

Edgar Filing: SEI INVESTMENTS CO - Form 10-K

SEI INVESTMENTS CO

Form 10-K

February 25, 2019

false--12-31FY20182018-12-3110-K0000350894YesfalseLarge Accelerated FilerSEI INVESTMENTS  
COMPANYfalsefalseNoYesSEICP5YP10DP15YP5YP10YP7YP12YP7Y69500071800035004500039517100000P15YP6Y0.  
0000350894 2018-01-01 2018-12-31 0000350894 2018-06-30 0000350894 2019-01-31 0000350894 2017-12-31  
0000350894 2018-12-31 0000350894 2016-01-01 2016-12-31 0000350894  
seic:InformationProcessingAndSoftwareServicingFeesMember 2017-01-01 2017-12-31 0000350894 2017-01-01  
2017-12-31 0000350894 seic:AssetManagementAdministrationAndDistributionFeesMember 2016-01-01 2016-12-31  
0000350894 seic:InformationProcessingAndSoftwareServicingFeesMember 2018-01-01 2018-12-31 0000350894  
seic:AssetManagementAdministrationAndDistributionFeesMember 2017-01-01 2017-12-31 0000350894  
seic:AssetManagementAdministrationAndDistributionFeesMember 2018-01-01 2018-12-31 0000350894  
seic:InformationProcessingAndSoftwareServicingFeesMember 2016-01-01 2016-12-31 0000350894  
us-gaap:CommonStockMember 2016-12-31 0000350894 us-gaap:AdditionalPaidInCapitalMember 2018-01-01  
2018-12-31 0000350894 us-gaap:AdditionalPaidInCapitalMember 2016-01-01 2016-12-31 0000350894 2016-12-31  
0000350894 us-gaap:CommonStockMember 2018-01-01 2018-12-31 0000350894 us-gaap:RetainedEarningsMember  
2015-12-31 0000350894 us-gaap:CommonStockMember 2017-01-01 2017-12-31 0000350894  
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-12-31 0000350894 us-gaap:CommonStockMember  
2016-01-01 2016-12-31 0000350894 us-gaap:CommonStockMember 2018-12-31 0000350894  
us-gaap:AdditionalPaidInCapitalMember 2015-12-31 0000350894  
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-12-31 0000350894  
us-gaap:AdditionalPaidInCapitalMember 2017-12-31 0000350894 us-gaap:RetainedEarningsMember 2017-01-01  
2017-12-31 0000350894 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2015-12-31 0000350894  
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-01-01 2017-12-31 0000350894  
us-gaap:CommonStockMember 2017-12-31 0000350894 us-gaap:CommonStockMember 2015-12-31 0000350894  
us-gaap:RetainedEarningsMember 2018-01-01 2018-12-31 0000350894  
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-01-01 2016-12-31 0000350894  
us-gaap:AdditionalPaidInCapitalMember 2017-01-01 2017-12-31 0000350894  
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-12-31 0000350894  
us-gaap:AdditionalPaidInCapitalMember 2016-12-31 0000350894 us-gaap:RetainedEarningsMember 2016-12-31  
0000350894 us-gaap:RetainedEarningsMember 2017-12-31 0000350894  
us-gaap:AccountingStandardsUpdate201609Member us-gaap:RetainedEarningsMember 2015-12-31 0000350894  
us-gaap:AccountingStandardsUpdate201609Member us-gaap:RetainedEarningsMember 2016-12-31 0000350894  
us-gaap:AccountingStandardsUpdate201409Member us-gaap:RetainedEarningsMember 2015-12-31 0000350894  
us-gaap:AccountingStandardsUpdate201409Member us-gaap:RetainedEarningsMember 2016-12-31 0000350894  
us-gaap:AdditionalPaidInCapitalMember 2018-12-31 0000350894 us-gaap:RetainedEarningsMember 2016-01-01  
2016-12-31 0000350894 us-gaap:RetainedEarningsMember 2018-12-31 0000350894  
us-gaap:AccountingStandardsUpdate201409Member us-gaap:RetainedEarningsMember 2017-12-31 0000350894  
us-gaap:AccountingStandardsUpdate201609Member us-gaap:RetainedEarningsMember 2017-12-31 0000350894  
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-12-31 0000350894 2015-12-31 0000350894  
us-gaap:SoftwareDevelopmentMember 2018-12-31 0000350894 us-gaap:ServiceLifeMember  
seic:SeiWealthPlatformMember 2017-01-01 2017-12-31 0000350894  
seic:PlatformfortheInvestmentManagerssegmentMember 2018-12-31 0000350894 seic:SeiWealthPlatformMember  
2018-12-31 0000350894 seic:SeiWealthPlatformMember 2018-01-01 2018-12-31 0000350894  
seic:PlatformfortheInvestmentManagerssegmentMember 2018-01-01 2018-12-31 0000350894  
us-gaap:AccountingStandardsUpdate201409Member us-gaap:RetainedEarningsMember 2018-01-01 0000350894  
us-gaap:EquityMethodInvesteeMember srt:MinimumMember 2018-12-31 0000350894  
seic:SeiSponsoredOpenEndedMoneyMarketMutualFundsMember 2017-12-31 0000350894  
seic:SeiWealthPlatformMember 2017-01-01 2017-12-31 0000350894 srt:WeightedAverageMember  
seic:SeiWealthPlatformMember 2018-01-01 2018-12-31 0000350894  
seic:SeiInvestmentsDistributionCoSidcoMember 2018-12-31 0000350894 srt:MaximumMember

Edgar Filing: SEI INVESTMENTS CO - Form 10-K

us-gaap:BuildingAndBuildingImprovementsMember 2018-01-01 2018-12-31 0000350894  
seic:SeiInvestmentsEuropeLimitedMember 2018-12-31 0000350894  
seic:SeiSponsoredOpenEndedMoneyMarketMutualFundsMember 2018-01-01 2018-12-31 0000350894  
srt:MinimumMember us-gaap:BuildingAndBuildingImprovementsMember 2018-01-01 2018-12-31 0000350894  
seic:PlatformfortheInvestmentManagerssegmentMember 2016-01-01 2016-12-31 0000350894 srt:MaximumMember  
us-gaap:ComputerEquipmentMember 2018-01-01 2018-12-31 0000350894 seic:SeiWealthPlatformMember  
2016-01-01 2016-12-31 0000350894 seic:PlatformfortheInvestmentManagerssegmentMember 2017-01-01  
2017-12-31 0000350894 us-gaap:EquityMethodInvesteeMember srt:MaximumMember 2018-12-31 0000350894  
srt:MinimumMember us-gaap:ComputerEquipmentMember 2018-01-01 2018-12-31 0000350894  
seic:SeiInvestmentsDistributionCoSidcoMember 2017-12-31 0000350894  
seic:SeiSponsoredOpenEndedMoneyMarketMutualFundsMember 2018-12-31 0000350894  
seic:SeiSponsoredOpenEndedMoneyMarketMutualFundsMember 2016-01-01 2016-12-31 0000350894  
seic:SeiSponsoredOpenEndedMoneyMarketMutualFundsMember 2017-01-01 2017-12-31 0000350894  
srt:MinimumMember 2018-12-31 0000350894 srt:MaximumMember 2018-12-31 0000350894  
seic:SeiInvestmentsEuropeLimitedMember 2017-12-31 0000350894 srt:MinimumMember  
us-gaap:FurnitureAndFixturesMember 2018-01-01 2018-12-31 0000350894 srt:MaximumMember  
us-gaap:FurnitureAndFixturesMember 2018-01-01 2018-12-31 0000350894 seic:LSVAssetManagementMember  
2018-12-31 0000350894 seic:LSVAssetManagementMember 2017-12-31 0000350894  
seic:LSVAssetManagementMember 2016-01-01 2016-12-31 0000350894 seic:LSVAssetManagementMember  
2018-01-01 2018-12-31 0000350894 seic:LSVAssetManagementMember 2017-01-01 2017-12-31 0000350894  
us-gaap:BuildingMember 2017-12-31 0000350894 us-gaap:FurnitureAndFixturesMember 2017-12-31 0000350894  
us-gaap:ConstructionInProgressMember 2017-12-31 0000350894 us-gaap:EquipmentMember 2018-12-31  
0000350894 us-gaap:LeaseholdImprovementsMember 2018-12-31 0000350894 us-gaap:BuildingMember 2018-12-31  
0000350894 us-gaap:FurnitureAndFixturesMember 2018-12-31 0000350894 us-gaap:ConstructionInProgressMember  
2018-12-31 0000350894 us-gaap:LandMember 2018-12-31 0000350894 seic:PurchasedSoftwareMember 2017-12-31  
0000350894 us-gaap:LandMember 2017-12-31 0000350894 us-gaap:LeaseholdImprovementsMember 2017-12-31  
0000350894 us-gaap:EquipmentMember 2017-12-31 0000350894 seic:PurchasedSoftwareMember 2018-12-31  
0000350894 us-gaap:FairValueInputsLevel1Member 2018-12-31 0000350894  
us-gaap:FairValueInputsLevel2Member 2018-12-31 0000350894 seic:HuntingtonSteeleLLCMember  
us-gaap:FairValueInputsLevel3Member 2018-04-02 0000350894 us-gaap:FairValueInputsLevel2Member 2017-12-31  
0000350894 us-gaap:FairValueInputsLevel1Member 2017-12-31 0000350894  
seic:SEISponsoredMutualFundsMember 2017-12-31 0000350894 seic:EquitiesAndOtherMutualFundsMember  
2017-12-31 0000350894 us-gaap:FixedIncomeSecuritiesMember 2017-12-31 0000350894  
us-gaap:PrivateEquityFundsForeignMember 2017-01-01 2017-12-31 0000350894  
us-gaap:PrivateEquityFundsForeignMember 2018-12-31 0000350894 us-gaap:PrivateEquityFundsForeignMember  
2016-01-01 2016-12-31 0000350894 us-gaap:PrivateEquityFundsForeignMember 2017-12-31 0000350894  
us-gaap:PrivateEquityFundsForeignMember 2018-01-01 2018-12-31 0000350894  
seic:SEISponsoredMutualFundsMember 2018-12-31 0000350894 seic:EquitiesAndOtherMutualFundsMember  
2018-12-31 0000350894 us-gaap:FixedIncomeSecuritiesMember 2018-12-31 0000350894  
us-gaap:RevolvingCreditFacilityMember us-gaap:FederalFundsEffectiveSwapRateMember 2016-06-13 2016-06-13  
0000350894 us-gaap:RevolvingCreditFacilityMember 2016-06-13 0000350894  
us-gaap:RevolvingCreditFacilityMember 2016-01-01 2016-12-31 0000350894  
us-gaap:RevolvingCreditFacilityMember 2016-06-13 2016-06-13 0000350894 us-gaap:LetterOfCreditMember  
2018-01-01 2018-12-31 0000350894 srt:MinimumMember us-gaap:RevolvingCreditFacilityMember 2016-06-13  
2016-06-13 0000350894 us-gaap:RevolvingCreditFacilityMember 2018-01-01 2018-12-31 0000350894  
us-gaap:RevolvingCreditFacilityMember 2017-07-01 2017-07-31 0000350894 srt:WeightedAverageMember  
us-gaap:RevolvingCreditFacilityMember 2018-01-01 2018-12-31 0000350894 srt:MinimumMember  
us-gaap:RevolvingCreditFacilityMember us-gaap:BaseRateMember 2016-06-13 2016-06-13 0000350894  
us-gaap:RevolvingCreditFacilityMember 2018-12-31 0000350894 srt:MaximumMember  
us-gaap:RevolvingCreditFacilityMember us-gaap:LondonInterbankOfferedRateLIBORMember 2016-06-13  
2016-06-13 0000350894 us-gaap:RevolvingCreditFacilityMember

Edgar Filing: SEI INVESTMENTS CO - Form 10-K

us-gaap:LondonInterbankOfferedRateLIBORMember 2016-06-13 2016-06-13 0000350894  
us-gaap:RevolvingCreditFacilityMember 2017-01-01 2017-12-31 0000350894 srt:MinimumMember  
us-gaap:RevolvingCreditFacilityMember us-gaap:LondonInterbankOfferedRateLIBORMember 2016-06-13  
2016-06-13 0000350894 srt:MaximumMember us-gaap:RevolvingCreditFacilityMember 2016-06-13 2016-06-13  
0000350894 us-gaap:LetterOfCreditMember 2018-12-31 0000350894 srt:MaximumMember  
us-gaap:RevolvingCreditFacilityMember us-gaap:BaseRateMember 2016-06-13 2016-06-13 0000350894  
seic:ThirdRangeOfExercisePricesMember 2018-01-01 2018-12-31 0000350894  
seic:FourthRangeOfExercisePricesMember 2018-12-31 0000350894 seic:ThirdRangeOfExercisePricesMember  
2018-12-31 0000350894 seic:SecondRangeOfExercisePricesMember 2018-12-31 0000350894  
seic:SecondRangeOfExercisePricesMember 2018-01-01 2018-12-31 0000350894  
seic:FourthRangeOfExercisePricesMember 2018-01-01 2018-12-31 0000350894  
seic:FifthRangeOfExercisePricesMember 2018-12-31 0000350894 seic:FirstRangeOfExercisePricesMember  
2018-01-01 2018-12-31 0000350894 seic:FirstRangeOfExercisePricesMember 2018-12-31 0000350894  
seic:FifthRangeOfExercisePricesMember 2018-01-01 2018-12-31 0000350894 2018-12-11 2018-12-11 0000350894  
seic:TwoThousandFourteenPlanMember us-gaap:ShareBasedCompensationAwardTrancheOneMember 2018-01-01  
2018-12-31 0000350894 seic:CommonStockBuybackMember 2018-12-31 0000350894  
seic:EmployeeStockPurchasePlanMember 2018-01-01 2018-12-31 0000350894 2018-05-30 2018-05-30 0000350894  
seic:TwoThousandFourteenPlanMember us-gaap:ShareBasedCompensationAwardTrancheTwoMember 2018-01-01  
2018-12-31 0000350894 seic:EmployeeStockPurchasePlanMember 2018-12-31 0000350894  
seic:CommonStockBuybackMember 2017-01-01 2017-12-31 0000350894 seic:CommonStockBuybackMember  
2016-01-01 2016-12-31 0000350894 seic:CommonStockBuybackMember 2018-01-01 2018-12-31 0000350894  
2018-06-22 2018-06-22 0000350894 us-gaap:SubsequentEventMember 2019-01-08 2019-01-08 0000350894  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-01-01 2016-12-31 0000350894  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-01-01 2018-12-31 0000350894  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2016-12-31 0000350894  
us-gaap:AccumulatedTranslationAdjustmentMember 2018-01-01 2018-12-31 0000350894  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2015-12-31 0000350894  
us-gaap:AccumulatedTranslationAdjustmentMember 2017-12-31 0000350894  
us-gaap:AccumulatedTranslationAdjustmentMember 2015-12-31 0000350894  
us-gaap:AccumulatedTranslationAdjustmentMember 2017-01-01 2017-12-31 0000350894  
us-gaap:AccumulatedTranslationAdjustmentMember 2016-01-01 2016-12-31 0000350894  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-12-31 0000350894  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-12-31 0000350894  
us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-01-01 2017-12-31 0000350894  
us-gaap:AccumulatedTranslationAdjustmentMember 2016-12-31 0000350894  
us-gaap:AccumulatedTranslationAdjustmentMember 2018-12-31 0000350894  
seic:CasesRemainingInParishOfEastBatonRougeGrantedIndefiniteExtensionsToRespondMember 2018-12-31  
0000350894 seic:CasesWithSPTCAsDefendantMember 2018-12-31 0000350894  
seic:ClaimsForViolationsOfLouisianaRacketeeringActMember 2018-12-31 0000350894  
seic:CasesFiledInEastBatonRougeMember 2018-12-31 0000350894 seic:SettlementandLapseofStatuteMember  
2018-12-31 0000350894 us-gaap:OtherCurrentLiabilitiesMember 2018-12-31 0000350894  
us-gaap:OtherNoncurrentLiabilitiesMember 2018-12-31 0000350894 2017-10-01 2017-12-31 0000350894  
us-gaap:CorporateNonSegmentMember 2017-01-01 2017-12-31 0000350894 us-gaap:CorporateNonSegmentMember  
2018-01-01 2018-12-31 0000350894 us-gaap:OperatingSegmentsMember 2018-01-01 2018-12-31 0000350894  
us-gaap:CorporateNonSegmentMember 2016-01-01 2016-12-31 0000350894 us-gaap:OperatingSegmentsMember  
2017-01-01 2017-12-31 0000350894 us-gaap:OperatingSegmentsMember 2016-01-01 2016-12-31 0000350894  
seic:InvestmentManagersMember 2017-01-01 2017-12-31 0000350894 seic:InstitutionalInvestorsMember  
2017-01-01 2017-12-31 0000350894 seic:PrivateBankMember 2017-01-01 2017-12-31 0000350894  
seic:InvestmentAdvisorsMember 2017-01-01 2017-12-31 0000350894 seic:InvestmentsInNewBusinessesMember  
2017-01-01 2017-12-31 0000350894 country:US 2017-12-31 0000350894 us-gaap:NonUsMember 2017-12-31  
0000350894 country:US 2018-12-31 0000350894 us-gaap:NonUsMember 2018-12-31 0000350894

Edgar Filing: SEI INVESTMENTS CO - Form 10-K

seic:InvestmentsInNewBusinessesMember 2016-01-01 2016-12-31 0000350894 seic:InvestmentAdvisorsMember 2016-01-01 2016-12-31 0000350894 seic:PrivateBankMember 2016-01-01 2016-12-31 0000350894 seic:InstitutionalInvestorsMember 2016-01-01 2016-12-31 0000350894 seic:InvestmentManagersMember 2016-01-01 2016-12-31 0000350894 us-gaap:OperatingSegmentsMember 2017-12-31 0000350894 us-gaap:OperatingSegmentsMember 2018-12-31 0000350894 seic:PrivateBankMember 2017-12-31 0000350894 seic:InvestmentsInNewBusinessesMember 2017-12-31 0000350894 seic:InvestmentAdvisorsMember 2017-12-31 0000350894 seic:InstitutionalInvestorsMember 2017-12-31 0000350894 seic:InvestmentAdvisorsMember 2018-12-31 0000350894 seic:InvestmentsInNewBusinessesMember 2018-12-31 0000350894 seic:PrivateBankMember 2018-12-31 0000350894 us-gaap:CorporateNonSegmentMember 2018-12-31 0000350894 seic:InvestmentManagersMember 2017-12-31 0000350894 us-gaap:CorporateNonSegmentMember 2017-12-31 0000350894 seic:InvestmentManagersMember 2018-12-31 0000350894 seic:InstitutionalInvestorsMember 2018-12-31 0000350894 us-gaap:OperatingSegmentsMember seic:InvestmentManagersMember 2017-01-01 2017-12-31 0000350894 us-gaap:OperatingSegmentsMember seic:PrivateBankMember 2016-01-01 2016-12-31 0000350894 us-gaap:OperatingSegmentsMember seic:InvestmentManagersMember 2018-01-01 2018-12-31 0000350894 us-gaap:OperatingSegmentsMember seic:InstitutionalInvestorsMember 2018-01-01 2018-12-31 0000350894 us-gaap:OperatingSegmentsMember seic:InvestmentAdvisorsMember 2017-01-01 2017-12-31 0000350894 us-gaap:OperatingSegmentsMember seic:InstitutionalInvestorsMember 2017-01-01 2017-12-31 0000350894 us-gaap:OperatingSegmentsMember seic:InvestmentManagersMember 2016-01-01 2016-12-31 0000350894 us-gaap:OperatingSegmentsMember seic:InvestmentsInNewBusinessesMember 2017-01-01 2017-12-31 0000350894 us-gaap:OperatingSegmentsMember seic:InvestmentAdvisorsMember 2018-01-01 2018-12-31 0000350894 us-gaap:OperatingSegmentsMember seic:InvestmentsInNewBusinessesMember 2018-01-01 2018-12-31 0000350894 us-gaap:OperatingSegmentsMember seic:InstitutionalInvestorsMember 2016-01-01 2016-12-31 0000350894 us-gaap:OperatingSegmentsMember seic:InvestmentsInNewBusinessesMember 2016-01-01 2016-12-31 0000350894 us-gaap:OperatingSegmentsMember seic:PrivateBankMember 2018-01-01 2018-12-31 0000350894 us-gaap:OperatingSegmentsMember seic:InvestmentAdvisorsMember 2016-01-01 2016-12-31 0000350894 us-gaap:OperatingSegmentsMember seic:PrivateBankMember 2017-01-01 2017-12-31 0000350894 seic:InvestmentsInNewBusinessesMember 2018-01-01 2018-12-31 0000350894 seic:PrivateBankMember 2018-01-01 2018-12-31 0000350894 seic:InstitutionalInvestorsMember 2018-01-01 2018-12-31 0000350894 seic:InvestmentManagersMember 2018-01-01 2018-12-31 0000350894 seic:InvestmentAdvisorsMember 2018-01-01 2018-12-31 0000350894 country:US 2016-01-01 2016-12-31 0000350894 us-gaap:NonUsMember 2017-01-01 2017-12-31 0000350894 us-gaap:NonUsMember 2016-01-01 2016-12-31 0000350894 country:US 2018-01-01 2018-12-31 0000350894 us-gaap:NonUsMember 2018-01-01 2018-12-31 0000350894 country:US 2017-01-01 2017-12-31 0000350894 us-gaap:AssetManagementIncomeMember 2016-01-01 2016-12-31 0000350894 us-gaap:AssetManagementIncomeMember 2017-01-01 2017-12-31 0000350894 us-gaap:TradingRevenueMember 2018-01-01 2018-12-31 0000350894 us-gaap:AssetManagementIncomeMember 2018-01-01 2018-12-31 0000350894 us-gaap:TradingRevenueMember 2016-01-01 2016-12-31 0000350894 us-gaap:TradingRevenueMember 2017-01-01 2017-12-31 0000350894 us-gaap:AccruedLiabilitiesMember seic:HuntingtonSteeleLLCMember 2018-04-02 0000350894 seic:ArchwayMember 2017-07-03 0000350894 us-gaap:OtherNoncurrentLiabilitiesMember seic:HuntingtonSteeleLLCMember 2018-04-02 0000350894 seic:ArchwayMember 2018-12-31 0000350894 seic:HuntingtonSteeleLLCMember 2018-04-02 2018-04-02 0000350894 seic:ArchwayMember 2017-07-03 2017-07-03 0000350894 seic:ArchwayMember 2018-01-01 2018-12-31 0000350894 seic:HuntingtonSteeleLLCMember 2018-04-02 0000350894 seic:HuntingtonSteeleLLCMember us-gaap:TradeNamesMember 2018-04-02 0000350894 seic:HuntingtonSteeleLLCMember us-gaap:CustomerRelationshipsMember 2018-04-02 0000350894 seic:ArchwayMember us-gaap:CustomerRelationshipsMember 2017-07-03 0000350894 seic:ArchwayMember us-gaap:TechnologyBasedIntangibleAssetsMember 2017-07-03 0000350894 seic:ArchwayMember us-gaap:NoncompeteAgreementsMember 2017-07-03 0000350894 seic:ArchwayMember us-gaap:TradeNamesMember 2017-07-03 0000350894 seic:ArchwayMember us-gaap:NoncompeteAgreementsMember 2017-07-03 2017-07-03 0000350894 seic:ArchwayMember us-gaap:CustomerRelationshipsMember 2017-07-03 2017-07-03 0000350894 seic:ArchwayMember us-gaap:TradeNamesMember 2017-07-03 2017-07-03 0000350894 seic:ArchwayMember

