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Market volatility comes and goes. Diversification remains.

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Have you ever found yourself sighing in exhaustion, muttering "what a day," and then realizing it's only 10:30 AM? If so, you know how investors in capital markets feel at the time of this writing (mid-April 2025).

Today's tariff turmoil

Barely a quarter of 2025 has passed, and we've experienced more than enough excitement for a whole year. Markets have been whipsawed by unpredictable shifts in trade rhetoric and policy announcements, with the Trump administration repeatedly issuing harsh tariff threats only to soften them days later. Policy toward China is the exception, but there are exceptions to the exception—staying up to date on tariff news is a full-time job these days.

Year to date through April 8 is a short period of time—and an especially volatile one—meaning there is inevitably a good deal of noise in the data. Yet in times like these, we find it useful to look at our portfolios' experience and compare it to our prior expectations. We can't know what the market will do in any particular period, but naturally we have some understanding of how our portfolios should typically perform in specific market environments. Every crisis is different, so our expectations won't always hold true. Still, we believe there is value in conducting this exercise and using what we learn to evolve our expectations for the future.

For the purposes of this analysis, we considered the year to date through April 8, the day before President Trump's 90-day tariff pause for non-retaliating nations and the subsequent market rally—one of the largest one-day rallies on record. Obviously, we have no idea whether this marks the ultimate bottom in equity prices (We certainly hope it does!). We simply chose this period as it feels like a non-arbitrary lens through which to assess our portfolios' performance during this especially volatile time.

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Strategic asset allocation

The essence of diversification is acknowledging the unknown and seeking to mitigate losses to one's portfolio as much as possible. SEI's asset allocation approach is built with this objective in mind. Our process includes several unique principles that differentiate our portfolios from more simplistic approaches. Importantly, these principles are strategic, not tactical, in nature. In other words, they are features that we believe make sense as a neutral or default position rather than being based on any particular temporary market view. These principles reflect different means by which we diversify our portfolios and seek to insulate them against the inevitable unpredictability that comes with investing in capital markets.

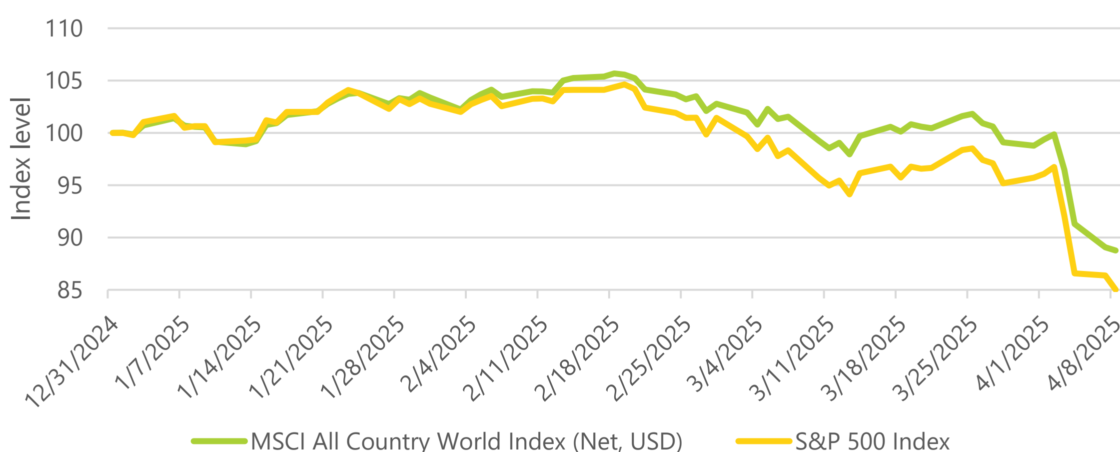
Principle: Global equity diversification

We recognize that many investors feel more comfortable with securities listed in their home country and therefore prefer to favor that country in their portfolios' geographic exposures. As goals-based investors operating at the intersection of traditional and behavioral finance, we readily accommodate this preference and offer portfolios with biases toward U.S. equities for investors who are so inclined. That common preference aside, we firmly believe there is a strong case to made in favor of globally diversified equity portfolios.

