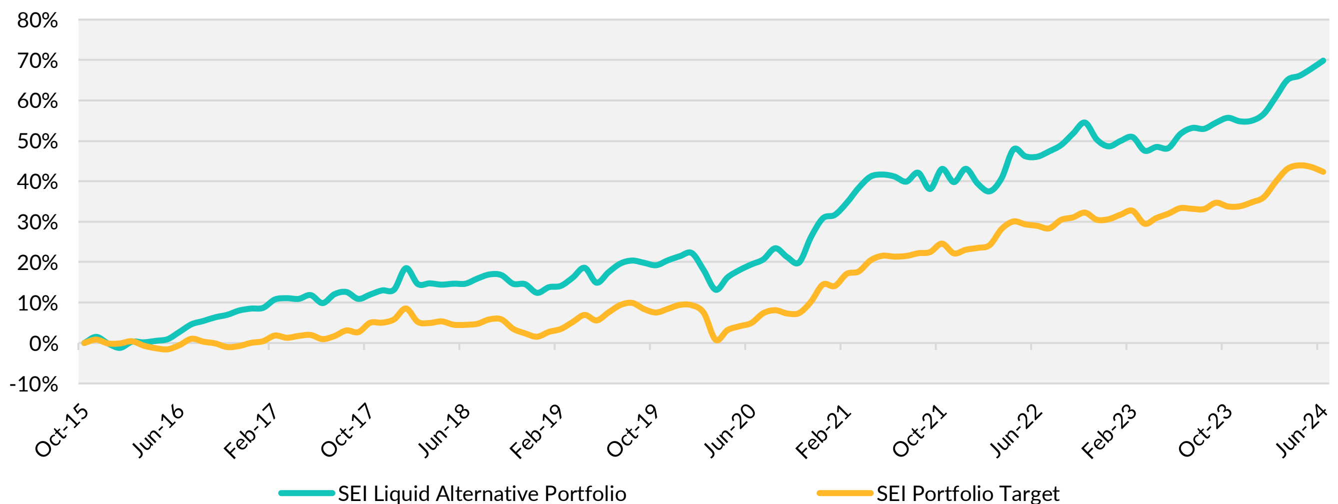
SEI LIQUID ALTERNATIVE FUND

2Q2024 Sub-Advisor Performance Review

The figures below represent the performance of the Fund's Portfolio managed by DBi, net of sub-advisory fees and estimated expenses, and are shown in USD terms. Please consult SEI directly for performance of individual share classes.

- The **Portfolio**[1] returned **2.9%** in the second quarter and is up **9.6%** in 2024. Both figures are well ahead of the performance of the Target hedge funds.
- The **Strategic Alpha** (replication of Equity Long/Short, Relative Value and Event-Driven hedge funds) portfolio rose **1.9%** this quarter and is up **4.6%** this year.
- The **Tactical Alpha** (replication of Managed Futures funds) portfolio gained **4.5%** in the second quarter and is up **17.6%** year-to-date.
- Since inception, the Portfolio has outperformed the Target portfolio of seventy leading hedge funds by 200 bps per annum and delivered cash plus 528 bps gross with a beta to the MSCI World of approximately 0.20.



Inception to Jun 30, 2024	SEI Liquid Alternative Portfolio	SEI Portfolio Target HFs
CAGR	6.3%	4.2%
Cumulative Return	69.9%	42.3%
Volatility	6.0%	4.8%
Max Drawdown	-7.4%	-8.3%
Sharpe Ratio	0.74	0.49

Source: Bloomberg, DBi, Eurekahedge. 16 November 2015 till 30 June 2024. Data refers to cumulative past performance. Cumulative past performance is not a reliable indicator of future results. The SGMF Liquid Alternative Fund referred to within this letter is not managed against the indices referenced in this letter or elsewhere in this presentation. This data is being shown for illustrative purposes only.

