochure, should provide you with information to determine whether to hire or retain Sage as your adviser.

Please be aware during your review of our Brochure when we use the words “Sage”, “we” and “our” we are referring to **Sage Advisory Services, Ltd. Co.** When we use the words “you”, “your” and “client” we are referring to you as our client or our prospective client. We use the term “Associated Person” when referring to our officers, employees, and all individuals providing investment advice on behalf of Sage.

ITEM 2 – MATERIAL CHANGES

The following is a summary of material changes made to our Brochure since our last annual update dated March 28, 2017

Item 4 - Advisory Business

The item was updated to disclose whom a client or prospect will engage with when interacting with Sage and to disclose how some of these individuals are compensated.

The item was also updated to disclose our new advisory relationship for the Sage ESG Intermediate Credit ETF (GUDB).

Item 5 - Fees and Expenses

This item was updated to provide additional information regarding fees assessed to clients in certain instances where Sage recommends clients purchase and sell mutual funds and exchange-traded funds for which Sage serves as investment adviser or sub-adviser.

Item 12 - Brokerage Practices

This item was updated to provide additional clarification regarding Sage's cross transaction practices.

Item 15 - Custody

This item was updated to clarify Sage has limited custody for the sole purpose of deducting advisory fees directly from some of our client accounts.

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ITEM 4 – ADVISORY BUSINESS

SAGE ADVISORY SERVICES, LTD. CO. is a Securities and Exchange Commission (SEC) registered investment adviser located in Austin, Texas. Sage was founded in 1996 and is organized as a Texas Limited Liability Company.

Sage strictly offers registered investment advisory services and is not affiliated with any broker-dealer and does not provide investment banking or broker-dealer services.

Sage specializes in domestic and international fixed income, balanced and equity portfolio management for individual and institutional clients. Sage offers a common sense approach toward investing by utilizing strong risk-control disciplines and a process that is repeatable.

Sage's belief is a conscientiously monitored investment management program designed specifically for each client can satisfy clients' constantly changing investment needs. Sage seeks to add value through its investment management process applied based upon each client's investment risk constraints.

Sage's investment management process combines fundamental economic analysis with quantitative security and yield curve valuation techniques to produce a comprehensive core management style.

PRINCIPAL OWNERS

Sage is independently operated and owned entirely by employees. The principal owners are:

- Robert G. Smith III, its President and Chief Investment Officer; and
- Mark C. MacQueen, its Executive Vice President.

EDUCATION AND EXPERIENCE

Sage's Associated Persons are expected to have education and business backgrounds that enable them to perform their respective responsibilities effectively. In assigning responsibilities, Sage considers academic background (including studies in college and graduate schools, as well as degrees earned), industry training, licenses and certifications.

Work experience in a related field, such as investments, commodities, insurance, banking or accounting, is also considered.

No formal, specific standards have been set, but appropriate education and experience are required. See ADV Form Part 2B for additional information.

ASSETS UNDER MANAGEMENT & ASSETS UNDER ADVISEMENT (AUM/AUA)

As of December 31, 2016, Sage manages \$12,713,374,000 in total client assets of which, \$10,722,698,000 is managed on a discretionary basis, \$1,905,326,000 is managed on a model provision basis, and \$85,350,000 is managed on a non-discretionary basis.

OVERVIEW OF ADVISORY SERVICES

Sage offers investment management services to individuals and high net worth individuals as well as institutional clients, including those clients managed through wrap programs, corporate pension and profit-sharing plans, Taft-Hartley plans, insurance companies, charitable institutions, foundations, endowments, municipalities, registered mutual funds, exchange traded funds, unitized funds, collective investment funds, trust programs, and other U.S. and international institutions.

While Sage generally makes investment decisions on behalf of clients, Sage does permit clients to impose restrictions on investing certain securities or other limitations as mutually agreed upon.

Sage also offers advisory services to clients seeking liability directed investment solutions, fiduciary (3(38)) services, and insurance company specific services.

All clients are subject to a written agreement which describes the nature of our services, limitations, objectives, fees and other matters.

INVESTMENT MANAGEMENT

Sage offers a common sense and client objective-driven approach toward investing with strong risk-control disciplines utilizing a repeatable process. Sage distinguishes itself in the following areas:

- Investment Management - Sage seeks to manage each client's portfolio separately and individually to assist them in obtaining their safety, liquidity, income, tax sensitivity, total return and risk expectations.
- Disciplined Process - Sage adheres to a process that focuses on each client's financial objectives within a mutually understood risk tolerance.

- Client Education - Sage educates clients on market trends, economic forces and investment fundamentals to foster a better understanding of investment decisions.
- Investment Reporting - Sage provides clients with convenient password protected access to their account information anytime, from anywhere via Sage's website.

Sage offers certain investment management services to employers sponsoring defined contribution retirement plans with participant-directed investments. As the plan's fiduciary and investment manager, Sage selects and monitors the exchange traded funds that are offered as investment options to participants under the plan's investment menu.

INVESTMENT PROCESS AND COMMITTEE

Investment decisions are made by Sage's Investment Committee which is chaired by the Chief Investment Officer.

Decisions with regard to the broad market outlook, investment strategy and client portfolio positioning are determined by the Investment Committee, and recorded in the minutes of the semi-monthly meetings.

The Investment Committee's investment decision process is supplemented regularly with economic and quantitative market analysis provided by Sage's internal research analysts and its external economic and analytic consultants.

After the Investment Committee decides on the duration target, the sector allocation and the security characteristics desired, the portfolio managers, operating on a team basis, implement the decisions reached by the Investment Committee.

Each portfolio is managed separately and tailored to assist respective clients in meeting their safety, liquidity and total return expectations.

It is Sage's belief that only an individually designed and monitored investment management program can satisfy the constantly changing investment needs of each client.

