



Markets Finish on a High Note Despite Central Bank Pivot

Quarterly Snapshot

- The fourth quarter began in the shadow of September’s selloff. Equities vaulted higher through mid-November before managing a choppy climb to finish the year.
- US shares were the top-performing major market for the fourth quarter and the full calendar year. The UK and Europe also performed quite well over both time frames, while China was down steeply for the quarter and year¹.
- In our view, ultra-low interest rates in the face of higher inflation and above-average growth may force central banks to adopt more aggressive policies than they and market participants currently envision.

Sky-high COVID-19 cases, a volatile equity-market rally, and worry over rising interest rates can describe both the first and last weeks of 2021. An obvious difference between those two timeframes is that the prospect of widespread vaccination became reality, dealing a sharp blow to the severity of illness among the infected. A towering nine billion vaccine doses were administered worldwide through the end of 2021, rendering roughly 49% of the global population fully vaccinated².

Turning to financial markets, the fourth quarter began in the shadow of September’s selloff, which was the most extended shakeout of 2021. After recovering in October, equities vaulted higher through mid-November before unrestrained inflation, tightening central-bank policy and the emergence of the Omicron variant combined for a choppy climb to finish the year.

US shares were the top-performing major market for the fourth quarter and the full calendar year. The UK and Europe also performed quite well over both time frames. Hong Kong and Japan had significant losses in the three-month period; Japan was up modestly in 2021, while Hong Kong had a full-year decline. Brazil and China were down steeply for the quarter and the year, with China delivering the deepest loss among major markets in 2021¹.

Across the UK, eurozone and US, short-to-medium-term government bond rates increased during the fourth quarter, while long-term rates declined, resulting in flatter yield curves.

Within fixed interest, fourth-quarter performance mirrored the full year: inflation-indexed bonds were the top performers, followed by high yield. Most other sectors were mildly negative given the impact of rising rates, but global bonds were down by more due to currency effects. Local-currency emerging-market debt had the steepest losses for the quarter and year.

The US dollar continued to strengthen against most other currencies during the fourth quarter, capping off a 6.7% full-year increase according to the US Dollar Index (DXY). Commodity prices were dealt a minor setback in the fourth quarter after a steep ascent for the first nine months of 2021. The Bloomberg Commodity Index declined 1.6% during the quarter but gained 21.1% for the full year.

The UK government’s autumn budget traded improved benefits for tax increases³. It proposed a reduction in the universal credit taper rate for low-income workers (from 63% to 55%, meaning that the credit will phase out more slowly) and an annual £500 increase in work allowances. Brick-and-mortar stores will also see

¹ According to the performance of the country-level components of the MSCI ACWI Index.

² “Covid vaccines: How fast is progress around the world?” BBC News. 30 December 2021.

³ “Autumn Budget 2021: Key points at-a-glance.” BBC News. 27 October 2021.

Key Measures: Q4 2021

EQUITY	
Dow Jones Industrial Average	7.87% ↑
S&P 500 Index	11.03% ↑
NASDAQ Composite Index	8.45% ↑
MSCI ACWI Index (Net)	6.68% ↑
BOND	
Bloomberg Barclays Global Aggregate Index	-0.67% ↓
VOLATILITY	
Chicago Board Options Exchange Volatility Index	17.22 ↓
PRIOR Quarter: 23.14	
OIL	
WTI Cushing crude oil prices	\$75.21 ↑
PRIOR QUARTER: \$75.03	
CURRENCIES	
Sterling vs. U.S. dollar	\$1.35 ↑
Euro vs. U.S. dollar	\$1.14 ↓
U.S. dollar vs. yen	¥115.10 ↑

Sources: Bloomberg, FactSet, Lipper

more relief via a temporary 50% cut in business rates and no increase in 2022. On the revenue side, a 1.25% bump in national insurance contributions was scheduled to begin in the spring, and a long-telegraphed increase in the corporation tax remained set for 2023.

Germany's new governing coalition came together in late November. The centre-left Social Democrats (SPD) secured 25.7% of ballots cast in the September election, while the progressive environmentalist Greens won 14.8% and pro-business Free Democrats (FDP) received 11.5% of the votes. As of December, SPD leader Olaf Scholz heads the government as chancellor, while FDP leader Christian Lindner serves as finance minister.

The coalition has coalesced around an ambitious series of climate-centric policy pledges, including new commercial and residential construction that host solar-power production capabilities; additional support for seaborne wind farms; and a targeted 15 million electric vehicles in service by 2030 along with the necessary charging infrastructure. The German housing market is also set to benefit from the coalition's plan to build 400,000 new apartments per year, with one-quarter of the project financed by government funds. However, questions have been raised about how the government will fund its goals given that Germany's "debt brake" will be re-instated in 2023 (limiting government borrowing to 0.35% of GDP) and that the FDP extracted a commitment to refrain from imposing new or increased taxes (in order to join the coalition).