Edgar Filing: SEI INVESTMENTS CO - Form 10-K

us-gaap:TechnologyBasedIntangibleAssetsMember 2017-07-03 2017-07-03 0000350894  
seic:HuntingtonSteeleLLCMember us-gaap:CustomerRelationshipsMember 2018-04-02 2018-04-02 0000350894  
seic:HuntingtonSteeleLLCMember us-gaap:TradeNamesMember 2018-04-02 2018-04-02 0000350894  
us-gaap:TechnologyBasedIntangibleAssetsMember 2017-12-31 0000350894 us-gaap:CustomerRelationshipsMember  
2017-12-31 0000350894 us-gaap:NoncompeteAgreementsMember 2017-12-31 0000350894  
us-gaap:TradeNamesMember 2018-12-31 0000350894 us-gaap:NoncompeteAgreementsMember 2018-12-31  
0000350894 us-gaap:CustomerRelationshipsMember 2018-12-31 0000350894  
us-gaap:TechnologyBasedIntangibleAssetsMember 2018-12-31 0000350894 us-gaap:TradeNamesMember  
2017-12-31 0000350894 seic:InvestmentManagersMember 2016-12-31 0000350894  
seic:InvestmentsInNewBusinessesMember 2016-12-31 0000350894  
us-gaap:TechnologyBasedIntangibleAssetsMember 2018-01-01 2018-12-31 0000350894  
us-gaap:TradeNamesMember 2017-01-01 2017-12-31 0000350894  
us-gaap:TechnologyBasedIntangibleAssetsMember 2017-01-01 2017-12-31 0000350894  
us-gaap:TradeNamesMember 2018-01-01 2018-12-31 0000350894 us-gaap:CustomerRelationshipsMember  
2017-01-01 2017-12-31 0000350894 us-gaap:NoncompeteAgreementsMember 2017-01-01 2017-12-31 0000350894  
us-gaap:NoncompeteAgreementsMember 2018-01-01 2018-12-31 0000350894  
us-gaap:CustomerRelationshipsMember 2018-01-01 2018-12-31 0000350894  
seic:InvestmentProcessingFeesSaaSMember seic:PrivateBankMember 2018-01-01 2018-12-31 0000350894  
seic:ProfessionalServicesFeesMember seic:PrivateBankMember 2018-01-01 2018-12-31 0000350894 country:US  
seic:InvestmentAdvisorsMember 2018-01-01 2018-12-31 0000350894  
seic:InvestmentManagementFeesFromInvestmentManagementAgreementsMember seic:InstitutionalInvestorsMember  
2018-01-01 2018-12-31 0000350894 seic:InvestmentProcessingFeesSaaSMember seic:InvestmentAdvisorsMember  
2018-01-01 2018-12-31 0000350894 country:GB seic:InvestmentsInNewBusinessesMember 2018-01-01 2018-12-31  
0000350894 seic:InvestmentProcessingFeesPaaSMember seic:PrivateBankMember 2018-01-01 2018-12-31  
0000350894 seic:InvestmentManagementFeesFromInvestmentProductsMember seic:PrivateBankMember 2018-01-01  
2018-12-31 0000350894 country:CA seic:InvestmentAdvisorsMember 2018-01-01 2018-12-31 0000350894  
country:IE seic:InstitutionalInvestorsMember 2018-01-01 2018-12-31 0000350894  
seic:ProfessionalServicesFeesMember seic:InvestmentAdvisorsMember 2018-01-01 2018-12-31 0000350894  
country:IE 2018-01-01 2018-12-31 0000350894 seic:InvestmentOperationsFeesMember  
seic:InvestmentsInNewBusinessesMember 2018-01-01 2018-12-31 0000350894 country:GB  
seic:PrivateBankMember 2018-01-01 2018-12-31 0000350894 country:IE seic:PrivateBankMember 2018-01-01  
2018-12-31 0000350894 seic:InvestmentProcessingFeesPaaSMember 2018-01-01 2018-12-31 0000350894  
seic:InvestmentOperationsFeesMember seic:InstitutionalInvestorsMember 2018-01-01 2018-12-31 0000350894  
seic:InvestmentProcessingFeesPaaSMember seic:InvestmentManagersMember 2018-01-01 2018-12-31 0000350894  
country:CA seic:InvestmentManagersMember 2018-01-01 2018-12-31 0000350894 country:US  
seic:InstitutionalInvestorsMember 2018-01-01 2018-12-31 0000350894 seic:InvestmentOperationsFeesMember  
2018-01-01 2018-12-31 0000350894  
seic:InvestmentManagementFeesFromInvestmentManagementAgreementsMember seic:PrivateBankMember  
2018-01-01 2018-12-31 0000350894 country:US seic:PrivateBankMember 2018-01-01 2018-12-31 0000350894  
seic:OtherGeographicAreasMember seic:InvestmentManagersMember 2018-01-01 2018-12-31 0000350894  
country:US seic:InvestmentManagersMember 2018-01-01 2018-12-31 0000350894  
seic:AccountFeesAndOtherMember seic:InstitutionalInvestorsMember 2018-01-01 2018-12-31 0000350894  
seic:ProfessionalServicesFeesMember 2018-01-01 2018-12-31 0000350894  
seic:InvestmentManagementFeesFromInvestmentProductsMember seic:InvestmentAdvisorsMember 2018-01-01  
2018-12-31 0000350894 seic:ProfessionalServicesFeesMember seic:InvestmentsInNewBusinessesMember  
2018-01-01 2018-12-31 0000350894 seic:InvestmentManagementFeesFromInvestmentProductsMember 2018-01-01  
2018-12-31 0000350894 country:GB seic:InstitutionalInvestorsMember 2018-01-01 2018-12-31 0000350894  
seic:InvestmentOperationsFeesMember seic:InvestmentManagersMember 2018-01-01 2018-12-31 0000350894  
seic:ProfessionalServicesFeesMember seic:InstitutionalInvestorsMember 2018-01-01 2018-12-31 0000350894  
country:CA seic:InvestmentsInNewBusinessesMember 2018-01-01 2018-12-31 0000350894  
seic:InvestmentManagementFeesFromInvestmentProductsMember seic:InstitutionalInvestorsMember 2018-01-01

Edgar Filing: SEI INVESTMENTS CO - Form 10-K

2018-12-31 0000350894 country:IE seic:InvestmentManagersMember 2018-01-01 2018-12-31 0000350894  
seic:AccountFeesAndOtherMember 2018-01-01 2018-12-31 0000350894 seic:OtherGeographicAreasMember  
seic:InvestmentsInNewBusinessesMember 2018-01-01 2018-12-31 0000350894 country:CA  
seic:PrivateBankMember 2018-01-01 2018-12-31 0000350894 country:GB seic:InvestmentManagersMember  
2018-01-01 2018-12-31 0000350894 seic:InvestmentProcessingFeesSaaSMember 2018-01-01 2018-12-31  
0000350894 seic:InvestmentProcessingFeesSaaSMember seic:InstitutionalInvestorsMember 2018-01-01 2018-12-31  
0000350894 seic:InvestmentProcessingFeesSaaSMember seic:InvestmentsInNewBusinessesMember 2018-01-01  
2018-12-31 0000350894 country:US seic:InvestmentsInNewBusinessesMember 2018-01-01 2018-12-31 0000350894  
seic:OtherGeographicAreasMember seic:InvestmentAdvisorsMember 2018-01-01 2018-12-31 0000350894  
seic:InvestmentOperationsFeesMember seic:InvestmentAdvisorsMember 2018-01-01 2018-12-31 0000350894  
country:GB seic:InvestmentAdvisorsMember 2018-01-01 2018-12-31 0000350894  
seic:AccountFeesAndOtherMember seic:InvestmentsInNewBusinessesMember 2018-01-01 2018-12-31 0000350894  
seic:AccountFeesAndOtherMember seic:InvestmentAdvisorsMember 2018-01-01 2018-12-31 0000350894  
seic:InvestmentManagementFeesFromInvestmentManagementAgreementsMember 2018-01-01 2018-12-31  
0000350894 country:CA 2018-01-01 2018-12-31 0000350894 seic:InvestmentProcessingFeesSaaSMember  
seic:InvestmentManagersMember 2018-01-01 2018-12-31 0000350894 country:GB 2018-01-01 2018-12-31  
0000350894 seic:InvestmentProcessingFeesPaaSMember seic:InstitutionalInvestorsMember 2018-01-01 2018-12-31  
0000350894 seic:OtherGeographicAreasMember seic:PrivateBankMember 2018-01-01 2018-12-31 0000350894  
seic:OtherGeographicAreasMember seic:InstitutionalInvestorsMember 2018-01-01 2018-12-31 0000350894  
seic:InvestmentManagementFeesFromInvestmentProductsMember seic:InvestmentsInNewBusinessesMember  
2018-01-01 2018-12-31 0000350894 country:CA seic:InstitutionalInvestorsMember 2018-01-01 2018-12-31  
0000350894 seic:InvestmentManagementFeesFromInvestmentManagementAgreementsMember  
seic:InvestmentManagersMember 2018-01-01 2018-12-31 0000350894  
seic:InvestmentManagementFeesFromInvestmentManagementAgreementsMember  
seic:InvestmentsInNewBusinessesMember 2018-01-01 2018-12-31 0000350894 seic:AccountFeesAndOtherMember  
seic:PrivateBankMember 2018-01-01 2018-12-31 0000350894  
seic:InvestmentManagementFeesFromInvestmentManagementAgreementsMember seic:InvestmentAdvisorsMember  
2018-01-01 2018-12-31 0000350894 country:IE seic:InvestmentAdvisorsMember 2018-01-01 2018-12-31  
0000350894 seic:AccountFeesAndOtherMember seic:InvestmentManagersMember 2018-01-01 2018-12-31  
0000350894 seic:InvestmentOperationsFeesMember seic:PrivateBankMember 2018-01-01 2018-12-31 0000350894  
seic:InvestmentProcessingFeesPaaSMember seic:InvestmentsInNewBusinessesMember 2018-01-01 2018-12-31  
0000350894 seic:InvestmentManagementFeesFromInvestmentProductsMember seic:InvestmentManagersMember  
2018-01-01 2018-12-31 0000350894 seic:OtherGeographicAreasMember 2018-01-01 2018-12-31 0000350894  
seic:InvestmentProcessingFeesPaaSMember seic:InvestmentAdvisorsMember 2018-01-01 2018-12-31 0000350894  
country:IE seic:InvestmentsInNewBusinessesMember 2018-01-01 2018-12-31 0000350894  
seic:ProfessionalServicesFeesMember seic:InvestmentManagersMember 2018-01-01 2018-12-31 0000350894  
2017-01-01 2017-03-31 0000350894 2017-07-01 2017-09-30 0000350894 2017-04-01 2017-06-30 0000350894  
2018-01-01 2018-03-31 0000350894 2018-07-01 2018-09-30 0000350894 2018-10-01 2018-12-31 0000350894  
2018-04-01 2018-06-30 0000350894 us-gaap:AllowanceForCreditLossMember 2017-12-31 0000350894  
us-gaap:ValuationAllowanceOfDeferredTaxAssetsMember 2017-12-31 0000350894  
us-gaap:AllowanceForCreditLossMember 2016-01-01 2016-12-31 0000350894  
us-gaap:ValuationAllowanceOfDeferredTaxAssetsMember 2016-01-01 2016-12-31 0000350894  
us-gaap:AllowanceForCreditLossMember 2016-12-31 0000350894  
us-gaap:ValuationAllowanceOfDeferredTaxAssetsMember 2016-12-31 0000350894  
us-gaap:ValuationAllowanceOfDeferredTaxAssetsMember 2017-01-01 2017-12-31 0000350894  
us-gaap:AllowanceForCreditLossMember 2018-01-01 2018-12-31 0000350894  
us-gaap:AllowanceForCreditLossMember 2017-01-01 2017-12-31 0000350894  
us-gaap:ValuationAllowanceOfDeferredTaxAssetsMember 2015-12-31 0000350894  
us-gaap:AllowanceForCreditLossMember 2018-12-31 0000350894  
us-gaap:ValuationAllowanceOfDeferredTaxAssetsMember 2018-01-01 2018-12-31 0000350894  
us-gaap:AllowanceForCreditLossMember 2015-12-31 0000350894

us-gaap:ValuationAllowanceOfDeferredTaxAssetsMember 2018-12-31 iso4217:USD xbrli:shares xbrli:pure  
xbrli:shares iso4217:USD seic:right xbrli:shares seic:Lawsuit

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2018**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **0-10200**

**SEI INVESTMENTS COMPANY**

(Exact name of registrant as specified in its charter)

**Pennsylvania** **23-1707341**  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

**1 Freedom Valley Drive, Oaks, Pennsylvania 19456-1100**  
(Address of principal executive offices) (Zip Code)

**Registrant's telephone number, including area code 610-676-1000**

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Name of each exchange on which registered
Common Stock, par value \$.01 per share	The NASDAQ Stock Market LLC (The NASDAQ Global Select Market®)

**Securities registered pursuant to Section 12(g) of the Act:**

**None**  
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No   
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No   
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Edgar Filing: SEI INVESTMENTS CO - Form 10-K

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the voting common stock held by non-affiliates of the registrant was approximately \$7.7 billion based on the closing price reported by NASDAQ on June 30, 2018 (the last business day of the registrant's most recently completed second fiscal quarter). For purposes of making this calculation only, the registrant has defined affiliates as including all executive officers, directors and beneficial owners of more than ten percent of the common stock of the registrant.

The number of shares outstanding of the registrant's common stock, as of the close of business on January 31, 2019:

**Common Stock, \$.01 par value 153,690,105**

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the following documents are incorporated by reference herein:

1. The definitive proxy statement relating to the registrant's 2019 Annual Meeting of Shareholders, to be filed within 120 days after the end of the fiscal year covered by this annual report, is incorporated by reference in Part III hereof.



**SEI Investments Company**

Fiscal Year Ended December 31, 2018

TABLE OF CONTENTS

	Page
<b>PART I</b>	
Item 1. Business.	<u>2</u>
Item 1A. Risk Factors.	<u>12</u>
Item 1B. Unresolved Staff Comments.	<u>18</u>
Item 2. Properties.	<u>18</u>
Item 3. Legal Proceedings.	<u>18</u>
Item 4. Mine Safety Disclosures.	<u>19</u>
<b>PART II</b>	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	<u>20</u>
Item 6. Selected Financial Data.	<u>21</u>
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.	<u>22</u>
Item 7A. Quantitative and Qualitative Disclosures About Market Risk.	<u>39</u>
Item 8. Financial Statements and Supplementary Data.	<u>40</u>
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.	<u>78</u>
Item 9A. Controls and Procedures.	<u>78</u>
Item 9B. Other Information.	<u>78</u>
<b>PART III</b>	
Item 10. Directors, Executive Officers and Corporate Governance.	<u>79</u>
Item 11. Executive Compensation.	<u>79</u>
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	<u>80</u>
Item 13. Certain Relationships and Related Transactions, and Director Independence.	<u>82</u>
Item 14. Principal Accounting Fees and Services.	<u>82</u>
<b>PART IV</b>	
Item 15. Exhibits, Financial Statement Schedules.	<u>83</u>
Item 16. Form 10-K Summary.	<u>83</u>

## **PART I**

### **Forward Looking Statements**

This Annual Report on Form 10-K contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve certain known and unknown risks, uncertainties and other factors, many of which are beyond our control, and are not limited to those discussed in Item 1A, “Risk Factors.” All statements that do not relate to historical or current facts are forward-looking statements. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “will,” and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to present or anticipated strategies, products and markets, future revenues, capital expenditures and uses, expansion plans, future financing and liquidity, personnel, and other statements regarding matters that are not historical facts or statements of current condition.

Any or all forward-looking statements contained within this Annual Report on Form 10-K may turn out to be wrong. They can be affected by inaccurate assumptions we might make, or by known or unknown risks and uncertainties. Many factors mentioned in the discussion below will be important in determining future results. Consequently, we cannot guarantee any forward-looking statements. Actual future results may vary materially.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. You are advised, however, to consult any further disclosures we make on related subjects in our filings with the U.S. Securities and Exchange Commission (SEC).

### **Item 1. Business.**

#### *Overview*

After 50 years in business, SEI (NASDAQ: SEIC) remains a leading global provider of investment processing, investment management and investment operations solutions that help corporations, financial institutions, financial advisors and ultra-high-net-worth families create and manage wealth. As of December 31, 2018, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages, advises or administers \$883.9 billion in hedge, private equity, mutual fund and pooled or separately managed assets, including \$307.3 billion in assets under management and \$572.5 billion in client assets under administration. Our affiliate, LSV Asset Management (LSV), manages \$96.1 billion of assets which are included as assets under management.

Our business platforms include:

- Investment processing outsourcing platforms for providers of institutional and private-client wealth management services, including banks, trust companies, independent wealth advisers and other financial services firms;
- Investment management platforms for institutional investors, including retirement plan sponsors, not-for-profit organizations and affluent individual investors; and
- Investment operations outsourcing platforms for investment management firms, banks, family offices and investment companies that sponsor and distribute mutual funds, hedge funds and alternative investments.

#### *General Development of the Business*

SEI is a leading provider of wealth management business solutions for the financial services industry. For over 50 years, we've anticipated changing market needs and created innovative business solutions designed to help clients meet the challenges of managing personal and institutional wealth.

We began doing business in 1968 by providing computer-based training simulations for bank loan officers. We developed an investment accounting system for bank trust departments in 1972 and became a leading provider of investment processing outsourcing services to banks and trust institutions in the United States. Later, we broadened these outsourcing services and began offering bank clients a family of mutual funds, as well as investment operations outsourcing services. We became a public company in 1981.

We began to adapt and evolve these platforms for selected global markets in the 1990s, including: investment advisors, retirement plan sponsors and institutional investors, asset management distribution firms, investment managers and affluent individual investors. Today, we serve approximately 11,000 clients in the United States, Canada, the United Kingdom, continental Europe, South Africa and East Asia.

In each of these markets, we have combined our core competencies - investment processing, investment management and investment operations - to deliver broader and more strategic solutions for clients and markets. Today, we offer a

global wealth and investment platform for private banks and wealth services firms; a complete wealth platform for operating an investment

Page 2 of 86

---

advisory business; a comprehensive Outsourced Chief Investment Officer (OCIO) platform for retirement plan sponsors and institutional investors; a total operational outsourcing platform for investment managers and a life and wealth platform for ultra-high-net-worth families.

#### *Mission and Strategy*

SEI's mission is to deliver innovative and comprehensive investment processing, investment management and investment operations platforms to help clients achieve lasting success. We also seek to achieve growth in earnings and shareholder value by strengthening our position as a provider of these platforms. To achieve these objectives, we have implemented these strategies:

*Create broader solutions for wealth service firms, globally.* Banks, investment managers and financial advisors seek to enter new markets, expand their service offerings, provide a differentiated experience to their clients, improve efficiencies, reduce risks and better manage their businesses. We offer comprehensive platforms integrating technology, operating processes and financial products designed to help these institutions better serve their clients and create opportunities to improve their business success.

*Help institutional investors manage retirement plans and operating capital, globally.* Retirement plan sponsors, not-for-profit organizations and other institutional investors strive to meet their fiduciary obligations and financial objectives while reducing business risk. We deliver customized investment management solutions, as part of a complete OCIO platform, that facilitate more strategic decisions by investors about their investments and more efficient and effective management of their assets.

*Support affluent individual investors in the management of their life and wealth goals, globally.* Investors demand a holistic wealth management experience that focuses on their life goals and provides them with an integrated array of financial services that includes substantially more than traditional wealth management offerings. We facilitate an in-depth process of goal identification and offer comprehensive life and wealth advisory services including life planning, investments and other financial services that align closely to these goals.

