

# MANAGED ACCOUNT PROGRAM WRAP BROCHURE

SEI Investments Management Corporation

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March 31, 2011

This wrap fee program brochure provides information about the qualifications and business practices of SEI Investments Management Corporation ("SIMC"). If you have any questions about the contents of this brochure, please contact us at 1-800-DIAL-SEI. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

SIMC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about SIMC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document (including this Wrap Brochure) that we provide to clients as required by SEC Rules. This Wrap Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Wrap Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Wrap Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Wrap Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Wrap Brochure may be requested by contacting Stephanie Cavanagh, Chief Compliance Officer at 610-676-1822 or [simccompliance@seic.com](mailto:simccompliance@seic.com).

Additional information about SIMC is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with SIMC who are registered, or are required to be registered, as investment adviser representatives of SIMC.

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## **Item 4 -- Services, Fees and Compensation**

### ***A. Program Summary***

SIMC sponsors and is advisor to the SEI Managed Account Program (“MAP”) and Integrated Managed Account Program (described below, “IMAP”, and together with MAP, the “Managed Account Program”), which is offered to Independent Advisors for investment by their Clients, such as high net worth individuals, trusts, endowments and foundations and institutions. Under the Managed Account Program, SIMC enters into a tri-party investment advisory agreement (“Managed Account Agreement”) with the Independent Advisor and its Client which provides for the management of Client assets allocated to the Managed Account Program in accordance with the terms of the Managed Account Agreement. Pursuant to the Managed Account Agreement, the Client appoints the Independent Advisor as its investment advisor to assist the Client in selecting an appropriate asset allocation strategy and selecting available sub-advisors that have been assigned to the strategy by SIMC. The Client appoints SIMC, through its manager-of-managers structure, to manage the assets in each Managed Account Program portfolio in accordance with the strategy selected by the Client together with the Independent Advisor.

The Independent Advisor allocates its Client’s assets to designated portfolios of separate securities managed by the selected sub-advisors (each, a “Managed Account Portfolio”) and may include an allocation to SEI Funds (generally due to investment minimums), which are advised by SIMC. Under this program, the Independent Advisor serves as the primary Client contact, is responsible for analyzing the Client’s current financial situation, return expectations, risk tolerance, time horizon, asset class preference and recommending an appropriate Managed Account Portfolio. The Independent Advisor may use tools made available by SIMC, including SEI’s proprietary Proposal Tool, to develop the appropriate asset allocation strategy for the Client. As part of the services, the SEI Advisor Network provides Independent Advisors with assistance in developing end client proposals using SEI Funds or Managed Account Program. However, the Independent Advisor is responsible for determining a Client’s initial and ongoing suitability to invest in the Managed Account Program, including the suitability of the particular asset allocation strategy selected for the Client. The Independent Advisor is also responsible for meeting with Clients at least annually to determine any material changes to the Client’s financial circumstances or investment objectives that may affect the manner in which such Client’s assets are invested. SIMC is responsible for managing only those assets that the Client allocates to the Managed Account Portfolio in accordance with the investment strategies selected, and conducts a suitability review, both initial and ongoing, relating to such selected investment strategies. SIMC develops various Managed Account Program strategies, each of which seeks to achieve particular investment goals. These Managed Account Program strategies are not tailored to accommodate the needs or objectives of specific individuals, but rather the program is designed to enable Clients to be matched with a Managed Account Program strategy that is consistent with the Client’s investment goals and objectives. However, Client may, at any time, impose reasonable restrictions on the management of Client’s account.

In the Managed Account Program, SIMC selects sub-advisors to manage individual portfolios of stocks and bonds based on a specific investment strategy developed by SIMC. The Investment Advisor will review these sub-advisors and make a determination that one or more of the strategies of these sub-advisors meet the investment objectives and risk parameters of the Client. SIMC may change available sub-advisors in its sole discretion with written notice to the Client. In certain cases, SIMC may manage securities directly, rather than delegating to a sub-adviser (e.g., certain fixed income portfolios; see “*SEI Fixed Income Portfolio Management*” section for additional information) and, in some cases, SEI Funds may be recommended for a portfolio (generally due to investment minimums) for which SIMC also serves as investment manager. SIMC manages wrap fee accounts in the same manner that it manages non-wrap fee separate accounts with the same investment strategy or mandate.

#### *Tax Management Feature*

Additionally, the Managed Account Program offers a feature called IMAP where SIMC appoints a tax overlay manager for the equity portion of the Client’s Managed Account Portfolio. The various equity sub-advisors for the Client’s portfolio provide buy/sell lists to the overlay manager, which then is responsible for executing the transactions (within the parameters of performance and security weighting variances from the underlying model portfolios), with the goal of increased coordination across the equity account, increased tax efficiency and minimization of wash sales. Neither the tax manager nor SIMC offers tax advice; clients should consult with their tax advisors as to the suitability of IMAP for their Accounts.

#### *SEI Fixed Income Portfolio Management*

SEI Fixed Income Portfolio Management (“SFIPM”) is a unit within SIMC that provides fixed income investment solutions directly to Clients, rather than through the use of sub-advisors. SFIPM portfolios are available in the MAP solution, including taxable and tax-exempt fixed income separate accounts of various maturities, such as short-term cash management, laddered bond, municipal bond and Treasury or Government portfolios as well as portfolios of insured certificates of deposit.

SIMC may also serve as a sub-advisor to other third party separately managed accounts.

#### *Use of Affiliates*

SIMC may hire its affiliates to perform sub-advisory, custodial and brokerage services for its investment products and its Clients. Please refer to Item 9 for additional information.

### ***B. Managed Account Program Fees***

In the Managed Account Program, Clients pay a fee to SIMC for its advisory services, the trade execution provided by SIMC’s affiliate SIDCO (see Item 9 for additional information), and the advisory services of portfolio managers. SIMC’s fees are a percentage of the market value of the Client’s Managed Account Portfolio assets. SIMC’s fees are calculated and payable

quarterly in arrears and net of any income, withholding or other taxes. SIMC will deduct fees directly from the Client's custody account. Managed Account Program fees may be higher or lower than that charged by other sponsors of comparable wrap fee programs.

The Managed Account Program fees do not cover charges resulting from trades effected with or through broker/dealers other than SIDCO or its affiliates or agents, or mark-ups or markdowns by these other broker/dealers. The fees also do not cover transfer taxes, exchange fees, odd-lot differentials, handling charges, electronic fund and wire transfer fees, and any other charges imposed by law or otherwise agreed to with regard to the Client's account. Please refer to Item 9 for additional information on SIDCO.

Clients may also pay custody fees to SPTC when their assets are custodied at SPTC. These fees will vary depending on the account balance and trade activity in the account. Clients can refer to their account application for specific information on SPTC custody fees.

SIMC's maximum fee schedule for the Managed Account Program is as follows:

<b>Strategy</b>	<b>Fees paid to SIMC</b>
Large Cap Core/Transition Strategy	0.85% for the first \$1 million 0.80% for the next \$2 million 0.75% for the next \$2 million Negotiable for above \$5 million
US Equity Core, Large Cap Core, US Large Cap Growth and US Large Cap Value Strategies	0.90% for the first \$1 million 0.90% for the next \$2 million 0.85% for the next \$2 million Negotiable for above \$5 million
Managed Volatility/Tax-Sensitive Managed Volatility Strategies	0.90% for the first \$1 million 0.90% for the next \$2 million 0.85% for the next \$2 million Negotiable for above \$5 million
Mid Cap Strategy	1.10% for the first \$1 million 1.00% for the next \$2 million 0.90% for the next \$2 million Negotiable for above \$5 million
Small Cap Strategies	1.20% for the first \$1 million 1.10% for the next \$2 million 1.00% for the next \$2 million Negotiable for above \$5 million
Non-US Equity (developed) Strategy	1.20% for the first \$1 million 1.10% for the next \$2 million

	1.00% for the next \$2 million Negotiable for above \$5 million
Non-US Equity (emerging) Strategy	1.65% for the first \$1 million 1.55% for the next \$2 million 1.45% for the next \$2 million Negotiable for above \$5 million
Active Municipal Bond, Core Fixed Income Strategy and U.S. Fixed Income Strategies	0.70% for the first \$1 million 0.65% for the next \$2 million 0.60% for the next \$2 million Negotiable for above \$5 million
Laddered Strategies, Certificate of Deposit (CD) Portfolio Strategy and Floating Rate Note Strategy	0.30% for the first \$500,000 0.27% for the next \$500,000 0.25% for the next \$1 million 0.20% for the next \$3 million Negotiable for above \$5 million
Integration feature	up to 0.15% for the first \$500,000 and 0.05 % for amounts in excess of \$500,000 in assets under management

SIMC charges Clients an integration fee when the Client selects the IMAP feature. These additional fees only apply to the equity portion of a Client's account that is allocated to the integrated equities portfolio; the fees do not apply to the fixed income or mutual funds portion of the Client's account (if applicable). A selection of Clients may receive a fee discount. These fees may be higher or lower than those charged by other investment advisors for similar services. SIMC pays a portion of this fee to the portfolio manager acting as the account's integration manager.