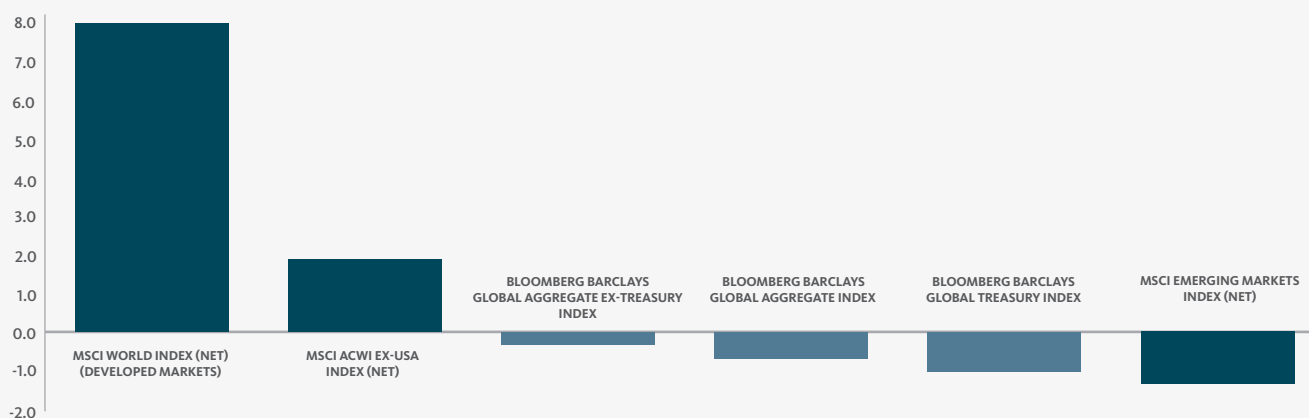
The US Congress voted to raise the debt ceiling (that is, the federal government's borrowing limit) twice during the fourth quarter—first with an October stopgap hike of \$480 billion, and then with a December increase of \$2.5 trillion—which is expected to cover spending through early 2023.

US President Joe Biden signed the Infrastructure Investment and Jobs Act—a multi-year infrastructure funding bill—into law during November⁴. The initiative appropriated \$1.2 trillion (including \$550 billion above baseline spending), with nearly \$300 billion of new spending to fund transportation projects over the next decade, another \$65 billion apiece dedicated to broadband internet and power grid projects, and \$55 billion reserved for water infrastructure.

⁴"H.R.3684 - Infrastructure Investment and Jobs Act." Congress.gov. 15 November 2021.

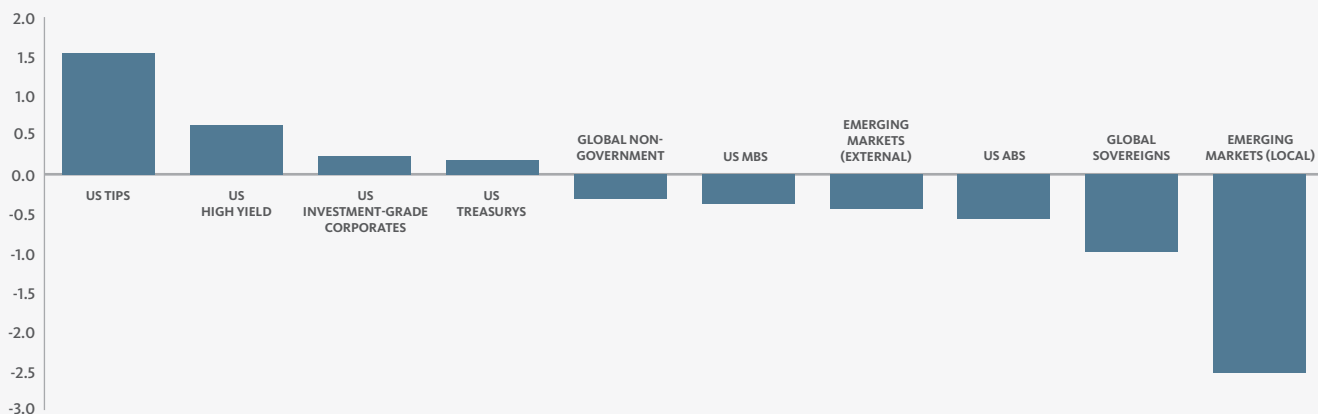
Major Index Performance in Q4 2021 (Percent Return)

■ FIXED INCOME ■ EQUITIES



Sources: FactSet, Lipper. See "Corresponding Indexes for Major Index Performance Exhibit" in the Index Descriptions section for more information.

