

# Investors Looked Forward to Looser Lockdowns

## Monthly Snapshot

- › Global financial markets continued their sharp rallies in May amid loosening lockdowns, promising progress toward COVID-19 vaccine development, and the ongoing extraordinary support of central banks.
- › Legislation passed the Congress in early June that would adjust Paycheck Protection Program rules to extend the period during which companies can spend loan proceeds and remain eligible for loan forgiveness, as well as allow a lower minimum share of loan proceeds to go toward covering payroll.
- › We remain mindful of the known risks inherent to investing in the capital markets as well as the potential for devastating surprises such as the COVID-19 pandemic that struck in early 2020 and remains a threat today.

Global financial markets continued their sharp rallies in May, albeit short of their remarkable April rebounds. The “risk-on” sentiment came amid a push by local governments to slowly reverse lockdowns of non-essential economic activity; the promising news of progress made in the race to develop COVID-19 vaccines; and the sustained extraordinary support of central banks.

Equities around much of the world experienced a choppy first half of May that ultimately gave way to a strong second half for the month. However, mainland Chinese and Hong Kong stocks were outliers; both came under pressure as the month progressed, with the island territory finishing the period with a steep loss. U.S. and European stocks generated solid monthly performance, while U.K. stocks delivered more subdued gains.

The blended earnings of S&P 500 Index constituents declined by 14.6% during first-quarter 2020 from a year earlier (based on 97% of companies that had reported results) putting the Index on track for its deepest year-over-year decline since third-quarter 2009. U.S. investment-grade corporate-bond issuance continued an unprecedented recovery from its standstill in March, racing past \$1 trillion in year-to-date issuance in late May; the \$1 trillion issuance milestone wasn't broken in 2019 until November.

Government-bond rates followed divergent paths from country to country. Short- and long-term U.S. Treasury rates increased as intermediate-term rates declined for the month. Rates mostly declined for U.K. gilts, yet increased for those with the longest maturities, while they increased across all maturities for eurozone government-bonds.

In the U.S., the total recorded number of COVID-19-related deaths surpassed 100,000 in late May—out of about 350,000 total worldwide. President Donald Trump's administration imposed travel restrictions on Brazil amid the South American nation's struggle to contain the outbreak; the federal government also prolonged its mandate for land-border closures with Canada and Mexico by one month, now effective through June 22. State-by-state responses continued to vary widely, with some local governments facing challenges to the legality of their orders: Wisconsin's state supreme court overturned the governor's stay-at-home

## Key Measures: May 2020

EQUITY	
Dow Jones Industrial Average	4.66% ↑
S&P 500 Index	4.76% ↑
NASDAQ Composite Index	6.89% ↑
MSCI ACWI Index (Net)	4.35% ↑
BOND	
Bloomberg Barclays Global Aggregate Index	0.44% ↑
VOLATILITY	
Chicago Board Options Exchange Volatility Index	27.51 ↓
PRIOR MONTH: 34.15	
OIL	
WTI Cushing crude oil prices	\$35.49 ↑
PRIOR MONTH: \$18.84	
CURRENCIES	
Sterling vs. U.S. dollar	\$1.23 ↓
Euro vs. U.S. dollar	\$1.11 ↑
U.S. dollar vs. yen	¥107.83 ↑

Sources: Bloomberg, FactSet, Lipper

order in mid-May; the U.S. Supreme Court rejected a California church's challenge to the legality of placing restrictions on gathering in places of worship—thereby validating California's state government to enforce such restrictions.

U.S. legislators continued to explore ways to improve the Paycheck Protection Program—a government loan designed to incentivize small businesses to keep workers on the payroll—legislation passed the Congress in early June that would extend the period during which companies can spend loan proceeds and remain eligible for loan forgiveness, as well as allow a lower minimum share of loan proceeds to go toward covering payroll. Toward the end of May, the House of Representatives also passed an additional \$3 trillion in COVID-19 relief funds, but the legislation was held up in the Senate with unclear prospects for approval.

The U.K. COVID-19-related death toll eclipsed that of Italy in early May, reaching the highest number of losses in Europe (although Italy lost a greater percentage of its smaller population). U.K. Chancellor of the Exchequer Rishi Sunak announced his intention to extend the government's mortgage-payment holiday beyond June as its initial three-month timeframe approached. As of mid-May, U.K. banks had granted these repayment holiday terms to 1.7 million homeowners.

