

SEI UK Strategic Portfolios

Quarterly Investment Review

Q4 2019

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SEI New ways.
New answers.®

Summary

Market overview

- › **Easing trade tensions** - The easing of trade tensions, with the agreement of a phase one trade deal between the US and China, and greater clarity around Brexit following the UK general election in December pushed risk assets higher over the final quarter of 2019.
- › **Equities finish 2020 strong** - Equity markets had a strong finish to the year. Excluding currency movements, global equity markets gained 7.1% over the final quarter of 2019, ending the year up 25.5%.
- › **High yield and emerging markets outperform in fixed income** - The riskiest segments of the fixed income market – high yield bonds and emerging market debt – outperformed safe haven developed market government bonds as sentiment improved.
- › **Reduced political uncertainty supports Sterling** - Reduced uncertainty surrounding the likely course of Brexit saw Sterling appreciate sharply, erasing much of the gains in offshore risk assets for UK based investors.

Market Outlook

- › We expect that the global economy will continue to expand, albeit at a slower pace.
- › We expect inflation to remain under control which should encourage central banks to continue to err on the side of easy monetary policy.
- › Quantitative easing should also help keep bond yields relatively steady even as government spending increases.
- › Overall we expect the environment will continue to be beneficial for risk assets.
- › SEI's full 2020 outlook **No Boom, No Bust, No Bear** is available at the following link: seic.com/2020-outlook

Stability Focused Funds

Portfolio Contributions

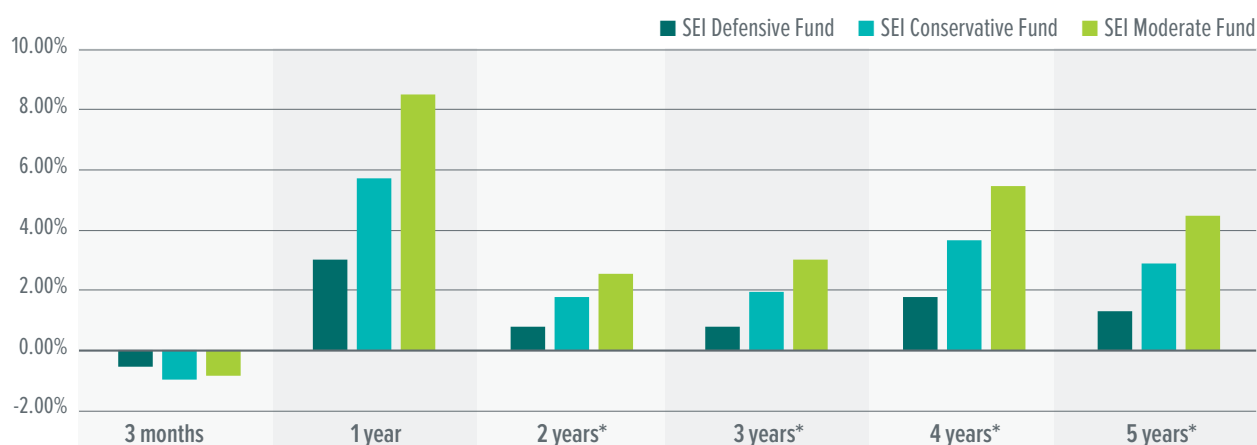
- › The stability focused funds ended the year up between 3.03% and 8.50%, in line with the wealth preservation role they generally play in clients' portfolios. Negative returns of between -0.53% and -0.96% were witnessed in the last quarter.
- › Low volatility equities had a difficult fourth quarter in what was a generally risk-on environment with the defensive, lowest risk segments underperforming.
- › This was somewhat offset by the strategies' exposure to domestic UK equities, with the exception of the Defensive fund, and good security selection, most notably in financials.
- › The positive risk sentiment corresponded with a back-up in bonds yields, which proved to be an additional headwind for the stability focused strategies.

Portfolio Themes

- › Underweight Duration: The portfolios retain an underweight duration position across US, UK and Japan government bond markets as we view yields as offering poor value in these areas. The portfolios have also retained a modest overweight to inflation linked bonds, predominately US and Japan.
- › Cautious Credit: The portfolios are underweight highly rated corporate bonds in favour of more defensive non-agency mortgage backed securities.

Performance

	3 month	1 year	2 year*	3 year*	4 year*	5 year*
SEI Defensive Fund	-0.53%	3.03%	0.80%	0.79%	1.78%	1.30%
SEI Conservative Fund	-0.96%	5.73%	1.77%	1.95%	3.68%	2.89%
SEI Moderate Fund	-0.86%	8.50%	2.55%	3.00%	5.47%	4.46%



Source: SEI, as at 31 December 2019. Net of fees, Sterling Wealth A Distributing share class. Past performance is not a reliable indicator of future results. *Indicates annualised data.

