



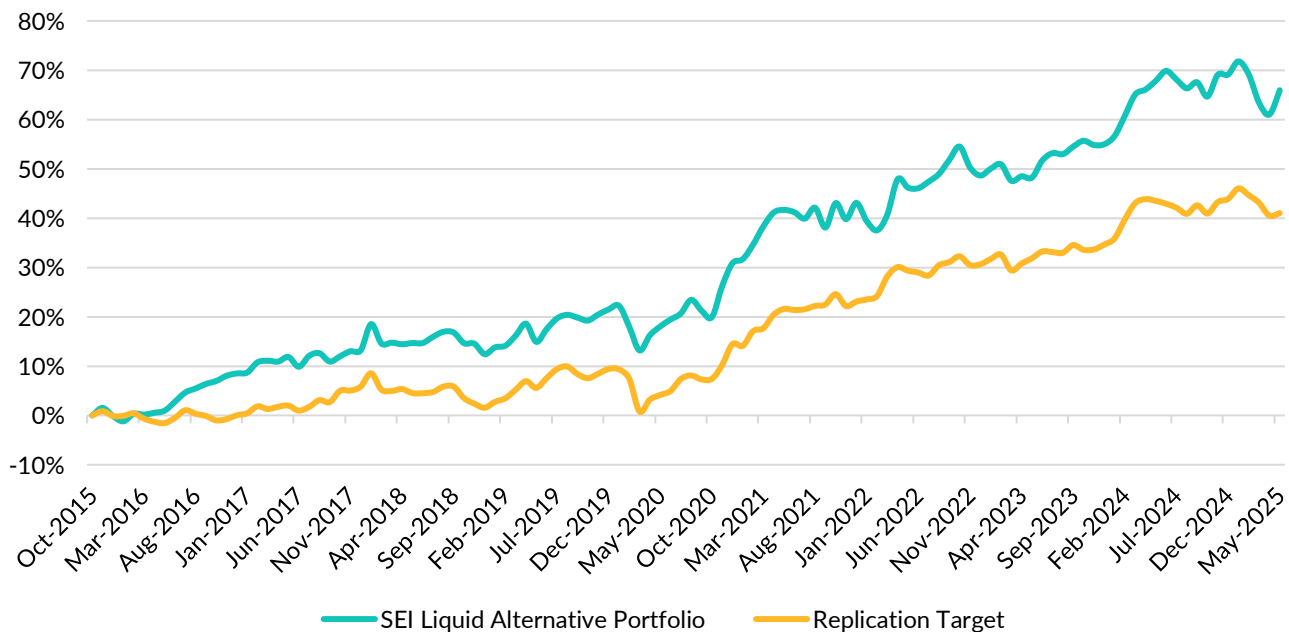
SEI LIQUID ALTERNATIVE FUND

MAY 2025

Dear Colleagues:

The Portfolio¹ rose **3.1%** net in May and is down **-1.9%** this year. The MSCI World Index increased 5.9% for the month, while the Bloomberg Global Aggregate Index returned -0.4% in May.

Performance



*Source: DBi and Bloomberg. Data as of May 31st, 2025

¹ Performance of the portfolios managed by DBi, net of estimated fees and expenses. Please consult SEI directly for performance of individual share classes.

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To a certain degree, in May the markets liberated themselves from Liberation Day. Equities recovered and both fixed income and currency markets were surprisingly sanguine. As discussed in recent letters, the challenge today is to differentiate the signal from the noise. Last month the market seems to have concluded, for now, that bluster and threats – for good or bad, a strategic policy tool of the Trump administration – should be discounted relative to a Teflon economy, the mysterious economic impact of Ai, etc. Of course, the key words are, “for now.” The macro environment remains as clear as mud. Will tariffs be recessionary, inflationary or both? Will the Big Beautiful Bill lead to a Big Beautiful Bond Market Tantrum? Was the much-discussed end of the American Exceptionalism trade a big headfake? What new geopolitical shock will reverberate through markets?

Last month, the **Portfolio** recovered all of the year-to-date underperformance relative to the blended Target. As discussed previously, our position in the US dollar (especially against the Euro) did not perform as expected around the end of the first quarter and during the market chaos that followed Liberation Day. Similar to prior periods, the two replication portfolios have adjusted to this change in market conditions, and performance reverted to expectations.

The **Strategic Alpha** (Multi-Strategy) replication portfolio rose **4.6%** in May and is flat this year. Based on preliminary reporting of the Target portfolio of Equity Long/Short, Relative Value and Event-Driven hedge funds, the portfolio outperformed by over 270 bps, recovering a large portion of the underperformance this year. Gains were driven by the rebound in equities, with performance supported by a rotation out of small- and mid-cap stocks and into technology and international developed markets. A shift to a short position in the US dollar added positively to returns, while exposure to a Treasury steepener further contributed to performance. Since inception, the replication portfolio has outperformed the Target by over 100 bps per annum with a correlation of around 0.80.

The **Tactical Alpha** (Managed Futures) replication portfolio returned **0.8%** in May, well ahead of the SG CTA index, which declined -1.8%. May was a continuation of April's outperformance as a shift to short term models within CTA strategies continued to weigh on their performance. The portfolio is now ahead of the target by over 350 bps this year. Rising volatility and choppy market conditions prompted a further pullback in risk. International equities, across both developed and emerging markets, were the primary drivers of performance. A long duration position tempered some of those gains. In currencies, positive contributions from long Australian dollar and short euro positions more than offset losses from long yen and short Canadian dollar exposures. Since inception, the replication portfolio has generated 300 bps per annum of alpha relative to the Target with a correlation of 0.80.

Please do not hesitate to reach out with any questions or comments.

All the best,
The DBi Team

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SOURCES

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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 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.