Italy provided reason to celebrate halfway through the month as its number of new COVID-19 cases per day fell below 100 for the first time since March. The peninsular nation announced plans to begin reopening borders in early June. Prime Minister Giuseppe Conte proposed a €55 billion relief package intended to freeze corporate taxes for many businesses; provide forgivable grants of up to €40,000 for small businesses and emergency incomes of up to €800 for struggling families; extended unemployment payments; and offer funding for healthcare, tourism, research and agriculture, among others initiatives. The Italian government's announcement preceded the mid-May proposal by the European Commission for nearly €2 trillion across the EU, with €750 billion devoted to recovery efforts and another €1.1 trillion to budgets over the next seven years.

The National People's Congress in China concluded the month with its approval of a resolution to impose new national-security laws on Hong Kong amid ongoing anti-Beijing protests, marking a significant dilution of the "one country, two systems" governance ethos that has defined the relationship since the U.K.'s handoff of Hong Kong to China in 1997.

Several governments around the world condemned this development and began to explore concrete responses. U.K. Prime Minister Boris Johnson said Britain was considering a path to citizenship and relocation for British Nationals (Overseas) (a class of British nationality extended to Hong Kong residents prior to the 1997 handover). Meanwhile, the U.S. began examining Hong Kong's special territorial exemptions and evaluating multiple avenues for putting economic pressure on China—including sanctioning the mainland Chinese financial sector and imposing limitations on technology sharing by adding dozens of Chinese entities to trade blacklists.

The increasingly tense U.S.-China relationship was further stressed in May by a U.S. push for more transparency in the ownership of U.S.-listed Chinese companies and the U.S. government's barring of certain Chinese holdings from its retirement plans. Canada's relationship with China was also strained during the month after a Canadian judge ruled in favor of a U.S. petition to extradite a Chinese telecommunications executive. China, for its part, imposed an 80% tariff on all barley imported from Australia over the next five years in an apparent response to the Australian government's call for an independent inquiry into the origins of COVID-19.

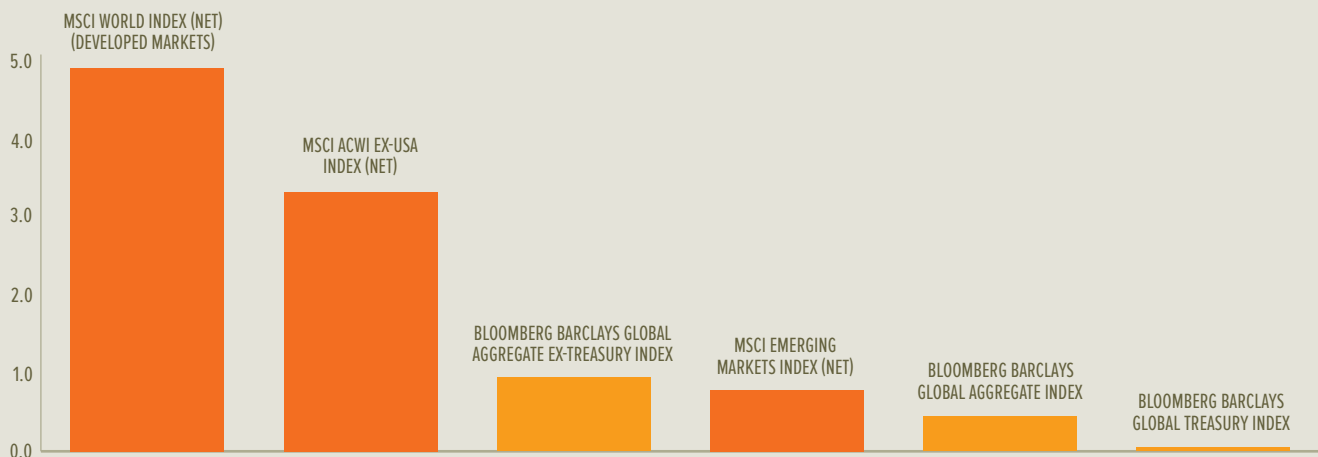
## Economic Data

Sharp contractions in manufacturing and services conditions appeared to slow across the U.S., U.K. and eurozone during May, but remained far from returning to growth. Preliminary reports showed services activity in the U.S. was moderating quicker than in the U.K. and eurozone.