Growth Focused Funds

Portfolio Contributions

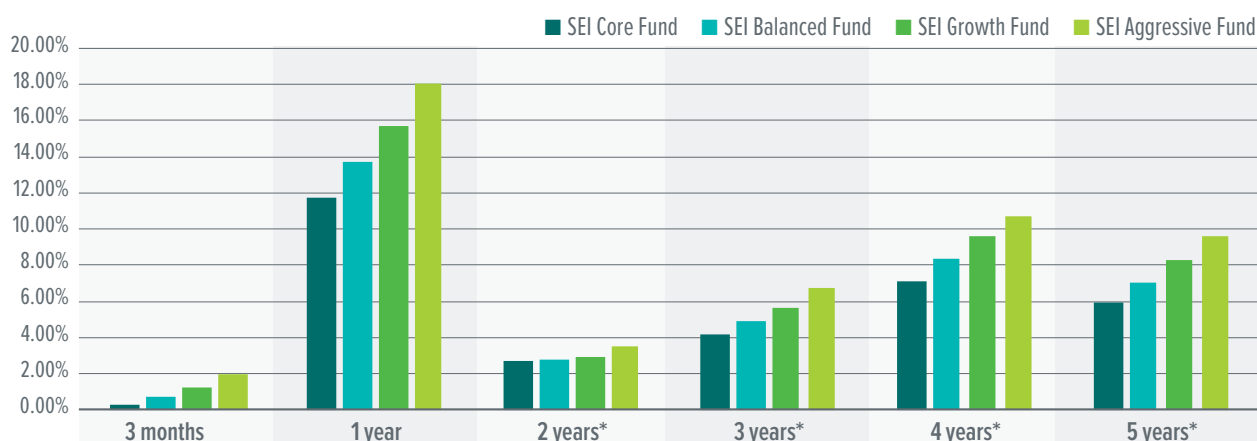
- › The growth focused funds ended the year up between 11.76% and 18.04%, in excess of their long term rates of expected return. The funds gained between 0.25% and 1.95% for the quarter.
- › Exposure to risk assets was beneficial over the quarter, although strong Sterling appreciation dented returns from foreign assets.
- › Exposure to UK equities was the biggest contributor to performance, which was further aided by good security selection, notably in financials, within UK equities.
- › The portfolios' US equity exposure lagged the US market during a quarter where the mega-caps and IT continued to dominate.

Portfolio Themes

- › Overweight valuation-focused managers: The portfolios' retain an overweight to valuation-focused managers, as valuation dispersion remain near all-time historical wides.
- › Overweight non-US equities: During the quarter we added an overweight position in emerging market and developed world ex US equities at the expense of US equities. Our expectations of continued, modest, global expansion and wide equity valuations between the US and the rest of the world at a time when actual earnings differentials are narrowing should be supportive for this position.
- › The full manager lineups within the Strategic Portfolios **Diversification at Every Level – Q4 2019** can be found here: seic.com/Q419strategicportfolios

Performance

	3 month	1 year	2 year*	3 year*	4 year*	5 year*
SEI Core Fund	0.25%	11.76%	2.72%	4.16%	7.11%	5.93%
SEI Balanced Fund	0.74%	13.70%	2.78%	4.90%	8.36%	7.06%
SEI Growth Fund	1.26%	15.69%	2.89%	5.65%	9.62%	8.29%
SEI Aggressive Fund	1.95%	18.04%	3.49%	6.75%	10.73%	9.58%



Source: SEI, as at 31 December 2019. Net of fees, Sterling Wealth A Distributing share class. Past performance is not a reliable indicator of future results. *Indicates annualised data.

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Past performance is not a reliable indicator of future results. Standardised performance is available upon request. All data is as at 31 December 2019.

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Asset class performance discussed is based on the majority SEI fund underlying the asset class. This does not include analysis of the manager pools, hedged share class investments within SEI Funds, additional SEI funds or any third-party funds within the Strategic Portfolios.

As a result, performance for the total asset class allocation may vary. Not all asset classes discussed are included in all Strategic Portfolios.

All asset class comparative performance is relative to the benchmark of the specific SEI fund representing the majority of the asset class investment. SEI sources data directly from FactSet, Lipper, and BlackRock, unless otherwise stated.

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- The investment risks described below are not exhaustive and potential investors should carefully review the Prospectus prior to investing.
The risks described below may apply to the underlying assets of the products into which the Strategic Portfolios invest.*
- Investment in equity securities in general are subject to market risks that may cause their prices to fluctuate over time.*
- Fixed Income securities are subject to credit risk and may also be subject to price volatility and may be sensitive to interest rate fluctuations.*
- Absolute return investments utilise aggressive investment techniques which may increase the volatility of returns. If the correlation between absolute return investments and other asset classes within the fund increases, absolute return investments' expected diversification benefits may be decreased.*

In addition to the normal risks associated with investing, international investments may involve risk of capital loss from differences in generally accepted accounting principles or from economic or political instability in other nations. The Funds are denominated in one currency but may hold assets which are priced in other currencies. The performance of the Fund may therefore rise and fall as a result of exchange rate fluctuations. The Fund or some of its underlying assets may hold derivatives or borrow to invest. This can make the Fund more volatile and investors should expect above-average price increases or decreases.

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To speak with an SEI specialist, contact:

sei_intermediaries@seic.com
+44 (0)20 3810 8001