

New Challenges, New Solutions

BESPOKE CREDIT PORTFOLIOS DESIGNED TO HELP ENHANCE YOUR RISK-RETURN PROFILE.



SEI New ways.
New answers.®

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New Challenges, New Solutions

In today's environment, trustees and sponsors of defined benefit (DB) schemes face a growing number of challenges, namely:

- › The volatility of asset classes and funding levels
- › Liability management
- › Achieving growth, whilst protecting asset levels
- › Navigating a low-yield environment
- › The increasing complexity of scheme governance

Despite these obstacles, many DB schemes are now increasingly well-funded, and their management and oversight hurdles are evolving. Trustees of DB schemes must now find appropriate and effective ways to adjust and manage their risk-return profile through the latter stages of the DB life cycle. This leaves further complexities to consider, such as:

- › De-risking by allocating away from equities or other traditional growth assets
- › Focusing on cash-generative assets in anticipation of scheme outflows
- › Seeking new asset-class exposures for the generation of diversified returns



Given these substantial new challenges, trustees may look to new solutions—such as an increasingly diversified credit exposure—to help achieve their scheme's goals.

Using a well-established process, our specialist teams are experienced in constructing and managing a broad spectrum of customised credit investments, from absolute return strategies, emerging-market and high-yield debt, to UK long-duration credit, structured bonds and alternative credit strategies.

This document contains marketing material about our fiduciary management service. This document does not represent impartial advice on this service. In certain cases, you are required to conduct a competitive tender process prior to appointing a fiduciary manager. Guidance on running a tender process is available from the Pensions Regulator.

Why credit assets?

Exposure to credit assets can bring a wide range of benefits to a portfolio. The credit universe has a broad investment spectrum that can be accessed as single asset-class portfolio or as a multi-asset solution with the potential to deliver:

- › **Diversification**, through exposure to areas of the fixed-income market previously untapped, including high-yield debt, emerging-market debt or nontraditional credit assets
- › **Volatility/risk reduction**, by moving away from traditional equity and broadening the asset base to include exposure to areas of credit with a low correlation to the current scheme portfolio
- › **Improved returns**, because credit can be an alternative to equities as a tool for growth, and yields may also be attractive in the prevailing investment backdrop
- › **Liquidity and marketability**, as certain areas of the credit market are easily accessible, even for large portfolio exposures
- › **Cash generation**, because contractual cash flows can be structured to provide income against liability outflows

Whilst these potential benefits are exciting, the fact remains that credit assets can be highly complex, and bring a different set of investment factors and risks to manage. This requires specialist investment skills and knowledge that is distributed across multiple specialist investment managers. Because of this, the ability to effectively deal with the risks and challenges of identifying, mandating and overseeing specialist managers may fall outside of the in-house capabilities of even the largest schemes.

Managing the risks and exposures of multiple managers demands experts who understand the market and can add value to factor and manager allocation decisions whilst bringing a tried and tested process to the table.



SEI's investment specialists are experienced at managing the complexities of the multi-manager, multi-asset credit market.

