Individual Bond Strategies.

We help investors generate income in a variety of market conditions and interest rate environments.

Ladders, Barbells, Bullets, and Term Maturity strategies, managed by SEI's Fixed Income Portfolio Management, are all complementary approaches that can help investors achieve asset accumulation goals.

These strategies can be built using an array of portfolio styles or components, depending on whether the objective is to generate tax-free or taxable income. Each portfolio style has its own strengths and weaknesses that can be selected based upon the investor's goals and market expectations.

Ladder strategies.

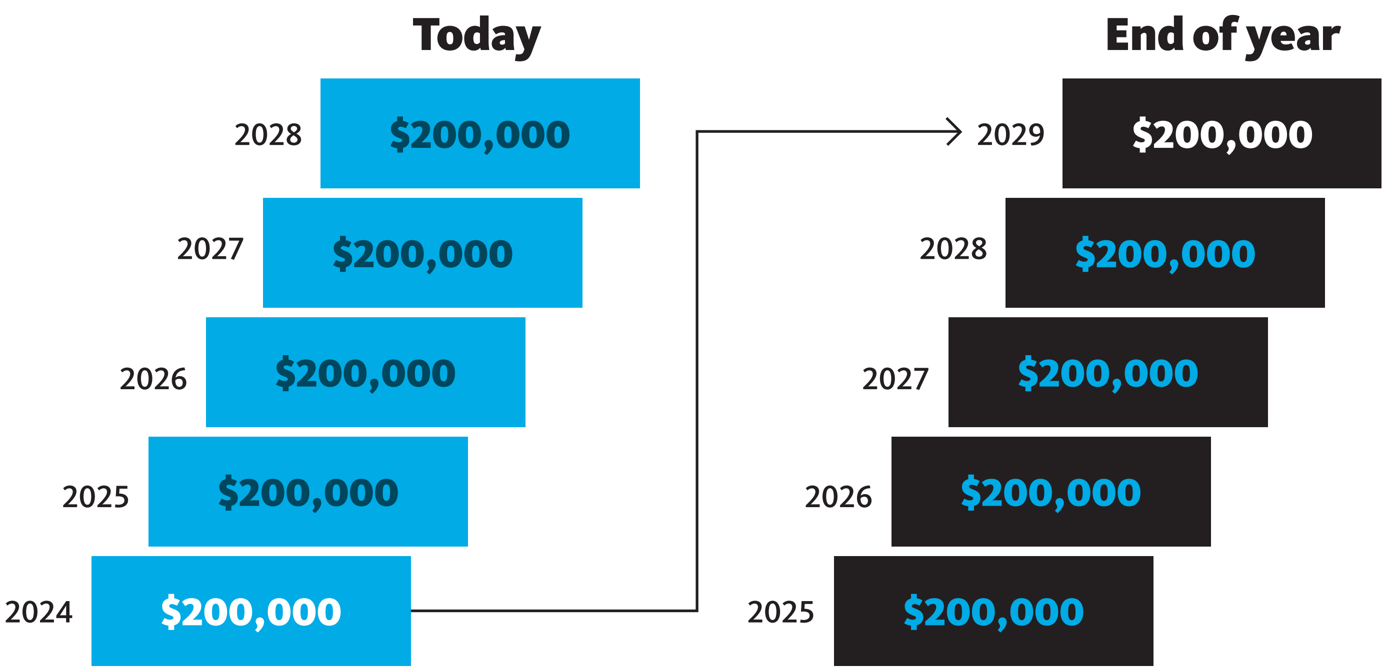
Ladder strategies are popular with investors looking for a steady income stream.

A laddered portfolio is constructed by purchasing multiple bonds, each with different maturity dates staggered over a set number of years. The maturity ranges can be short (zero to three years), medium (up to 10 years) or long (up to 30 years).