*Continue to expand globally.* Global markets are complex, in a constant state of flux and present significant opportunities for growth. We have evolved U.S. business models for the global wealth management marketplace, focusing on the needs of institutional investors, private banks, independent wealth advisers, investment managers, investment advisors and affluent individual investors and aid them in managing the complexity of global markets.

#### *Business Model*

We are guided by the fundamental principles of our business model in managing the company:

- *Grow organically.* We seek to grow organically by:

delivering current platforms into existing markets and adding new clients;  
expanding business in existing markets by building new platforms; and  
entering adjacent financial markets with existing and new platforms.

We may also make acquisitions and strategic investments in other firms that we believe will expand our capabilities or acquire platforms that may increase future organic growth.

*Engage clients.* We strive to forge intimate and long lasting client relationships, and to be a thought leader in the markets we serve. We believe SEI's long-lasting client relationships - some of which span decades - are fundamental to enhancing SEI's financial strength.

*Enhance financial strength.* We focus on achieving long-term sustainable growth in revenues and earnings. We favor businesses and solution platforms that generate recurring revenues and predictable cash flows. We strive to maintain a strong balance sheet and return capital to shareholders through stock purchases and paid dividends.

*Innovate.* We continually invest in product development to meet the emerging needs of markets and clients, keep pace with industry developments and satisfy ever expanding and complex regulatory requirements. We have significant domain knowledge and over 50 years of experience developing new solutions that address our clients' complex business challenges in a manner that enhances their ability to compete effectively. To fuel the innovation process, we strive to nurture SEI's talented and engaged workforce, and foster an open and collaborative culture. We believe our commitment to capital investments to drive growth - targeting eight to ten percent of annual revenues for platform development - affords us a competitive advantage.



## *Business Platforms*

### Investment Processing

Investment processing platforms consist of application and business-process-outsourcing services, professional services and transaction-based services. Investment processing services are primarily delivered through two proprietary platforms: TRUST 3000® and the SEI Wealth Platform<sup>SM</sup> (the SEI Wealth Platform or SWP). We offer these services to providers of institutional and private-client wealth management services, including banks, trust companies, independent wealth advisers and other financial services firms. We also deliver these platforms, combined with our investment management platform, to investment advisors and other wealth management and financial services firms. Through our wholly-owned subsidiaries, we also provide business-process outsourcing services including custodial and sub-custodial services and back-office accounting services.

The TRUST 3000 platform is a comprehensive trust and investment accounting system that provides securities processing and investment accounting for all types of domestic and global securities and support for multiple account types, including personal trust, corporate trust, institutional trust and non-trust investment accounts. This platform is delivered as Software as a Service (SaaS) or as Platform as a Service (PaaS).

SWP provides a global, unified and scalable platform for operating a wealth management business. This comprehensive platform includes investment processing and infrastructure services, and advanced capabilities to support wealth advisory, asset management, and wealth administration functions. SWP also provides global wealth management capabilities including a 24/7 operating model, global securities processing, and multi-currency accounting and reporting. Built around a client-centric relationship model, SWP has an open architecture and supports workflow management and straight-through processing.

SWP is offered in SaaS and PaaS delivery modes. We began delivering SWP (PaaS) to private banks and independent wealth advisers in the United Kingdom in 2007, to banks in the United States in 2012, and to investment advisor clients in the United States in 2015. We are currently implementing our first SaaS bank client through a multi-year conversion.

Investment processing revenues are earned as monthly fees for contracted SaaS and PaaS services. Revenues are primarily earned based upon the type and number of investor accounts serviced or as a percentage of the market value of the clients' assets processed. Professional services revenues are earned from contracted, project-oriented services, including client implementations. Transaction-based revenues are earned primarily from commissions earned on securities trades executed on behalf of clients through one of our investment processing platforms. Revenues from investment processing, professional services, and transaction-based services are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations.

### Investment Management

SEI's investment management platform consists of investment products including:

- money market;
- fixed-income and equity mutual funds;
- collective investment products;
- alternative investment portfolios; and
- separately managed accounts.

Through our wholly owned subsidiaries, we serve as sponsor, administrator, transfer agent, investment advisor, distributor and shareholder servicer for many of these products. We distribute these investment products through investment advisory firms, including investment advisors and banks, and directly to institutional and individual investors.

Investment products are used to construct an investment strategy tailored to meet the needs of different investors, taking into consideration their objectives and risk tolerances. SEI's clients, or the investors served by client intermediaries, are the investors in these products. Investors typically invest in a globally diversified portfolio that consists of multiple asset classes and investment styles.

We have expanded our investment management platform to include other consultative, operational and technology components, and have created diverse solutions tailored to the needs of a specific market. These components may include investment strategies, consulting services, administrative and processing services and technology tools.

As of December 31, 2018, we managed \$211.2 billion in assets including:

\$156.0 billion invested in fixed-income and equity funds and separately managed account programs;

\$42.9 billion invested in collective trust fund programs; and

\$12.3 billion invested in liquidity or money market funds.

Page 4 of 86

---

An additional \$96.1 billion in assets is managed by our unconsolidated affiliate LSV, a registered investment advisor that specializes in value equity management for its clients.

Investment management revenues are earned primarily as a percentage of net assets under management. These revenues are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations. Our interest in the earnings of LSV is recognized in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statements of Operations.

#### Investment Operations

Investment operations platforms consist of business-processing-outsourcing services including fund and investment accounting, administration, reconciliation, regulatory and compliance reporting, investor servicing and client reporting. We primarily deliver these platforms to investment management firms that offer traditional and alternative products. We support traditional managers who advise a variety of investment products including:

- mutual funds;
- UCITS schemes;
- collective investment trusts (CITs);
- exchange-traded funds (ETFs);
- institutional accounts; and
- separately managed accounts.

We provide comprehensive platforms to investment managers worldwide that sponsor and distribute alternative investment products such as hedge funds, funds of hedge funds, private equity funds and real estate funds, across both registered and partnership structures. We also provide an investment operations platform that services the family office market in the United States. These platforms are delivered by utilizing a highly-integrated, robust and scalable technology platform adapted to fit the specific business needs of our investment manager clients.

As of December 31, 2018, we administered \$572.5 billion in client assets for traditional and alternative investment fund products, including mutual funds, hedge funds and private equity funds. Revenues from these products are earned primarily as a percentage of net assets under administration.

Revenues for the processing of institutional separate accounts and separately managed accounts are generally earned on the number of investor accounts serviced. Assets associated with this separate account processing are not included in reported assets under administration. Both revenue categories are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

#### *Business Segments*

Business segments are generally organized around our target markets. Financial information about each business segment is contained in Note 12 to the Consolidated Financial Statements. Our business segments are:

Private Banks – provides outsourced investment processing and investment management platforms to banks and trust institutions, independent wealth advisers and financial advisors worldwide;

Investment Advisors – provides investment management and investment processing platforms to affluent investors through a network of independent registered investment advisors, financial planners and other investment professionals in the United States;

Institutional Investors – provides investment management and administrative outsourcing platforms to retirement plan sponsors, healthcare systems and not-for-profit organizations worldwide;

Investment Managers – provides investment operations outsourcing platforms to fund companies, banking institutions, traditional and non-traditional investment managers worldwide and family offices in the United States; and

Investments in New Businesses – focuses on providing investment management solutions to ultra-high-net-worth families residing in the United States; developing internet-based investment services and advice platforms; entering new markets; and conducting other research and development activities.



The percentage of consolidated revenues generated by our business segments for the last three years was:

	2018	2017	2016
Private Banks	30 %	31 %	33 %
Investment Advisors	25 %	24 %	23 %
Institutional Investors	20 %	21 %	22 %
Investment Managers	24 %	23 %	21 %
Investments in New Businesses	1 %	1 %	1 %
	100%	100%	100%

#### Private Banks

We are a leading provider of investment processing outsourcing platforms for banks and trust institutions, independent wealth advisers and financial advisers worldwide.

We offer TRUST 3000 investment processing in both SaaS or PaaS delivery modes. SaaS clients outsource investment processing software services and information processing to SEI, but retain responsibility for back-office investment operations. PaaS clients also outsource investment operations, including custody and safekeeping of certain assets, income collection, securities settlement and other back-office accounting activities.

Marketing efforts in this segment are focused on SWP which is currently delivered as PaaS. SWP offers advanced capabilities across the entire range of wealth management processes, including those of large global wealth managers. SWP enables banks and investment service firms of all types to manage the growing complexity of their operations, replace legacy platforms, comply with complex regulations, and make more effective use of capital by outsourcing wealth management services.

In 2015, we signed an existing TRUST 3000 client to be the first large national bank to implement SWP, and the first client to operate SWP as SaaS. This will be a multi-year conversion due to the client's size, the development work involved to expand SWP to be offered as SaaS, and the scope of integration activities required. While executing this large-scale implementation, we will continue to install other signed clients. We will also continue to manage our current TRUST 3000 relationships toward eventual conversion to SWP.

Contracts with TRUST 3000 clients have initial terms that are generally three to seven years in length. At December 31, 2018, we had significant relationships with 67 bank and trust institutions in the United States. Our principal competitors for this business are:

Fidelity National Information Services, Inc. (FIS);  
 Innovest Portfolio Solutions, LLC;  
 Charles Schwab & Co., Inc.; and  
 Fidelity Investments.

Many large financial institutions develop, operate and maintain proprietary investment and trust accounting systems. We consider these "in-house" systems to be a form of competition.

Contracts with SWP clients have initial terms that are generally five to seven years in length. At December 31, 2018, we had significant relationships with 48 banks, independent wealth advisers and other wealth managers located in the United Kingdom and the United States. Our principal competitors for this business, in addition to those named above, are:

Pershing LLC;  
 FNZ UK Ltd.;  
 Temenos Group AG;  
 Avaloq;  
 S&C Technologies;  
 Fiserv, Inc.; and  
 other smaller technology firms.

We also consider "in-house" systems to be a form of competition.

This segment also offers investment management and distribution programs for banks, wealth managers and other financial services intermediaries. These programs start with SEI's standard investment solutions, strategies, funds and investment services. We also deliver customized solutions including asset management strategies, as well as

investment manager and portfolio research services. Increasingly, asset management distributors with established platforms are seeking to grow their

Page 6 of 86

---

businesses by offering broader investment solutions while outsourcing non-client facing investment services activities. We believe we offer our distribution partners a cost-effective way to grow their businesses and offer their investors differentiated investment choices, such as SEI's goal-based investing solution.

We have business relationships with 282 banks, wealth managers and other financial services intermediaries at December 31, 2018. Our definition of an asset management distribution client for this segment includes financial intermediaries who have exceeded a minimal level of customer assets invested in our investment products. With the growth of our business, the minimal level of customer assets which defines a "business relationship" is adjusted from time to time. Our business is primarily based on 98 asset management distribution clients who, at December 31, 2018, had at least \$5.0 million each in customer assets invested in our programs. We also had single-product relationships with 80 additional banks and trust institutions. The principal competitors for this business are:

• Russell Investment Group;

• Fidelity Investments;

• Franklin Templeton Investments;

• discretionary portfolio managers; and

• various multi-manager investment programs offered by other firms.

We also consider "in-house" proprietary asset management capabilities to be a form of long-term competition.

#### Investment Advisors

We are a leading provider of investment management solutions throughout the United States to registered investment advisors, financial planners and life insurance agents, many of whom are registered with independent broker-dealers. These solutions include SEI's investment management platform and investment processing platform and are usually offered on a bundled basis. We also help advisors manage and grow their businesses by giving them access to marketing support programs and practice management services which include, for example, workflow recommendations, succession planning advice, business assessment assistance and recommended management practices. We believe our integrated solution helps investment advisors reduce risk, improve quality and gain operational efficiency which allows them to devote more of their resources to acquiring new clients and achieving better outcomes for their existing clients.

Advisors are responsible for the investor relationship which includes creating financial plans, implementing investment strategies and educating and servicing their customers. Advisors may customize portfolios to include separate account managers provided through our programs as well as SEI-sponsored mutual funds. Our wealth and investment programs are designed to be attractive to affluent or high-net-worth individual investors and small to medium-sized institutional retirement plans.

We continually evaluate and enhance our offering to meet the emerging needs of our advisors and their end clients.

We anticipate the enhanced service offerings enabled through SWP will provide a more diverse range of back-office, front-office and client-facing investment processing and investment management capabilities. We began to implement selected groups of advisor clients onto SWP in 2015 and expect to have all clients on the platform in 2019. We will continue to focus on recruiting new advisors, improving net cash flows into our investment management programs, and managing client relationships toward eventual migration onto SWP.

We estimate we have business relationships with approximately 7,400 financial advisors at December 31, 2018. Our definition of a client for this segment includes financial advisors who have exceeded a minimal level of customer assets invested in our investment products. With the growth of our business, the minimal level of customer assets which defines a "business relationship" is adjusted from time to time. Our business is primarily based on approximately 2,100 investment advisors who, at December 31, 2018, had at least \$5.0 million each in customer assets invested in our programs. Revenues are earned largely as a percentage of average assets under management. The principal competition for our investment management products is from other active money managers, passive investment management sponsors, other turnkey asset management providers, mutual fund companies, custody service providers and the proprietary investment management programs of broker dealers. In the advisor distributor channel, the principal competitors include:

• AssetMark Investment Services Inc.;

• Brinker Capital;

EnvestNet, Inc.;  
Fidelity Investments;  
TD Ameritrade;

Page 7 of 86

---

Charles Schwab & Co., Inc.; and  
other broker-dealers.

As we introduce SWP, we expect to more directly compete with custody service providers.

#### Institutional Investors

We are a leading provider of Outsourced Chief Investment Officer (OCIO) platforms for retirement plan sponsors, healthcare systems, and not-for-profit organizations globally. We have a broadly experienced team with specific expertise in defined benefit plans, defined contribution plans, endowments, foundations, balance sheet assets and other institutional asset pools.

Our clients benefit from solutions that combine the breadth of SEI's investment management, advisory, and administration services. Depending on their needs, objectives, and risk tolerance, clients may elect to either retain control or outsource specific management functions. As a result, they are able to integrate SEI's investment process, advisory services, and plan administration services into their existing best practices seamlessly. This approach is designed to address the investor's specific risk-return requirements, reduce business risk, provide ongoing due diligence, and increase operational efficiency.

SEI's open architecture investment management approach provides access to manager research, manager selection and monitoring, portfolio construction and discretionary management. Advisory services include scenario modeling and customization of an asset allocation plan that is designed to meet long-term objectives. Plan administration services include trustee, custodial, and benefit payment services.

We expect to continue our efforts to build a globally diversified institutional client base, provide our clients with value-added advice and discretionary services, and place increased emphasis on defined contribution and not-for-profit organizations fiduciary management sales opportunities.

Fees are primarily earned as a percentage of average assets under management calculated using the average of the four month ending balances preceding the billing date. At December 31, 2018, we had relationships with 482 institutional clients. The principal competitors for this segment are:

•boutique and large bank OCIO/fiduciary management firms;

•Mercer;

•Aon Hewitt;

•Willis Towers Watson; and

•Russell Investments.

#### Investment Managers

We are a leading global provider of investment operations outsourcing platforms to fund companies, banking institutions, family offices and both traditional and alternative investment managers worldwide. We provide investment organizations and asset owners with the advanced operating infrastructure that is critical to success in this highly competitive industry while also providing solutions to efficiently navigate a host of ever changing and increasingly complex business and regulatory challenges. Our comprehensive global operating platform provides clients with customized and integrated capabilities in the areas of:

•data and information management;

•investment operations;

•risk management and compliance support;

•fund administration;

•fund accounting; and

•distribution support.

We work with a diverse and sophisticated group of alternative, traditional, and hybrid asset managers, including approximately one-third of the top 100 managers worldwide. We believe clients choose our full-service offering because of its flexibility, quality and ability to support their diverse business needs across multiple product types and structures, investment strategies and asset classes. Our investment manager clients offer a variety of packaging types, including hedge funds, private equity and real estate funds, mutual funds, separate accounts, ETFs, UCITS and closed-end funds. For clients focused on the U.S. retirement market who desire to manage assets within a collective investment trust, we offer trustee and investment management services in addition to the aforementioned

administration services. Our platform enables us to offer outsourcing services to a full spectrum of investment managers, accommodating the special needs of emerging and start-up managers all the way through to the most complex, multi-asset hybrid managers globally. Our operational platform enables managers to view

Page 8 of 86

---

their business in a comprehensive and integrated way, providing more insight and thus control over their business risks and results.

We also provide a family office platform with a comprehensive suite of technology and technology-enabled services for ultra-high-net-worth families, their trusted advisors and the institutions that service the family office market. Over the past few years, investors have faced multiple market disruptions and rising volatility. At the same time there has been an increased level of regulatory pressure focused on investor and data protection. Investment managers have responded with a range of innovative products designed to better manage volatility and downside risk, and many now offer alternatives to the pure long-only investing strategy historically used in traditional markets. This can be accomplished in a standalone private or public fund vehicle or using our U.S. mutual fund series trust platform. We also offer a regulatory compliance platform that assists managers in adhering to the changing and ever-demanding global regulatory environment. Additionally, as we believe that competitiveness will increasingly be based on capabilities other than just portfolio investment expertise, we offer managers solutions that help them gain scale and efficiency, run their businesses more intelligently through data analytics and online dashboards, and be more responsive to regulatory, investor and intermediary needs.

We will continue our efforts to add new asset managers, asset owners, family offices and private wealth advisors as clientele, grow our existing client relationships, expand into new markets and further develop our solutions and global operations platform.

Contracts for fund administration outsourcing services generally have terms ranging from three to five years. Fees are primarily earned as a percentage of average assets under management and administration. A portion of the revenues for this segment is earned as account servicing fees. At December 31, 2018, we had relationships with 486 investment management companies, alternative investment managers, family offices and private wealth advisors. Our competitors vary according to the asset class or solutions provided and include:

State Street;  
 BNY Mellon;  
 Northern Trust;  
 SS&C Technologies; and  
 Citco.

#### Investments in New Businesses

The Investments in New Businesses segment represents other business ventures or research and development activities intended to expand our solutions to new or existing markets including ultra-high-net-worth families who reside in the United States. This segment also includes the costs associated with developing internet-based investment services and advice solutions. The family wealth management solution offers flexible family-office type services through a highly personalized solution while utilizing a goals-based investment process.

The principal competitors for the family wealth solution are diversified financial services providers focused on the ultra-high-net-worth market.

#### *Research and Development*

We continue to devote significant resources to research and development, including expenditures for new technology platforms, enhancements to existing technology platforms and new investment products and services. Our research and development expenditures for the last three years were:

*(all dollar amounts in thousands)*

	2018	2017	2016
Research and development expenditures	\$ 159,084	\$ 155,252	\$ 134,323
Capitalization of costs incurred in developing computer software	\$ 44,221	\$ 61,043	\$ 50,392

Research and development expenditures as a percentage of revenues 9.8 % 10.2 % 9.6 %

Our research and development expenditures are included in Compensation, benefits and other personnel and Consulting, outsourcing and professional fees on the accompanying Consolidated Statements of Operations.

The majority of our research and development spending is related to building SWP, which combines business service processing with asset management and distribution services. SWP offers a client-centric, rather than an

account-centric, process

Page 9 of 86

---



with model-based portfolio management services through a single platform. SWP utilizes SEI's proprietary applications with those built by third-party providers and integrates them into a single technology platform. This integration supports straight-through business processing and enables the transformation of our clients' wealth services from operational investment processing services to client value-added services.

SWP provides the technology infrastructure for the business solutions now being marketed and delivered to markets in the United States and the United Kingdom served by the Private Banks segment. SWP also provides the technology infrastructure for the business solutions now being marketed and delivered to markets in the United States served by the Investment Advisors segment. We believe the advanced capabilities of SWP will enable us to significantly extend and enhance the services we offer to clients and expand SEI's addressable markets.

#### *Marketing and Sales*

Our business platforms are directly marketed to potential clients in our target markets. At January 31, 2019, we employed approximately 105 sales representatives who operate from offices located throughout the United States, Canada, the United Kingdom, continental Europe, South Africa, Asia and other locations.

#### *Customers*

In 2018, no single customer accounted for more than ten percent of revenues in any business segment.

#### *Personnel*

At January 31, 2019, we had 3,820 full-time and 32 part-time employees. Employee unions do not represent any of our employees. Management considers employee relations to be generally good.

#### *Regulatory Considerations*

We conduct our operations through several regulated wholly-owned subsidiaries. These subsidiaries are:

• SEI Investments Distribution Co., or SIDCO, a broker-dealer registered with the SEC under the Securities Exchange Act of 1934 and a member of the Financial Industry Regulatory Authority, Inc., or FINRA;

• SEI Investments Management Corporation, or SIMC, an investment advisor registered with the SEC under the Investment Advisers Act of 1940 and with the Commodity Futures Trading Commission, or CFTC, under the Commodity Exchange Act;

• SEI Private Trust Company, or SPTC, a limited purpose federal thrift chartered and regulated by the Office of the Comptroller of the Currency;

• SEI Trust Company, or STC, a Pennsylvania trust company, regulated by the Pennsylvania Department of Banking and Securities;

• SEI Investments (Europe) Limited, or SIEL, an investment manager and financial institution subject to regulation by the Financial Conduct Authority of the United Kingdom;

• SEI Investments Canada Company, or SEI Canada, an investment fund manager that has various other capacities that is regulated by the Ontario Securities Commission and various provincial authorities;

• SEI Investments Global, Limited, or SIGL, a management company for Undertakings for Collective Investment in Transferable Securities, or UCITS, and for Alternative Investment Funds, or AIFs, that is regulated primarily by the Central Bank of Ireland, or CBI;

• SEI Investments - Global Fund Services, Ltd., or GFSL, an authorized provider of administration services for Irish and non-Irish collective investment schemes that is regulated by the CBI; and

• SEI Investments - Depository and Custodial Services (Ireland) Limited, or D&C, an authorized provider of depository and custodial services that is regulated by the CBI.

