Process in Action

Active Investment Management

SEI New ways. New answers.®

seic.com/advisors

Active management can be compared to a classic, quality wristwatch. Your timepiece may appear simple on the surface, with hands ticking slowly and dependably around the elegant face—but under the surface, a complex set of interlocking gears works together to keep you on schedule and keep your watch lasting for generations.

Like the smooth-but-complex operation behind a beautifully crafted wristwatch, we follow an intricate six-tier active management process to help meet your financial goals.

We aim to produce consistent returns, lower overall volatility, and measure progress toward investment objectives.

We've refined our approach over more than four decades of serving individual and institutional investors, with a deep understanding of the evolving markets, disciplined research, a sharp focus on risk management, broad diversification, and a commitment to our clients.

SEI six-tier process

Asset allocation

Portfolio design

Investment manager selection

Portfolio construction and management

Tax management

Risk management

A prep step for our six-tier process: analyze and anticipate market conditions

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

- What's the current and anticipated economic climate? Is the economy facing headwinds? Or tailwinds?
- What effects will changes in monetary and fiscal policies have on the markets?
- What can we expect in the way of equity market returns? Have they been relatively stable? Should we expect (and prepare for) volatility?
- 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.
- What can we expect from the Federal Reserve in terms of interest rates? Will inflation or deflation be a significant risk?

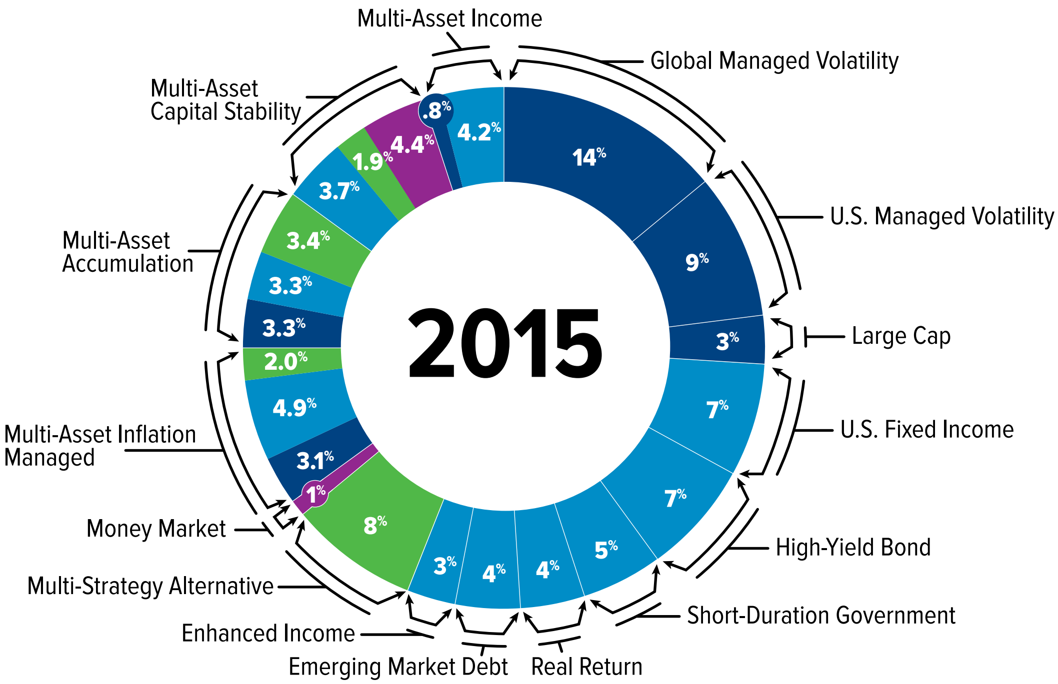
The answers to these types of questions give us data that we use in our active management process.

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 portfolios by evaluating and selecting independent, best-in-class investment managers to manage those portfolios according to our overall direction. We continually review both market changes and manager performance; therefore, we change the manager lineup of a particular strategy as necessary to maintain the overall objectives. Here's a closer look at the results of those ongoing processes.

Asset allocation–the balancing act

Changes to asset allocation—even when small—are necessary to maintain a customized investment strategy.