SIMC may impose minimum account balances which will vary (typically between \$50,000 to \$250,000) depending upon the manager selected in the Managed Account Portfolio chosen and whether the Client selects the IMAP feature.

To the extent a Client's assets in a Managed Account Program account are invested in SEI Funds, SIMC and its affiliates will earn fund-level fees on those assets, as set forth in the applicable Fund's prospectus but SIMC will waive the fees set forth above on Managed Account Program assets invested in any SEI Fund.

### ***C. SEI Funds Fees***

Each SEI Fund pays an advisory fee to SIMC that is based on a percentage of the portfolio's average daily net assets, as described in the mutual fund's prospectus. From such amount, SIMC pays the sub-advisor(s) to the fund. SIMC's fee is negotiable, but it typically ranges from .10% - 1.50% of the portfolio's average daily net assets for its advisory services.

Affiliates of SIMC provide administrative, distribution and transfer agency services to all of the portfolios within the SEI Funds, as described in the SEI Funds' registration statements. These fees and expenses are paid by the SEI Funds but ultimately are borne by each shareholder of the SEI Funds.

Clients may also pay custody fees to SPTC when their assets are custodied at SPTC. These fees will vary depending on the account balance and trade activity in the account. Clients can refer to their account application for specific information on SPTC custody fees.

#### ***D. Additional Compensation***

SIMC's investment solutions, including the SEI Funds, are offered to third-party registered investment advisors, financial planning firms, broker/dealers and trust companies (each an "Independent Adviser") for their use in providing advisory services to their clients. In connection with an Independent Adviser's use of SEI's investment solutions, SIMC and its affiliates may provide the Independent Adviser with a range of services and other benefits, which in some cases may include financial compensation, to help it conduct its business and serve its clients. These benefits and services, discussed below, may be made available to Independent Advisers at no fee or at a discounted fee, and the terms may vary among Independent Advisers depending on the business they and their clients conduct with SEI and other factors. These benefits and services may not necessarily benefit the Independent Adviser's underlying clients.

SIMC may hold conferences, seminars and other educational and information activities for Independent Advisers about the SEI Funds and other investment products offered by SIMC or its affiliates. In limited circumstances, SIMC and its affiliates may reimburse Independent Advisers for reasonable travel expenses incurred when reviewing SEI's business and practices. In addition, SIMC may provide Independent Advisers with practice management services, which may include conferences, seminars and other educational and informational activities. Such events may be sponsored or provided by SIMC or other third parties. SIMC and its affiliates also offer Independent Advisers investment research to help them make well-informed investment decisions about their clients' accounts.

SIMC and its affiliates may assist Independent Advisers in marketing activities, including providing marketing toolkits and other forms of marketing materials that Independent Advisers may use or adapt for their purposes. SIMC may also co-sponsor events with Independent Advisers, or pay for joint marketing initiatives with Independent Advisers for clients and prospects, including, without limitation, seminars, conferences, appreciation events, direct market mailings and other marketing activities designed to further the promotion of SIMC's investment products. All such marketing expenses are paid by SIMC or its affiliates out of its past profits or other available resources, and are not charged to SIMC's investment products, including the SEI Funds.

SIMC and its affiliates may provide Independent Advisers with technical solutions to help facilitate their integration with SEI's systems, and streamline their operations. Also, representatives of SIMC and its affiliates are available to provide administrative support to



Independent Advisers. SIMC and its affiliates may assist Independent Advisers in joining SEI's program and in completing documentation to enroll Independent Advisers' clients to receive services, and this may include providing clerical staff to assist and, in some cases, paying account transfer fees or other charges that Independent Advisers or their clients may have to pay when changing custodians or service providers.

SIMC and its affiliates may agree to pricing for particular Independent Advisers' client accounts at SPTC based on, account size and/or the nature and scope of business the Independent Adviser does with SEI, including the current and future expected amount of the Independent Adviser's client assets in custody at SPTC and the types of SIMC investment products used by the Independent Adviser. SIMC and its affiliates may change this pricing and the services and other benefits provided if the nature or scope of the Independent Adviser's business changes or does not reach certain levels, in which case pricing for the Independent Adviser's client accounts may increase but will not exceed SIMC's and its affiliate's standard pricing for such products and services.

Many Independent Advisers are affiliated with broker-dealers. SIMC and its affiliates may pay compensation to broker-dealers or other financial institutions for services such as, without limitation, providing the SEI Funds with "shelf space" or a higher profile for the firm's associated Independent Advisers and their customers, placing the SEI Funds on the firm's preferred or recommended fund list, granting access to the firm's associated Independent Advisers, providing assistance in training and educating the firms' personnel, allowing sponsorship of seminars or information meetings and furnishing marketing support and other specified services. SIMC may also compensate the broker-dealer to support the broker-dealer's ability to provide administrative support services required when the broker-dealer's affiliated Advisers conduct business with their clients through the use of SEI Advisor Network services. These payments may be based on average net assets of SEI Funds attributable to that broker-dealer, gross or net sales of SEI Funds attributable to that broker-dealer, a negotiated lump sum payment or other appropriate compensation. For example, SIMC may pay either: (i) up to five (5) basis points on "Net Cash Flow"; and/or (ii) five (5) basis points multiplied by the broker-dealer's Advisers' clients total assets invested in SEI sponsored investments for the administrative services provided and to help offset the compliance service costs that the broker-dealer will be the subject of. Alternatively, SIMC may pay up to five (5) basis points multiplied by the broker-dealer's Advisers' clients total assets invested in SEI sponsored investments for the marketing and distribution services as well as administrative services provided and to help offset the compliance service costs that the broker-dealer will be the subject of. The terms of these arrangements with various broker-dealers will vary.

Payments may also be made by SIMC or its affiliates to financial institutions to compensate or reimburse them for administrative or other client services provided, such as sub-transfer agency services for shareholders or retirement plan participants, omnibus accounting or sub-accounting, participation in networking arrangements, account set-up, recordkeeping and other shareholder services. These fees may be used by the financial institutions to offset or reduce fees that would otherwise be paid directly to them by certain account holders, such as retirement plans. The foregoing payments may be in

addition to any shareholder servicing fees paid to a financial institution in accordance with the SEI Funds' Shareholder Services Plan or Administrative Services Plan.

The benefits, services or payments discussed above may be significant to the financial institutions receiving them, and may create an incentive for the financial institutions or its representatives to recommend or offer shares of the SEI Funds or other investment products to its customers rather than other funds or investment products. These payments are made by SIMC and its affiliates out of their past profits or other available resources.

Although the Funds may use broker-dealers that sell SEI Fund shares to effect transactions for the Funds' portfolio, the Funds, SIMC and its sub-advisors will not consider the sale of Fund shares as a factor when choosing broker-dealers to effect those transactions and will not direct brokerage transactions to broker-dealers as compensation for the sales of SEI Fund shares.

SIMC may enter into introducing arrangements with SEI employees or third parties who will receive an introduction fee from SIMC for introducing prospective Clients to the SEI Wealth Network, SEI investment products or to Institutions. Additionally, SIMC may compensate SEI employees who will receive a fee (a portion of the fee paid to SIMC by the Client) for introducing prospective Clients to the SEI Wealth Network, SEI investment products, SEI Advisor Network advisors or to Institutions. Where required by federal or state law, each introducing arrangement will be governed by a written agreement between SIMC and the third party that complies with Rule 206(4)-3 of the Investment Adviser's Act of 1940. As required, Clients will be provided with copies of SIMC's Form ADV, separate disclosure of the nature of the introducing or referral arrangement (including compensation features) applicable to the Client being referred, and any other document required to be provided under applicable state law.

## **Item 5 -- Account Requirements and Types of Clients**

### ***A. Account Requirements***

SIMC may impose minimum account balances which will vary (typically between \$50,000-\$250,000) depending upon the managers selected in the Managed Account Portfolio and whether the Client selects the IMAP feature.

