

Managing the Managers that Work for You

The financial wellness of our clients is and always has been our top priority. At SEI Investments, we focus our disciplined, investment process on portfolios designed specifically to help investors achieve their life and wealth goals.

For more than 30 years, SEI has relied upon an investment philosophy that focuses on each of an investor's specific objectives. We developed our approach from disciplined behavioral and analytical research, focusing on the psychology of an individual investor, as well as the trends that impact worldwide financial markets and

investment managers. This philosophy is based upon five principles: asset allocation, portfolio structure, tax management, multiple specialist managers and continuous portfolio management. We concentrate on asset allocation and diversification among asset classes — two critical determinants of investment planning success.

By working with a financial services professional who has adopted SEI's Life/Wealth planning philosophy and implemented our proven methodology, **investors gain access to sophisticated investment strategies not typically available to retail investors.**

SEI's Investment Process: Grounded in Superior Manager Selection

One of the key principles of our investment philosophy is the use of multiple specialist managers. Our research shows that managers' tendency to drift from the style for which they were hired accounts for much of the volatility of returns. It is virtually impossible to "time" the

market by guessing which style of investing will be in favor. For this reason, SEI portfolios are created with a combination of specialist managers who complement one another with minimal security overlap.

To implement our asset management strategies, we select the very best investment talent from a global network of institutional money managers who **specialize in specific sectors of the market.**

A Proven Model for Identifying Superior Investment Talent

SEI's skill in assessing the best candidates is driven by a specialized team, the Investments Management Unit, made up of more than 40 analysts dedicated to the implementation and oversight of the investment process. With decades of experience, and supported by millions of dollars in cutting-edge technology and research, their responsibilities include the selection of managers, performance optimization and risk reduction, as well as intensely monitoring each of the specialist managers.

The fundamental logic of our process is to apply rigorous quantitative analysis to the entire manager landscape, and leverage the results into a focused, qualitative evaluation of the leading candidates. It's a rigorous, three-step approach that winnows a universe of more than 5,000 investment managers — responsible for more than 19,000 products — down to a handful that meet all of SEI's demanding criteria. This process is based on SEI's experience with thousands of investment managers across all market cycles and looks for adherence to four principles.

PHILOSOPHY

SEI looks for specialist managers who have a clearly defined investment philosophy and style — such as selecting growth or value, or a preference for large or small companies — that have been consistently applied over a number of years.

DISCIPLINE


We examine how a firm puts its philosophy into action. We look for firms with a commitment to researching new investment opportunities and a discipline in making buy and sell decisions.

CONSISTENCY

We compare a manager's performance against a benchmark relevant to their investment style. Analysis is focused on determining whether a manager's performance is consistent with their investment process and the current market environment.

TALENT

Because an investment firm's primary assets are its people, we look for stable, well-managed organizations that have the ability to attract and retain outstanding investment management talent. We also look for companies with a team approach to investing, rather than those that may rely solely on the talents of their individual managers.



SEI's Selection Process ensures that only the Specialist Managers whose **investment philosophy** and **past performance** meet SEI's high standards are chosen.

SEI's Three-Step Evaluation Process

Our disciplined three-step process evaluates each manager based on the above-mentioned four principles. Integrating a 'Returns-Based Evaluation' with a 'Holdings-Based Analysis,' our first two steps focus on gaining a quantitative understanding for the philosophy, discipline and consistency of each manager. The third step involves a 'Qualitative Evaluation' of each manager's overall organization and the people that make up its talent base. The following is a detailed description of the tools and criteria that comprise our time-tested process.

Step 1: Returns-Based Evaluation

This quantitative research phase starts by compiling quarterly returns for the entire universe of managers from sources such as Nelson's Money Manager Database, Lipper Analytical Services, Morningstar and Mobius, as well as data supplied directly to SEI from specific managers. By using a combination of proprietary and industry analytical tools, the SEI analysts are able to gain a feeling for each manager's investment philosophy, discipline in processes and consistency of performance. With these tools, SEI can narrow down the list to a manageable size for any specific search.

