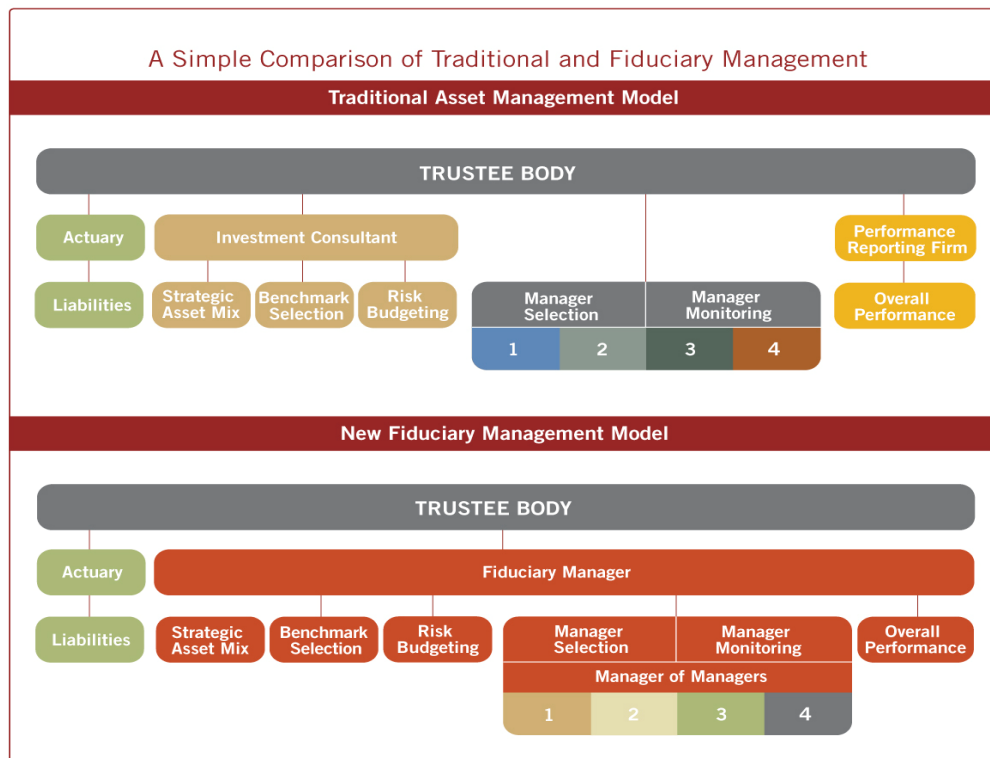


# Fiduciary Management

## What is Fiduciary Management?

Fiduciary Management can be defined as a pension management solution which focuses on achieving the long term goals of a pension fund within a defined risk management framework by providing both day-to-day investment management and advisory services. The approach enhances pension governance and decision-making by delegating the risk management and investment advice, implementation and oversight of the pension fund to one provider. In practice this means that trustees can delegate the day-to-day management of the pension fund to one provider, the Fiduciary Manager, who is accountable to the trustees for the performance of the fund.

The approach can address the current challenges of the UK pensions landscape because of its enhanced use of the governance budget and the implementation of a manager of managers investment process. This process is designed to improve the risk return profile of the pension scheme and to provide significant time savings because all manager selection and replacement decisions are undertaken by the Fiduciary Manager. In this way the trustees retain their authority, make the strategic decisions and delegate the work best done by investment professionals to the Fiduciary Manager.



### **A New Model for a New Environment**

With the changing regulatory environment and the increased complexity and uncertainty of investment markets there is more pressure than ever on pension fund trustees in the UK.

Trustee bodies manage substantial assets on the basis of only quarterly meetings, the advice of an investment consultant who is not accountable to the pension fund and perhaps an investment sub-committee. This approach may have worked satisfactorily in the pensions environment of the past but with investments becoming increasingly more complex and enhanced focus from the corporate sponsor on scheme liabilities and the risks associated with them, trustees are not only more exposed but are facing a more onerous governance budget without the time or resources to match. This new environment requires a more accountable model with a more effective decision making process to help trustees to fulfil their fiduciary role.

### ***Shortcomings of the current model***

- Quarterly meetings cycle can lead to decisions that are reactive rather than proactive despite a rapidly changing environment
- Governance budget is too large and complex for trustees to manage within the time constraints of their other responsibilities
- Beauty parades can be ineffective in selecting good managers
- Advisers and asset managers are not coordinated resulting in a tendency to focus on individual targets rather than overall goals of the pension scheme
- Investment Consultants are not accountable for their advice

### **What are the benefits of working with a Fiduciary Manager?**

#### ***For Trustees:***

- One point of contact rather than multiple advisers and asset managers
- Time savings allowing increased focus by trustees on strategic issues
- Potential cost savings by working with one provider on an asset based fee
- Single focus on overall goals of the pension scheme by combining advice and implementation
- The comfort of a co-fiduciary who is accountable for manager selection decisions
- Diversification within asset classes
- Continuous manager research, monitoring and replacement

**For Company Sponsors:**

- Access to a financial modelling process to demonstrate impact of pension fund on corporate finances in multiple scenarios
- Transparency to enhance communication between trustees and company in discussing employer covenant
- Comfort of a co-fiduciary working as a partner with the Trustee Body
- Confidence that the pension scheme is managed by experts sharing and relieving the burden of governance from trustees

**About SEI - A History of Innovation**

SEI was founded in 1968 and is a publicly quoted company listed on the NASDAQ (ticker SEIC). For more than 20 years, SEI has been a pioneer in creating innovative pension and investment management solutions. Our proactive approach anticipates the challenges of a changing pension landscape and helps prepare our clients to meet those challenges.