- U.S. consumer spending fell by 13.6% during April, registering the sharpest one-month decline since the data series began in 1959. New jobless claims for U.S. unemployment benefits declined from more than 3 million per week in early May to about 2 million later in the month; continuing claims fell during the week of May 16 for the first time since COVID-19 lockdowns began in the U.S. Nearly 15 million U.S. credit card bills went unpaid during April, and more than 8% of U.S. mortgages were in forbearance as of mid-May. U.S. gross domestic product (GDP) declined by an annualized 5% during the first quarter of 2020, the largest annualized quarterly decline since the final three months of 2008.
- The U.K. economy shrank by 5.8% during March, representing the largest monthly decline in more than 20 years of U.K. GDP measurements. Economic activity contracted by 2% over the first quarter of 2020. The

## Major Index Performance in May 2020 (Percent Return)

■ FIXED INCOME ■ EQUITIES



Sources: FactSet, Lipper

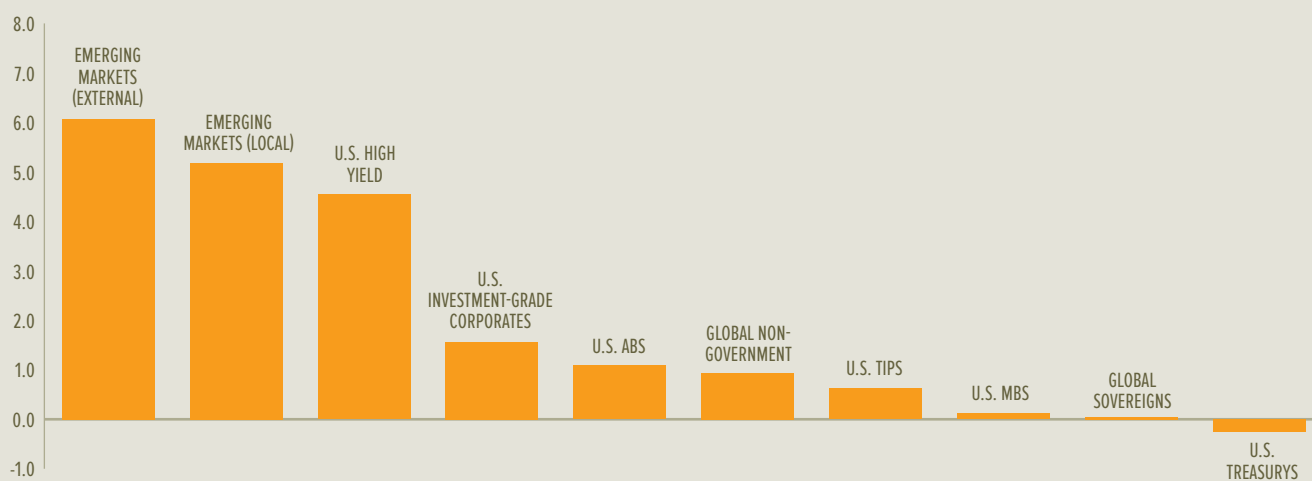
U.K. claimant count (which measures the number of people claiming unemployment benefits) jumped from 3.5% in March to 5.8% in April. Retail sales in the U.K. fell in April by 18.1% from the prior month and by 22.6% from a year earlier.

- › The eurozone contracted by 3.8% during the first quarter and 3.2% over the one-year period. Construction output dropped 14.2% in March after slipping just 0.5% in February. Loans to non-financial corporations climbed by 6.6% in April, following an increase of 5.4% in March, continuing a corporate-credit bounce from February’s ebb.

## Central Banks

- › The Federal Open Market Committee held no meeting in May after maintaining its monetary-policy orientation at a late-April meeting. As part of its crisis-period response, the Federal Reserve (Fed) began buying corporate bond exchange-traded funds on May 12 to support secondary-market liquidity. Fed Chair Jerome Powell announced near the end of May that the central bank’s Main Street Lending Program—introduced to support the small-business loan market—would be operational within days.
- › The Bank of England’s (BoE) Monetary Policy Committee held course following its May 7 meeting, keeping the Bank Rate at 0.1% and reiterating a commitment to purchase £200 billion in gilts and investment-grade corporate bonds (at its current pace of buying, this would bring the BoE’s stock of asset purchases to £645 billion by the beginning of July). The central bank’s May policy statement cited data that point to a significant drop in household consumption and plummeting expectations for sales and business investment during the second quarter.