When each bond matures, the proceeds are reinvested in a new bond at the maximum maturity for the strategy to maintain the ladder's structure. This design helps investors manage the risk of rising or falling interest rates. If rates are rising, the maturing principal can be invested at higher rates. If they are falling, the portfolio is still earning higher interest on the longer-term holdings that have not yet matured.

Unlike owning a single or pooled vehicle like a bond fund, the ladder has maturing bonds each year seeking to provide a consistent cash flow pattern available for reinvestment. As time passes, the portfolio includes bonds purchased in periods of both high and low interest rates. The portfolio income is expected to remain consistent, creating a steady stream of income.

Exhibit 1: Ladder bond strategy



Reinvest principal of $200,000 from maturing bond into $200,000 of new bonds that mature in five years, or 2029 in this example.

For illustrative purposes only. Not meant to represent any actual investment.

Barbell strategies.

Barbell strategies are designed to help investors maximize income while maintaining liquidity.

The portfolio divides its holdings into short-term and longer-term maturities. The longer-term portion of the portfolio should return higher yields, while the shorter-term portion is designed to provide lower risk and high liquidity. A well-diversified barbell strategy should help weather volatility in various interest rate environments. Exhibit 2 highlights the structure of a barbell strategy.

The portfolio has two separate blocks of holdings. One end of the barbell will be represented by the 0–5 year maturity range. The other end will be represented with bonds in the 20–25 year maturity range. Short-term holdings serve to anchor the portfolio, and thus help lower its duration and overall volatility.

One point to consider is that long-term investments can be more seriously impacted by changes in interest rates. Depending on the interest rate environment, an investor executing a barbell strategy could lose principal when rolling over the longer-dated end of the portfolio. It is also important to remember that there could be tax consequences as this strategy has more turnover than a buy and hold strategy. This is due to selling the longer maturity bonds as they roll down to the curve and reinvested again.

Exhibit 2: Barbell bond strategy

Short-term bonds

0–5 year
maturity range

Long-term bonds

20–25 year
maturity range

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Duration is a measurement, in years, that assesses the interest-rate sensitivity of a bond.

Bullet strategies.

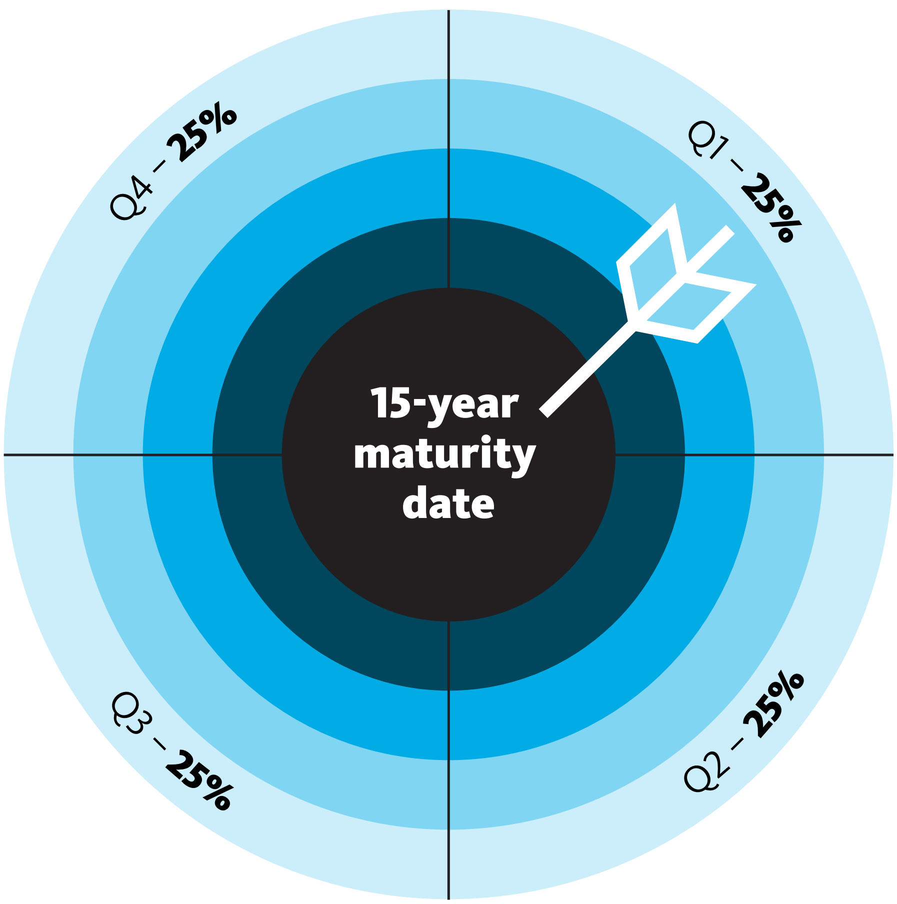
Bullet strategies are designed to help investors gradually accumulate a specific amount of money by a specific date.