### ***B. Types of Clients***

SIMC offers advisory services to individual investors and independent financial intermediaries such as registered investment advisors, financial planning firms, broker/dealers, banks and other financial institutions (each, a "Client" and together, the "Clients"). SIMC is also investment advisor to various types of institutional or sophisticated investors, including but not limited to, corporate and union sponsored pension plans, defined contribution plans (including 401(k) plans), endowments, charitable foundations, hospital organizations, banks, trust departments, trusts, corporations and high net worth individuals (each, also referred to as a "Client" and together, as the "Clients"). SIMC also

serves as the investment advisor to a number of pooled investment vehicles, including mutual funds, hedge funds, private equity funds, collective investment trusts and offshore investment funds (together, the “Pooled Investment Vehicles”). In addition, SIMC sponsors and may serve as advisor to, separately managed account programs.

## **Item 6 -- Portfolio Manager Selection and Evaluation**

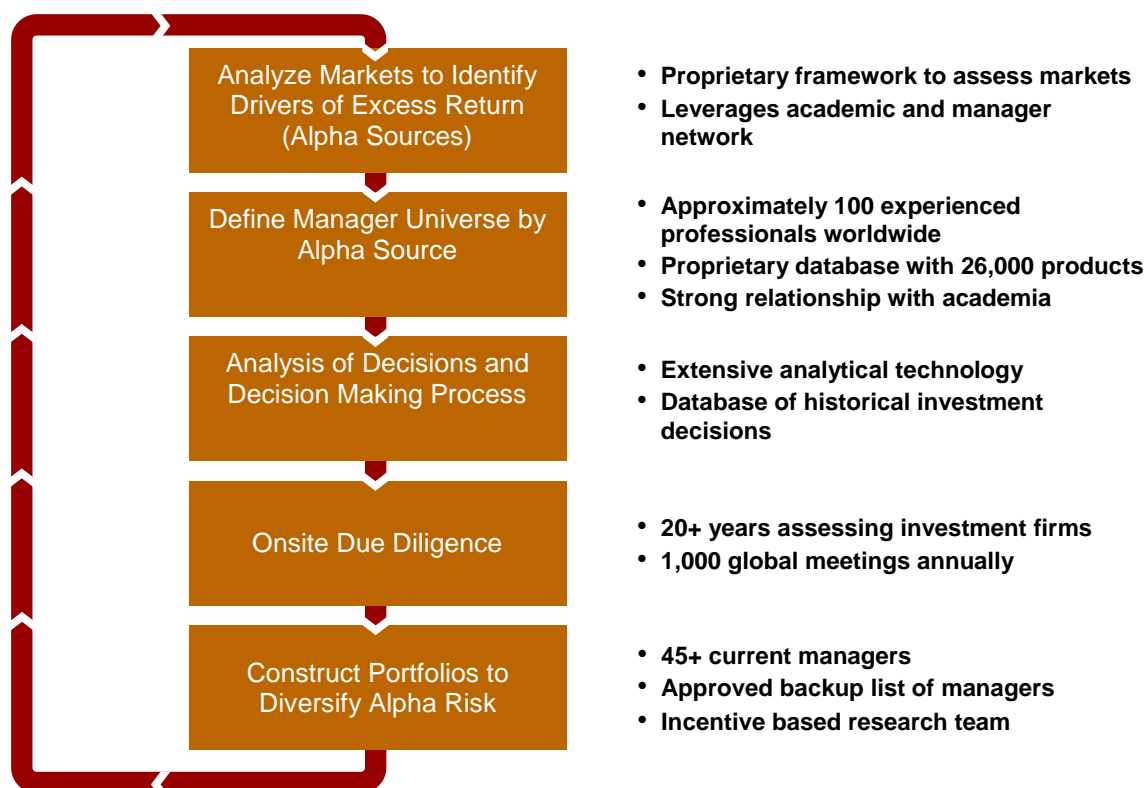
### ***A. Portfolio Manager Selection and Evaluation***

SIMC uses sub-advisers (both affiliated and non-affiliated firms) to select individual securities for Client accounts in the Program. The sub-advisers are selected based on SIMC's manager selection process.

Our unique manager selection process has two basic principles:

- Identify the most reliable drivers of excess return
- Identify the best managers delivering these strategies

Identifying the most effective and sustainable drivers of excess return (alpha sources) improves the probability of successful manager selection and is the first step in our process. Next, we define our manager universes by alpha source to focus our research on more successful investment strategies. We analyze each manager's skill in exploiting their alpha source and the quality of their investment decisions over time. Then, we institute a rigorous onsite due diligence process to assess the manager's competitive advantages and qualitative risk factors. Finally, we construct portfolios that diversify sources of alpha, reduce risk and allow for improved consistency and outperformance.



#### Analyze Markets to Identify Drivers of Excess Return (Alpha Sources)

Not all alpha sources are equal, nor are they all effective. Successful manager selection is not solely dependent upon manager skill, but also on the level of opportunity that exists within the area in which they seek excess returns. As such, our process begins with ensuring the manager universe we search includes the managers with the highest probability of outperforming. This process is focused on analyzing the capital markets and determining the inefficiencies in these markets. When an inefficiency is identified, we determine the sustainability of that inefficiency and investigate the various investment processes that can be used to exploit it.

#### Define Manager Universe by Alpha Sources

After identifying the best, most sustainable alpha sources, we research the managers employing these strategies to discover which have demonstrated success in exploiting the inefficiency. SEI's manager discovery process leverages multiple channels to ensure as many potential investment firms as possible are identified. We have research offices on three continents and appropriately leverage our research network for the benefit of our clients. We use our size, reputation, and industry knowledge in conjunction with other channels, such as academic research and conferences, to discover new firms and gain access to changes at established firms. In addition, SEI has a global database of 22,000 investment products, updated on a monthly basis.

#### Analysis of Decisions and Decision Making Process

Once the managers utilizing a given alpha source have been identified, we analyze their historical investment decisions in relation to the inefficiency they are expected to exploit.

To conduct this analysis, we ask managers to send us their monthly investment decisions including archived data. We measure the quality, repeatability, and discipline of these decisions over time. This decision analysis enhances our ability to identify whether a manager truly has skill in exploiting the inefficiencies in the market or if their success has resulted from random, unrepeatable reasons. In essence, we separate the quality of the decision from the quality of the outcome to eliminate the effects of market noise.

#### Onsite Due Diligence

This step entails visiting the investment firms' offices to further investigate their investment process, historical decisions, and other qualitative categories that relate to the successful management of their firm. The analysis of these qualitative risk factors helps us to assess and validate the sustainability of their competitive advantages. In addition, we use this forum, and the results of our analysis to query the managers and further validate the quality of their decision making process.

#### Construct Portfolios to Diversify Alpha Risk

Finally, we construct portfolios diversified across various alpha sources. This approach offers greater diversification, lower risk, and more consistent outperformance.

SEI's continual monitoring of its multiple specialist money managers is an integral step in our investment process. It ensures that holdings are closely monitored, risk is carefully managed, and investment team and firm stability remains intact. At both the strategy and sub-adviser level, SEI measures its success in selecting managers by tracking both performance and risk relative to benchmarks. While the goals of each client are unique, the goals at the portfolio level are clear. SEI sets forth expectations for our sub-advisers around both performance and risk while also establishing triggers that result in re-evaluation of each manager. We track these metrics on an ongoing basis to ensure that all levels of our client's portfolio are behaving within the pre-established expectations. A breach of expectations or of a trigger would result in a re-evaluation by the IMU's Investment Strategy Oversight committee.

#### Termination

If an investment manager's return behavior or risk contribution deviates from expectations, SEI portfolio managers have a number of options. Cash that becomes available in the portfolio may be channeled to other investment managers or the portfolio may be rebalanced according to target weights. Similarly, the investment manager's allocation within the portfolio could be reduced to limit its overall impact, in which case it would be placed on an internal "watch list." The portfolio manager could also remove the investment manager and reallocate the proceeds to other investment managers.

When changes are made, SEI uses three basic levers for changing our positioning over time:

- Our asset class rebalancing program creates predictable cash flow streams in our funds that allow us to raise cash from and contribute to alpha sources to affect changes in our funds.
- Daily cash flows allow us to change at a slower rate.

- Outright trades of manager allocations are always an option, but the frequency/magnitude of this is always done in light of the liquidity and costs of doing so.
- Transitioning securities in-kind between managers is an option as well.