In addition to the Investment Committee, when a client or prospect engages with Sage they could be interacting with our Portfolio Management team, our Client Service team, or our Institutional and Regional Consultants. Our Institutional and Regional Consultants receive incentive

pay that is based on a percentage of revenue derived from the clients that become contracted with Sage.

Please see Item 8 for additional information regarding our investment strategies and please see Item 16 for more information regarding investment discretion and client investment restrictions.

INVESTMENT STRATEGIES

Sage offers the following actively managed investment strategies:

- Taxable Fixed Income - Sage's client's objectives range from cash management to total return and high total income. Sage also delivers investment strategies in short, intermediate, core duration and Environmental, Social and Governance ("ESG") profiles. Investment instruments include, but are not limited to, U.S. Government debt, U.S. Corporate debt, U.S. Municipal debt and Securitized Assets, such as mortgage-backed securities and to-be-announced transactions in mortgage-backed securities and other securities ("TBA Transactions").
- Municipal Fixed Income - Sage's client's objectives range from cash management to after-tax total return and high after-tax total income. Sage offers investment strategies in short, intermediate, core duration and ESG profiles. Investment instruments include, but are not limited to, U.S. Treasury debt, tax-exempt municipal general obligation debt, and tax-exempt municipal revenue debt.
- Actively Managed Exchange Traded Funds (ETF) - Sage's client's objectives range from long-term total return to low-volatility income generation. Sage offers strategies in multi asset income, core plus equity, core plus fixed income and balanced accounts. Investment instruments include, but are not limited to, equity, fixed income and alternative ETFs. These strategies include Target Date/Lifecycle Fund clients, Target Risk, Cash Balance strategies, LDI Small Plan Solutions, ESG Global Equity and certain proprietary accounts.

Please see Item 8 for additional information regarding our investment strategies.

WRAP ACCOUNTS

Sage manages wrap accounts using the same investment process described above.

The wrap fee program sponsor pays Sage a portion of the wrap fee they receive for investment management services.

While wrap accounts utilizing the same investment strategy generally perform similarly to the applicable Sage composites, there are expected to be performance differences between them. Actual performance results can differ depending on the size of the account, investment guidelines and/or restrictions, inception date, timing of transactions and other factors. Portfolio Managers, the Systems and Operations Department and Compliance perform regular reviews of performance return dispersion in order to reasonably ensure that certain clients are not favored over other clients.

MODEL PROVISION SERVICES

Sage offers model provision ETF allocation services to clients whereby Sage provides the client with an updated model as Sage makes changes to the model. The investment and research process for the Sage Tactical ETF strategies follows the same investment strategy as Sage's Actively Managed ETF strategies described above.

In addition, Sage offers model provision Taxable and Municipal Fixed Income allocation services to clients whereby Sage provides the client analysis on specific fixed income securities to purchase for the portfolio. The investment and research process follows the same investment strategy as the Taxable and Municipal Fixed Income strategies described above.

While model provision accounts that utilize the same investment strategy generally perform similarly to the applicable Sage composites, there are expected to be performance differences between them because Sage does not have trading discretion over these accounts. Actual performance results can differ depending on the size of the account, investment guidelines and/or restrictions, inception date, timing of transactions and other factors.

SAGE COLLECTIVE INVESTMENT FUNDS (CIF)

Collective Investment Funds (CIFs) are institutional investment vehicles that are solely available for ERISA

retirement plans. Like mutual funds, CIFs allow investors efficient access to an investment strategy, offer daily valuation and are easily traded through the National Securities Clearing Corporation (NSCC). Relative to mutual funds, CIFs offer a transparent institutional fee structure and more flexible record keeper pass-through arrangements.

The CIFs are created by the Hand Composite Employee Benefit Trust and sponsored by Hand Benefits & Trust Company, a BPAS company, that invests in the strategies of Sage Advisory Services, Ltd. Co. which serves as the subadvisor to the CIFs.

These CIFs are available for investment by eligible qualified retirement plan trusts only and have been created specifically for employer-sponsored retirement plan investors. All of Sage's actively managed ETF strategies are available through these CIFs.

LIABILITY DIRECTED INVESTMENT SOLUTIONS

In addition to traditional investment management services, Sage offers a comprehensive and innovative combination of analytic, investing and reporting services which focus on the key concerns in building an effective Liability Directed Investment management strategy.

Specifically, Sage offers two categories of services:

- Asset/Liability Analysis, and
- Liability Driven Investing.

Sage provides these services independently or conjunctively for its clients. For example, Sage has clients for whom it solely performs Asset/Liability Analysis, clients for whom it solely provides Liability Driven Investing, and finally, clients for whom it performs Asset/Liability Analysis and provides Liability Driven Investing.

Asset/Liability Analysis is the first step in Asset/Liability Management and involves assessing a client's liability structure and existing asset solution given the current applicable regulatory environment by employing the following analyses:

- Term structure assessment
- Dynamic cash flow modeling
- Interest rate & inflation risk sensitivity analysis
- Customized liability benchmark creation

- Gap analysis & risk budget creation
- Deterministic and stochastic modeling of asset returns
- Accounting and statutory projections using actuarial forecasting software (optional)

Liability Driven Investing is the second step in Asset/Liability Management and involves developing and implementing a particular investment management solution given the client's liability structure, funded status and goals. The investment solution will include as warranted:

- Liability targeted investments
- Long duration portfolio management
- Excess alpha and low correlation investment strategies
- A broad range of investments such as futures, swaps and other derivative instruments, if warranted

If a client retains Sage to perform Asset/Liability Analysis, Liability Driven Investing or both, Sage provides reporting and administration services as follows:

- Daily online investment valuation and activity reports
- Year-round investment compliance and oversight reports
- Customized periodic performance evaluations
- Monthly liability benchmark updates
- Assessment & negotiation of derivative agreements, if required

FIDUCIARY (3(38)) SERVICES

ERISA Plan Fiduciaries can engage Sage as a co-fiduciary to provide one or more of the following services: investment policy statement assistance, selection and monitoring of investment options, creation and monitoring of investment strategies, asset/liability analytics, and comprehensive reporting.