MARKET COMMENTARY

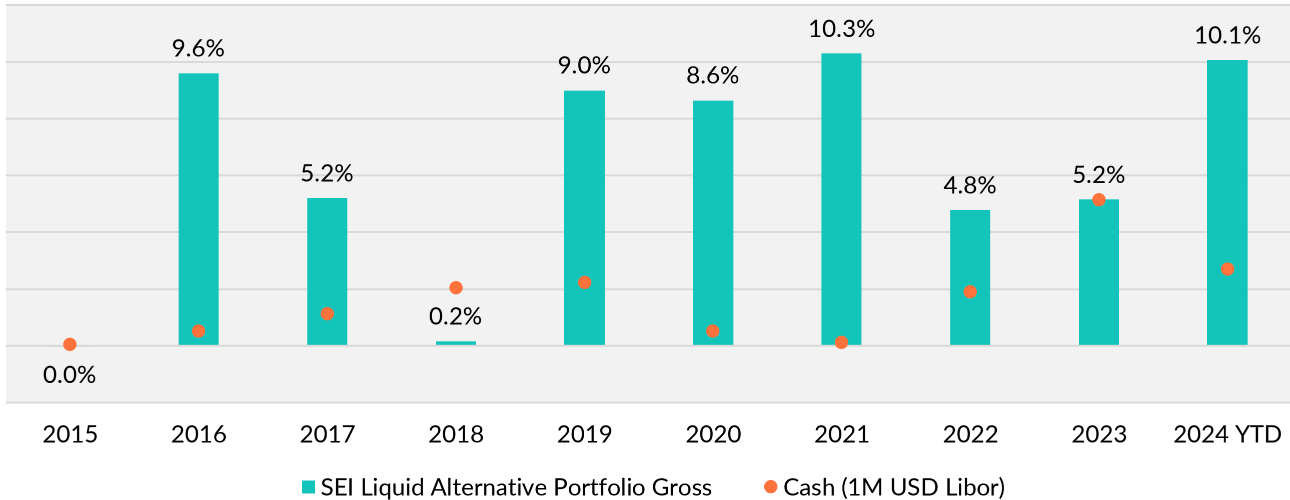
If there is anyone on Planet Earth who has consistently nailed the macro environment this decade, we have yet to hear about him or her. Rather, the past several years have been a lesson in unpredictability. Who would have anticipated a global virus and economic shutdown – let alone one followed a few months later by a bullish frenzy in speculative assets? Or that the Fed would slam the brakes with 500 bps of rate hikes, only for the economic train to shrug it off? Or that markets would remain blasé about a rapid deterioration in macroeconomic instability -- whether hot or cold wars, political chaos and dysfunction, or socioeconomic fragmentation? Or that so many market canons – the predictive power of an inverted yield curve, the inverse correlation of stocks and bonds, the relationship of growth and value stocks, the bond market's reaction to profligate government spending, etc. – would falter?

As physicist Niels Bohr pithily said, "it's difficult to make predictions, especially about the future." As you know from these letters, we embrace this humility. We live in a world of probabilities, not certainties. This ethos flows through to how and why we built this Fund. We avoid making calls where we believe we have no demonstrable edge: we do not try to predict which hedge fund, let alone strategy, will perform best next year. Likewise, we avoid risks that have limited economic payoff despite large, unpredictable "fat tails" – e.g. illiquid assets in a daily liquid UCITS fund. Instead, we focus on two calls where we believe the odds are strongly in our favor: (a) that efficient pre-fee replication can outperform high-cost hedge funds (and, even more so, their liquid brethren) and (b) that diversification among different strategies can lead to a more stable return profile. To put it succinctly, and to borrow from a hedge fund legend, we focus on what works and try not to do stupid things.

PERFORMANCE REVIEW

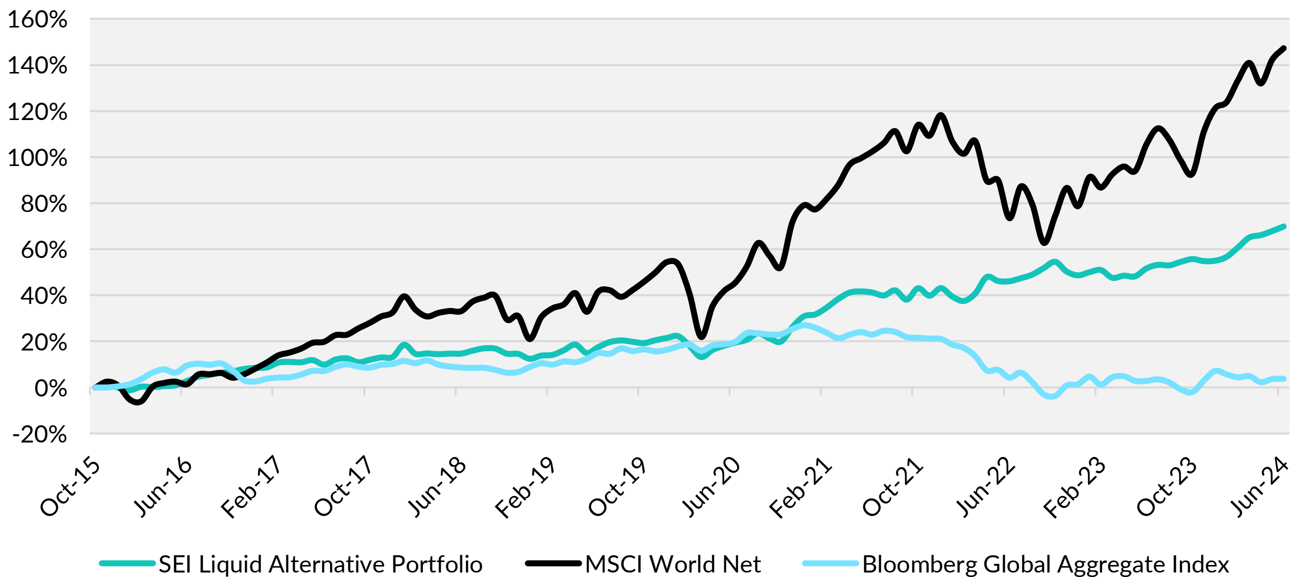
This is proving to be an exceptionally important year for the Fund. The Portfolio gained **9.6% net**, which is not only 400 bps ahead of the performance of the Target hedge funds, but also 691 bps above cash returns. Since inception nearly nine years ago, the Portfolio, on a gross of fees basis, has returned 528 bps more than cash on an annualized basis – slightly above our aspirational target of 5% – with a beta to the MSCI World of 0.20.