Individual countries' stock markets often contain high levels of concentration in individual sectors, industries, and companies. Diversifying globally spreads this risk out more broadly, reducing the portfolio's vulnerability to shocks from any individual source of risk. It's worth noting that a globally diversified equity portfolio carries no shortage of U.S. exposure, with the U.S. constituting nearly two-thirds of the MSCI ACWI Index as of the end of March. Allocating a third of equity assets to international stocks is not a "bet" on international relative to the U.S.—it's merely the avoidance of a single, concentrated position in the U.S.

A globally diversified posture has served U.S. investors well year to date. While tariff threats impair economic prospects for all U.S. trading partners, they also take a substantial toll on most domestic producers and nearly all consumers. The balance of economic news has led investors to penalize U.S. stocks substantially more than international ones thus far in 2025, with the difference exacerbated by a general weakening of the U.S. dollar against other major currencies. These two effects have, in aggregate, led a globally diversified equity portfolio to outperform the U.S. so far this year, as shown in Exhibit 1.

Exhibit 1: U.S. versus Global Equities



Past performance is not a guarantee of future results.
Sources: SEI, Bloomberg, December 31, 2024, to April 8, 2025.

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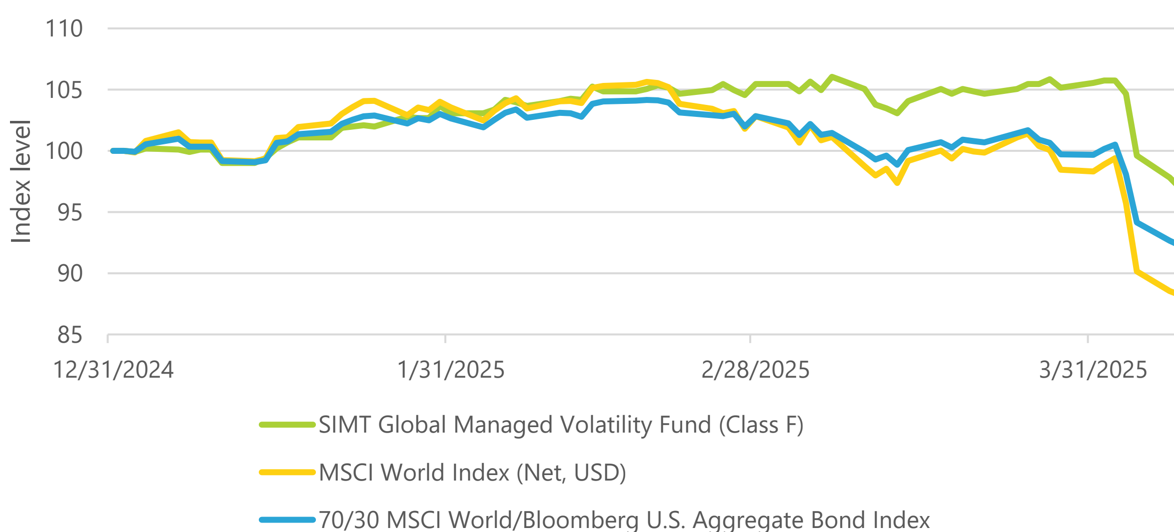
Principle: Exposure to low-volatility equity

SEI has invested in low volatility (in our parlance, managed volatility) equities for more than 20 years. The historical record demonstrates that low volatility stocks have generated equity-like returns over the long-term, but with a 20% or greater reduction in volatility. Particularly for investors in lower-risk portfolios—where absolute risk is of greater importance than tracking error (relative risk) to a benchmark—this is an extremely compelling option for a portion of one's equity exposure.

