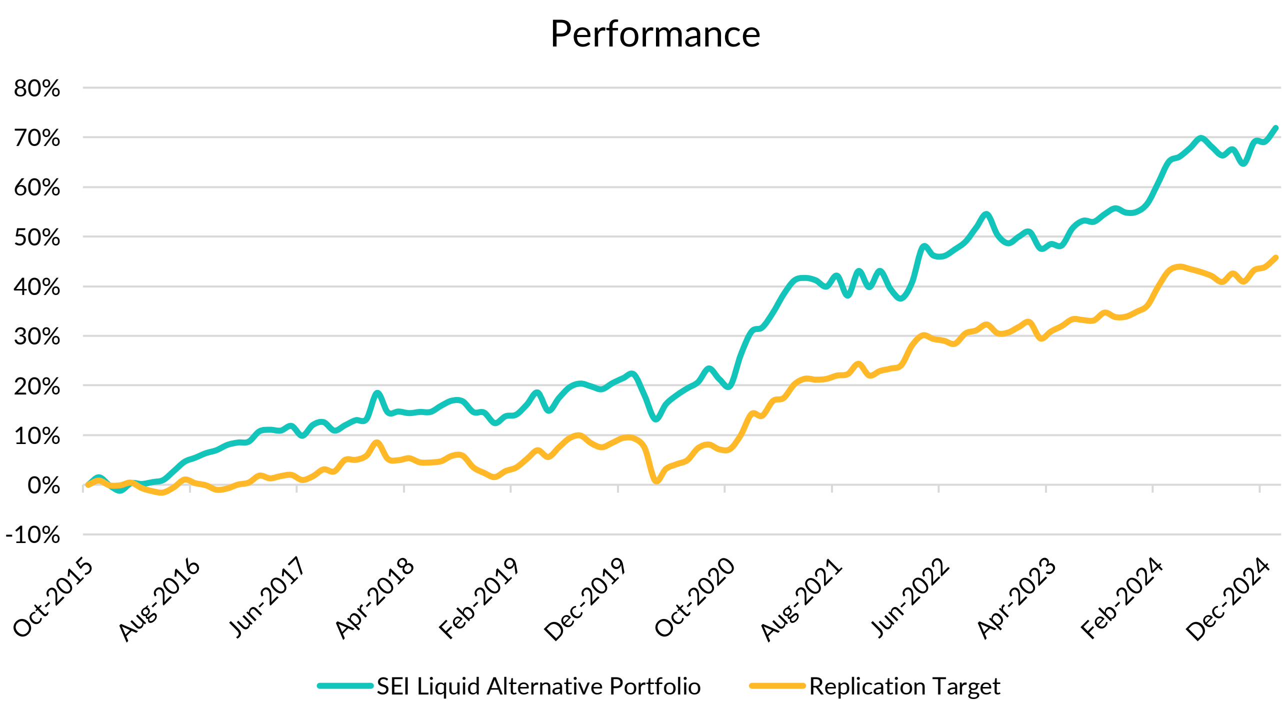
SEI LIQUID ALTERNATIVE FUND

JANUARY 2025

Dear Colleagues:

The Portfolio[1] rose **1.6%** net in January after returning **9.1%** net for 2024. The MSCI World Index returned 3.6% for the month and was up 18.8% last year, while the Bloomberg Global Aggregate Index increased 0.6% in January and declined -1.7% in 2024.



*Source: DBi and Bloomberg. Data as of January 31st, 2025

Change is afoot. That much is certain. Just a week or two into his second administration, Trump is flooding the zone and pushing boundaries. Increasingly influenced by tech entrepreneurs, his administration seems eager to take a "let's break it and see what happens" approach to many government agencies. Supporters see a great economic experiment in unapologetic, unfettered capitalism that will drive US productivity, GDP growth and lower deficits (Animal Spirits); critics see reckless disorder, crass profiteering and aspiring totalitarianism (Animal House, at best). Outside the US, Trump is upending the post-World War II order by threatening allies with tariffs, proposing to annex various countries, and ignoring much of the Western security appartus. Critics sees a fragmentation of the world order with US isolationism in the face of imminent threats; supporters see a healthy shock to a sclerotic system.

How all this – and AI, etc. etc. -- plays out in the markets is anyone's guess. Certainly, the spectrum of outcomes is wider than it was just a few months ago. Take bonds: the probability of (much) higher inflation is no longer remote, nor is the risk of the mother of all bond tantrums. Or take equities: with nosebleed valuations, how would markets react if some things actually "break"? For prudent allocators, though, the choice is relatively simple: diversify. That's where hedge funds, and this Fund, come into play. As with the return of inflation, hedge funds will hunt for opportunities in a shifting landscape. For them, change is often welcome.

The **Strategic Alpha** (Multi-Strategy) replication portfolio rose **2.1%** in January after returning **9.2%** for 2024. Based on preliminary reporting, the performance is in line with the performance of the Target portfolio of Equity Long/Short, Relative Value and Event-Driven hedge funds. Gains in equities, especially EAFE, were partially offset by a hedge in the US dollar and a short position in long-dated Treasuries. Since inception, the replication portfolio has delivered approximately 144 bps per annum of alpha relative to the Target with a correlation of around 0.80.

The **Tactical Alpha** (Managed Futures) replication portfolio returned **0.9%** in January and was up **9.1%** in 2024. Throughout the month, the portfolio adopted a more bullish equity stance, favoring developed market stocks over emerging markets. While equity gains provided a tailwind, volatility in interest rates—driven by uncertainty around tariffs—partially offset returns. A long position in the Japanese yen added value as the currency rallied on the back of Japan's interest rate hikes. Meanwhile, commodity currencies contributed positively, with short exposure to the Canadian dollar offsetting weaker performance from an Australian dollar short. Since inception, the replication portfolio has generated 280 bps per annum of alpha relative to the Target with a correlation of 0.80.

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.
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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 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.