

Commentary

# SEI's View: Are You Talkin' to Me?

## Making Sense Out of Conflicting Viewpoints

By: SEI Investment Management Unit

In an industry in which people are paid to make investment decisions based on their personal points of view, everybody has an opinion. Of course, assimilating and understanding the myriad of competing perspectives in the marketplace is not always easy. A recent story involving Goldman Sachs (Goldman) illustrates this point:

Goldman, a firm well known for prestigious investment management, was taken to task in a *Business Insider* article titled "Goldman Sachs: Two of Our Smartest Guys Don't Agree on Where the S&P 500 Is Headed." The article highlighted the downstream implications of contradictory forecasts for the performance of the S&P 500 in 2012 from two senior strategists: "...If you're a client of Goldman Sachs, then you might be a little confused right now."

### Communication Conundrum

The situation at Goldman is by no means unique. It is important to note, however, that the strategists in question work for different divisions of the company and hold different responsibilities. From an industry insider's perspective, it is easy to understand how they could have differing outlooks. Of course, it is equally easy to understand how outside readers could overlook the distinction between the divisions and instead interpret the messages as contradictory predictions coming from the same firm.

When sorting through various and competing opinions, investors would be well-served by viewing the information through the prism of their own investment portfolios. A bullish view from a large-cap portfolio manager may have no relevance for an investor whose assets are primarily in municipal bonds. Similarly, the view of a portfolio manager may have limited meaning if that manager represents only a low, single-digit allocation in a well-diversified portfolio.

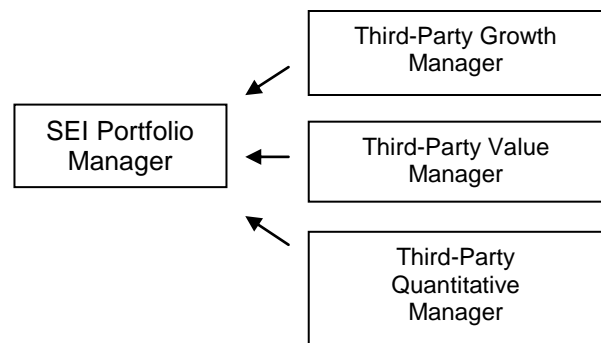
### SEI: Managing the Managers

SEI's investment offerings provide an excellent example of the complexity of perspective in action. Because SEI is a manager of managers—meaning that we seek out specialist investment firms to oversee assets on behalf of our clients—we work with a large number of third-party investment management firms.

In any given SEI investment strategy, we are likely to have multiple underlying third-party investment managers, each overseeing a portion of the portfolio. The mix of managers may include those focused on growth strategies, value strategies, quantitative strategies or any of a host of different investment approaches. It would be odd if every one of those managers had the exact same opinion of the financial markets.

These third-party investment managers are overseen by SEI's portfolio managers, who also have a perspective on the financial markets. That perspective, along with other factors such as risk-return expectations, expected portfolio volatility and the sometimes contradictory viewpoints of the third-party investment managers, is taken into account when SEI portfolio managers determine how a given investment strategy will be constructed and how much money will be given to each of those third-party investment managers (see Exhibit 1). It is not an issue if several of the third-party investment managers hold opposing perspectives, since the SEI portfolio manager makes the overarching decisions about the strategy.

**Exhibit 1: Many Managers, One View**



To add another level of complexity, SEI offers a wide variety of investment strategies, and many of our clients invest in more than one strategy. Since each of these strategies is overseen by a SEI portfolio manager—and the portfolio managers have their own perspectives on the market—it is highly likely that there are competing and conflicting points of view.

## Interpreting the View: An Investor's Perspective

The information provided by SEI's investment professionals should be viewed in terms of each investor's portfolio. For an investor who holds only one SEI investment strategy, the portfolio manager for that strategy will have the relevant perspective.

For an investor who holds multiple investment strategies, SEI's "house view," which is provided by our Portfolio Strategies Group (PSG), prevails. Just as SEI's portfolio managers are responsible for allocating assets among third-party investment managers, SEI's PSG is responsible for allocating assets among SEI's portfolio managers.

## Consider the Source

Any financial services firm that sells more than one product and employs more than one senior investment professional will, at some point, encounter differing opinions. These are often healthy—after all, diversification is a cornerstone of long-term financial planning, and a variety of opinions are what make the financial markets work. But when a company delivers differing opinions, confusion can be the end result for that company's clients.

In order to avoid this, be sure to determine the sources of any varying points of view so that you can provide clients with the perspective that's most relevant to them and their portfolios.

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