

Asset Allocation Changes

SEI Global Strategic Portfolios

Third Quarter 2018

SEI New ways.
New answers.®

SEI's target strategic asset allocations are based on our long-term expectations for the global markets and are derived from our capital market assumptions. In the short-term, we may over- or underweight these positions as part of our tactical asset allocation, which aims to take advantage of short-term market opportunities.

The following changes were made to the tactical and strategic asset allocations of the SEI Global Strategic Portfolios (the Funds) in the third quarter:

- Increased global dynamic asset exposure in the Global Core, Global Balanced, Global Growth and Global Aggressive Funds
- Increased global managed volatility exposure in the Global Conservative, Global Core, Global Balanced, Global Growth and Global Aggressive Funds
- Reallocated high-yield and emerging-market fixed-interest exposure in the Global Conservative, Global Core, Global Balanced, Global Growth and Global Aggressive Funds
- Reduced equity and fixed-interest European bias in the Global Conservative, Global Core, Global Balanced, Global Growth and Global Aggressive Funds
- Removed a tactical overweight to euro-hedged Japanese equities and corresponding underweight to US large-company equities in the Global Core, Global Balanced, Global Growth and Global Aggressive Funds

Rationale

Added Global Dynamic Asset Allocation in the Global Core, Global Balanced, Global Growth and Global Aggressive Funds

- Global dynamic asset allocation seeks to provide beta exposure to global developed-market equities.
- This addition allows SEI to express its tactical trading views based on perceived market dislocations.

Increased Allocation to Global Managed Volatility in the Global Conservative, Global Core, Global Balanced, Global Growth and Global Aggressive Funds

- The tendency of low-volatility stocks to exhibit higher risk-adjusted returns than their higher-volatility counterparts has been demonstrated extensively in literature.
- We have a long track record of management of managed volatility portfolios across the globe.

Reallocation of High Yield and Emerging-Market Fixed Interest in the Global Conservative, Global Core, Global Balanced and Global Growth Funds

- High-yield and emerging-market fixed interest exposures were brought into closer balance, given their similar equity/fixed interest hybrid characteristics.
- The allocations to these riskier fixed-interest exposures were modestly reduced, with the proceeds invested in diversified combinations of equity and fixed interest.
- We believe this change will enhance the diversification of the Funds through a similar mixture of equity- and bond-like characteristics, but with more diversified allocations.

Reduced Equity and Fixed-Interest Euro Bias in the Global Conservative, Global Core, Global Balanced, Global Growth and Global Aggressive Funds

- While many investors favour investments listed in their own countries to those listed internationally, this preference generally impairs the diversification profile of the overall portfolio and can lead to lower risk-adjusted returns.
- Our changes reduce an existing bias toward European equities and fixed interest with the goal of providing enhanced global diversification of our equity and fixed-interest exposures and improving the efficiency of the Funds.

Removed Tactical Overweight to Currency-Hedged Japanese Equities and Corresponding Underweight to US Large Company Equities in the Global Core, Global Balanced, Global Growth and Global Aggressive Funds

- The overweight to currency-hedged Japanese equities was based on favourable valuations, diverging central bank policies and positive fundamentals, including a globally-coordinated economic recovery and increasing adoption of shareholder-friendly policies by Japanese corporations.
- While most of these conditions remain in place, fiscal conditions in the US, a soft patch in the global recovery and intensifying trade-war concerns have prompted the elimination of this position.
- Tax reform in the US has provided a more sustained boost to earnings than expected. In contrast, the rest of the world (notably China and Europe) is experiencing a moderation in economic activity. This, together with higher-and-broader-than-expected tariffs becoming reality, has put pressure on export-heavy economies.
- In summary, while we remain constructive on Japanese equities, we prefer a more neutral stance on US equities given the fiscal stimulus-fuelled momentum in US corporate earnings as well as the overall US economy.