We have provided below a breakdown of reasons that managers are removed from our Manager of Managers program:

**Continuous Manager Monitoring Process:**

**Daily**

- Access to underlying portfolio holding

**Weekly**

- Buys & sells review
- Performance & risk attribution analysis

**Monthly**

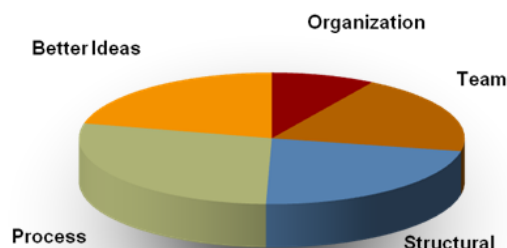
- Portfolio characteristics & market trend overview
- In-depth performance & risk analysis
- Conference call to evaluate manager decision & outlook

**Quarterly**

- Onsite visit to access manager & dedicated investment team

**Ongoing**

- Peer analysis
- Investment strategy oversight & review
- Backup List
- Watch List



**Reasons for sell decision**

Organization	Stability, liquidity event, etc.
Investment team	Turnover, generational transition
Structural Change in Market	Investment process no longer effective
Process	Inability to exploit inefficiencies, asset growth
Better Ideas	Discovered higher quality manager

Since 2003, our average manager turnover rate has been approximately 10% to 15% annually.

From time to time, SIMC may hire affiliated advisors to serve as sub-advisors to manage assets in the MAP Program. Please see Item 9 - Other Financial Industry Activities and Affiliations.

**SEI Fixed Income Portfolio Management as Portfolio Manager**

SIMC serves as sponsor of, and advisor to, the SEI Fixed Income Portfolio Management ("SFIPM") accounts, and the Managed Account Program. SFIPM, as a unit of SIMC, is not subject to the same selection and review process as other third party managers in the Managed Account Program (as described in the section entitled "SIMC's Overall Investment Philosophy"). SIMC discloses to Clients in this Appendix 1 and in its Brochure that SIMC serves as a manager for these types of accounts. Clients may have the option to use SEI Funds or to hire a third party manager to manage these types of assets if they do not wish to have SIMC's SFIPM team manage their assets.

## ***B. Performance***

SIMC's sub-advisers provide performance calculations for their investment mandate to SIMC on a periodic basis. Neither SIMC nor a third party reviews these performance calculations for accuracy. Also, the performance information may not be calculated on a uniform or consistent basis among managers.

## ***C. Advisory Business***

SIMC offers advisory services to individual investors and independent financial intermediaries such as registered investment advisors, financial planning firms, broker/dealers, banks and other financial institutions (each, a "Client" and together, the "Clients"). SIMC is also investment advisor to various types of institutional or sophisticated investors, including but not limited to, corporate and union sponsored pension plans, defined contribution plans (including 401(k) plans), endowments, charitable foundations, hospital organizations, banks, trust departments, trusts, corporations and high net worth individuals (each, also referred to as a "Client" and together, as the "Clients"). SIMC also serves as the investment advisor to a number of pooled investment vehicles, including mutual funds, hedge funds, private equity funds, collective investment trusts and offshore investment funds (together, the "Pooled Investment Vehicles"). In addition, SIMC sponsors separately managed account programs.

Please see Item 4 for a description of the Managed Account Program.

### ***SIMC's Use of SIDCO***

SIMC uses its affiliated broker/dealer, SIDCO, for various services for its Clients, including certain trading in the Managed Account Program. SIMC discloses the use of its affiliated broker/dealer in the investment management agreement that the Client signs with SIMC for services.

SIMC executes trades through SIDCO for the Managed Account Program and separately managed accounts subject to the duty to obtain best execution and to applicable law. SIMC's Managed Account Programs (which are "wrap programs", meaning the Client pays one fee for investment advisory and brokerage services) is structured such that the equity managers in the program execute all trades in the Program using SIDCO. The Program's fixed income managers select and utilize brokers as required by their firm's own policies and procedures. SIDCO will receive and retain compensation for this trading activity. SIMC's internal governance structure oversees SIMC's use of SIDCO in the program to ensure that its use of SIDCO for the Program is suitable.

## ***D. Performance Based Fees and Side-By-Side Management***

SIMC does not charge any performance-based fees in the Program.

## ***E. Method of Analysis, Investment Strategies and Risk of Loss***

### ***SIMC's Overall Investment Philosophy***

SIMC's philosophy is based on active asset management, which consists of five key components: asset allocation, portfolio design, investment manager selection, portfolio construction and risk management. SIMC's philosophy and process offers Clients personalization, diversification, coordination and management, and represents a strategy geared toward achieving long-term investment goals in various financial climates.

*Asset Allocation.* Asset allocation is a precise division of a Client's portfolio that sets up boundaries for a portfolio's risk exposure and return potential. SIMC's approach to asset allocation takes Clients' goals into account, along with more traditional yardsticks like market indices and standard deviation. SIMC constructs multiple model portfolios to address a wide variety of Client goals, and dedicate considerable resources to active asset allocation decisions that help our investment offerings keep pace with an evolving market environment.

*Portfolio Design.* In terms of portfolio design, SIMC generally attempts to identify alpha source(s), or returns in excess of the benchmark, across equity, fixed-income and alternative-investment portfolios. SIMC looks for sources of excess return that have demonstrated staying power over the long term across multiple markets in a given geographic region. Alpha sources are classified into broad categories; categorizing them in this manner allows us to create portfolios that are not simply diversified between asset classes (e.g., equity and fixed-income strategies), but also diversified across the underlying drivers of alpha.

*Investment Manager Selection.* When it comes to security selection within Client portfolios, SIMC operates primarily as a "manager-of-managers," which means that SIMC typically hires investment managers (third party and affiliated) to select individual securities. As a manager-of-managers, SIMC aims to identify, classify and validate manager skill when choosing investment managers. Differentiating manager skill from market-generated returns is one of SIMC's primary objectives, as it seeks to identify managers that can deliver consistent results. SIMC develops forward-looking expectations regarding how a manager will execute a given investment mandate, environments in which the strategy should outperform and environments in which the strategy might underperform.

SIMC selects portfolio managers based on SIMC's manager research process. SIMC uses proprietary databases and software, supplemented by data from various third parties, to perform a qualitative and quantitative analysis of portfolio managers. The qualitative analysis focuses on a manager's investment process, personnel, and performance. Quantitative analysis identifies the sources of a manager's return relative to a benchmark. SIMC uses proprietary performance attribution models as well as models developed by BARRA, Wilshire, and others in its manager research process. SIMC typically appoints several sub-advisers within a stated asset class.



(For instance, SIMC will generally have more than one portfolio manager assigned to the large cap growth asset class.)

**Portfolio Construction.** The portfolio construction process seeks to maximize the risk-adjusted rate of return by finding a proper level of diversification between alpha sources and the investment managers implementing them. Based on SIMC's asset-class-specific analysis, as well as typical Client risk tolerances, SIMC sets strategic alpha source allocation targets at the investment product level. With limited exceptions, SIMC uses a manager-of-managers approach to construct its portfolios.

**Risk Management.** SIMC relies on a risk management group to focus on common risks across and within asset classes. Daily monitoring of assigned portfolio tolerances and deviations result in an active risk mitigation program.

SIMC combines the above components to create a theory of active asset management that transcends the traditional focus on index funds versus active managers to encompass a more comprehensive view of asset management across products, investment managers and asset classes.

### ***Implementation Through Investment Products***

The foregoing discusses SIMC's investment philosophy in designing diversified investment portfolios for SIMC's Clients. In most cases, implementation of a Client's investment portfolio is accomplished through investing in a range of investment products, which may include mutual funds, hedge funds, closed-end funds, private equity funds, collective investment trusts, or separately managed accounts. SIMC's third party managers may manage these investment products, or SIMC may manage these products directly.

In order to provide Clients with sufficient diversification and flexibility, SIMC manages products across a very wide range of investment strategies. These would include, to varying degrees, large and small capitalization U.S. equities, foreign developed markets equities, foreign emerging markets equity, real estate securities, U.S. investment grade fixed income securities, U.S. high yield (below investment grade) fixed income securities, foreign developed market fixed income securities, emerging markets debt, U.S. and foreign government securities, currencies, structured or asset-backed fixed income securities (including mortgage-backed), municipal bonds and other types of asset classes. SIMC also directly manages Collateralized Debt Obligations ("CDOs") within certain investment products. CDOs are structured securities whose cash flows are linked to the performance of a diversified pool of collateral, which is actively managed. SIMC may also seek to achieve the product's investment objectives by investing in derivative instruments, such as futures, forwards, options, swaps or other types of derivative instruments. Additionally, SIMC may also seek to achieve the investment product's objective by investing some or all of its assets in affiliated and unaffiliated mutual funds, including money market funds. Certain of SIMC's product strategies may also attempt to utilize tax-management techniques to manage the impact of taxes.

Further, SIMC may invest SEI's alternative investment funds in third party hedge funds or private equity funds that engage in a wide variety of investment techniques and strategies that carry varying degrees of risks. This may include long-short equity strategies, equity market neutral, merger arbitrage, credit hedging, distressed debt, sovereign debt, real estate, private equity investments, derivatives, currencies or other types of investments.