Fixed-Income Performance in Q4 2021 (Percent Return)



Sources: FactSet, Lipper. See “Corresponding Indexes for Fixed-Income Performance Exhibit” in the Index Descriptions section for more information.

In China, while Evergrande dominated concerns about the viability of real estate companies earlier in 2021, Fantasia Holdings Group—a much smaller developer—defaulted on a \$206 million bond payment at the beginning of October. Evergrande held out until December before defaulting along with Kaisa, another large developer. The Chinese government appeared to support a plan for Evergrande to negotiate reduced repayments on its offshore bonds with international creditors.

Following its annual Central Economic Work Conference in December, Beijing stated that its top priority for 2022 would centre on economic stabilisation with a heavy focus on financial restraint.

Economic Data

UK

- UK manufacturing growth essentially held steady at a high level throughout the fourth quarter after peaking in May and cooling through September. Employment in the manufacturing sector improved for 12 straight months through December, and output prices increased at the highest rate on record since 2008⁵.
- Growth in the UK services sector ground down to a modest pace in late 2021 as activity hit a 10-month low in December⁶.
- The UK claimant count (which calculates the number of people claiming Jobseeker’s Allowance) continued to decline in November, with roughly 65,000 fewer claimants compared to the prior month—representing 4.9% of the population as at November’s reading.
- The UK economy expanded by 1.1% during the third quarter and 6.8% year over year through September, a steep climb down from the second quarter’s 5.4% pace (and 24.6% growth in the year through June).

⁵ IHS Markit / CIPS UK Manufacturing PMI. 4 January 2022.

⁶ IHS Markit / CIPS Flash UK Composite PMI. 16 December 2021.

Eurozone

- The expansion in eurozone manufacturing continued at a brisk pace during the fourth quarter, but continued to soften. Inventories of input materials grew in December at the fastest rate on record since 1998. Italy had the highest pace of manufacturing growth in the eurozone at the end of the year, while France had the lowest⁷.
- Eurozone services sector growth slowed unevenly during the fourth quarter, ending in December with the weakest expansion since returning to growth in April 2021⁸.
- The overall eurozone economy strengthened by 2.2% during the third quarter and 3.9% year over year through September, in line with the second-quarter pace of 2.1%, although the year-over-year figure was well below the 14.2% growth measured through June.

US

- US manufacturing growth remained quite elevated at the end of 2021, but continued to soften throughout the fourth quarter from its peak in July. Growing lead times for materials added to order backlogs, although the increase in unfilled orders during December was the smallest in ten months⁹.
- Services sector growth accelerated in October from an August-to-September soft patch, and remained strong through the end of the year. Input and output cost increases set a series of record highs throughout the fourth quarter¹⁰.
- The weekly number of new US jobless claims continued its months-long descent in the fourth quarter—reaching the lowest levels in more than 50 years during November with less than 200,000 filings per week, and remaining close to these lows through the end of 2021¹¹.
- The US economy expanded at a 2.3% annual rate during the third quarter, significantly below the 6.7% annualised pace in the second quarter.

⁷ IHS Markit Eurozone Manufacturing PMI – final data. 3 January 2022.

⁸ IHS Markit Flash Eurozone Composite PMI. 16 December 2021.

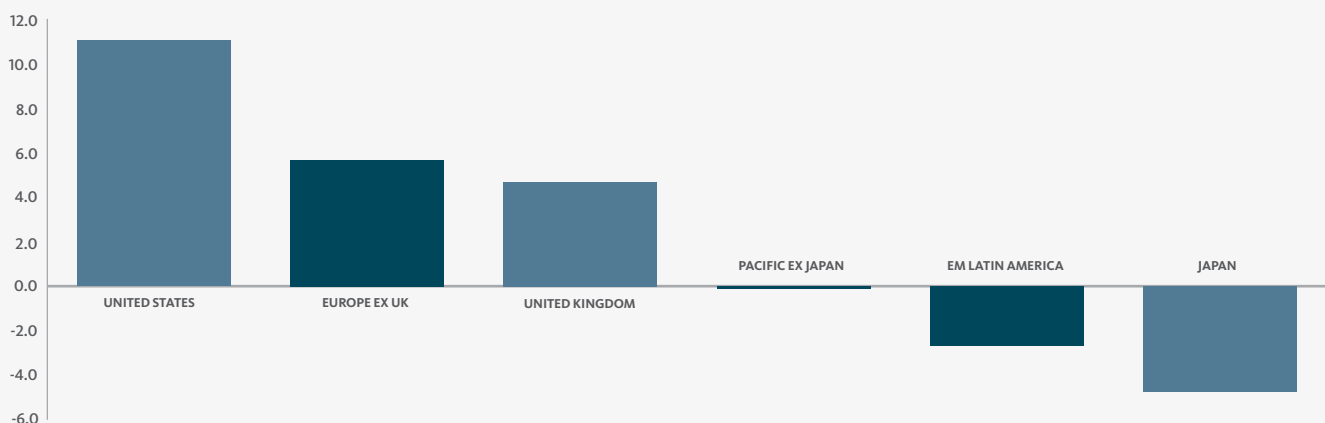
⁹ IHS Markit US Manufacturing PMI. 3 January 2022.

