

Asset Allocation Changes

SEI Global Strategic Portfolios

Third Quarter 2019

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 change was made to the tactical asset allocations of the SEI Global Strategic Portfolios (the Funds) in the third quarter:

- Removed long high-yield bond/short emerging-market debt tilts in the Global Conservative and Global Moderate Funds to neutralise emerging-market debt exposure.

Rationale

- As global markets have recovered from their late-2018 lows, emerging-market debt (EMD) has outperformed most other fixed-income asset classes. Real yields in many emerging economies have declined over the past year¹, making relative valuations among fixed-income markets appear more evenly balanced.
- While we still view the fundamental backdrop for emerging markets favourably, we expect EMD may have a bumpier ride than other fixed-income markets due to higher uncertainty around geopolitics and central-bank policies.
- Recent developments in the deepening US/China trade dispute—such as President Trump's recent threat of 10 percent tariffs on \$300 billion of Chinese consumer goods, followed by the threat of an additional five percent levy on a wide range of imports from China on 23 August—have raised concerns about a slowing global economy. Continued unrest in Hong Kong has introduced additional uncertainty to the US/China relationship and, while a high-profile crackdown from the mainland is not our base case, such an event would be a clear negative for any trade resolution.
- The dramatic turn on the federal funds rate by the US Federal Reserve (Fed) has ushered in a global easing cycle as other central banks look to add stimulus. However, the degree of stimulus remains uncertain, not least in the US, where markets continue to price in ever more aggressive rate cuts. If the Fed disappoints, it could lead to US dollar strength. Or, if China allows further weakening of the yuan, it could put pressure on other EM currencies. Both scenarios would present a challenge for EM currencies and EMD performance.
- With the prospects for trade resolution unclear, our expectation is that EMD should see more volatility. Combined with a narrowing of relative valuations, we believe closing the Funds' active overweights to EMD is warranted.

¹ Sources: Bloomberg, DataStream

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 2019:

	Global Conservative		Global Moderate		Global Core	
	Strategic (%)	Current (%)	Strategic (%)	Current (%)	Strategic (%)	Current (%)
Equities						
Global Managed Volatility	17.74%	17.74%	27.00%	27.00%	7.00%	7.00%
Global Developed	2.00%	2.00%	5.00%	5.00%	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%
Emerging Markets			2.00%	2.00%	4.60%	4.60%
Fixed Interest						
Global Short Duration* (hedged)	13.88%	13.88%	8.88%	8.88%	1.25%	1.25%
Global Government* (hedged)	9.75%	9.75%	11.50%	11.50%	12.75%	12.75%
Global Credit* (hedged)	9.75%	9.75%	11.50%	11.50%	12.75%	12.75%
High Yield* (hedged)	3.00%	3.00%	4.50%	4.50%	5.50%	5.50%
Emerging Markets	3.00%	3.00%	4.50%	4.50%	5.50%	5.50%
Passive Global Short Duration	13.88%	13.88%	8.87%	8.87%	1.50%	1.50%
Other						
Global Dynamic Asset Allocation					5.00%	5.00%
Income						
Multi-Asset Income* (hedged)	7.00%	7.00%	5.50%	5.50%	3.00%	3.00%
Inflation Sensitive						
Commodities	2.50%	2.50%	3.00%	3.00%	3.50%	3.50%
Inflation-Linked Bonds* (hedged)	2.50%	2.50%	2.50%	2.50%	3.00%	3.00%
Absolute Return						
Liquid Alternatives	3.00%	3.00%	5.00%	5.00%	4.00%	4.00%
Liquidity						
Cash and Cash Equivalents	12.00%	12.00%	0.25%	0.25%	0.25%	0.25%

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

	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%	4.30%	4.30%	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%	5.70%	5.70%
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%
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%	3.50%	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						
Other						
Global Dynamic Asset Allocation	6.00%	6.00%	8.00%	8.00%	10.00%	10.00%
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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