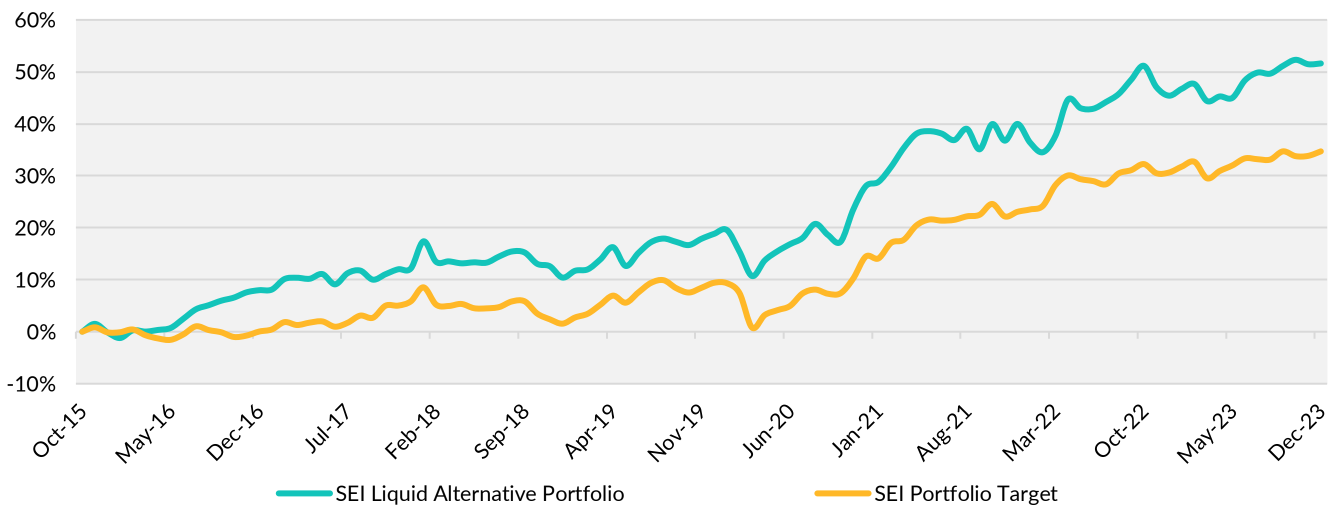
SEI LIQUID ALTERNATIVE FUND

4Q2023 Sub-Advisor Performance Review

The figures below represent the performance of the Fund's Portfolio managed by DBi, net of sub-advisory fees, and are shown in USD terms. Please consult SEI directly for performance of individual share classes.

- The **Portfolio**[1] returned **4.3%** in 2023, approximately 116 bps ahead of the Target hedge funds.
- The **Strategic Alpha** (replication of Equity Long/Short, Relative Value and Event-Driven hedge funds) portfolio rose **9.6%** in 2023, approximately 208 bps ahead of the Target hedge funds.
- The **Tactical Alpha** (replication of Managed Futures funds) declined **-3.4%**, in line with the Target hedge funds.
- Since inception, the Portfolio has outperformed the Target portfolio of seventy leading hedge funds by 152 bps per annum through fee and expense disintermediation.



Data as of Dec 31, 2023	SEI Liquid Alternative Portfolio	SEI Portfolio Target HFs
CAGR	**5.2%**	3.7%
Cumulative Return	**51.6%**	34.7%
Volatility	**6.1%**	4.8%
Max Drawdown	**-7.4%**	-8.3%
Sharpe Ratio	**0.60**	0.44

Source: Bloomberg, DBi. As of 31 December 2023. Data refers to cumulative past performance. Cumulative past performance is not a reliable indicator of future results. The SGMF Liquid Alternative Fund referred to within this letter is not managed against the indices referenced in this letter or elsewhere in this presentation. This data is being shown for illustrative purposes only.

MARKET COMMENTARY

2023 turned out to be a humbling year for macro strategists. The taper is coming a year late, the economy never hit the windshield, and Powell might actually pull off the Immaculate Landing.