While exceptions always exist, low volatility equities historically provide a meaningful amount of cushion during equity drawdowns. Year-to-date results followed this pattern, as seen in Exhibit 2. Both U.S. and global low-volatility equities significantly outperformed both their traditional counterparts and even risk-adjusted combination of stocks and bonds.

Exhibit 2: Managed Volatility



Past performance is not a guarantee of future results, please see standardized performance section. Sources: SEI, Bloomberg. 70/30 portfolio is rebalanced monthly. December 31, 2024, to April 8, 2025.

Principle: Equity diversification by size

Consistent with our pursuit of diversification wherever it's available, we strategically invest in equities across the market-capitalization spectrum. We are confident that this more diversified posture offers enhanced expected risk-adjusted returns compared to more concentrated, large- or mega-cap-focused approaches.

In the interest of an unbiased assessment, we believe it fair to note that small-cap equities have lagged their larger counterparts so far in 2025, as shown in Exhibit 3. This is largely expected given the market backdrop. Small company stocks tend to be more volatile than those of larger firms, and they often underperform during periods of extreme market stress. While this year has been no exception, we remain confident in our size-diversified approach to equity portfolios.

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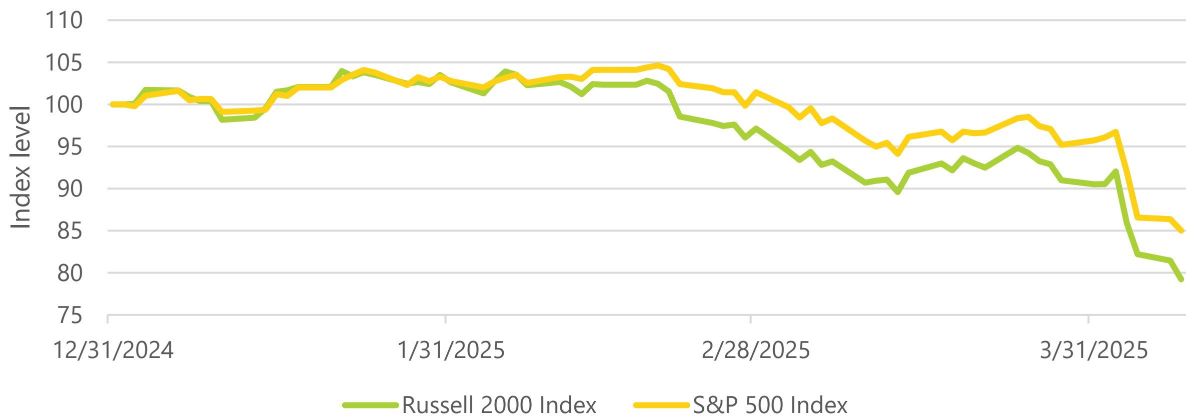
Exhibit 3: U.S. Small Cap vs. U.S. Large Cap



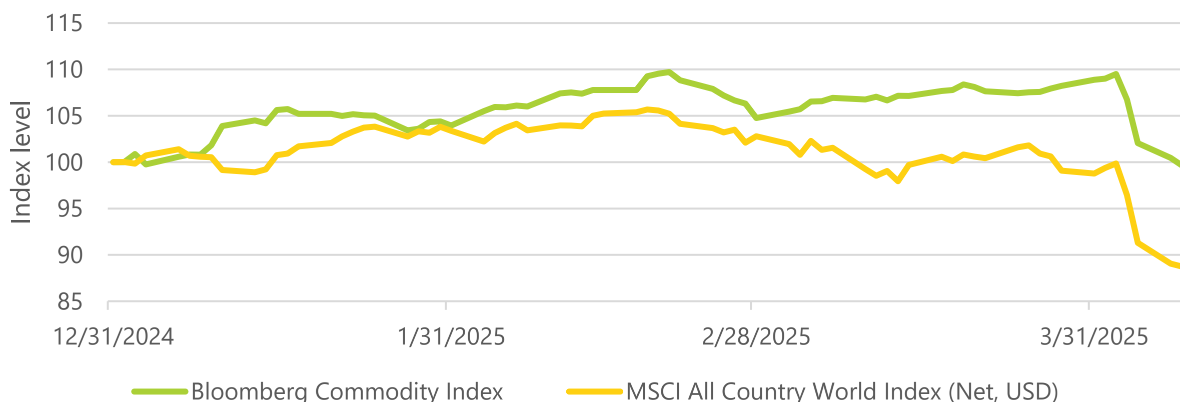
Past performance is not a guarantee of future results.
Sources: SEI, Bloomberg, December 31, 2024, to April 8, 2025.