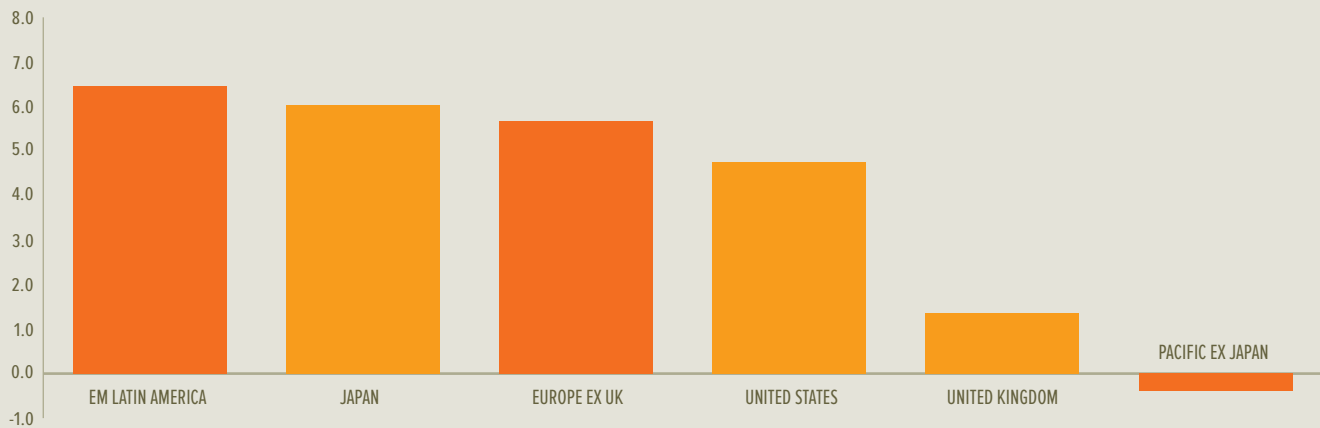
## Fixed-Income Performance in May 2020 (Percent Return)



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

## Regional Equity Performance in May 2020 (Percent Return)

■ COUNTRIES ■ REGIONS



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

- The European Central Bank (ECB) did not meet to address monetary policy in May following its end-of-April unveiling of a new lending program called the pandemic emergency longer-term refinancing operations, or PELTROs, to help facilitate proper functioning of money markets. Germany's constitutional court ruled during May that the ECB must produce justification for the legality of its bond-buying programme, which began in 2015, in order to determine whether the Bundesbank could continue to participate.
- The Bank of Japan (BOJ) did not conduct a meeting on monetary policy during May. At its late-April meeting, the BOJ committed to open-ended purchases of Japanese government bonds in an effort to keep yields low and stable, and announced a ramp-up to its purchases of corporate bonds and commercial paper to a target of ¥20 trillion.

## Portfolio Review

The U.S. equity market continued its rebound during May 2020, and our U.S. large-cap strategies<sup>1</sup> performed in line with their benchmarks' strong returns. In this environment, the strategies' tilts toward value stocks detracted, but this was offset by favorable stock selection in the consumer discretionary sector. Within small caps, our strategies delivered strong absolute returns but underperformed their benchmarks. Selection in consumer discretionary was the largest detractor, but was marginally offset by an overweight to the sector; an overweight to financials also detracted. Overseas, our international developed-market equity strategy outperformed the strong benchmark return in May, primarily due to selection in communications services, healthcare and consumer staples, along with an overweight to information technology; positioning in utilities detracted. At country level, contributors included selection in