The portfolio is constructed over time, with all purchases maturing around the same target date. For example, Exhibit 3 highlights an investor seeking to accumulate money with which to fund a child's college education 15 years in the future. This strategy can be used for any accumulation goal, such as handling a balloon payment on a mortgage or planning for retirement.

The bullet strategy is built by targeting a specific maturity date. The bullet strategy can be built using different portfolio styles or components, including municipal bonds, government bonds, corporate bonds, and Treasury Inflation-Protected Securities (TIPS), based upon the investment goal and market expectations.

In the example below, the initial purchase will be invested over the course of one year, with the first purchase representing 25% of the assets and the remaining 75% of assets evenly distributed and invested during the subsequent three quarters. Staggering the acquisition dates helps mitigate the risk associated with rising interest rates, as each investment beyond the first has the potential to earn a higher rate of return than the previous one. Conversely, if interest rates fall, a "bullet" bond strategy benefits by potentially realizing price gains on the bonds held, as the value of longer-term bonds with fixed coupon rates increases when market interest rates decrease.

Exhibit 3: Bullet bond strategy



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Term Maturity strategies.

Term Maturity strategies are designed for investors who seek to preserve capital while also helping to produce predictable income.

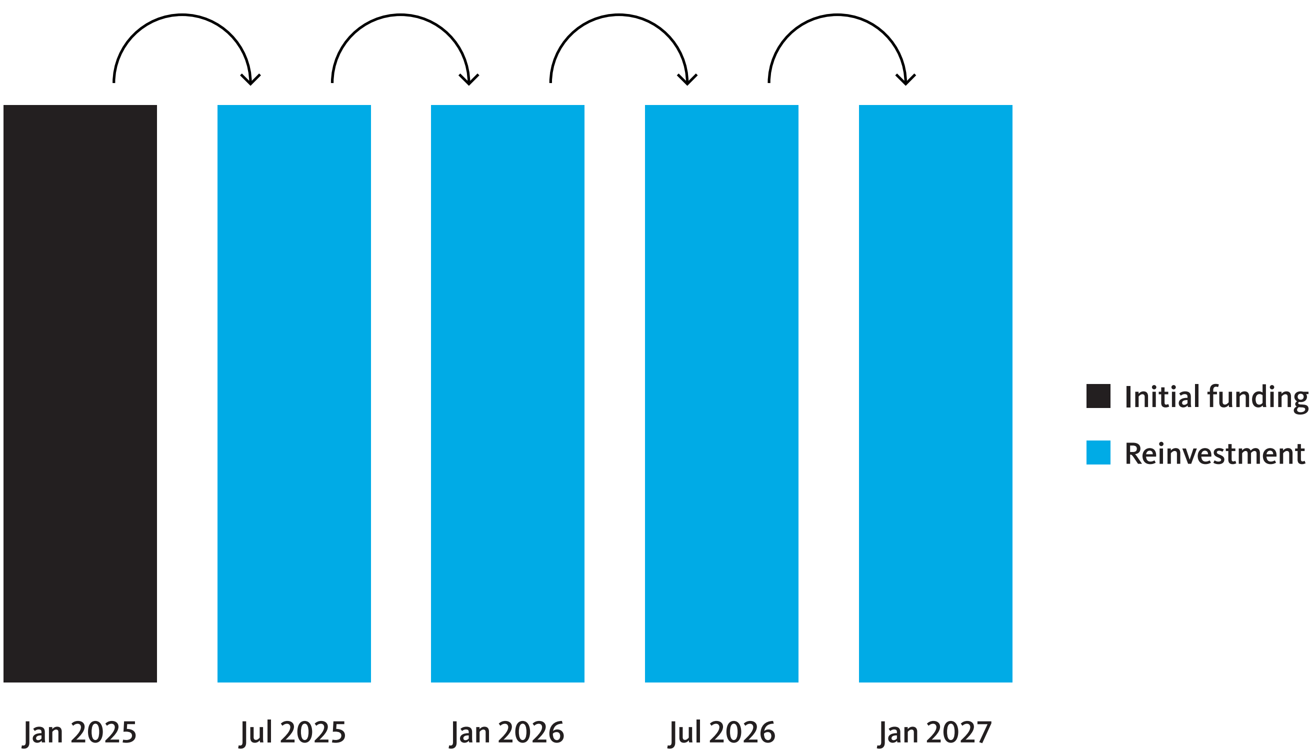
The portfolio invests in ultra-short-term fixed-income securities similar to a cash strategy, while also seeking to generate predictable income. The strategies offer investors a defined time frame within which their portfolio will mature (for example, six months) and will reinvest into new holdings with the same beginning term to maturity (in this example, six months). The portfolios have no end date; they continue to reinvest their principal once the underlying holdings mature.

Investing in ultra-short-term securities keeps the portfolio's duration (interest-rate sensitivity) low, seeking to support the goal of capital preservation through low overall volatility, while also helping to produce predictable income at current market rates.

