

Fourth Quarter 2011

Portfolio Enhancement Summary

By: SEI Investment Management Unit

The following is a summary of SEI mutual fund manager changes, the rationale behind these changes and an overview of the new managers.

Summary: Manager Additions

| Fund(s) Impacted | Subadvisor Name | Rationale |
|----------------------------------|--------------------------|---|
| SIMT Small Cap | AllianceBernstein | Unique blend of processes |
| SIMT Small Cap Growth | AllianceBernstein | Unique blend of processes |
| SIMT Tax-Managed Small-Mid Cap | AllianceBernstein | Unique blend of processes |
| SIMT Multi-Strategy Alternatives | Turner Investments | Superior research & shorting experience |
| SIMT Small Cap Fund | TW Asset Management | Clear, consistent process |
| SIMT Small Cap Growth Fund | TW Asset Management | Clear, consistent process |
| STET Short Duration Municipal | Wells Capital Management | Exceptional credit research |

Summary: Manager Terminations

| Fund(s) Impacted | Subadvisor Name | Rationale |
|--------------------------------|----------------------------|---|
| SIMT Small Cap | Los Angeles Capital Mgmt. | Concern over small cap innovation |
| SIMT Small Cap Growth | Los Angeles Capital Mgmt. | Concern over small cap innovation |
| SIMT Tax-Managed Small-Mid Cap | Los Angeles Capital Mgmt. | Concern over small cap innovation |
| SIMT Large Cap | Neuberger Berman | Concern over decision-making process |
| SIMT Large Cap Growth | Neuberger Berman | Concern over decision-making process |
| SIMT Tax-Managed Large Cap | Neuberger Berman | Concern over decision-making process |
| SIT International Fixed | UBS Global Asset Mgmt (UK) | Resignation of senior portfolio manager |

AllianceBernstein

Overview

AllianceBernstein is a leading global investment management firm that offers high-quality research and diversified investment services to institutional investors, individuals and private clients in major world markets. As of June 30, 2011, AllianceBernstein Holding L.P. owned approximately 37.8% of the issued and outstanding AllianceBernstein Units, and AXA, one of the largest global financial services organizations, owned an approximate 62.2% economic interest in AllianceBernstein.

Philosophy

AllianceBernstein believes that research is the cornerstone of successful investment management, and the firm has organized its investment platform with this philosophy in mind. The small-cap team at AllianceBernstein uses both quantitative and fundamental assessments for idea generation. A rigorous fundamental monitoring process is enhanced by continuous attention to discrepancies between the team's views and the market forecast, in addition to a general quantitative backdrop. The team values consistency over magnitude.

Process

The small-cap portfolio's investable universe is approximately 3,400 names—those companies with market capitalizations between \$100 million and the largest market-cap stocks in the Russell 2000 index. The universe is narrowed down to about 700 names through quantitative screens, growth screens and industry research. The remaining stocks are then ranked on a quantitative basis (40% earnings revision, 20% earnings momentum, 20% relative strength, 10% earnings acceleration and 10% earnings surprise, ranked into quintiles by industry) and a fundamental basis (ranked by expected return over 12 to 18 months and sorted into quintiles by industry). Finally, based on the combined fundamental and quantitative scores, the top 30% are designated as buys, the middle 40% as holds and the bottom 30% as sells. In the end, there are roughly 210 designated buys in the small-cap universe that are candidates for portfolio inclusion.

Under the guidance of the portfolio managers, analysts are empowered to select stocks and determine position sizes. Companies that fall into the sell category must be sold, while the majority of the buy category ends up in the portfolio. Annual turnover ranges from 85% to 185% and is roughly two-thirds name turnover. The portfolio has 100 to 125 positions in small-cap stocks.

Turner Investments

Overview

Turner Investments is a diversified entity that provides investment management and distribution services. The firm was founded in 1990 by Robert Turner and is based in Berwyn, Pennsylvania. Turner is independent and employee-owned, with a staff of over 100. It boasts 31 investment professionals, and there are 89 equity participants in the firm's ownership. As of June 30, 2011, Turner's assets under management total approximately \$17.7 billion.

Philosophy

Turner believes that earnings (particularly earnings inflection points) drive a company's equity price in the medium term. While valuation is also considered important, it plays a secondary role in the sense that Turner will not own a stock simply because it is very cheap. The firm also avoids short-selling a stock based only on valuation—regardless of how overpriced it may be. Before holding a position, Turner establishes a view of earnings that is different from consensus expectations. Responding to earnings surprises, which are very powerful in driving stock prices, helps the firm avoid investment pitfalls such as misidentifying value traps or shorting expensive momentum that continues to rise.