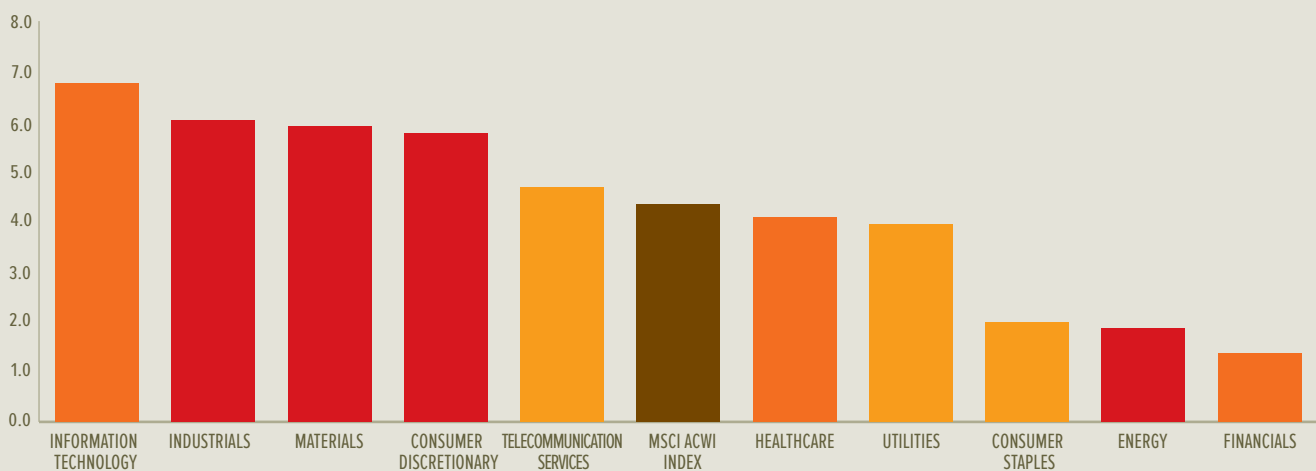
<sup>1</sup>Individual holdings will differ between strategies. Not representative of our passive strategies.

Norway, an underweight to Hong Kong, and an allocation to Canada; a steep underweight to and selection in Japan detracted. Our emerging-market equity strategy also outperformed its benchmark. Selection in consumer discretionary and information technology were beneficial, as was an underweight to and selection in financials; selection in healthcare detracted. At a country level, it gained on selection in Taiwan, Brazil and South Korea, while selection in Mexico detracted.

Our cored fixed-income strategy outperformed its benchmark during May as all non-government fixed-income sectors led comparable U.S. Treasuries. Corporate spreads narrowed during May as record issuance was met with solid demand, benefitting a corporate overweight concentrated in industrials and financials. Non-agency mortgage-backed securities (MBS) continued to recover losses but concerns about the outlook for payment delays remained a concern. Asset-backed securities (ABS) had strong returns as the Fed expanded eligible issuers for the Troubled Asset Loan Facility (TALF) and announced it would launch in mid-June, benefitting an overweight with the strategy's largest allocation to student loans. Commercial MBS (CMBS) recovered, but diverged from other securitized sectors as concerns about commercial property persisted; a higher-quality bias enhanced our returns within CMBS. Our high-yield strategy slightly outperformed its benchmark's sharp gain; selection in media, financial services and basic industry were the top contributors, while underweights to energy, automotive, and selection in retail were the top detractors. Our emerging-market debt strategy sharply outperformed its blended benchmark's strong gain in May. Positions in countries that underperformed in March's selloff tended to be the most additive during May's rebound: overweights to countries such as Mexico, Angola and Colombia contributed as they experienced strong rebounds. Underweights to higher-quality emerging markets like Thailand, Hungary and Poland detracted from performance.

## Global Equity Sector Performance in May 2020 (Percent Return)

DEFENSIVES   BLENDS   CYCLICALS



Sources: FactSet, Lipper. MSCI ACWI Index Components (as defined by SEI).

## Manager Positioning and Opportunities

The entire economic rebound is essentially dependent on how governments respond to COVID-19 public health and economic crises. Financial markets have been reflecting positive developments ranging from massive stimulus, a potential future vaccine, and a belief that the worst is over. We expect volatility in markets to remain elevated and dependent on a successful reopening of the economy. Ultimately, reactivation of a “business as usual” economy will depend on the success of containing the disease, as well as the severity of a potential second outbreak. Within large caps, high-growth stocks were still expensive relative to the broader market. Our large-cap strategies continued to underweight some of the largest-capitalization stocks in favor of better-valued opportunities further down the capitalization spectrum. We remained overweight to the healthcare, consumer staples, and financials sectors due to reasonable valuations and expectations of adequate profits in an economic downturn. Within our small-cap strategies, we continued to favor value and stability, reflecting our cautious stance. Overseas, our international developed-market strategy remained overweight information technology, communications services, industrials and healthcare. Defensive sectors such as consumer staples and utilities remained underweight, as did energy. Our emerging-market equity strategy has sought to increase its value exposure in the near term at the expense of momentum and stability-focused securities. It remained overweight information technology and industrials, and underweight financials, real estate, and materials, largely driven by avoidance of troubled spots in the Chinese economy.

