

Manager Announcement

October 2018

SEI New ways.
New answers.®

Great Lakes Advisors, LLC Brings Quantitative and Dynamic Approach to SEI Canada's U.S. Small Company Equity Fund

Great Lakes Advisors, LLC (GLA) has been added to SEI Canada's U.S. Small Company Equity Fund (the Fund). We like GLA's adaptive investment process and the team's extensive experience in small/mid-cap and small-cap investing.

Addition of GLA

What They Do

GLA's investment philosophy is simple, logical and procedural. The investment team does not attempt to outsmart its peers, but rather employs sensible and achievable principles focused on historical analysis and factor rotation.

GLA believes that active management works; that definable market segments should be evaluated independently; that a spectrum of valuation factors is critical; that factor weights should be dynamic; and that optimization is the best way to construct portfolios.

How They Do It

GLA's investment process relies on a multi-factor technique; stocks are scored on value, growth, quality, technical and risk factors. Portfolio construction involves a risk/return optimization process that features individual stock selection as the central source of active risk.

The process begins with an assessment of the liquidity of each stock; those with sufficient liquidity remain candidates for the buy list, while those that do not are removed. The team also removes a stock from the buy list if unanticipated recent news or events, such as acquisitions, bankruptcies or other corporate developments, occurs that could adversely affect the return expectation.

The portfolio is then optimized to ensure that its beta and other common risk factors, such as volatility, momentum, earnings-per-share growth rate and dividend yield, are similar to those of the benchmark. The final portfolio typically holds approximately 125 positions.

About GLA

GLA is a Chicago-based investment management firm founded in 1981. In 2011, GLA was acquired by Wintrust Financial Corporation. As of March 31, 2018, the firm had a total of CAD\$9 billion in assets under management.

Why We Chose Them

- **Dynamic model:** GLA's factor weights are dynamic. The investment team understands that individual metrics vary in their ability to forecast returns over time; therefore, GLA systematically adapts its factor weights.
- **Sensible and pragmatic philosophy:** The firm operates under the principle of maintaining a balanced and pragmatic outlook. Accordingly, the investment process is balanced and incorporates multiple models, broad factor coverage and guardrails in an effort to keep the model from tilting excessively in one direction.
- **Structured portfolio construction:** GLA's portfolio is well structured and is built to recognize the pitfalls of dynamic factor modelling, such as seeking to guard against overextending exposures. This is intended to help the portfolio quickly adapt to evolving preferences and smooth outcomes over time.

Glossary of Financial Terms

Beta: Beta is a measure of sensitivity to movements in the market. High-beta stocks are more sensitive to movements in the broad market. Low-beta stocks are less sensitive.

Dividend yield: A dividend yield is a financial ratio that shows how much a company pays out in dividends each year relative to its share price.

Momentum: Momentum stocks are those whose prices are expected to keep moving in the same direction (either up or down) and are not likely to change direction in the short-term.

Quantitative: Quantitative refers to quantitative analysis which is based on computer-driven models.

Important Information

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