



# Cooling economic activity ignites market rebound.

## Monthly Snapshot

- The selloff that shaped the first half of 2022 came to a halt as equities and fixed-income asset classes rallied, recovering at an accelerating pace as the end of July approached.
- Equity performance patterns reversed during July, with U.S. stocks leading major markets. European stocks had a large one-month gain, while U.K. stocks trailed but nevertheless benefitted from a large rebound.
- There is no denying that rising interest rates will slow economic growth. But changes in monetary policy affect the economy with a long and variable lag. While the financial strength of businesses and households is likely to ebb, the starting point is a very high one.

The selloff that shaped the first half of 2022 came to a halt as equities and fixed-income asset classes rallied in July. Stocks and bonds moved sideways during the first half of the month after climbing off a bottom in mid-June, and then recovered at an accelerating pace as the end of July approached.

Data showing softening economic activity counterintuitively provided investors with a confidence boost, as slower growth and milder inflation would likely mean that central banks won't need to increase rates as much as feared, thereby keeping a lid on borrowing costs.

Equity performance patterns reversed, with U.S. stocks leading major markets after delivering one of the second quarter's worst performances. Japan also had a large one-month gain, as did Europe; U.K. stocks trailed these markets, but nevertheless benefitted from a large rebound in July. Emerging-market equities, meanwhile, generated a small loss as China's second-quarter rebound faltered.

Growth-oriented stocks outpaced their value-oriented counterparts during the month, although the difference was considerably greater within large-cap equities than in small caps.

Short-term U.S. Treasury rates increased, while medium-to-long term rates fell, resulting in a flatter curve that also grew more inverted (that is, when shorter-term rates are higher than longer-term rates). U.K. and eurozone government bond rates fell across most maturities in July, with the steepest declines in the medium-to-long-term segment of the yield curve.

The U.S. dollar ended the month slightly higher than where it began (measured by the U.S. Dollar Index), after its 13-month climb began to reverse in mid-July.

High-yield bonds were the best-performing fixed-income asset class in July in keeping with the resurgent appetite for risk. Most other segments of the bond market were also positive given the general decline in rates (yields and prices have an inverse relationship).

Commodity-price movements were mixed in July. The Bloomberg Commodity Index advanced by 4.08%, but Brent and West-Texas Intermediate crude oil prices slid 6.75% and 4.64%, respectively, and wheat prices fell by 8.63%. Natural gas prices, meanwhile, increased by 52.69% for the full month.

## Key Measures: July 2022

EQUITY		
Dow Jones Industrial Average	6.82%	↑
S&P 500 Index	9.22%	↑
NASDAQ Composite Index	12.39%	↑
MSCI ACWI Index (Net)	6.98%	↑
BOND		
Bloomberg Global Aggregate Index	2.13%	↑
VOLATILITY		
Chicago Board Options Exchange Volatility Index	21.33	↓
PRIOR Month: 28.71		
OIL		
WTI Cushing crude oil prices	\$98.62	↓
PRIOR Month: \$105.76		
CURRENCIES		
Sterling vs. U.S. dollar	\$1.22	↑
Euro vs. U.S. dollar	\$1.02	↓
U.S. dollar vs. yen	¥133.24	↓

Sources: Bloomberg, FactSet, Lipper

Europe's pipeline-supplied natural gas came under renewed threat at the end of July as Russia cut deliveries to 20% of capacity for the Nord Stream 1 pipeline. The threat of undersupply inhibits Europe's ability to stockpile gas for the high-consumption winter months. EU nations have voluntarily agreed to reduce gas usage by 15% until March 2023 as a partial remedy.

Ukraine's Minister of Infrastructure declared that the "...first grain ship since Russian aggression has left port" on August 1 after the countries struck a UN-Turkey brokered agreement in late July. The ship carried corn destined for Lebanon; approximately 22 million tons of grain that have been awaiting shipment for months may now be transported along agreed-upon safe corridors. Sanctions on Russian grain and fertilizer exports have also been loosened as part of the deal.

U.K. Prime Minister Boris Johnson announced in early July his intention to resign once the Conservative Party elects a new leader. The succession race has boiled down to Liz Truss, the current Foreign Secretary, and Rishi Sunak, the recent Chancellor of the Exchequer. Truss appeared to have the edge at the end of July.

