

# ETF Approved Substitutes Program

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Sometimes investors using exchange-traded fund (ETF) strategies wish to have the flexibility to substitute strategy-selected ETFs for other ETFs.

At SEI, our Approved Substitutes program empowers investors to do just that. We provide a list of substitutes that we have vetted and deemed as offering similar asset-class characteristics to those of a Strategy's ETFs.

## Are approved ETF substitutes right for your clients?

**We think they may be worth considering if:**

- › Your clients are looking for additional options outside of SEI-selected investments within the SEI Tactical and Tax-Managed ETF Strategies
- › Your clients are looking to transition ETFs from another program with large embedded capital gains
- › Your clients want to express their environmental, social and governance (ESG) convictions through investment decisions

Our Approved Substitutes program is offered for our Tax-Managed ETF Strategies and Tactical ETF Strategies.

	Tax-transition ETF substitutes available	ESG ETF substitutes available
Tax-Managed ETF Strategies	✓	✓
Tactical ETF Strategies		✓
Strategic ETF Strategies		

## Tax-Transition ETF Substitutes

Tax-transition ETF substitutes are available for use in the Tax-Managed ETF Strategies to help your clients manage the tax implications of opening a new account.

Through our Approved Substitutes program, we provide a list of substitute ETFs in which clients may choose to invest in place of SEI-selected ETFs. Each substitute has been vetted and determined as offering asset-class characteristics similar to those of the ETF it would replace.

The purpose of these substitutes is to give clients the opportunity to avoid (or delay) the immediate tax impact of selling an ETF that may result in a large embedded gain.

## Exhibit 1: Tax-Managed ETF Strategies—Tax-Transition Substitutes

Large Cap Core*		U.S. Managed Volatility		Small Cap Growth	
Ticker	ETF Name	Ticker	ETF Name	Ticker	ETF Name
IVV	iShares® Core S&P 500 ETF	LGLV	SPDR® SSGA U.S. Large Cap Low Volatility Index ETF	IJT	iShares® S&P Small-Cap 600 Growth ETF
IWB	iShares® Russell 1000 ETF			SLYG	SPDR® S&P 600™ Small Cap Growth ETF
SCHX	Schwab U.S. Large-Cap ETF			VIOG	Vanguard S&P Small-Cap 600 Growth Index ETF
SPLG	SPDR® Portfolio Large Cap ETF			VTWG	Vanguard Russell 2000 Growth Index ETF
SPY	SPDR® S&P 500® ETF Trust				
VONE	Vanguard Russell 1000 Index ETF				
VOO	Vanguard S&P 500 ETF				
VV	Vanguard Large-Cap Index ETF				

  

Large Cap Value		International Developed		Emerging Markets	
Ticker	ETF Name	Ticker	ETF Name	Ticker	ETF Name
IVE	iShares® S&P 500 Value ETF	EFA	iShares® MSCI EAFE ETF	EEM	iShares® MSCI Emerging Markets ETF
IWD	iShares® Russell 1000 Value ETF	SCHF	Schwab International Equity ETF	SCHE	Schwab Emerging Markets Equity ETF
SPYV	SPDR® Portfolio S&P 500® Value ETF			SPEM	SPDR® Portfolio Emerging Markets ETF
VONV	Vanguard Russell 1000 Value Index ETF				
VOOV	Vanguard S&P 500 Value ETF				

  

Large Cap Growth		Small Cap Core*		Options Writing	
Ticker	ETF Name	Ticker	ETF Name	Ticker	ETF Name
IVW	iShares® S&P 500 Growth ETF	IWM	iShares® Russell 2000 ETF	HSPX	Global X S&P 500® Covered Call ETF
IWF	iShares® Russell 1000 Growth ETF	VB	Vanguard Small-Cap ETF		
SPYG	SPDR® Portfolio S&P 500® Growth ETF	IJR	iShares® Core S&P Small-Cap ETF		
VONG	Vanguard Russell 1000 Growth Index ETF	SCHA	Schwab U.S. Small-Cap ETF		
VOOG	Vanguard S&P 500 Growth Index ETF	SLY	SPDR® S&P® 600 Small Cap ETF		
		SPSM	SPDR® S&P 600™ Small Cap ETF		
		VIOO	Vanguard S&P Small-Cap 600 Index ETF		
		VTWO	Vanguard Russell 2000 Index ETF		