Specifically, Sage offers two categories of services:

- Fiduciary Services for DC Plans; and
- Pension Risk Management for DB Plans.

Fiduciary Services

Sage Fiduciary Services provide plan fiduciaries of DC plans with investment selection support, a flexible suite of Qualified Default Investment Alternative (QDIA) options, and comprehensive reporting. Plan investment solutions are generally implemented with index-based mutual funds, ETFs, or CITs which are low-cost, efficient, and transparent. Additionally, as needed, Sage Fiduciary Services will provide non-fiduciary services, including but not limited to employee enrollment and education.

Pension Risk Management

Sage serves as a fiduciary partner to plan fiduciaries of DB plans by providing asset/liability analytics, an appropriate pension investment solution, and supportive monitoring and reporting. Plan investment solutions are implemented entirely with ETFs which are low-cost, efficient, and transparent.

INSURANCE COMPANY SERVICES

Sage offers a comprehensive and innovative combination of analytic, investing and reporting services which focus on the key concerns in building an effective management strategy for insurance organizations.

Insurance Liability Assessment and Analysis

- Term structure analysis
- Dynamic cash flow modeling
- Interest rate & inflation risk sensitivity analysis
- Customized liability benchmark creation
- Gap analysis & risk budget creation
- Balance sheet and income statement projections
- Tax efficiency analysis

Insurance Investment Management

- Liability targeted investments
- Long duration portfolio management
- Excess alpha and low correlation investment strategies
- Tax sensitive portfolio management

Insurance Reporting and Administration

- Daily online investment valuation and activity reports
- Year-round investment compliance and oversight reports
- Customized quarterly performance evaluations
- Monthly liability benchmark updates

- Statutory insurance reporting, including Schedule D reporting
- Investment Accounting

INVESTMENT ADVISORY SERVICES TO REGISTERED INVESTMENT COMPANIES

Sage acts as an advisor to registered investment companies (including Mutual Funds and ETFs each individually, a “Fund”) under the Company Act, including the Sage ESG Intermediate Credit ETF (GUDB). For its advisory services to the Fund, Sage receives an annual advisory fee based on the average daily value of the assets under management in the Fund. Please see the Fund’s Prospectus and Statement of Additional Information for additional information regarding objectives, investments, fees, risks and other additional disclosures.

In addition, Sage acts as a sub-advisor to registered Funds that are advised by either Meritage Capital, LLC or AdvisorShares Investments, LLC respectfully. For its sub-advisory services to these Funds, Sage receives an annual sub-advisory fee based on the average daily value of the assets under management in the Fund(s). Sage currently sub-advises the AdvisorShares Sage Core Reserves ETF (HOLD) advised by AdvisorShares Trust and the Insignia Macro Fund (IGMFX) advised by Meritage Capital, LLC. Please see each Fund’s prospectus and Statement of Additional Information for additional information regarding objectives, investments, fees, risks and other additional disclosures.

ITEM 5 – FEES AND COMPENSATION

Sage is compensated by receiving a mutually agreed upon percentage of the assets under management or by receiving a fixed fee.

INVESTMENT MANAGEMENT FEE CALCULATION & PAYMENT PROCEDURE

Sage manages accounts for a variety of individual and institutional clients on a discretionary and/or non-discretionary basis, subject to the investment guidelines contained in their respective client agreement.

- The amounts and specific manner in which fees are charged is negotiated and memorialized in each client’s agreement with Sage.
- Sage does not deduct fees from client accounts.

- Sage invoices clients directly.
- Sage generally invoices clients in advance on a quarterly basis and will also invoice in arrears or prorate fees for capital contributions and withdrawals.
- Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.
- On the termination date of an account, any prepaid, unearned fees will be promptly refunded and earned, unpaid fees will be due and payable.
- Sage’s client agreement typically requires 30 days notice for termination.

In certain instances, Sage recommends clients purchase and sell Funds for which Sage serves as investment adviser or sub-adviser. Client assets invested in these Funds within an account that Sage manages are not subject to the advisory fee otherwise applicable to the account. Those assets are subject only to the Fund’s expenses and fees applicable to all shareholders/investors in the Fund, as set forth in the Fund’s prospectus. However, the Fund pays Sage an advisory fee which is a Fund expense. Depending on which Fund the account is invested in, the fees may be more or less than the separate account advisory fee otherwise applicable to the account.

Sage uses account market values to calculate investment performance and client fees, where applicable. Sage uses pricing information provided by Interactive Data Corporation (“IDC”) to value client portfolios. In instances where Sage is unable to determine a price for a security or determines a price received from IDC is not reflective of fair market value, Sage will determine a fair value for that security according to the methodology outlined in Sage’s Portfolio Valuation Policy.

There are inherent conflicts of interest when Sage values client accounts, as higher security prices increase market values, thereby enhancing performance results and increasing fees. In addition, because clients pay different fees based on differing fee schedules or the size of the account, Sage has an incentive to favor those accounts where it earns the highest fees. Sage maintains investment, trade allocation and account valuation (including fair valuation) policies and procedures to address such conflicts of interest. Further, investment performance return dispersion is reviewed regularly by Portfolio Managers, the Systems and Operations Department and Compliance to reasonably ensure certain clients are not favored over other clients.

When providing investment management services to employers sponsoring defined contribution plans with participant-directed investments, Sage will invoice clients directly or as expressly directed by the plan sponsor in the investment management agreement.

