

# Semi-Annual Management Report of Fund Performance for the period ended June 30, 2011

Balanced 60/40 Fund

Class O Units, Class I Units, Class P Units, Class F Units, Class R Units, Class S Units

Managed by: SEI INVESTMENTS CANADA COMPANY

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This semi-annual Management Report of Fund Performance contains financial highlights, but does not contain either semi-annual or annual financial statements of the Fund. You may view the semi-annual (unaudited) and annual Financial Statements, as well as the annual and semi-annual Management Report of Fund Performance on our website [www.seic.com](http://www.seic.com), or through SEDAR at [www.sedar.com](http://www.sedar.com).

You may also request to receive a copy of these reports, SEI Funds' proxy voting policies and procedures, or quarterly portfolio disclosure at no cost by contacting us through any of the following methods:

Call us toll free at: 1-866-SEI-1114  
Visit our website: [www.seic.com](http://www.seic.com)  
Write to us at: SEI, 70 York Street, Suite 1600, Toronto, Ontario M5J 1S9

The proxy voting record of the SEI Funds for the period ending June 30, 2011 will be available on our website any time after August 31, 2011.

A caution regarding forward-looking statements:

This document may contain forward-looking statements about the Fund, including its strategy, performance and condition. Forward looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or negative versions thereof, or future or conditional verbs such as "will", "may", "could", "should" and "would", and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future fund action, is also a forward-looking statement.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Forward-looking statements are not guarantees of future performance. There is significant risk that forward-looking statements will not prove to be accurate. We caution readers of this document to not place undue reliance on our forward-looking statements, as a number of factors could cause actual future results, conditions and actions or events to differ materially from those expressed or implied in any forward-looking statements. Factors may include, but are not limited to, general economic, political, market and business conditions; fluctuations in interest rates and foreign exchange rates; regulatory developments; and actions by governmental authorities. We caution that the foregoing list of factors is not exhaustive. Before making an investment decision, we encourage investors to consider these and other factors carefully. Future events and their effects on the Fund may not be those anticipated by us. Actual results may differ materially from the results anticipated in these forward-looking statements. We do not undertake, and specifically disclaim, any obligations to update or revise any forward-looking information, whether as a result of new information, future developments, or otherwise.

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# Balanced 60/40 Fund

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## Management Report of Fund Performance

### RESULTS OF OPERATIONS

(This performance commentary is based on Class O units of the Fund. Returns for other classes of units may vary, largely due to differences in fees and expenses. Please refer to the Past Performance section for class level performance details.)

Numerous global issues prevailed over the markets during the first half of 2011.

Concerns over European debt and the ability to refinance upcoming maturities caused yields to move higher for several European nations. The focus on Greece was particularly dominating as tensions grew over whether or not the government would eventually pass staunch austerity measures required to secure financing of the country's immediate debts. Unrest in the Middle East, particularly in Egypt and Libya heightened concern over the economic and political stability of the region and its impact on energy prices and inflation. A devastating earthquake in Japan caused one of its nuclear reactor's to leak radiation, fuelling speculation over the long term viability of nuclear energy and questioning the ability of Japan to contribute to global growth. With Japan being second only to China as the largest holder of U.S. Treasury securities, doubts surfaced over Japan's willingness to continue funding a growing debt burden in the U.S., particularly with 'QE2' coming to an end in June 2011. The American political debate grew more vigorous over how best to tackle the country's growing debt burden, with both sides pushing their respective agendas over the urgent need to raise the debt ceiling while attempting to demonstrate prudent and sustainable government spending and tax policy. And finally the fourth Federal election in Canada in less than seven years resulted in a Conservative majority victory. Remarkably yields on 10 and 30-year Canada bonds were virtually unchanged from December 31st, 2010 to June 30th, 2011. The European Central Bank and the German government battled over how best to bail out Greece and whether officials should push creditors to share some of the costs. Greece suffered successive downgrades to its sovereign credit where on June 14th, 2011, S&P followed Moody's move to downgrade the credit rating for Government debt to just CCC. S&P commented that a "financing gap emerged in part because Greece's access to market financing in 2012 and possibly beyond, as envisaged in the current official E.U./IMF program, is unlikely to materialize." Billions

of dollars in bonds and credit default swaps were called in to question as the rating agencies and the International Swap Dealers Association (ISDA) debated over what constitutes a default on Greek debt. The news rippled throughout global markets, raising questions over the stability of the region and repercussions for global economic growth. Investors once again shed risk and flocked to safer haven U.S. and Canadian government bonds. While bond yields for 10 and 30-year debt had previously rose to respective highs of 3.50% and 3.87% in April, concerns over Europe sparked a price rally in the second quarter, with 10 and 30-year Canada bond yields falling as low as 2.87% and 3.37% respectively by the end of June.

In Canada, the economy continued to perform relatively well with May inflation data was reported with a headline rate of 3.7%, but core inflation was reported at a more tepid 1.8% rate. The unemployment rate dipped to 7.4% in May and 163,400 jobs were added to the Canadian economy in the first 5 months of the year. Governor Carney stated that the Bank would "take appropriate moves consistent with achieving our 2% inflation target" but also added that "In an environment of substantial headwinds, monetary policy may still need to be stimulative in order to close the output gap and in order to get inflation back to target." These comments caused the front of the yield curve to move much lower, effectively removing at least 25 basis of tightening that was previously priced in the market at the beginning of the quarter. Despite higher inflation data, the Canadian yield curve moved lower and slightly steeper during the first half of the year, with the bulk of the move occurring in the mid and longer-term areas of the market. As a result, the mid-term section of the Index had the best performance as the Short, Mid, and Long portions of the Index gained 1.8%, 2.7%, and 2.5% respectively for the six-month period ending June 30th, 2011.