¹⁰ IHS Markit Flash US Composite PMI. 16 December 2021.

¹¹ “U.S. Jobless Claims Reach 52-Year Low.” The Wall Street Journal. 24 November 2021.

Regional Equity Performance in Q4 2021 (Percent Return)

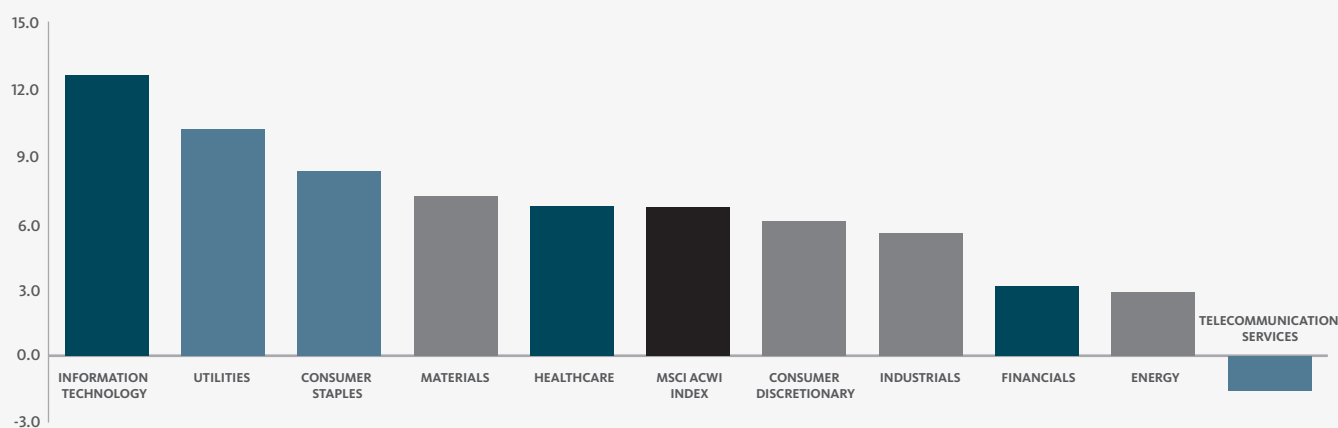
■ COUNTRIES ■ REGIONS



Sources: FactSet, Lipper. See “Corresponding Indexes for Regional Equity Performance Exhibit” in the Index Descriptions section for more information.

Global Equity Sector Performance in Q4 2021 (Percent Return)

■ DEFENSIVES ■ BLENDS ■ CYCLICALS



Sources: FactSet, Lipper. MSCI ACWI Index Sector Components (Cyclicality determined by SEI).

Central Banks

- The Bank of England (BOE) became the first major central bank to increase rates since the pandemic began; its Monetary Policy Committee (MPC) voted 8-to-1 in favour of raising the bank rate by 15 basis points (bps) to 0.25% in mid-December¹². The MPC's inflation forecast for spring 2022 jumped to 6% at its December meeting from 5% at its prior monthly meeting.
- Following its mid-December meeting, the European Central Bank (ECB) announced that its Pandemic Emergency Purchase Programme (PEPP) would conclude by March 2022. However, the central bank said it would rely on its long-standing Asset Purchase Programme to provide monetary support when needed, and does not anticipate an increase in benchmark rates during 2022. The ECB raised its inflation projection to 3.2% for 2022 and 1.8% thereafter as actual inflation hit a record 4.9% year over year in November¹³.
- The US Federal Open Market Committee (FOMC) shared in early-November a timeline to reduce its asset-purchase programme by June. Yet by the end of November, Federal Reserve (Fed) Chair Jerome Powell expressed in testimony to the US Congress that high inflation could drive the FOMC to reduce asset purchases at an accelerated pace. Indeed, following its mid-December meeting, the FOMC indicated that it intends to conclude asset purchases by March; its latest Summary of Economic Projections points to a commencement of rate hikes in 2022. Powell was nominated to serve a second term as Fed Chair by President Biden during November.
- The Bank of Japan (BOJ) announced at its mid-December meeting that it would revert purchases of corporate bonds and commercial paper to pre-pandemic levels beginning in April. The central bank kept its rate targets on hold, however, with its short-term interest rate at -0.1% and its 10-year government bond yield target near 0%.
- The People's Bank of China (PBOC) lowered its reserve requirement ratio—which dictates the amount of money banks are required to hold in reserves—by 50 bps to 8.4% in early December, freeing up nearly \$188 billion for lending activity. Later in the month, the PBOC cut its one-year loan prime rate by 5 bps to 3.8%.