Mario Draghi resigned as Italy's Prime Minister in late July as a confidence vote revealed that he no longer had the backing of the coalition underpinning his national unity government. Elections are scheduled for late September.

The U.S. Congress passed legislation in late July to appropriate \$50 billion toward domestic development of semiconductor chip manufacturing and advanced technological research. Semiconductor scarcity has cascaded into an array of supply shortages; the industry's concentration—with an overwhelming majority of production originating in Taiwan—is viewed as a national security risk given China's claim to the territory. President Joe Biden signed the legislation into law on August 2.

Chinese and U.S. military posturing escalated in the vicinity of Taiwan toward the end of July as Nancy Pelosi, the Speaker of the House of Representatives (one of the two deliberative bodies that comprise the U.S. Congress), prepared to visit the territory in addition to Japan, South Korea, Malaysia, and Singapore. Pelosi has been critical of China's authoritarian rule and human-rights record for several decades.

# Economic Data

## U.S.

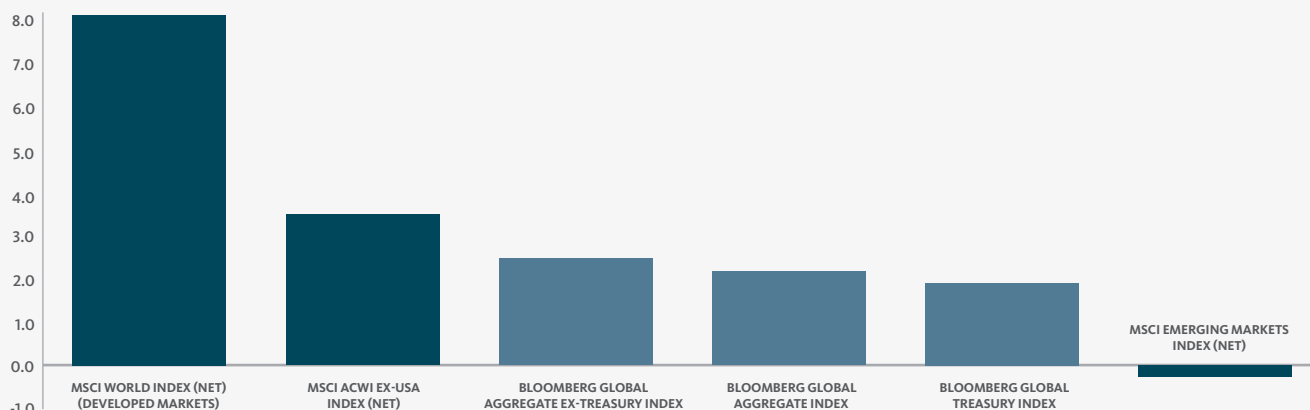
- The personal consumption expenditures price index (the Federal Reserve's preferred inflation measure) jumped to 6.8% year over year through June, from 6.3% in May, setting a new record dating to early 1982.
- Manufacturing growth in the U.S. slowed modestly in July, essentially preserving a mild expansion after declining sharply in June.
- U.S. services activity tumbled into contraction during July after attaining low growth in May and June.
- U.S. job openings fell in June, from 11.3 million in May, to 10.7 million. The number of unemployed Americans measured 5.91 million, meaning that there were about 1.8 jobs available for every jobseeker.
- The overall U.S. economy contracted during the second quarter by an annualized 0.9% after declining by 1.6% during the first quarter.

## U.K.

- Consumer prices in the U.K. jumped by 0.8% in June and 9.4% over the prior year—up from 0.7% and 9.1%, respectively, in May—and setting a new 40-year high for the year-over-year inflation rate.
- U.K. manufacturing activity settled further into low-growth territory during July for the third consecutive month of slowing expansion.
- Growth in the U.K. services sector held at modest-but-healthy levels in July that were roughly in line with May and June's expansion.