Corporate credit markets continued to provide above Index returns across most sectors. Corporate bonds were particularly strong in the first quarter, but were somewhat weaker in the second quarter where risk premiums started to increase. For example, the yield spread for the BBB Corporate sector of the DEX universe began the year at 207, and widened to 212 and 224 for March and June month ends respectively. While the spread levels themselves were not alarming, the trend of wider spreads suggested an increased perception of risk associated with investment grade corporate bonds.

# Balanced 60/40 Fund

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## Management Report of Fund Performance

Wider spreads deflated returns from corporate bonds in the second quarter, but the DEX All Corporate sector still managed to outpace the Index by an average of 0.5% over the first six months of the year.

Statistics Canada reported that gross domestic product (GDP) expanded by 3.9% in the first quarter of 2011, close to economist's forecasts of 4.0% as a result of inventory accumulation and an increase in business investment in machinery and equipment. Investors however were focused on weaker forward estimates for GDP. April GDP was reported unchanged after rising 0.3% in March. Auto sector production slowed, as the supply chain disruption caused by the Japanese earthquake. Economic forecasts implied that Q2 GDP could be weaker than normal at around 1%. With this backdrop of sub-par growth, commodity producing markets such as the S&P/TSX Composite Index posted a small gain of 0.16% during the period. The top three sectors in Canada were Health Care, up 56.4%, Telecom, up 13.3%, and Industrials, up 10.8%. The laggards were Consumer Discretionary losing 0.9%, Materials which were down 9.7%, and Information Technology losing 30.8%. The industry with the largest contribution in the TSX was Diversified Banks adding 0.9% and the largest negative contribution was Gold, costing 1.63%.

U.S. equities continued to post gains through April on the heels of another generally positive corporate earnings season. Investor optimism, however, was tested in the latter months of the quarter as the resurgence of the Greek sovereign debt crisis renewed fears of broader sovereign debt issues in peripheral Europe. Lackluster domestic economic data in May caused investors to question whether recent trends were a transitory hiccup in an otherwise recovering economy or an indication of longer-term economic deterioration. In addition, the political standoff regarding the U.S. debt ceiling and the possibility of a U.S. default on its obligations also weighed on the markets. The "risk-off" trade previously witnessed in the second quarter of 2010 reappeared during the quarter as investors bid up names in relatively defensive sectors. Health Care, Energy and Utilities were among the best performing sectors, while Financials and Information Technology lagged.

International equity markets finished the first six months of 2011 in positive territory despite the political turmoil in the Middle East, the catastrophic events in Japan and the ongoing sovereign debt crisis in the peripheral eurozone nations. The year started with continuing positive economic trends in developed markets that were countered by worries of inflation in emerging markets. The onset of widespread political uprisings in the Middle East and the resulting spike in oil prices generated uncertainty in the markets, especially in developing regions where economies are dependent on oil for production of goods. In March, Middle East tensions grew. The fear they generated was compounded when Japan was hit with the massive earthquake and resultant tsunami that crippled the Fukushima nuclear power plant.

In the second quarter, global equity markets delivered mixed but predominantly flat performance, with developed markets outperforming emerging markets for the second consecutive quarter. The sovereign debt crisis that plagued the periphery of the eurozone continued to drive markets. The death of Osama bin Laden in May added to volatility in the commodities markets on fears that additional uprisings in the Middle East could further disrupt oil supplies. Nearing the end of the quarter, Greece's parliament approved austerity measures and tax increases that were required as a prerequisite debt restructuring. Additionally, the International Energy Agency announced that it would release oil from its emergency reserves to make up for production lost from Libya and hopefully stem the rising fuel prices that had been seen as a hindrance to economic recovery.

The Balanced 60/40 Fund Composite Index (the "Index") returned 1.86% for the period. The Index is a blended benchmark consisting of the representative broad based indexes of the Underlying Funds within the Balanced 60/40 Fund. The Balanced 60/40 Fund returned 1.34% during the period.

# Balanced 60/40 Fund

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## Management Report of Fund Performance

### RECENT DEVELOPMENTS

#### INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

The Canadian Accounting Standards Board (“CASB”) previously confirmed January 1, 2011 as the date IFRS would replace Canadian Generally Accepted Accounting Principles (GAAP) for publicly accountable enterprises, which include investment funds and other reporting issuers.

On January 12, 2011, the CASB amended the requirement to prepare financial statements in accordance with IFRS as issued by the International Accounting Standards Board, permitting investment companies, which include investment funds, to defer adoption of IFRS to fiscal years beginning on or after January 1, 2013. The Fund has elected to defer adoption of IFRS to January 1, 2013.

In preparing to meet the requirements, the Manager has taken the following steps in managing the transition to IFRS:

- Established a working group to identify key differences between Canadian GAAP and IFRS and to coordinate the implementation of the transition plan,
- Identified areas where changes in disclosure will be required under IFRS standards,
- Evaluated current information technology & reporting systems for readiness in IFRS implementation,
- Assessed the likely impacts on business activity and operational areas such as internal controls, staffing and training requirements.