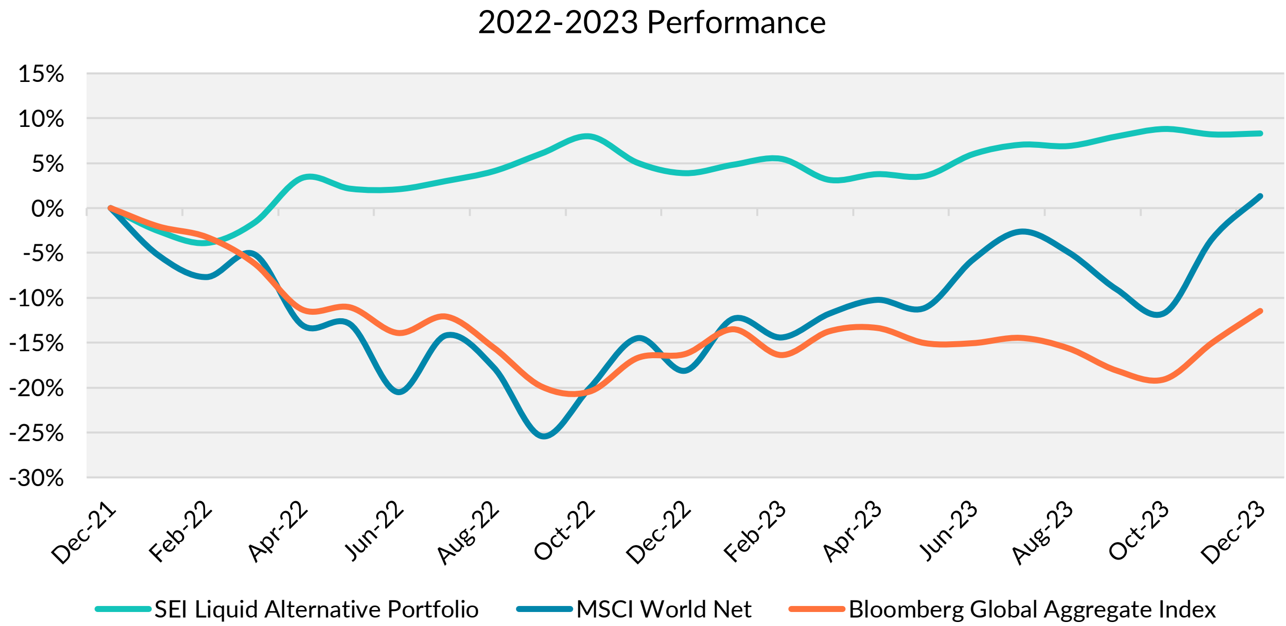
And so the big surprise is that it turned out to be a great year for investors. Powell's sudden rhetorical pivot in early November triggered a massive melt up in risk assets. In two months, the MSCI World delivered nearly two thirds of its 23.8% calendar year return, while bonds – down over 3% through October – finished up 5.7%. The Everything Rally appears to have been driven by both the widespread conclusion that the rate hike cycle was over, but also a desperate catch up for investors underweight equities and duration. By year end, the price moves implied far more aggressive easing in 2024 than either Central Banks or economists forecast.

As discussed extensively in these letters, the market consensus is rarely accurate and frustratingly unstable. Contrarian investors who nailed 2022 were often wrong-footed in 2023; assets that soared in 2023 were climbing out of a deep drawdown hole. The lesson of the past several years is that the unexpected happens with alarming regularity, and the spectrum of outcomes is far wider than we expect. Today, as investors breathe a sigh of relief that the worst of the rate hike cycle might be behind us, they soon may have to turn their attention to a laundry list of headwinds, from worsening geopolitical chaos to deepening sociopolitical fragmentation to uncontrolled fiscal largesse to persistent ripple effects from higher rates to things not yet on our plate of worries. In such a world, we encourage diversification and liquidity to help clients weather the coming years.

PERFORMANCE REVIEW

The Portfolio gained **4.3%** in 2023, approximately 116 bps ahead of the Target hedge funds. Since inception, we have outperformed the Target portfolio of seventy hedge funds by approximately 152 bps per annum since inception with a correlation of around 0.8 – in line with our expectations. Over the same period, the Portfolio has delivered roughly 3x the return of the (arguably more comparable) Wilshire Liquid Alternative Index – a strong argument, we think, to replicate true hedge funds efficiently rather than build watered down UCITS compliant versions.

