SEI UK Strategic Portfolios

Quarterly Investment Review

Q4 2018

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Summary

Market overview

An enthusiastic start to 2018 for global stock markets quickly faded as anxiety over the pace of rate hikes from the US Federal Reserve triggered a sharp rise in bond yields and was a key driver for an early year equity market correction across major markets. Amidst the uncertainty of trade wars, geopolitical uncertainty, particularly across Europe, and a stronger US dollar, US equities led the rest of the world for the most part, with impressive gains in particular coming from mega-cap technology stocks.

Intense bouts of risk aversion in October and December resulted in one of the worst quarters for global stock markets since 2011, pulling most risk assets into negative territory for 2018. Fears of a near term recession on the back of quantitative tightening in the US, disappointing economic data out of Europe, a weaker Chinese economy and geopolitical risks such as Brexit, Italy and the ongoing trade conflict between the US and China weighted heavily on market sentiment. The end result was a return of -10.3% for UK equity markets, as measured by the FTSE UK All Share Index, taking the 1-year return to -9.5%.

Government bonds were again the beneficiaries of increased risk aversion, with global bond yields compressing over the final quarter. The UK government bond market, as measured by the BofAML UK Gilt All Stock Index, rose 1.9% over the quarter although only ended the year up 0.5%. Non-government debt underperformed, particularly in the high yield market where the energy sector reacted negatively to the sharp drop in the oil price. Falling energy prices were also a major driver behind the poor showing from commodities over both the quarter and year, with the broad Bloomberg Commodities index down 11.2% for 2018.

Portfolio positioning

The stability-focused funds delivered returns of between -0.8% and -3.6% for the fourth quarter, taking the 2018 performance to between -1.4% and -3.1%. The use of Global Managed Volatility within the equity components of these strategies provided a degree of protection against the worst of the equity market falls, but that, in combination with only marginally positive returns fixed income strategies, were insufficient to offset the sharp falls seen in equity markets.

The growth-focused funds delivered returns of between -6.1% and -11.9% for the final quarter, bringing their calendar year performance to -5.6% and -9.2%. The poor performance of equity markets across the board dominated the funds' overall outcomes for both the quarter and the year. Our funds have also strongly favoured Value, and to a lesser degree Momentum, over the course of the year and both styles were challenged in the recent risk-off investment climate.

During the quarter, we undertook a number of changes, mostly in relation to the underlying investment managers utilised in the strategies.

Economic outlook

The severity of the recent declines in equities can certainly prey on investors' emotions. Yet we expect to see continued global economic expansion in 2019, albeit at a moderating pace, and regard valuations across most markets as more attractive. The sheer ferocity of the recent correction is reminiscent of other times in the past eight years when risk assets sold down hard, only to turn around and hit new highs.

As painful as the past three months and the past year has been for risk assets, the gyrations experienced have not been outside the norm. Rather, given our views that the global economy will continue to grow and that market participants are overreacting to the concerns of the day, we see another important risk-on opportunity developing in equities and other risk assets.

Source: SEI, Bloomberg, as at 31 December 2018.

SEI UK Strategic Portfolios: Performance

Stability-focused funds

	3 month	1 year	2 year*	3 year*	4 year*	5 year*
SEI Defensive Fund	-0.8%	-1.4%	-0.3%	1.4%	0.9%	1.2%
SEI Conservative Fund	-2.1%	-2.1%	0.1%	3.0%	2.2%	2.6%
SEI Moderate Fund	-3.6%	-3.1%	0.4%	4.5%	3.5%	3.9%

Source: SEI, as at 31 December 2018. Net of fees, Sterling Wealth A Distributing share class. Past performance is not a reliable indicator of future results. *Indicates annualised data.

Contribution	Positioning and Performance Drivers	Key Manager(s)
– (Absolute)	Our neutral strategic asset allocation positions in global and domestic equities detracted from absolute performance	N/A
+ (Absolute)	Our neutral strategic asset allocation positions in core global fixed income assets added to absolute performance	N/A
+ (Relative)	Our bias to low volatility equities within our equity allocation added to relative performance	SEI, LSV, Acadian, Wells Capital

N/A signifies that contribution was derived from asset allocation, rather than one or more specific investment managers.