¹² "BoE becomes first major central bank to raise rates since pandemic." Reuters. 16 December 2021.

¹³ "Annual inflation up to 4.9% in the euro area." Eurostat. 17 December 2021.

We think more people will return to the workforce as COVID-19 fears fade, but there likely will still be a tremendous mismatch of demand and supply.

SEI's View

Equity markets stumbled in late 2021 owing to nervousness over the latest COVID-19 surge. This wave, too, shall pass. We remain optimistic that global growth will accelerate as the Omicron wave fades.

Although there have been pockets of speculative behaviour in some areas of the financial world, we do not see the sort of widespread frenzy that would point to a serious equity correction in 2022. The economy would have to slow precipitously for reasons other than the temporary impact stemming from COVID-19 mobility restrictions; the trend in earnings would need to flat-line or turn negative.

We expect a gain in overall US economic activity of around 4% in 2022—appreciably above the economy's long-term growth potential of 2%. We also expect other countries to continue to post above-average growth as they recover from the past two years' worth of lockdowns and shortages. With the major exception of China, which continues to pursue a zero-COVID-19 policy, most countries are unlikely to shut down their economies as fiercely or for as long as they did in 2020.

China's performance in 2022 is one of the key unknowns that will influence global economic growth. Consensus expectations call for a soft landing of the Chinese economy, with GDP growing by about 5% in 2022 versus 8% in the past year.

The year ahead promises to be another one of extremely tight labour markets. We think more people will return to the workforce as COVID-19 fears fade, but there likely will still be a tremendous mismatch of demand and supply.

Currently, there are 12.6 million US persons theoretically available to fill 11 million job openings—the smallest gap on record¹⁴. Wage gains, unsurprisingly, have climbed at their fastest pace in decades over the past 12 months. In the short term, we expect wages to continue their sharp climb as businesses bid for workers.

The UK also is experiencing a pronounced upswing in its labour-compensation trend. We think Brexit and the departure of foreign workers back to the Continent are aggravating the country's labour shortage. The disparity in compensation trends among the richest industrialised nations also means that policy responses are likely to diverge.

Predicting a bad inflation outcome for 2022 isn't exactly much of a risk. Where we depart from the crowd on inflation is in the years beyond 2022. We are sceptical that the US Fed will be sufficiently proactive as it struggles to balance full and inclusive employment against inflation pressures that are starting to look more entrenched. We believe this will be the central bank's biggest challenge in 2022 and beyond.

We also don't think the Fed's inflation and economic projections are internally consistent. Since it projects the economy to be even closer to full employment in 2022 and beyond than it is now, we find it hard to understand why price pressures should ease so dramatically.

Even the central banks that are most likely to taper their asset purchases and raise policy rates in the months ahead (the Fed, the BOE and the Bank of Canada) will likely do so cautiously. By contrast, policy rates in emerging economies have

¹⁴ "Alternative measures of labor underutilization." 6 December 2021. U.S. Bureau of Labor Statistics. "Job Openings and Labor Turnover Survey News Release." 4 January 2022. U.S. Bureau of Labor Statistics.

already jumped. The pace of tightening is picking up, with 11 emerging countries having instituted policy-rate hikes in December alone.

It remains to be seen whether this pre-emptive tightening of monetary policy will forestall a 2013-style taper tantrum as the Fed embarks on its own rate-tightening cycle. Although emerging-market currencies have generally lost ground against the US dollar during the past six months, the depreciation hasn't become a rout (with the exceptions of Turkey and the usual economic basket cases—Argentina and Pakistan). Still, the shift in Fed policy will probably represent a formidable headwind for emerging-market economies in 2022.

The People's Bank of China (PBOC) actually cut a key interest rate in December by a modest amount. This follows a reduction in reserve requirement ratios aimed at increasing the liquidity available to the economy; it will take a while for any beneficial impact to be felt on China's domestic economy, and even longer for the world at large.

In addition to the start of a new monetary tightening cycle, some economists have expressed concern about the next "fiscal cliff" facing various countries, the US in particular. While there will be a negative fiscal impulse in the sense that the extraordinary stimulus of the past two years will not be repeated, we argue that the impact should be less contractionary than feared.

Perhaps economists should be more concerned about the negative fiscal impulse in the UK, Canada, Germany and Japan. They are all facing a potential fiscal tightening equivalent to 4% of GDP this year. By comparison, the International Monetary Fund predicts that the cyclically adjusted deficit in the US will contract by less than 0.5% of GDP.