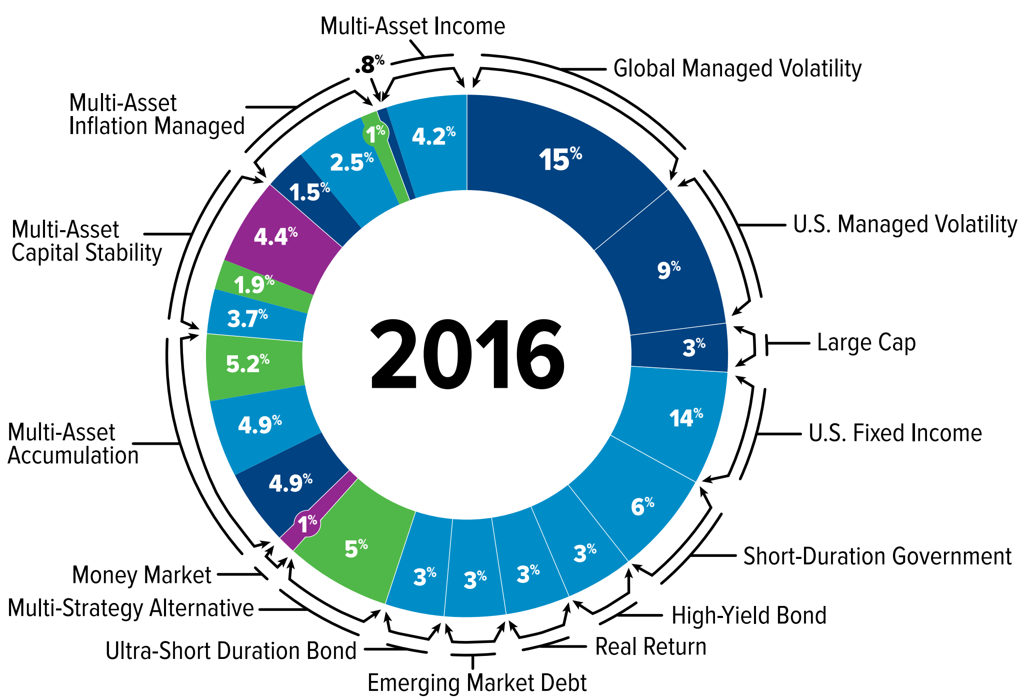
As markets go up and down, the values of assets within your portfolio may also change, causing your portfolio to drift from its original targets. That's why we periodically analyze allocations and, if necessary, rebalance each segment to be in line with the original target weights.



2015 vs. 2016

Changing allocations as markets change

- Equity
- Fixed Income
- Alternative
- Cash



Sample for illustrative purposes only.