With long-term yields remaining near historically low yields, our core fixed-income strategy has been gradually reducing its overweight to the 25-to-30 year segment of the yield curve, while positioning within the 7-to-10 year segment has been increased. We’ve grown our overweight to corporates—concentrated within financials and particularly within the consumer non-cyclical sub-sector of industrials. Overweights to ABS and CMBS remained given their competitive risk-adjusted yields, and we continued to emphasize higher-quality holdings. We maintained an allocation to non-agency MBS but have been reducing an overweight in agency MBS. Overall, we have been pursuing gradual changes to portfolio positioning and a “follow the Fed” strategy. Our high-yield strategy’s largest position remained an allocation to collateralized loan obligations (CLOs), followed by overweights to retail and leisure, while the largest underweights were within energy, telecommunications, consumer goods and automotive. Our emerging-market debt strategy had a small overweight to local-currency assets, and it was underweight higher-quality countries in favor of higher-yielding names (such as Ukraine) that may stand to generate strong returns in a recovery as they starting from more attractively priced positions. Top country overweights were Mexico, Ukraine, and Egypt, while top underweights were Philippines, Poland, and Thailand.

## SEI's View

Black swans, once largely presumed a myth because only the white variety was ever observed in nature, have become symbols of events that are exceptionally rare in occurrence and severe in impact. Today we are confronted with a black swan that landed earlier this year in the form of a pandemic.

The sudden and widespread stop in economic activity by government fiat is something that has never before been experienced on such a scale.

The ultimate impact on GDP is truly anybody's guess. The first quarter of 2020 saw an annualized decline of 5% in the U.S. The second quarter will likely be one for the record books; as of late May, Wall Street economists forecasted a quarter-to-quarter annualized decline exceeding 30%.

National governments have been quick to respond. All central banks are in crisis-fighting mode, having learned valuable lessons during the 2008-to-2009 great financial crisis, re-establishing unconventional bond-buying programs and creating some new facilities to expand the types of accepted collateral in order to extend cash to companies in need of liquid assets.

The Fed and other leading central banks have moved with an alacrity and forcefulness that we find commendable. But central banks cannot single-handedly support this economic shutdown. In our view, fiscal policy—in the form of direct income support, tax deferrals, loan guarantees, and outright bailouts of industries badly damaged by the halt of economic activity—must be the prime tool used to address this crisis.

The fiscal response is occurring with a speed and decisiveness seldom seen in history. The Congress passed a series of COVID-19 relief bills that easily topped 10% of GDP. Other developed countries have pursued a similar strategy of massive income support and liquidity injections. Italy, the European epicenter of the virus, will be particularly hard-pressed to do all that is necessary to stabilize its economy; its government debt-to-GDP ratio is already well above that of other major European countries.

In our view, a financial crisis can be averted in Europe if the ECB backs up the debt. This is now-or-never time for the EU and eurozone. The stronger countries must come to the aid of the weaker, or else face an intensified popular backlash that could threaten the unity of the economic zone.

The onslaught of developments presented by the spread of COVID-19 has forced financial markets to recalibrate prices sharply as expectations about different industries and the overall economy shift quickly. Investors should gain some reassurance, however, from the fact that an earnings recession caused by virus-containment measures is generally only expected to last a couple quarters or so. If market prices are based on a long-term, multi-year expectation, then this fallout should represent a relatively small part of the market's forward-looking focus.

We are grateful that the chaotic trading in March has eased considerably, thanks to liquidity provided by central banks and fiscal packages offered by governments around the world. Only time will tell whether markets have



sufficiently discounted the pain that lies ahead. We have to be cognizant of the fact that earnings estimates will likely come down hard over the next two quarters. These waterfall declines in earnings could still drag equities down with them. It all depends on how willing investors are to look beyond the valley. Markets should prove resilient if there is a common belief that fiscal and monetary responses to the crisis thus far will successfully prop up the global economy.