INVESTMENT MANAGEMENT FEE SCHEDULES

Sage’s standard fee schedules (including those for its Model Provision ETF and wrap fee account clients) are provided below. However, in some instances, Sage will negotiate from its standard fee schedule, or waive fees, based upon the circumstances. Sage maintains investment, trade allocation and account valuation policies and procedures designed to address potential conflicts of interest related to the fact that clients pay varying fees.

<p>Fixed Income Strategies</p> <p>Cash Duration</p> <p>.20 of 1% to \$10 Million .15 of 1% to \$15 Million Negotiable over \$25 Million</p>	<p>ETF Strategies</p> <p>All Cap Core Plus Equity Core Plus Fixed Income Balanced Portfolios Multi Asset Income ESG Global Equity</p> <p>.40 of 1% to \$10 Million .35 of 1% on next \$15 Million .25 of 1% on next \$25 Million Negotiable over \$50 Million</p>
<p>Short Duration Moderate Duration Intermediate Duration Intermediate Corporate ESG</p> <p>.35 of 1% to \$10 Million .25 of 1% on next \$15 Million .20 of 1% on next \$25 Million Negotiable over \$50 Million</p>	<p>Target Date/Life Cycle Funds</p> <p>.40 of 1% to \$20 Million .30 of 1% on next \$20 Million .20 of 1% on next \$20 Million Negotiable over \$60 Million</p>
<p>Core Duration Fixed Income Tax Sensitive ESG Liability Driven Investment (LDI) Management (6+ Years Duration)</p> <p>.40 of 1% to \$10 Million .35 of 1% on next \$15 Million .25 of 1% on next \$25 Million Negotiable over \$50 Million</p>	<p>Liability Driven Investment (LDI) Management – ETF (8+ Years Duration)</p> <p>.40 of 1% to \$15 Million .Minimum fee of \$20,000</p>
<p>Core Plus Fixed Income</p> <p>.50 of 1% to \$25 Million .35 of 1% on next \$25 Million .20 of 1% on next \$50 Million Negotiable over \$100 Million</p>	<p>Cash Balance</p> <p>.40 of 1% to \$3 Million .35 of 1% on next \$7 Million .30 of 1% over \$10 Million Negotiable over \$25 Million</p>

Sage’s investment management fee for employers sponsoring defined contribution plans with participant-directed investments is negotiable for each particular plan client’s situation and other relevant factors, including but not limited to the size of the plan, number of participants and the plan’s custodial and recordkeeping arrangement.

Clients who select Sage to manage their SMA assets through a wrap fee program will typically do so under a single contract that the client enters into with the sponsor of the wrap fee program (“Sponsor Firm”). Under this kind of arrangement, the client pays an asset-based fee to the Sponsor Firm and, out of that fee, the Sponsor Firm is responsible for paying an investment advisory fee to Sage pursuant to the fee agreed upon in the sub-advisory agreement between Sage and the Sponsor Firm. Sage’s advisory fees are negotiated separately with each Sponsor Firm and will vary from wrap program to wrap program. Further, the fees paid to Sponsor Firms by clients participating in wrap programs will vary and Sage does not have control or influence over the fees charged to clients by Sponsor Firms.

FEE SCHEDULE FOR ASSET/LIABILITY ANALYSIS & ANALYTICS

Asset/Liability Study:

- Initial Asset/Liability Study Base Fee: \$15,000
- Subsequent Annual Study Fee: \$15,000
- Semi-Annual or Quarterly Update Fee: \$2,500

(Per each inter-period update other than an initial or annual report)

Fees for Asset/Liability Analysis & Analytics will be increased above the fee schedule amount based on Sage’s determination of the novelty, complexity and/or time required to perform these analyses. Additionally, any requested revisions, including additional assumption testing and/or scenarios, will result in additional fees depending on the nature and extent of the revisions.

Fixed income management assignments of at least \$25 million requesting the Asset/Liability Study above will be provided the study as part of the overall investment management fee as outlined in the investment management fee schedule above.

In the event the fixed income assignment is less than \$25 million the fees for each of the services will be billed separately as outlined in the Investment Management Fee Schedule and the Fee Schedule for Asset Liability Analysis & Analytics sections above.

In some instances, Sage will negotiate from its standard fee schedule based upon the circumstances. Fees for the Asset Liability services will be billed upon completion and paid prior to sending the final report.

FEE SCHEDULE FOR FIDUCIARY SERVICES

Fiduciary Services for DC plans:

- .45 of 1% to \$10 Million
- .35 of 1% on next \$15 Million
- .25 of 1% on next \$25 Million
- Negotiable over \$50 Million

Fees for 3(38) fiduciary services are assessed at the plan level and where Sage-managed CITs are components in the plan investment line-up, Sage will charge zero sub-advisor fees for assets placed in the Sage-managed CITs.

Pension Risk Management:

- .40 of 1% to \$15 Million
- Minimum fee of \$20,000

SCHEDULE D REPORTING FOR INSURANCE CLIENTS FEE SCHEDULE

The minimum fee for Schedule D services for Insurance Companies is:

- 2.5 basis points on the net asset value of the entire investment portfolio subject to an annual minimum fee of \$15,000.
- Additional fees are generally charged for additional entities and services, including automated general ledger accounting and backloading data.
- In the event there is more than one investment manager for the portfolio the fee may be higher and is subject to negotiation.
- The fee will be billed quarterly in advance based on the net asset value of the portfolio on the last business day of the preceding quarter.
- If the Schedule D services are terminated (generally upon 7 days notice) before the end of a quarter, fees paid in advance will be pro-rated for the period and the excess refunded promptly to the client.

CLIENT'S RESPONSIBILITY OF THIRD PARTY FEES

Sage's investment management fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients will incur certain charges imposed by custodians, brokers, third party investment advisers and

other third parties. Please see Item 12 for additional information about Sage's brokerage practices.