Theme	Active Position	Rationale/Adjustment
Constructive on global growth, although at a moderating pace	Underweight G3 duration, overweight inflation, moderate credit overweight	Yields in core markets offer poor value. Credit valuations have improved, although late cycle expansion risks restrain positioning
Relative value in noncore markets	Preference for emerging market debt	An attractive yield differential between emerging and developed markets and a less aggressive US Fed result in a favourable outlook for the asset class

Growth-focused funds

	3 month	1 year	2 year*	3 year*	4 year*	5 year*
SEI Core Fund	-6.1%	-5.6%	0.6%	5.6%	4.5%	4.7%
SEI Balanced Fund	-7.9%	-7.1%	0.8%	6.6%	5.5%	5.5%
SEI Growth Fund	-9.6%	-8.5%	1.0%	7.7%	6.5%	6.4%
SEI Aggressive Fund	-11.9%	-9.3%	1.5%	8.4%	7.6%	7.4%

Source: SEI, as at 31 December 2018. Net of fees, Sterling Wealth A Distributing share class. Past performance is not a reliable indicator of future results. *Indicates annualised data.

Contribution	Positioning and Performance Drivers	Key Manager(s)
– (Absolute)	Our neutral strategic asset allocation positions in global and domestic equities detracted from absolute performance	N/A
– (Absolute)	Our bias to small-cap equities within our equity allocation distracts from absolute performance	LSV, ArrowMark, William Blair & Co, Quoniam
+ (Absolute)	Our neutral strategic asset allocation positions in core global fixed income assets added to absolute performance	N/A
– (Relative)	Our overweight to valuation focused managers and underweight defensive mega caps with the global, UK and European equity allocations detracted from relative performance	N/A

N/A signifies that contribution was derived from asset allocation, rather than one or more specific investment managers.

Theme	Active Position	Rationale/Adjustment
Valuation orientated strategies attractive	Overweight valuation-focused managers	Our outlook for valuation-focused strategies has further improved with valuation dispersion, a measure of the factor’s relative attractiveness, near all-time historical wides
Constructive on global growth, although at a moderating pace	Overweight emerging market equities, underweight developed market equities	View emerging market valuations as well as a softer tone from the US as supportive for the asset class

Global Market Performance

Representative market indices

Equity Indices	3 month	YTD	1 year	2 year*	3 year*	4 year*	5 year*
MSCI World Index *(Net) (Hedged) (GBP)*	-13.5%	-8.4%	-8.4%	3.8%	5.3%	4.4%	5.5%
FTSE UK Series All Share Index *(GBP)*	-10.3%	-9.5%	-9.5%	1.2%	6.1%	4.8%	4.1%
Russell 1000 Index *(Net 30%) (USD)*	-14.0%	-5.3%	-5.3%	7.0%	8.5%	6.4%	7.6%
MSCI Europe ex UK Index *(Net) (EUR)*	-11.7%	-10.9%	-10.9%	-0.4%	0.6%	3.0%	3.7%
MSCI Pacific ex Japan Index *(Net) (USD)*	-7.9%	-10.3%	-10.3%	6.3%	6.8%	2.8%	2.1%
Tokyo Stock Exchange TOPIX with Dividend *(JPY)*	-17.6%	-16.0%	-16.0%	1.3%	1.0%	3.7%	5.0%
MSCI Emerging Markets Index *(Net) (GBP)*	-5.3%	-9.3%	-9.3%	6.7%	14.7%	8.0%	7.1%