To illustrate, a U.S. Treasury bond six-month Term Maturity strategy will invest in six-month Treasury bills. When these mature, the positions are rolled over into new six-month Treasury bills. Similarly, the other strategies will invest in securities that correspond to their named maturities; the three-month strategies invest in securities that mature in three months, the nine-month strategies invest in securities that mature in nine months, and the 12-month strategies invest in securities that mature in 12 months.

Exhibit 4: Term Maturity bond strategy

Six-month term maturity



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SEI Systematic Core Strategies.

Systematic Core Strategies seek to provide total return from income and capital appreciation.

The SEI Systematic Core Strategies are direct indexing solutions crafted to hold some of the underlying securities that seek to replicate certain attributes of a selected index, providing enhanced transparency and a more individualized approach to investing.

Investing directly in securities of some of the individual fixed-income issues—rather than the pooled structure of a mutual fund or ETF—can offer greater control over gains and losses throughout the year.

This is the case both during the transition of a portfolio, as well as through its ongoing daily management—and you can still seek to maintain the risk-return profile of the index you are attempting to match.

Strategy name	Benchmark index	Target number of securities
Systematic U.S. Aggregate Bond Core	Bloomberg U.S. Aggregate Bond Index	15–35
Systematic Government Bond Core	ICE BofA US Treasury 3-7 Year Bond Index	7–20
Systematic Municipal Bond Core	ICE BofA 1-10 Year AAA-A Municipal Securities	15–35

Portfolio style descriptions.

The SEI Fixed Income Portfolio Management team supports a variety of portfolio styles that can be used to build out each investment strategy (Ladders, Barbell, Bullet, Term Maturity, and style-specific strategies).

A brief description of each portfolio style is provided below.

Municipal Bond Portfolio: The portfolio seeks to invest in securities that pay tax-exempt income. These securities are issued nationally by state or local municipalities. The portfolio invests in securities that carry an investment-grade credit rating.