The major changes identified for IFRS financial statements include the addition of a statement of cash flows and the classification of unitholders’ equity (puttable instruments) as a liability within the statement of net assets, unless certain conditions are met.

Based on the current evaluation of the differences between Canadian GAAP and IFRS, the adoption of IFRS is expected to have no impact on the calculation of net assets or net asset value. IFRS is expected to affect the overall presentation of financial statements and result in additional disclosure in the accompanying notes. However, the Manager’s assessment may change if new standards are issued or if the interpretations of current standards are revised.

# Balanced 60/40 Fund

## Financial Highlights — FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2011 AND THE YEARS ENDED DECEMBER 31 (UNAUDITED)

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years ended December 31 and six months ended June 30, 2011.

### Class O

| THE FUND'S NET ASSETS PER UNIT <sup>(a)</sup>                   | 2011             | 2010      | 2009      | 2008      | 2007       | 2006       |
|---|------------------|-----------|-----------|-----------|------------|------------|
| <b>NET ASSETS, BEGINNING OF YEAR</b>                            | <b>\$6.23</b>    | \$5.75    | \$5.03    | \$6.41    | \$6.88     | \$6.55     |
| <b>INCREASE (DECREASE) FROM OPERATIONS:</b>                     |                  |           |           |           |            |            |
| Total revenue   | <b>\$0.05</b>    | \$0.20    | \$0.17    | \$0.24    | \$0.18     | \$0.19     |
| Total expenses  | —                | -\$0.01   | -\$0.01   | -\$0.01   | -\$0.01    | -\$0.01    |
| Realized gains (losses) for the year                            | <b>\$0.05</b>    | \$0.02    | -\$0.25   | —         | \$0.51     | \$0.30     |
| Unrealized gains (losses) for the year                          | <b>-\$0.01</b>   | \$0.43    | \$1.04    | -\$0.67   | -\$0.42    | \$0.28     |
| <b>Total increase (decrease) from operations <sup>(b)</sup></b> | <b>\$0.09</b>    | \$0.64    | \$0.95    | -\$0.44   | \$0.26     | \$0.76     |
| <b>DISTRIBUTIONS:</b>   |                  |           |           |           |            |            |
| From income (excluding dividends)                               | —                | -\$0.13   | -\$0.13   | -\$0.17   | -\$0.18    | -\$0.16    |
| From dividends  | —                | -\$0.04   | -\$0.04   | -\$0.03   | -\$0.02    | -\$0.03    |
| From capital gains  | —                | —         | —         | -\$0.01   | -\$0.41    | -\$0.24    |
| <b>Total annual distributions <sup>(c)</sup></b>                | <b>—</b>         | -\$0.17   | -\$0.17   | -\$0.21   | -\$0.61    | -\$0.43    |
| <b>NET ASSETS, END OF YEAR</b>                                  | <b>\$6.31</b>    | \$6.23    | \$5.75    | \$5.03    | \$6.41     | \$6.88     |
| <b>RATIOS AND SUPPLEMENTAL DATA</b>                             |                  |           |           |           |            |            |
| Net asset value (\$000's)*                                      | <b>\$32,950</b>  | \$43,833  | \$39,024  | \$41,778  | \$315,154  | \$488,604  |
| Number of units outstanding*                                    | <b>5,220,023</b> | 7,036,952 | 6,787,555 | 8,302,718 | 49,129,969 | 71,053,354 |
| Management expense ratio <sup>(d)</sup>                         | <b>0.25%</b>     | 0.25%     | 0.21%     | 0.27%     | 0.21%      | 0.25%      |
| Management expense ratio before waivers                         | <b>0.28%</b>     | 0.29%     | 0.21%     | 0.27%     | 0.21%      | 0.25%      |
| Portfolio turnover rate <sup>(e)</sup>                          | <b>5%</b>        | 7%        | 24%       | 20%       | 22%        | 10%        |
| Trading expense ratio <sup>(f)</sup>                            | <b>0.12%</b>     | 0.13%     | 0.13%     | 0.10%     | —          | —          |
| Net asset Value per unit  | <b>\$6.31</b>    | \$6.23    | \$5.75    | \$5.03    | \$6.41     | \$6.88     |