Principle: Inflation sensitivity

We firmly believe inflation sensitivity should be a strategic holding in most portfolios. All SEI portfolios are designed to support some form of future spending, and most spending goals are subject to the risk of unexpected inflation. In other words, inflation presents a substantial risk to most portfolios' objectives. As with any risk, attempting to mitigate it after the event has already occurred is prohibitively expensive and self-defeating. Accordingly, we believe that investors should always maintain inflation sensitivity in their portfolios. Markets are forward-looking, and outsmarting the market's expectations of inflation is no easier than predicting the direction of stock prices or interest rates. Therefore, efficient inflation sensitivity is an important strategic feature of most portfolios.

Inflation sensitivity in various forms has served investors well year to date in 2025, Tariff-driven inflation stands in stark contrast to demand-pull inflation generated by strong economic activity. As the year-to-date period shows, growth-oriented assets (like equities) generally serve as a poor hedge to this type of inflation (and certainly to its more extreme form, outright stagflation—high inflation with slow or negative economic growth). Commodities, in contrast, have held up relatively well (as shown in Exhibit 4) compared to other risky assets such as equities. Given their direct role in consumption baskets and their intermediate role in the production of finished goods, commodities provide a natural source of sensitivity against unexpected inflation.

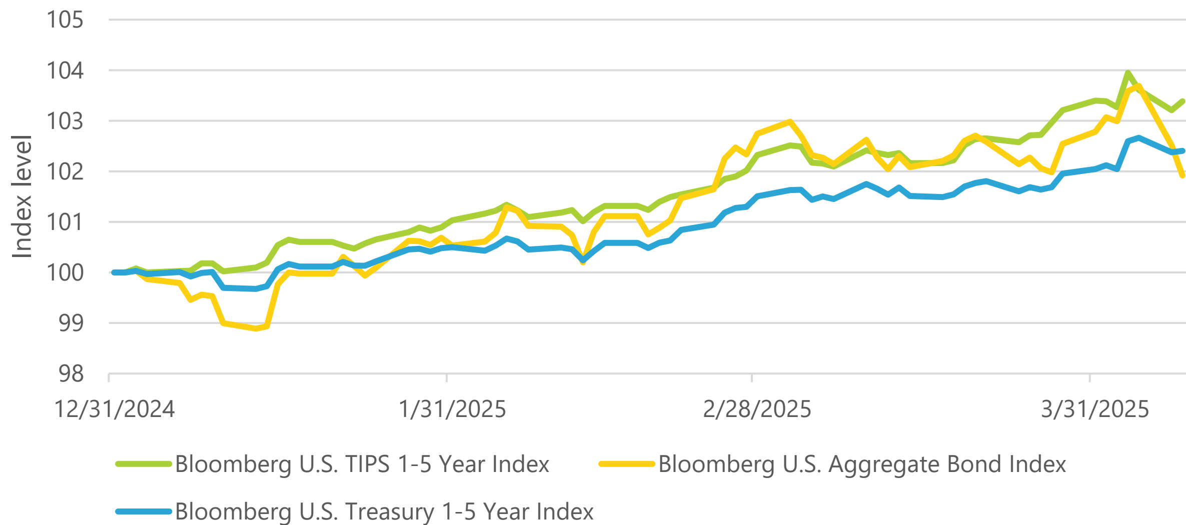
Exhibit 4: Commodities



Past performance is not a guarantee of future results.
Sources: SEI, Bloomberg, December 31, 2024, to April 8, 2025.