In addition to the regulatory authorities listed above, our subsidiaries are subject to the jurisdiction of regulatory authorities in other foreign countries. In addition to our wholly-owned subsidiaries, we also own a minority interest of approximately 38.9 percent in LSV, which is also an investment advisor registered with the SEC.

The Company, its regulated subsidiaries, their regulated services and solutions and their customers are all subject to extensive legislation, regulation and supervision that recently has been subject to, and continues to experience, significant change and increased regulatory activity. These changes and regulatory activities could have a material adverse effect on us and our clients.

The various governmental agencies and self-regulatory authorities that regulate or supervise the Company and its subsidiaries have broad administrative powers. In the event of a failure to comply with laws, regulations and

requirements of these agencies and authorities, the possible business process changes required or sanctions that may be imposed include the suspension of

Page 10 of 86

---

individual employees, limitations on our ability to engage in business for specified periods of time, the revocation of applicable registration as a broker-dealer, investment advisor or other regulated entity, and, as the case may be, censures and fines. Additionally, certain securities and banking laws applicable to us and our subsidiaries provide for certain private rights of action that could give rise to civil litigation. Any litigation could have significant financial and non-financial consequences including monetary judgments and the requirement to take action or limit activities that could ultimately affect our business.

Governmental scrutiny from regulators, legislative bodies and law enforcement agencies with respect to matters relating to our regulated subsidiaries and their activities, services and solutions, our business practices, our past actions and other matters has increased dramatically in the past several years. Responding to these examinations, investigations, actions and lawsuits, regardless of the ultimate outcome of the proceeding, is time consuming and expensive and can divert the time and effort of our senior management from our business. Penalties, fines and changes to business processes sought by regulatory authorities have increased substantially over the last several years, and certain regulators have been more likely in recent years to commence enforcement actions or to advance or support legislation targeted at the financial services industry. We continue to be subject to inquiries from examinations and investigations by supervisory and enforcement divisions of regulatory authorities and expect this to continue in the future. We believe this is also the case with many of our regulated clients. Governmental scrutiny and legal and enforcement proceedings can also have a negative impact on our reputation, our relationship with clients and prospective clients, and on the morale and performance of our employees, which could adversely affect our businesses and results of operations.

We are subject to the USA PATRIOT Act of 2001, which contains anti-money laundering and financial transparency laws and requires implementation of regulations applicable to financial services companies, including standards for verifying client identification and monitoring client transactions and detecting and reporting suspicious activities. Anti-money laundering laws outside the United States contain similar requirements. We offer investment and banking solutions that also are subject to regulation by the federal and state securities and banking authorities, as well as foreign regulatory authorities, where applicable. Existing or future regulations that affect these solutions could lead to a reduction in sales of these solutions or require modifications of these solutions.

Compliance with existing and future regulations and responding to and complying with recent increased regulatory activity affecting broker-dealers, investment advisors, investment companies, financial institutions and their service providers could have a significant impact on us. We periodically undergo regulatory examinations and respond to regulatory inquiries and document requests. In addition, recent and continuing legislative activity in the United States and in other jurisdictions (including the European Union and the United Kingdom) have made and continue to make extensive changes to the laws regulating financial services firms. Recent changes include the effectiveness of the Markets in Financial Instruments Directive (MiFID II) and pending effectiveness of the General Data Protection Regulation in the European Union and the U.S. Department of Labor's Fiduciary Rule. As a result of these examinations, inquiries and requests, as a result of increased civil litigation activity, and as a result of these new laws and regulations, we engage legal counsel and other subject matter experts, review our compliance procedures, solution and service offerings, and business operations, and make changes as we deem necessary or as may be required by the applicable authority. These additional activities and required changes may result in increased expense or may reduce revenues.

Our bank clients are subject to supervision by federal, state and foreign banking and financial services authorities concerning the manner in which such clients purchase and receive our products and services. Our plan sponsor clients and our subsidiaries providing services to those clients are subject to supervision by the Department of Labor and compliance with employee benefit regulations. Investment advisor and broker-dealer clients are regulated by the SEC, state securities authorities, or FINRA. Existing or future regulations applicable to our clients may affect our clients' purchase of our products and services.

In addition, see the discussion of governmental regulations in Item 1A "Risk Factors" for a description of the risks that proposed regulatory changes may present for our business.

*Available Information*

We maintain a website at [seic.com](http://seic.com) and make available free of charge through the Investor Relations section of this website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We include our website in this Annual Report on Form 10-K only as an inactive textual reference and do not intend it to be an active link to our website. The material on our website is not part of this Annual Report on Form 10-K.

Page 11 of 86

---

**Item 1A. Risk Factors.**

We believe that the risks and uncertainties described below are those that impose the greatest threat to the sustainability of our business. However, there are other risks and uncertainties that exist that may be unknown to us or, in the present opinion of our management, do not currently pose a material risk of harm to us. The risk and uncertainties facing our business, including those described below, could materially adversely affect our business, results of operations, financial condition and liquidity.

**Risks Related to Our Business and Industry**

*Our revenues and earnings are affected by changes in capital markets.* A majority of our revenues are earned based on the value of assets invested in investment products that we manage or administer. Significant fluctuations in securities prices may materially affect the value of these assets and may also influence an investor's decision to invest in and maintain an investment in a mutual fund or other investment product. As a result, our revenues and earnings derived from assets under management and administration could be adversely affected.

*We are exposed to product development risk.* We continually strive to increase revenues and meet our customers' needs by introducing new products and services as well as our existing products and services. As a result, we are subject to product development risk, which may result in loss if we are unable to develop and deliver products to our target markets that address our clients' needs that are developed on a timely basis and reflect an attractive value proposition. The majority of our product development risk pertains to the SEI Wealth Platform or SWP, which provides a global, unified and scalable platform for operating a wealth management business. It is designed to improve client experience capabilities and strengthen operating efficiencies by providing straight through business processing solutions and transform the front, middle and back office operations that exist today. New product development is primarily for the purpose of enhancing our competitive position in the industry. In the event that we fail to develop new or enhance current products or services at an acceptable cost or on a timely basis or if we fail to deliver products and services which are of sound, economic value to our clients and our target markets, or an inability to support the product in a cost-effective and compliant manner, we may recognize significant financial losses. In 2015, we signed an existing client to be the first large national bank in the United States to implement SWP, and the first client to operate SWP as an SaaS solution. This will be a multi-year conversion due to the client's size, the development work involved to expand SWP to be offered as a SaaS solution, and the scope of integration activities required. The failure to develop and implement the contractually-agreed upon services on a timely basis for this client may result in significant financial losses and may negatively impact our ability to generate future growth in revenues derived from SWP.

*We are exposed to operational risks.* Our businesses are highly dependent on our ability to process and report, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies. We may introduce new products or services or change processes or reporting, including in connection with new regulatory requirements, resulting in new operational risk that we may not fully appreciate or identify. Operational risk generally refers to the risk of loss resulting from our operations, including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in our operating systems, inefficiencies in our operational business units, business disruptions and inadequacies or breaches in our internal control processes. We operate different businesses in diverse markets and are reliant on the ability of our employees and systems to process large volumes of transactions often within short time frames. In the event of a breakdown or improper operation of systems, human error or improper action by employees, we could suffer significant financial loss, regulatory sanctions or damage to our reputation. In order to mitigate and control operational risk, we continue to enhance policies and procedures that are designed to identify and manage operational risk.

*We are dependent upon third-party service providers in our operations.* We utilize numerous third-party service providers located in the United States, Canada, the United Kingdom and other offshore locations in our operations, in the development of new products, in the maintenance of our proprietary systems, and the business services we offer our clients. A failure by a third-party service provider or failure of their products could expose us to an inability to provide contractual services to our clients in a timely basis to process transactions for our clients accurately, or to meet our regulatory obligations. Additionally, if a third-party service provider is unable to provide these services, we may incur significant costs to either internalize some of these services, find a suitable alternative, or to compensate

our clients for any losses that may be sustained as a consequence of the actions or inactions of our third-party services providers. In the event of a breakdown or improper operation of our or a direct or indirect third-party's systems or processes or improper or unauthorized action by third parties, including consultants and subcontractors or our employees, we could suffer financial loss, an impairment to our liquidity position, a disruption of our businesses, regulatory sanctions or damage to our reputation.

We serve as the investment advisor for many of the products offered through our investment management programs and utilize the services of investment sub-advisers to manage the majority of these assets. A failure in the performance of our due diligence processes and controls related to the supervision and oversight of these firms in detecting and addressing conflicts of interest,

Page 12 of 86

---

fraudulent activity, noncompliance with relevant securities and other laws could cause us to suffer financial loss, regulatory sanctions or damage to our reputation.

*We are dependent on third party pricing services for the valuation of securities invested in our investment products.*

The majority of the securities held by our investment products are valued using quoted prices from active markets gathered by external third party pricing services. Securities for which market prices are not readily available are valued in accordance with procedures applicable to that investment product. These procedures may utilize unobservable inputs that are not gathered from any active markets and involve considerable judgment. If these valuations prove to be inaccurate, our revenues and earnings from assets under management could be adversely affected.

*We are dependent upon third party approvals.* Many of the investment advisors through which we distribute our investment offerings are affiliated with independent broker-dealers or other networks, which have regulatory responsibility for the advisor's practice. As part of the regulatory oversight, these broker-dealers or networks must approve the use of our investment products by affiliated advisors within their networks. Failure to receive such approval, or the withdrawal of such approval, could adversely affect the marketing of our investment products.

*Our earnings and cashflows are affected by the performance of LSV.* We maintain a minority ownership interest in LSV which is a significant contributor to our earnings. We also receive partnership distribution payments from LSV on a quarterly basis which contribute to our operating cashflows. LSV is a registered investment advisor that provides investment advisory services to institutions, including pension plans and investment companies. LSV is a value-oriented, contrarian money manager offering a deep-value investment alternative utilizing a proprietary equity investment model to identify securities generally considered to be out of favor by the market. Volatility in the capital markets or poor investment performance on the part of LSV, on a relative basis or an absolute basis, could result in a significant reduction in their assets under management and revenues and a reduction in performance fees. Consequently, LSV's contribution to our earnings through our minority ownership as well as to our operating cashflows through LSV's partnership distribution payments could be adversely affected.

*We may be unable to fully capture the expected value from acquisitions, divestitures, joint ventures, minority stakes or strategic alliances.* In connection with past or future acquisitions, divestitures, joint ventures, minority stakes or strategic alliances, we face numerous risks and uncertainties combining, transferring, separating or integrating the relevant businesses and systems, including the need to combine or separate accounting and data processing systems and management controls and to integrate relationships with clients, trading counterparties and business partners. In the case of joint ventures and minority stakes, we are subject to additional risks and uncertainties because we may be dependent upon, and subject to liability, losses or reputational damage relating to systems, controls and personnel that are not under our control.

In addition, conflicts or disagreements between us and any of our joint venture partners may negatively impact the benefits to be achieved by the relevant joint venture.

There is no assurance that any of our acquisitions or divestitures will be successfully integrated or disaggregated or yield all of the positive benefits anticipated. If we are not able to integrate or disaggregate successfully our past and future acquisitions or dispositions, there is a risk that our results of operations, financial condition and cash flows may be materially and adversely affected.

Certain of our business initiatives, including expansions of existing businesses, may bring us into contact, directly or indirectly, with individuals and entities that are not within our traditional client and counterparty base and may expose us to new asset classes and new markets. These business activities expose us to new and enhanced risks, greater regulatory scrutiny of these activities, increased credit-related, sovereign and operational risks, and reputational concerns regarding the manner in which these assets are being operated or held.

*Growth of our business could increase costs and regulatory risks.* Providing a platform for new businesses, integrating acquired businesses, and partnering with other firms involve a number of risks and present financial, managerial, and operational challenges. We may incur significant expenses in connection with further expansion of our existing businesses or in connection with strategic acquisitions or investments, if and to the extent they arise from time to time. Our overall profitability would be negatively affected if investments and expenses associated with such growth are not matched or exceeded by the revenues that are derived from such investment or growth. Expansion may

also create a need for additional compliance, risk management and internal control procedures, and often involves the hiring of additional personnel to monitor such procedures. To the extent such procedures are not adequate to appropriately monitor any new or expanded business, we could be exposed to a material loss or regulatory sanction. Moreover, to the extent we pursue strategic acquisitions, we may be exposed to a number of risks, including additional demands on our existing employees; additional or new regulatory requirements, operating facilities and technologies; adverse effects in the event acquired goodwill or intangible assets become impaired; and the existence of liabilities or contingencies not

Page 13 of 86

---



disclosed to or otherwise known by us prior to closing a transaction. These risks could result in decreased earnings and harm to the Company's competitive position in the investment management industry.

*Consolidation within our target markets may affect our business.* Merger and acquisition activity within the markets we serve could reduce the number of existing and prospective clients or reduce the amount of revenue and earnings we receive from retained clients. Consolidation activities may also cause larger institutions to internalize some or all of our services. These factors may negatively impact our ability to generate future growth in revenues and earnings.

*We are subject to financial and non-financial covenants which may restrict our ability to manage liquidity needs.* Our \$300.0 million five-year senior unsecured revolving credit facility (Credit Facility) contains financial and non-financial covenants. The non-financial covenants include restrictions on indebtedness, mergers and acquisitions, sale of assets and investments. In the event of default, we have restrictions on paying dividends and repurchasing our common stock. We have one financial covenant, the Leverage Ratio, which restricts the level of indebtedness we can incur to a maximum of 1.75 times earnings before interest, taxes, depreciation and amortization (EBITDA). We believe our primary risk is with the financial covenant if we were to incur significant unexpected losses that would impact the EBITDA calculation. This would increase the Leverage Ratio and restrict the amount we could borrow under the Credit Facility. A restriction on our ability to fully utilize our Credit Facility may negatively affect our operating results, liquidity and financial condition.

#### Risks Related to Our Technology

*We are exposed to data and cyber security risks.* Cyber security and information risks for financial institutions have significantly increased in recent years in part because of the proliferation of new technologies, the use of the internet and mobile telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists and other external extremist parties, including foreign state actors, in some circumstances as a means to promote political ends. In addition to the growing sophistication of certain parties, the commoditization of cyber tools which are able to be weaponized by less sophisticated actors has led to an increase in the exploitation of technological vulnerabilities. Any of these parties may also attempt to fraudulently induce employees, customers, clients, vendors or other third parties or users of our systems to disclose sensitive information in order to gain access to our data or that of our employees or clients. Cyber security and information security risks may also derive from human error, fraud or malice on the part of our employees or third parties, including third-party providers, or may result from accidental technological failure. In addition, third parties with whom we do business, their service providers, as well as other third parties with whom our customers do business, may also be sources of cyber security risks, particularly where activities of customers are beyond our security and control systems. A failure to safeguard the integrity and confidentiality of client data and our proprietary data from the infiltration by an unauthorized user may lead to modifications or theft of critical and sensitive data pertaining to us or our clients. We have established and continually evaluate strategies designed to protect against threats and vulnerabilities containing preventive and detective controls including, but not limited to, firewalls, intrusion detection systems, computer forensics, vulnerability scanning, server hardening, penetration testing, anti-virus software, data leak prevention, encryption and centralized event correlation monitoring. Despite our efforts to ensure the integrity of our proprietary systems and information, it is possible that we may not be able to anticipate or to implement effective preventive measures against all cyber threats, especially because the methods used change frequently or are not recognized until launched. Additionally, security breaches or disruptions of our proprietary systems, or those of our service providers, could impact our ability to provide services to our clients, which could expose us to liability for damages which may not be covered by insurance, result in the loss of customer business, damage our reputation, subject us to regulatory scrutiny or expose us to civil litigation. In addition, the failure to upgrade or maintain our computer systems, software and networks, as necessary, could also make us susceptible to breaches and unauthorized access and misuse. We may be required to expend significant additional resources to modify, investigate or remediate vulnerabilities or other exposures arising from data and cyber security risks. Furthermore, even if not directed at us specifically, attacks on other financial institutions could disrupt the overall functioning of the financial system. As a result of the importance of communications and information systems to our business, we could also be adversely affected if attacks affecting our third-party service providers impair our ability to process transactions and communicate with clients and counterparties.

Given our global footprint and the high volume of transactions we process, the large number of clients, partners, vendors and counterparties with which we do business, and the increasing sophistication of cyber attacks, a cyber attack, information or security breach could occur and persist for an extended period of time without detection. We expect that any investigation of a cyber attack would be inherently unpredictable and that it would take time before the completion of any investigation and before there is availability of full and reliable information. During such time we would not necessarily know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, all or any of which would further increase the costs and consequences of a cyber attack.

While many of our agreements with partners and third-party vendors include indemnification provisions, we may not be able to recover sufficiently, or at all, under such provisions to adequately offset any losses. In addition, although we maintain insurance

coverage that may, subject to policy terms and conditions, cover certain aspects of cyber and information security risks, such insurance coverage may be insufficient to cover all losses.

The cost of managing cyber and information security risks and attacks along with complying with new and increasingly expansive regulatory requirements could adversely affect our business.

*We are exposed to systems and technology risks.* Through our proprietary systems, we maintain and process data for our clients that is critical to their business operations. An unanticipated interruption of service may have significant ramifications, such as lost data, damaged software codes, or delayed or inaccurate processing of transactions. As a result, the costs necessary to rectify these problems may be substantial. Our continued success also depends in part on our ability to protect our proprietary technology and solutions and to defend against infringement claims of others. We primarily rely upon trade secret law, software security measures, copyrights and confidentiality restrictions in contracts with employees, vendors and customers. Our industry is characterized by the existence of a large number of trade secrets, copyrights and the rapid issuance of patents, as well as frequent litigation based on allegations of infringement or other violations of intellectual property rights of others. A successful assertion by others of infringement claims or a failure to maintain the confidentiality and exclusivity of our intellectual property may have a material adverse effect on our business and financial results.

#### Risks Related to Our Competitive Environment

*Pricing pressure from increased competition, disruptive technology and poor investment performance may affect our revenues and earnings.* The investment management industry is highly competitive and has relatively low barriers to entry. In recent years, we have experienced, and continue to experience, pricing pressures from the introduction of new, lower-priced investment products and services and the growth of passive investing, as well as from competitor firms offering automated portfolio management and other services based on technological innovations. These new investment products and technological innovations available to both institutional and retail investors have led to a general trend towards lower fees in some segments of the investment management industry. We believe price competition and pricing pressures in these and other areas will continue as investors continue to reduce the amounts they are willing to pay and financial services firms seek to obtain market share by reducing fees or margins.

Our investment management platforms include investment management programs and back-office investment processing outsourcing services and are generally offered on a bundled basis. The breadth of our business solutions allows us to compete on a number of factors including: the performance of our investment products; the level of fees charged; the quality of our investment processing services; our reputation and position in the industry; our ability to adapt to disruptive technology developments or unforeseen market entrants and our ability to address the complex and changing needs of our clients. Increased competition on the basis of any of these factors could have an adverse impact on our competitive position resulting in a decrease in our revenues and earnings.

Our ability to maintain our existing clients and attract new clients may be negatively affected if the performance of our mutual funds and other investment products, relative to market conditions and other comparable competitive investment products, is lower. Investors may decide to place their investable funds elsewhere which would reduce the amount of assets we manage resulting in a decrease in our revenues and earnings.

*External factors affecting the fiduciary management market could adversely affect us.* The utilization of defined benefit plans by employers in the United States has been steadily declining. A number of our clients have frozen or curtailed their defined benefit plans resulting in slower growth in our revenues and earnings related to this market segment. Additionally, we have experienced increasing fee sensitivity and competition for certain fiduciary management services due to investor preferences toward lower-priced investment products including passive management approaches. The current growth strategies of our Institutional Investors segment include entering new global markets and placing greater emphasis on defined contribution and not-for-profit organizations fiduciary management sales opportunities. These strategies may not be successful in mitigating the impact of lower revenues and earnings caused by these external factors which could adversely affect our revenues and earnings.

#### Risks Related to Our Regulatory Environment

*We and our clients are subject to extensive governmental regulation.* Our various business activities are conducted through entities which may be registered with or regulated by the SEC and CFTC as an investment advisor, a broker-dealer, a transfer agent, or an investment company, and with federal or state banking authorities as a trust

company. Our broker-dealer is also a member of FINRA and is subject to its rules and oversight. In addition, some of our foreign subsidiaries are registered with, and subject to the oversight of, regulatory authorities primarily in the United Kingdom, the Republic of South Africa, the Republic of Ireland, Canada and the Cayman Islands. Many of our clients are subject to substantial regulation by federal and state banking, securities or insurance authorities or the Department of Labor. Compliance with existing and future regulations, responding to and complying with recent regulatory activity affecting broker-dealers, investment advisors, investment companies and their service providers and financial institutions, and examination or other supervisory activities of our

Page 15 of 86

---

regulators or of the regulators of our clients, could have a significant impact on our operations or business or our ability to provide certain products or services.

We offer investment and banking products that also are subject to regulation by the federal and state securities and banking authorities, as well as foreign regulatory authorities, where applicable. Existing or future regulations that affect these products could lead to a reduction in sales of these products or an increase in the cost of providing these products.