Customised credit solutions

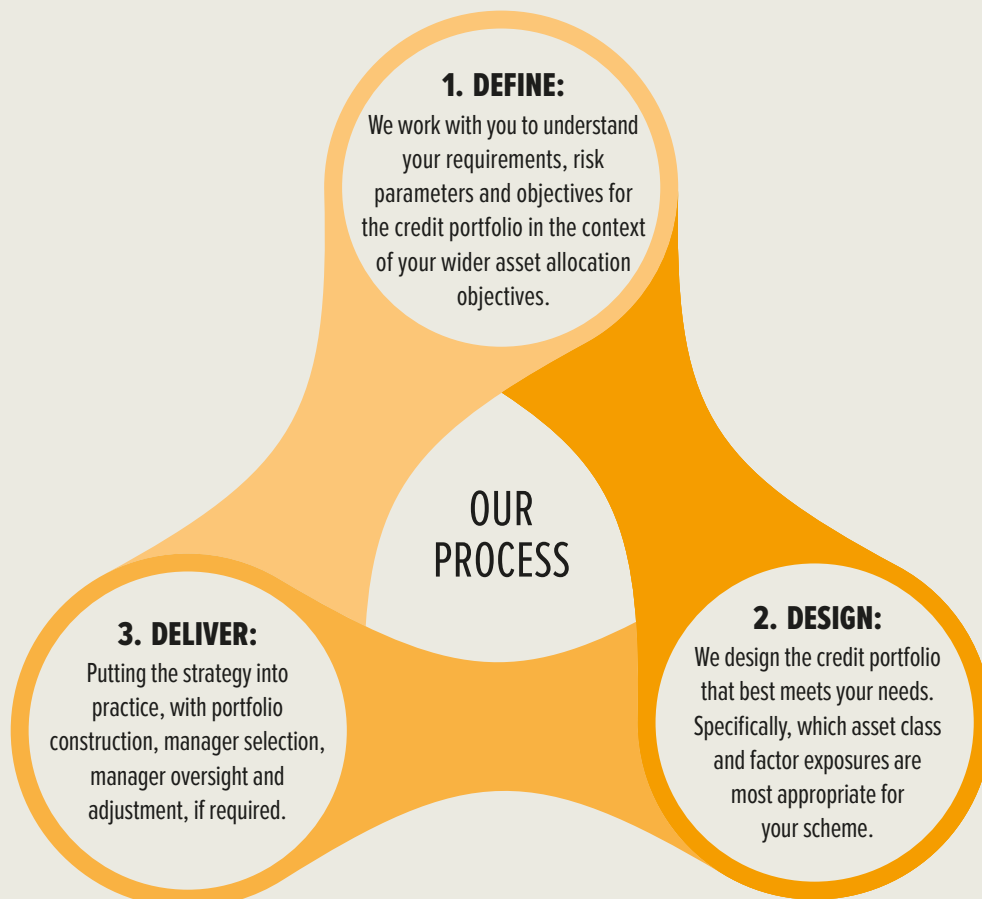
Bespoke credit portfolios designed to enhance your risk-return profile.

SEI has an extensive track record in providing customised investment solutions by working in close partnership with our clients. At the outset, and in combination with your investment committee or investment team, we will agree on a well-defined framework that houses our strategic partnership and details the level of discretion and oversight that you require from us.

Together we set targets, risk tolerances and investment selection parameters, ensuring that credit assets complement the risk and return metrics of the overall scheme. Our team of highly qualified experts will then design, build and run the credit allocation that matches your scheme's requirements and considerations, which will be constantly monitored and refined.

Across our credit investment services and solutions, SEI can undertake both the strategic implementation and the day-to-day management of a single-sleeve credit portfolio within the context of your whole scheme. We can act fast and flexibly to dynamic market conditions and adjust the sleeve as required, all within the context of your risk framework and overall portfolio strategy.

This affords Trustees and their in-house teams the extra time and resource to focus on overall scheme management and governance, safe in the knowledge that the credit sleeve is being skilfully and carefully managed with a continual focus on your scheme's goals.



Our capabilities within credit

SEI takes a proven approach to active credit management by leveraging the combined experience of our extensive global investment team.

We understand that the needs of each scheme are different, and we are able to provide your scheme with an appropriate single-asset credit strategy that is matched to your exposure and factor needs, or we can customise a mix of credit strategies within the sleeve allocation to give you bespoke multi-asset credit. We have a wide scope of credit building blocks that can be used in your credit sleeve at your disposal.

Together, we identify the right credit classes and factor managers for your needs.

Then, rather than taking a broad-brush approach to each asset class, we isolate the factors that drive returns in a fund.

GLOBAL ABSOLUTE RETURN FIXED INCOME

A strategy that targets positive returns over the medium to long term by seeking to capitalise on the perceived disconnect between macroeconomic themes and market prices, predominately across and within developed government bond markets and currencies.

EMERGING MARKETS DEBT

Developing and emerging economies as defined by GNI (Gross National Income) per capita over the prior three years, primarily accessed through sovereign debt in both hard (G3) and local currencies.

HIGH YIELD FIXED INCOME

Provides investors access to US corporate bonds rated below BBB- by a recognised rating agency. These bonds typically carry a higher risk of default and consequently provide a higher yield than investment-grade corporate debt. As a result, the asset class tends to be more sensitive to the economic cycle.