### Class I

| THE FUND'S NET ASSETS PER UNIT <sup>(a)</sup>                   | 2011           | 2010    | 2009    | 2008      | 2007      | 2006      |
|---|----------------|---------|---------|-----------|-----------|-----------|
| <b>NET ASSETS, BEGINNING OF YEAR</b>                            | <b>\$6.45</b>  | \$5.94  | \$5.16  | \$6.54    | \$6.90    | \$6.60    |
| <b>INCREASE (DECREASE) FROM OPERATIONS:</b>                     |                |         |         |           |           |           |
| Total revenue   | <b>\$0.05</b>  | \$0.21  | \$0.17  | \$0.24    | \$0.14    | \$0.17    |
| Total expenses  | <b>-\$0.02</b> | -\$0.03 | -\$0.03 | -\$0.04   | -\$0.03   | -\$0.04   |
| Realized gains (losses) for the year                            | <b>\$0.05</b>  | \$0.02  | -\$0.25 | —         | \$0.51    | \$0.30    |
| Unrealized gains (losses) for the year                          | <b>-\$0.01</b> | \$0.44  | \$0.88  | -\$1.00   | -\$0.57   | \$0.27    |
| <b>Total increase (decrease) from operations <sup>(b)</sup></b> | <b>\$0.07</b>  | \$0.64  | \$0.77  | -\$0.80   | \$0.05    | \$0.70    |
| <b>DISTRIBUTIONS:</b>   |                |         |         |           |           |           |
| From income (excluding dividends)                               | —              | -\$0.08 | -\$0.06 | -\$0.11   | -\$0.04   | -\$0.15   |
| From dividends  | —              | -\$0.03 | -\$0.02 | -\$0.02   | -\$0.01   | -\$0.03   |
| From capital gains  | —              | —       | —       | -\$0.01   | -\$0.41   | -\$0.25   |
| <b>Total annual distributions <sup>(c)</sup></b>                | <b>—</b>       | -\$0.11 | -\$0.08 | -\$0.14   | -\$0.46   | -\$0.43   |
| <b>NET ASSETS, END OF YEAR</b>                                  | <b>\$6.51</b>  | \$6.45  | \$5.94  | \$5.16    | \$6.54    | \$6.90    |
| <b>RATIOS AND SUPPLEMENTAL DATA</b>                             |                |         |         |           |           |           |
| Net asset value (\$000's)*                                      | <b>\$5,116</b> | \$4,963 | \$4,267 | \$6,939   | \$18,414  | \$51,960  |
| Number of units outstanding*                                    | <b>785,621</b> | 769,133 | 718,109 | 1,345,111 | 2,813,978 | 7,530,776 |
| Management expense ratio <sup>(d)</sup>                         | <b>1.04%</b>   | 1.02%   | 0.95%   | 1.01%     | 0.94%     | 1.00%     |
| Management expense ratio before waivers                         | <b>1.08%</b>   | 1.05%   | 0.95%   | 1.01%     | 0.94%     | 1.00%     |
| Portfolio turnover rate <sup>(e)</sup>                          | <b>5%</b>      | 7%      | 24%     | 20%       | 22%       | 10%       |
| Trading expense ratio <sup>(f)</sup>                            | <b>0.12%</b>   | 0.13%   | 0.13%   | 0.10%     | —         | —         |
| Net asset Value per unit  | <b>\$6.51</b>  | \$6.45  | \$5.94  | \$5.16    | \$6.54    | \$6.90    |

Note: This table is not intended to act as a continuity of opening and closing Net assets per unit.

<sup>(a)</sup> This information is derived from the Fund's audited annual financial statements. The Net assets per unit presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the Fund's financial statements.

<sup>(b)</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the year.

<sup>(c)</sup> Distributions were paid in cash/reinvested in additional units of the Fund, or both.

<sup>(d)</sup> Management expense ratio is the ratio of all fees and expenses (including Harmonized Sales Tax (HST)) and interest expense but excluding brokerage commission on securities transactions charged to the Fund to daily average net asset value on an annualized basis.

<sup>(e)</sup> The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

<sup>(f)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the daily average net asset value during the year. No brokerage commissions were directly incurred by the Fund of Funds.

\* This information is provided as at June 30.

# Balanced 60/40 Fund

Financial Highlights — FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2011  
AND THE YEARS ENDED DECEMBER 31 (UNAUDITED)

## Class P

| THE FUND'S NET ASSETS PER UNIT <sup>(a)</sup>                   | 2011              | 2010       | 2009       | 2008       | 2007       | 2006       |
|---|-------------------|------------|------------|------------|------------|------------|
| <b>NET ASSETS, BEGINNING OF YEAR</b>                            | <b>\$6.31</b>     | \$5.83     | \$5.11     | \$6.52     | \$6.99     | \$6.62     |
| <b>INCREASE (DECREASE) FROM OPERATIONS:</b>                     |                   |            |            |            |            |            |
| Total revenue   | <b>\$0.05</b>     | \$0.20     | \$0.18     | \$0.23     | \$0.21     | \$0.26     |
| Total expenses  | <b>-\$0.08</b>    | -\$0.14    | -\$0.12    | -\$0.14    | -\$0.16    | -\$0.16    |
| Realized gains (losses) for the year                            | <b>\$0.05</b>     | \$0.02     | -\$0.25    | —          | \$0.51     | \$0.30     |
| Unrealized gains (losses) for the year                          | <b>-\$0.01</b>    | \$0.42     | \$0.97     | -\$1.46    | -\$0.59    | \$0.27     |
| <b>Total increase (decrease) from operations <sup>(b)</sup></b> | <b>\$0.01</b>     | \$0.50     | \$0.78     | -\$1.37    | -\$0.03    | \$0.67     |
| <b>DISTRIBUTIONS:</b>   |                   |            |            |            |            |            |
| From income (excluding dividends)                               | —                 | -\$0.02    | -\$0.03    | -\$0.06    | -\$0.04    | -\$0.01    |
| From dividends  | —                 | -\$0.01    | -\$0.02    | -\$0.03    | -\$0.02    | -\$0.02    |
| From capital gains  | —                 | —          | —          | -\$0.01    | -\$0.41    | -\$0.19    |
| <b>Total annual distributions <sup>(c)</sup></b>                | <b>—</b>          | -\$0.03    | -\$0.05    | -\$0.10    | -\$0.47    | -\$0.22    |
| <b>NET ASSETS, END OF YEAR</b>                                  | <b>\$6.32</b>     | \$6.31     | \$5.83     | \$5.11     | \$6.52     | \$6.99     |
| <b>RATIOS AND SUPPLEMENTAL DATA</b>                             |                   |            |            |            |            |            |
| Net asset value (\$000's)*                                      | <b>\$233,388</b>  | \$226,807  | \$229,683  | \$202,127  | \$231,147  | \$167,161  |
| Number of units outstanding*                                    | <b>36,905,320</b> | 35,930,913 | 39,368,505 | 39,532,976 | 35,474,029 | 23,914,860 |
| Management expense ratio <sup>(d)</sup>                         | <b>2.55%</b>      | 2.51%      | 2.41%      | 2.47%      | 2.42%      | 2.53%      |
| Management expense ratio before waivers                         | <b>2.59%</b>      | 2.54%      | 2.41%      | 2.47%      | 2.42%      | 2.53%      |
| Portfolio turnover rate <sup>(e)</sup>                          | <b>5%</b>         | 7%         | 24%        | 20%        | 22%        | 10%        |
| Trading expense ratio <sup>(f)</sup>                            | <b>0.12%</b>      | 0.13%      | 0.13%      | 0.10%      | —          | —          |
| Net asset Value per unit  | <b>\$6.32</b>     | \$6.31     | \$5.83     | \$5.11     | \$6.52     | \$6.99     |