  

Large Cap Growth		Small Cap Value		Municipal Bonds	
Ticker	ETF Name	Ticker	ETF Name	Ticker	ETF Name
IVW	iShares® S&P 500 Growth ETF	IJS	iShares® S&P Small-Cap 600 Value ETF	TFI	SPDR® Nuveen Bloomberg Barclays Municipal Bond ETF
IWF	iShares® Russell 1000 Growth ETF	SLYV	SPDR® S&P 600™ Small Cap Value ETF	NYF	iShares® New York Muni Bond ETF
SPYG	SPDR® Portfolio S&P 500® Growth ETF	VIOV	Vanguard S&P Small-Cap 600 Value ETF	CMF	iShares® California Muni Bond ETF
VONG	Vanguard Russell 1000 Growth Index ETF	VTWV	Vanguard Russell 2000 Value Index ETF		
VOOG	Vanguard S&P 500 Growth Index ETF				

  

Emerging Market Debt (Dollar-Denominated)		Emerging Market Debt (Local Currency)	
Ticker	ETF Name	Ticker	ETF Name
PCY	Invesco Emerging Markets Sovereign Debt ETF	ELD	WisdomTree Emerging Markets Local Debt Fund

\*Core selections combine value and growth allocations.

The Tax-Managed ETF Strategies may use tax-management techniques aside from the Approved Substitutes program, such as purchasing municipal fixed-income ETFs in an effort to create tax-exempt income; control portfolio turnover levels; sell securities with the least tax impact; defer the realization of capital gains; and opportunistically harvest losses.

SEI (or an overlay manager) will also seek to manage the portfolio in a manner intended to avoid the occurrence of a wash sale (that is, selling a security at a loss and, either 30 days before or after the sale, repurchasing the same or substantially identical security at neither a loss nor a gain)—while maintaining exposure to its mandated asset classes. SEI (or the overlay manager) may do so by purchasing a similar (but not identical) ETF when the sale of a selected ETF tax-lot position (that is, a security that is purchased at another time and therefore associated with a different price) results in a recognized loss.

## State-Specific Municipal Bond ETF Substitutes

One major benefit of municipal (muni) bonds is that the interest they pay is generally exempt from federal income taxes. It is also typically exempt from state income taxes if the bond issuer is located in the investor's home state. The State-Specific Municipal Bond ETF substitutes are available for clients who wish to benefit from the state income tax exemption. These substitutes are offered in the Tax-Managed ETF Strategies as a replacement for the National Municipal ETF.

### **iShares New York Muni Bond ETF**

**Ticker: NYF**

This ETF seeks to track the investment results of an index composed of investment-grade municipal bonds issued in the state of New York.

### **iShares California Muni Bond ETF**

**Ticker: CMF**

This ETF seeks to track the investment results of an index composed of investment-grade municipal bonds issued in the state of California.

## ESG ETF Substitutes

The ESG ETF substitutes are available for clients who wish to express their ESG convictions through their investment decisions. This gives them an opportunity to stay true to their values while striving to meet their financial goals. These substitutes are offered in the both the Tax-Managed ETF and Tactical ETF Strategies within the following asset classes:

- U.S. large cap
- U.S. small cap
- International developed markets
- Emerging markets
- U.S. fixed income

## U.S. Large-Cap ETFs

### **iShares® ESG MSCI USA ETF**

**Ticker: ESGU**

This ETF offers exposure to an index composed of U.S. companies that have positive ESG characteristics (as identified by the index provider) that also exhibit risk and return characteristics similar to those of the parent index, the MSCI USA Index. The MSCI USA Index is designed to measure the performance of the large- and mid-cap segments of the U.S. market.

### **iShares® MSCI KLD 400 Social ETF**

**Ticker: DSI**

This ETF offers exposure to an index consisting of companies that have positive ESG characteristics. The ETF comprises mostly large-cap and mega-cap U.S. companies that are well-known among investors, and can be used to substitute other large-cap funds that are potentially appealing to investors who wish to hold more ESG-friendly companies.