Right now, as always, we are focused on trying to deliver as diversified a portfolio as possible to all of our investors, regardless of their risk tolerances. We're considering the known risks inherent to the capital markets as well as the uncertainty that comes with any long-term investing plan, such as the black swan we've encountered in 2020.

At SEI, we build and maintain long-term-oriented portfolios by being attuned to evolving correlations, or relationships, between asset classes. We believe our strategies are robust and built to handle the kinds of challenges presented in today's environment.

At a portfolio level, we encourage investors to stay diversified and avoid short-term trading in these volatile markets. If you are a goals-based investor—and your portfolio is aligned with your goals, time horizon and risk tolerance—be patient. Time should be on your side.

You're seeing a real-life, albeit metaphorical, black swan. Use this experience to become a better, more informed investor. We will continue to monitor economic and financial-market developments and provide our insight to help you achieve that goal.

## Glossary of Financial Terms

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

**Paycheck Protection Program:** The Paycheck Protection Program is a loan offer by the U.S. government's Small Business Administration (SBA) designed to provide a direct incentive for small businesses to keep their workers on the payroll. SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.

**Pandemic Emergency Longer-Term Refinancing Operations (PELTROs):** PELTROs are a series of longer-term refinancing operations intended by the ECB to ensure sufficient liquidity and smooth money market conditions during the COVID-19 pandemic period. PELTRO operations are planned to be allotted on a near-monthly basis maturing in the third quarter of 2021.

## Index and Benchmark Descriptions

**All indexes are quoted in gross performance unless otherwise indicated.**

**The Bloomberg Barclays 1-10 Year US TIPS Index** measures the performance of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of 1 to 10 years.

**The Bloomberg Barclays US Asset Backed Securities (ABS) Index** measures the performance of ABS with the following collateral types: credit and charge card, auto and utility loans. All securities have an average life of at least one year.

**The Bloomberg Barclays Global Aggregate Index** is an unmanaged market-capitalization-weighted benchmark, tracks the performance of investment-grade fixed-income securities denominated in 13 currencies. The Index reflects reinvestment of all distributions and changes in market prices.

**The Bloomberg Barclays Global Aggregate ex-Treasury Index** is an unmanaged market index representative of the total-return performance of ex-Treasury major world bond markets.

**The Bloomberg Barclays Global Treasury Index** is composed of those securities included in the Bloomberg Barclays Global Aggregate Bond Index that are Treasury securities.

**The Bloomberg Barclays US Corporate Bond Index** is a broad-based benchmark that measures the investment-grade, fixed-rate, taxable corporate bond market.

**The Bloomberg Barclays US Mortgage Backed Securities (MBS) Index** measures the performance of investment-grade, fixed-rate, mortgage-backed, pass-through securities of Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Freddie Mac (FHLMC).

**The Bloomberg Barclays US Treasury Index** is an unmanaged index composed of U.S. Treasuries.

**The ICE BofA U.S. High Yield Constrained Index** contains all securities in The ICE BofA U.S. High Yield Index but caps exposure to individual issuers at 2%.

**The ICE BofA U.S. High Yield Index** tracks the performance of below-investment-grade, U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

**The Chicago Board Options Exchange Volatility Index (VIX)** tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

**CBOE Volatility Index (VIX Index):** The VIX Index tracks the expected volatility in the S&P 500 Index over the next 30 days. A higher number indicates greater volatility.

**The Dow Jones Industrial Average** is a widely followed market indicator based on a price-weighted average of 30 blue-chip New York Stock Exchange stocks that are selected by editors of *The Wall Street Journal*.

**The FTSE All-Share Index** represents 98% to 99% of U.K. equity market capitalization. The Index aggregates the FTSE 100, FTSE 250 and FTSE Small Cap Indexes.

**The JPMorgan EMBI Global Diversified Index** tracks the performance of external debt instruments (including U.S. dollar-denominated and other external-currency-denominated Brady bonds, loans, eurobonds and local-market instruments) in the emerging markets.

**JPMorgan GBI-EM Global Diversified Index** tracks the performance of debt instruments issued in domestic currencies by emerging-market governments.

**The MSCI ACWI Index** is a market-capitalization-weighted index composed of over 2,000 companies, representing the market structure of 48 developed- and emerging-market countries in North and South America, Europe, Africa and the Pacific Rim. The Index is calculated with net dividends reinvested in U.S. dollars.

