

SEI's Disciplined Investment Philosophy:

Our Approach Applies Best Thinking to Every Step

For over 40 years, SEI has implemented an investment philosophy that focuses on investors' objectives, and consults with the top specialists in the industry. This philosophy is based upon four principles:

1. ASSET ALLOCATION
2. PORTFOLIO STRUCTURE
3. MULTIPLE SPECIALIST MANAGERS
4. CONTINUOUS PORTFOLIO MANAGEMENT

These principles all work together to deliver a programme that offers investors **personalisation, diversification, coordination and management**. It's a strategy geared towards achieving both short- and long-term investment goals that makes sense in today's dynamic financial climate.

1. Asset Allocation:

The First Step is the Most Important

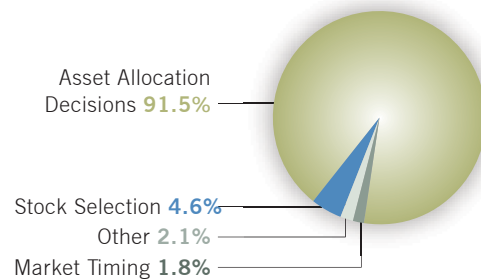
SEI believes that the most important step in the investment process is the first step – asset allocation. This is the decision of how to allocate assets among broad asset classes such as equity, fixed income and cash.

The importance of asset allocation is well-established within the investment industry and has been demonstrated and proven, time and again. Particularly noteworthy is a well-known 1986 landmark study*, sponsored by SEI and expanded in 1993, that concludes that asset allocation – not market timing or stock selection – is the primary factor in determining why different portfolios experience different return results.

*SOURCE: BRINSON, SINGER AND BEEBOWER (1993)

Asset allocation at SEI is a unique process by which an investor's objectives are carefully defined and then aligned with portfolio strategies built using various assets.

SOURCES OF PORTFOLIO VOLATILITY AND RETURNS



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SOURCE: FINANCIAL ANALYSTS JOURNAL, MAY/JUNE 1991

2. Portfolio Structure:

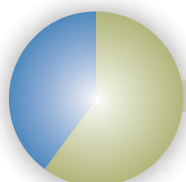
An Integral Part of the Investment Process

The number and variety of investment choices and asset classes are continually increasing, each class and each segment within each class can be associated with different characteristics, return potential and risks. SEI believes that a division of assets is only the beginning of the asset allocation story. Success requires diversifying the portfolio structure itself.

For example, the U.S. equity market has four distinct sub-asset classes: large cap value, large cap growth, small cap value and small cap growth. SEI believes, for the best chance at success, your portfolio should be diversified across as well as within these asset classes. In other words, you shouldn't just own "stocks" but also make sure you have the right mix of large and small cap, growth, and value. And this discipline should be exercised across all the asset classes involved.

SEI'S MULTI-DIMENSIONAL APPROACH TO PORTFOLIO CONSTRUCTION

60% Equity /
40% Fixed Income



5
Asset Classes

11
Sub-Asset Classes

52
Sub-Asset Styles

38
Sub-Asset Managers

6,967
Individual Securities

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3. Multiple Specialist Managers: *Designed to Deliver More Consistent Performance*

To implement asset allocation portfolios, SEI currently utilises a global network of over 45 specialist money managers whose management styles complement each other. Within each of the stock market's major investment styles, SEI uses multiple managers. For example, in the small cap growth sector, using multiple managers with a highly differentiated investment process can ensure diversification within the sector, which helps control risk and enhance returns.

SEI has found that identifying, hiring and managing specialist money managers may help to deliver more consistent performance. We call this process “managing the managers,” an area in which SEI has long been a leader.

Money managers who specialise in a particular area of a market have the experience necessary to perfect a specific investment style. They not only know where to seek opportunity but strive to anticipate favourable and unfavourable changes. This focus may produce more consistent results than using generalist managers who tend to “roam” the markets or drift from one style to another, often outside of their firm's core competencies.

SEI's skill in assessing leading managers is driven by a specialised team, the Investment Management Unit, made up of more than 100 analysts located around the globe (many of whom hold the Chartered Financial Analyst (CFA) and other advanced designations), dedicated to the implementation and oversight of the investment process. With decades of experience, and supported by millions of dollars in cutting-edge technology and research, their responsibilities include the selection of managers, performance optimisation and risk reduction, as well as intensely monitoring each of the specialist managers.