## Class F

| THE FUND'S NET ASSETS PER UNIT <sup>(a)</sup>                   | 2011           | 2010    | 2009    | 2008    | 2007    | 2006                |
|---|----------------|---------|---------|---------|---------|---------------------|
| <b>NET ASSETS, BEGINNING OF YEAR</b>                            | <b>\$6.48</b>  | \$6.00  | \$5.21  | \$6.68  | \$7.18  | \$6.85 <sup>1</sup> |
| <b>INCREASE (DECREASE) FROM OPERATIONS:</b>                     |                |         |         |         |         |                     |
| Total revenue   | <b>\$0.05</b>  | \$0.22  | \$0.18  | \$0.23  | \$0.27  | \$1.04              |
| Total expenses  | <b>-\$0.03</b> | -\$0.06 | -\$0.05 | -\$0.06 | -\$0.07 | -\$0.05             |
| Realized gains (losses) for the year                            | <b>\$0.05</b>  | \$0.02  | -\$0.26 | —       | \$0.53  | \$0.20              |
| Unrealized gains (losses) for the year                          | <b>\$0.01</b>  | \$0.48  | \$0.98  | -\$1.44 | -\$0.69 | -\$0.69             |
| <b>Total increase (decrease) from operations <sup>(b)</sup></b> | <b>\$0.08</b>  | \$0.66  | \$0.85  | -\$1.27 | \$0.04  | \$0.50              |
| <b>DISTRIBUTIONS:</b>   |                |         |         |         |         |                     |
| From income (excluding dividends)                               | —              | -\$0.10 | -\$0.06 | -\$0.16 | -\$0.15 | -\$0.02             |
| From dividends  | —              | -\$0.03 | -\$0.02 | -\$0.03 | -\$0.02 | -\$0.01             |
| From capital gains  | —              | —       | —       | -\$0.01 | -\$0.43 | -\$0.05             |
| <b>Total annual distributions <sup>(c)</sup></b>                | <b>—</b>       | -\$0.13 | -\$0.08 | -\$0.20 | -\$0.60 | -\$0.08             |
| <b>NET ASSETS, END OF YEAR</b>                                  | <b>\$6.54</b>  | \$6.48  | \$6.00  | \$5.21  | \$6.68  | \$7.18              |
| <b>RATIOS AND SUPPLEMENTAL DATA</b>                             |                |         |         |         |         |                     |
| Net asset value (\$000's)*                                      | <b>\$1,771</b> | \$1,936 | \$1,315 | \$2,116 | \$1,704 | \$422               |
| Number of units outstanding*                                    | <b>270,678</b> | 298,632 | 219,286 | 406,020 | 255,156 | 58,712              |
| Management expense ratio <sup>(d)</sup>                         | <b>1.06%</b>   | 1.10%   | 1.10%   | 1.10%   | 1.10%   | 1.11%               |
| Management expense ratio before waivers                         | <b>1.10%</b>   | 1.11%   | 1.10%   | 1.10%   | 1.10%   | 1.11%               |
| Portfolio turnover rate <sup>(e)</sup>                          | <b>5%</b>      | 7%      | 24%     | 20%     | 22%     | 10%                 |
| Trading expense ratio <sup>(f)</sup>                            | <b>0.12%</b>   | 0.13%   | 0.13%   | 0.10%   | —       | —                   |
| Net asset Value per unit  | <b>\$6.54</b>  | \$6.48  | \$6.00  | \$5.21  | \$6.68  | \$7.18              |

Note: This table is not intended to act as a continuity of opening and closing Net assets per unit.  
Initial offering price.

<sup>(a)</sup> This information is derived from the Fund's audited annual financial statements. The Net assets per unit presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the Fund's financial statements.

<sup>(b)</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the year.

<sup>(c)</sup> Distributions were paid in cash/reinvested in additional units of the Fund, or both.

<sup>(d)</sup> Management expense ratio is the ratio of all fees and expenses (including Harmonized Sales Tax (HST)) and interest expense but excluding brokerage commission on securities transactions charged to the Fund to daily average net asset value on an annualized basis.