Fixed Income	3 month	YTD	1 year	2 year*	3 year*	4 year*	5 year*
BofA Merrill Lynch UK Gilts All Stocks Index *(GBP)*	1.9%	0.5%	0.5%	1.2%	4.1%	3.2%	5.2%
Bloomberg Barclays Global Treasury Index *(Hedged) (GBP)*	1.9%	1.1%	1.1%	1.1%	1.9%	1.9%	3.2%
Bloomberg Barclays Global Aggregate Index, Hedged *(GBP)*	1.3%	0.1%	0.1%	1.0%	1.9%	1.8%	3.0%
Bloomberg Barclays Global Aggregate ex-Treasury Index *(Hedged) (GBP)*	0.5%	-1.1%	-1.1%	0.9%	1.8%	1.6%	2.7%
BofA Merrill Lynch US High Yield Constrained Index, Hedged *(GBP)*	-5.2%	-3.9%	-3.9%	1.0%	6.1%	3.3%	3.1%
50/50 JPM EMBI Glob Div & JPM GBI-EM Glob Div *(GBP)*	2.8%	0.7%	0.7%	1.9%	10.9%	7.6%	7.5%

Cash	3 month	YTD	1 year	2 year*	3 year*	4 year*	5 year*
LIBOR 3 Month GBP *(TR) (GBP)*	0.2%	0.7%	0.7%	0.5%	0.5%	0.5%	0.5%

Commodities	3 month	YTD	1 year	2 year*	3 year*	4 year*	5 year*
Oil *(ICE Brent Crude)*	-34.0%	-14.1%	-14.1%	-3.6%	-0.2%	-8.6%	-9.2%
Gold *($/oz)*	7.7%	-1.6%	-1.6%	5.7%	6.5%	2.0%	1.3%
Bloomberg Commodity Index *(USD)*	-9.4%	-11.2%	-11.2%	-5.0%	0.3%	-6.6%	-8.8%

Source: Bloomberg, as at 31 December 2018. *Periods greater than 1 year are annualised.

Q4 Asset Allocation Changes

Strategic asset allocation

Increased weighting to Emerging Market Equity relative to Developed Market Equity within the growth-focused Strategic Portfolios via SGMF Dynamic Asset Allocation Fund

- Emerging equity markets (EM) significantly underperformed their developed market (DM) counterparts in 2018, falling over 16% for the year, including a 25% peak to trough drop from January 26 2018 to December 24 2018. Heightened trade tensions, a stronger US dollar, weaker energy prices, China hard landing concerns and idiosyncratic issues in Turkey in particular weighed heavily on the emerging world throughout the year. We believe EM investors have effectively priced in near worst case scenarios on many of these fronts, including a protracted and escalating trade war, and therefore, find current valuations particularly attractive given relatively strong fundamentals.

- In addition, while the market has seemingly priced out most if not all US Federal Bank of Reserve (Fed) tightening in 2019, the US dollar finished 2018 somewhat unaffected by these dovish expectations. We expect this US dollar strength to abate in the near term due not only to a data-dependent Fed but from twin deficit headwinds and lack of foreign investor demand amid significantly higher US Treasury supply.

- We expect EM to outpace DM in 2019 in both economic and earnings growth, with the later topping 10% for 2019. Despite these healthy growth expectations, EM equities are trading at forward price-to-earnings last seen in 2015–2016 when oil markets bottomed at $35 per barrel from over $100 and China growth concerns prompted substantial stimulus measures.

- China remains a wildcard in our thesis given slowing growth and trade uncertainties. We believe investors have already priced in further escalation in the burgeoning trade conflict with the US and have discounted the possibility of additional stimulus, leaving higher potential for upside surprises in support of broader EM.

Q4 Manager Changes

POPLAR FOREST CAPITAL, LLC BRINGS CONTRARIAN VALUE APPROACH TO THE SGMF GLOBAL EQUITY FUND

Poplar Forest Capital, LLC (Poplar) has been added as a sub-adviser for the SGMF Global Equity Fund (the Fund) as of October 4, 2018. Poplar brings a concentrated, high-conviction implementation of the risk premium (value) alpha source to the Fund, and we believe it will complement the Fund's others managers. With value deeply out of favour, we think the timing is right for Poplar's introduction.

Poplar's investment strategy reflects a strong commitment to the classic value approach. The team has a good sense of the trade-off between quality and value; while value dominates, the team is not attracted to anything that is statistically of low value.

