

# Process in Action

The Active Investment Management Process



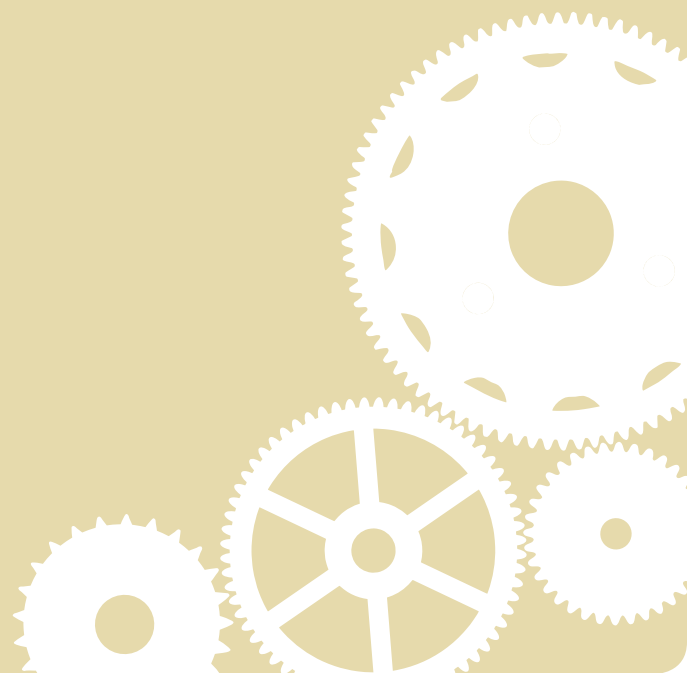
We believe that the best way to help clients meet their investment goals is by actively managing a six-tier process—asset allocation, portfolio design, investment manager selection, portfolio construction and management, tax management and risk management. The end objectives are to (1) produce consistent returns, (2) lower overall volatility, and (3) measure progress towards goals.

The six steps that compose our process have been refined over four decades of serving individual and institutional investors. The process is built around a deep understanding of the markets, disciplined research, a sharp focus on risk management, broad diversification and a commitment to goal achievement.

Active management can be compared to a quality wristwatch. On the surface, a watch appears simple. The hands move slowly and dependably around the elegant face. Under the

surface a complex set of interlocking gears all work together to keep you on schedule.

In this brochure, we review how we first analyze and anticipate changing market conditions, and then execute three of the active management tiers—asset allocation, portfolio construction, and manager selection.



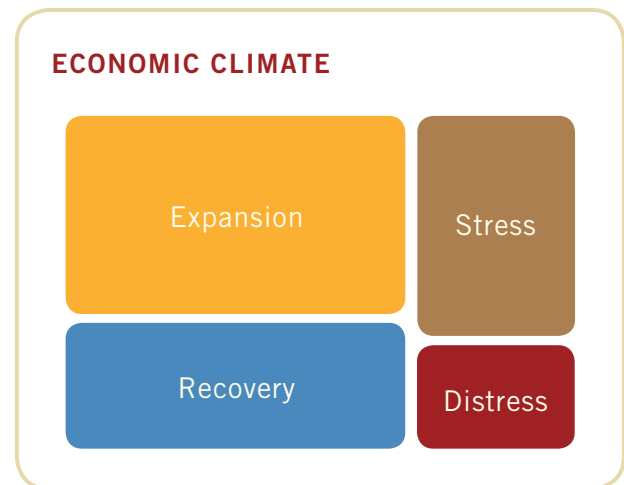
## Analyzing and Anticipating the Market

The proper allocation of assets between asset classes (stocks, bonds, cash) requires understanding where the market is in the continuous cycle of expansion, stress, distress and recovery. So, in our effort to tap all possible sources of alpha (or return in excess of what the market provides), we continuously explore possible answers to many related questions:

1. What's the current and anticipated economic climate? Is the economy facing headwinds? Or tailwinds? What's the overall employment and GDP picture?
2. What effects will changes in monetary and fiscal policies have on the markets?
3. What levels of economic growth have we seen? Will it continue? Reverse course? Or stay relatively flat?
4. What can we expect in the way of equity market returns? Are they relatively stable or should we expect (and prepare for) volatility?
5. How are the credit markets functioning? As we learned in the 2007–2008 recession, smoothly functioning credit markets are essential to economic growth and stability.
6. What can we expect from the Federal Reserve in terms of interest rates? Will inflation – or deflation – or disinflation – be a significant risk?