## Major Index Performance in July 2022 (Percent Return)

■ FIXED INCOME ■ EQUITIES

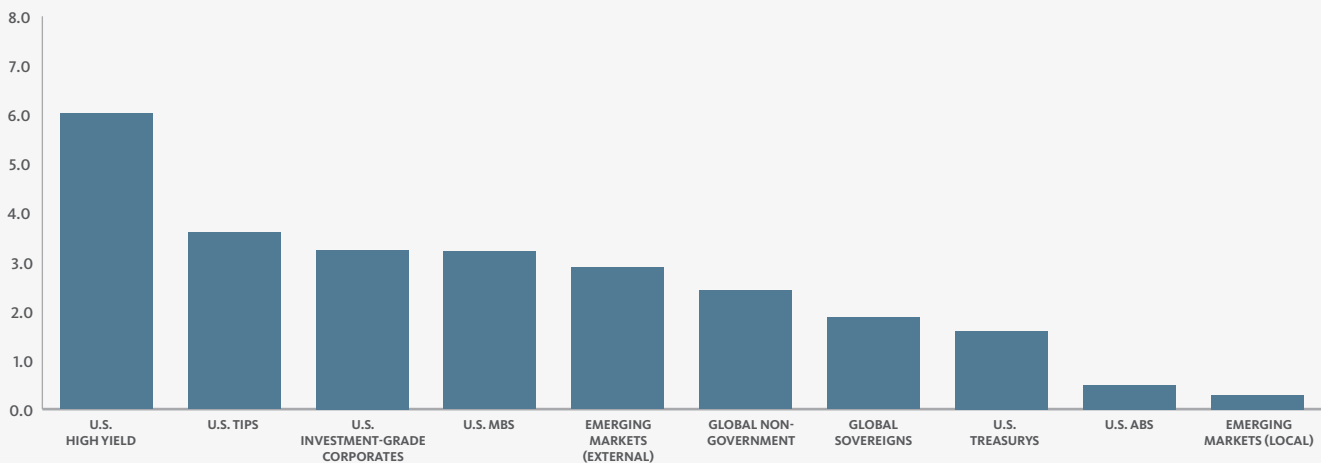


- The U.K.'s claimant count (which calculates the number of people claiming Jobseeker's Allowance) declined in June for the sixteenth consecutive month—by about 20,000, with total claimants representing 3.9% of the population in June compared to 4.0% in May.
- The U.K. economy expanded by 0.4% in the three months to May 2022 and by 3.5% over the prior 12 months. These growth rates were slower than the first quarter rate of 0.8% (and 8.7% for the year through March).

## Eurozone

- Consumer prices increased by 0.1% in the eurozone during July, and 8.9% over the prior year, versus 0.8% and 8.6% in June. July's year-over-year inflation figure was the highest since the Eurostat began tracking data in 1997.
- The eurozone unemployment rate held at 6.6% in June—the lowest level since Eurostat began recording employment data in 1998.
- Eurozone manufacturing began to contract during July, albeit modestly, continuing an uninterrupted decline in activity from January's peak.
- The expansion in eurozone services activity continued to grind lower from a springtime peak, nearing a standstill in July.
- The eurozone economy grew by 0.7% during the second quarter and 4.0% year over year, compared to 0.5% and 5.4%, respectively, in the first quarter.

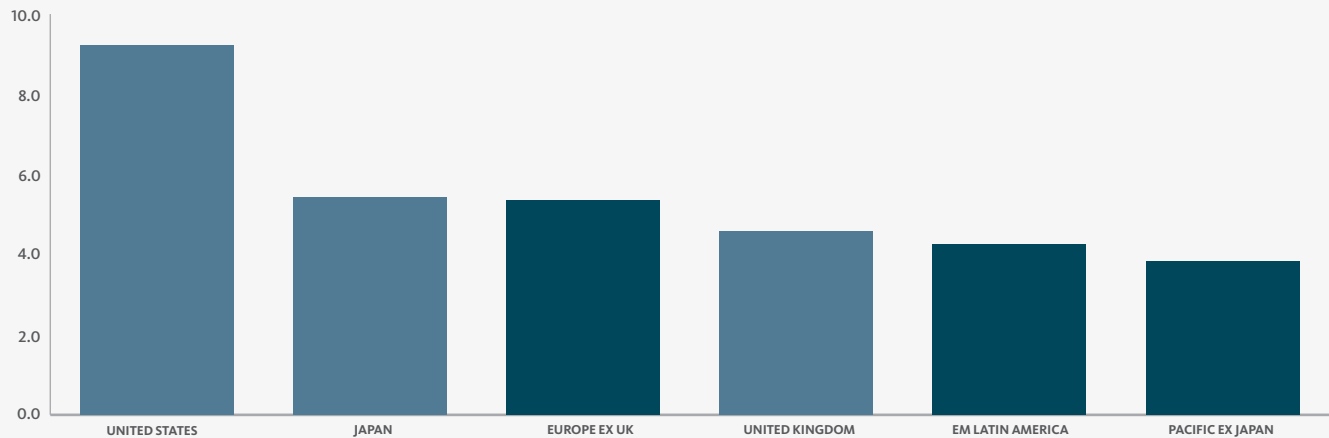
## Fixed-Income Performance in July 2022 (Percent Return)