As noted in the 1Q letter, returns and alpha generation are lumpy. Products that promise perfectly smooth returns are either deliberately smoothed (think: private credit) or flat-out frauds. The chart shows calendar year returns of the Portfolio, before fees, with one month LIBOR for reference. 2024 so far is proving to be one of the best years for the fund – not just on an absolute basis, but also relative to cash. We believe this is compelling evidence that the Fund has the potential to deliver cash plus 5% gross even in a higher interest rate environment.



Years	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD
SEI Portfolio Gross	0.0%	9.6%	5.2%	0.2%	9.0%	8.6%	10.3%	4.8%	5.2%	10.1%
SEI Portfolio Net	-0.1%	8.7%	4.3%	-0.7%	8.1%	7.7%	9.4%	3.9%	4.3%	9.6%

Of course, these returns are not generated in isolation. Allocators evaluate the Fund based on its potential to add diversification in a multi-asset portfolio. We cite numerous statistics relative to equities to make our case: more than half of the returns of the MSCI World with a beta of 0.2 and less than one-third the max drawdown. Or relative to the Bloomberg Global Aggregate bond index, 500 bps per annum of outperformance with comparable volatility and less than one third the max drawdown. We believe the chart below is a straightforward representation of this: we kept up with bonds during the tail end of the Great Bond Bubble, then continued to march upward during the regime shift to an inflationary world, all the while sidestepping the two bear markets in equities and one in bonds.



STRATEGIC ALPHA (ELS/RV/ED) - 60% ALLOCATION

The Multi-Strategy replication portfolio gained **1.9%** during the second quarter and is up **4.6%** year-to-date. With relatively few funds reporting as of this writing, we expect the Target portfolio of fifty Equity Long/Short, Relative Value and Event-Driven hedge funds to have matched our performance this year. Since inception, our replication models have delivered approximately 150 bps of annualized alpha relative to the Target with a correlation of 0.80. While about a quarter of gross equity exposure is in Nasdaq, which is up over 17% this year, the rest is distributed across EAFE, small and midcap US and emerging markets equities, which have returned a more modest 5-8%. Hedges in the US dollar and rates have been roughly neutral to performance.

TACTICAL ALPHA (MANAGED FUTURES) – 40% ALLOCATION

The Tactical Alpha portfolio, which seeks to replicate the pre-fee returns of leading managed futures hedges funds, returned **4.5%** last quarter and is up **17.6%** this year. The SocGen CTA index, by contrast, declined last quarter and finished the first half up 6.9%. This marks one of the best six-month periods for the strategy relative to the Target. As discussed, replication is an approximation that can be "noisy." One driver of noise is that we invest in ten futures (and with no direct commodity exposure) while the target funds might employ one hundred or more. Conceptionally, during certain periods those non-core positions add meaningful "alpha," we will capture a lower percentage of returns; in others periods, they detract. Over time, we expect the good and bad periods to cancel out, and hence we should outperform through fee and expense disintermediation. Case in point: since launch in 2015, we've outperformed by 320 bps per annum. This year arguably has been a case study in the potential performance drag of non-core positions: numerous markets not only have suffered repeated whipsaws, but allocations to those markets reduced exposure to certain "core" trades (i.e. short the Yen) that worked much better. Hence, the model is "working" as expected -- we have maintained high correlations this year and clearly are capturing the broad positioning of the space – but simplicity is turning out to be an important "alpha generator" above and beyond fee and expense savings.

During the quarter, we continued to reduce long equity risk, increased the duration of the short position in Treasuries, maintained the Yen short while pivoting from short to long the Euro, and have flipped from short to long the currencies of commodity-producing countries. Currencies – especially the Yen – have delivered more than half of performance this year, followed by gains in equities and modest gains in rates.

CONCLUSION

Across the allocator landscape, we see allocators working though a grinding shift from 60/40 to 50/30/20. The question is what kinds of strategies can anchor the "20%", especially for clients who value liquidity. Early adopters of liquid alternative funds often learned hard lessons about the various "landmines" across the space: single manager funds are maddeningly unpredictable, asset-liability mismatches can be fatal, UCITS constraints often diminish returns, etc. We look forward to continuing to make the case that this strategy can play a valuable role in helping model allocators of all stripes to deliver what their clients need: better returns with a smoother ride.

We thank you as always for your support. Please do not hesitate to reach out with any questions or comments.

Sincerely,

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. Dynamic Beta investments, LLC 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] The Portfolio reflects the USD performance of the managed accounts managed by DBi, net of 85 bps of estimated expenses. Please contact SEI for share class-level performance.