While SIMC's investment strategies are normally implemented through pooled investment products, certain Clients' assets may be invested directly in the target investments through a separately managed account or other means. The strategies that SIMC implements in such accounts is currently more limited than the breadth of strategies contained in SIMC's funds, and generally covers U.S. large and small capitalization equity securities, emerging market ADRs and U.S. fixed income securities, including government securities and municipal bonds. SIMC may also implement strategies involving derivative securities directly within a Client's accounts.

SEI Fixed Income Portfolio Management ("SFIPM") is a unit within SIMC that provides fixed income investment solutions directly, rather than through the use of sub-advisers, to institutions and individuals through separate accounts. SFIPM manages taxable and tax-exempt fixed income investment portfolios of various maturities, including short-term cash management, laddered bond, municipal bond and Treasury or Government portfolios. SIMC is responsible for formulating a strategy based on a Client's investment guidelines. This strategy could include money market mutual funds, individual securities (including both taxable and tax-free fixed income securities) and tri-party repurchase agreements ("repos"), or any other securities that can be utilized in the development of a cash management investment strategy.

### ***Investment Vehicle Strategies***

Since SIMC implements such a broad range of strategies within its investment products, it would not be practical to set forth in detail each strategy that SIMC has developed for use across its products. The disclosure in this Brochure is not intended to supplant any product-specific disclosure documents. Clients should refer to the prospectus or other offering materials that it receives in conjunction with investing in a SIMC investment product for a detailed discussion of the strategy and risks associated with such product. Moreover, this Form ADV disclosure addresses strategies designed and implemented by SIMC and does not address strategies that may be implemented by third parties (e.g. unaffiliated investment advisers, banks, institutions or other intermediaries) through the use of SEI products.

A strategies' exposure to the foregoing asset classes, including the degree of exposure, is subject to change at any time due to evolving investment philosophies and market conditions. The risks associated with such strategies are also therefore subject to change at any time.

## ***Material Risks***

All strategies implemented by SIMC involve a risk of loss that Clients should be prepared to bear.

Given the very wide range of investments in which a Client's assets may be invested, either directly or through one or more investment funds, there is similarly a very wide range of risks to which a Client's assets may be exposed. The particular risks to which a specific Client might be exposed will depend on the specific investment strategies incorporated into that Client's portfolio. As such, the Client should refer to the prospectus or other offering materials that it receives in conjunction with investing in an SEI investment product for a detailed description of the risks of investing in that product.

Set forth below are the material risks to which a Client might be exposed in connection with SIMC's implementation of a strategy:

*Absolute Return* – A portfolio that seeks to achieve an absolute return with reduced correlation to stock and bond markets may not achieve positive returns over short or long term periods. Investment strategies that have historically been non-correlated or have demonstrated low correlations to one another or to stock and bond markets may become correlated at certain times and, as a result, may cease to function as anticipated over either short or long term periods.

*American Depositary Receipts ("ADRs")*— ADRs are certificates evidencing ownership of shares of a foreign issuer that are issued by depositary banks and generally trade on an established market. ADRs are subject to many of the risks associated with investing directly in foreign securities, including among other things, political, social and economic developments abroad, currency movements, and different legal, regulatory and tax environments.

*Arbitrage Strategies Risk* — Arbitrage strategies involve engaging in transactions that attempt to exploit price differences of identical, related or similar securities on different markets or in different forms. A portfolio may realize losses or a reduced rate of return if underlying relationships among securities in which it takes investment positions change in an adverse manner or a transaction is unexpectedly terminated or delayed. Trading to seek short-term capital appreciation can be expected to cause a portfolio's turnover rate to be substantially higher than that of the average equity-oriented portfolio.

*Asset Allocation Risk* — The risk that an investment adviser's decisions regarding a portfolio's allocation to asset classes or underlying funds will not anticipate market trends successfully.

*Asset-Backed Securities Risk* — Payment of principal and interest on asset-backed securities is dependent largely on the cash flows generated by the assets backing the securities, and asset-backed securities may not have the benefit of any security interest in the related assets.

*Bank Loans Risk* - With respect to bank loans, the portfolio will assume the credit risk of both the borrower and the lender that is selling the participation. The portfolio may also have difficulty disposing of bank loans because, in certain cases, the market for such instruments is not highly liquid.

*Below Investment Grade Securities Risk* - Fixed income securities rated below investment grade (junk bonds) involve greater risks of default or downgrade and are more volatile than investment grade securities.

*Commodity-linked Securities Risk* — Investments in commodity-linked securities may be more volatile and less liquid than direct investments in the underlying commodities themselves. Commodity-related equity returns can also be affected by the issuer's financial structure or the performance of unrelated businesses.

*Closed-End Fund Risk* — Closed-end investment companies issue a fixed number of shares that trade on a stock exchange or over-the-counter at a premium or a discount to their net asset value. As a result, a closed-end fund's share price fluctuates based on what another Client is willing to pay rather than on the market value of the securities in the fund.

*Convertible and Preferred Securities*—Convertible and preferred securities have many of the same characteristics as stocks, including many of the same risks. In addition, convertible bonds may be more sensitive to changes in interest rates than stocks. Convertible bonds may also have credit ratings below investment grade, meaning that they carry a higher risk of failure by the issuer to pay principal and/or interest when due.

*Corporate Fixed Income Securities Risk* – Corporate fixed income securities respond to economic developments, especially changes in interest rates, as well as perceptions of the creditworthiness and business prospects of individual issuers.

*Credit Risk* – The risk that the issuer of a security, or the counterparty to a contract, will default or otherwise become unable to honor a financial obligation.

*Currency Risk* — As a result of investments in securities denominated in, and/or receiving revenues in, foreign currencies the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency hedged. In either event, the dollar value of an investment would be adversely affected. To the extent that a portfolio takes active or passive positions in currencies it will be subject to the risk that currency exchange rates may fluctuate in response to, among other things, changes in interest rates, intervention (or failure to intervene) by U.S. or foreign governments, central banks or supranational entities, or by the imposition of currency controls or other political developments in the United States or abroad.

*Derivatives Risk* — A portfolio's use of futures, forwards, options and swaps is subject to market risk, leverage risk, correlation risk and liquidity risk. Leverage risk, liquidity risk and market risk are described below. Correlation risk is the risk that changes in the value

of the derivative may not correlate perfectly with the underlying asset, rate or index. A portfolio's use of forwards and swap agreements is also subject to credit risk and valuation risk. Valuation risk is the risk that the derivative may be difficult to value and/or valued incorrectly. Credit risk is described above. Each of these risks could cause a portfolio to lose more than the principal amount invested in a derivative instrument.

*Directional or Tactical Strategies Risk* — Directional or tactical strategies usually use long and short positions which entail prediction on the direction into which the overall market is going to move. Directional or tactical strategies may utilize leverage and hedging. Risk of loss may be significant if the portfolio's judgment is incorrect as to the direction, timing or extent of expected market moves.

*Distressed Securities Risk* — Distressed securities frequently do not produce income while they are outstanding and may require a portfolio to bear certain extraordinary expenses in order to protect and recover its investment. Distressed securities are at high risk for default.

*Duration Risk* — Longer-term securities in which a portfolio may invest are more volatile. A portfolio with longer average portfolio duration is more sensitive to changes in interest rates than a portfolio with shorter average portfolio duration.

*Equity Market Risk* – The risk that stock prices will fall over short or extended periods of time.

*Event-Driven Strategies Risk* — Event-driven strategies involve making evaluations and predictions about both the likelihood that a particular event in the life of a company will occur and the impact such an event will have on the value of the company's securities. The transaction in which such a company is involved may either be unsuccessful, take considerable time or may result in a distribution of cash or a new security, the value of which may be less than the purchase price of the company's security. If an anticipated transaction does not occur, the portfolio may be required to sell its securities at a loss.

*Exchange-Traded Funds (ETFs) Risk* – The risks of owning shares of an ETF generally reflect the risks of owning the underlying securities the ETF is designed to track, although lack of liquidity in an ETF could result in its value being more volatile than the underlying portfolio securities.

*Exchange-Traded Notes (ETNs)* — The value of an ETN is subject to the credit risk of the issuer. There may not be an active trading market available for some ETNs. Additionally, trading of ETNs may be halted or delisted by the listing exchange.

*Extension Risk* — The risk that rising interest rates may extend the duration of a fixed income security, typically reducing the security's value.

*Fixed Income Market Risk* - The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to perceptions about the creditworthiness of individual issuers, including governments and their agencies.

*Foreign Investment/Emerging Markets Risk* – The risk that non-U.S. securities may be subject to additional risks due to, among other things, political, social and economic developments abroad, currency movements and different legal, regulatory and tax environments. These additional risks may be heightened with respect to emerging market countries since political turmoil and rapid changes in economic conditions are more likely to occur in these countries.