Mutual funds and exchange traded funds also charge internal management fees and other expenses which are disclosed in the fund's prospectus.

Such charges, fees and commissions are exclusive of Sage's fee. Sage does not receive any portion of these commissions, fees and expenses.

ITEM 6 – PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Sage does not charge any performance-based management fees.

ITEM 7 – TYPES OF CLIENTS

Sage offers investment management services to individuals and high net worth individuals as well as institutional clients, including those clients managed through wrap programs, corporate pension and profit-sharing plans, Taft-Hartley plans, insurance companies, charitable institutions, foundations, endowments, municipalities, registered mutual funds, exchange-traded funds, unitized funds, collective investment funds, trust programs, and other U.S. and international institutions.

Sage generally requires the account minimums listed below; however, account minimums are subject to negotiation.

Client Type	Minimum Account Size
Wrap Program Clients	\$100,000
Wrap Program ESG Clients	\$100,000
Model Provision ETF Clients	\$25,000
Model Provision ETF ESG Clients	\$25,000
Taxable Clients	\$3 million
Municipal Clients	\$1 million

ESG Clients	\$1 million
Actively Managed ETF	\$1 million
Liability Driven Investing	\$10 million
Pension Risk Management	\$1 million
Fiduciary Services for DC Plans	\$1 million
Insurance Company Clients	\$10 million

Sage manages certain proprietary accounts which are traded alongside client accounts which creates an incentive for Sage to favor proprietary accounts over other client accounts. Sage employees are allowed to invest in the Fund(s) for which Sage provides advisory or sub advisory services. Sage maintains investment, trade allocation and account valuation (including fair valuation) policies and procedures to address conflicts of interest related to these accounts.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

ANALYSIS METHODS

Security analysis methods utilized by Sage include the following:

FUNDAMENTAL

Fundamental analysis maintains that markets may misprice a security in the short run, but that the "correct" price will eventually be reached by the market. The fundamental analysis of a business involves analyzing a business's financial statements and health, management and competitive advantages, and competitors and markets.

When applied to futures and foreign exchange, it focuses on the overall state of the economy, interest rates, production, earnings, and management.

SOURCES OF INFORMATION

Sources of information Sage uses to analyze investment strategies include, but are not limited to, the following:

- Proprietary in-house research.
- Quantitative analytics & forecasting.

- NRSRO - Nationally Recognized Statistical Rating Organizations.
- Third party research materials & reports.
- Standard & subscribed databases.
- Financial newspapers and magazines
- Annual reports, prospectuses and Securities & Exchange Commission filings.

INVESTMENT STRATEGY RISKS

TAXABLE FIXED INCOME

Principal Investment Risks. Losing a portion or all of an investment is a risk of investing in taxable fixed income securities. The following principal risks could affect the value of a client's investment:

- *Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- *U.S. Government Obligations Risk.* If a government-sponsored entity is unable to meet its obligations, the performance of the strategy that holds securities of the entity will be adversely impacted. U.S. Government obligations are viewed as having minimal or no credit risk but are still subject to interest rate risk.
- *Mortgage and Asset-Backed Securities Risk.* Mortgage and asset-backed securities risk includes market risk, interest rate risk, credit risk, prepayment risk (*i.e.*, homeowners whose mortgages collateralize the securities held by the Funds may be able to prepay principal due on these mortgages), counterparty-risk and risks related to collateral posted in transactions such as TBA Transactions, as well as the risk that the structure of certain mortgage-backed securities may make their reaction to interest rates and other factors difficult to predict, making their prices very volatile.
- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial

leverage, and reduced demand for the issuer's goods and services.

- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.
- *High Yield Bond Risk.* While high yield bonds generally pay higher interest rates than other fixed income securities, there is a higher risk of income and principal loss.

MUNICIPAL FIXED INCOME

Principal Investment Risks. Losing a portion or all of an investment is a risk of investing in municipal fixed income securities. The following principal risks could affect the value of a client's investment:

- *Municipal Securities Risk.* Municipal securities rely on the creditworthiness or revenue production of their issuers or auxiliary credit enhancement features. Municipal securities may be difficult to obtain because of limited supply, which may increase the cost of such securities and effectively reduce a portfolio's yield. Typically, less information is available about a municipal issuer than is available for other types of securities issuers.
- *Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- *Tax Risk.* A strategy that invests in municipal securities may be more adversely impacted by changes in tax rates and policies than other strategies. Because interest income on municipal obligations is normally not subject to regular federal income taxation, the attractiveness of municipal obligations in relation to other investment alternatives is affected by changes in federal income tax rates applicable to, or the continuing tax-exempt status of, such interest income.
- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial

leverage, and reduced demand for the issuer's goods and services.

- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

LIABILITY DRIVEN INVESTING, FIDUCIARY SERVICES, AND INSURANCE COMPANY SERVICES

- *Debt Securities Risk.* Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations.
- *Futures Risk.* On occasion, Sage may recommend its Liability Driven Investing clients invest in futures to help lengthen duration. Risks in such transactions include, but are not limited to counterparty failures and risks related to collateral or margin. The use of futures can magnify the risk of loss in an unfavorable market. Futures may not always be successful hedges and their prices can be highly volatile. Using futures could lower the client's total return, and the potential loss can exceed a strategy's initial investment in such contracts.
- *Liability Risk.* The measurement of liabilities, whether pension fund, insurance, or non-profit, involve certain forward-looking assumptions and actuarial data. Actuarial data are affected by many factors, such as changes to fund provisions, participant population, and actuarial assumptions, and therefore are subject to change. Liability forecasts, and the current pricing of those forecasts, will be subject to change and should be monitored accordingly.
- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods and services.

- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

EXCHANGE TRADED FUNDS

- *ETF Trading Risk.* This strategy invests in ETFs. ETFs are investment companies that are bought and sold on a national securities exchange. Unlike mutual funds, ETFs do not necessarily trade at the net asset values of their underlying securities, which means an ETF could potentially trade above or below the value of the underlying portfolios. Additionally, because ETFs trade like stocks on exchanges, they are subject to trading and commission costs unlike mutual funds. Also, both mutual funds and ETFs have management fees that are part of their costs, and the strategy will indirectly bear its proportionate share of these costs.
- *Issuer Risk.* The value of a security may decline for a number of reasons, which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer’s goods and services.
- *Liquidity Risk.* Liquidity risk is the risk that a security may not be sold at the time desired or without adversely affecting the price.

ESG INVESTMENT STRATEGY RISK

ESG Investment Strategy Risk. The Fund’s ESG investment strategy limits the types and number of investment opportunities available to the Fund and, as a result, the Fund may underperform other funds that do not have an ESG focus. The Fund’s ESG investment strategy may result in the Fund investing in securities or industry sectors that underperform the market as a whole or underperform other funds screened for ESG standards. In addition, the Index Provider may be unsuccessful in creating an index composed of companies that exhibit positive ESG characteristics.

OTHER INFORMATION

In addition to the strategy specific risks identified above, client accounts are subject to general market risk and investing in securities involves risk of loss that clients should be prepared to bear. Securities purchased and held in client accounts may decline in value because of a general decline in the market. Securities markets move

in cycles, with periods of rising prices followed by periods of falling prices. The value of the securities held in client accounts will tend to increase or decrease in response to these movements. Sage does not offer any products or services that guarantee rates of return on investments for any time period to any client. All clients assume the risk that investment returns may be negative or below the rates of return of other investment advisers, market indices or investment products.

ITEM 9 – DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of Sage or the integrity of Sage. Sage has never had disciplinary information disclosures applicable to this item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Sage provides investment management services to registered investment companies on a sub-advised basis. Sage also sub-advises certain CIFs that are intended to serve as investment options for defined contribution plans with participant-directed investments. When a plan sponsor client selects Sage to serve as the investment manager for the plan’s investment menu and also selects any of the CIFs to serve as additional investment options under the plan, Sage will reduce and offset its investment management fee by the amount it earns from the plan as a sub-adviser to the CIFs. With respect to Sage’s management of client funds deemed to be “plan assets,” Sage relies upon the U.S. Department of Labor’s Qualified Professional Asset Manager exemption to avoid engaging in non-exempt prohibited transactions in those assets under ERISA and the Internal Revenue Code, and all of Sage’s investment management and other related services are designed to be compliant with or exempt from the prohibited transaction rules under ERISA. Sage is not registered as a Commodities Trading Adviser, in reliance on an exemption from registration with the CFTC under the Commodity Exchange Act.

ITEM 11 – CODE OF ETHICS

Sage has adopted a Code of Ethics and Personal Trading Policy (the “Code”) in compliance with Rule 204A-1. The Code expresses the policy and procedures of Sage and is intended to ensure that no Associated Person is taking advantage of his or her position, or even giving

the appearance of placing his or her own interests above those of Sage's clients. Sage's personnel must act as fiduciaries, and as such must place the interests of clients before their own.

Sage's Code includes:

- standards of business conduct, including limitations on giving and receiving gifts and business entertainment, making political contributions, serving as a director or trustee for an outside organization and engaging in outside business activities;
- compliance with federal securities laws;
- personal securities reporting;
- pre-clearance of certain transactions;
- prohibitions from using nonpublic information to trade in personal or client accounts;
- reporting of code violations; and
- review and enforcement.

All Associated Persons receive and acknowledge the Code and Sage's Compliance Policy Manual. In addition, all Associated Persons are required to certify compliance with the Compliance Policy Manual, including the Code, on an annual basis.

PERSONAL TRADING POLICY

Sage has adopted a personal trading policy outlined within its Code.

Sage's policy is based on the principle that it owes a fiduciary duty to clients to conduct personal securities transactions in a manner that does not interfere with client transactions or otherwise take unfair advantage of their relationship with clients.

Sage requires Associated Persons to pre-clear certain personal securities transactions. In addition, the Code requires Associated Persons to report certain security holdings initially upon being hired and annually thereafter. Finally, Associated Persons are required to report personal securities transactions to the Chief Compliance Officer on a quarterly basis.

Sage has certain proprietary accounts which fall under the definition of beneficial ownership due to certain Associated Persons' ownership stake in the firm. As provided for in Sage's portfolio management and trading policies, these accounts will participate in trade orders

along with client accounts. This creates an incentive for Sage to put the interests of the firm ahead of clients; however, the Code requires Sage to put clients' interests first and to report personal transactions and holdings to the Chief Compliance Officer in accordance with the reporting requirements described above. These accounts are exempt from the pre-clearance requirements and personal trading restrictions described above provided the transactions are done in accordance with Sage's portfolio management and trading policies and procedures.

COMPLIANCE WITH THE CODE OF ETHICS

Sage's Chief Compliance Officer is primarily responsible for implementing and administering the Code. Associated Persons are required to report any violations of the Code or applicable laws. Failure to comply with the Code can result in disciplinary action, up to and including termination.

Upon request, Sage will provide a complete copy of our Code at no charge.

ITEM 12 – BROKERAGE PRACTICES

OVERSIGHT

Sage's Brokerage Oversight Committee provides oversight of trading and brokerage policies and practices. In addition, Sage maintains investment, trading and brokerage policies and procedures. The following is an overview of trading and brokerage practices, policies and procedures.