<sup>(e)</sup> The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

<sup>(f)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the daily average net asset value during the year. No brokerage commissions were directly incurred by the Fund of Funds.

\* This information is provided as at June 30.

# Balanced 60/40 Fund

Financial Highlights — FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2011  
AND THE YEARS ENDED DECEMBER 31 (UNAUDITED)

## Class R

| THE FUND'S NET ASSETS PER UNIT <sup>(a)</sup>                   | 2011              | 2010       | 2009       | 2008                | 2007 | 2006 |
|---|-------------------|------------|------------|---------------------|------|------|
| <b>NET ASSETS, BEGINNING OF YEAR</b>                            | <b>\$6.20</b>     | \$5.72     | \$5.01     | \$6.43 <sup>1</sup> | —    | —    |
| <b>INCREASE (DECREASE) FROM OPERATIONS:</b>                     |                   |            |            |                     |      |      |
| Total revenue   | <b>\$0.05</b>     | \$0.20     | \$0.17     | \$0.12              | —    | —    |
| Realized gains (losses) for the year                            | <b>\$0.05</b>     | \$0.02     | -\$0.25    | —                   | —    | —    |
| Unrealized gains (losses) for the year                          | —                 | \$0.42     | \$0.96     | -\$1.55             | —    | —    |
| <b>Total increase (decrease) from operations <sup>(b)</sup></b> | <b>\$0.10</b>     | \$0.64     | \$0.88     | -\$1.43             | —    | —    |
| <b>DISTRIBUTIONS:</b>   |                   |            |            |                     |      |      |
| From income (excluding dividends)                               | —                 | -\$0.13    | -\$0.13    | -\$0.20             | —    | —    |
| From dividends  | —                 | -\$0.04    | -\$0.04    | -\$0.03             | —    | —    |
| From capital gains  | —                 | —          | —          | -\$0.01             | —    | —    |
| <b>Total annual distributions <sup>(c)</sup></b>                | <b>—</b>          | -\$0.17    | -\$0.17    | -\$0.24             | —    | —    |
| <b>NET ASSETS, END OF YEAR</b>                                  | <b>\$6.28</b>     | \$6.20     | \$5.72     | \$5.01              | —    | —    |
| <b>RATIOS AND SUPPLEMENTAL DATA</b>                             |                   |            |            |                     |      |      |
| Net asset value (\$000's)*                                      | <b>\$263,014</b>  | \$304,574  | \$288,306  | \$237,988           | —    | —    |
| Number of units outstanding*                                    | <b>41,854,723</b> | 49,136,693 | 50,379,704 | 47,515,475          | —    | —    |
| Management expense ratio <sup>(d)</sup>                         | <b>0.16%</b>      | 0.17%      | 0.16%      | 0.20%               | —    | —    |
| Management expense ratio before waivers                         | <b>0.20%</b>      | 0.21%      | 0.22%      | 0.20%               | —    | —    |
| Portfolio turnover rate <sup>(e)</sup>                          | <b>5%</b>         | 7%         | 24%        | 20%                 | —    | —    |
| Trading expense ratio <sup>(f)</sup>                            | <b>0.12%</b>      | 0.13%      | 0.13%      | 0.10%               | —    | —    |
| Net asset Value per unit  | <b>\$6.28</b>     | \$6.20     | \$5.72     | \$5.01              | —    | —    |

## Class S

| THE FUND'S NET ASSETS PER UNIT <sup>(a)</sup>                   | 2011              | 2010      | 2009                | 2008 | 2007 | 2006 |
|---|-------------------|-----------|---------------------|------|------|------|
| <b>NET ASSETS, BEGINNING OF YEAR</b>                            | <b>\$6.22</b>     | \$5.78    | \$4.63 <sup>1</sup> | —    | —    | —    |
| <b>INCREASE (DECREASE) FROM OPERATIONS:</b>                     |                   |           |                     |      |      |      |
| Total revenue   | <b>\$0.05</b>     | \$0.24    | \$0.17              | —    | —    | —    |
| Total expenses  | <b>-\$0.06</b>    | -\$0.10   | -\$0.09             | —    | —    | —    |
| Realized gains (losses) for the year                            | <b>\$0.05</b>     | \$0.02    | -\$0.24             | —    | —    | —    |
| Unrealized gains (losses) for the year                          | <b>-\$0.04</b>    | \$0.47    | \$1.18              | —    | —    | —    |
| <b>Total increase (decrease) from operations <sup>(b)</sup></b> | <b>—</b>          | \$0.63    | \$1.02              | —    | —    | —    |
| <b>DISTRIBUTIONS:</b>   |                   |           |                     |      |      |      |
| From income (excluding dividends)                               | —                 | -\$0.07   | -\$0.10             | —    | —    | —    |
| From dividends  | —                 | -\$0.03   | -\$0.04             | —    | —    | —    |
| From capital gains  | —                 | —         | —                   | —    | —    | —    |
| <b>Total annual distributions <sup>(c)</sup></b>                | <b>—</b>          | -\$0.10   | -\$0.14             | —    | —    | —    |
| <b>NET ASSETS, END OF YEAR</b>                                  | <b>\$6.25</b>     | \$6.22    | \$5.78              | —    | —    | —    |
| <b>RATIOS AND SUPPLEMENTAL DATA</b>                             |                   |           |                     |      |      |      |
| Net asset value (\$000's)*                                      | <b>\$65,714</b>   | \$37,429  | \$14,508            | —    | —    | —    |
| Number of units outstanding*                                    | <b>10,505,922</b> | 6,013,264 | 2,510,953           | —    | —    | —    |
| Management expense ratio <sup>(d)</sup>                         | <b>1.92%</b>      | 1.89%     | 1.77%               | —    | —    | —    |
| Management expense ratio before waivers                         | <b>1.96%</b>      | 1.92%     | 1.77%               | —    | —    | —    |
| Portfolio turnover rate <sup>(e)</sup>                          | <b>5%</b>         | 7%        | 24%                 | —    | —    | —    |
| Trading expense ratio <sup>(f)</sup>                            | <b>0.12%</b>      | 0.13%     | 0.13%               | —    | —    | —    |
| Net asset Value per unit  | <b>\$6.25</b>     | \$6.22    | \$5.78              | —    | —    | —    |