Treasury Inflation-Protected Securities (TIPS), with their principal and coupon payments directly linked to changes in the Consumer Price Index (CPI), also performed well during this period (as seen in Exhibit 5). Our typical TIPS implementation—focused on bonds with five-or-fewer years to maturity—outperformed both aggregate investment-grade bonds in general and nominal Treasurys of a similar maturity over this period. We remain confident in our strategic exposure to inflation protection through multiple sources.

Exhibit 5: TIPS versus nominal bonds



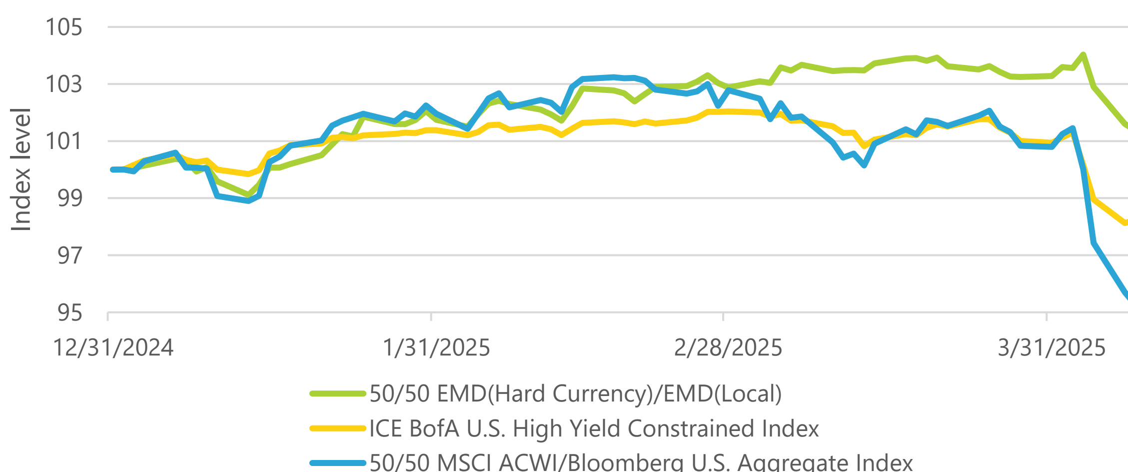
Past performance is not a guarantee of future results.
Source: SEI, Bloomberg, December 31, 2024, to April 8, 2025.

Principle: Plus sector fixed income

Plus sector fixed income assets (assets that are not included in core investment-grade indexes like the Bloomberg U.S. Aggregate Bond Index) such as high-yield and emerging-market debt serve an important role in our approach to strategic asset allocation. While structured as fixed-income securities, these asset classes carry risks associated with both bonds (interest-rate sensitivity, or duration) and equities (vulnerability to economic and earnings downturns). Although they share these common risk exposures, they are not perfectly correlated with either stocks or bonds and can therefore provide valuable diversification to a broader portfolio. It's useful to note that these exposures are largely absent from traditional core bond indexes, such as the Bloomberg U.S. Aggregate Bond Index, meaning that more simplistic approaches to asset allocation often forego the potential benefits of plus sector exposure.

Given their hybrid bond/equity-like characteristics, our portfolios typically fund exposures to plus sectors from a combination of bonds and stocks. This affords us the ability to improve expected portfolio returns without increasing expected risk, as would occur if the allocations were funded strictly from investment-grade bonds. Accounting for this hybrid risk exposure is especially critical during times of economic stress, when correlations between riskier credit and equities tend to rise. Thus far in 2025, this approach has benefited investors, with high-yield and emerging-market debt outperforming approximately risk-equivalent combinations of equities and bonds. Exhibit 6 highlights the results.