MARATHON ASSET MANAGEMENT, L.P. BRINGS DIFFERENTIATED, PRAGMATIC APPROACH TO THE SGMF EMERGING MARKETS DEBT FUND

Marathon Asset Management, L.P. (Marathon) has been added to the SGMF Emerging Markets Debt Fund (the Fund) as at 19 October 2018. Marathon is positioned in the Funds as a low-tracking-error manager in the hard-currency space. Over time, we expect Marathon to generate incremental alpha and complement the other dedicated hard-currency manager in the Fund. We also think that Marathon has exhibited good risk mitigation in falling markets.

Marathon's investment team believes most of its peers underperform because they take risk across a range of factors (such as beta, country, and sectors, with varying degrees of success) rather than focusing on areas of core competencies. The team believes the best way to generate returns is through an intensive relative-value sampling methodology. The team then takes exposure outside the benchmark (off-benchmark), which can add value via credit selection, the primary market, index arbitrage and relative value opportunities.

COLCHESTER GLOBAL INVESTORS BRINGS CONCENTRATED APPROACH TO THE SGMF EMERGING MARKETS DEBT FUND

Colchester Global Investors Limited (Colchester) has been added to the SGMF Emerging Markets Debt Fund (the Fund) as at 19 October 2018. We expect Colchester to generate positive alpha during beta rallies; when volatility in the market is low or when real (inflation-adjusted) yield dispersion is high. This strategy complements the Fund's local-currency mandate implemented by Investec Asset Management.

At the heart of Colchester's philosophy is the belief that investments should be valued by the income they will generate in real terms. As a value-oriented manager, Colchester invests in high-yielding sovereign debt using proprietary inflation-forecasting tools.

SCHAFER CULLEN CAPITAL MANAGEMENT'S HIGH DIVIDEND VALUE EQUITY STRATEGY BRINGS A DISCIPLINED VALUE APPROACH TO THE SGMF US LARGE COMPANIES FUND

The Schafer Cullen Capital Management (Schafer Cullen) High Dividend Value Equity strategy has been added to the SGMF US Large Companies Fund (the Fund) as at 5 December 2018.

Schafer Cullen considers itself a disciplined value investor. The investment team focuses on stocks that are inexpensive on a price-to-earnings basis, with an additional focus on high absolute dividend yield. The investment process involves multiple stages of quantitative screening and fundamental research in an attempt to ensure optimal allocation. We believe that the process is consistent and repeatable. The screening begins with the largest 2,000 publicly-traded stocks with market capitalisations of US$5 billion or greater. The investment team looks for stocks that have a catalyst that the team believes should result in above-average earnings/dividend growth over the next few years. While primarily focused on a bottom-up perspective, the team does not neglect top-down analysis, and attempts to mitigate risk by maintaining a quality bias. The end portfolio contains between 30 and 40 companies.

QTRON INVESTMENTS' EMERGING MARKETS EQUITY STRATEGY BRINGS CONTEXTUAL MODELING APPROACH TO THE SGMF EMERGING MARKETS EQUITY FUND

The Qtron Investments, LLC (Qtron) Emerging Markets Equity strategy has been added to the SGMF Emerging Markets Equity Fund (the Fund) as at 5 December 2018.

Qtron's investment philosophy adopts a contextual-based investing approach—a style of quantitative investing (quantitative analysis is based on computer-driven models) that seeks to capture unique alpha drivers for each company based on its fundamental and market characteristics.

The investment team believes this approach helps define factor weights and enables forecasting. We view Qtron's implementation and execution of its strategy as competitively advantaged. Qtron's investment process reflects deep insight into factor design and factor weighting. The investment team thoroughly understands investor behaviour and quantitative methods and thoughtfully applies its knowledge to its portfolio construction and risk management process.

PANAGORA ASSET MANAGEMENT, INC.'S DYNAMIC EMERGING MARKETS EQUITY STRATEGY REMOVED FROM THE SGMF EMERGING MARKETS EQUITY FUND

SEI has made the decision to remove the PanAgora Asset Management Inc. (PanAgora) Dynamic Emerging Markets Equity strategy from the SGMF Emerging Markets Equity Fund (the Fund), as at 5 December 2018.