The fees and assessments imposed on our regulated subsidiaries by federal, national, state and foreign regulatory authorities could have a significant impact on us. In the current regulatory environment, the frequency and scope of regulatory reform may lead to an increase in fees and assessments resulting in increased expense, or an increase or change in regulatory requirements which could affect our operations and business.

*We are subject to litigation and regulatory examinations and investigations.* The financial services industry faces substantial regulatory risks and litigation. Like many firms operating within the financial services industry, we are experiencing a difficult and continuously evolving regulatory environment across our markets. Our current scale and reach as a provider to the financial services industry; the increased regulatory oversight of the financial services industry generally; new laws and regulations affecting the financial services industry and ever-changing regulatory interpretations of existing laws and regulations, have made this an increasingly challenging and costly regulatory environment in which to operate. These examinations or investigations could result in the identification of matters that may require remediation activities or enforcement proceedings by the regulator. The direct and indirect costs of responding to these examinations, or of defending ourselves in any litigation could be significant. Additionally, actions brought against us may result in settlements, awards, injunctions, fines and penalties. The outcome of litigation or regulatory action is inherently difficult to predict and could have an adverse effect on our ability to offer some of our products and services or our ability to maintain operations in certain jurisdictions.

*We are a holding company and, therefore, may not be able to receive dividends or other payments in needed amounts from our subsidiaries.* The Company is organized as a holding company, a legal entity separate and distinct from our operating entities. As a holding company without significant operations of its own, our principal assets are the shares of capital stock of our subsidiaries. We rely on dividends and other payments from these subsidiaries to meet our obligations for paying dividends to shareholders, repurchasing our common stock and corporate expenses. Certain of our subsidiaries are subject to regulatory requirements of the jurisdictions in which they operate or other restrictions that may limit the amounts those subsidiaries can pay in dividends or other payments to us. No assurance can be given that there will not be further changes in law, regulatory actions, or other circumstances that could restrict the ability of our subsidiaries to pay dividends or otherwise make payment to us. Furthermore, no assurance can be given that our subsidiaries may be able to make timely payments to us in order for us to meet our obligations.

*The exit by the United Kingdom from the European Union could adversely affect our business.* The referendum held in the United Kingdom announced in June 2016 led to a determination that the United Kingdom should exit the European Union (EU). As a result of the referendum, the British government formally initiated the process for withdrawal in March 2017. The terms of any withdrawal are subject to a negotiation period that could last at least two years from the initiation date. It is currently unclear how the United Kingdom's access to the EU Single Market, and the wider trading, legal and regulatory environment in which we, our clients and our counterparties operate, will be impacted and how this will affect our and their businesses and the global macroeconomic environment. The uncertainty surrounding the timing, terms and consequences of the United Kingdom's exit could adversely impact customer and investor confidence, result in additional market volatility and adversely affect our business.

#### Risks Related to Our Business Generally

*We may incur losses as our risk management and business continuity strategies, models and processes may not be fully effective in mitigating our risk exposures in all market environments or against all types of risk.* We seek to monitor and control our risk exposure through a risk and control framework encompassing a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems, internal controls, management review processes and other mechanisms. Our risk management process seeks to balance our ability to profit from our business activities, with our exposure to potential losses and liabilities. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their

application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. As our businesses change and grow, and the markets in which we operate evolve, our risk management strategies, models and processes may not always adapt with those changes. Some of our methods of managing risk are based upon our use of observed historical market behavior and management's judgment. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicate. In addition, the use of models in connection with risk management and numerous other critical activities presents risks that such models may be ineffective, either because of poor design or ineffective testing, improper or flawed inputs, as well as unpermitted access to such models resulting in unapproved or malicious changes to the model or its inputs. Market conditions

Page 16 of 86

---

in recent years have involved unprecedented dislocations and highlight the limitations inherent in using historical data to manage risk. Thus, we may, in the course of our activities, incur losses.

Despite the business contingency and security response plans we have in place, there can be no assurance that such plans will fully mitigate all potential risks to us. Our ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our business and the communities where we are located, which are concentrated in the Philadelphia metropolitan area, London, and Dublin. This may include a disruption involving physical site access, cyber or information security incidents, terrorist activities, disease pandemics, catastrophic events, natural disasters, extreme weather events, electrical outage, environmental hazard, computer servers, communications or other services we use, our employees or third parties with whom we conduct business.

Although we employ backup systems for our data, those backup systems may be unavailable following a disruption, the affected data may not have been backed up or may not be recoverable from the backup, or the backup data may be costly to recover, which could adversely affect our business.

*Our businesses may be adversely affected if we are unable to hire and retain qualified employees.* Our performance is largely dependent on the talents and efforts of highly-skilled people; therefore, our continued ability to compete effectively in our businesses, to manage our businesses effectively and to expand into new businesses and geographic areas depends on our ability to attract new talented and diverse employees and to retain and motivate our existing employees. Factors that affect our ability to attract and retain such employees include our compensation and benefits, and our reputation as a successful business with a culture of fairly hiring, training and promoting qualified employees. Declines in our profitability, or in the outlook for our future profitability, as well as regulatory limitations on compensation levels and terms, can negatively impact our ability to hire and retain highly-qualified employees. Competition from within the financial services and technology industries and from businesses outside the financial services and technology industries for qualified employees has often been intense.

Changes in law or regulation in jurisdictions in which our operations are located that affect taxes on our employees' income, or the amount or composition of compensation, may also adversely affect our ability to hire and retain qualified employees in those jurisdictions. As a global financial services and technology company, we are subject to limitations on compensation practices (which may or may not affect our competitors) by regulators worldwide. These limitations, including any imposed by or as a result of future legislation or regulation, may require us to alter our compensation practices in ways that could adversely affect our ability to attract and retain talented employees.

*Changes in, or interpretation of, accounting principles could affect our revenues and earnings.* We prepare our consolidated financial statements in accordance with generally accepted accounting principles. A change in these principles can have a significant effect on our reported results and may even retrospectively affect previously reported results (See Note 1 to the Consolidated Financial Statements for more information).

*Changes in, or interpretations of, tax rules and regulations may adversely affect our effective tax rates.* Unanticipated changes in our tax rates could affect our future results of operations. Our future effective tax rates could be adversely affected by changes in tax laws or the interpretation of tax laws. We are subject to possible examinations of our income tax returns by the Internal Revenue Service and state and foreign tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes; however, there can be no assurance that the final determination of any examination will not have an adverse effect on our operating results or financial position.

*Currency fluctuations could negatively affect our future revenues and earnings as our business grows globally.* We operate and invest globally to expand our business into foreign markets. Our foreign subsidiaries use the local currency as the functional currency. As these businesses evolve, our exposure to changes in currency exchange rates may increase. Adverse movements in currency exchange rates may negatively affect our operating results, liquidity and financial condition.

*Changes in interest rates may affect the value of our fixed-income investment securities.* We own Government National Mortgage Association (GNMA) mortgage-backed securities for the sole purpose of satisfying applicable regulatory requirements imposed on our wholly-owned limited purpose federal thrift subsidiary, SPTC. The valuations of these securities are impacted by fluctuations in interest rates. Interest rates during the past several years have remained relatively low. The effect of a rising interest rate environment may negatively impact the value of these

securities and thereby negatively affect our financial position and earnings.

*We may become subject to stockholder activism efforts that each could cause material disruption to our business.* Certain influential institutional investors and hedge funds have taken steps to involve themselves in the governance and strategic direction of certain companies due to governance or strategic related disagreements between such companies and such

Page 17 of 86

---



stockholders. If we become subject to such stockholder activism efforts, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business and adversely affect the market price of our common stock.

*We rely on our executive officers and senior management.* Most of our executive officers and senior management personnel do not have employment agreements with us. The loss of these individuals may have a material adverse effect on our future operations.

*We may incur losses as a result of unforeseen or catastrophic events, including the emergence of a pandemic, terrorist attacks, extreme weather events or other natural disasters.* The occurrence of unforeseen or catastrophic events, including the emergence of a pandemic, such as the Ebola or Zika viruses, or other widespread health emergency (or concerns over the possibility of such an emergency), terrorist attacks, extreme terrestrial or solar weather events or other natural disasters, could create economic and financial disruptions, and could lead to operational difficulties (including travel limitations) that could impair our ability to manage our businesses.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

Our corporate headquarters is located in Oaks, Pennsylvania and consists of nine buildings situated on approximately 90 acres. We own and operate the land and buildings, which encompass approximately 524,000 square feet of office space and 34,000 square feet of data center space. We are currently expanding these facilities by constructing a tenth building of 104,000 square feet to be completed in the third quarter of 2020. We lease other offices which aggregate 276,000 square feet. We also own a 3,400 square foot condominium that is used for business purposes in New York, New York.

**Item 3. Legal Proceedings.**

*Stanford Trust Company Litigation*

SEI has been named in seven lawsuits filed in Louisiana courts; four of the cases also name SPTC as a defendant. The underlying allegations in all actions relate to the purported role of SPTC in providing back-office services to Stanford Trust Company. The complaints allege that SEI and SPTC participated in some manner in the sale of "certificates of deposit" issued by Stanford International Bank so as to be a "seller" of the certificates of deposit for purposes of primary liability under the Louisiana Securities Law or so as to be secondarily liable under that statute for sales of certificates of deposit made by Stanford Trust Company. Two of the actions also include claims for violations of the Louisiana Racketeering Act and possibly conspiracy, and a third also asserts claims of negligence, breach of contract, breach of fiduciary duty, violations of the uniform fiduciaries law, negligent misrepresentation, detrimental reliance, violations of the Louisiana Racketeering Act, and conspiracy.

The procedural status of the seven cases varies. The *Lillie* case, filed originally in the 19th Judicial District Court for the Parish of East Baton Rouge, was brought as a class action and is procedurally the most advanced of the cases. SEI and SPTC filed exceptions, which the Court granted in part, dismissing claims under the Louisiana Unfair Trade Practices Act and permitting the claims under the Louisiana Securities Law to go forward. On March 11, 2013, newly-added insurance carrier defendants removed the case to the United States District Court for the Middle District of Louisiana. On August 7, 2013, the Judicial Panel on Multidistrict Litigation transferred the matter to the Northern District of Texas where MDL 2099, *In re: Stanford Entities Securities Litigation* ("the Stanford MDL"), is pending. On September 22, 2015, the District Court on the motion of SEI and SPTC dismissed plaintiffs' claims for primary liability under Section 714(A) of the Louisiana Securities Law, but declined to dismiss plaintiffs' claims for secondary liability under Section 714(B) of the Louisiana Securities Law based on the allegations pled by plaintiffs. On November 4, 2015, the District Court granted SEI and SPTC's motion to dismiss plaintiffs' claims under Section 712(D) of the Louisiana Securities Law. Consequently, the only claims of plaintiffs remaining in *Lillie* are plaintiffs' claims for secondary liability against SEI and SPTC under Section 714(B) of the Louisiana Securities Law. On May 2, 2016, the District Court certified the class as being "all persons for whom Stanford Trust Company purchased or renewed Stanford Investment Bank Limited certificates of deposit in Louisiana between January 1, 2007 and February 13, 2009". Notice of the pendency of the class action was mailed to potential class members on October 4, 2016.

On December 1, 2016, a group of plaintiffs who opted out of the *Lillie* class filed a complaint against SEI and SPTC in the United States District Court in the Middle District of Louisiana (“*Ahders* Complaint”), alleging claims essentially the same as those in *Lillie*. In January 2017, the Judicial Panel on Multidistrict Litigation transferred the *Ahders* proceeding to the Northern District of Texas and the Stanford MDL. During February 2017, SEI filed its response to the *Ahders* Complaint, and in March 2017 the District Court for the Northern District of Texas approved the stipulated dismissal of all claims in this Complaint predicated on Section 712(D) or Section 714(A) of the Louisiana Securities Law. In both cases, as a result of the proceedings in

Page 18 of 86

---

the Northern District of Texas, only the plaintiffs' secondary liability claims under Section 714(B) of the Louisiana Securities Law remain. Limited discovery and motions practice have occurred, including SEI and SPTC's filing of a dispositive summary judgment motion in the *Lillie* proceeding. On January 31, 2019, the Judicial Panel on Multidistrict Litigation remanded the *Lillie* and *Ahders* proceedings to the Middle District of Louisiana. No material activity has taken place since remand.

Another case, filed in the 23rd Judicial District Court for the Parish of Ascension, also was removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to the Northern District of Texas and the Stanford MDL. The schedule for responding to that Complaint has not yet been established.

Two additional cases remain in the Parish of East Baton Rouge. Plaintiffs filed petitions in 2010 and have granted SEI and SPTC indefinite extensions to respond. No material activity has taken place since.

In two additional cases, filed in East Baton Rouge and brought by the same counsel who filed the *Lillie* action, virtually all of the litigation to date has involved motions practice and appellate litigation regarding the existence of federal subject matter jurisdiction under the federal Securities Litigation Uniform Standards Act (SLUSA). The matters were removed to the United States District Court for the Northern District of Texas and consolidated. The court then dismissed the action under SLUSA. The Court of Appeals for the Fifth Circuit reversed that order, and the Supreme Court of the United States affirmed the Court of Appeals judgment on February 26, 2014. The matters were remanded to state court and no material activity has taken place since that date.

While the outcome of this litigation remains uncertain, SEI and SPTC believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuits vigorously. Because of uncertainty in the make-up of the *Lillie* class, the specific theories of liability that may survive a motion for summary judgment or other dispositive motion, the relative lack of discovery regarding damages, causation, mitigation and other aspects that may ultimately bear upon loss, the Company is not reasonably able to provide an estimate of loss, if any, with respect to the foregoing lawsuits.

#### *SEI Capital Accumulation Plan Litigation*

On September 28, 2018, a class action complaint was filed in the United States District Court for the Eastern District of Pennsylvania by Gordon Stevens, individually and as the representative of similarly situated persons, and on behalf of the SEI Capital Accumulation Plan (the "Plan") naming the Company and its affiliated and/or related entities SEI Investments Management Corporation, SEI Capital Accumulation Plan Design Committee, SEI Capital Accumulation Plan Investment Committee, SEI Capital Accumulation Plan Administration Committee, and John Does 1-30 as defendants (the "Stevens Complaint"). The Stevens Complaint seeks unspecified damages for defendants' breach of fiduciary duties under ERISA with respect to selecting and monitoring the Plan's investment options and by retaining affiliated investment products in the Plan.

All parties to the matter have agreed to participate in non-binding mediation with the goal of resolving the matter in an efficient and satisfactory manner, while avoiding protracted litigation costs. The court granted a motion to stay the litigation pending the outcome of mediation, which is scheduled for May 7, 2019, in Atlanta, Georgia.

While the outcome of this litigation remains uncertain, the defendants believe that they have valid defenses to plaintiffs' claims and intend to defend the allegations contained in the Stevens Complaint vigorously. Because of uncertainty in the make-up of the purported class named in the Stevens Complaint, the specific theories of liability that may survive a motion for summary judgment or other dispositive motion, the lack of specificity or discovery regarding damages, causation, mitigation and other aspects that may ultimately bear upon loss, the Company is not reasonably able to provide an estimate of loss, if any, with respect to the matters set forth in the Stevens Complaint.

#### *Other Matters*

We are also a party to various other actions and claims arising in the normal course of business that we do not believe are material. We believe that the ultimate resolution of these matters will not have a material adverse effect on our financial position or the manner in which we conduct our business. Currently, we don't believe the amount of losses associated with these matters can be estimated. While we do not believe that the amount of such losses will, when liquidated or estimable, be material to our financial position, our assumptions may be incorrect and any such loss could have a material adverse effect on our results of operations or the manner in which we conduct our business in the period(s) during which the underlying matters are resolved.

**Executive Officers of the Registrant**

Information about our executive officers is contained in Item 10 of this report and is incorporated by reference into this Part I.

**Item 4. Mine Safety Disclosures.**

None.

Page 19 of 86

---

**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.****Price Range of Common Stock and Dividends:**

Our common stock is traded on The Nasdaq Global Select Market® (NASDAQ) under the symbol "SEIC." The following table shows the high and low sales prices for our common stock as reported by NASDAQ and the dividends declared on our common stock for the last two years. Our Board of Directors intends to declare future dividends on a semiannual basis.

<b>2018</b>	<b>High</b>	<b>Low</b>	<b>Dividends</b>
First Quarter	\$78.35	\$68.09	\$ —
Second Quarter	75.38	60.99	0.30
Third Quarter	64.90	58.15	—
Fourth Quarter	61.54	42.27	0.33
<b>2017</b>	<b>High</b>	<b>Low</b>	<b>Dividends</b>
First Quarter	\$52.60	\$47.88	\$ —
Second Quarter	54.57	49.45	0.28
Third Quarter	61.71	52.20	—
Fourth Quarter	72.48	60.78	0.30

According to the records of our transfer agent, there were 269 holders of record of our common stock on January 31, 2019. Because many of such shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

For information on our equity compensation plans, refer to Note 7 to the Consolidated Financial Statements and Item 12 of this Annual Report on Form 10-K.

ASSUMES \$100 INVESTED ON JANUARY 1, 2014 & DIVIDENDS REINVESTED  
FISCAL YEAR ENDED DECEMBER 31,

Issuer Purchases of Equity Securities:

Our Board of Directors has authorized the repurchase of up to \$3.928 billion worth of our common stock. Currently, there is no expiration date for our common stock repurchase program (See Note 7 to the Consolidated Financial Statements).

Information regarding the repurchase of common stock during the three months ended December 31, 2018 is:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
October 1 – 31, 2018	—	\$ —	—	\$ 81,102,000
November 1 – 30, 2018	775,000	53.68	775,000	39,502,000
December 1 – 31, 2018	1,550,000	47.50	1,550,000	215,879,000
Total	2,325,000	49.56	2,325,000	

**Item 6. Selected Financial Data.**

(In thousands, except per-share data)

This table presents selected consolidated financial information for the five-year period ended December 31, 2018.

This data should be read in conjunction with the financial statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Annual Report on Form 10-K.

Year Ended December 31,	2018	2017	2016	2015	2014
Revenues	<b>\$1,624,167</b>	\$1,526,552	\$1,401,545	\$1,334,208	\$1,266,005
Total expenses	<b>1,182,179</b>	1,129,608	1,025,851	975,995	913,221
Income from operations	<b>441,988</b>	396,944	375,694	358,213	352,784
Other income, net	<b>172,218</b>	160,095	132,791	142,267	136,878
Income before income taxes	<b>614,206</b>	557,039	508,485	500,480	489,662
Income taxes	<b>108,338</b>	152,650	174,668	168,825	170,949
Net income	<b>505,868</b>	404,389	333,817	331,655	318,713
Basic earnings per common share	<b>\$3.23</b>	\$2.56	\$2.07	\$2.00	\$1.89
Shares used to compute basic earnings per common share	<b>156,579</b>	158,177	161,350	165,725	168,246
Diluted earnings per common share	<b>\$3.14</b>	\$2.49	\$2.03	\$1.96	\$1.85
Shares used to compute diluted earnings per common share	<b>161,232</b>	162,269	164,431	169,598	172,565
Cash dividends declared per common share	<b>\$0.63</b>	\$0.58	\$0.54	\$0.50	\$0.46
Financial Position as of December 31,					
Cash and cash equivalents	<b>\$754,525</b>	\$744,247	\$695,701	\$679,661	\$667,446
Total assets	<b>1,971,668</b>	1,853,369	1,636,823	1,588,628	1,542,875
SEI Investments Shareholders’ equity	<b>1,593,147</b>	1,476,839	1,303,114	1,289,720	1,247,613

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

(In thousands, except share and per-share data)

This discussion reviews and analyzes the consolidated financial condition at December 31, 2018 and 2017, the consolidated results of operations for the years ended December 31, 2018, 2017 and 2016, and other factors that may affect future financial performance. This discussion should be read in conjunction with the Selected Financial Data included in Item 6 of this Annual Report and the Consolidated Financial Statements and Notes to the Consolidated Financial Statements included in Item 8 of this Annual Report.

Certain information contained in this discussion is or may be considered forward-looking. Forward-looking statements relate to future operations, strategies, financial results, expenditures and other uses of capital or other developments. Forward-looking statements are based upon estimates and assumptions that involve certain judgments, risks and uncertainties, many of which are beyond our control or are subject to change. Although we believe our assumptions are reasonable, they could be inaccurate. Our actual future revenues and income could differ materially from our expected results. We have no obligation to publicly update or revise any forward-looking statements.

**Overview***Consolidated Summary*

We are a leading global provider of investment processing, investment management and investment operations platforms. We help corporations, financial institutions, financial advisors and ultra-high-net-worth families create and manage wealth by providing comprehensive, innovative, investment and investment-business platforms. Investment processing fees are earned as monthly fees for contracted services, including computer processing services, software licenses and investment operations services, as well as transaction-based fees for providing securities valuation and trade-execution. Investment operations and investment management fees are earned as a percentage of average assets under management, administration or advised assets. As of December 31, 2018, through our subsidiaries and partnerships in which we have a significant interest, we manage, advise or administer \$883.9 billion in hedge, private equity, mutual fund and pooled or separately managed assets, including \$307.3 billion in assets under management and \$572.5 billion in client assets under administration. Our affiliate, LSV Asset Management (LSV), manages \$96.1 billion of assets which are included as assets under management.