We remain optimistic that growth in the major economies will be buoyed by the strong position of households. In the US, household cash and bank deposits were still almost \$2.5 trillion above the pre-pandemic trend as at the end of September. This total is equivalent to almost 14% of disposable personal income. Excess savings in the UK, meanwhile, have reached 10.6% of annual personal disposable income. Euro-area bank balances aren't quite as high, but still amount to 5% of after-tax income.

Investors always need to deal with uncertainty; we are focused on three main areas of geopolitical risk. We believe the most important flashpoint in terms of near-term probability and economic impact is the Russian build-up of troops on the Ukrainian border. An invasion of Ukraine could lead to a complete shut-off of gas imports from Russia to Western Europe, aggravating the existing energy shortage. It also could disrupt shipments of oil, which would have an impact across the globe.

Next is the ongoing tug-of-war for influence and military advantage between China and the US. The most worrisome flashpoint would be over Taiwan given its dominant position in advanced semiconductor manufacturing. An actual invasion is probably still years away, if it ever happens at all.

The third major area of concern is the Middle East and the negotiations with Iran over its nuclear development program. Two things are clear: Iran is now much closer to having a nuclear bomb, and Israel still will not tolerate such a major change in the region's balance of power. The risk of war may be low, but developments continue to head in a direction that could someday have catastrophic consequences.

International investors can be forgiven for being somewhat frustrated. Earnings growth in 2021 for developed- and emerging-market equities both exceeded the

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earnings gain for the US. As a consequence, the relative valuation of international markets versus the US has become only more attractive in the past year.

But old habits die hard, and the emergence of the Omicron variant has further delayed a long overdue rotation to cheaper, more cyclical stocks that are also less correlated to bond prices.

The forward earnings trend has been quite strong in the US, with analyst estimates of year-ahead earnings rising more than 30% in the past 12 months. Since the S&P 500 price-only index has appreciated by “only” 24%, the price-to-earnings ratio (PE) has fallen to a year-end 2021 reading of 21 times. Compared against the history of the past 25 years, only the PE ratios recorded during the tech bubble of 1999 and 2000 were in the same ballpark¹⁵. Nonetheless, it is only when earnings estimates flatten and decline that the equity market has historically begun to struggle.

The trajectory of S&P 500 earnings growth probably will slow next year, but a gain in the 8%-to-12% range seems consistent with our macroeconomic call for continued above-average growth and inflation.

In our view, the real anomaly in the financial markets is the ultra-low levels of interest rates in the face of higher inflation and above-average growth in much of the world. This may force central banks to adopt more aggressive interest-rate policies than they and market participants currently envision.

We have pencilled in a 50-to-75 basis-point rise in 10-year US Treasury bond yields for 2022. That gain should not derail the bull market in equities, but it could catalyse a shift away from the most highly valued, interest-rate-sensitive areas of the market into the broader grouping of stocks that have been neglected for the past several years.