SEI's Fiduciary Management business was established in the United States more than 15 years ago and consists of more than 300 experienced professionals worldwide, focused on corporate finance, pension finance and investments, all dedicated to delivering strategic solutions to our clients. We therefore not only possess specialist local market knowledge and experience, but we also have a wealth of global resources and expertise to draw from. SEI is one of the largest providers of Fiduciary Management globally\*\*, with more than \$134bn\* in assets under management worldwide.

\* As at 31 December 2008

\*\* Anton Van Nunen, Fiduciary Management, 2008

**SEI's Fiduciary Management Solution**

SEI's Fiduciary Management solution provides pension funds with the opportunity to outsource the implementation and oversight of their fund to a provider with a long term track record in both Fiduciary Management itself and Manager of Managers investments.

Unlike the traditional approach, where a pension fund relies on a variety of advisers all offering independent and often unrelated advice, SEI can provide investment advice and implementation, corporate finance advice and actuarial coordination, reducing the need for trustees to spend significant time and resources to get a full picture of their pension fund and its goals.

As a Fiduciary Manager, SEI views their relationship with clients as a long-term strategic partnership. This partnership allows the company to focus on their high-level strategic objectives whilst SEI executes all investment related matters. In essence SEI provides the pension fund with a virtual extended internal organisation, where their expertise can be utilised as far as is necessary.

As a Fiduciary Manager, SEI provides:

- *Strategic Advice & Management*
  - Financial Modelling
  - Risk budgeting
  - Strategic asset allocation
  - Benchmark selection
- *Actuarial Coordination*
  - Funding policy development
  - Confirmation of assumption setting
  - Review of financial disclosure reporting
- *Investment Management*
  - Portfolio construction
  - Manager research
  - Manager selection
  - Transition management
- *Manager Monitoring and Reporting*
  - Manager oversight
  - Manager replacement
  - Integrated reporting – Goals Based and Asset Based

### **Manager of Managers - Investment programmes that support key goals**

SEI's objective is to work with the pension fund to determine the optimal mix of asset classes required to achieve pension goals, given their objectives and risk tolerances. The investment strategy focuses on pension finance and liability driven objectives and once the optimal mix of asset classes has been determined, investments are implemented through SEI's Manager of Managers Program, the foundation of SEI's Fiduciary Management offering.

SEI's Manager of Managers philosophy encompasses a solid, time-tested process that offers significant potential benefits to institutional investors. This process encompasses portfolio construction and manager hiring, monitoring and replacement within an effective administrative framework.

SEI's specialist investment teams continuously research the market to identify the most up to date and effective investment techniques. SEI analysts focus on differentiating manager skill (alpha) from market generated returns (or beta) to assess the alpha strategies that are likely to be successful in each market. This expertise is used to construct portfolios of managers that can be combined to achieve the right risk return profile for each individual client's objectives.

**Strategic Advice delivered via proprietary modelling technology**

A key and distinctive feature of SEI's Fiduciary Management solution is the strategic advice process. This begins with a comprehensive assessment of a client's specific goals, followed by agreeing and designing the active risk budget then, once a detailed assessment of the liability profile has been completed, a plan with the aim of generating the required return is put in place.

Central to the delivery of strategic advice is SEI's proprietary modelling capability. Unlike the traditional approach, based only on investment objectives, goals can be established by analysing the company financials and pension fund together. By aggregating all the critical pension, corporate finance and human resources data, the total pension picture can be seen in a larger financial context. SEI models show how a variety of legislative, capital market and interest rate scenarios affect key pension and corporate finance ratios. If a change is made to a scenario the resulting theoretical changes to the company and pension metrics can be seen instantaneously.

**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.

No offer of any security is made hereby. Recipients of this information who intend to apply for shares in any SEI Fund are reminded that any such application may be made solely on the basis of the information contained in the Prospectus. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding the funds or any stock in particular, nor should it be construed as a recommendation to purchase or sell a security, including futures contracts.

If the investment is withdrawn in the early years it may not return the full amount invested. In addition to the normal risks associated with equity investing, international investments may involve risk of capital loss from unfavourable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Narrowly focused investments and smaller companies typically exhibit higher volatility. Products of companies in which technology funds invest may be subject to severe competition and rapid obsolescence. SEI Funds may use derivative instruments such as futures, forwards, options, swaps, contracts for differences, credit derivatives, caps, floors and currency forward contracts. These instruments may be used for hedging purposes and/or investment purposes.

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