The fundamental logic of our process is to apply rigorous quantitative analysis which is based around computer driven models to the entire manager landscape, and leverage the results into a focused, qualitative evaluation which is traditional research done by our analysts of the leading candidates.

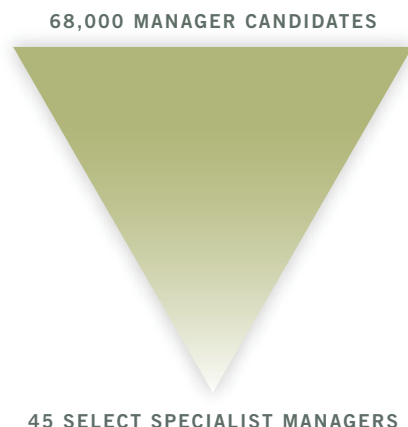
It's an intensive three-step approach that starts with a universe of more than 68,000 investment managers which are filtered down to a handful that meet all of SEI's demanding criteria. This process is based on SEI's experience with thousands of investment managers across all market cycles and looks for adherence to four principles:

PHILOSOPHY SEI looks for specialist managers who have a clearly defined investment philosophy and style – such as selecting growth or value, or a preference for large or small companies - that have been consistently applied over a number of years.

DISCIPLINE SEI examines how a manager's philosophy and approach works in action. We look for managers with a commitment to researching new investment opportunities and a discipline in making buy and sell decisions.

CONSISTENCY We compare a manager's performance against a benchmark relevant to its investment style. Analysis is focused on determining whether a manager's performance is consistent with its investment process and the current market environment.

TALENT Because an investment firm's primary assets are its people, we look for stable, well-managed organisations that have the ability to attract and retain outstanding investment management talent. We also look for companies with a team approach to investing, rather than those that may rely solely on the talents of one or a few individuals.



STEP 1: QUANTITATIVE EVALUATION

Proprietary screening model including:

- Style Analysis
- Risk Return Analysis
- Performance Attribution Analysis

STEP 2: FUNDAMENTAL ANALYSIS

Review portfolio securities model to evaluate:

- Holdings
- Risk factors
- Fundamental characteristics

STEP 3: QUALITATIVE EXAMINATION

An onsite visit to analyse:

- Investment process
- Systems & Trading Capabilities
- Legal & Compliance Review
- Personnel & Organisation

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4. Continuous Portfolio Management Review *Keeps Investment Progress on Track*

Natural market movements often cause portfolio allocations to “drift” from their original positions as different sectors of the market appreciate or depreciate over time.

For example, a portfolio that consists of 60% equity could see that percentage increase substantially if the stock market rises. This movement of the portfolio from 60% equity to something higher could result in unintended risk.

SEI addresses such inevitable change through its two-step process of continuous portfolio management. First, the asset mix is regularly rebalanced, within an agreed timeframe and tolerance level, to its target weights, helping to reduce risk and keep our client strategies on track. Next, through ongoing monitoring and manager reviews, SEI seeks to ensure that its managers' investment styles remain consistent with their assigned objectives.

After a manager is chosen, SEI analysts continuously monitor the philosophy, discipline, consistency and talent - checking portfolio holdings and trades, and ensuring the “purity” of the investment portfolio. For example, performance can suffer if managers invest outside of their assigned mandate. As a result of SEI's monitoring, managers who deviate from their philosophy or fail to achieve stated goals are subject to replacement.

A Winning Combination:

Investing with SEI is a strategic alliance between investors, investment professionals and SEI.

An investment professional is essential to the SEI approach; only a qualified investment professional can understand an investor's individual goals well enough to develop and monitor a tailored asset management programme. Once that programme is established, SEI's investment solutions offer the diversity and clarity of purpose to fit a large number of strategies.

We believe that the application of this philosophy has the ability to add value through enhancing returns and reducing risk, assisting investors achieve their financial goals. For more information on how SEI's investment approach can help you achieve your financial goals, please contact SEI or your investment professional.

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IMPORTANT INFORMATION

Past performance is not a guarantee of future performance. Investment in the range of SEI's Funds is intended as a long-term investment. The value of an investment and any income from it can go down as well as up. Investors may not get back the original amount invested. Additionally, this investment may not be suitable for everyone. If you should have any doubt whether it is suitable for you, you should obtain expert advice.

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