STRUCTURED CREDIT

Primarily invests in the equity and debt securities of CDOs with the objective of generating high absolute total returns.



MULTI ASSET CREDIT

Provides investors with access to a global opportunity set of fixed-income alpha sources, with less reliance on broad market returns. The strategy is designed to perform well across different economic environments relative to traditional long-only fixed-income portfolios.

UK LONG DURATION CREDIT FIXED INTEREST

A longer maturity version of the UK Credit Fixed Interest Fund, with an overall duration within 2 years of the Bank of America Merrill Lynch 15+ year Single-A Non-Gilt Index.

GLOBAL CREDIT HEDGED

Invests primarily in debt securities-rated investment grade by a recognised rating agency and issued by companies in developed economies as well as government-related entities and asset backed securities (a security that derives its value from mortgages or other assets).

GLOBAL FIXED INCOME HEDGED

Invests primarily in investment-grade fixed-income debt securities issued by governments in developed economies.

UK CREDIT FIXED INTEREST

UK sterling denominated debt obligations from non-Government entities comprised predominantly of UK headquartered companies.

ALTERNATIVE CREDIT

Provides investors with access to credit strategies where the underlying investments or positions typically do not have an actively trading secondary market. Traditionally seen as hedge fund strategies, these include Distressed Debt, Long/Short Credit, Long/Short Securitised and Macro Discretionary.

GLOBAL SHORT DURATION BOND HEDGED

Invests predominately in short-term (bonds that mature within 3 years), investment-grade (those rated BBB - or above by a recognised rating agency) securities issued by developed market governments with opportunistic exposures in corporate debt and emerging markets.



Factor investing within credit

Factor investing is at the heart of our investment philosophy.

SEI has a long heritage in factor investing, having partnered with the investment community in the early 2000s to seed and launch the first institutional factor fund. SEI's approach is rooted in an alpha source-based approach to portfolio construction and manager selection. In seeking to exploit the market inefficiencies and anomalies associated with SEI's alpha-source approach, the belief is simple but not simplistic; allocation drives results and portfolios should be designed with that in mind.



Generating alpha through credit requires expertise and perspective in developing macroeconomic themes to form the basis of buy and sell decisions. It also requires knowledge of local markets, their breadth, liquidity and cyclicalities in order to establish the best way of implementing the credit strategy.

The alpha-source framework allows us to identify and evaluate potential return sources and the specialist managers to exploit them. The factors within these sources of alpha are the foundation for the subsequent formation of multi-credit strategies.

We believe that this factor expertise, when applied to credit opportunities, is a key differentiator in our strategies and bespoke portfolios.

The SEI factor approach

- › **Isolate the factors** that drive long-term returns in a credit asset class and determine if these are exploitable
- › **Identify the best-in-class investment managers** to exploit these factors
- › **Construct the portfolio** based on a multi-manager approach, using segregated funds
- › **Monitor and adjust** the portfolio managers and/or factor exposures depending on updates to the macro overlay, changes in manager performance levels and customer requirements

Within credit, we understand how to effectively identify factor exposures in a portfolio. These factors could include spreads, macro, selection, rates or illiquidity. Our factor approach is based on in-depth research, supported by empirical data, academic inputs and the broad experience of our team.

The allocation of capital and/or risk across the chosen managers depends upon our macro overlay. This overlay takes a top-down approach to assess key global investment market, economic, political and regulatory metrics to help determine duration, yield-curve, country, currency and beta positioning.

Once the factors are isolated, we look for those that drive long-term performance. We then search for the external credit managers that we believe are best at managing these factors in isolation to form a portfolio with the desired exposures. In order to ensure we can match the right manager to the required risk-return metrics and factor drivers, SEI has access to a global pool of credit specialists.



We break down each portfolio asset class across several managers, each with a different factor-specific focus, as we believe that no one investment manager can be successful at managing every factor over the long term.

A strategy backed by a vast platform

We don't use the fund management systems or infrastructure of the chosen investment managers. We organise the portfolio infrastructure with a view to providing high levels of transparency and sophistication, using best-of-breed technologies and systems to provide ongoing and thorough analysis of the investment managers and risk exposures. We can monitor each of our managers' portfolio carve-outs in real time and can analyse the level of risk they are taking at a holding, fund and client level.