Exhibit 6: Plus sectors



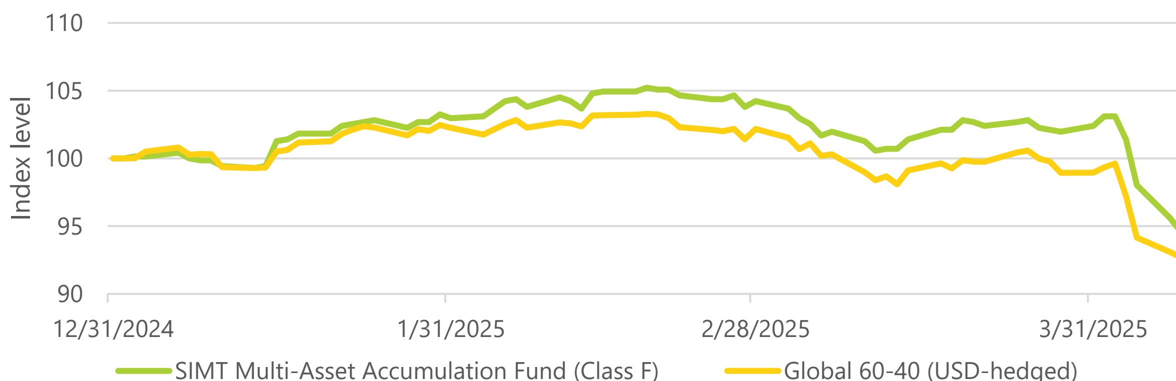
Past performance is not a guarantee of future results.
Sources: Bloomberg, SEI, December 31, 2024, to April 8, 2025. High Yield is represented by the ICE BofA US High Yield Constrained Index; EMD (Hard Currency) is represented by the J.P. Morgan EMBI Global Diversified Composite Index, and EMD (Local) is represented by the J.P. Morgan GBI-EM Global Diversified Index. Both 50/50 portfolios are rebalanced monthly.

Principle: Reduced equity risk concentration

Given that equities are so much more volatile than traditional fixed income assets, they tend to drive a disproportionate amount of a portfolio's risk. For instance, SEI's research shows that even a "balanced" 60%/40% stocks/bonds portfolio historically derives over 90% of its risk from equities. While equities are certainly an important component of any portfolio seeking long-term growth, excessive concentration in any one source of risk (including equities) generally impairs risk-adjusted returns.

Therefore, where possible, we seek to limit portfolios' overreliance on equity risk and improve portfolio risk balance without sacrificing overall expected returns. For instance, the SEI Dynamic Strategies maintain an allocation to the SIMT Multi-Asset Accumulation Fund, which aims to balance risk exposures across equity, fixed income, and inflation-sensitive assets. This balance has been beneficial amid recent market volatility, with the Fund outperforming its 60/40 blended benchmark for the year to date through April 8 (as shown in Exhibit 7).

Exhibit 7: SIMT Multi-Asset Accumulation Fund



Past performance is not a guarantee of future results.
Sources: SEI, Bloomberg, December 31, 2024, to April 8, 2025. Global 60-40 is represented by 60% MSCI World (net, USD-hedged) and 40% Bloomberg Global Aggregate Index (USD-hedged), rebalanced monthly.

Conclusion: Diversification remains

What a short, strange trip it's been. Neither we nor any other investor can claim to know what will happen next. Volatility is a normal—even healthy—part of investing in capital markets. But that surely doesn't make it pleasant. The good news is that diversification is an investor's best friend in times of heightened uncertainty. And though we can't guarantee outperformance every time there's a crisis; we are grateful that our portfolios have performed as expected and provided some cushion during this one. Tariffs or no tariffs, at SEI, diversification is never in short supply.

Standardized performance as of March 31, 2025

Fund Name (F Shares)	1 Year	5 Years	10 Years	Expenses before waivers
SIMT U.S. Managed Volatility Fund	10.60%	13.42%	8.16%	1.23%
SIMT Multi-Asset Accumulation Fund	2.77%	2.91%	2.55%	1.33%

The performance data shown is past performance. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please call 1-800-DIAL-SEI.

