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SEI Quick Poll: Nonprofits Want Increased Investments in Illiquid Classes, Challenged by Implementation

Disconnect Exists Between Increase in Popularity of Illiquid Products and Lack of Formalized Strategies

OAKS, Pa., Nov. 1 /PRNewswire-FirstCall/ -- A Quick Poll released today by SEI (Nasdaq: SEIC) reveals that while a growing number of nonprofits identify investing in illiquid asset classes as a priority, challenges remain around reaching desired allocation levels. Over a quarter (30%) of those polled have no assets invested in illiquid classes, while two-thirds (65%) have less than 10 percent. A potential cause of the low allocation could be that less than half of those polled have a formal liquidity investment policy in place and of those that do, more than half say it was implemented only within the last three years.

"This research highlights a potentially dangerous disconnect between the use of illiquid investment products and the presence of a formal organizational policy for the asset class. The organization's investment time horizon and spending policy are two examples of factors that should be considered when setting an allocation for illiquid products," said Brad Stephan, Investment Director, SEI's Global Institutional Group. "When aligned with organizational goals, illiquid products can provide significant benefits including increased diversification, return enhancement and inflation protection."

Results showed that 70 percent of those polled have some allocation to illiquid assets and more than half feel their investment committee would be willing to increase allocation over the next two years. Products most commonly being used include private equity (89%), private real estate (61%) and venture capital (58%).

The poll also pointed to key reasons nonprofits have yet to adopt formal liquidity investment processes including organizations' investment committees being uncomfortable with lock-up periods and a lack of transparency and potential risk. Some organizations noted that their consultants have not recommended the practice. Along those lines, the poll indicated that the investment management model impacts the ability to reach decisions around illiquid investments. Organizations currently using a consultant to research and recommend managers -- while the investment committee selects managers and makes change decisions

-- are having a difficult time making decisions on illiquid assets. In fact, almost a third of the respondents from that group have no assets in illiquid classes.

For those where the investment committee handles all research and investment management decisions internally, almost half still have no allocation towards illiquid assets. Of those organizations whose investment committees have chosen to use a co-fiduciary for manager research, selection and change, more than two thirds have at least 11% of their portfolio in illiquid assets.

"Nonprofit investment committees are realizing the level of complexity involved in managing these investments and they are looking for best practices around how their organization can maximize efforts," said Carolyn McLaurin, Senior Vice President, SEI's Foundation and Endowment Group. "The poll demonstrates the process used for investment management plays a significant part in helping to accomplish the goals of the organization."

Smaller nonprofits with assets under $100 million are struggling more with this issue as nearly half have no allocation to illiquid assets. Educational institutions are leading the way in illiquid asset investing, with 83 percent of those organizations polled participating in illiquid investing. Community and private foundations fall behind in the trend, with 44 percent of community foundations and 32 percent of private foundations having zero assets invested in illiquid assets.

The poll, administered by SEI's Nonprofit Management Research Panel, surveyed 102 U.S. nonprofit executives overseeing foundation and endowment asset pools ranging in size from $25 million to over $1 billion. A complete summary of the poll is available by emailing seiresearch@seic.com.

About SEI's Institutional Group

SEI's Institutional Group delivers integrated retirement, nonprofit and healthcare solutions to over 330 U.S. institutional clients and 490 global institutional clients in seven different countries. SEI enables clients to meet financial objectives, reduce business risk, and fulfill their due diligence requirements through implemented strategies for the management of defined benefit plans, defined contribution plans, endowments, foundations and other balance sheet assets. For more information, visit http://www.seic.com/institutions.

About SEI

SEI (Nasdaq: SEIC) is a leading global provider of outsourced asset management, investment processing and investment operations solutions. The company's innovative solutions help corporations, financial institutions, financial advisors, and affluent families create and manage wealth. As of September 30, 2007, through its subsidiaries and partnerships in which the company has a significant interest, SEI administers $423 billion in mutual fund and pooled assets and manages $202 billion in assets. SEI serves clients, conducts or is registered to conduct business and/or operations, from more than 20 offices in over a dozen countries. For more information, visit http://www.seic.com.

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