The investment team at PanAgora has undergone numerous organizational changes in the past year; specifically, a high amount of turnover. Due to the team's transition, which has brought a change in leadership style and firm culture, as well as the availability of a higher-conviction manager, we have decided to terminate PanAgora's strategy.

HILLSDALE US EQUITY MOMENTUM STRATEGY BRINGS QUANTITATIVE FOCUS ON MOMENTUM TO THE SGMF US SMALL COMPANIES FUND

The Hillsdale Investment Management Inc. (Hillsdale) US Equity Momentum strategy has been added to the SGMF US Small Companies Fund (the Fund) as at 5 December 2018.

Hillsdale's investment philosophy stems from a belief that a measurable, rational, evidenced-based investment process can lead to superior results. Consistent with this investment philosophy, Hillsdale's strategy is based on a disciplined, systematic and dynamic approach to investment decision-making that is both traditional and scientific. The investment team applies quantitative tools and techniques to fundamental equity research, and has been committed to this approach through multiple market cycles. Fundamental equity research allows the team to hypothesize about individual stock-return drivers, while quantitative tools rigorously test these hypotheses.

The investment process is driven by Hillsdale's philosophy about how to build proper quantitative models. The team does not believe in one single model; rather, it believes in best combinations to achieve defined objectives and thus acts more as an outsourcing shop to meet the firm's clients' objectives rather pursue a single best model. Stocks are equal weighted on a risk-adjusted basis and rebalanced as needed. The end portfolio contains about 150 stocks.

FRED ALGER MANAGEMENT INC.'S CAPITAL APPRECIATION FOCUS STRATEGY BRINGS DIFFERENTIATED MOMENTUM APPROACH TO THE SGMF US LARGE COMPANIES FUND

The Fred Alger Management, Inc. (Alger) Capital Appreciation Focus strategy has been added to the SGMF US Large Companies Fund (the Fund) as at 5 December 2018.

Alger's investment philosophy focuses on exploiting positive dynamic change through developing a differentiated view. The investment team believes its competitive advantages are to identify change, analyse which companies will ultimately be the beneficiaries of the change, and capitalise on a differentiated view of a company's future earnings growth before the change is fully recognised by the market. Alger's philosophy diverges from most growth/momentum managers through its additional consideration of companies benefiting from a lifecycle change, such as a new business model, new management, or corporate restructuring.

The investment process is focused on idea generation and identifying the most impactful themes in the market. Alger's analysts identify companies experiencing dynamic changes in their sectors and regions. They perform in-depth analysis to develop a differentiated view, supported by detailed financial models and stress-tested for a range of potential outcomes. The analysts then present their idea to portfolio manager Patrick Kelly, who challenges their assumptions. The end portfolio contains about 46 stocks.

FIERA CAPITAL'S US EQUITY STRATEGY REMOVED FROM THE SGMF US LARGE COMPANIES FUND

SEI has made the decision to remove the Fiera Capital Corporation (Fiera) US Equity strategy from the SGMF US Large Companies Fund (the Fund) as at 29 November 2018.

Fiera has provided reliable exposure to the stability alpha source. Alpha source is a term used by SEI as part of our internal classification system to categorise and evaluate investment managers. Another way to define an alpha source is that it is the inefficiency that an active investment manager seeks to exploit in order to add value. However, we believe the Fund structure will be enhanced by a strategy that provides exposure to less-expensive stable stocks that provide more dividend income potential. Therefore, we have decided to remove Fiera from the Fund.

Fiera remains a manager in other SEI Funds, and we do not anticipate additional changes at this time.

CASTLEARK'S SMALL/MID CAP GROWTH STRATEGY REMOVED FROM THE SGMF US SMALL COMPANIES FUND

SEI has made the decision to remove the CastleArk Management LLC (CastleArk) Small/Mid Cap Growth strategy from the SGMF US Small Companies Fund (the Fund), as at 4 December 2018.

We believe the strategy's investment philosophy does not adequately reflect a dedicated exposure to the momentum alpha source. Therefore, we have decided to remove CastleArk and are replacing it with the Hillsdale Investment Management Inc. (Hillsdale) US Small Cap Momentum strategy, which we believe should provide better exposure to momentum.