The following tables provide a comparison of the Funds' target active weights relative to their strategic (long-term, neutral target) weights as at 30 September 2018:

	Global Conservative		Global Core	
	Strategic (%)	Current (%)	Strategic (%)	Current (%)
Equities				
Global Managed Volatility	17.75%	17.75%	7.00%	7.00%
Global Developed	2.00%	2.00%	8.76%	8.76%
UK			1.10%	1.10%
US Large Companies			3.35%	3.35%
US Small Companies			3.11%	3.11%
Europe			2.70%	2.70%
Pan European Small Companies			1.50%	1.50%
Japan			2.00%	2.00%
Pacific Basin ex-Japan			1.43%	1.43%
Factor-Based US Equity			6.45%	6.45%
Global Dynamic Asset Allocation			5.00%	5.00%
Emerging Markets			4.61%	4.61%
Fixed Interest				
Global Short Duration (hedged)*	13.88%	13.88%	1.25%	1.25%
Global Government (hedged)*	9.75%	9.75%	12.75%	12.75%
Global Credit (hedged)*	9.75%	9.75%	12.75%	12.75%
High Yield (hedged)*	3.00%	1.00%	5.50%	5.50%
Emerging Markets	3.00%	5.00%	5.50%	5.50%
Euro Core				
Euro Government				
Passive Global Short Duration (hedged)*	13.88%	13.88%	1.50%	1.50%
Income				
Multi-Asset Income (hedged)*	7.00%	7.00%	3.00%	3.00%
Inflation Sensitive				
Commodities	2.50%	3.00%	3.50%	3.50%
Inflation-Linked Bonds (hedged)*	2.50%	2.50%	3.00%	3.00%
Absolute Return				
Liquid Alternatives	3.00%	3.00%	4.00%	4.00%
Liquidity				
Cash and Cash Equivalents	12.00%	11.50%	0.25%	0.25%

*Obtained by investing in a hedged euro-denominated share class

A blue-shaded cell (white font) represents an overweight position; a grey-shaded cell (black font) represents an underweight position versus the strategic weight. Figures shown represent the total target active weight (i.e. strategic weight +/- overweight/underweight).

	Global Balanced		Global Growth		Global Aggressive	
	Strategic (%)	Current (%)	Strategic (%)	Current (%)	Strategic (%)	Current (%)
Equities						
Global Managed Volatility	5.00%	5.00%	3.00%	3.00%		
Global Developed	12.84%	12.84%	16.33%	16.33%	18.53%	18.53%
UK	1.80%	1.80%	2.40%	2.40%	3.47%	3.47%
US Large Companies	5.96%	5.96%	8.65%	8.65%	13.02%	13.02%
US Small Companies	3.64%	3.64%	4.31%	4.31%	5.58%	5.58%
Europe	4.40%	4.40%	6.00%	6.00%	8.77%	8.77%
Pan European Small Companies	1.90%	1.90%	2.40%	2.40%	3.16%	3.16%
Japan	3.00%	3.00%	4.00%	4.00%	5.71%	5.71%
Pacific Basin ex-Japan	2.14%	2.14%	2.85%	2.85%	3.99%	3.99%
Factor-Based US Equity	9.60%	9.60%	12.95%	12.95%	18.60%	18.60%
Global Dynamic Asset Allocation	6.00%	6.00%	8.00%	8.00%	10.00%	10.00%
Emerging Markets	5.72%	5.72%	7.12%	7.12%	8.93%	8.93%
Fixed Interest						
Global Government (hedged)*	8.25%	8.25%	3.25%	3.25%		
Global Credit (hedged)*	8.50%	8.50%	350.00%	3.50%		
High Yield (hedged)*	5.50%	5.50%	5.50%	5.50%		
Emerging Markets	5.50%	5.50%	5.50%	5.50%		
Euro Government						
Euro Core						
Income						
Multi-Asset Income (hedged)*	2.00%	2.00%				
Inflation Sensitive						
Commodities	3.00%	3.00%	1.00%	1.00%		
Inflation-Linked Bonds (hedged)*	3.00%	3.00%	3.00%	3.00%		
Absolute Return						
Liquid Alternatives	2.00%	2.00%				
Liquidity						
Cash and Cash Equivalents	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%

*Obtained by investing in a hedged euro-denominated share class

Fund Risks

The investment risks described below are not exhaustive and potential investors should carefully review the Prospectus prior to investing. Diversification does not ensure a profit or guarantee against a loss. The risks described below may apply to the underlying assets of the products into which they 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.

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The Portfolio Funds may invest substantially in other SEI Funds, Third-Party Funds and manager pools. The risks described below may apply to the underlying assets of the products into which they invest: Investments in equity securities in general are subject to market risks that may cause 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; bonds or money market instruments are sensitive to inflation rate trends; 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.

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