Portfolio design

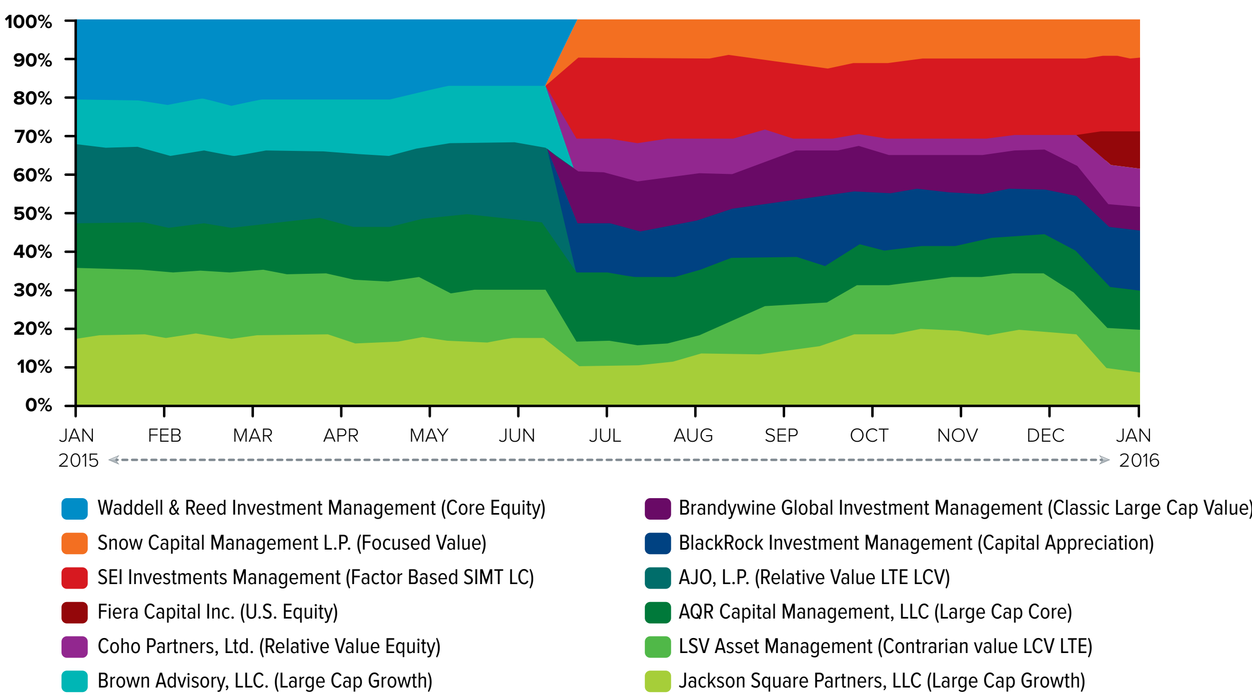
Just as we periodically review and potentially change the ratio of stocks, bonds and cash inside a portfolio, we also continuously review the asset levels we assign to each independent investment manager inside each strategy. We identify sources of returns in excess of benchmark return performance relative to the benchmark in each of our equity, fixed-income and alternative-investment strategies.

Specifically, we're determining sources that have demonstrated staying power over the long term and across multiple markets in a given geographic region. We classify them into four broad categories; this allows us to create portfolios that are not simply diversified between equity and fixed income, but also diversified across underlying drivers of alpha.[1]

As an example, the chart below shows changes made in one of our U.S. 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.

Large cap equity fund—manager allocation changes

January 2015–January 2016



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

[1]Diversification may not protect against market risk.

Investment manager selection: consistency is key

We aim to identify, classify and validate manager skill. Differentiating manager skill from market-generated returns is one of our primary objectives, because we're looking for managers that can deliver consistent results. We develop forward-looking expectations for 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.