All of this data and more is employed inside our active management process.

As active managers, our role is to design individual portfolios and modify the asset allocations in those portfolios in response to market changes. In addition, because we act as a manager of managers, we design and construct fund portfolios by evaluating and selecting independent, best-in-class investment managers to manage those fund portfolios according to our overall direction. And because we are constantly reviewing both market changes and manager performance, we will change the manager lineup inside a particular fund as necessary to maintain the fund's overall objectives. Here's a closer look at the results of those ongoing processes.



## Asset Allocation

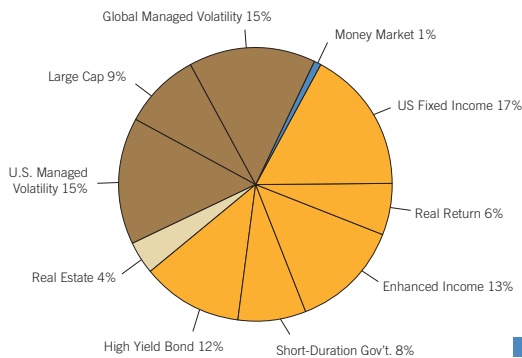
Although changes in asset allocation may not be large, they are still necessary to maintain the investment strategy selected for you. As an example, the charts below show recent allocation changes made to our Private Client Moderate Strategy.

In addition, as markets go up and down, the values of the different parts of your portfolio can

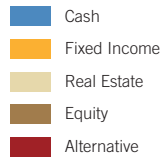
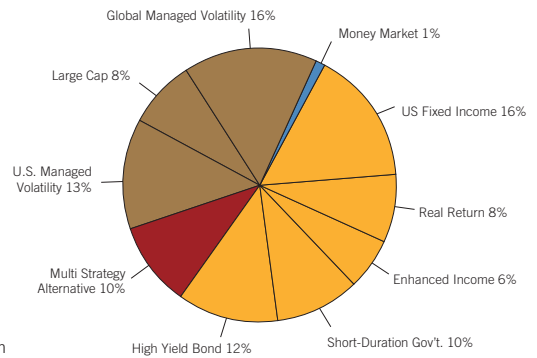
change with them, causing your portfolio's asset allocation to drift away from your original targets. So we periodically analyze your portfolio's allocations and, if necessary, rebalance each segment back to the original target weights.