Note: This table is not intended to act as a continuity of opening and closing Net assets per unit.  
<sup>1</sup> Initial offering price.

<sup>(a)</sup> This information is derived from the Fund's audited annual financial statements. The Net assets per unit presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the Fund's financial statements.

<sup>(b)</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the year.

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<sup>(f)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the daily average net asset value during the year. No brokerage commissions were directly incurred by the Fund of Funds.

\* This information is provided as at June 30.

# Balanced 60/40 Fund

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## Management Fees

The following table shows the annual management fees for each unit class where such fees are paid by the Fund. The management fees are calculated based on the daily Net Asset Value of each applicable unit class of the Fund and paid monthly. The Fund does not pay management fees in respect of Class O and Class R as all compensation to the manager is paid pursuant to separate management agreements.

|                 | Class O | Class I | Class P | Class F            | Class R | Class S |
|-----------------|---------|---------|---------|--------------------|---------|---------|
| Management Fees | n/a     | 0.70%   | 2.10%   | 1.10% <sup>1</sup> | n/a     | 1.50%   |

<sup>1</sup>Inclusive of Goods and Service Tax/Harmonized Sales Tax

The following table shows the major services paid for as a percentage of the management fees above for each unit class of the Fund.

|  | Class O | Class I | Class P | Class F | Class R | Class S |
|--|---------|---------|---------|---------|---------|---------|
| Investment management and other general administration | n/a     | 100.0%  | 28.6%   | 100.0%  | n/a     | 100.0%  |
| Trailer Commissions*                                   | n/a     | n/a     | 71.4%   | n/a     | n/a     | n/a     |

\* Where negotiated with a particular dealer on a case-by-case basis, SEI may pay trailer commissions up to the maximum of 1.50% per annum, calculated based upon the average net asset value of the units of the Fund held in the accounts of clients of the participating dealers during a particular calendar quarter.

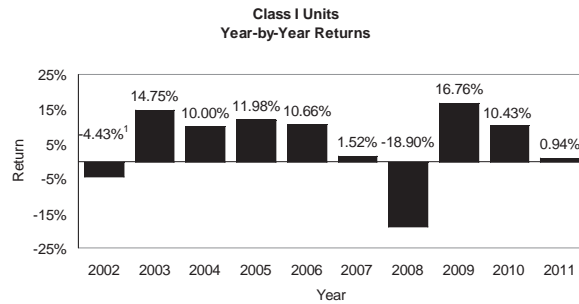
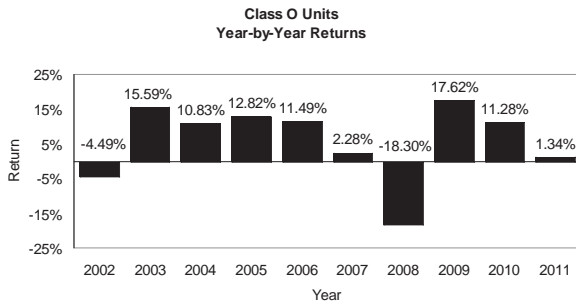
# Balanced 60/40 Fund

## Past Performance

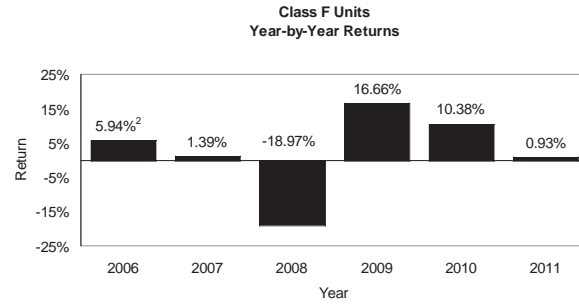
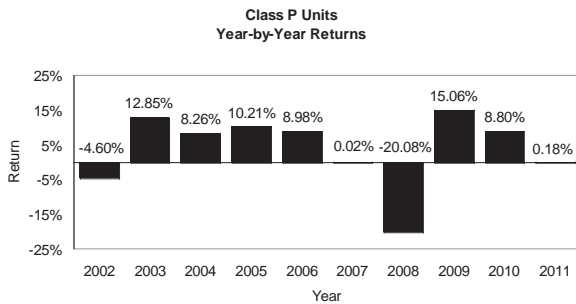
The performance information shown below assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund. This performance information does not take into account sales, redemptions, distribution or other optional charges that would have reduced returns or performance. Past performance of the Fund does not necessarily indicate how it will perform in the future.