*Foreign Sovereign Debt Securities Risk* – The risks that (i) the governmental entity that controls the repayment of sovereign debt may not be willing or able to repay the principal and/or interest when it becomes due, due to factors such as debt service burden, political constraints, cash flow problems and other national economic factors; (ii) governments may default on their debt securities, which may require holders of such securities to participate in debt rescheduling or additional lending to defaulting governments; and (iii) there is no bankruptcy proceeding by which defaulted sovereign debt may be collected in whole or in part.

*Hedged Strategies Risk* — A portfolio may employ investment strategies that involve greater risks than the strategies used by typical portfolios, including short sales or derivatives transactions. There is no assurance that hedged strategies will protect against losses or perform better than non-hedged strategies.

*Income Risk* — The possibility that a portfolio's yield will decline due to falling interest rates.

*Inflation Protected Securities Risk*—The value of inflation protected securities, including TIPS, generally will fluctuate in response to changes in “real” interest rates, generally decreasing when real interest rates rise and increasing when real interest rates fall. Real interest rates represent nominal (or stated) interest rates reduced by the expected impact of inflation. In addition, interest payments on inflation-indexed securities will generally vary up or down along with the rate of inflation.

*Interest Rate Risk* — The risk that the value of fixed income securities, including U.S. Government securities, will fall due to rising interest rates.

*Investment Company Risk* — When a portfolio invests in an investment company, in addition to directly bearing the expenses associated with its own operations, it will bear a pro rata portion of the investment company's expenses. In addition, while the risks of owning shares of an investment company generally reflect the risks of owning the underlying investments of the investment company, the portfolio may be subject to additional or different risks than if the portfolio had invested directly in the underlying investments.

*Investment Style Risk* - The risk that the portfolio's strategy may underperform other segments of the markets or the markets as a whole.

*Leverage Risk* - The use of leverage can amplify the effects of market volatility on the value of a portfolio's investments and may also cause the portfolio to liquidate portfolio positions when it would not be advantageous to do so in order to satisfy its obligations.

*Liquidity Risk* — The risk that certain securities may be difficult or impossible to sell at the time and the price that the investment adviser would like. The investment adviser may have to lower the price, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on portfolio management or performance.

*Market Risk* — The risk that the market value of a security may move up and down, sometimes rapidly and unpredictably. Market risk may affect a single issuer, an industry, a sector or the market as a whole.

*Money Market Funds* - With respect to an investment in money market funds, an investment in the money market fund is not a bank deposit nor is it insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the money market fund seeks to maintain a constant price per share of \$1.00, you may lose money by investing in the money market fund.

*Mortgage-Backed Securities Risk* — Mortgage-backed securities are affected by, among other things, interest rate changes and the possibility of prepayment of the underlying mortgage loans. Mortgage-backed securities are also subject to the risk that underlying borrowers will be unable to meet their obligations.

*Municipal Securities Risk* — State and local governments rely on taxes and, to some extent, revenues from private projects financed by municipal securities, to pay interest and principal on municipal debt. Poor statewide or local economic results or changing political sentiments may reduce tax revenues and increase the expenses of municipal issuers, making it more difficult for them to meet their obligations. Actual or perceived erosion of the creditworthiness of municipal issuers may reduce the value of a portfolio's holdings. As a result, the portfolio will be more susceptible to factors which adversely affect issuers of municipal obligations than a portfolio which does not have as great a concentration in municipal obligations. Also, there may be economic or political changes that impact the ability of issuers of municipal securities to repay principal and to make interest payments on securities owned by the portfolio. Any changes in the financial condition of municipal issuers also may adversely affect the value of the portfolio's securities.

*Non-Diversified Risk* - To the extent that a portfolio is non-diversified, which means that it may invest in the securities of relatively few issuers, it may be more susceptible to a single adverse economic or political occurrence affecting one or more of these issuers, and may experience increased volatility due to its investments in those securities.



*Opportunity Risk* — The risk of missing out on an investment opportunity because the assets necessary to take advantage of it are tied up in other investments.

*Portfolio Turnover Risk* – To the extent that a portfolio buys and sells securities frequently, such activity may result in increased brokerage or other higher transaction costs and additional capital gains tax liabilities. These costs affect the portfolio's performance. To the extent that a portfolio invests in an underlying fund the portfolio will have no control over the turnover of the underlying fund. In addition, the withdrawal of a portfolio from an underlying fund could involve expenses, such as redemption fees, to the portfolio under the terms of the portfolio's investment.

*Prepayment Risk* — The risk that with declining interest rates, fixed income securities with stated interests may have the principal paid earlier than expected, requiring a portfolio to invest the proceeds at generally lower interest rates.

*Private Placements Risk* — Investment in privately placed securities may be less liquid than in publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid by the portfolio or less than what may be considered the fair value of such securities. Furthermore, companies whose securities are not publicly traded may not be subject to the disclosure and other Client protection requirements which might be applicable if their securities were publicly traded.

*Real Estate Industry Risk* — Securities of companies principally engaged in the real estate industry may be subject to the risks associated with the direct ownership of real estate, including fluctuations in the value of underlying properties and defaults by borrowers or tenants. If a portfolio's investments are concentrated in issuers conducting business in the real estate industry, the portfolio may be subject to legislative or regulatory changes, adverse market conditions and/or increased competition affecting that industry.

*REITs*—REITs are trusts that invest primarily in commercial real estate or real estate-related loans. Investments in REITs are subject to the risks associated with the direct ownership of real estate. Risks commonly associated with the direct ownership of real estate include fluctuations in the value of underlying properties, defaults by borrowers or tenants, changes in interest rates and risks related to general or local economic conditions. Some REITs may have limited diversification and may be subject to risks inherent in financing a limited number of properties.

*Rule 144A Securities Risk* — Rule 144A securities may be less liquid than publicly traded securities, and a portfolio may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the price realized from these sales could be less than those originally paid by the portfolio. Further, companies whose securities are not publicly traded may not be subject to the disclosure and other Client protection requirements that would be applicable if their securities were publicly traded.



*Short Sales Risk* — Short sales expose the portfolio to the risk that it will be required to buy the security sold short (also known as "covering" the short position) at a time when the security has appreciated in value, thus resulting in a loss to the portfolio. Reinvesting proceeds received from short selling may create leverage which can amplify the effects of market volatility on the price of the portfolio's investments.

*Small and Medium Capitalization Risk* — The smaller and medium capitalization companies may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, small and medium companies may have limited product lines, markets and financial resources, and may depend upon a relatively small management group. Therefore, small cap and medium cap stocks may be more volatile than those of larger companies. Small cap stocks may be traded over the counter or listed on an exchange.

*Social Investment Criteria Risk* — If a portfolio is subject to certain social investment criteria it may avoid purchasing certain securities for social reasons when it is otherwise economically advantageous to purchase those securities, or may sell certain securities for social reasons when it is otherwise economically advantageous to hold those securities. In general, the application of portfolio's social investment criteria may affect the portfolio's exposure to certain industries, sectors and geographic areas, which may affect the financial performance of the portfolio, positively or negatively, depending on whether these industries or sectors are in or out of favor.

*Taxation Risk* — A portfolio that is managed to minimize tax consequences to Clients will likely still earn taxable income and gains from time to time.

*Tax Exempt Risk* — In order to pay tax-exempt interest, tax-exempt securities must meet certain legal requirements. Failure to meet such requirements may cause the interest received and distributed by the portfolio to shareholders to be taxable. Changes or proposed changes in federal tax laws may cause the prices of tax-exempt securities to fall. The federal income tax treatment on payments with respect to certain derivative contracts is unclear. Consequently, a portfolio may receive payments that are treated as ordinary income for federal income tax purposes.

*Tracking Error Risk* — The risk that the performance of a portfolio designed to track an index may vary substantially from the performance of the benchmark index it tracks as a result of cash flows, portfolio expenses, imperfect correlation between the portfolio's and benchmark's investments and other factors.

*Underlying Funds Risk* — With respect to portfolios that invest in underlying funds, the risk that the value of a portfolio is based primarily on the performance of the underlying fund. Specifically with respect to alternative investment funds, the process of redeeming from an underlying fund may be both lengthy and costly due to the use of "lock-up" periods, gates, redemption fees and suspension of redemptions by the underlying funds. All of these factors will restrict or limit the portfolio's withdrawals under certain circumstances.

*U.S. Government Securities Risk* —Although U.S. Government securities are considered to be among the safest investments, they are not guaranteed against price movements due to changing interest rates. Obligations issued by some U.S. Government agencies are backed by the U.S. Treasury, while others are backed solely by the ability of the agency to borrow from the U.S. Treasury or by the agency's own resources.