### CHANGING ALLOCATIONS AS MARKETS CHANGE

Strategy Allocations for the First Quarter of 2010



Strategy Allocations for the Third Quarter of 2010



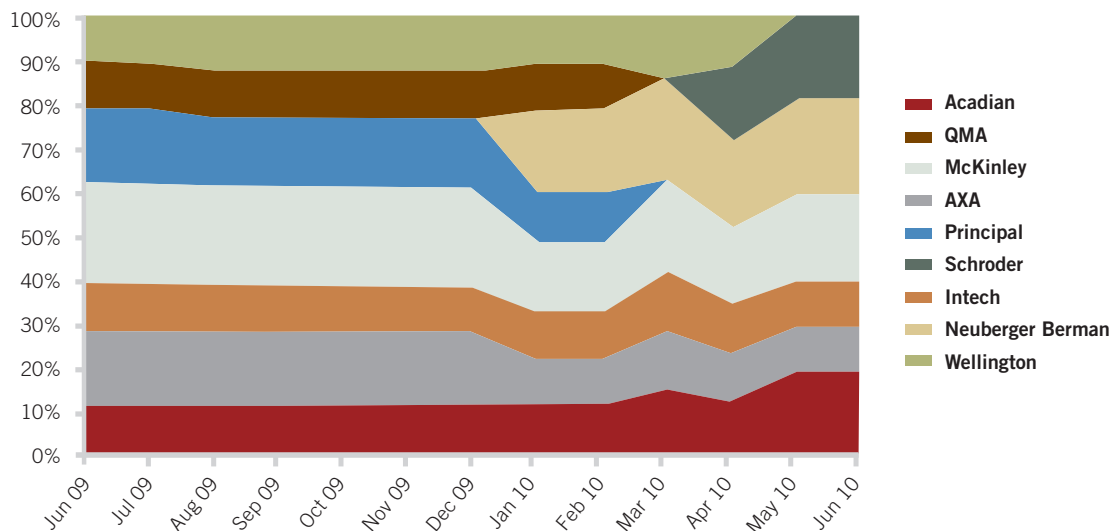
## Portfolio Design

Just as we periodically review and potentially change the ratio of stocks, bonds and cash inside a portfolio, we also continuously review the asset levels we assign to each independent investment manager inside each fund. We identify alpha sources, or returns in excess of benchmark returns, across our equity, fixed-income and alternative-investment portfolios. We look for those sources of excess return that have demonstrated staying power over the long term across multiple markets in a given geographic region. Alpha sources are classified into four broad categories; this allows us to create portfolios that are not simply diversified between equity and fixed-income strategies,

but also diversified\* across the underlying drivers of alpha.

As an example, the chart below shows changes made in one of our International Equity funds over a recent one-year period as the market environment changed. We made changes to increase the allocation to selection specialists, that is, managers whose approach we expect to perform better in an expanding market. This is because in expansion, companies tend to differentiate themselves from the competition, and managers with a strong research base and a focus on security selection tend to have an advantage.

**INTERNATIONAL EQUITY FUND—MANAGER ALLOCATION CHANGES  
JUNE 2009 TO JUNE 2010**



*The chart above depicts the increases and decreases in assets allocated to specific managers within the Fund.*

\*Diversification may not protect against market risk.

## Investment Manager Selection

We aim to identify, classify and validate manager skill. Differentiating manager skill from market-generated returns is one of our primary objectives, as we seek to identify managers that can deliver consistent results. We develop forward-looking expectations regarding how a manager will execute a given investment assignment, environments in which the related investment strategy should outperform, and environments in which the strategy might underperform.

Since we have the ability to review each investment manager's actual holdings within any of our funds, we can quickly and consistently

determine if they are working within our guidelines and expectations. If needed, we will change the manager lineup inside a fund, change the level of assets assigned to a specific manager, or terminate and replace that manager with another.

In our analysis, there are a number of specific reasons to change or end a manager's assignment in a fund.

The following list includes a summary of manager changes executed across all SEI funds over a recent six-month period:

FUND	ACTION	RATIONALE
SIMT Tax-Managed Large Cap	<b>Removal</b> of Goldman Sachs	<b>Consistency</b> – Removed for portfolio construction reasons/ remaining managers will provide diversified growth exposure.
SIMT Large Cap	<b>Removal</b> of Intech Investment Management	<b>Consistency</b> – Removed for portfolio construction reasons to allow for reallocation of capital to more specialized managers. Core exposure maintained by QMA.
SIMT Large Cap Growth	<b>Removal</b> of QMA	<b>Consistency</b> – Removed for portfolio construction reasons to allow for reallocation of capital to more specialized managers.
SIMT Large Cap Value	<b>Addition</b> of Lazard Asset Management	<b>Diversification</b> – Added to provide a diversified source of risk and return via a fundamental stock selection approach with a partial focus on top-down viewpoint.
SIMT Mid Cap	<b>Replacement</b> of Martingale with Lee Munder and Wells Capital	<b>Conviction</b> – Execution by Martingale has not met return consistency or alpha-generation goals. Lee Munder (Value) and Wells Capital (Growth) offer skilled stock selection capabilities and diversification.
SIMT Small Cap Value	<b>Removal</b> of Martingale	<b>Conviction</b> – Execution by Martingale has not met return consistency or alpha generation goals.
SIT International Equity	<b>Replacement</b> of McKinley, Principal and Wellington with Schroders	<b>Diversification</b> – Portfolio changes allow for greater diversification across differentiated investment processes to drive more consistent risk and return experience.
SIT Emerging Markets Equity	<b>Addition</b> of Lazard Asset Management and Neuberger Berman Management	<b>Conviction</b> – Added to provide measured exposure to emerging managers with unique investment capabilities.
SIMT Core Fixed Income	<b>Addition</b> of Jennison Associates	<b>Conviction</b> – Added to provide a diversified source of risk and return via skillful security selection.
SIMT U.S. Fixed Income	<b>Addition</b> of Jennison Associates	<b>Conviction</b> – Added to provide a diversified source of risk and return via skillful security selection.