### YEAR-BY-YEAR RETURNS

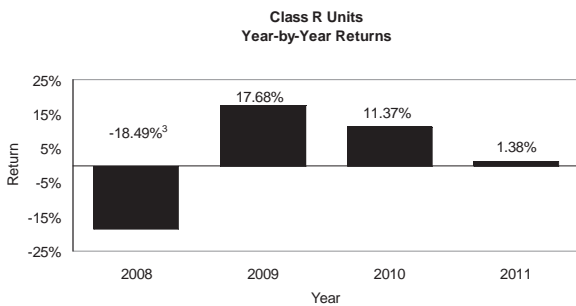
The following charts show the Fund's annual performance and illustrate how performance has changed from year to year. In percentage terms, the charts show how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year. Unless otherwise stated, the returns shown for 2011 in the charts below, are for the period from January 1st to June 30th.



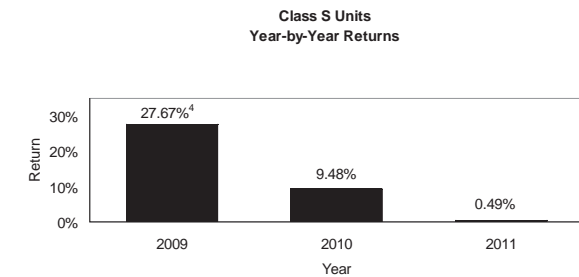
<sup>1</sup> Annualized from February 2002 first issuance by Prospectus



<sup>2</sup> From April 2006 first issuance by Prospectus



<sup>3</sup> From June 2008 first issuance by Prospectus



<sup>4</sup> From February 2009 first issuance by Prospectus

# Balanced 60/40 Fund

## Summary of Investment Portfolio

AS AT JUNE 30, 2011

The portfolio breakdown and Top 25 Holdings below are a reflection of the investments of the underlying funds held by this Fund. The Summary of Investment Portfolio may change due to ongoing transactions of the Fund. Quarterly updates are available at [www.seic.com](http://www.seic.com) within 60 days after each quarter end.

### PORTFOLIO BREAKDOWN

### TOP 25 HOLDINGS

| Sector                    | % of Total Net Asset Value | Holding   | % of Total Net Asset Value |
|---------------------------|----------------------------|---|----------------------------|
| Canadian Fixed Income     | 36.4%                      | The Toronto-Dominion Bank                           | 1.7%                       |
| Canadian Equities         | 24.5%                      | Bank of Nova Scotia                                 | 1.3%                       |
| US Equities               | 18.1%                      | Royal Bank of Canada                                | 1.3%                       |
| International Equities    | 16.8%                      | Government Of Canada 3.500% 01-Jun-2013 Ser Yn80    | 1.2%                       |
| Global Fixed Income       | 4.0%                       | Government Of Canada 4.250% 01-Dec-2021 Real Rtn Bd | 1.0%                       |
| Cash and Cash Equivalents | 0.2%                       | Prov Of Quebec 4.250% 01-Dec-2031 Real Rtn Bd       | 0.9%                       |
| <b>Total</b>              | <b>100.0%</b>              | Suncor Energy, Inc.                                 | 0.8%                       |
|                           |                            | Manulife Financial Corp.                            | 0.7%                       |
|                           |                            | Prov Of Quebec 4.500% 01-Dec-2026 Real Rtn Bd       | 0.7%                       |
|                           |                            | Government Of Canada 4.250% 01-Dec-2026 Real Rtn Bd | 0.6%                       |
|                           |                            | Securities Sold Receivable                          | 0.6%                       |
|                           |                            | Canadian Natural Resources Ltd.                     | 0.6%                       |
|                           |                            | Government Of Canada 3.000% 01-Dec-2036 Real Rtn Bd | 0.6%                       |
|                           |                            | Canada Housing Trust No 1 3.600% 15-Jun-2013 Ser 19 | 0.6%                       |
|                           |                            | Goldcorp, Inc.                                      | 0.6%                       |
|                           |                            | Potash Corp. of Saskatchewan, Inc.                  | 0.6%                       |
|                           |                            | Prov Of Ontario 2.000% 01-Dec-2036 Real Rtn Bd      | 0.5%                       |
|                           |                            | Government Of Canada 0.000% T-Bill 07-Jul-2011      | 0.5%                       |
|                           |                            | Barrick Gold Corp.                                  | 0.5%                       |
|                           |                            | Canada Housing Trust No 1 4.550% 15-Dec-2012 Ser 18 | 0.5%                       |
|                           |                            | EnCana Corp.  | 0.5%                       |
|                           |                            | Government Of Canada 2.000% 01-Dec-2041 Real Rtn Bd | 0.5%                       |
|                           |                            | TransCanada Corp.                                   | 0.5%                       |
|                           |                            | Prov Of Ontario 4.300% 08-Mar-2017                  | 0.4%                       |
|                           |                            | Prov Of Ontario 4.400% 02-Jun-2019                  | 0.4%                       |
|                           |                            |   | 16.8%                      |
|                           |                            | <b>Total Net Asset Value</b>                        | <b>\$601,876,530</b>       |

The Fund may invest in securities of other mutual funds managed by SEI. You may view the prospectus and other information about the underlying SEI Funds at [www.seic.com](http://www.seic.com) or [www.sedar.com](http://www.sedar.com).