¹⁵ According to SEI's analysis

Standardised Performance

	1 year to 31-Dec-21	1 year to 31-Dec-20	1 year to 31-Dec-19	1 year to 31-Dec-18	1 year to 31-Dec-17	
KEY MEASURES						
Dow Jones Industrial Average	20.95%	9.72%	25.34%	-3.48%	28.11%	
S&P 500 Index	28.71%	18.40%	31.49%	-4.38%	21.83%	
NASDAQ Composite Index	22.18%	44.92%	36.69%	-2.84%	29.64%	
MSCI ACWI Index (Net)	18.54%	16.25%	26.60%	-9.41%	23.97%	
Bloomberg Barclays Global Aggregate Index	-2.52%	8.79%	8.32%	-2.16%	7.51%	
MAJOR INDEX PERFORMANCE						
Bloomberg Barclays Global Aggregate ex-Treasury Index	-2.52%	8.79%	8.32%	-2.16%	7.51%	
Bloomberg Barclays Global Aggregate Index	-4.71%	9.20%	6.84%	-1.20%	7.39%	
Bloomberg Barclays Global Treasury Index	-6.60%	9.50%	5.59%	-0.38%	7.29%	
MSCI ACWI ex-USA (Net)	7.82%	10.65%	21.51%	-14.20%	27.19%	
MSCI Emerging Markets Index (Net)	-2.54%	18.31%	18.42%	-14.57%	37.28%	
MSCI World Index (Net)	21.82%	15.90%	27.67%	-8.71%	22.40%	
FIXED-INCOME PERFORMANCE						
US Treasury Inflation-Protected Securities (TIPS)	Bloomberg Barclays 1-10 Year U.S. TIPS Index	5.69%	8.39%	6.85%	-0.25%	1.90%
Global Non-Government	Bloomberg Barclays Global Aggregate ex-Treasury Index	-2.52%	8.79%	8.32%	-2.16%	7.51%
Global Sovereigns	Bloomberg Barclays Global Treasury Index	-6.60%	9.50%	5.59%	-0.38%	7.29%
US Investment-Grade Corporates	Bloomberg Barclays U.S. Corporate Investment Grade Index	-1.04%	9.89%	14.54%	-2.51%	6.42%
US Asset-Backed Securities (ABS)	Bloomberg Barclays U.S. Asset-Backed Securities Index	-0.34%	4.52%	4.53%	1.77%	1.55%
US Mortgage-Backed Securities (MBS)	Bloomberg Barclays U.S. Mortgage-Backed Securities Index	-1.04%	3.87%	6.35%	0.99%	2.47%
US Treasuries	Bloomberg Barclays U.S. Treasury Index	-2.32%	8.00%	6.86%	0.86%	2.31%
US High Yield	ICE BofAML US High Yield Constrained Index	5.35%	6.07%	14.41%	-2.27%	7.48%
Emerging Markets (External)	JPMorgan EMBI Global Diversified Index	-1.80%	5.26%	15.04%	-4.26%	10.26%
Emerging Markets (Local)	JPMorgan GBI-EM Global Diversified Index	-8.75%	2.69%	13.47%	-6.21%	15.21%
REGIONAL EQUITY PERFORMANCE						
United Kingdom	FTSE All-Share Index	17.24%	-6.94%	23.95%	-14.77%	23.82%
EM Latin America	MSCI Emerging Markets Latin America Index (Net)	-8.09%	-13.80%	17.46%	-6.57%	23.74%
Europe ex UK	MSCI Europe ex UK Index (Net)	15.66%	10.91%	24.81%	-15.14%	26.82%
Pacific ex Japan	MSCI Pacific ex Japan Index (Net)	4.68%	6.55%	18.36%	-10.30%	25.88%
United States	S&P 500 Index	28.71%	18.40%	31.49%	-4.38%	21.83%
Japan	TOPIX, also known as the Tokyo Stock Price Index	1.08%	13.04%	19.25%	-13.73%	26.55%
GLOBAL EQUITY SECTOR PERFORMANCE						
MSCI ACWI Index		18.54%	16.25%	26.60%	-9.42%	23.97%
MSCI ACWI Consumer Discretionary Index		8.99%	36.68%	27.70%	-8.35%	25.16%
MSCI ACWI Consumer Staples Index		11.08%	8.13%	21.65%	-10.47%	17.73%
MSCI ACWI Energy Index		36.01%	-28.57%	12.78%	-13.27%	6.77%
MSCI ACWI Financials Index		24.35%	-3.78%	23.25%	-15.66%	24.09%
MSCI ACWI Healthcare Index		17.50%	14.87%	22.67%	1.71%	20.14%
MSCI ACWI Industrials Index		16.11%	11.27%	26.44%	-14.40%	25.27%
MSCI ACWI Information Technology Index		27.36%	45.61%	46.89%	-5.81%	41.77%
MSCI ACWI Materials Index		14.79%	20.91%	20.12%	-16.01%	29.63%
MSCI ACWI Telecommunication Services Index		10.45%	23.68%	24.63%	-10.91%	7.72%
MSCI ACWI Utilities Index		10.05%	3.81%	21.11%	1.37%	13.93%

All references to performance are in US dollar terms unless otherwise noted. See Standardised Performance for more information.

Glossary of Financial Terms

Asset Purchase Programme (APP): The ECB's APP is part of a package of non-standard monetary policy measures that also includes targeted longer-term refinancing operations, and which was initiated in mid-2014 to support the monetary policy transmission mechanism and provide the amount of policy accommodation needed to ensure price stability.

Bear market: A bear market refers to a market environment in which prices are generally falling (or are expected to fall) and investor confidence is low.

Bull market: A bull market refers to a market environment in which prices are generally rising (or are expected to rise) and investor confidence is high.

Commercial paper: Commercial paper is a type of short-term loan that is not backed by collateral and does not tend to pay interest.

Cyclical stocks: Cyclical stocks or sectors are those whose performance is closely tied to the economic environment and business cycle. Managers with a pro-cyclical market view tend to favour stocks that are more sensitive to movements in the broad market and therefore tend to have more volatile performance.

Fiscal cliff: A fiscal cliff refers to the reduction or withdrawal of government spending, an increase in taxation, or both.

Fiscal policy: Fiscal policy relates to decisions about government revenues and outlays, like taxation and economic stimulus.

Fiscal stimulus: Fiscal stimulus refers to government spending intended to provide economic support.

Forward price-to-earnings (P/E) ratio: The forward P/E ratio is equal to the market capitalisation of a share or index divided by forecasted earnings over the next 12 months. The higher the P/E ratio, the more the market is willing to pay for each dollar of annual earnings.

Hawk: Hawk refers to a central-bank policy advisor who has a negative view of inflation and its economic impact, and thus tends to favour higher interest rates.

