

Manager Announcement

June 2018

SEI New ways.
New answers.®

LSV Brings Quantitative Deep-Value Focus to the SEI Canadian Equity Fund

LSV Asset Management (LSV) has been added to the SEI Canadian Equity Fund (the Fund).

Addition of LSV

What They Do

LSV aims to exploit behavioural weaknesses of market participants. The firm's quantitative approach involves selecting stocks that are deeply undervalued and have been out of favour for several years, but have more recently begun to exhibit improving fundamentals.

How They Do It

LSV's portfolio decision-making process is strictly quantitative and is driven by a proprietary model that ranks securities based on fundamental measures of value and indicators of near-term appreciation potential.

LSV's investment universe includes all stocks above a minimum daily trading value and market capitalization over CAD\$250 million. This narrows the universe to about 400 companies.

The resulting portfolio contains about 50 to 70 stocks.

About LSV

LSV was founded in 1994 and is headquartered in Chicago. The firm's sole focus is value equities. SEI Investments Company owns 39% of LSV, but is not involved in the day-to-day management of the firm. As of December 31, 2017, the firm had US\$118.4 billion in assets under management.

Why We Chose Them

- **Unique investment process:** LSV's process is unique compared to both quantitative managers as it focuses primarily on deep value, as well as to fundamental managers as it identifies shifts in investor or management sentiment.
- **Robust staff research:** The research staff continues to focus on model development, which we believe enhances its exploitation of behavioural biases. We expect this work to hone the staff's response as contrarian investors, leaving them in a unique position to effectively exploit the value alpha source.
- **Portfolio construction:** LSV's published research and implemented portfolios reflect what we believe is a refreshing wisdom relative to the weaknesses of over-engineering a risk model.

Glossary of Financial Terms

Alpha source: Alpha source is a term used by SEI as part of our internal classification system to categorize and evaluate investment managers in order to build diversified fund portfolios. An alpha source is the investment approach taken by an active investment manager in an effort to generate excess returns. Another way to define an alpha source is that it is the inefficiency that an active investment manager seeks to exploit in order to add value.

Fundamental: Fundamental analysis is based on analyst research and judgment.

Fundamentals: Fundamentals refers to data that can be used to assess a country or company's financial health such as amount of debt, level of profitability, cash-flow, inventory size, etc.

Quantitative: Quantitative analysis is based on computer-driven models.

Value: Value stocks are those that are considered to be cheap and are trading for less than they are worth.

Important Information

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