Sources: FactSet, Lipper. See "Corresponding Indexes for Fixed-Income Performance Exhibit" in the Index Descriptions section for more information.

## Regional Equity Performance in July 2022 (Percent Return)

■ COUNTRIES ■ REGIONS



Sources: FactSet, Lipper. See “Corresponding Indexes for Regional Equity Performance Exhibit” in the Index Descriptions section for more information.

## Central banks

- The Federal Reserve’s (Fed) Federal Open Market Committee (FOMC) increased the federal-funds rate by 0.75% toward the end of July—the second hike of its size in this tightening cycle—bringing the benchmark rate to a range between 2.25% and 2.50%. The central bank has also begun to reduce its balance sheet, allowing Treasuries and mortgages to run off (that is, mature without being replaced) at maximum respective paces of \$30 billion and \$17.5 billion per month in July and August (and rising in September to \$60 billion and \$35 billion per month, respectively).
- The European Central Bank (ECB) increased its three benchmark rates by 0.50% at its July meeting for the first time in 11 years, surprising investors who were expecting hikes of 0.25%. At the same meeting, the ECB approved the establishment of a Transmission Protection Instrument (TPI) to ensure the smooth transmission of monetary policy normalization across eurozone countries. According to the ECB, the TPI “can be activated to counter unwarranted, disorderly market dynamics” by making “secondary market purchases of securities issued in jurisdictions experiencing a deterioration in financing conditions.”
- The Bank of England’s (BoE) Monetary Policy Committee (MPC) did not hold a meeting in July after increasing the bank rate to 1.25% in June and redeeming about £3.2 billion in balance sheet assets during July. At its early August meeting, the MPC hiked its benchmark rate by 0.50%, to 1.75%, the largest individual rate increase in 27 years.
- The Bank of Japan (BOJ) remained committed to loose policy at its July meeting. Its short-term interest rate remained at -0.1%, and the 10-year Japanese government-bond (JGB) yield target held near 0%. The central bank continued to offer purchases of 10-year JGBs at 0.25% in order to keep its yield within the BOJ’s acceptable range.

## SEI's view

It's been our mantra for the past year that U.S. inflation would be higher for longer than most economists and investors appeared to expect. We believe this remains the case, although the gap between our expectations and those priced in U.S. markets has narrowed considerably and the pace of inflation's increase is almost certainly close to a peak. Investors and the Fed still seem to be betting that inflation pressures will ebb significantly starting in the second half of this year and fall to 3% by the end of 2023.

Fed Chairman Jerome Powell continued to express hope that the Fed can achieve a "softish" landing, where inflation gradually decelerates back to the central bank's 2% target without a recession. Unfortunately, there has been only one successful instance since the end of World War II (1951-to-1952) when inflation was running above 5%.