Our Condensed Consolidated Statements of Operations for the years ended 2018, 2017 and 2016 were:

Year Ended December 31,	2018	2017	Percent Change*	2016	Percent Change
Revenues	<b>\$1,624,167</b>	\$1,526,552	6 %	\$1,401,545	9 %
Expenses	<b>1,182,179</b>	1,129,608	5 %	1,025,851	10 %
Income from operations	<b>441,988</b>	396,944	11 %	375,694	6 %
Net (loss) gain from investments	<b>(325)</b>	) 1,269	NM	112	NM
Interest income, net of interest expense	<b>12,752</b>	6,276	103 %	3,785	66 %
Equity in earnings of unconsolidated affiliates	<b>159,791</b>	152,550	5 %	126,103	21 %
Gain on sale of subsidiary	<b>—</b>	—	— %	2,791	NM
Income before income taxes	<b>614,206</b>	557,039	10 %	508,485	10 %
Income taxes	<b>108,338</b>	152,650	(29) %	174,668	(13) %
Net income	<b>505,868</b>	404,389	25 %	333,817	21 %
Diluted earnings per common share	<b>\$3.14</b>	\$2.49	26 %	\$2.03	23 %

\* Variances noted "NM" indicate the percent change is not meaningful.

*Significant Items Impacting Our Financial Results in 2018*

Revenues increased \$97.6 million, or six percent, to \$1.6 billion in 2018 compared to 2017. Net income increased \$101.5 million, or 25 percent, to \$505.9 million and diluted earnings per share increased to \$3.14 per share in 2018 compared to \$2.49 per share in 2017. We believe the following items were significant to our business results during 2018:

Revenue growth was primarily driven by higher Asset management, administration and distribution fees from market appreciation and positive cash flows from new and existing clients throughout the majority of 2018. Market volatility and negative cash flows occurring during the fourth quarter 2018 negatively impacted our revenues from assets under

management and partially offset our revenue growth. Our average assets under management, excluding LSV, increased \$12.1 billion, or six percent, to \$226.6 billion during 2018 as compared to \$214.5 billion during 2017. Our average assets under administration increased \$58.0 billion, or 12 percent, to \$555.6 billion during 2018 as compared to \$497.6 billion during 2017 primarily from positive cash flows from new and existing clients in our



Investment Managers segment. Assets under administration were also positively impacted from our acquisition of SEI Archway during the third quarter 2017 which resulted in an increase in asset administration fees in our Investment Managers segment of \$13.1 million during 2018.

Information processing and software servicing fees in our Private Banks segment increased in 2018 primarily due to increased assets from new and existing clients processed on SWP; however, the adoption of new revenue recognition guidance in 2018 partially offset this increase. The impact of this new guidance reduced our revenues from research services provided by our brokerage subsidiary, SIDCO, with a corresponding reduction in our expenses related to our amounts paid under soft dollar arrangements reflected in Software royalties and other information processing costs (See the caption "Impact of Adopting Revenue Recognition Guidance" later in this discussion for more information). Our proportionate share in the earnings of LSV was \$159.8 million in 2018 as compared to \$152.6 million in 2017, an increase of five percent. The increase was primarily due to increased assets under management from LSV's existing clients due to market appreciation. The market volatility during the fourth quarter 2018 and lower performance fees partially offset the increase in our earnings from LSV.

Our operating expenses, primarily personnel costs, across all of our business segments increased. These expenses primarily consist of operational, technology and marketing costs and are mainly related to our solutions offerings as well as servicing existing and acquiring new clients. In addition, our Investment Managers segment includes costs related to SEI Archway. These operating expenses are included in Compensation, benefits and other personnel costs on the accompanying Consolidated Statements of Operations.

We capitalized \$43.4 million in 2018 for SWP as compared to \$51.4 million in 2017. Amortization expense related to SWP decreased to \$39.9 million during 2018 as compared to \$46.5 million during 2017 due to the adjustment to the estimated useful life of certain components and functionality of SWP effective in the fourth quarter 2017 (See Note 1 to the Consolidated Financial Statements).

During 2018, we placed into service an application developed for the Investment Managers segment. This new offering includes components that leverage upon the current infrastructure and add significant enhancements designed to aggregate, transact and process data. Amortization expense related to the application was \$5.2 million during 2018. Stock-based compensation expense decreased by \$12.6 million during 2018 primarily due to the increase in expense associated with the achievement of stock option vesting targets earlier than originally estimated in 2017 (See the caption "Stock-Based Compensation" later in this discussion for more information).

Our effective tax rate during 2018 was 17.6 percent and included the new 21.0 percent corporate tax rate and other impacts from the Tax Cut and Jobs Act (The Tax Act). Our effective tax rate was 27.4 percent during 2017 and reflected the estimated impact of the Tax Act and included a net tax benefit of \$12.4 million from the re-measurement of our deferred tax liability net of the tax associated with the deemed repatriation and withholding tax of our previously undistributed foreign earnings. In addition, the rate for both periods were favorably impacted by tax benefits from stock option exercise activity (See the caption "Income Taxes" later in this discussion for more information).

We continued our stock repurchase program during 2018 and purchased approximately 6,744,000 shares at an average price of \$60.02 per share for a total cost of \$404.8 million.

#### *Significant Items Impacting Our Financial Results in 2017*

Revenues increased \$125.0 million, or nine percent, to \$1.5 billion in 2017 compared to 2016. Net income increased \$70.6 million, or 21 percent, to \$404.4 million and diluted earnings per share increased to \$2.49 per share in 2017 compared to \$2.03 per share in 2016. We believe the following items were significant to our business results during 2017:

Revenue growth was primarily driven by higher Asset management, administration and distribution fees from market appreciation and positive cash flows from new and existing clients. Our average assets under management, excluding LSV, increased \$24.2 billion, or 13 percent, to \$214.1 billion during 2017 as compared to \$189.9 billion during 2016. Our average assets under administration increased \$57.7 billion, or 13 percent, to \$497.6 billion during 2017 as compared to \$439.9 billion during 2016.

Information processing and software servicing fees in our Private Banks segment increased \$16.6 million in 2017 primarily due to increased assets from new and existing clients processed on SWP and increased non-recurring

professional services fees.

Our proportionate share in the earnings of LSV was \$152.6 million in 2017 as compared to \$126.1 million in 2016, an increase of 21 percent. The increase was primarily due to increased assets under management from LSV's existing clients due to market appreciation and increased performance fees associated with their investment products.

We capitalized \$51.4 million in 2017 for SWP as compared to \$39.8 million in 2016. Amortization expense related to SWP increased to \$46.5 million during 2017 as compared to \$45.0 million during 2016 due to continued development. We adjusted the remaining useful life of certain components and functionality of SWP effective October 1, 2017.

Page 23 of 86

---

As we continued the development of new elements of SWP, our expenses related to maintenance, enhancements and support increased. These costs are primarily recognized in personnel and consulting costs and are expensed as incurred. These increased costs primarily impacted the Private Banks and Investment Advisors business segments. We also capitalized \$9.7 million in 2017 as compared to \$10.6 million in 2016 for new technological capabilities for the Investment Managers segment. This new offering includes components that leverage upon the current infrastructure and add significant enhancements designed to aggregate, transact and process data.

We recognized a \$3.4 million performance fee and a corresponding \$1.7 million sub-advisory expense associated with an SEI-sponsored investment product during the fourth quarter 2017. These items resulted in a positive net impact of approximately \$0.01 diluted earnings per share and were reflected in the Institutional Investors segment.

Our operating expenses, primarily personnel costs, in our Investment Advisors and Investment Managers segments increased. These expenses primarily consist of operational, technology and marketing costs and are mainly related to servicing existing clients and acquiring new clients. These operating expenses are included in Compensation, benefits and other personnel costs on the accompanying Consolidated Statements of Operations.

Stock-based compensation expense increased by \$20.3 million during 2017 as compared to 2016 due to the achievement of stock option vesting targets earlier than originally estimated and stock options awards granted in late 2016.

The direct costs associated with our investment management programs increased in our Private Banks, Investment Advisors and Institutional Investors segments. These costs primarily relate to fees charged by investment advisory firms for day-to-day portfolio management of SEI-sponsored investment products. These costs are included in Sub-advisory, distribution and other asset management costs on the accompanying Consolidated Statements of Operations.

Our effective tax rate during 2017 was 27.4 percent as compared to 34.3 percent during 2016. Our effective tax rate for 2017 reflects the estimated impact of The Tax Act and includes a tax benefit resulting from the re-measurement of our estimated net deferred tax liability as of December 31, 2017, partially offset by a one-time transition tax relating to the estimated tax impact of the deemed repatriation and withholding tax of our previously undistributed foreign earnings. Our 2017 tax rate was also positively impacted by the adoption of a new accounting standard which requires all excess tax benefits recognized on stock-based compensation expense to be recorded as an income tax benefit in the income statement.

On July 3, 2017, we acquired Archway Technology Partners, LLC (SEI Archway), a provider of operating technologies and services to the family office industry, for \$81.6 million in cash consideration. The results of operations of SEI Archway are included in our Investment Managers business segment.

We continued our stock repurchase program during 2017 and purchased approximately 4,403,000 shares at an average price of \$56.36 per share for a total cost of \$248.1 million.

#### *Impact of Adopting Revenue Recognition Guidance*

On January 1, 2018, we adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) (Accounting Standards Codification 606 (ASC 606)), which provides accounting guidance on the recognition of revenues from contracts with customers and impacts the presentation of certain revenues and expenses in our consolidated financial statements. Upon the adoption of ASC 606, we recorded a cumulative effect adjustment of \$14.4 million to retained earnings as of January 1, 2018. ASC 606 is applied prospectively from January 1, 2018 and reported financial results for the prior comparable periods have not been revised.

ASC 606 did not change the accounting for the majority of our revenue arrangements and did not have a material impact to our consolidated financial statements. The impact from the adoption of ASC 606 to our financial results during 2018 is primarily related to research services provided to customers in soft-dollar arrangements by SIDCO, our broker-dealer subsidiary, and the deferral of incremental contract acquisition costs. Under the new revenue standard, fees received for research services by SIDCO are recorded net of amounts paid for the soft dollar arrangement. The amounts we paid under these arrangements were previously recorded as an expense. The impact of this change in presentation was a decline in both revenues and expenses of \$16.7 million during 2018. There was no impact to our net income as a result of this change. The corresponding amounts paid for soft dollar arrangements recorded as expense in 2017 and 2016 were \$14.6 million and \$18.4 million, respectively. Also under the new revenue standard,

costs incurred to acquire client contracts are deferred and recognized over the expected client life, which ranges from 6 to 15 years. During 2018, we deferred \$8.1 million in expenses related to sales commissions costs and incurred \$2.8 million of amortization expense (See Note 1 to the Consolidated Financial Statements).

*Sensitivity of our revenues and earnings to capital market fluctuations and client portfolio strategy*

The majority of our revenues are based on the value of assets invested in investment products that we manage or administer which are affected by changes in the capital markets and the portfolio strategy of our clients or their customers. The prevailing capital market conditions that existed during the majority of 2018 and 2017 had a net positive impact on our asset-based fees thereby increasing our base revenues; however, market volatility occurring in the fourth quarter of 2018 negatively impacted

our asset-based fee revenues and partially offset our revenue growth. Additionally, changes in the portfolio strategy of our clients or their customers in response to the market volatility resulted in asset flows into our lower margin liquidity products and negatively impacted our earnings. Any prolonged future downturns in general capital market conditions or long-term client portfolio strategies directing significant assets into lower margin liquidity products could have adverse effects on our revenues and earnings derived from assets under management and administration.

*Impact to our revenues due to client losses*

During 2018 and 2017, we received notification from certain investment processing clients of our Private Banks segment of their intention to either internalize some or all of our services or transfer their business to other service providers and terminate their contracts with us. Due to the complexity involved in the deconversion process for these clients, the negative impact to our revenues and earnings from these client losses are expected to be recognized during the course of 2019 and into 2020.

*Impact to our revenues from the scheduled departure of the United Kingdom from the European Union*

The scheduled departure date of the United Kingdom from the European Union (EU) will occur on March 29, 2019. The terms of a withdrawal on this date or any withdrawal at a later date are currently uncertain. Various scenarios, including a "no-deal" departure or an extended period of negotiations, are possible. Approximately seven percent of our global workforce is located in the United Kingdom and approximately ten percent of our revenues in 2018 were generated in the United Kingdom. Although measures taken thus far by key members of the financial services industry may serve to mitigate the impact of a disorderly "no-deal" departure, it remains unclear how the United Kingdom's access to the EU Single Market, and the wider trading, legal and regulatory environment in which we, our clients and our counterparties operate, will be impacted. The uncertainty surrounding the timing, terms and consequences of the United Kingdom's departure from the EU could adversely impact our revenues generated from the United Kingdom.

**Ending Asset Balances**

This table presents ending asset balances of our clients, or of our clients' customers, for which we provide management or administrative services through our subsidiaries and partnerships in which we have a significant interest.

**Ending Asset Balances**

(In millions)

As of December 31,

	2018	2017	Percent Change	2016	Percent Change
<b>Private Banks:</b>					
Equity and fixed-income programs	<b>\$20,453</b>	\$22,764	(10 )%	\$17,926	27 %
Collective trust fund programs	<b>4</b>	4	— %	3	33 %
Liquidity funds	<b>3,633</b>	3,864	(6 )%	4,230	(9 )%
Total assets under management	<b>\$24,090</b>	\$26,632	(10 )%	\$22,159	20 %
Client assets under administration	<b>20,226</b>	22,980	(12 )%	19,255	19 %
Total assets	<b>\$44,316</b>	\$49,612	(11 )%	\$41,414	20 %
<b>Investment Advisors:</b>					
Equity and fixed-income programs	<b>\$55,395</b>	\$61,908	(11 )%	\$52,847	17 %
Collective trust fund programs	<b>7</b>	5	40 %	5	— %
Liquidity funds	<b>5,948</b>	2,414	146 %	2,741	(12 )%
Total assets under management	<b>\$61,350</b>	\$64,327	(5 )%	\$55,593	16 %
<b>Institutional Investors:</b>					
Equity and fixed-income programs	<b>\$78,765</b>	\$87,587	(10 )%	\$76,465	15 %
Collective trust fund programs	<b>79</b>	78	1 %	93	(16 )%
Liquidity funds	<b>2,234</b>	2,937	(24 )%	2,903	1 %
Total assets under management	<b>\$81,078</b>	\$90,602	(11 )%	\$79,461	14 %
Advised assets	<b>3,359</b>	3,942	(15 )%	—	NM
Total assets	<b>\$84,437</b>	\$94,544	(11 )%	\$79,461	19 %
<b>Investment Managers:</b>					
Equity and fixed-income programs	<b>\$89</b>	\$96	(7 )%	\$81	19 %
Collective trust fund programs	<b>42,804</b>	49,340	(13 )%	36,991	33 %
Liquidity funds	<b>336</b>	743	(55 )%	667	11 %
Total assets under management	<b>\$43,229</b>	\$50,179	(14 )%	\$37,739	33 %
Client assets under administration (A)	<b>552,318</b>	495,447	11 %	448,708	10 %
Total assets	<b>\$595,547</b>	\$545,626	9 %	\$486,447	12 %
<b>Investments in New Businesses:</b>					
Equity and fixed-income programs	<b>\$1,257</b>	\$1,104	14 %	\$884	25 %
Liquidity funds	<b>189</b>	53	NM	61	(13 )%
Total assets under management	<b>\$1,446</b>	\$1,157	25 %	\$945	22 %
Advised assets	<b>687</b>	49	NM	—	NM
Total assets	<b>\$2,133</b>	\$1,206	77 %	\$945	28 %
<b>LSV:</b>					
Equity and fixed-income programs (B)	<b>\$96,114</b>	\$107,690	(11 )%	\$87,248	23 %
<b>Total:</b>					
Equity and fixed-income programs (C)	<b>\$252,073</b>	\$281,149	(10 )%	\$235,451	19 %
Collective trust fund programs	<b>42,894</b>	49,427	(13 )%	37,092	33 %
Liquidity funds	<b>12,340</b>	10,011	23 %	10,602	(6 )%
Total assets under management	<b>\$307,307</b>	\$340,587	(10 )%	\$283,145	20 %
Advised assets	<b>4,046</b>	3,991	1 %	—	NM
Client assets under administration (D)	<b>572,544</b>	518,427	10 %	467,963	11 %
Total assets under management, advisement and administration	<b>\$883,897</b>	\$863,005	2 %	\$751,108	15 %



- (A) Client assets under administration in the Investment Managers segment include \$56.7 billion of assets that are at fee levels below our normal full service assets (as of December 31, 2018).
- (B) Equity and fixed-income programs include assets managed by LSV in which fees are based on performance only. The ending value of these assets as of December 31, 2018 was \$2.1 billion.
- (C) Equity and fixed-income programs include \$5.1 billion of assets invested in various asset allocation funds at December 31, 2018.
- (D) In addition to the numbers presented, SEI also administers an additional \$11.0 billion in Funds of Funds assets (as of December 31, 2018) on which SEI does not earn an administration fee.



**Average Asset Balances**

This table presents average asset balances of our clients, or of our clients' customers, for which we provide management or administrative services through our subsidiaries and partnerships in which we have a significant interest.

**Average Asset Balances**

(In millions)

	For the Year Ended December 31,				
	2018	2017	Percent Change	2016	Percent Change
<b>Private Banks:</b>					
Equity and fixed-income programs	<b>\$22,545</b>	\$20,139	12 %	\$18,186	11 %
Collective trust fund programs	<b>4</b>	4	— %	3	33 %
Liquidity funds	<b>3,469</b>	3,717	(7 )%	4,799	(23 )%
Total assets under management	<b>\$26,018</b>	\$23,860	9 %	\$22,988	4 %
Client assets under administration	<b>22,697</b>	21,397	6 %	18,433	16 %
Total assets	<b>\$48,715</b>	\$45,257	8 %	\$41,421	9 %
<b>Investment Advisors:</b>					
Equity and fixed-income programs	<b>\$62,223</b>	\$57,475	8 %	\$49,537	16 %
Collective trust fund programs	<b>5</b>	5	— %	6	(17 )%
Liquidity funds	<b>2,782</b>	2,380	17 %	3,601	(34 )%
Total assets under management	<b>\$65,010</b>	\$59,860	9 %	\$53,144	13 %
<b>Institutional Investors:</b>					
Equity and fixed-income programs	<b>\$84,743</b>	\$82,377	3 %	\$75,347	9 %
Collective trust fund programs	<b>75</b>	84	(11 )%	94	(11 )%
Liquidity funds	<b>2,611</b>	2,995	(13 )%	2,805	7 %
Total assets under management	<b>\$87,429</b>	\$85,456	2 %	\$78,246	9 %
Advised assets	<b>4,128</b>	3,540	17 %	—	NM
Total assets	<b>\$91,557</b>	\$88,996	3 %	\$78,246	14 %
<b>Investment Managers:</b>					
Equity and fixed-income programs	<b>\$99</b>	\$88	13 %	\$73	21 %
Collective trust fund programs	<b>46,189</b>	43,323	7 %	33,808	28 %
Liquidity funds	<b>630</b>	898	(30 )%	805	12 %
Total assets under management	<b>\$46,918</b>	\$44,309	6 %	\$34,686	28 %
Client assets under administration (A)	<b>532,934</b>	476,207	12 %	421,446	13 %
Total assets	<b>\$579,852</b>	\$520,516	11 %	\$456,132	14 %
<b>Investments in New Businesses:</b>					
Equity and fixed-income programs	<b>\$1,135</b>	\$990	15 %	\$816	21 %
Liquidity funds	<b>123</b>	59	108 %	48	23 %
Total assets under management	<b>\$1,258</b>	\$1,049	20 %	\$864	21 %
Advised assets	<b>650</b>	70	NM	—	NM
Total assets	<b>\$1,908</b>	\$1,119	71 %	\$864	30 %
<b>LSV:</b>					
Equity and fixed-income programs (B)	<b>\$106,901</b>	\$97,879	9 %	\$80,620	21 %
<b>Total:</b>					
Equity and fixed-income programs (C)	<b>\$277,646</b>	\$258,948	7 %	\$224,579	15 %
Collective trust fund programs	<b>46,273</b>	43,416	7 %	33,911	28 %
Liquidity funds	<b>9,615</b>	10,049	(4 )%	12,058	(17 )%
Total assets under management	<b>\$333,534</b>	\$312,413	7 %	\$270,548	15 %
Advised assets	<b>4,778</b>	3,610	32 %	—	NM
Client assets under administration (D)	<b>555,631</b>	497,604	12 %	439,879	13 %

Total assets under management, advisement and administration **\$893,943** \$813,627 10 % \$710,427 15 %

Page 28 of 86

---

(A) Average client assets under administration in the Investment Managers segment for the year ended December 31, 2018 include \$50.9 billion that are at fee levels below our normal full service assets.

(B) Equity and fixed-income programs include assets managed by LSV in which fees are based on performance only. The average value of these assets for the year ended December 31, 2018 was \$2.3 billion.

(C) Equity and fixed-income programs include \$5.6 billion of average assets invested in various asset allocation funds for the year ended December 31, 2018.

(D) In addition to the numbers presented, SEI also administers an additional \$10.6 billion of average assets in Funds of Funds assets for the year ended December 31, 2018 on which SEI does not earn an administration fee.

In the preceding tables, assets under management are total assets of our clients or their customers invested in our equity and fixed-income investment programs, collective trust fund programs, and liquidity funds for which we provide asset management services through our subsidiaries and partnerships in which we have a significant interest. Advised assets include assets for which we provide advisory services through a subsidiary to the accounts but do not manage the underlying assets. Assets under administration include total assets of our clients or their customers for which we provide administrative services, including client fund balances for which we provide administration and/or distribution services through our subsidiaries and partnerships in which we have a significant interest. The assets presented in the preceding tables do not include assets processed on SWP and are not included in the accompanying Consolidated Balance Sheets because we do not own them.

