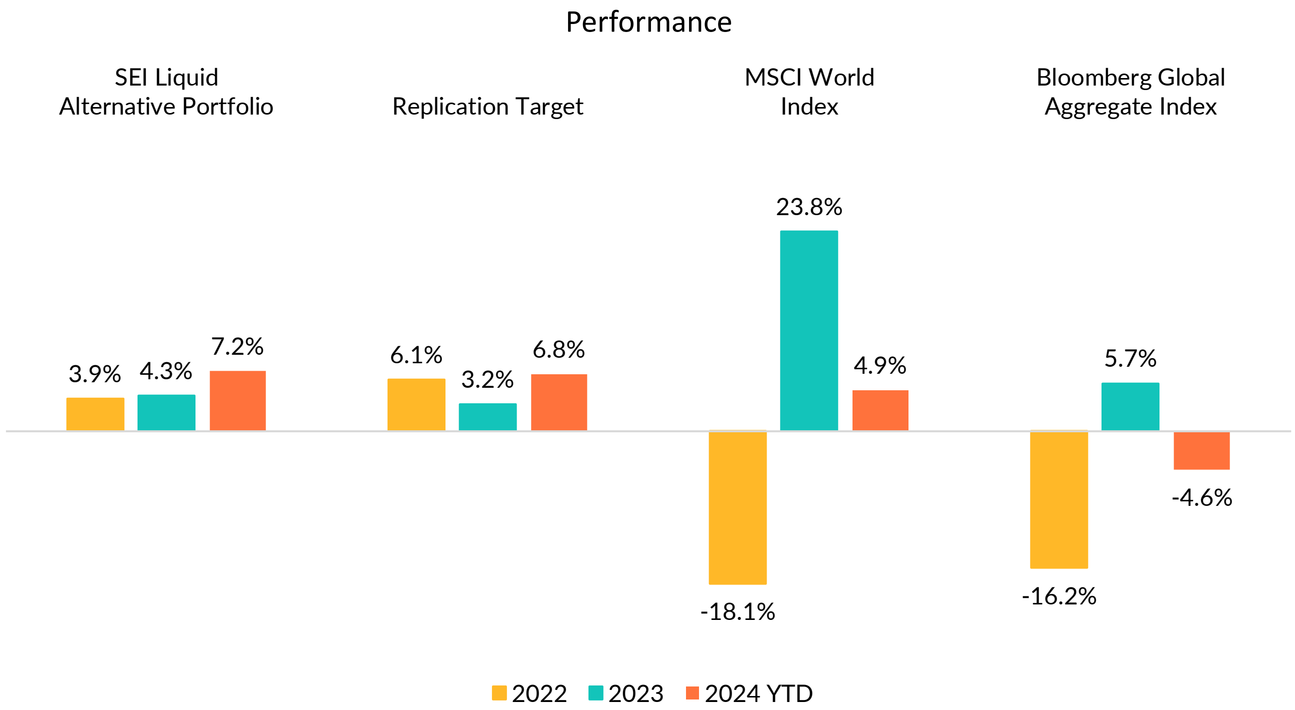
SEI LIQUID ALTERNATIVE FUND

APRIL 2024

Dear Colleagues:

The Portfolio[1] returned **0.6%** in April and is up **7.2%** in 2024, slightly ahead of the performance of the Target portfolio of seventy leading hedge funds. The MSCI World Index fell -3.7% for the month and the Bloomberg Global Aggregate Index fell -2.5%.



*Source: DBi and Bloomberg. Data as of April 30th, 2024

In last month's letter, we warned that the market's exuberance might be tempered if inflation refused to cooperate. That risk materialized in April. Several hot inflation and economic figures poured cold water on the exuberant scenario of having half a dozen or more Fed rate cuts. Not surprisingly, yields spiked, the MSCI World dropped -3.7% – giving up more than a third of year to date gains -- and the Bloomberg Global Agg bond index dropped -2.5%, extending the 2024 decline to -4.6% (which almost fully wipes out the 5.7% of the gain from 2023).

In these letters, we have tried to emphasize that the near-term market consensus is often wrong and flips quite regularly; we saw this in April and much of the preceding two years. Further, with the resurgence of inflation this decade, bonds have failed to provide diversification to stocks – through sub-cash returns, rising volatility, higher drawdowns and a positive correlation to stocks. This is an enormous issue for the wealth management industry that is driving a reexamination of how to diversify equity risk, known as the driver of long-term capital appreciation but with uncomfortable levels of volatility. Consequently, we believe that the risk-adjusted returns of multi-asset portfolios – which aim to maximize wealth accumulation with a "smoother ride" - can be enhanced today through diversification into strategies, like this Fund, that have the ability to deliver uncorrelated returns with a premium over the current cash yields and prudent risk controls.

The **Strategic Alpha** (Multi-Strategy) replication portfolio returned **-1.0%** in April and is up a **1.7%** for the year. Based on early reporting, the Target portfolio of Equity Long/Short, Relative Value and Event-Driven hedge funds fell -0.5% last month and has gained 3.5% in 2024. Equity exposure drove losses, which were partially offset by a hedge in the US dollar. Since inception, we estimate that the replication portfolio has delivered approximately 90% of pre-fee returns of the Target, with a correlation of around 0.80, and nearly 100 bps per annum of alpha – yet with daily liquidity.

The **Tactical Alpha** (Managed Futures) replication portfolio gained **3.1%** in April and has gained **16.0%** in 2024. The Target portfolio of managed futures funds rose 2.0% last month and has returned 11.9% this year. Outperformance this year is attributable to both fee disintermediation and the avoidance of certain "non-core" positions that recently have detracted from hedge fund returns. Losses on equities were more than offset by gains in currencies and rates, where a timely pivot to net short Treasuries earlier this year contributed to performance. Since March, the portfolio has rapidly decreased exposure to equities while maintaining a large long position in the US dollar – a bet that the Fed will maintain higher rates while major trading partners cut them. Since inception, the replication portfolio has materially outperformed the Target hedge funds, net of fees, with a correlation of approximately 0.80 and 280 bps per annum of alpha.

Please do not hesitate to reach out with any questions or comments.

All the best,

The DBi Team

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SOURCES

Some of the information presented in this document includes information that has been obtained from third-party sources.
DBi is the source and owner of all DBi performance information.

GLOSSARY OF TERMS

Alpha represents the portion of a fund return not attributable to beta.
Annualized Standard Deviation measures the annualized volatility of an asset over multiple time periods.
Beta is a measure of systematic risk of a fund compared to a market index.
Compounded Annual Return measures the annual rate of return of an asset over multiple time periods.
Maximum Drawdown measures the peak to trough decline of investment performance over a given period of time.
Sharpe Ratio measures the risk-adjusted returns of a fund and is a ratio equal to the annualized excess returns of the fund divided by its annualized standard deviation.

INDEX DEFINITIONS

The SG CTA Index is an index published by Société Générale that is designed to reflect the performance of a pool of Commodity Trading Advisors (CTAs) selected from the largest managers open to new investment and report returns on a daily basis. The index is equal-weighted and rebalanced annually. (Source Bloomberg. Ticker: NEIXCTA Index)

The MSCI World Index is an index maintained by MSCI that reflects the performance of large and mid-cap equities across 23 developed markets with net dividends reinvested. (Source Bloomberg. Ticker: M1WO Index)

Additional definitions available upon request.

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[1] Performance of the portfolios managed by DBi, net of estimated fees and expenses. Please consult SEI directly for performance of individual share classes.