Equity Manager Selection

SEI's Global Equity and Fixed Income Screening Models

- Analytical tool which is able to evaluate each manager sector on more than 100 factors
- Enables SEI to create sectors of managers who exhibit style-specific traits

StyleScan®

- Proprietary analytical tool that evaluates manager's correlation to the appropriate style-specific market index over 16-quarter periods
- Identifies managers who have consistent market capitalization and price/book measures relative to the appropriate market index
- Risk analysis assesses level of risk being taken to achieve excess return

Fixed Income Manager Selection

SEI's Global Fixed Income Screening Model

- Analytical tool that evaluates various statistical measures such as R2, tracking error, manager alpha, residual return and downside risk
- Enables SEI to rank managers within a certain specialist category
- Analyzes manager's composite returns against a market index to identify style attributes

Step 2: Holdings-Based Analysis

Equity Manager Evaluation

Fundamental analysis is the next step in the manager evaluation process, used to better understand a manager's historical monthly investment decisions based on the quality, repeatability and discipline of their track record. Additionally, we analyze the impact of past market conditions on the manager's historical results and establish parameters for expected consistency of their process in future market conditions. Important tools used to monitor risk factors and manager consistency include BARRA® Analytics and the Wilshire Atlas Systems:

- BARRA® is used to attribute and assign portfolio return to one of these categories:
 - Beta Policy
 - Industry Contribution
 - BARRA® Risk
 - Stock Selection
- Wilshire's Atlas Software provides a framework to gather fundamental knowledge by analyzing a manager's holdings, isolating manager style and attributing returns

Fixed Income Manager Evaluation

On the fixed income side, we use tools to determine whether the manager has been compensated for any risk assumed versus the benchmark.

- Wilshire Software is used to analyze holdings, isolate manager style and attribute returns
- Manager decisions are evaluated on the basis of assumption of risk in excess of benchmark exposures that can benefit investors and neutralizing areas that do not

Step 3: Qualitative Examination

Equity and Fixed Income

As the next step in the manager search process, an SEI analyst conducts an on-site visit to interview potential manager candidates. Experience gained from hundreds of manager visits helps in identifying managers who will add incremental value over the benchmark, and who will complement existing fund managers. This qualitative research phase includes:

- Intense review of money manager's organization, investment team and investment product
- Evaluation of the organization's stability, ownership structure, business structure, and the reliability of their compliance procedures
- Close scrutiny of manager's team structure, experience, staff turnover and compensation

SEI's Manager Monitoring Process — Keeps Goals on Track

ONGOING MONITORING AND OVERSIGHT PROCESS

SEI's "manager of managers" investment process requires the organization to continually evaluate its current managers, while also searching for new specialist managers.

Managers who are included as sub-advisors in SEI's funds are subject to a rigorous, ongoing monitoring and oversight process. We analyze manager activities and performance on a daily, monthly, quarterly and annual basis, evaluating everything from daily security trades to complete organizational reviews.

Our commitment to constant review and adjustment reflects our philosophy that the only measure of success is how well we help accomplish your goals. By working relentlessly for decades, SEI has developed an investment process that adapts to shifting market conditions and macro-economic developments — even to changes in your individual investment goals.

SEI's continual monitoring of its multiple specialist money managers is an integral step in our investment process. It ensures that holdings are closely monitored, risk is carefully reduced, and investment performance is driven by each manager's individual security selection. Those managers who fail to achieve stated goals, or who deviate from their stated philosophy, are subject to replacement.

For those SEI funds which employ the "manager of managers" structure, SEI Investments Management Corporation has ultimate responsibility for the investment performance of the Fund due to its responsibility to oversee the sub-advisors and recommend their hiring, termination and replacement.

SEI Investments Management Corp (SIMC) is the investment advisor to the SEI Funds. Funds distributed by SEI Investment Distribution Co. (SIDCO). SIMC and SIDCO are wholly owned subsidiaries of SEI Investments Company.