### **SPDR® S&P 500 Fossil Fuel Reserves Free ETF**

**Ticker: SPYX**

This ETF offers exposure to the S&P 500 Fossil Fuel Free Index. It seeks to allow climate-conscious investors to align the core of their investment strategy with their values by eliminating exposure to companies that own fossil-fuel reserves from the S&P 500® Index. Like the S&P 500® Index, the benchmark for this ETF focuses on U.S. large-cap equities.

### **Global X S&P 500 Catholic Values ETF**

**Ticker: CATH**

This ETF offers exposure to the S&P 500 Catholic Values Index. It provides exposure to companies in the S&P 500® Index that are perceived to adhere to the Socially Responsible Investment Guidelines (the Guidelines) outlined by the United States Conference of Catholic Bishops (USCCB). It excludes those companies that are involved in activities which are perceived to be inconsistent with Catholic values as outlined in the Guidelines.

### **SPDR® SSGA Gender Diversity Index ETF**

**Ticker: SHE**

This ETF offers exposure to an index designed to measure the performance of U.S. large-cap companies that exhibit greater gender diversity in their senior leadership positions than other firms in their sector. Companies in the Index are ranked within each sector by three gender-diversity ratios.

## U.S. Small-Cap ETFs

### **iShares® ESG MSCI USA Small-Cap ETF**

**Ticker: ESML**

This ETF offers exposure to an optimized index designed to produce investment results comparable to a capitalization-weighted index of small-cap U.S. companies while reflecting a higher allocation to those companies with favorable ESG profiles (as determined by the index provider).

## International Developed Markets ETFs

### **iShares® ESG MSCI EAFE ETF**

**Ticker: ESGD**

This ETF offers exposure to an index designed to correspond generally to the risk and return characteristics of the MSCI EAFE Index, comprising large- and mid-cap developed-market equities (excluding the U.S. and Canada) that have positive ESG characteristics (as identified by the index provider).

### **SPDR® MSCI EAFE Fossil Fuel Reserves Free ETF**

**Ticker: EFAX**

This ETF offers exposure to the MSCI EAFE ex-Fossil Fuels Index. It seeks to allow climate-conscious investors to align their investment strategy with their values by limiting exposure to companies from the MSCI EAFE Index that own fossil-fuel reserves. For clients who are interested in minimizing fossil-fuel reserves exposure from their portfolio, this ETF may serve as an alternative to traditional international developed-markets exposure.

## Emerging Markets ETF

### **iShares® ESG MSCI EM ETF**

**Ticker: ESGE**

This ETF offers exposure to an index composed of large- and mid-cap emerging-market equities with positive ESG characteristics (as identified by the index provider) and seeking to exhibit risk and return characteristics similar to those of the MSCI Emerging Markets Index.

## U.S. Fixed Income ETF

### **iShares® ESG U.S. Aggregate Bond ETF**

**Ticker: EAGG**

This ETF offers exposure to an index composed of U.S. dollar-denominated investment-grade bonds from issuers generally evaluated for favorable ESG practices while still exhibiting risk and return characteristics similar to those of the broad U.S. dollar-denominated investment-grade bond market.

## Tactical ETF Strategies

All of the above ESG Approved Substitutes are available in our Tactical ETF Strategies.

Your clients can build an ESG-oriented tactical portfolio by substituting multiple ESG ETFs across asset classes. Exhibit 2 provides a hypothetical example. In the Tactical Market Growth ETF Strategy, we replaced about 80% of the Strategy's recommended ETFs with ESG-oriented investments (in dark purple). The approved Substitutes cover U.S. large- and small-cap, core fixed income, international developed and emerging markets.