### ***G. Voting Client Securities***

SIMC has hired a third party proxy voting service (the "Service"), which votes all proxies with respect to those Clients in accordance with approved guidelines (the "Guidelines"). SIMC also has a proxy voting committee (the "Committee"), comprised of SIMC employees, which approves the proxy voting guidelines or approves how SIMC should vote in certain cases.

SIMC believes that by using the third party service to vote all proxies in accordance with pre-approved Guidelines, it significantly reduces the chance that SIMC's proxy votes were influenced by a conflict of interest. The Service makes available to SIMC, prior to voting on a proxy, its recommendation on how to vote with respect to such proxy in light of SIMC's adopted Guidelines. SIMC retains the authority to overrule the Service's recommendation, and instruct the Service to vote in a manner at variance with the Service's recommendation. The exercise of such right could implicate a conflict of interest. As a result, SIMC may not overrule the Service's recommendation with respect to a proxy unless the following steps are taken:

- a. The Committee will meet to consider the proposal to overrule the Service's recommendation.
- b. The Committee must determine whether SIMC has a conflict of interest with respect to the issuer that is the subject of the proxy. If the Committee determines that SIMC has a conflict of interest, the Committee then determines whether the conflict is "material" to any specific proposal included within the proxy. If not, then SIMC can vote the proxy as determined by the Committee.
- c. For any proposal where the Committee determines that SIMC has a material conflict of interest, SIMC may vote a proxy regarding that proposal in any of the following manners:
  1. Obtain Client Consent or Direction – If the Committee approves the proposal to overrule the recommendation of the Service, SIMC will fully disclose to each Client holding the security at issue the nature of the conflict, and obtain the Client's consent to how SIMC will vote on the proposal (or otherwise obtain instructions from the Client as to how the proxy on the proposal should be voted).

2. Use Recommendation of the Service – Vote in accordance with the Service’s recommendation.

- d. For any proposal where the Committee determines that SIMC does not have a material conflict of interest, the Committee may overrule the Service’s recommendation if the Committee reasonably determines that doing so is in the best interests of SIMC’s Clients. If the Committee decides to overrule the Service’s recommendation, the Committee will maintain a written record setting forth the basis of the Committee’s decision.

In some cases, the Committee may determine that it is in the best interests of SIMC’s Clients to abstain from voting certain proxies. SIMC will abstain from voting in the event any of the following conditions {listed below} are met with regard to a proxy proposal:

- Neither the Guidelines nor specific Client instructions cover an issue;
- The Service does not make a recommendation on the issue;
- In circumstances where, in SIMC’s judgment, the costs of voting the proxy exceed the expected benefits to Clients; or
- The Committee cannot convene on the proxy proposal at issue to make a determination as to what would be in the Client’s best interest. This could happen, for example, if the Committee found that there was a material conflict or if despite all best efforts the Committee is unable to meet the requirements necessary to make a determination.

In addition, it is SIMC’s policy not to vote proxies for accounts that engage in securities lending. SIMC believes that the additional income derived by Clients from such activities generally outweighs the potential economic benefit of recalling securities for the purpose of voting. Therefore, SIMC generally will not recall securities on loan for the sole purpose of voting proxies. Further, in accordance with local law or business practices, many foreign companies prevent the sales of shares that have been voted for a certain period beginning prior to the shareholder meeting and ending on the day following the meeting (“share blocking”). Depending on the country in which a company is domiciled, the blocking period may begin a stated number of days prior to the meeting (e.g., one, three or five days) or on a date established by the company. While practices vary, in many countries the block period can be continued for a longer period if the shareholder meeting is adjourned and postponed to a later date. Similarly, practices vary widely as to the ability of a shareholder to have the “block” restriction lifted early (e.g., in some countries shares generally can be “unblocked” up to two days prior to the meeting whereas in other countries the removal of the block appears to be discretionary with the issuer’s transfer agent). SIMC believes that the disadvantage of being unable to sell the stock regardless of changing conditions generally outweighs the advantages of voting at the shareholder meeting for routine items. Accordingly, SIMC generally will not vote those proxies subject to “share blocking.”

Clients retain the responsibility for receiving and voting mutual fund proxies for any and all mutual funds maintained in Client portfolios. In addition, SIMC will not advise the Client or

act for the Client in any legal proceedings, including bankruptcies, involving securities held or previously held by the account or the issuers of these securities.

Clients may obtain a copy of SIMC's complete proxy voting policies and procedures upon request. Clients may also obtain information from SIMC about how SIMC voted any proxies on behalf of their account(s).

### **Item 7 -- Client Information Provided to Portfolio Managers**

SIMC and the Independent Adviser collect various information about the Client prior to opening an Account including, without limitation: Client name, type of Account, social security number, pre-tax income, estimated net worth, investment objective, investment strategy, investment restrictions and a completed risk tolerance questionnaire. SIMC also sends to the sub-advisers certain information regarding the Client including, but not limited to: Client account number, account name, whether the Account is taxable or non-taxable, investment guidelines and restrictions and, for fixed income strategies, state of residence and social security numbers. SIMC will send updates to the sub-advisers regarding this information on an as-needed basis.

### **Item 8 -- Client Contact with Portfolio Managers**

Client may contact SIMC or sub-advisers responsible for their account directly, but are encouraged to contact their Independent Adviser first.

### **Item 9 -- Additional Information**

#### ***A. Disciplinary Information***

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SIMC or the integrity of SIMC's management. SIMC has no information applicable to this Item.

#### ***B. Other Financial Industry Activities and Affiliations***

SIMC, which is an indirect, wholly owned subsidiary of SEI Investments Company may hire affiliates and third parties to perform services for SIMC and its Clients. Some of these relationships could create conflicts of interest. These relationships are described below.

##### Hiring of Sub-Advisors

Because SIMC is a "manager of managers", it hires sub-advisors to provide day-to-day securities selection for its investment products. From time to time, SIMC may hire affiliated advisors to serve as sub-advisors to manage assets in the Funds and Managed Account Program. For example, SIMC's parent company, SEI Investments Company, maintains a minority ownership interest (approximately 42% as of December 31, 2010) in LSV Asset Management ("LSV"), which is a sub-adviser to some of SIMC's investment products. In 1994, SEI provided seed capital to help LSV commence operations and entered a

relationship with an ownership interest that has generally declined over time. LSV is subject to the same evaluation and monitoring as other non-affiliated sub-advisers. Additionally, to the extent affiliated advisors are managing SEI Fund assets, such affiliated managers are subject to the same Board of Trustees approval process and the affiliation is disclosed in the SEI Fund prospectuses.

SIMC may also hire sub-advisors for its investment products who may also be investment advisors/sub-advisors to other investment products offered by SIMC's affiliates and partners. Therefore, SIMC may be incented to recommend a firm for sub-advisory services for its investment products because they are also providing services to SIMC's affiliates and partners. To avoid this conflict, SIMC conducts the same due diligence on all sub-advisors regardless of whether they provide or receive other services from SIMC's affiliates and partners.

Additionally, some of the sub-advisers that SIMC selects for its Funds may also be customers of other SEI products (e.g., technology) for which SIMC's affiliates may be compensated, which could influence SIMC's decisions when recommending or retaining sub-advisers. To avoid any conflicts, SIMC performs the same manager due diligence on all sub-advisers regardless of whether they receive services from SIMC's affiliates. Also, any conflicts identified are raised to the Board of Trustees or SIMC Compliance prior to the sub-adviser being hired by SIMC.

#### Investment Products

SIMC not only provides investment management and advisory services to individuals and institutions, it also serves as the investment advisor to its investment products, including the SEI Funds, SEI Alternative Funds, and collective investment funds. Additionally, SIMC is the sponsor to, and the advisor of, separately managed accounts, including the Managed Account Program and Distribution Focused Strategies. SIMC may invest its Clients into these products. Therefore, the Client may pay SIMC investment advisory fees which are agreed to in the Client's investment advisory agreement, and pay SIMC investment advisory fees through the separately managed accounts and/or Managed Account Programs.

#### SEI Funds

Other affiliates of SIMC provide various services to the SEI Funds, for which they may receive compensation. Specifically, SEI Investments Global Funds Services serves as administrator, SEI Institutional Transfer Agent, Inc. serves as transfer agent, and SIDCO, serves as the distributor of the SEI Funds. SIMC and SIDCO receive fees from the SEI Funds determined as a percentage of the SEI Fund's total assets. Therefore, to the extent that SIMC recommends that a Client invests in the SEI Funds, SIMC and SIDCO may indirectly benefit from investment in the SEI Funds. The Client's investment advisory agreement with SIMC contains disclosure of this relationship.