Process

To create a comprehensive view of a company's prospects, Turner's research team identifies key value drivers (e.g., revenues, margins, new products/markets, cost structure) and conducts exhaustive research to project expectations one to two years into the future. Among other things, this research consists of financial analysis and management meetings. By cultivating a strong network of contacts in a given industry, Turner's sector-focused analysts are able to identify trends and inflection points ahead of competitors.

Sizing of individual positions will be a function of the points above. In terms of risk management, positions are flagged at a 10% loss. At 20% loss or sooner, shorts are automatically covered. Longs must be either increased or sold—doing nothing is not an option. In most cases, longs are reduced at 20% loss. In addition, each strategy's profit-and-loss pattern is monitored closely, and steps are taken to limit drawdowns.

TW Asset Management

Overview

TW was formed in 2006 to focus on building institutional-quality portfolio management of U.S. small-, small/mid- and mid-cap growth equity securities.

The firm manages separate accounts for corporate and public pension plans, profit sharing plans, charitable organizations, corporations, foundations, endowments and family offices.

The entire TW team is dedicated to providing in-depth, personalized service that institutional investors have come to expect.

Philosophy

TW's investment philosophy is based on the belief that investors inefficiently price small- and mid-cap growth stocks in the short term because they extrapolate near-term trends in company fundamentals. Over the long term, however, stock prices follow earnings. As such, thoughtful research and a systematic valuation discipline are required in order to successfully navigate a volatile universe of stocks. In the end, active management of risk versus reward across securities and sectors leads to the efficient allocation of investment dollars across an entire portfolio.

Process

When building small-cap growth portfolios, TW selects companies from the full range of stocks in the small-cap investment universe. Using domain expertise, themes and independent research, the firm then targets an investment pool of 200 to 300 stocks.

Through analysis of public filings, in-depth research, and interviews with company management, competitors, suppliers and customers, TW identifies companies with shareholder-oriented management teams, strong revenue and earnings growth, and strong positioning relative to their competitors.

The firm then applies various valuation techniques to each company to develop its "position-size roadmap" (price points at which TW would buy and sell specific amounts of a security) and identify those companies that it believes present favorable opportunities for return relative to their levels of risk.

The firm considers the portfolio's exposure to specific sectors and industries, and makes capital-allocation decisions based on its informed expectations regarding the most promising growth opportunities. TW also uses the "roadmap" when allocating capital among the portfolio's holdings to create efficiency within and across sectors.

TW continues to evaluate each purchased security to determine whether it should maintain its investment.

Wells Capital Management

Overview

WCM is an institutional asset management firm and independent subsidiary of Wells Fargo Bank N.A., founded in 1996 and formed from an existing institutional investment management practice.

Headquartered in San Francisco, with principal offices in Minneapolis and Los Angeles, the firm has more than \$333 billion in assets under management.

The municipal team is based in Milwaukee, and has offices in San Francisco and Charlotte. It currently manages \$27 billion in tax-exempt assets, of which \$6.9 billion are ultra-short municipal assets.

Philosophy

WCM's investment philosophy is based on the belief that markets are imperfectly efficient; therefore, active management is the tool for translating imperfections into alpha. Disciplined return-enhancement strategies, balanced with prudent risk management, result in investment success.

Over a business cycle, WCM seeks to generate excess performance from each of the four levels of its decision-making process (duration, yield-curve positioning, sector and credit-quality allocation, and security selection).

Process

WCM employs a rigorous investment process that combines both macro and micro inputs, while security selection and sector allocation are the primary sources of returns. In other words, both top-down and bottom-up views assist in portfolio construction.

WCM's fixed-income team meets bi-weekly to develop its top-down, macroeconomic views. The municipal team then holds a weekly municipal-strategy meeting to establish duration and yield-curve positions appropriate for a municipal portfolio, and to assess relative value across different municipal sectors.

The bottom-up security selection process is driven by proprietary municipal research. Credit analysts work in tandem with portfolio managers and traders to efficiently allocate resources to the deals that they feel will have the best impact on the portfolio. They not only perform rigorous fundamental credit research, but also provide relative-value recommendation.

The tax-exempt team's active research methods are governed by a proprietary risk-management system that seeks to integrate bottom-up security selection with a top-down portfolio structure.

WCM maintains a highly liquid portfolio in order to handle the cash flow requirements of short-term mandates.

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