**The MSCI ACWI ex-USA Index** includes both developed- and emerging-market countries, excluding the U.S.

**The MSCI Emerging Markets Index** is a free float-adjusted market-capitalization-weighted index designed to measure the performance of global emerging-market equities.

**The MSCI Emerging Markets Latin America Index** captures large- and mid-cap representation across five emerging-market countries in Latin America.

**The MSCI EMU (European Economic and Monetary Union) Index** is a free float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of countries within EMU. The Index consists of the following 10 developed-market country indexes: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal and Spain.

**The MSCI Europe ex-UK Index** is a free float-adjusted market-capitalization-weighted index that captures large- and mid-cap representation across 14 developed-market countries in Europe (Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden and Switzerland). The Index covers approximately 85% of the free float-adjusted market capitalization across European developed markets excluding the U.K.

**The MSCI Pacific ex Japan Index** captures large- and mid-cap representation across four of five developed-market countries in the Pacific region (excluding Japan).

**The MSCI Japan Index** is designed to measure the performance of the large- and mid-capitalization stocks in Japan.

**MSCI United Kingdom Index** is designed to measure the performance of the large- and mid-cap segments of the U.K. market.

**MSCI USA Index** is designed to measure the performance of the large- and mid-cap segments of the U.S. market.

**The MSCI World Index** is a free float-adjusted market-capitalization-weighted index designed to measure the equity market performance of developed markets. The Index consists of the following 23 developed-market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the U.K. and the U.S.

**The MSCI World ex-USA Index** is a free float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the U.S.

**The NASDAQ Composite Index** is a market-value-weighted index of all common stocks listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) system.

**Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

**The Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

**The Shenzhen Stock Exchange Composite Index** tracks performance of A share stocks (which are denominated in renminbi, the local currency) and B share stocks (which are denominated in Hong Kong dollars, an offshore currency) on China's Shenzhen Stock Exchange.

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

**The TOPIX, also known as the Tokyo Stock Price Index**, is a capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange. The Index is supplemented by the subindexes of the 33 industry sectors. The Index calculation excludes temporary issues and preferred stocks, and has a base value of 100 as of January 4, 1968.

## Corresponding Indexes for Fixed-Income Performance Exhibit

U.S. High Yield	ICE BofA U.S. High Yield Constrained Index
Global Sovereigns	Bloomberg Barclays Global Treasury Index
Global Non-Government	Bloomberg Barclays Global Aggregate ex-Treasury Index
Emerging Markets (Local)	JPMorgan GBI-EM Global Diversified Index
Emerging Markets (External)	JPMorgan EMBI Global Diversified Index
U.S. Mortgage-Backed Securities (MBS)	Bloomberg Barclays US Mortgage Backed Securities Index
U.S. Asset-Backed Securities (ABS)	Bloomberg Barclays US Asset Backed Securities Index
U.S. Treasuries	Bloomberg Barclays US Treasury Index
U.S. Treasury Inflation-Protected Securities (TIPS)	Bloomberg Barclays 1-10 Year US TIPS Index
U.S. Investment-Grade Corporates	Bloomberg Barclays US Corporate Bond Index

## Corresponding Indexes for Regional Equity Performance Exhibit

United States	S&P 500 Index
United Kingdom	FTSE All-Share Index
Pacific ex Japan	MSCI Pacific ex Japan Index (Net)
Japan	TOPIX, also known as the Tokyo Stock Price Index
Europe ex U.K.	MSCI Europe ex UK Index (Net)
EM Latin America	MSCI Emerging Markets Latin America Index (Net)

## Disclosures

*This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding SEI's portfolios or any stock in particular, nor should it be construed as a recommendation to purchase or sell a security, including futures contracts.*

*There are risks involved with investing, including loss of principal. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Narrowly focused investments and smaller companies typically exhibit higher volatility. Bonds and bond funds will decrease in value as interest rates rise. High-yield bonds involve greater risks of default or downgrade and are more volatile than investment-grade securities, due to the speculative nature of their investments.*

*Diversification may not protect against market risk. Past performance does not guarantee future results. Index returns are for illustrative purposes only and do not represent actual portfolio performance. Index returns do not reflect any management fees, transaction costs or expenses. One cannot invest directly in an index.*

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