SOFT DOLLAR ARRANGEMENTS OR OTHER BENEFITS

Sage does not have any formal or informal soft dollar arrangements with brokers. On occasion, Sage receives unsolicited research from outside sources. This information is not used in the investment decision-making process.

SELECTION OF BROKERS

Sage utilizes traditional brokers, electronic communication networks and trading systems to execute trades on clients' behalf. Sage has established a Brokerage Oversight Committee to monitor and evaluate the quality of execution received from broker-dealers executing transactions on behalf of Sage's clients and to oversee trading practices and procedures. Sage's overriding objective in effecting portfolio transactions is

to seek best execution. While the best price, giving effect to brokerage commission, if any, and other costs, is an important factor in this decision, a number of other factors will also enter into the decision. These include:

- Ability to locate liquidity;
- Inventory of fixed income securities;
- New issue supply or underwriting;
- Knowledge of and dominance in specific markets, securities and industries;
- Participation in bid/want lists;
- Quality of execution;
- Financial condition of the firm;
- Acceptable record keeping, administrative and settlement functions; and
- Reputation and integrity.

Recognizing the importance of these factors, Sage may pay commissions in excess of that which another broker or dealer might have charged for effecting the same transaction.

When managing assets for a wrap platform, Sage will trade away (“step out” trades) from the wrap program sponsor. These trades generally involve fixed income securities and do not include commissions.

BROKERAGE FOR CLIENT REFERRALS

Sage does not consider a broker-dealer’s promotion or sale of registered investment companies sub-advised by Sage when determining whether to select such broker-dealer to execute transactions for clients.

CLIENT DIRECTED BROKERAGE

In very limited circumstances, clients require Sage to direct transactions in their accounts to a particular broker-dealer (“directed brokers”). For clients utilizing a directed broker, the client may forgo any benefit from savings on execution costs that Sage may obtain for other clients, such as negotiating volume discounts on blocked orders. In addition, the client may not receive the same price or commission paid by other clients who utilize different brokers selected by Sage.

TRADE AGGREGATION AND ALLOCATION

TAXABLE FIXED INCOME

It is Sage’s policy to trade taxable fixed income securities for client accounts based on each client’s investment strategy. When practical, Sage separate client account trades will be bunched in a single order (a “block”) in an effort to obtain best execution. Sage seeks to block account trades and avoid partial fill situations. If a block

order is filled (full or partial fill) at several prices through multiple trades on the same day, an average price will be calculated for all trades executed by the broker for the block, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day are combined for purposes of calculating the average price. While generally infrequent, partial fills are allocated to give priority to those accounts that require alignment with its investment strategy. On occasion, in order to avoid odd lots Sage will identify a comparable bond that will be allocated to client accounts in which case the original allocation will be revised for the original bond.

MUNICIPAL FIXED INCOME

It is Sage’s policy to trade tax-exempt fixed income for client accounts based on each client’s investment strategy. When practical, Sage seeks to block account trades and avoid partial fill situations. If a block order is filled (full or partial fill) at several prices through multiple trades on the same day, an average price will be calculated for all trades executed by the broker for the block, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day are combined for purposes of calculating the average price. While generally infrequent, partial fills are allocated to give priority to those accounts that require alignment with its investment strategy. On occasion, in order to avoid odd lots Sage will identify a comparable bond that will be allocated to client accounts in which case the original allocation will be revised for the original bond.

ACTIVELY MANAGED ETF

It is Sage’s policy to make investment recommendations for actively managed ETF accounts, including Sage’s proprietary accounts, together. Once a decision has been made to update the ETF investment allocation model(s), Sage rotates the order in which clients are notified of changes to the model including Sage’s trading desk which then executes trades on behalf of clients. Sage does not exercise trading discretion over its model provision accounts. Sage utilizes a rotation process to place trades on behalf of client accounts and notify its model provision participating platforms of model changes so that no group of clients is consistently favored or disfavored over any other clients.

Certain actively managed ETF clients direct Sage to use a specific broker-dealer to execute trades. Sage will generally place these trades simultaneously with other client trades. Please see the Client Directed Brokerage Section for additional information.

If a block order is filled (full or partial fill) at several prices through multiple trades on the same day, an average price will be calculated for all trades executed by the broker for the block, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day are combined for purposes of calculating the average price. While generally infrequent, partial fills are allocated to accounts within the strategy on a pro rata basis, subject to rounding and reasonable efforts to minimize trading costs.

DEVIATIONS FROM POLICY

Sage's policy allows for acceptable deviations from the practices described above.

CROSS TRADES

Sage will enter into cross transactions between client accounts when, in Sage's judgment, it is in the best interest of each client participating in the transaction. Sage will typically engage in cross transactions when one client needs to sell a bond as a result of an account liquidation, client instruction to raise cash, or, portfolio rebalancing and another client is in need of a similar position. The accounts needing the bonds are typically new accounts that are not fully invested, accounts with high cash balances, and accounts that need to be brought in line with composite characteristics. Sage determines the price by using the prior day's closing price provided by a pricing vendor and adjusting that price based upon current day market data such as the Municipal Market Data scales, trading activity and bid/ask spreads. In addition, a customary brokerage transaction fee is assessed to the sell side of the transaction. This transaction fee is a nominal flat fee, that as of 2018, is typically between \$50-\$100 per transaction ticket. The number of transaction tickets included in cross transaction is determined by the number of block order allocations involved in the cross transaction. When executing cross transactions, the firm strives to achieve best execution and considers the following factors when selecting a broker-dealer with which to cross trade:

- Ability to provide liquidity;

- Knowledge of and dominance in specific markets, securities and industries;
- Price;
- Quality of execution;
- Acceptable record keeping, administrative and settlement functions;
- Execution of cross trades; and
- Reputation and integrity; and
- Financial condition of the firm.

Sage will not engage in cross transactions with its ERISA accounts, IRAs, proprietary accounts or Funds advised or sub-advised by the firm.