U.S. Treasury Bond Portfolio: The portfolio invests in U.S. Treasury obligations, exclusively issued within the United States.

Corporate Bond Portfolio: The portfolio invests primarily in higher quality corporate debt securities issued by U.S. and foreign companies. Holdings may be a mix of fixed-rate and floating-rate securities that are all investment grade.

Government/Corporate Bond Portfolio: The portfolio invests primarily in U.S. government securities, including those issued or guaranteed by the United States, its agencies, or instrumentalities. The portfolio may also invest in higher quality corporate securities that hold an investment-grade credit rating.

Tax-Aware Bond Portfolio: The portfolio has the ability to invest in both the tax-exempt sector (investment-grade municipal bonds) and taxable sectors (investment-grade U.S. corporate and U.S. government fixed-income securities), with security selection driven by the highest tax-equivalent yield at the time of purchase.

Treasury Inflation-Protected Security Portfolio: The portfolio invests in securities whose principal is adjusted quarterly based on inflation with the goal of mitigating the effects of inflation. The portfolio invests in bonds that are backed by the full faith and credit of the U.S. government.

Certificate of Deposit Portfolio: The portfolio seeks to invest in securities that are issued by banks or corporations. These securities are backed and guaranteed by the Federal Deposit Insurance Corporation (FDIC).[1]

[1] Subject to FDIC insurance rules which may include but are not limited to: (1) with respect to CDs, caps on amounts insurable on a per depositor, per depository institution basis, and changes in insurable amounts for different time periods; and (2) with respect to FDIC-insured corporate debt, caps on the amount of such debt a corporation can issue. Please consult with your client and consider the FDIC rules before making the decision to invest in an FDIC-insured product.

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. This information is for educational purposes only.

There are risks involved with investing including possible loss of principal. Bonds and bond funds will decrease in value as interest rates rise.

This information should not be construed as advice or a recommendation to purchase or sell a security. You should not act or rely on the information contained herein without obtaining specific legal, tax, accounting and investment advice from an investment professional. Your financial advisor is not affiliated with SEI or its subsidiaries.

There is no guarantee that an investment's income will be exempt from federal or state income taxes or the federal alternative minimum tax. Capital gains, if any, are subject to capital gains tax. TIPS can provide investors a hedge against inflation, as the inflation adjustment feature helps preserve the purchasing power of the investment. Because of this inflation adjustment feature, inflation protected bonds typically have lower yields than conventional fixed rate bonds. 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. Diversification may not protect against market risk.

There is no guarantee the goal of the strategies discussed will be met.

SEI Fixed Income Portfolio Management is a team within SEI Investments Management Corporation, which acts as investment adviser.

For those portfolios of individually managed securities, SEI Investments Management Corporation (SIMC) makes recommendations as to which manager will manage each asset class. Upon SIMC's termination of a manager from the program, SIMC may recommend a replacement money manager and the investor has the option to move the account assets to another custodian or to change the manager. SIMC is a wholly owned subsidiary of SEI Investments Company (SEI).

There are risks involved with investing, including loss of principal. There is no assurance the goals of the strategy discussed will be met nor that risk can be managed successfully. Tracking error risk is the risk that the performance of a portfolio designed to track an index may vary substantially from the performance of the benchmark index it tracks as a result of cash flows, portfolio expenses, imperfect correlation between the portfolio's and benchmark's investments and other factors. This risk is magnified when sampling a benchmark index as the strategy may not track the return of its benchmark index as well as it would have if the strategy purchased all of the securities in its benchmark index.

Neither SEI nor its subsidiaries provide tax advice. Please note that (i) any discussion of U.S. tax matters contained in this communication cannot be used by you for the purpose of avoiding tax penalties; (ii) this communication was written to support the promotion or marketing of the matters addressed herein; and (iii) you should seek advice based on your particular circumstances from an independent tax advisor.