SEI New ways. New answers.®

# SEI's Investment Philosophy: A Proven Model

In today's 24-hour-a-day global investment environment, it is easy to feel overwhelmed with the ever-expanding universe of investment choices. Often, investors will follow market trends as an alternative to seeking out sound advice. But trying to achieve financial goals by pouring all of one's assets into emerging markets today, telecommunications tomorrow, and Japanese small-cap stocks next week is not a guarantee for achieving a sound financial plan. It's a risk/reward strategy that offers lots of risk with minimal reward. It's also an unbalanced and uncoordinated approach — a practice that contradicts our investment philosophy.

For nearly 40 years, SEI has relied upon an investment philosophy that focuses on investors' objectives.

This philosophy is based upon five principles:

1. asset allocation
2. portfolio structure
3. tax management
4. multiple specialist managers
5. continuous portfolio management

These principles all work together to deliver a program that offers investors personalization, diversification, coordination and management. It's a strategy geared towards achieving both short- and long-term investment goals that make sense in any financial climate.

# SEI's Proven Investment Model

## 1. Asset Allocation: The First Step Is the Most Important

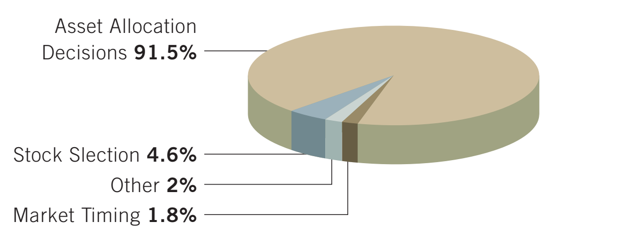
Contrary to the message that the fast-paced, e-trading environment of the 1990s instilled in many investors, market timing and stock selection are not the keys to reaching investment goals. Ultimately, the most important step in the investment process is the first step — deciding how to allocate assets among broad asset classes such as stocks, bonds and cash. This process has come to be known as asset allocation.

The importance of asset allocation is well-established within the investment industry and has been demonstrated and proven, time and again. Particularly noteworthy is a well-known 1991 landmark study,* sponsored by SEI and expanded in 1993, that concludes that asset allocation — not market timing or stock selection — is the primary factor in determining why different portfolios have different return results.

So the most important step requires properly defining objectives and then building the appropriate asset allocation strategies to support them. Asset allocation at SEI is a unique process by which an investor's objectives are carefully defined and then aligned with multiple strategies built using various assets. The key to asset allocation is diversification among the various asset classes (stocks, bonds, cash, etc.) in accordance with the objectives that have been established.

**Source: Brinson, Singer and Beebower (1991)*

**Sources of Portfolio Volatility and Returns**



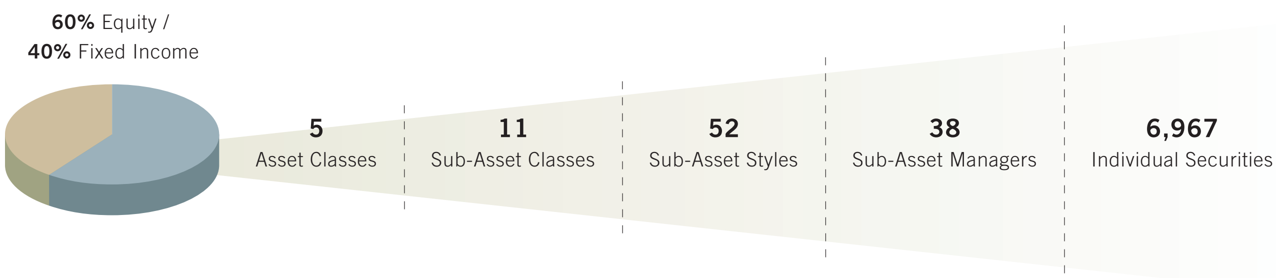

Source: Financial Analysts Journal, May/June 1991

## 2. Portfolio Structure: An Integral Part of the Investment Process

The number and variety of investment choices, or asset classes, keep growing all the time — U.S. equity, international equity, U.S. and foreign fixed income, emerging markets, REITs, hedge funds — the list goes on and on. Each market and each segment within each market can be associated with different characteristics, return potential and risks. So SEI believes that a division of assets is only the beginning of the asset allocation story. Success requires diversifying the portfolio structure itself.