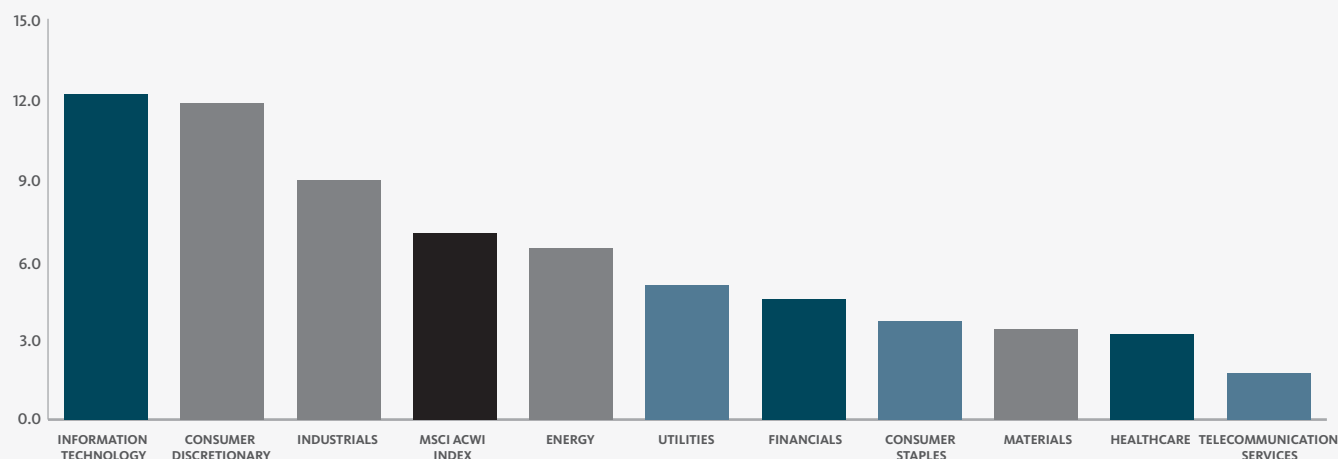
Federal funds-rate futures indicate that investors are anticipating a series of increases between now and year-end that would bring the funds rate to 3.4%. Markets are presumably pricing in a recession by the second half of 2023, considering the funds rate is projected to decline at that point.

We believe this to be a reasonable forecast, but the outcome will depend on how quickly the economy actually weakens and inflation ebbs. The evidence as of today suggests that the U.S. economy may continue to show a resilience that surprises both the Fed and investors.

There are signs of economic trouble ahead. The surge in U.S. mortgage rates is delivering a big blow to the housing market. Beyond real estate, economists have begun citing the big increase in retail inventories as a harbinger of recession. We are doubtful that the inventory problems of department stores and general merchandisers are serious enough to throw the economy into recession in the near term.

### Global Equity Sector Performance in July 2022 (Percent Return)

■ DEFENSIVES ■ BLENDS ■ CYCLICALS



Sources: FactSet, Lipper. MSCI ACWI Index Components (as defined by SEI).

There is no denying that rising interest rates will slow economic growth. But changes in monetary policy affect the economy with a long and variable lag. While the financial strength of U.S. businesses and households is likely to ebb, the starting point is a very high one. The labor market, for instance, remains exceptionally tight. Until a better balance between the demand and supply of labor is achieved, one should expect further large wage gains at the lower end of the wage-income spectrum, where the job market is tightest.

American job switchers have enjoyed a sharper-than-average wage gain over the past 12 months. It should not be surprising that the U.S. quit rate is significantly higher than in 2019 or at the previous economic peak in 2007.

Other major developed economies aren't too far behind. The U.K. has an unemployment rate below 4%. Canada and Europe usually have unemployment rates that are considerably higher than the U.S. and the U.K. That remains the case, but both report jobless totals that are below previous cyclical lows.

All this suggests that workers are in a strong position to seek bigger wage gains in an effort to keep up with inflation. The possibility of a global wage-price spiral still cannot be dismissed out of hand. This could force central banks to raise interest rates more than they would prefer.

In Europe, the need to hike interest rates has once again raised the specter of another periphery debt crisis. The stress has not reached the crisis levels of the 2010-to-2012 period. Given all the other problems facing Europe, the ECB has vowed to support the weaker members of the eurozone with continued bond purchases.

As was the case last time, the economic priorities of the strongest countries are diverging from their weaker neighbors. The German-led bloc needs a more aggressive policy-tightening along the lines of what the Fed is expected to do. Meanwhile, the weaker countries—Italy and Greece especially—now bear an even heavier debt burden relative to the size of their economies than was the case a decade ago. The interest expense on that debt could get out of hand fairly quickly if the cost of capital continues its sharp upward trajectory.