Inflation-Protected Securities: Inflation-protected securities are typically indexed to an inflationary gauge to protect investors from the decline in the purchasing power of their money. The principal value of an inflation-protected security typically rises as inflation rises, while the interest payment varies with the adjusted principal value of the bond. The principal amount is typically protected so that investors do not risk receiving less than the originally invested principal.

International Monetary Fund: The International Monetary Fund (IMF) is an international organization of 189 member countries that promotes global economic growth and financial stability, encourages international trade, and reduces poverty.

Monetary policy: Monetary policy relates to decisions by central banks to influence the amount of money and credit in the economy by managing the level of benchmark interest rates and the purchase or sale of securities. Central banks typically make policy decisions based on their mandates to target specific levels or ranges for inflation and employment.

Mortgage-Backed Securities: Mortgage-backed securities (MBS) are pools of mortgage loans packaged together and sold to the public. They are usually structured in tranches that vary by risk and expected return.

OPEC+: OPEC+ combines OPEC—a permanent intergovernmental organisation of 13 oil-exporting developing nations that coordinates and unifies the petroleum policies of its member countries—with Russia, a major oil exporter, to make collective high-level decisions about oil production levels.

Pandemic Emergency Purchase Programme (PEPP): PEPP is a temporary asset-purchase programme of private and public sector securities established by the European Central Bank to counter the risks to monetary-policy transmission and the outlook for the euro area posed by the COVID-19 outbreak.

Price-to-earnings (PE) ratio: The PE ratio is equal to the market capitalization of a share or index divided by trailing (over the prior 12 months) or forward (forecasted over the next 12 months) earnings. The higher the PE ratio, the more the market is willing to pay for each dollar of annual earnings.

Quantitative easing: Quantitative easing refers to expansionary efforts by central banks to help increase the supply of money in the economy.

Sovereign: A sovereign refers to government-issued debt.

Summary of Economic Projections: The Fed's Summary of Economic Projections (SEP) is based on economic projections collected from each member of the Fed Board of Governors and each Fed Bank president on a quarterly basis.

Taper tantrum: Taper tantrum describes the 2013 surge in US Treasury yields resulting from the US Federal Reserve's announcement of future tapering of its policy of quantitative easing.

Transitory inflation: Transitory inflation refers to a temporary increase in the rate of inflation.

Yield: Yield is a general term for the expected return, in percentage or basis points (one basis point is 0.01%), of a fixed-income investment.

Yield curve: The yield curve represents differences in yields across a range of maturities of bonds of the same issuer or credit rating (likelihood of default). A steeper yield curve represents a greater difference between the yields. A flatter curve indicates the yields are closer together.

Index Descriptions

The Bloomberg Commodity Index is composed of futures contracts and reflects the returns on a fully collateralised investment in the Index. This combines the returns of the Index with the returns on cash collateral invested in 13-week (3-month) US Treasury bills.

The S&P 500 Index is a market-capitalization-weighted index that consists of 500 publicly-traded large U.S. companies that are considered representative of the broad U.S. stock market.

The US Dollar Index (DXY Index) measures the value of the US dollar relative to a basket of other currencies, including the currencies of some of the US's major trading partners: the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona.

Corresponding Indexes for Key Measures Exhibit

Dow Jones Industrial Average	The Dow Jones Industrial Average is a widely followed market indicator based on a price-weighted average of 30 blue-chip New York Stock Exchange stocks that are selected by editors of The Wall Street Journal.
NASDAQ Composite Index	The NASDAQ Composite Index is a market-value-weighted index of all common stocks listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) system, representing a subset of the US equity market.
MSCI ACWI Index	The MSCI ACWI Index is a market-capitalisation-weighted index composed of over 2,000 companies, and is representative of the market structure of 46 developed- and emerging-market countries in North and South America, Europe, Africa and the Pacific Rim. The Index is calculated with net dividends reinvested in US dollars.
Bloomberg Barclays Global Aggregate Index	The Bloomberg Barclays Global Aggregate Index is an unmanaged market-capitalisation-weighted benchmark that tracks the performance of investment-grade fixed-income securities denominated in 13 currencies. The Index reflects reinvestment of all distributions and changes in market prices.
Chicago Board Options Exchange Volatility Index (VIX)	The Chicago Board Options Exchange Volatility Index (VIX) tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

Important Information

Data refers to past performance. Past performance is not a reliable indicator of future results.

Investments in SEI Funds are generally medium- to long-term investments. The value of an investment and any income from it can go down as well as up. Investors may get back less than the original amount invested. Returns may increase or decrease as a result of currency fluctuations. Additionally, this investment may not be suitable for everyone. If you should have any doubt whether it is suitable for you, you should obtain expert advice.

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