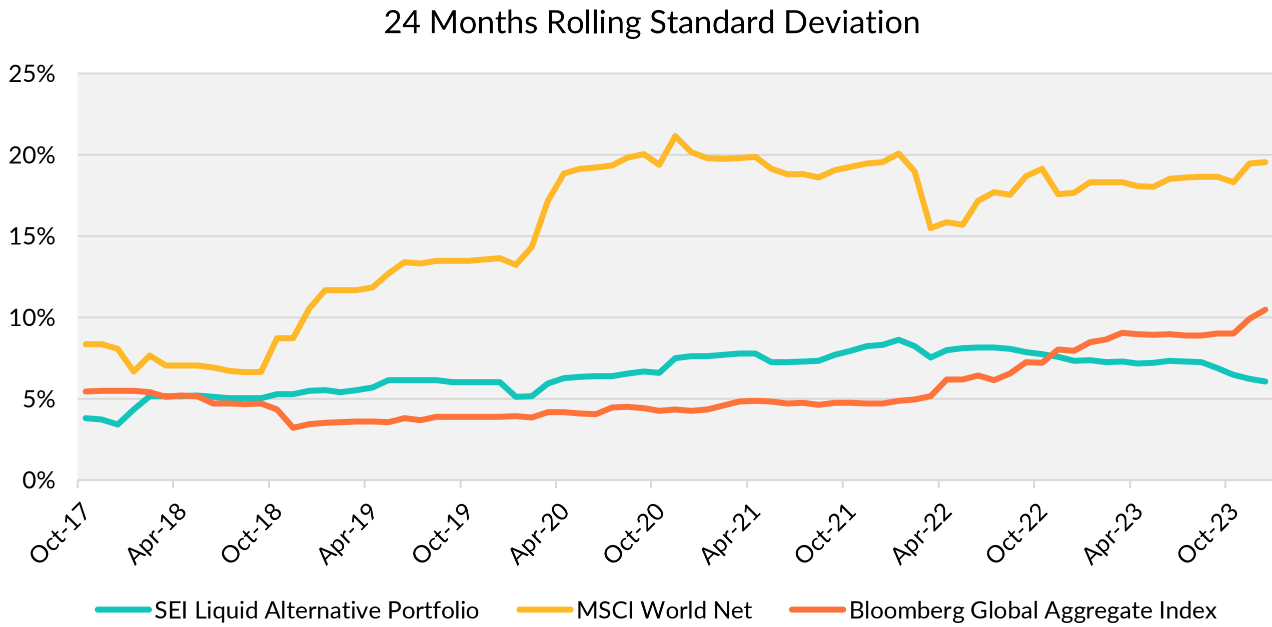
Due to conservative positioning, we underperformed both stocks and bonds in 2023. Notably, the Portfolio had both a correlation and beta to equities of approximately zero – and hence did not benefit from the tailwind of soaring equity markets. It is also important to note that, after the 2022 drawdowns, equities were underwater until a month ago and, at year end, bonds remain 11-12% in the hole. The Portfolio, by contrast, delivered gains in both years.



One blatantly obvious observation from the above is that stocks and bonds are moving in tandem. It is difficult to overstate how significant this is to wealth managers. Bonds, after all, serve primarily as a mitigator of equity risk. With recent correlations above 0.8 and a 20% plus max drawdown, the very purpose of bonds is called into question. In September 2021, at the tail end of the Great Bond Bubble, we wrote a short paper titled, "How Hedge Funds Became the New Fixed Income Substitute." Our point then was that sophisticated allocators were seeking a more effective source of diversification. That call proved prescient. The table below summarizes the performance of the Portfolio – representative of broad hedge fund exposure – relative to the Bloomberg Global Aggregate Bond index over the past two years.

Jan 2022 – Dec 2023	SEI Liquid Alternative Portfolio	Bloomberg Global Aggregate Index
Cumulative Return	8.3%	-11.5%
Max Drawdown	-4.5%	-20.4%
Standard Deviation	6.1%	10.5%
Correlation to MSCIW	-0.13	0.82

There has been plenty of commentary on drawdowns, but almost as shocking is the increase in volatility. 10.5% is more than double what it was when the Fund was launched and, incredibly, higher than equity vols were six years ago. At launch, we expected a 6% vol to be slightly higher than that of bonds; today it is lower:



The point of all of this is that the world keeps changing, and we think long-term allocators need strategies – like those in this Fund – that are, by their very nature, dynamic. Who would have predicted, coming out of the GFC, that equity vols (as shown above and something we cover on our website here) would be well below 10% a decade later? Or that, when we launched the Fund, fixed income essentially would be dead money relative to cash for eight years? Or that this Fund, by merely copying what leading hedge funds do cheaply, would outperform bonds – the stalwart diversifier – by 500 bps per annum with a comparable standard deviation, correlation and beta to equities – but with a 70% shallower drawdown?