Mandates are segregated, which means that if a change of manager is required then the adjustment is made simply, swiftly and cost-effectively, without disruption to the client.

An infrastructure that can deliver for scale

We believe that this combination of multi-asset credit capabilities—combined with factor expertise and strong management information systems—can enhance the governance of a large pension scheme's credit portfolio by delivering:

1. **Strong management information** regarding risks and exposures
2. **Specialist oversight** that gives you the time to focus on management and governance of other scheme assets
3. **The ability to make manager changes quickly and efficiently** as required
4. **Scale and efficiencies** that, when combined with our technologies, mean that our credit management and factor expertise can be competitively priced

Risk control

SEI's independent Risk Management Group

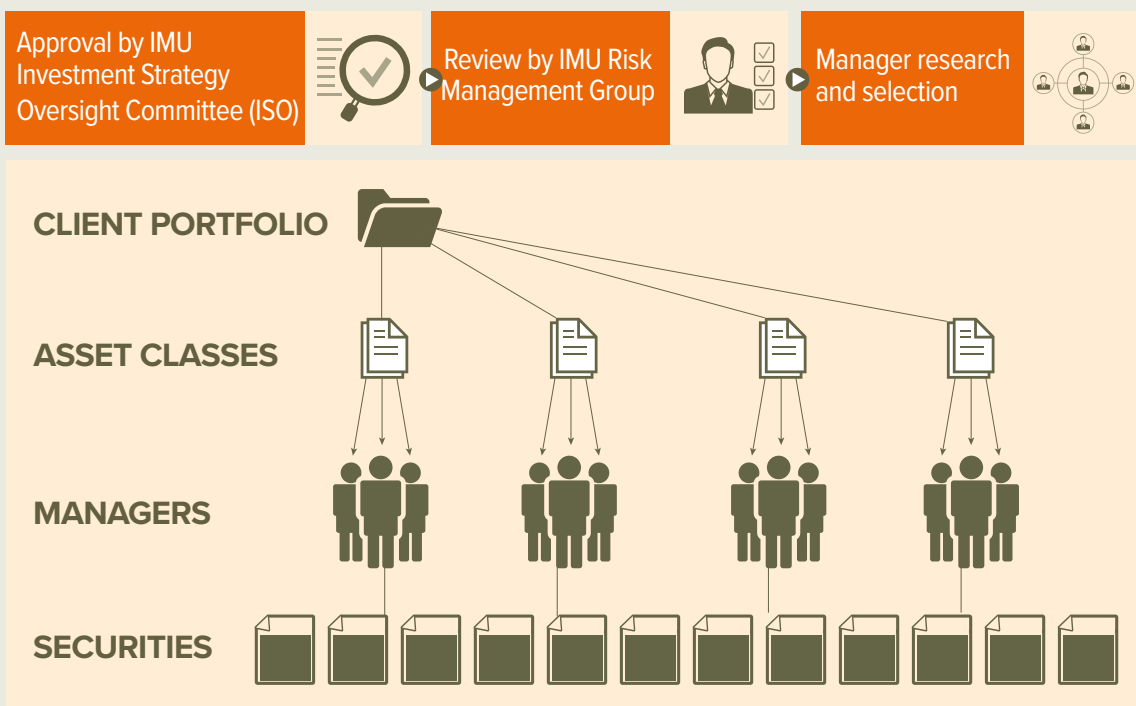
Our independent Risk Management Group reports directly to the executive leadership of the Investment Management Unit (IMU); the investment research and management arm of SEI. This group is responsible for measuring, monitoring and reporting on the level of risk taken in each of our strategy portfolios. In addition to our Risk Management Group, our Advisory Team monitors and manages risk in institutional client portfolios.

Our risk management process includes:

- › **Daily** transparency at the security level
- › **Monitoring of current volatility**, including measurement relative to long-term capital market assumptions
- › **The ability to make informed asset allocation changes** to client portfolios based on current market conditions, within a risk-budget framework
- › **The flexibility to redeploy capital to different managers** based on current market conditions, within a risk-budget framework

Our process is supported by proprietary risk-management and monitoring technology that incorporates industry-leading software, such as BlackRock (Aladdin), Axioma, FactSet and Intex. These systems allow for a granular risk analysis across our investment programme. Put simply, we commit substantial financial resources to the risk technologies used in our solution.