### **Business Segments**

Revenues, Expenses, and Operating profit (loss) for our business segments for the year ended 2018 compared to the year ended 2017, and for the year ended 2017 compared to the year ended 2016 were:

Year Ended December 31,	2018	2017	Percent Change	2016	Percent Change
<b>Private Banks:</b>					
Revenues	<b>\$483,097</b>	\$474,272	2 %	\$457,886	4 %
Expenses	<b>457,894</b>	455,119	1 %	421,188	8 %
Operating profit	<b>\$25,203</b>	\$19,153	32 %	\$36,698	(48 )%
Gain on sale of subsidiary	—	—	NM	2,791	(100)%
Total profit	<b>\$25,203</b>	\$19,153	NM	\$39,489	NM
Operating margin (a)	<b>5</b>	% 4	%	8	%
<b>Investment Advisors:</b>					
Revenues	<b>399,089</b>	373,473	7 %	330,677	13 %
Expenses	<b>212,439</b>	201,833	5 %	180,140	12 %
Operating profit	<b>\$186,650</b>	\$171,640	9 %	\$150,537	14 %
Operating margin	<b>47</b>	% 46	%	46	%
<b>Institutional Investors:</b>					
Revenues	<b>333,299</b>	322,457	3 %	312,584	3 %
Expenses	<b>163,536</b>	161,640	1 %	153,117	6 %
Operating profit	<b>\$169,763</b>	\$160,817	6 %	\$159,467	1 %
Operating margin	<b>51</b>	% 50	%	51	%
<b>Investment Managers:</b>					
Revenues	<b>398,076</b>	349,444	14 %	294,390	19 %
Expenses	<b>259,693</b>	226,504	15 %	191,127	19 %
Operating profit	<b>\$138,383</b>	\$122,940	13 %	\$103,263	19 %
Operating margin	<b>35</b>	% 35	%	35	%
<b>Investments in New Businesses:</b>					
Revenues	<b>10,606</b>	6,906	54 %	6,008	15 %
Expenses	<b>22,971</b>	20,678	11 %	20,962	(1 )%
Operating loss	<b>\$(12,365 )</b>	\$(13,772 )	NM	\$(14,954 )	NM

(a) Percentage determined exclusive of gain from sale of subsidiary.

For additional information pertaining to our business segments, see Note 12 to the Consolidated Financial Statements.

Page 29 of 86

---

Private Banks

Year Ended December 31,	2018	2017	Percent Change	2016	Percent Change
Revenues:					
Investment processing and software servicing fees	\$342,117	\$335,675	2 %	\$324,123	4 %
Asset management, administration & distribution fees	140,980	138,597	2 %	133,763	4 %
Total revenues	\$483,097	\$474,272	2 %	\$457,886	4 %

Revenues increased \$8.8 million, or two percent, in 2018 compared to the prior year. Revenues during 2018 were primarily affected by:

- Increased recurring investment processing fees from the growth in new and existing client assets processed on SWP; The positive impact from foreign currency exchange rate fluctuations between the U.S. dollar and the British pound on our foreign operations; and

- Increased investment management fees from existing international clients due to increased net cash flows and higher average assets under management due to market appreciation during the first three quarters of 2018; partially offset by

- The requirement of ASC 606 to record revenues from trade execution fees net of \$16.7 million in related costs; and

- Decreased non-recurring professional services fees from existing clients as well as clients scheduled for implementation on SWP.

Revenues increased \$16.4 million, or four percent, in 2017 compared to the prior year. Revenues during 2017 were primarily affected by:

- Increased recurring investment processing fees from the growth in new and existing client assets processed on SWP;

- Increased non-recurring professional services fees from existing clients as well as clients scheduled for implementation on SWP; and

- Increased investment management fees from existing international clients due to higher average assets under management resulting from market appreciation and positive net cash flows; partially offset by

- Decreased trade execution fees due to lower trading volumes;

- The negative impact from foreign currency exchange rate fluctuations between the U.S. dollar and the British pound on our foreign operations;

- Decreased investment management fees from liquidity products due to changes in product mix; and

- Decreased investment processing fees from the loss of TRUST 3000® clients.

Operating margins were five percent in 2018 and four percent in 2017. Operating income increased \$6.1 million, or 32 percent, in 2018 compared to the prior year. Operating income in 2018 was primarily affected by:

- An increase in revenues;

- Decreased amortization expense related to SWP due to the adjustment to the estimated useful life effective in the fourth quarter 2017;

- Decreased sales compensation expense from the deferral of sales commissions costs due to the adoption of ASC 606;

- Decreased stock-based compensation costs of approximately \$3.8 million primarily due to the increase in expense associated with the achievement of stock option vesting targets earlier than originally estimated during 2017; and

- The net positive impact from foreign currency exchange rate fluctuations between the U.S. dollar and the British pound on our foreign operations; partially offset by

- Increased direct expenses associated with increased investment management fees from existing international clients; and

- Increased non-capitalized costs, mainly personnel and consulting costs, related to maintenance, support and client migrations to SWP.

Operating margins were four percent in 2017 and eight percent in 2016. Operating income decreased \$17.5 million, or 48 percent, in 2017 compared to the prior year. Operating income in 2017 was primarily affected by:

- Increased non-capitalized costs, mainly personnel and consulting costs, related to maintenance and support of SWP;

- Increased stock-based compensation costs of approximately \$6.1 million primarily due to the achievement of stock option vesting targets earlier than originally estimated;

- .

The net negative impact from foreign currency exchange rate fluctuations between the U.S. dollar and the British pound on our foreign operations;

Page 30 of 86

---

Increased personnel costs, mainly salary and sales compensation costs; and  
 Increased direct expenses associated with increased investment management fees from existing international clients; partially offset by  
 An increase in revenues; and  
 Decreased direct expenses associated with the decreased trade execution fees.

Investment Advisors

Year Ended December 31,	2018	2017	Percent Change	2016	Percent Change
Revenues:					
Investment management fees-SEI fund programs	\$291,846	\$278,819	5 %	\$251,333	11 %
Separately managed account fees	90,711	78,902	15 %	64,280	23 %
Other fees	16,532	15,752	5 %	15,064	5 %
Total revenues	\$399,089	\$373,473	7 %	\$330,677	13 %

Revenues increased \$25.6 million, or seven percent, in 2018 and increased \$42.8 million, or 13 percent, in 2017 compared to 2016. Revenues during 2018 and 2017 were primarily affected by:

Increased investment management fees and separately managed account program fees due to higher assets under management caused by market appreciation during 2017 and the first three quarters of 2018 and positive net cash flows from new and existing advisors.

Operating margins were 47 percent in 2018 and 46 percent in 2017. Operating income increased \$15.0 million, or nine percent, in 2018 compared to the prior year. Operating income in 2018 was primarily affected by:

An increase in revenues;

Decreased amortization expense related to SWP due to the adjustment to the estimated useful life effective in the fourth quarter 2017; and

Decreased stock-based compensation costs of approximately \$2.2 million primarily due to the increase in expense associated with the achievement of stock option vesting targets earlier than originally estimated during 2017; partially offset by

Increased direct expenses associated with increased assets in our investment management programs;

Increased personnel costs for marketing to and servicing new advisors; and

Increased non-capitalized costs, mainly personnel and consulting costs, related to maintenance, support and client migrations to SWP.

Operating margins were 46 percent in 2017 and 2016. Operating income increased \$21.1 million, or 14 percent, in 2017 compared to the prior year. Operating income in 2017 was primarily affected by:

An increase in revenues; partially offset by

Increased direct expenses associated with increased assets in our investment management programs;

Increased personnel costs for marketing to and servicing new advisors;

Increased non-capitalized costs, mainly personnel and consulting costs, related to maintenance, support and client migrations to SWP; and

Increased stock-based compensation costs of approximately \$3.0 million primarily due to the achievement of stock option vesting targets earlier than originally estimated.

Institutional Investors

Revenues increased \$10.8 million, or three percent, in 2018 and increased \$9.9 million, or three percent, in 2017 compared to 2016. Revenues during 2018 and 2017 were primarily affected by:

Asset funding from new sales of our investment management platforms;

Increased investment management fees from existing clients due to higher assets under management caused by market appreciation during 2017 and the first three quarters of 2018; and

Performance fees of \$3.4 million earned during the fourth quarter 2017 from an SEI-sponsored investment product;

The positive impact from foreign currency exchange rate fluctuations during 2018 between the U.S. dollar and the British pound on our foreign operations; partially offset by

Client losses.





Operating margins were 51 percent in 2018 and 50 percent in 2017. Operating income increased \$8.9 million, or six percent, in 2018 compared to the prior year. Operating income during 2018 was primarily affected by:

• An increase in revenues;

• Decreased stock-based compensation costs of approximately \$1.9 million primarily due to the increase in expense associated with the achievement of stock option vesting targets earlier than originally estimated during 2017; and

• The positive impact from foreign currency exchange rate fluctuations between the U.S. dollar and the British pound on our foreign operations; partially offset by

• Increased personnel compensation costs, mainly salary.

Operating margins were 50 percent in 2017 and 51 percent in 2016. Operating income increased slightly in 2017 compared to the prior year. Operating income during 2017 was primarily affected by:

• An increase in revenues; partially offset by

• Sub-advisory fees of \$1.7 million related to the previously mentioned performance fees;

• Increased direct expenses associated with investment management fees;

• Increased stock-based compensation costs of approximately \$3.3 million primarily due to the achievement of stock option vesting targets earlier than originally estimated;

• Increased personnel compensation costs; and

• The net negative impact from foreign currency exchange rate fluctuations between the U.S. dollar and the British pound on our foreign operations.

#### Investment Managers

Revenues increased \$48.6 million, or 14 percent, in 2018 and increased \$55.1 million, or 19 percent, in 2017 compared to 2016. Revenues during 2018 and 2017 were primarily affected by:

• Positive cash flows into alternative, traditional and separately managed account offerings from new and existing clients;

• Higher valuations of existing client assets from market appreciation during 2017 and the first three quarters of 2018; and

• Added revenues from the acquisition of Archway during the third quarter 2017; partially offset by

• Client losses and fund closures.

Operating margins were 35 percent in 2018 and 2017. Operating income increased \$15.4 million, or 13 percent, in 2018 compared to the prior year. Operating income during 2018 was primarily affected by:

• An increase in revenues;

• Decreased sales compensation expense from the deferral of sales commissions costs due to the adoption of ASC 606; and

• Decreased stock-based compensation costs of approximately \$2.7 million primarily due to the increase in expense associated with the achievement of stock option vesting targets earlier than originally estimated during 2017; partially

offset by

• Increased personnel expenses, technology and other operational costs to service new and existing clients;

• Increased operating and amortization expenses related to the Archway acquisition;

• Increased non-capitalized investment spending, mainly consulting costs; and

• Increased amortization expense related to the Investment Manager platform placed into service during the first quarter 2018.

Operating margins were 35 percent in 2017 and 2016. Operating income increased \$19.7 million, or 19 percent, in 2017 compared to the prior year. Operating income during 2017 was primarily affected by:

• An increase in revenues; and

• A net reduction of \$3.8 million to the contingent purchase price during the fourth quarter 2017 related to the acquisition of Archway; partially offset by

• Increased personnel expenses, technology and other operational costs to service new and existing clients;

•

Increased stock-based compensation costs of approximately \$4.8 million primarily due to the achievement of stock option vesting targets earlier than originally estimated;

Increased incentive compensation costs;

Increased personnel and amortization expense related to the Archway acquisition; and

Page 32 of 86

---

Increased non-capitalized investment spending, mainly consulting costs.

*Other*

Corporate overhead expenses

Corporate overhead expenses primarily consist of general and administrative expenses and other costs not directly attributable to a reportable business segment. Corporate overhead expenses were \$65.6 million, \$63.8 million and \$59.3 million in 2018, 2017 and 2016, respectively. The increase in corporate overhead expenses in 2018 is primarily due to increased personnel-related costs which were partially offset by lower stock-based compensation costs of approximately \$1.7 million. The increase in corporate overhead expenses in 2017 was primarily due to increased stock-based compensation costs of approximately \$2.5 million due to the achievement of stock option vesting targets earlier than originally estimated and other personnel-related costs.

Other income and expense items

Other income and expense items on the accompanying Consolidated Statements of Operations consist of:

Year Ended December 31,	2018	2017	2016
Net (loss) gain from investments	<b>\$(325)</b>	\$1,269	\$112
Interest and dividend income	<b>13,397</b>	7,057	4,316
Interest expense	<b>(645)</b>	(781)	(531)
Equity in earnings of unconsolidated affiliates	<b>159,791</b>	152,550	126,103
Gain on sale of subsidiary	—	—	2,791
Total other income and expense items, net	<b>\$172,218</b>	\$160,095	\$132,791

*Interest and dividend income*

Interest and dividend income is earned based upon the amount of cash that is invested daily. The increase in interest and dividend income in 2018 was due to higher cash balances and an overall increase in interest rates.

*Equity in earnings of unconsolidated affiliates*

Equity in earnings of unconsolidated affiliate reflects our less than 50 percent ownership in LSV. As of December 31, 2018, our total partnership interest in LSV was 38.9 percent. The table below presents the revenues and net income of LSV and our proportionate share in LSV's earnings.

	2018	2017	Percent Change	2016	Percent Change
Revenues	<b>\$517,203</b>	\$491,872	5 %	\$399,462	23 %
Net income	<b>410,846</b>	392,141	5 %	323,381	21 %

SEI's proportionate share in the earnings of LSV **\$159,791** \$152,550 5 % \$126,103 21 %

The increase in our earnings from LSV in 2018 was primarily due to increased assets under management from LSV's existing clients due to market appreciation during the first three quarters of 2018 and cash inflows from new clients. The increase in our earnings was partially offset by a decline in performance fees and increased personnel expenses of LSV. Average assets under management by LSV increased \$9.0 billion to \$106.9 billion during 2018 as compared to \$97.9 billion during 2017, an increase of nine percent. The increase in our earnings in 2017 was primarily due to higher assets under management from LSV's existing clients due to market appreciation and increased performance fees associated with their investment products.

Income Taxes

Our effective tax rate was 17.6 percent for 2018, 27.4 percent for 2017 and 34.3 percent for 2016. Our effective tax rate is affected by recurring items, such as the U.S. federal tax rates and tax rates in various states and foreign jurisdictions and the relative amount of income we earned in those jurisdictions. The income earned by jurisdiction has been fairly consistent. Our effective tax rate is also affected by discrete items that may occur in any given year, but are not consistent from year to year.

Below are the most significant recurring and discrete items (See Note 11 to the Consolidated Financial Statements for more information):

Year Ended December 31,	2018	2017	2016
Statutory rate	<b>21.0 %</b>	35.0 %	35.0 %
State taxes, net of federal tax benefit	<b>1.9</b>	1.3	1.3
Foreign tax expense and tax rate differential	<b>(0.1)</b>	(1.1)	(0.8)
Tax benefit from stock option exercises	<b>(3.8)</b>	(3.9)	—
Enactment of the Tax Cuts and Jobs Act:			
Re-measurement of deferred taxes	—	(4.9)	—
One-time transition tax on repatriation of foreign earnings and withholding tax	<b>(0.1)</b>	2.6	—
Research and development tax credit	<b>(0.8)</b>	(0.9)	(0.8)
Domestic Production Activities Deduction	—	(0.5)	(0.6)
Foreign Derived Intangible Income Deduction	<b>(0.2)</b>	—	—
Other, net	<b>(0.3)</b>	(0.2)	0.2
	<b>17.6 %</b>	27.4 %	34.3 %

The Tax Cut and Jobs Act (The Tax Act) was enacted in December 2017 and included numerous changes to the current tax law including a permanent reduction in the corporate tax rate from 35.0 percent to 21.0 percent, as well as the imposition of a territorial rather than worldwide system which requires a one-time transition tax on the repatriation of previously deferred foreign earnings. Under the Tax Act, the undistributed earnings from our foreign subsidiaries are deemed repatriated. As a result, we determined that a portion of these foreign earnings are no longer indefinitely reinvested and therefore accrued foreign withholding taxes. The impact of the Tax Act to our 2017 and 2018 tax rate was a combination of a \$27.1 million benefit from the initial re-measurement of our estimated net deferred tax liability as of December 31, 2017 offset by a net one-time transition tax expense of \$10.7 million relating to the estimated impact of the deemed repatriation and withholding taxes of \$3.2 million for our previously undistributed foreign earnings for a net tax benefit of \$13.2 million.

Our effective income tax rate in 2018 included the new 21.0 percent corporate tax rate. The Tax Act also provided for a Foreign Derived Intangible Income (FDII) deduction. For 2018, we estimated a federal FDII benefit of \$1.2 million, which is reflected in the tax rate above. Under the enactment of the Tax Act, the Domestic Production Activities Deduction is no longer available to us beginning in 2018.

Our effective income tax rate was affected by the adoption of ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (ASU 2016-09) beginning in 2017. As required by ASU 2016-09, we no longer record excess tax benefits from stock option exercises as an increase to additional paid in capital, but record such excess tax benefits as a reduction of our income tax expense in the reporting period in which the exercises occur.

#### **Stock-Based Compensation**

During 2018, 2017 and 2016, we recognized approximately \$23.8 million, \$36.4 million and \$16.0 million, respectively, in stock-based compensation expense. Options do not vest due to the passage of time but as a result of achievement of the financial vesting targets. Options granted in December 2017 and throughout 2018 included a service condition which requires a minimum two or four year waiting period from the grant date along with the attainment of the applicable financial vesting target. The amount of stock-based compensation expense recognized is based upon an estimate of when the earnings per share targets may be achieved. Any change in our estimate could result in the remaining amount of stock-based compensation expense to be accelerated, spread out over a longer period, or reversed. This may cause volatility in the recognition of stock-based compensation expense and materially affect our earnings.

During 2018 and 2017, we revised our estimate of when certain vesting targets were expected to be achieved. These changes in estimate resulted in an increase of \$1.9 million and \$11.2 million in stock-based compensation expense in 2018 and 2017, respectively. The change in our estimate in 2017 resulted from the higher than expected growth in earnings from the market appreciation of our assets under management and administration and the estimated impact from the enactment of the Tax Act in December 2017.

There was approximately \$68.5 million of unrecognized compensation cost related to unvested employee stock options at December 31, 2018 and we expect to recognize approximately \$22.6 million in stock-based compensation costs in 2019. These amounts do not reflect any estimate of forfeitures or cancellations in future periods. Actual forfeitures and cancellations occurring in a future period will reduce our stock-based compensation expense.

Page 34 of 86

---

**Fair Value Measurements**

The fair value of our financial assets and liabilities, except for the investment funds sponsored by LSV, is determined in accordance with the fair value hierarchy. The fair value of the investment funds sponsored by LSV is measured using the net asset value per share (NAV) as a practical expedient. The fair value of all other financial assets are determined using Level 1 or Level 2 inputs and consist mainly of investments in equity or fixed-income mutual funds that are quoted daily and Government National Mortgage Association (GNMA) and other U.S. government agency securities that are single issuer pools that are valued based on current market data of similar assets. Our Level 3 financial liabilities at December 31, 2018 consist entirely of the estimated contingent consideration of \$12.1 million resulting from an acquisition (See Note 14 to the Consolidated Financial Statements). We did not have any financial liabilities at December 31, 2017 that were required to be measured at fair value on a recurring basis (See Note 4 to the Consolidated Financial Statements for more information).

**Regulatory Matters**

Like many firms operating within the financial services industry, we are experiencing a difficult regulatory environment across our markets. Our current scale and reach as a provider to the financial services industry, the introduction and implementation of new solutions for our financial services industry clients, the increased regulatory oversight of the financial services industry generally, new laws and regulations affecting the financial services industry and ever-changing regulatory interpretations of existing laws and regulations, and a greater propensity of regulators to pursue enforcement actions and other sanctions against regulated entities, have made this an increasingly challenging and costly regulatory environment in which to operate.

SEI and some of our regulated subsidiaries have undergone or been scheduled to undergo a range of periodic or thematic reviews, examinations or investigations by numerous regulatory authorities around the world, including the Office of the Comptroller of the Currency, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Financial Conduct Authority of the United Kingdom (FCA), the Central Bank of Ireland and others. These regulatory activities typically result in the identification of matters or practices to be addressed by us or our subsidiaries and, in certain circumstances, the regulatory authorities require remediation activities or pursue enforcement proceedings against us or our subsidiaries. As described under the caption “Regulatory Considerations” in Item 1 of this report, the range of possible sanctions that are available to regulatory authorities include limitations on our ability to engage in business for specified periods of time, the revocation of registration, censures and fines. The direct and indirect costs of responding to these regulatory activities and of complying with new or modified regulations, as well as the potential financial costs and potential reputational impact against us of any enforcement proceedings that might result, is uncertain but could have a material adverse impact on our operating results or financial position.

**Liquidity and Capital Resources**

Year Ended December 31,	2018	2017	2016
Net cash provided by operating activities	<b>\$588,401</b>	\$459,903	\$434,220
Net cash used in investing activities	<b>(123,370 )</b>	(172,302 )	(81,585 )
Net cash used in financing activities	<b>(443,720 )</b>	(253,633 )	(328,672 )
Effect of exchange rate changes on cash and cash equivalents	<b>(11,024 )</b>	14,583	(9,923 )
Net increase in cash and cash equivalents	<b>10,287</b>	48,551	14,040
Cash, cash equivalents and restricted cash, beginning of year	<b>747,752</b>	699,201	685,161
Cash, cash equivalents and restricted cash, end of year	<b>\$758,039</b>	\$747,752	\$699,201

Cash requirements and liquidity needs are primarily funded through our cash flow from operations and our capacity for additional borrowing. At December 31, 2018, our unused sources of liquidity consisted of our cash and cash equivalents and the amount available under our credit facility (See Note 6 to the Consolidated Financial Statements). We adopted new accounting guidance in 2018 which requires the statement of cash flows to explain the change during the period for the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The prior periods were retrospectively adjusted to conform to the current period’s presentation. There was no material impact to net cash flows for 2017 or 2016 as a result of including restricted cash with cash and cash equivalents.