Nov 2015 – Dec 2023	SEI Liquid Alternative Portfolio	Bloomberg Global Aggregate Index
CAGR	**5.2%**	0.9%
Standard Deviation	**6.1%**	6.6%
Max Drawdown	**-7.4%**	-24.2%
Sharpe Ratio	**0.60**	-0.09
Correlation to MSCIW	**0.51**	0.53
Beta to MSCIW	**0.20**	0.22
Alpha to MSCIW	**1.79%**	-2.62%

STRATEGIC ALPHA (ELS/RV/ED) - 60% ALLOCATION

The Multi-Strategy replication portfolio gained **9.6%** for 2023. The Target portfolio of fifty Equity Long/Short, Relative Value and Event-Driven hedge funds returned 7.5%. Since inception, our replication models have delivered 115 bps of annualized alpha relative to the Target with a correlation of 0.80. While cautiously positioned throughout the year, long equity exposure proved to be a tailwind, especially during the year end melt up. A hedge against rising rates was beneficial earlier in the year but detracted toward year end.

TACTICAL ALPHA (MANAGED FUTURES) – 40% ALLOCATION

The Tactical Alpha portfolio, which seeks to replicate the pre-fee returns of leading managed futures hedges funds, returned **-3.4%** for the year. The SocGen CTA Hedge Fund index returned -3.5% in 2023. Since inception, the portfolio has produced 236 bps of alpha relative to the target with a 0.80 correlation. 2023 was a very difficult year for managed futures funds. The sharp shifts in consensus - "taper by year end" to "higher for longer" to "recession by June" to "higher forever" to "taper tomorrow" - led to what we have called the Year of the Whipsaw. That said and similar to 2022, the portfolio did have a negative correlation to both stocks and bonds and hence provided valuable diversification. On the portfolio front, gains on the Japanese yen short – also the big winner in 2022 – were more than offset by whipsaws in equities and interest rates.

CONCLUSION

We celebrated the eighth anniversary of the Fund this past November. In our corner of the asset management world, much has changed since then. Global absolute return products were juggernauts only to gradually wither away, traditional multi-manager vehicles are following a similar if less dramatic path, risk premia were a statistical Holy Grail then an embarrassment, many allegedly liquid UCITS vehicles threw up gates, single manager funds that appeared unbeatable stumbled badly, etc. This Fund was built, in the best way we could figure out then and now, to try to deliver healthy risk-adjusted returns over time while minimizing those and other risks. As one of our colleagues at SEI like to say, "it just does what it says on the tin." We hope to be able to say the same in another eight years.

We thank you as always for your support. Please do not hesitate to reach out with any questions or comments.

Sincerely,

The DBi Team

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SOURCES

Some of the information presented in this document includes information that has been obtained from third-party sources. Dynamic Beta investments, LLC is the source and owner of all DBi performance information.

GLOSSARY OF TERMS

Alpha represents the portion of a fund return not attributable to beta.
Annualized Standard Deviation measures the annualized volatility of an asset over multiple time periods.
Beta is a measure of systematic risk of a fund compared to a market index.
Compounded Annual Return measures the annual rate of return of an asset over multiple time periods.
Maximum Drawdown measures the peak to trough decline of investment performance over a given period of time.
Sharpe Ratio measures the risk-adjusted returns of a fund and is a ratio equal to the annualized excess returns of the fund divided by its annualized standard deviation.

INDEX DEFINITIONS

The SG CTA Index is an index published by Société Générale that is designed to reflect the performance of a pool of Commodity Trading Advisors (CTAs) selected from the largest managers open to new investment and report returns on a daily basis. The index is equal-weighted and rebalanced annually. (Source Bloomberg. Ticker: NEIXCTA Index)

The MSCI World Index is an index maintained by MSCI that reflects the performance of large and mid-cap equities across 23 developed markets with net dividends reinvested. (Source Bloomberg. Ticker: M1WO Index)

Additional definitions available upon request.

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[1] The Portfolio reflects the performance of the managed accounts, net of sub-advisory fees, managed by DBi. Please contact SEI for share class-level performance.