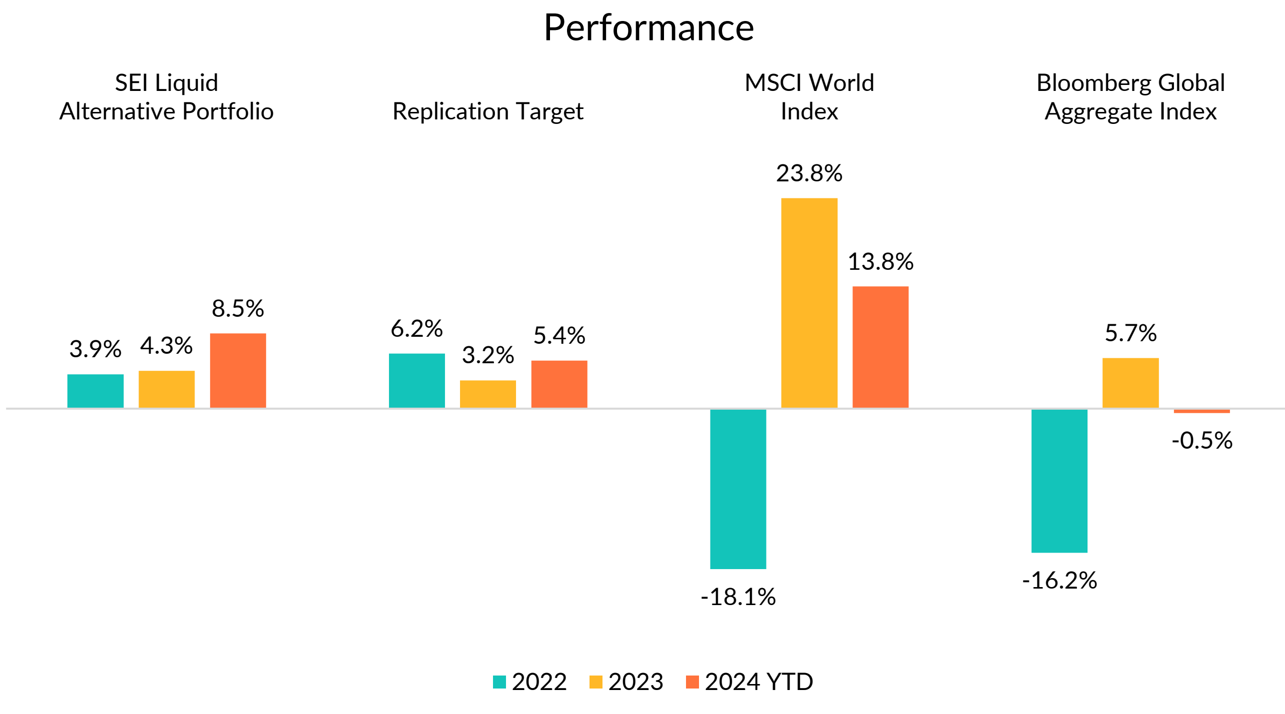
SEI LIQUID ALTERNATIVE FUND

JULY 2024

Dear Colleagues:

The Portfolio[1] declined **-1.0%** in July and is up **8.5%** in 2024, approximately 300 bps ahead of the Target portfolio of seventy leading hedge funds. The MSCI World Index rose 1.8% for the month and is up 13.8% year-to-date, while the Bloomberg Global Aggregate Index bounced 2.8% but remains down -0.5% this year.



*Source: DBi and Bloomberg. Data as of July 31st, 2024

Beneath an apparently placid market surface that saw both stocks and bonds up last month, the macro environment was dominated by a series a jarring shifts. In the US, Trump survived an assassination attempt – briefly leading to high expectations of a Red Wave in November. Then a week or so later, Biden was forced off the ticket and the Democrats, to the shock of most analysts, engineered a smooth transition to a new candidate who has quickly gained traction. The Teflon US economy finally shows signs of damage from high real interest rates, which drove a sharp spike in Treasury prices and a frantic ramp up in bets on a September rate cut. The Bank of Japan finally intervened to offset the relentless drop of the Yen, raising the risk of destabilizing market unwinds and the potential impact on the domestic markets and economy. The Magnificent Seven stocks – up 57% on average through June – were hit with a correction; deflating Ai hype, plus the sudden prospect of lower rates, sparked a massive rotation into unloved stock market laggards (e.g. small cap stocks soared 10%).

During such market gyrations, it is impossible to separate fundamental and technical drivers of price moves. A repricing due to a change in economic information is rational and likely to be durable; a price move exacerbated by an unwind of a crowded trade is not. Often, the magnitude of a short term price move itself will convince market observers that someone, somewhere knows something, which can add fuel to the narrative fire. Our sense is that there are profound uncertainties, real shifts in the macroeconomic environment that will be play out over the coming months and years, but that the market structure is amplifying short term moves. Most notably, the bond market, formerly viewed as a sober asset class, has whipsawed like a memestock when a data point or two comes in outside the range of expectations. The only potential answer we have for this is to diversify and preserve liquidity, benefits we hope this Fund will continue to provide.

The **Strategic Alpha** (Multi-Strategy) replication portfolio gained **1.1%** in July and is up **5.7%** for the year, in line with the Target portfolio of Equity Long/Short, Relative Value and Event-Driven. Gains in equities were partially offset by losses on a hedge in the US dollar. A yield curve steepener modestly contributed to gains. 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 approximately 150 bps per annum of alpha – yet with daily liquidity.

The **Tactical Alpha** (Managed Futures) replication portfolio declined **-4.1%** in July and has gained **12.8%** in 2024, approximately 800 bps ahead of the Target portfolio of managed futures hedge funds. The portfolio was caught in some of the reversals described above, led by losses in the Japanese Yen and short positions in Treasuries. We note that there was a substantial derisking in this portfolio early in August. Since inception, the replication portfolio has more than doubled the performance, net of fees, and has generated over 350 bps per annum of alpha relative to the Target hedge funds.

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

All the best,
The DBi Team

IMPORTANT DISCLOSURES

RISK DISCLOSURE

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.