Our credit facility provides for borrowings of up to \$300.0 million and is scheduled to expire in June 2021. As of January 31, 2019, we had outstanding letters of credit of \$13.8 million which reduced our amount available under the credit facility to \$286.2 million. These letters of credit were primarily issued for the expansion of our corporate headquarters and are due to expire in 2019.

The availability of the credit facility is subject to compliance with certain covenants set forth in the agreement. The credit facility contains covenants which restrict our ability to engage in mergers, consolidations, asset sales, investments, transactions with affiliates, or to incur liens, as defined in the agreement. In the event of a default under the credit facility, we would also be

restricted from paying dividends on, or repurchasing our common stock. Currently, our ability to borrow from the credit facility is not limited by any covenant of the agreement. We currently have no borrowings under our credit facility.

The majority of our excess cash reserves are primarily placed in accounts located in the United States that invest in SEI-sponsored money market mutual funds denominated in the U.S. dollar. We also utilize demand deposit accounts or money market accounts at several well-established financial institutions located in the United States. Accounts used to manage these excess cash reserves do not impose any restrictions or limitations that would prevent us from being able to access such cash amounts immediately. As of January 31, 2019, the amount of cash and cash equivalents considered free and immediately accessible for other general corporate purposes was \$249.0 million.

Our cash and cash equivalents include accounts managed by our subsidiaries that are used in their operations or to cover specific business and regulatory requirements. The availability of this cash for other purposes beyond the operations of these subsidiaries may be limited. We therefore do not include accounts of our foreign subsidiaries in our calculation of free and immediately accessible cash for other general corporate purposes. With the enactment of the Tax Act, a portion of the undistributed earnings of our foreign subsidiaries are deemed repatriated. Any subsequent transfer of available cash related to the repatriated earnings of our foreign subsidiaries could significantly increase our free and immediately accessible cash.

Cash flows from operations increased \$128.5 million in 2018 compared to 2017 primarily from the increase in our net income, higher distributions payments received from our unconsolidated affiliate, LSV, and the net change in our working capital accounts, mainly receivables. The increase was partially offset by non-cash items such as the decrease in stock-based compensation expense. Cash flows from operations increased \$25.7 million in 2017 compared to 2016 primarily from the increase in our net income, higher distributions payments received from LSV and non-cash items. The increase was partially offset by the net change in our working capital accounts, mainly receivables.

Net cash used in investing activities includes:

• *Purchases, sales and maturities of marketable securities.* Our purchases, sales and maturities of marketable securities during 2018, 2017 and 2016 were as follows:

	2018	2017	2016
Purchases	<b>\$(203,460)</b>	\$(69,525)	\$(73,193)
Sales and maturities	<b>167,876</b>	65,830	69,293
Net investing activities from marketable securities	<b>\$(35,584)</b>	\$(3,695)	\$(3,900)

Marketable securities purchased generally consisted of investments in short-term U.S. government agency securities through SIDCO's cash management program, additional GNMA securities to satisfy applicable regulatory requirements of SPTC and investments for the start-up of new investment products. Proceeds received from sales and maturities primarily included maturities of short-term securities owned by SIDCO and sales and principal prepayments related to the GNMA securities owned by SPTC.

*The capitalization of costs incurred in developing computer software.* We capitalized \$44.2 million, \$61.0 million and \$50.4 million of software development costs in 2018, 2017 and 2016, respectively. Amounts capitalized primarily include costs for significant enhancements and upgrades for the expanded functionality of SWP. Our capitalized software amounts also include \$9.7 million and \$10.6 million in 2017 and 2016, respectively, for new technological capabilities for the Investment Managers segment. This new technology was placed into service during the first quarter of 2018.

*Capital expenditures.* Our capital expenditures in 2018, 2017 and 2016 primarily include purchased software and equipment for our data center operations. Our expenditures in 2018 also include the initial phase of the expansion of our corporate headquarters, which is scheduled to be completed in mid 2020. Total expenditures related to the expansion are expected to be approximately \$33.0 million and \$14.0 million in 2019 and 2020, respectively. Our expenditures in 2016 include software and equipment for a new U.S. disaster recovery site.

*Cash paid for acquisition, net of cash acquired.* We completed the acquisition of Huntington Steele in April 2018. The purchase price included a net cash payment of \$5.8 million. During 2017, we acquired Archway. The net cash payment included in the purchase price related to the acquisition was \$80.2 million (See Note 14 to the Consolidated Financial Statements).



Net cash used in financing activities includes:

*Borrowings and principal repayments on revolving credit facility.* In July 2017, we borrowed \$40.0 million for the funding of the acquisition of Archway. We made principal payments of \$30.0 million and \$10.0 million during 2018 and 2017, respectively, to fully repay the outstanding balance (See Note 6 to the Consolidated Financial Statements).

Page 36 of 86

---

*The repurchase of our common stock.* Our Board of Directors has authorized the repurchase of our common stock through multiple authorizations. Currently, there is no expiration date for our common stock repurchase program. The following table lists information regarding repurchases of our common stock during 2018, 2017 and 2016:

Year	Total Number of Shares Repurchased	Average Price Paid per Share	Total Cost
2018	6,744,000	\$ 60.02	\$404,759
2017	4,403,000	56.36	248,114
2016	6,600,000	44.60	294,374

*Proceeds from the issuance of our common stock.* We received \$88.0 million, \$53.6 million and \$48.3 million in proceeds from the issuance of our common stock during 2018, 2017 and 2016, respectively. The proceeds we receive from the issuance of our common stock is directly attributable to the levels of stock option exercise activity.

*Dividend payments.* Our cash dividends paid during 2018, 2017 and 2016 were as follows:

Year	Cash Dividends Paid	Cash Dividends Paid per Share
2018	\$94,318	\$ 0.60
2017	88,862	0.56
2016	84,686	0.52

Our Board of Directors declared a semi-annual cash dividend of \$0.33 per share on December 11, 2018. The dividend was paid on January 8, 2019 for a total of \$50.8 million.

We believe our operating cash flow, available borrowing capacity, and existing cash and cash equivalents should provide adequate funds for ongoing operations; continued investment in new products and equipment; our common stock repurchase program, expansion of our corporate headquarters and future dividend payments.

#### **Contractual Obligations and Contingent Obligations**

As of December 31, 2018, the Company is obligated to make payments in connection with its line of credit, operating leases, maintenance contracts and other commitments in the amounts listed below. The Company has no unrecorded obligations other than the items noted in the following table:

	Total	2019	2020	2021 to 2022	2023 and thereafter
Line of credit (a)	\$1,365	\$643	\$487	\$235	\$—
Operating leases and maintenance agreements (b)	59,842	10,322	8,476	15,471	25,573
Contingent consideration from acquisition (c)	12,120	430	681	4,207	6,802
Other commitments (d)	3,934	3,131	—	—	803
Total	\$77,261	\$14,526	\$9,644	\$19,913	\$33,178

Amounts include estimated interest charges, commitment fees and other fees related to outstanding letters of credit (a) and our credit facility. Our credit facility is scheduled to expire in 2021. See Note 6 to the Consolidated Financial Statements.

(b) See Note 10 to the Consolidated Financial Statements.

(c) See Note 14 to the Consolidated Financial Statements.

Amounts include the portion of uncertain tax liabilities classified as a current liability and the estimated tax impact of the deemed repatriation of our previously undistributed foreign earnings associated with the Tax Act. The actual cash payment associated with these commitments may differ. See Note 11 to the Consolidated Financial Statements.

#### **Critical Accounting Policies**

The accompanying consolidated financial statements and supplementary information were prepared in accordance with accounting principles generally accepted in the United States. Our significant accounting policies are discussed in Note 1 to the Consolidated Financial Statements. Inherent in the application of many of these accounting policies is the need for management to make estimates and judgments in the determination of certain revenues, expenses, assets and liabilities. Materially different financial results can occur as circumstances change and additional information

becomes known. We believe that the following accounting policies require extensive judgment by our management to determine the recognition and timing of amounts recorded in our financial statements.

Page 37 of 86

---

*Revenue Recognition:*

Our revenues are based on contractual arrangements. Revenue is recognized when the transfer of control of promised goods or services under the terms of a contract with customers are satisfied in an amount that reflects the consideration to which we expect to be entitled in exchange for those promised goods or services. Certain portions of our revenues involve a third party in providing goods or services to our customers. In such circumstances, we must determine whether the nature of our promise to the customer is to provide the underlying goods or services (we are the principal in the transaction and reports the transaction gross) or to arrange for a third party to provide the underlying goods or services (the entity is the agent in the transaction and reports the transaction net).

Cash received by us in advance of the performance of services is deferred and recognized as revenue when earned.

Our principal sources of revenues are: (1) asset management, administration and distribution fees calculated as a percentage of the total average daily net assets under management or administration; (2) information processing and software servicing fees that are either recurring and primarily earned based upon the number of trust accounts being serviced or a percentage of the total average daily market value of our clients' assets processed on our platforms, or non-recurring and based upon project-oriented contractual agreements related to client implementations; and (3) transaction-based fees for providing trade-execution services.

*Computer Software Development Costs:*

We utilize internally developed computer software as part of our product offerings. In the development of a new software product, substantial consideration must be given by management to determine whether costs incurred are research and development costs, or internal software development costs eligible for capitalization. Management must consider a number of different factors during their evaluation of each computer software development project that includes estimates and assumptions. Costs considered to be research and development are expensed as incurred. After meeting specific requirements, internal software development costs are capitalized as incurred. The capitalization and ongoing assessment of recoverability of software development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life. Amortization of capitalized software development costs begins when the product is ready for its intended use. Capitalized software development costs are amortized on a project basis using the straight-line method over the estimated economic life of the product or enhancement.

We evaluate the carrying value of our capitalized software when circumstances indicate the carrying value may not be recoverable. The review of capitalized software for impairment requires significant assumptions about operating strategies, underlying technologies utilized, and external market factors. Our capitalized software was developed using mainstream technologies that are industry standards and are based on technology developed by multiple vendors that are significant industry leaders. External market factors include, but are not limited to, expected levels of competition, barriers to entry by potential competitors, stability in the target market and governmental regulations.

*Income Tax Accounting:*

We use the asset and liability method of accounting for income taxes. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year. In addition, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Management must make assumptions, judgments and estimates to determine our current provision for income taxes and also our deferred tax assets and liabilities and any valuation allowance to be recorded against a deferred tax asset.

Our assumptions, judgments and estimates relative to the current provision for income taxes take into account current tax laws, our interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. We have established reserves for income taxes to address potential exposures involving tax positions that could be challenged by tax authorities. Although we believe our assumptions, judgments and estimates are reasonable, changes in tax laws or our interpretation of tax laws and the resolution of any future tax audits could significantly impact the amounts provided for income taxes in our consolidated financial statements.

Our assumptions, judgments and estimates relative to the value of a deferred tax asset take into account predictions of the amount and category of future taxable income, such as income from operations or capital gains income. Actual operating results and the underlying amount and category of income in future years could render our current

assumptions, judgments and estimates of recoverable net deferred taxes inaccurate. Any of the assumptions, judgments and estimates mentioned above could cause our actual income tax obligations to differ from our estimates, thus materially impacting our financial position and results of operations.

Page 38 of 86

---

*Stock-Based Compensation:*

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is the vesting period. We currently use the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as various other assumptions. These assumptions include our expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends. We account for forfeitures as they occur. The amount of stock-based compensation expense that is recognized in a given period is dependent upon management's estimate of when the earnings per share targets are expected to be achieved. If this estimate proves to be inaccurate, the remaining amount of stock-based compensation expense could be accelerated, spread out over a longer period, or reversed. We currently base our expectations for these assumptions from historical data and other applicable factors. These expectations are subject to change in future periods.

The assessment of critical accounting policies is not meant to be an all-inclusive discussion of the uncertainties to financial results that can occur from the application of the full range of our accounting policies. Materially different financial results could occur in the application of other accounting policies as well. Also, materially different results can occur upon the adoption of new accounting standards.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Information required by this item is set forth under the captions "Our revenues and earnings are affected by changes in capital markets" and "Changes in interest rates may affect the value of our fixed-income investment securities" in Item 1A "Risk Factors" and under the caption "Sensitivity of our revenues and earnings to capital market fluctuations" in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

**Item 8. Financial Statements and Supplementary Data.**

Index to Financial Statements:

Page

Reports of Independent Registered Public Accounting Firm	<u>41</u>
Consolidated Balance Sheets — December 31, 2018 and 2017	<u>43</u>
Consolidated Statements of Operations — For the years ended December 31, 2018, 2017 and 2016	<u>45</u>
Consolidated Statements of Comprehensive Income — For the years ended December 31, 2018, 2017 and 2016	<u>46</u>
Consolidated Statements of Changes in Equity — For the years ended December 31, 2018, 2017 and 2016	<u>47</u>
Consolidated Statements of Cash Flows — For the years ended December 31, 2018, 2017 and 2016	<u>48</u>
Notes to Consolidated Financial Statements	<u>50</u>
Schedule II - Valuation and Qualifying Accounts and Reserves — For the years ended December 31, 2018, 2017 and 2016	<u>77</u>

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

Page 40 of 86

---

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
SEI Investments Company:

*Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of SEI Investments Company and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three year period ended December 31, 2018, and the related notes and financial statement Schedule II referred to in Item 15(2) of this Form 10-K (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 25, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

*Changes in Accounting Principle*

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for revenue recognition in 2018 due to the adoption of Accounting Standards Update 2014-09, Revenue from Contracts with Customers.

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for stock based compensation in 2017 due to the adoption of Accounting Standards Update 2016-09, Improvements to Employee Share-Based Payment Accounting.

*Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2014.

Philadelphia, Pennsylvania

February 25, 2019



Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

SEI Investments Company:

*Opinion on Internal Control Over Financial Reporting*

We have audited SEI Investments Company and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement Schedule II referred to in Item 15(2) of this Form 10-K (collectively, the consolidated financial statements), and our report dated February 25, 2019 expressed an unqualified opinion on those consolidated financial statements.

*Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting (Item 9A). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

*Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Philadelphia, Pennsylvania

February 25, 2019

Page 42 of 86

---

**Consolidated**  
**Balance Sheet**  
**Sheets**  
(In thousands and Subsidiaries)

December 31,	2018	2017
<b><u>Assets</u></b>		
<b>Current Assets:</b>		
Cash and cash equivalents	<b>\$754,525</b>	\$744,247
Restricted cash	<b>3,514</b>	3,505
Receivables from investment products	<b>49,869</b>	56,666
Receivables, net of allowance for doubtful accounts of \$718 and \$695	<b>315,336</b>	282,706
Securities owned	<b>30,892</b>	21,526
Other current assets	<b>36,676</b>	31,158
<b>Total Current Assets</b>	<b>1,190,812</b>	1,139,808
<b>Property and Equipment</b> , net of accumulated depreciation of \$338,206 and \$309,955	<b>145,863</b>	146,428
<b>Capitalized Software</b> , net of accumulated amortization of \$395,171 and \$350,045	<b>309,500</b>	310,405
<b>Investments Available for Sale</b>	<b>111,901</b>	87,983
<b>Investments in Affiliated Funds</b> , at fair value	<b>4,887</b>	6,034
<b>Investment in Unconsolidated Affiliates</b>	<b>52,342</b>	59,492
<b>Goodwill</b>	<b>64,489</b>	52,990
<b>Intangible Assets</b> , net of accumulated amortization of \$5,090 and \$1,552	<b>31,670</b>	28,578
<b>Deferred Contract Costs</b>	<b>24,007</b>	—
<b>Deferred Income Taxes</b>	<b>2,042</b>	2,767
<b>Other Assets</b> , net	<b>34,155</b>	18,884
<b>Total Assets</b>	<b>\$1,971,668</b>	\$1,853,369

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated**  
**Balance Sheet**  
 SEI Investments Company  
**Sheets**  
 (In thousands and Subsidiaries)

December 31,	2018	2017
<b><u>Liabilities and Equity</u></b>		
<b>Current Liabilities:</b>		
Accounts payable	<b>\$10,920</b>	\$5,268
Accrued liabilities	<b>279,634</b>	265,058
Deferred revenue	<b>5,154</b>	4,723
<b>Total Current Liabilities</b>	<b>295,708</b>	275,049
<b>Borrowings Under Revolving Credit Facility</b>	—	30,000
<b>Long-term Income Taxes Payable</b>	<b>803</b>	10,629
<b>Deferred Income Taxes</b>	<b>57,795</b>	48,472
<b>Other Long-term Liabilities</b>	<b>24,215</b>	12,380
<b>Total Liabilities</b>	<b>378,521</b>	376,530
<b>Commitments and Contingencies</b>		
<b>Shareholders' Equity:</b>		
Series Preferred stock, \$.05 par value, 50 shares authorized; no shares issued and outstanding	—	—
Common stock, \$.01 par value, 750,000 shares authorized; 153,634 and 157,069 shares issued and outstanding	<b>1,536</b>	1,571
Capital in excess of par value	<b>1,106,641</b>	1,027,709
Retained earnings	<b>517,970</b>	467,467
Accumulated other comprehensive loss, net	<b>(33,000)</b>	(19,908)
<b>Total Shareholders' Equity</b>	<b>1,593,147</b>	1,476,839
<b>Total Liabilities and Equity</b>	<b>\$1,971,668</b>	\$1,853,369

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated Statements of Operations** SEI Investments Company  
(In thousands, except per-share data) and Subsidiaries

Year Ended December 31,	2018	2017	2016
<b>Revenues:</b>			
Asset management, administration and distribution fees	<b>\$1,270,180</b>	\$1,184,157	\$1,075,459
Information processing and software servicing fees	<b>353,987</b>	342,395	326,086
<b>Total revenues</b>	<b>1,624,167</b>	1,526,552	1,401,545
<b>Expenses:</b>			
Subadvisory, distribution and other asset management costs	<b>180,488</b>	181,509	173,615
Software royalties and other information processing costs	<b>32,449</b>	46,792	49,821
Compensation, benefits and other personnel	<b>511,258</b>	458,737	414,622
Stock-based compensation	<b>23,805</b>	36,366	16,017
Consulting, outsourcing and professional fees	<b>200,862</b>	186,357	166,769
Data processing and computer related	<b>84,790</b>	77,615	64,930
Facilities, supplies and other costs	<b>70,840</b>	66,646	68,245
Amortization	<b>48,895</b>	48,275	45,392
Depreciation	<b>28,792</b>	27,311	26,440
<b>Total expenses</b>	<b>1,182,179</b>	1,129,608	1,025,851
<b>Income from operations</b>	<b>441,988</b>	396,944	375,694
<b>Net (loss) gain from investments</b>	<b>(325)</b>	) 1,269	112
<b>Interest and dividend income</b>	<b>13,397</b>	7,057	4,316
<b>Interest expense</b>	<b>(645)</b>	) (781	) (531
<b>Equity in earnings of unconsolidated affiliates</b>	<b>159,791</b>	152,550	126,103
<b>Gain on sale of subsidiary</b>	<b>—</b>	—	2,791
<b>Income before income taxes</b>	<b>614,206</b>	557,039	508,485
<b>Income taxes</b>	<b>108,338</b>	152,650	174,668
<b>Net income</b>	<b>\$505,868</b>	\$404,389	\$333,817
<b>Basic earnings per common share</b>	<b>\$3.23</b>	\$2.56	\$2.07
<b>Shares used to compute basic earnings per share</b>	<b>156,579</b>	158,177	161,350
<b>Diluted earnings per common share</b>	<b>\$3.14</b>	\$2.49	\$2.03
<b>Shares used to compute diluted earnings per share</b>	<b>161,232</b>	162,269	164,431
<b>Dividends declared per common share</b>	<b>\$0.63</b>	\$0.58	\$0.54

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated Statements of Comprehensive Income** SEI Investments Company  
(In thousands) and Subsidiaries

Year Ended December 31,	2018	2017	2016
<b>Net income</b>	<b>\$505,868</b>	\$404,389	\$333,817
Other comprehensive (loss) gain, net of tax:			
Foreign currency translation adjustments	(12,065 )	17,597	(12,131 )
Unrealized holding (loss) gain on investments:			
Unrealized holding (losses) gains during the period, net of income taxes of \$285, \$1 and \$457	(1,088 )	190	(918 )
Less: reclassification adjustment for losses realized in net income, net of income taxes of \$(96), \$(99) and \$(201)	61	260	384
Total other comprehensive (loss) gain, net of taxes	(13,092 )	18,047	(12,665 )
<b>Comprehensive income</b>	<b>\$492,776</b>	\$422,436	\$321,152

The accompanying notes are an integral part of these consolidated financial statements.

Page 46 of 86

**Consolidated Statements of Changes in Equity** SEI Investments Company  
(In thousands, except per-share data) and Subsidiaries

Year Ended December 31, <b>Shares of Common Stock</b>	2018	2017	2016
Beginning balance	<b>157,069</b>	159,031	163,733
Purchase and retirement of common stock	<b>(6,744)</b>	(4,403)	(6,600)
Issuance of common stock under the employee stock purchase plan	<b>77</b>	71	88
Issuance of common stock upon exercise of stock options	<b>3,232</b>	2,370	1,810
Ending balance	<b>153,634</b>	157,069	