China's economy appears to be in recovery mode. COVID-19 lockdowns in Beijing, Shanghai, and other parts of the country have eased. The zero-COVID policy pursued by the Chinese government has hurt the economy to an extent seldom seen in the past three decades. Home sales have also plummeted, falling 34% over the 12 months ended May. Chinese authorities are now trying to revive the property market by lowering mortgage rates, cutting mortgage down payment requirements, and encouraging banks to start lending again.

Economy-wide lending has picked up, finally turning positive for the first time in a year. If that trend continues in the months ahead, other measures of current economic health should begin to recover too. Whether that will be enough to stave off a global recession is doubtful, however, in view of the rising interest-rate trend in the advanced economies. It might even prove counterproductive if a revival in Chinese demand for energy and other raw materials exacerbates the commodity-price boom at a time when global supplies are still constrained.

All this suggests  
that workers are in  
a strong position to  
seek bigger wage  
gains in an effort to  
keep up with inflation.

The poor performance of financial markets this year suggests that investors have already discounted a lot of bad news.

The poor performance of financial markets this year suggests that investors have already discounted a lot of bad news. The price decline in the S&P 500 Index recorded in the year to date contrasts sharply with the ongoing increases in forward-earnings estimates. The result has been one of the sharpest reductions in stock multiples outside of a recession in the past 25 years.

The froth certainly appears to have been taken out of the markets by this year's pullback. That's the good news. The bad news is that an economic recession and a corresponding decline in earnings might not yet be fully reflected in stock prices. Multiples tend to slide as projected earnings estimates fall. Even if price-to-earnings ratios remain at current levels, there could be a decline in projected earnings—and a comparable drop in stock prices—as analysts incorporate a recession's impact into their models. While the consensus view is that stock prices face rough seas ahead, it is possible that earnings multiples do not need to contract much further than they have already—with the caveat that bond yields stabilize near current levels and do not climb significantly higher.



## Glossary of Financial Terms

**Bull market:** A bull market refers to a market environment in which prices are generally rising (or are expected to rise) and investor confidence is high.

**European Commission:** The European Commission is the executive branch of the European Union. It operates as a cabinet government, with 27 members of the Commission headed by a President.

**Fiscal policy:** Fiscal policy relates to decisions about government revenues and outlays, like taxation and economic stimulus.

**Group of 7 (G7):** The G7 is an inter-governmental forum for the leaders of major advanced democratic nations that includes Canada, France, Germany, Italy, Japan, the U.K. and the U.S.

**Hawk:** Hawk refers to a central-bank policy advisor who has a negative view of inflation and its economic impact, and thus tends to favor higher interest rates.

**Monetary policy:** Monetary policy relates to decisions by central banks to influence the amount of money and credit in the economy by managing the level of benchmark interest rates and the purchase or sale of securities. Central banks typically make policy decisions based on their mandates to target specific levels or ranges for inflation and employment.

**Mortgage-Backed Securities:** Mortgage-backed securities (MBS) are pools of mortgage loans packaged together and sold to the public. They are usually structured in tranches that vary by risk and expected return.

**Price-to-earnings (PE) ratio:** The PE ratio is equal to the market capitalization of a stock or index divided by trailing (over the prior 12 months) or forward (forecasted over the next 12 months) earnings. The higher the PE ratio, the more the market is willing to pay for each dollar of annual earnings.

**Quantitative easing:** Quantitative easing refers to expansionary efforts by central banks to help increase the supply of money in the economy.

**Summary of Economic Projections:** The Fed's Summary of Economic Projections (SEP) is based on economic projections collected from each member of the Fed Board of Governors and each Fed Bank president on a quarterly basis.

**Yield:** Yield is a general term for the expected return, in percentage or basis points (one basis point is 0.01%), of a fixed-income investment.

**Yield curve:** The yield curve represents differences in yields across a range of maturities of bonds of the same issuer or credit rating (likelihood of default). A steeper yield curve represents a greater difference between the yields. A flatter curve indicates the yields are closer together.

## Index and Benchmark Descriptions

**All indexes are quoted in gross performance unless otherwise indicated.**

**The Bloomberg 1-10 Year US TIPS Index** measures the performance of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of 1 to 10 years.