Index definitions

The Bloomberg U.S. Aggregate Bond Index tracks the performance of U.S. securities in the Treasury, government-related, corporate, and securitized sectors. It includes securities that are of investment-grade quality or better, have at least one year to maturity, and have an outstanding par value of at least $250 million.

The Bloomberg 1-5 Year U.S. TIPS Index tracks the performance of inflation-protected public obligations of the U.S. Treasury that have a remaining maturity of one to five years.

The Bloomberg 1-5 Year U.S. Treasury Index tracks the performance of U.S. Treasury bonds that have a remaining maturity of one to five years.

Consumer-price indexes measure changes in the price level of a weighted-average market basket of consumer goods and services purchased by households. A consumer price index is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically.

The MSCI ACWI Index is a market capitalization-weighted index that tracks the performance of over 2,000 companies, and is representative of the market structure of 48 developed and emerging-market countries in North and South America, Europe, Africa, and the Pacific Rim.

The MSCI World Index tracks the performance of the large- and mid-cap segments of equity markets across 23 developed-market countries. The index's 1,517 constituents comprise approximately 85% of the free float-adjusted (i.e., including only shares that are available for public trading) market capitalization in each country.

The S&P 500 Index is a market-weighted index that tracks the performance of the 500 largest publicly traded U.S. companies and is considered representative of the broad U.S. stock market.

Glossary

Emerging-market debt refers to bonds issued by governments or corporations in countries with developing economies. These markets are often characterized by rapidly growing economies and increasing integration into the global financial system.

High-yield debt comprises bonds with a credit rating of BB+ or lower by S&P Global Ratings and Fitch Ratings or Ba1 or lower by Moody's Investors Service.

Low volatility stocks typically exhibit less volatility and have more stable prices than traditional equity indexes.

Nominal bonds provide fixed payments based on a predetermined interest rate, rather than adjusting for inflation.

Plus sector fixed income assets are those that are not included in an investment-grade fixed income index, such as the Bloomberg U.S. Aggregate Bond Index.

U.S. Treasurys comprise U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.

Treasury Inflation-Protected Securities (TIPS) are U.S. Treasury bonds that are indexed to an inflationary gauge to protect investors from a decline in the purchasing power of their money.

Important information

To determine if the Fund is an appropriate investment for you, carefully consider the investment objectives, risk factors and charges, and expenses before investing. This and other information can be found in the Fund's full or summary prospectus, which can be obtained by calling 1-800-DIAL-SEI. Read the prospectus carefully before investing.

For those SEI products which employ a multi‐manager structure, SIMC is responsible for overseeing the sub‐advisers and recommending their hiring, termination, and replacement. SEI Investments Management Corporation (SIMC) is the adviser to the SEI Funds, which are distributed by SEI Investments Distribution Co. (SIDCO). SIMC and SIDCO are wholly owned subsidiaries of SEI Investments Company.

There are risks involved with investing, including loss of principal. **Diversification does not protect against market risk.** The value of an investment and any income from it can go down as well as up. Investors may get back less than the original amount invested. Returns may increase or decrease as a result of currency fluctuations. Past performance is not a reliable indicator of future results. Investment may not be suitable for everyone. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from social, economic or political Institutions ability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Investments in smaller companies typically exhibit higher volatility. Bonds and bond funds are subject to interest rate risk and will decline in value as interest rates rise.

This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events or a guarantee of future results. Positioning and holdings are subject to change. All information as of the date indicated. There are risks involved with investing, including possible loss of principal. This information should not be relied upon by the reader as research or investment advice,(unless you have otherwise separately entered into a written agreement with SEI for the provision of investment advice) nor should it be construed as a recommendation to purchase or sell a security. The reader should consult with their financial professional for more information.

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