For example, the U.S. equity market has four distinct sub-asset classes: large cap value, large cap growth, small cap value and small cap growth. For the best chance at success, your portfolio should be diversified across as well as within these asset classes. In other words, you shouldn't just own "stocks" but also make sure you have the right mix of large and small cap, growth, value and even alternative investments. And this discipline should be exercised across all the asset classes involved.

**SEI's Multi-Dimensional Approach to Portfolio Construction***



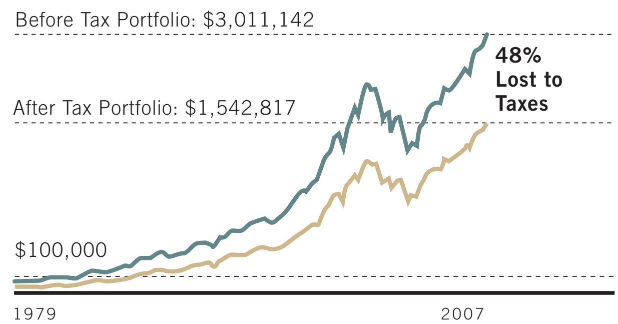

*For illustrative purposes only.

## 3. Tax Management: Never Ignore the Tax Implications of Investing

Taxes play an integral role in our investment process. In the mid-1990s, SEI completed ground-breaking research into the effect (usually negative) of taxes on investors' total portfolios. As a result, we employ a special focus on tax management to help control tax implications within your portfolio and to help you enhance after-tax returns. Because we all know that when it comes down to it, it's not the money you earn — it's what you keep. And if you are an investor who must pay taxes on your earnings, not taking tax implications into consideration can directly affect your chances of meeting your life and wealth objectives. So we make tax sensitivity an ongoing process, from portfolio structure to continuous monitoring to manager selection.

**Taxes Reduce Performance over Time**

**Growth of $100,000***




Source: Parametric Portfolio Associates; 60% Russell 3000; 40% Lehman Aggregate; No Liquidation.

*The Russell 3000 and Lehman Aggregate are unmanaged indices and are not available for individual investment.*

**Interest income and dividends are taxed annually at historical top marginal tax rates. Capital gains are realized at 50% per year and are taxed at the historical long-term capital gains tax rate. Past performance is no guarantee of future results.*

*This graph is for illustrative purposes only. It is not indicative of any investment and does not reflect the deduction of any fees.*

## 4. Multiple Specialist Managers: Designed to Deliver More Consistent Performance

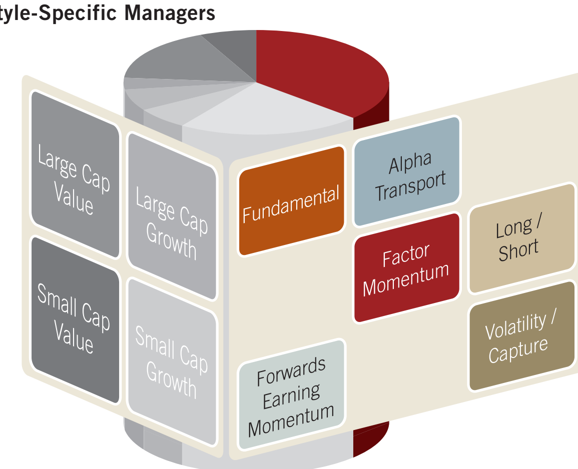
We have found that identifying, hiring and managing specialist money managers helps to deliver more consistent performance. We call this process "managing the managers," an area in which SEI has long been a leader.

Money managers who specialize in a particular area of a market have the experience necessary to perfect a specific investment style. They not only know where to seek opportunity but how to anticipate favorable and unfavorable changes. This focus may produce more consistent results than using generalist managers who tend to "roam" the markets or drift from one style to another, often outside of their firm's core competencies.

