



Guide to manager research.

At the core of most investment solutions at SEI remains the allocation of skillful external managers that we believe can achieve our clients' investment goals.

Through our manager research, we seek to avoid the common mistake of being overly reliant on past performance to assess future results. Our selection process is rooted in the mission to identify, classify, and validate practiced managers by proactively pursuing relevant and explanatory qualitative and quantitative insights that define a manager's competitive advantage.

Manager ratings

| Conviction/Rating | | Definition |
|---|---|---|
| No Conviction |  | The manager likely does not have adequate skill to accomplish the given investment objective. May be accompanied by significant organizational, process or product-specific risks or concerns. |
| Low Conviction |  | The manager may not have adequate skill to accomplish the given investment objective. |
| Moderate Conviction |  | The manager may have adequate skill to accomplish the given investment objective. |
| Moderate Conviction— Approved |  | The manager has adequate skill to achieve the given investment objective. Supported by full due diligence and a Manager Recommendation, vetted by the Manager Review Committee. |
| High Conviction |  | The manager is likely among the best in its alpha source to accomplish the given investment objective. |
| High Conviction — Recommended |  | The manager is among the best in its alpha source to achieve the given investment objective. Supported by full due diligence and a Manager Recommendation, vetted by the Manager Review Committee. |
| Approved (on Watch) |  | Manager rating is under review for potential downward revision given recent and specific developments. Ideally to be resolved in six months or less. Only applies to Recommended and Approved managers. |
| Recommended (on Watch) |  | |
| Favorable |  | |
| Neutral |  | Used for due-diligence building blocks (Philosophy, Process, People, Portfolio, Firm, Product, Performance) to reflect SEI analyst opinion. |
| Unfavorable |  | |

Life cycle ratings (firm and product)

| Life cycle stage | Definition |
|--------------------|---|
| Emerging | Early life cycle. May be subscale or under-resourced; emphasis is on reaching critical mass. Resources are typically focused on a narrow product offering. |
| Growth | Early-to-mid life cycle. Has achieved critical mass; focus is on expansion of product line and/or asset base, often by leveraging core competencies through expansion into related asset classes. |
| Established | Mid life cycle. Asset size reasonable and sufficient to generate healthy profits. Sufficient diversity of products and/or clients to provide stability. |
| Mature | Mid-to-late life cycle. Emphasis on maintaining client base in core competencies; may reach into increasingly non-core areas for growth. Product at or near capacity. |
| Decline | Late life cycle. No observable leadership or succession plans. Product closures. Client and asset losses. |

ESG firm ratings

| Rating | Definition |
|-----------------------|---|
| Strong | The firm broadly embraces best practices associated with sustainable investing covering policy, resourcing, integration, engagement, reporting and corporate sustainability |
| Moderate | The firm exhibits some positive aspects associated with sustainable investing covering policy, resourcing, integration, engagement, reporting and corporate sustainability |
| Weak | The firm has limited to no commitment to key areas of sustainable investing covering, resourcing, integration, engagement, reporting and corporate sustainability |
| No response | The firm has been unable to provide the information needed to assign an ESG rating |
| Not applicable | The firm is exclusively focused on strategies for which sustainable investing principles are not applicable, such as currency or commodity investing |

ESG product ratings

| Rating | Definition |
|-----------------------|---|
| Strong | The product fully integrates ESG factors in its investment process and exhibits qualities associated with responsible ownership through stewardship and reporting |
| Moderate | The product partially integrates ESG factors in its investment process and may engage in responsible ownership |
| Weak | The product has limited to no ESG integration practices |
| Not applicable | The firm is exclusively focused on strategies for which sustainable investing principles are not applicable, such as currency or commodity investing |

Due-diligence building blocks

| Building Block | Definition |
|--------------------|--|
| Philosophy | An examination of the manager's philosophical approach to investing, with particular attention to the inefficiency or anomaly it intends to exploit (aka alpha source) and its understanding of why it should work. |
| Process | A close look at how the manager implements its philosophy, extending from initial idea generation to final security selection. Special attention is paid to whether or not the process aligns with the best practices associated with the applicable alpha sources. |
| People | A review and assessment of the key people contributing to the investment strategy. Here we look at the tenure, depth and organization of resources, the internal culture of the team, compensation/incentive structure, diversity, and whether or not it is suited to execute its chosen philosophy and process. |
| Portfolio | A detailed overview of the manager's portfolio construction and risk-management practices, as well as an examination of the portfolio composition over time to gauge the degree to which it provides the expected exposures given the philosophy and process. |
| Firm | A study of the broader investment firm that includes historical background, leadership, and context for the strategy under review. Emphasis is placed on alignment of interest, stability, culture and life-cycle stage. |
| Product | A look at the specific product under review, including history, assets, vehicles and fees. Consideration is given to the impact and relevance of the product to the firm and people. Fees are also considered. |
| Performance | A review of historical investment performance, including detailed attribution analysis. Specific emphasis is placed on whether or not performance aligns with expectations given the philosophy and expected alpha sources. We look for empirical support of evidence of skill. |