**Exhibit 2: Sample Allocations—ESG-Oriented version of Tactical Market Growth ETF Strategy**

ETF Fund Name	Recommended Ticker	Strategic Allocation (%)	ESG Approved Substitute	ESG Approved Substitute Ticker
SDIT Government Money Market Fund (non-ETF)	SEOXX	1.00	No	N/A
Invesco Senior Loan ETF	BKLN	1.00	No	N/A
iShares® JPMorgan USD Emerging Markets Bond	EMB	3.00	No	N/A
VanEck Vectors J.P. Morgan EM Local Currency Bond ETF	EMLC	3.00	No	N/A
SPDR® Bloomberg Barclays High Yield Bond ETF	JNK	6.00	No	N/A
Vanguard Short-Term TIPS	VTIP	6.50	No	N/A
Vanguard Total Bond Market	BND	23.00	Yes	EAGG
Schwab US Large Cap	SCHX	27.50	Yes	ESGU
Vanguard FTSE Developed Markets ETF	VEA	19.00	Yes	ESGD
Schwab US Small Cap	SCHA	5.00	Yes	ESML
Vanguard FTSE Emerging Markets	VWO	5.00	Yes	ESGE

For more information about the Approved Substitutes program, contact your SEI representative.

## Tax-Managed ETF Strategies

When using the Approved ESG Substitutes for the Tax-Managed ETF Strategies, ESG Approved Substitutes replace the strategy's selected ETFs. The Substitutes are monitored for tax-loss harvesting opportunities. If such an opportunity arises and an ESG substitute is indeed sold, a secondary non-ESG-oriented ETF will serve as a replacement during the wash-sale period. After the wash-sale period expires, the secondary ETF is sold, and the original ESG Approved Substitute selection is repurchased.

SEI always prioritizes returning to your client's selected ESG Approved Substitute after the wash-sale period expires; however, if the market goes up during the wash-sale period, the portfolio may be subject to short-term gains.

## Important Information

*This information should not be relied upon by the reader as research or investment advice and is intended for educational purposes only.*

*SEI Investments Management Corporation (SIMC) is the adviser to the SEI Tactical and Tax-Managed ETF Strategies. For a complete description of all fees and expenses for separately managed accounts, please refer to SIMC's Form ADV Part 2A (or the appropriate wrap brochure).*

*Consider the SEI Tactical and Tax-Managed ETF Strategies' investment objectives, risks, charges and expenses carefully before investing. The Strategies invest in exchanged-traded products (ETPs) to obtain the desired exposure to an asset class. A copy of each ETP's prospectus is available upon request. The prospectus includes information concerning each fund's investment objective, strategies and risks.*

*There are risks involved with investing, including loss of principal. Diversification may not protect against market risk. There is no assurance the objectives discussed will be met. The Strategies' investment performance, because they are a portfolio of funds, depends on the investment performance of the underlying funds in which they invest. The funds in the portfolio are subject to tracking error risk, or the risk that the fund's performance may vary substantially from the performance of the index it tracks as a result of cash flows, expenses, imperfect correlation between the fund and the index and other factors.*

*The Strategies' underlying funds invest in: foreign securities, which subject them to risk of loss not typically associated with domestic markets, such as currency fluctuations and political uncertainty; and fixed income securities, which subject them to credit risk – the possibility that the issuer of a security will be unable to make interest payments and/or repay the principal on its debt – and interest rate risk – changes in the value of a fixed-income security resulting from changes in interest rates. The underlying funds may also invest in commodities markets, which subject the Strategies to greater volatility than investments in traditional securities, such as stocks and bonds. The value of a commodity investment will rise or fall in response to changes in the underlying commodity or related benchmark or investment, changes in interest rates or factors affecting a particular industry or commodity, such as natural disasters, weather and U.S. and international economic, political and regulatory developments.*

*SIMC does not represent in any manner that the tax consequences described as part of its tax-management techniques and strategies will be achieved or that any of SIMC's tax-management techniques, or any of its products and/or services, will result in any particular tax consequence. The tax consequences of the tax-management techniques, including those intended to harvest tax losses, and other strategies that SIMC may pursue are complex and uncertain and may be challenged by the IRS. Neither SIMC nor its affiliates provide tax advice.*

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*If an underlying fund is subject to certain social investment criteria it may avoid purchasing certain securities for social reasons when it is otherwise economically advantageous to purchase those securities, or may sell certain securities for social reasons when it is otherwise economically advantageous to hold those securities.*