AQR CAPITAL MANAGEMENT'S US ENHANCED EQUITY STRATEGY REMOVED FROM THE SGMF US LARGE COMPANIES FUND

SEI has made the decision to remove the AQR Capital Management, LLC's (AQR) US Enhanced Equity strategy from the SGMF US Large Companies Fund (the Fund) as at 5 December 2018.

Last year, the Fund's portfolio management team announced its goal of increasing alpha-source concentration in the Fund. Alpha source is a term used by SEI as part of our internal classification system to categorise and evaluate investment managers. AQR, a multifactor quantitative core manager (quantitative analysis is based on computer-driven models), is more diversified than necessary given the Fund's objectives and risk tolerance. The removal of AQR's strategy allows the portfolio manager to reallocate capital to the Fund's existing managers that are more focused on specific alpha sources.

AQR CAPITAL MANAGEMENT'S SMID VALUE + BET AGAINST BETA STRATEGY REMOVED FROM THE SGMF US SMALL COMPANIES FUND

SEI has made the decision to remove the AQR Capital Management, LLC (AQR) SMID Value + Bet Against Beta strategy from the SGMF US Small Companies Fund (the Fund) as at 4 December 2018.

Last year, the Fund's portfolio management team announced its goal of increasing alpha-source concentration in the Fund. AQR's strategy does not fully align with the stability alpha source. Therefore, we have decided to remove the strategy and replace it with strategies that we believe provide better alignment with stability.

Portfolio Manager's Notebook

UK and Europe

- If Brexit is executed under the current proposal, UK equities would likely underperform on basis of domestic plays.
- Technical support has disappeared now that markets in down trend. However, markets now more attractively valued, but can't make a case for being low cost. Sentiment not completely bearish and there is room for further pain. That being said, not expecting imminent recession. Case could be made to buy dip.
- Italy representing main Brexit related concerns and currently in France, the yellow jacket riots demonstrate how difficult it is to structurally change economies.
- Positioned for pro-risk and pro-cyclical side. Value manager Metropole continues to be a large part of risk budget, although allocation reduced somewhat in Q3.
- Value factor looks most attractive on basis on valuation dispersions and signs of stabilization.

United States

- The US continues to look solid, with PMI (Purchasing Managers' Index) holding up better than elsewhere in the world.
- We remain hopeful for a temporary trade agreement between the US/China.
- We believe this is the start of capitulating activity in the US.
- The large cap managers are sticking with their positioning for the most part.
- Utilities are out-performing, however, managers have stayed away from utilities due to debt burdens and heavy regulations.

Asia

- There has not been much change in sentiment from the previous quarter.
- Most expect China to do whatever it can to stabilize economy as an economic priority – fiscal policy, depreciating currency. China will likely be aggressive in stimulating its economy.
- Utilities were the only positive sector in China or Japan in the fourth quarter.

Emerging Markets

- Outlook is positive and we don't expect much more weakening in EM currencies against USD.
- Picture in Asia remains supportive; Latin America outlook has brightened but would stay away from South Africa in favour of Russia due to valuations and fundamentals.
- Big problem would be if US imposes tariffs on low-margin sectors of Chinese economy, like clothing and shoes.
- There is a chance USD in high areas will possibly decline in 2019 as Fed eases hiking cycle.

Global Bonds

- The conversation so far has been about the economy leading markets, but markets are forward-looking; therefore, we should consider the possibility that a de-rating of financial assets is the catalyst for the next recession.
- EM-DM yield differentials are at 10-year wides. EMD looks like offering decent value over a medium term horizon. Favours markets with attractive real rates and steep yield curves.
- Non-agency MBS gives better downside protection vs generic corporate credit in risk selloff.

High Yield

- Quarter to date spreads widened 120 basis points to 4.47% and yields widened to 7.32%.
- The US speculative default rate is currently at 2.91%.
- The energy sector (which is 15% of the market) is down 6% quarter to date and down 2.5% year to date.
- Equity volatility has had an impact on high-yields as spreads widened.