SIDCO also executes securities transactions for SIMC or for Clients of SIMC. SIDCO also receives shareholder service, administration service or distribution fees from the SEI Funds, portions of which may be repaid by SIDCO to affiliates or third parties that provide such services. See Item 4 and Item 9 for additional information on SIDCO.

To the extent the Client custodies assets at SPTC, SIMC may sweep the excess cash from that account into an SEI money market mutual fund, for which SIMC will earn additional fees, as advisor to the SEI money market fund.

Some SEI Funds are “funds-of-funds”, meaning that an SEI Fund will invest in underlying SEI Funds. Because SIMC is advisor to both the funds-of-funds and the underlying SEI Funds and is paid an advisory fee by both Funds, SIMC could select those underlying SEI Funds that pay higher advisory fees to SIMC. SIMC’s investment processes and governance structure mitigates this risk to ensure that it does not factor in the level of fees in its decision in the allocation of underlying SEI Funds in the fund-of-funds.

SIMC also currently manages the collateral received when the SEI Funds lend their securities. This lending activity takes place within each participating SEI Fund portfolio and not in a Client’s individual account. SIMC is paid fees for its management of the collateral and, consequently, may be incented to lend securities and/or use the collateral investment pool in order to generate more fees for SIMC. To mitigate this risk, SIMC’s use of the collateral pool and the SEI Funds’ lending activities are overseen by the SEI Funds’ Board of Trustees.

#### SEI Alternative Funds

Affiliates of SIMC (SEI Funds, Inc. and SEI Investment Strategies, LLC) serve as the general partner to several of the SEI Alternative Funds.

#### Collective Trust Funds

SEI Trust Company (“STC”), a Pennsylvania chartered bank, serves as trustee and investment manager to various collective trust funds in which SIMC may invest certain Client’s assets (to the extent they are eligible).

#### Non-U.S. Investors

SIMC may also delegate some of its responsibilities to its other affiliates who are investment advisors registered in other jurisdictions. SIMC serves as investment advisor to proprietary Irish-regulated UCITS Funds, which are sold to non-US investors. SIMC also serves as sub-advisor to several proprietary Canadian-registered mutual funds to which SIMC’s affiliates serve as advisor.

#### Affiliated Custodian

SIMC typically custodies Client accounts at SIMC’s affiliate, SEI Private Trust Company, a limited purpose federal thrift institution. SPTC may charge the Client a fee for these services. SPTC may also provide trust, custody and/or record-keeping services to SIMC’s Clients, including some of the Pooled Investment Vehicles. SPTC’s services may be provided without additional Client charge or at a discount to Clients of SIMC. Please see Item 5 for additional information on fees.

### Affiliated Broker/Dealer

SIMC may execute brokerage transactions using its affiliated broker/dealer, SIDCO. Please see Item 9 for information on SIMC's use of broker/dealers, including SIDCO.

## ***C. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading***

### Code of Ethics and Personal Trading

When SIMC employees have access to nonpublic information, conflicts of interest may arise between a Client's and that employee's interest. For example, a SIMC employee could gain information on the purchase or sale of securities by any SIMC Client, or portfolio holdings information for a particular Client. The SIMC employee could use this information to take advantage of available investment opportunities, take an investment opportunity from a Client for the employee's own portfolio, or front-run (which occurs when an employee trades in his or her personal account before making Client transactions). As a fiduciary, SIMC employees must always place the interests of Clients first and foremost and shall not take inappropriate advantage of his or her position.

SIMC has adopted a Code of Ethics to reinforce to its employees SIMC's principles of integrity and ethics, and to enforce compliance with applicable regulations and best practices. As stated in the SIMC Code of Ethics, SIMC employees and their family members with whom they reside must disclose personal securities holdings and personal securities transactions. They are also subject to certain trade pre-clearance and reporting standards for their personal securities transactions. Additionally, certain SIMC employees may not purchase or sell, directly or indirectly, any "Covered Security" (which is defined in the Code) within 24 hours before or after the time that the same Covered Security is being purchased or sold by any SIMC Client. Some SIMC employees may not purchase or sell such securities within seven days of a transaction for a SIMC Client. SIMC employees also may not profit from the purchase and sale or sale and purchase of a Covered Security within 60 days of acquiring or disposing of beneficial ownership of that Covered Security. Finally, SIMC employees may not acquire securities as part of an initial public offering or a private placement transaction without the prior consent of the SIMC Compliance Officer. The Code of Ethics also includes provisions relating to the confidentiality of Client information, market timing and incorporates SEI Investments Company's insider trading policy by reference. All supervised persons at SIMC are trained on the Code of Ethics and must acknowledge the terms of the Code of Ethics annually, or as amended.

SIMC does not restrict its employees from investing in the same securities that it recommends to its Clients. Because SIMC operates a manager-of-managers program, the risk of a SIMC employee taking advantage of portfolio holding and transaction information is mitigated. Furthermore, the transactions of SIMC employees are monitored on an ongoing basis and compared to the transactions effected by SIMC's investment products to ensure that the employee is not acting on material non-public information.

SIMC anticipates that, in appropriate circumstances, consistent with Clients' investment objectives, it will cause accounts over which SIMC has management authority to effect, and

will recommend to investment advisory Clients or prospective Clients, the purchase or sale of securities in which SIMC, its affiliates and/or Clients, directly or indirectly, have a position of interest. SIMC's employees and persons associated with SIMC are required to follow SIMC's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of SIMC and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for SIMC's Clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of SIMC will not interfere with (i) making decisions in the best interest of advisory Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as Clients, there is a possibility that employees might benefit from market activity by a Client in a security held by an employee. Employee trading is monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between SIMC and its Clients.

Clients and prospects may request a copy of SIMC's Code of Ethics by e-mailing [SIMCCompliance@seic.com](mailto:SIMCCompliance@seic.com) or sending a request to: SEI Investments Management Corporation, Attn: Stephanie Cavanagh, One Freedom Valley Drive, Oaks, PA 19456.

#### Participation or Interest in Client Transactions

SIMC may recommend to its Clients that they invest in Pooled Investment Vehicles to which SIMC also serves as investment adviser. For example, SIMC, as investment manager to a Client, may recommend that they invest in the SEI Funds, a separately managed account, or an Alternative Fund, where SIMC also serves as investment adviser and may receive a fee for those services. Additionally, SIMC's affiliate may also serve as the general partner to the Pooled Investment Vehicle and may use its affiliates for services, for which such affiliates may receive a fee. This could create a conflict of interest whereby SIMC could recommend an unsuitable SEI investment product to a SIMC Client in order for SIMC and its affiliates to receive additional fees. SIMC discloses this conflict of interest in the offering documents for each Pooled Investment Vehicle. It may also be disclosed in the SIMC Client's investment management agreement. To the extent that a particular investment is suitable for the Client accounts, such investments will be allocated to the individual Client accounts in a manner which SIMC determines is fair and equitable under the circumstances to all of its Clients.

SIMC and its affiliates may advise one Client or take actions for a Client, for itself, for its affiliates, or for their related persons that are different from the advice given or actions taken for other Clients. SIMC, its affiliates, and their related persons are not obligated to buy or sell for a Client any investment that they may buy, sell, or recommend for any other Client or for their own accounts. Persons associated with SIMC or its affiliates may themselves have investments in the SEI Funds.

It is SIMC's policy that the firm will not affect any principal securities transactions for Client accounts. Principal transactions are generally defined as transactions where SIMC, acting as



principal for its own account or the account of an affiliate (i.e., SIDCO), buys from or sells any security to any advisory Client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another Client account. In limited circumstances, SIMC may engage in cross-transaction pursuant to which SIMC may effect transactions between two of its managed Client accounts (i.e., arranging for the Clients' securities trades by "crossing" these trades when SIMC believes that such transactions are beneficial to its Clients). For all such transactions, SIDCO may be acting as a broker, and may receive any commission. The Client may revoke SIMC's cross-transaction authority at any time upon written notice to SIMC.

#### ***D. Client Referrals and Other Compensation***

SIMC may enter into introducing arrangements with third parties who will receive an introduction fee from SIMC for introducing prospective Clients to the SIMC. Additionally, SIMC may compensate SEI employees who will receive a fee (a portion of the fee paid to SIMC by the Client) for introducing prospective Clients to SIMC. Where required by federal or state law, each introducing arrangement will be governed by a written agreement between SIMC and the third party that complies with Rule 206(4)-3 of the Investment Adviser's Act of 1940. As required, Clients will be provided with copies of SIMC's Form ADV, separate disclosure of the nature of the introducing or referral arrangement (including compensation features) applicable to the Client being referred, and any other document required to be provided under applicable state law.

#### ***E. Financial Information***

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about SIMC's financial condition. SIMC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.