To implement our asset allocation strategies, SEI currently utilizes a global network of over 45 specialist money managers whose management styles complement each other. Within each of the stock market's four major investment styles, SEI uses multiple managers. For example, in the small cap growth sector, using multiple managers with a highly differentiated investment process can ensure diversification within the sector, which may help to control risk and enhance returns.

SEI's investment team of analysts, many of whom hold the Chartered Financial Analyst (CFA) and other advanced designations, is dedicated to implementing and overseeing the investment process. Team responsibilities include the selection of managers, tracking and managing consistency regarding manager performance, risk control and daily manager monitoring.

**Style-Specific Managers**



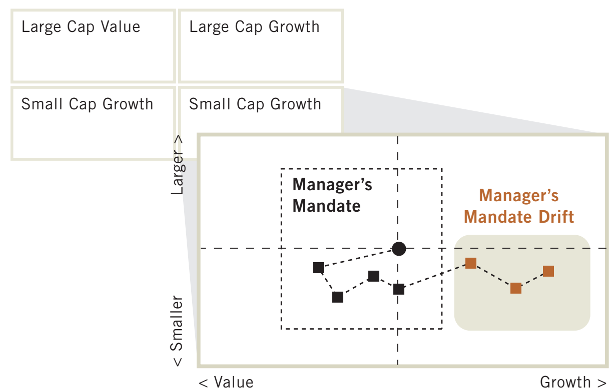
## 5. Continuous Portfolio Management Review Keeps Investment Progress on Track

Natural market movements often cause portfolio allocations to "drift" from their original positions as different sectors of the market appreciate or depreciate over time. For example, a portfolio that consists of 60% stocks could see that percentage increase substantially if the stock market appreciates. Changing a portfolio allocation from 60% stocks to something higher could result in unintended risk. Or, your objectives may shift over time as your personal situations change. SEI addresses such inevitable change through its two-step process of continuous portfolio management.

First, the asset mix is systematically rebalanced to its target points, helping to reduce risk and keep your strategies on track. Next, through ongoing monitoring and manager reviews, SEI ensures that its managers' investment styles remain consistent with their assigned objectives.

After a manager is chosen, SEI analysts continuously monitor the philosophy, discipline, consistency and talent every day — checking portfolio holdings and trades, and ensuring the "purity" of the investment portfolio. For example, performance can suffer if managers invest outside of their assigned mandate. As a result of SEI's monitoring, managers who deviate from their philosophy or fail to achieve stated goals are subject to replacement.

**Portfolio Style Drift — One of Many Monitoring Measures**




# A Winning Combination

Investing with SEI is a strategic alliance between investors, investment professionals and SEI. An investment professional is essential to the SEI approach; only a qualified investment professional can understand an investor's individual goals well enough to develop and monitor a tailored asset management program. Once that program is established, SEI's investment solutions offer the diversity and clarity of purpose to fit virtually any type of strategy.

We believe that the application of this philosophy will add value by enhancing returns and reducing risk, thereby increasing the likelihood of investors achieving their goals. For more information on how SEI's investment approach can help you achieve your financial goals, please contact your investment professional.

*To determine if the fund(s) are an appropriate investment for you, carefully consider the fund's investment objectives, risk factors and charges and expenses before investing. This and other information can be found in the Fund's prospectus, which may be obtained by calling 1-800-DIAL-SEI. Please read it carefully before investing.*

*There are risks involved with investing, including loss of principal.*

*For those SEI funds which employ the "manager of managers" structure, SEI Investments Management Corporation has ultimate responsibility for the investment performance of the Fund due to its responsibility to oversee the sub-advisors and recommend their hiring, termination and replacement.*

*SEI Investments Management Corporation (SIMC) is the investment advisor to the SEI Funds. SEI Funds distributed by SEI Investments Distribution Co. (SIDCO). SIMC and SIDCO are wholly owned subsidiaries of SEI Investments Company.*

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