Data source: Bloomberg, as at 31 December 2018.

In Depth: Economic Outlook

- After a promising start in 2018, financial markets across the globe largely moved lower during the year.
- Despite the severity of recent declines in US equities, we believe US economic expansion has a good deal of life left in it. While bearish investors probably disagree with the notion that the stock market can still be considered a turnaround candidate, we think the odds favour a strong rebound in equity prices.
- Our base case is supported by the expectation that the US economy will continue to grow and corporate earnings per share are expected to post a mid-to-high single-digit gain over the course of the year.
- Valuations for the S&P 500 have declined from almost 19 times one-year forward earnings per share to an attractive level of almost 14 times. Investor risk aversion has increased, and so we think much of the bad news flow of recent months is reflected in current stock prices.
- Bond yields remain low, and have moved down again in the past two months, bolstering the case for riskier assets.
- Fiscal policy will not be the strong catalyst for growth it was in 2018, but the impact of political gridlock in Washington should still be mildly expansionary.
- The bear market in oil is largely the result of excess supply, a condition that is expected to improve as low prices reduce shale output in the US, sanctions on Iran come into play and both OPEC and Russia reduce output.

- While we don't agree with the notion that Federal Reserve (Fed) rate hikes have ended completely for this cycle, we do see sufficient reasons for a pause. The Fed's dot plot, which reflects the individual policy-rate expectations of all the Fed Governors and regional Fed Presidents, has shifted a bit to the downside. This reverses the upward revision revealed six months ago in the Federal Open Market Committee's Summary of Economic Projections report. Regardless of the number of hikes we see in 2019, the central bank is adopting a wait-and-see approach to monetary policy that is dependent on economic data, ending the nearly automatic quarterly rate increases of 2017 and 2018.
- This outlook sits against a backdrop of political and economic uncertainties that marked 2018 and that show few signs of changing as the New Year begins. Economic activity in most countries (including the US) is not recessionary, but shows signs of further deceleration in the first half of 2019. European countries appear particularly depressed: Germany posted a negative gross domestic product reading as it works through the diesel emission scandal; Italy is close to falling into a recession; and Brexit hangs over the UK and its trading partners.
- Upside surprises remain possible. China and the US could step back from a full-blown tariff war; the Fed may halt further rate increases until later in 2019; the UK could agree to a soft Brexit/no Brexit deal; corporate profit margins could stay elevated as unit labour costs continue to track below expectations.
- During periods of market volatility such as those we are now experiencing, investors should stick with a strategic, disciplined approach to investing that is aligned with their goals and risk tolerances and not focus on daily market gyrations

Data source: SEI, as at 31 December 2018.

Accessing SEI

Platform and wrap availability

	Sterling Wealth A Distributing Share Class	Sterling Wealth A Accumulating Share Class
7IM	✓	✓
Aegon	✓	
AJ Bell Investcentre	✓	✓
Ascentric	✓	✓
Aviva	✓	✓
AXA Elevate	✓	
Cofunds	✓	✓
FundsNetwork	✓	✓
Novia	✓	✓
Nucleus	✓	✓
Old Mutual Wealth	✓	✓
Standard Life	✓	✓
Succession	✓	
Transact	✓	✓
Wealthtime	✓	✓
Zurich	✓	✓

Fund and share class identifiers

	Sterling Wealth A Distributing Share Class	Sterling Wealth A Accumulating Share Class
SEI Defensive Fund	IE00B6145K75	IE00BYV1R427
SEI Conservative Fund	IE00B616BM72	IE00BYV1R534
SEI Moderate Fund	IE00B61N2T25	IE00BYV1R641
SEI Core Fund	IE00B62XK082	IE00BYV1R757
SEI Balanced Fund	IE00B60CGR62	IE00BYV1R864
SEI Growth Fund	IE00B614TP06	IE00BYV1R971
SEI Aggressive Fund	IE00B6390G16	IE00BYV1RB90

Data source: SEI, as at 31 December 2018.

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IMPORTANT INFORMATION

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