**The Bloomberg Commodity Index** is composed of futures contracts and reflects the returns on a fully collateralized investment in the Index. This combines the returns of the Index with the returns on cash collateral invested in 13-week (3-month) U.S. Treasury bills.

**The Bloomberg US Asset Backed Securities (ABS) Index** measures the performance of ABS with the following collateral types: credit and charge card, auto and utility loans. All securities have an average life of at least one year.

**The Bloomberg Global Aggregate Index** is an unmanaged market-capitalization-weighted benchmark, tracks the performance of investment-grade fixed-income securities denominated in 13 currencies. The Index reflects reinvestment of all distributions and changes in market prices.

**The Bloomberg Global Aggregate ex-Treasury Index** is an unmanaged market index representative of the total-return performance of ex-Treasury major world bond markets.

**The Bloomberg Global Treasury Index** is composed of those securities included in the Bloomberg Global Aggregate Bond Index that are Treasury securities.

**The Bloomberg US Corporate Bond Index** is a broad-based benchmark that measures the investment-grade, fixed-rate, taxable corporate bond market.

**The Bloomberg US Mortgage Backed Securities (MBS) Index** measures the performance of investment-grade, fixed-rate, mortgage-backed, pass-through securities of Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Freddie Mac (FHLMC).

**The Bloomberg US Treasury Index** is an unmanaged index composed of U.S. Treasuries.

**The Bloomberg Commodity Index** is composed of futures contracts and reflects the returns on a fully collateralized investment in the Index. This combines the returns of the Index with the returns on cash collateral invested in 13-week (3-month) U.S. Treasury bills.

**The Employment Cost Index** is a quarterly economic series published by the U.S. Bureau of Labor Statistics that details the growth of total employee compensation. The index tracks movement in the cost of labor, as measured by wages and benefits, at all levels of a company.

**The Chicago Board Options Exchange Volatility Index (VIX)** tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

**CBOE Volatility Index (VIX Index):** The VIX Index tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

**The Dow Jones Industrial Average** is a widely followed market indicator based on a price-weighted average of 30 blue-chip New York Stock Exchange stocks that are selected by editors of *The Wall Street Journal*.

**The Employment Cost Index** is a quarterly economic series published by the U.S. Bureau of Labor Statistics that details the growth of total employee compensation. The index tracks movement in the cost of labor, as measured by wages and benefits, at all levels of a company.

**The FTSE All-Share Index** represents 98% to 99% of U.K. equity market capitalization. The Index aggregates the FTSE 100, FTSE 250 and FTSE Small Cap Indexes.

**The ICE BofA U.S. High Yield Constrained Index** contains all securities in The ICE BofA U.S. High Yield Index but caps exposure to individual issuers at 2%.

**The ICE BofA U.S. High Yield Index** tracks the performance of below-investment-grade, U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

**The JPMorgan EMBI Global Diversified Index** tracks the performance of external debt instruments (including U.S. dollar-denominated and other external-currency-denominated Brady bonds, loans, eurobonds and local-market instruments) in the emerging markets.

**JPMorgan GBI-EM Global Diversified Index** tracks the performance of debt instruments issued in domestic currencies by emerging-market governments.

**The MSCI ACWI Index** is a market-capitalization-weighted index composed of over 2,000 companies, representing the market structure of 48 developed- and emerging-market countries in North and South America, Europe, Africa and the Pacific Rim. The Index is calculated with net dividends reinvested in U.S. dollars.

**The MSCI ACWI ex-USA Index** includes both developed- and emerging-market countries, excluding the U.S.

**The MSCI Emerging Markets Index** is a free float-adjusted market-capitalization-weighted index designed to measure the performance of global emerging-market equities.

**The MSCI Emerging Markets Latin America Index** captures large- and mid-cap representation across five emerging-market countries in Latin America.

**The MSCI EMU (European Economic and Monetary Union) Index** is a free float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of countries within EMU. The Index consists of the following 10 developed-market country indexes: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal and Spain.

**The MSCI Europe ex-UK Index** is a free float-adjusted market-capitalization-weighted index that captures large- and mid-cap representation across developed-market countries in Europe excluding the UK.

**The MSCI Frontier Emerging Markets Index** is a free float-adjusted market capitalization index designed to serve as a benchmark covering all countries from the MSCI Frontier Markets Index and the lower size spectrum of the MSCI Emerging Markets Index.