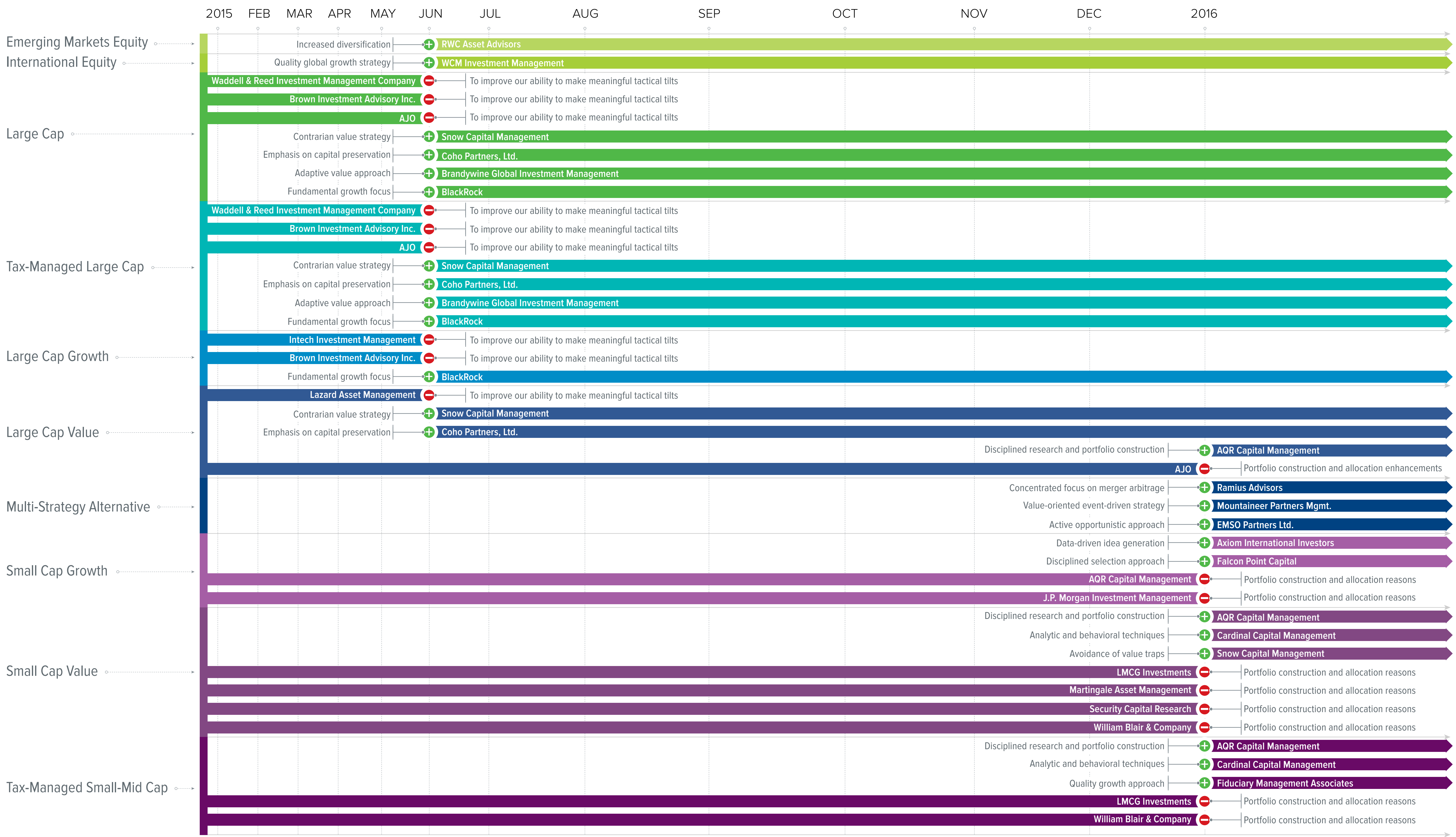
Since we're able to review each investment manager's actual holdings within any of our portfolios, we can quickly determine if they're working within our guidelines and expectations. If needed, we will change the manager lineup inside a strategy, change the level of assets assigned to a specific manager, or terminate and replace that manager.

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

- Portfolio construction changes
- Higher volatility exposure
- Personnel changes

The following pages include a summary of manager changes executed across all SEI Funds over a recent 12-month period.

SEI Fund Manager Changes



Sample for illustrative purposes only.

The remaining three tiers of our active management process.

Portfolio construction and management

Our portfolio construction process is based on our asset-class-specific analysis and typical investor risk tolerances. It's designed to maximize the risk-adjusted rate of return by balancing diversification between sources of excess returns and the investment managers implementing them. We set these targets at the strategy level and use a manager-of-managers approach to construct our portfolios. We believe this results in better risk management and more cost-effective implementation.

Tax management—to help you keep more of what you make

Taxes can take away a good portion of your total return and significantly reduce your chances of meeting your financial goals. To that end, we address tax management at all levels of the investment process, from portfolio design and construction to manager selection, continual monitoring and portfolio management.

Risk management—through daily monitoring

Our Risk Management group focuses on common risks across and within asset classes. Through daily monitoring of assigned portfolio tolerances and deviations, we can provide an active risk-mitigation program. Keeping the SEI Portfolio Management and Manager Research teams separate allows the Risk Management group to maintain objectivity and look at the entire spectrum of our investment offerings to ensure we're meeting risk objectives.

We believe that disciplined, forward-thinking active management is the best way to help meet your investment goals.

As we constantly analyze and anticipate market changes, we aim to achieve the most effective asset allocation within your portfolio in a given market environment—in order to better reach your investment goals. We also continuously monitor both the lineup of portfolio managers and their weight in your portfolio, as well as the performance of individual managers, adjusting wherever needed.

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 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.

Please see SIMC's Form ADV Part 2A (or the appropriate wrap brochure) for a full disclosure of the fee schedule.

Your financial advisor will be glad to show you how active investment management fits into your personal investment picture, and can keep you on schedule to meet your own investment goals.

SEI New ways. New answers.®

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