Alpha sources and intensity scale

Our alpha sources extend across and are specific to equity, fixed-income and alternative investment portfolios.

| | Alpha Source | Definition | Opportunity | Equity | Fixed Income | Alternatives |
|--|---|---|--|--------|--------------|--------------|
| Systematic persistent, pervasive, measurable, liquid, dynamic | Value | Seeks to benefit from market mispricing and mean reversion in underlying sectors, industries, countries, and currencies which manifest due to market overreactions and loss aversion. | Tendency for relatively cheap assets to outperform relatively expensive assets. | X | X | X |
| | Macro | Seeks to benefit from directional positioning by means of active duration, yield curve, and spread beta. | Tendency for riskier asset classes to outperform less risky asset classes. | | X | X |
| | Momentum | Follows trends in order to acquire assets with recently improved price, earnings, or other relevant factors. | Tendency for assets' recent relative performance to continue in the near future. | X | | X |
| | Risk-adjusted yield | Maintains a long-term buy-and-hold strategy based on acquiring assets with superior yield per unit of risk. | Balancing risk and reward | | X | |
| | Quality | Maintains a long-term buy-and-hold strategy to acquire assets with outstanding and stable profitability, as well as have high barriers to entry. | Tendency for companies with strong, sustainable profits to outperform low quality companies over the long term. | X | | |
| Informational based on unique insights | Selection | Seeks to uncover idiosyncratic opportunities that have been mispriced by other financial market participants. | Company-specific, asset allocation or alpha source timing information is available (or can be synthesized) to identify mispriced assets. | X | X | X |
| Intensity scale | SEI's assessment of the degree to which a given alpha source is likely to impact performance over a cycle, based on an assessment of philosophical alignment, process structure and portfolio exposures. Defined as: Low; Low to Medium (Low-Med); Medium (Med); Medium to High (Med-High); High. | | | | | |

Glossary of financial terms

Active duration: The difference between the spread duration of a portfolio and that of its benchmark. Spread duration is the sensitivity of the price of a security to changes in its credit spread. Credit spread is the difference between the yield of a security and the yield of a benchmark rate, such as a cash interest rate or government bond yield.

Alpha refers to returns in excess of the benchmark.

Duration is a measure of risk in bond investing and indicates how price-sensitive a bond is to changes in interest rates.

Environmental, social and governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls and shareholder rights.

Growth stocks exhibit steady earnings growth above that of the broader market.

Macroeconomic refers to the broad economy of a country or region, or the global economy.

Risk premia are the returns in excess of the risk-free rate that an investment may be expected to yield as a form of compensation for investors who take on the extra risk.

Spread beta: A measure of a bond's volatility spread relative to that of a comparable maturity Aa-rated (high quality) bond.

Sustainable investing considers a company or investment's impact on the environment and society in addition to financial returns. Sustainable investing often uses environmental, social and governance (ESG) criteria when evaluating an investment.

Value stocks are those that are considered to be cheap and are trading for less than they are worth.

Yield curve represents differences in yields (return to investor from a bond's coupon payments) 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.



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About SEI.

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professionals, and ultra-high-net-worth families to solve problems, manage change, and help protect assets—for growth today and in the future. As of June 30, 2023, SEI manages, advises, or administers approximately \$1.3 trillion in assets.

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Sustainability guidelines may cause a manager to make or avoid certain investment decisions when it may be disadvantageous to do so. This means that these investments may underperform other similar investments that do not consider sustainability guidelines when making investment decisions. There can be no assurance goals will be met.

If a product or strategy is subject to certain sustainable investment criteria it may avoid purchasing certain securities when it is otherwise economically advantageous to purchase those securities, or may sell certain securities when it is otherwise economically advantageous to hold those securities.

Sustainability is not uniformly defined and scores and ratings may vary across providers.

PRISM (Preference Rating Investment Scoring Matrix) is a proprietary rating system used to assist in comparing and contrasting SEI's views on components of the evaluation process (including ESG) across strategies and sub-advisor firms. ESG is not uniformly defined and scores and ratings may vary across providers.

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