**The MSCI Japan Index** is designed to measure the performance of the large- and mid-capitalization stocks in Japan.

**The MSCI Pacific ex Japan Index** captures large- and mid-cap representation across four of five developed-market countries in the Pacific region (excluding Japan).

**The MSCI Russia Index** is designed to measure the performance of the large- and mid-cap segments of the Russian market. With 26 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Russia.

**MSCI United Kingdom Index** is designed to measure the performance of the large- and mid-cap segments of the U.K. market.

**MSCI USA Index** measures the performance of the large- and mid-cap segments of the U.S. market.

**The MSCI World Index** is a free float-adjusted market-capitalization-weighted index designed to measure the equity market performance of developed markets. The Index consists of the following 23 developed-market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the U.K. and the U.S.

**The MSCI World ex-USA Index** is a free float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the U.S.

**The NASDAQ Composite Index** is a market-value-weighted index of all common stocks listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) system.

**Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

**The Russell 2000 Growth Index** measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.

**The Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

**The Russell 2000 Value Index** measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.

**The Shenzhen Stock Exchange Composite Index** tracks performance of A share stocks (which are denominated in renminbi, the local currency) and B share stocks (which are denominated in Hong Kong dollars, an offshore currency) on China's Shenzhen Stock Exchange.

**The S&P 500 Index** is a market-capitalization-weighted index that consists of 500 publicly-traded large U.S. companies that are considered representative of the broad U.S. stock market.

**The TOPIX, also known as the Tokyo Stock Price Index**, is a capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange. The Index is supplemented by the subindexes of the 33 industry sectors. The Index calculation excludes temporary issues and preferred stocks, and has a base value of 100 as of January 4, 1968.

**The U.S. Dollar Index (DXY Index)** measures the value of the U.S. dollar relative to a basket of other currencies, including the currencies of some of the US's major trading partners: the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona.

**The U.S. Personal Consumption Expenditures (PCE) Price Index** is the primary inflation index used by the Federal Reserve when making monetary-policy decisions.

## Corresponding Indexes for Fixed-Income Performance Exhibit

U.S. High Yield	ICE BofA U.S. High Yield Constrained Index
Global Sovereigns	Bloomberg Global Treasury Index
Global Non-Government	Bloomberg Global Aggregate ex-Treasury Index
Emerging Markets (Local)	JPMorgan GBI-EM Global Diversified Index
Emerging Markets (External)	JPMorgan EMBI Global Diversified Index
U.S. Mortgage-Backed Securities (MBS)	Bloomberg US Mortgage Backed Securities Index
U.S. Asset-Backed Securities (ABS)	Bloomberg US Asset Backed Securities Index
U.S. Treasurys	Bloomberg US Treasury Index
U.S. Treasury Inflation-Protected Securities (TIPS)	Bloomberg 1-10 Year US TIPS Index
U.S. Investment-Grade Corporates	Bloomberg US Corporate Bond Index

## Corresponding Indexes for Regional Equity Performance Exhibit

United States	S&P 500 Index
United Kingdom	FTSE All-Share Index
Pacific ex Japan	MSCI Pacific ex Japan Index (Net)
Japan	TOPIX, also known as the Tokyo Stock Price Index
Europe ex U.K.	MSCI Europe ex UK Index (Net)
EM Latin America	MSCI Emerging Markets Latin America Index (Net)

## Disclosures

*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 SEI's portfolios or any stock in particular, nor should it be construed as a recommendation to purchase or sell a security, including futures contracts.*

*There are risks involved with investing, including loss of principal. 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. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Narrowly focused investments and smaller companies typically exhibit higher volatility. Bonds and bond funds will decrease in value as interest rates rise. High-yield bonds involve greater risks of default or downgrade and are more volatile than investment-grade securities, due to the speculative nature of their investments.*

*Diversification may not protect against market risk. Past performance does not guarantee future results. Index returns are for illustrative purposes only and do not represent actual portfolio performance. Index returns do not reflect any management fees, transaction costs or expenses. One cannot invest directly in an index.*

*Information provided by SEI Investments Management Corporation, a wholly owned subsidiary of SEI Investments Company (SEI).*