At the multi-asset class level, the emphasis of our risk-management procedures is to monitor value at risk. This provides an effective approach to improving plan governance. We focus on evaluating and managing an organisation's strategic risks at multiple levels. Our independent Risk Management Group is focused on overseeing risk at these strategic levels.



Why SEI?

We believe there are many elements in our approach to credit management combined with our investment process and track record that helps set us apart from the competition:

Factor Specialists

SEI is a factor specialist. A factor-customised credit portfolio focused on key drivers can bolster returns, reduce volatility and contribute to the broader targets of the DB scheme.

Portfolio Control

We aim to deliver greater control to trustees. You set the level of discretionary management responsibility whilst retaining control, whilst up-to-date management information gives you strong oversight of the outsourced credit sleeve.

Swift and Proactive

We deliver fast and effective implementation of investment decisions and can respond proactively to ever-changing market conditions.

Reduced Resource Strain

Benefit from our adept management of credit sleeve portfolios and our comprehensive management information systems. We can provide you with more time and resource to focus on broad strategic issues.

SEI's Tools for the Job

To increase the strength of management information and assist in overall investment decision-making, we have access to a range of proprietary and third-party investment tools.

Size and Scale

Our global reach and scale allow us to provide a bespoke credit approach for large defined benefit schemes. We have access to a broad array of credit experts and can deliver a range of solutions that helps meet the requirements of sizeable schemes.

Credit Knowledge

Your portfolio is looked after by our dedicated team of fixed-income experts. SEI engages specialist managers that it believes to be best-in-class providers in their field of credit investment and in the control of specific factors.

Experienced Team

We have been delivering specialist credit and fixed-income solutions for more than 15 years. There are over 115 experts in SEI's Investment Management Unit (IMU) implementing our investment solutions and services, including a dedicated team of credit and fixed-income specialists.

About SEI

SEI is a specialist in outsourced investment implementation that puts the client at the heart of its solutions. We are accountable for results and strive to deliver through active, flexible and dynamic decision-making.

SEI's specialist single-sleeve portfolio management provides tailor-made solutions to help meet each customer's unique requirements.

With more than 25 years of outsourced investment implementation experience, SEI can provide a wide range of specialist services for trustees and sponsors. Focused on your individual requirements, we deliver customised multi-manager factor-based portfolios, investment reporting, performance measurement and oversight. We are also an expert in integrating strategic advice, from risk modelling and budgeting, to asset-liability modelling across all or part of a portfolio. We can implement strategic and tactical asset allocation investment decisions and have dedicated specialists that focus on manager research and selection, liability hedging and dynamic risk management. We are experienced at managing the entire spectrum of investment services through a fully outsourced integrated Fiduciary Management solution.

FIND OUT MORE

Explore our bespoke capabilities across the credit spectrum and find out how we have helped our clients achieve their goals.

Speak to an expert: 0203 810 7598

institutionsuk@seic.com

seic.com/credit

Important Information

This brochure is for professional intermediaries only and is not for further distribution.

The SEI Global Assets Fund Plc, SEI Global Investments Fund Plc, and SEI Global Master Fund Plc (the "SEI Funds") are structured as open-ended collective investment schemes and are authorised in Ireland by the Central Bank as a UCITS pursuant to the UCITS Regulations.

The portfolio allocation may include non-EEA Alternative Investment Funds managed by SEI Investments Management Corporation (SIMC).

These SEI Alternative Investment Funds are non-standardised and bespoke, and usually invest in a variety of underlying assets such as shares, debt securities, commodities or mutual funds. Alternative Investment Funds by their nature involve a substantial degree of risk, including the risk of complete loss of capital and are only appropriate for parties who can bear that high degree of risk and the highly illiquid nature of an investment. SEI Alternative Investment Funds often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, are not required to provide periodic pricing or valuation information to investors, involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements and mutual funds, and often charge higher fees.

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The value of an investment and any income from it can go down as well as up. Investors may get back less than the original amount invested. SEI Funds may use derivative instruments which may be used for hedging purposes and/or investment purposes. 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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