All cross transactions will be done in accordance with our Cross Transactions Policy. In addition, the Brokerage Oversight Committee is responsible for oversight of cross transactions.

TRADE ERRORS

It is Sage's policy for clients to be made whole following a trade error. When Sage causes a trade error to occur in a client account that results in a loss, Sage will reimburse the client. If the trade error results in a gain, the client will keep that gain. In situations where a trade error occurs due to a third party's error, Sage will work with the third party to reasonably ensure the client is not negatively impacted by the error.

ITEM 13 REVIEW OF ACCOUNTS

ACCOUNT REVIEW

Sage regularly monitors and reviews client accounts with the objective of ensuring Sage operates in accordance with: clients' investment policy statements, investment objectives and investment restrictions; written disclosures; management objectives; and Sage's fiduciary obligation to act in the best interests of its clients. Reviews are consistently performed by the investment personnel assigned to the account and all accounts are reviewed on a regular basis. Clients are generally provided with monthly reports, while certain clients receive additional reporting based on the nature of the services received.

REPORTS

Our practice is to provide monthly portfolio evaluations, quarterly performance reviews and pertinent investment commentaries. Sage provides clients with convenient password protected access to their account information anytime, from anywhere via Sage's website. Copies of

all confirmations of purchases and sales are mailed by the executing broker directly to the client. Since Sage does not perform any custodial services, reports concerning such services will be forwarded directly to the client by the custodian.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

CLIENT REFERRALS

On occasion, Sage has entered into written solicitation agreements with third parties who refer potential clients to Sage. Such agreements will be disclosed to potential clients in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940.

The written agreement between Sage and any such solicitor requires, among other things, that the solicitor, at the time of rendering any solicitation activities for which compensation is to be paid, must provide the client with a current copy of Part 2A of Sage's Form ADV.

In addition, a separate written disclosure document containing:

- the name of the solicitor
- Sage's name
- the nature of the relationship between the solicitor and Sage
- a statement that the solicitor shall be compensated by Sage for his solicitation services
- the terms of such compensation arrangement and
- the amount, if any, the client will be charged for the cost of obtaining his account, in addition to the advisory fee, and the differential, if any, between the level of investment advisory fees the client shall be charged by Sage because of the existence of the arrangement between the solicitor and Sage and the amount the client would be charged if there were no such agreement

ITEM 15 – CUSTODY

Sage has limited custody for the sole purpose of deducting advisory fees directly from some of our client accounts. Sage does not maintain custody of client assets. Sage's clients should receive quarterly statements from their broker dealer, bank or other

qualified custodian that holds and maintains their investment assets.

Sage urges clients to carefully review their statements and compare the qualified custodian statement to the account statements that Sage provides.

Our statements can vary from custodial statements based on accounting procedures, trade reporting dates, or valuation methodologies of certain securities.

ITEM 16 – INVESTMENT DISCRETION

Sage generally provides portfolio management services on a discretionary basis, however some accounts are managed on a non-discretionary basis. All accounts are subject to a written investment advisory agreement which describes discretionary authority, any investment limitations, investment objectives, fees and other matters.

ITEM 17 VOTING CLIENT SECURITIES

A client's investment advisory agreement with Sage governs the responsibility for voting proxies within client accounts. As Sage is primarily a fixed income investment manager it is very rare for Sage to receive a proxy in which to vote. In limited situations, Sage will receive a proxy to vote as a result of a client holding fixed income corporate obligations and ETFs. When providing investment management services to employers sponsoring defined contribution plans with participant-directed investments, Sage will be responsible for voting any proxies relating to the exchange traded funds that are offered as investment options to participants under the plan, unless the plan sponsor reserves such responsibility to itself in accordance with ERISA and as provided under the investment management agreement.

When voting a particular proxy proposal, Sage takes into consideration, among other items:

- Management's assertions regarding the proxy proposal;
- Sage's determination of how the proxy proposal will impact its clients; and
- Sage's determination of whether the proxy proposal will create dilution for shareholders.

Sage will generally support management's recommendations on proxy issues related to business operations matters. Sage believes a company's management should generally have the latitude to make decisions related to the company's business operations.

However, when Sage believes the company's management is acting in an inconsistent manner with its clients' best interests Sage will vote against management's recommendations. Sage will generally vote against non-salary compensation plans (such as stock compensation plans, employee stock purchase plans and long-term incentive plans) unless, in Sage's opinion, such plans are structured to not create serious dilution to shareholders and Sage will analyze all other compensation plans on a case-by-case basis. Sage will review proxy proposals regarding control matters (e.g., mergers and anti-takeover tactics) related to a company on a case-by-case basis. Sage generally opposes measures limiting the rights of shareholders. Sage generally opposes measures preventing shareholders from accepting an offer of a sale of a company.

In evaluating a proxy proposal, Sage could encounter a material conflict of interest. Sage has a duty to recognize and resolve a conflict before voting the proxy. Sage's proxy voting policies and procedures describe the actions taken when a conflict is identified.

A copy of Sage's proxy voting policies and procedures as well as a copy of our voting record is available upon request.

conflict, and does not believe it results in unfair treatment of its clients. *[End of Brochure]*

ITEM 18 – FINANCIAL INFORMATION & REQUIRED DISCLOSURES

Registered investment advisers are required in this Item to provide certain financial information or disclosures about Sage's financial condition.

Sage has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

OTHER INFORMATION

CLASS ACTIONS AND OTHER LEGAL PROCEEDINGS

Sage does not file legal proceedings, including class actions, on behalf of clients.

DUAL ROLES

Sage's Chief Compliance Officer is also its Chief Financial Officer which may present a conflict of interest in performing the dual roles. Sage maintains policies, procedures and controls to routinely monitor this