## Portfolio Construction and Management

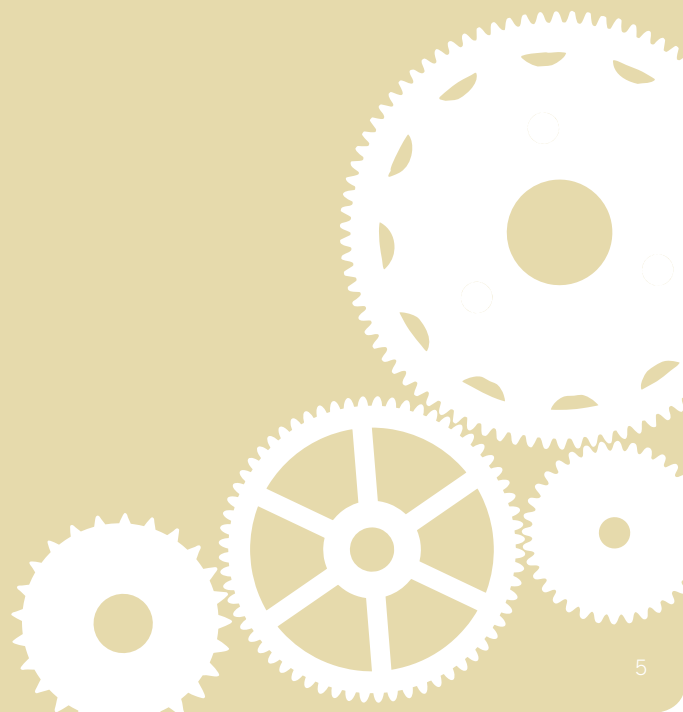
The portfolio construction process is designed to maximize the risk-adjusted rate of return by finding a proper level of diversification between alpha sources and the investment managers implementing them. Based on our asset-class-specific analysis, as well as typical investor risk tolerances, we set strategic alpha source allocation targets at the fund level. We use a manager-of-managers approach to construct our portfolios, which we believe will result in better risk management and a more cost-effective implementation.


## Tax Management

Taxes can take away a good portion of an investor's total return and significantly reduce an investor's chances of meeting his or her goals. To that end, we address tax management at all levels of the investment process. In order to help control tax implications, we make tax sensitivity an ongoing process from portfolio design and construction to tax efficient manager selection, continual monitoring and portfolio management.

## Risk Management

SEI's Risk Management Group focuses on common risks across and within asset classes. Daily monitoring of assigned portfolio tolerances and deviations results in an active risk mitigation program. Separation from SEI portfolio managers in the Investment Strategies Group allows the Risk Management Group to maintain objectivity and look at the entire spectrum of SEI's investment offerings to ensure risk objectives are being met.





Disciplined, forward-thinking active management is the way we can best help you meet your investment goals. So we constantly analyze and anticipate the markets. We make sure that your portfolio's asset allocation reflects both your goals and changes in the markets. And we constantly monitor both the lineup of managers and their weight in your portfolio, as well as the performance of individual managers, making changes wherever needed. All of our gears work together, designed to keep you on track by maintaining your portfolio at the structure best suited to meet your objectives.

Talk to your financial professional about your specific investment goals. He or she will be glad to show you how active investment management fits into your investment picture and can keep you on schedule to meet your own investment timetable.

*SEI Investments Management Corporation (SIMC) is the adviser to the SEI Funds, which are distributed by SEI Investments Distribution Co. (SIDCo.) SIMC and SIDCo are wholly owned subsidiaries of SEI Investments Company. For those SEI Funds which employ the 'manager of managers' structure, SEI Investments Management Corporation has ultimate responsibility for the investment performance of the Fund due to its responsibility to oversee the sub-advisers and recommend their hiring, termination and replacement.*

*There are risks involved with investing, including possible loss of principal. Current and future portfolio holdings are subject to risks. Diversification may not protect against risk.*

*Carefully consider the investment objectives, risk factors and charges and expenses before investing. This and other information can be found in the Fund's prospectus, which can be obtained by calling 1-800-DIAL-SEI. Read it carefully before investing.*

*In addition to the normal risks associated with equity investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations.*

*Past performance does not guarantee future results.*