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SEI White Paper: Volatility and Evolving Investor Needs Drive Continued Growth of Regulated Alternative Funds

Product Innovation, Distribution Expertise, and Strong Infrastructure Keys to Manager Success in a Market Projected to Reach \$1 Trillion by 2014

OAKS, PA -- (MARKET WIRE) -- 11/30/11 -- In the wake of multiple global financial crises and ongoing market volatility, investors continue to push managers for products that can bolster performance and protect capital, all while limiting volatility. According to a white paper released today by SEI (NASDAQ: SEIC) in collaboration with Strategic Insight, investor demands, combined with managers' search for higher fees and broader client bases, are driving ongoing convergence of traditional and alternative investment products. Investors poured more than \$58 billion into regulated funds using alternative strategies in the first half of 2011 alone, and assets in the space are projected to reach \$1 trillion by 2014. The paper, entitled [Regulated Alternative Funds: The New Conventional](#), evaluates the opportunities and challenges managers face when launching and distributing alternative investment strategies in a registered mutual fund or UCITS format.

The growth of assets in alternative registered funds continues at a steady pace; by the end of September 2011, the U.S. had roughly 760 alternative mutual funds and ETFs, 150 of which had been launched year-to-date in 2011. Alternative assets inside UCITS funds attracted \$27 billion in new net flows in the first half of 2011, 26 percent higher than in the second half of last year. There are now over 1,500 UCITS funds in Europe using alternative strategies and managing a combined \$254 billion of assets. While experts believe that there is still tremendous opportunity in the space, the future of alternative investments through regulated funds hinges to a large degree on robust risk management. Fund managers assume primary responsibility for implementing the necessary controls, but independent service providers also play important roles. Unlike unregistered products, there are detailed regulatory requirements around risk measurement and management, liquidity, counterparty diversification, and limits on leverage.

"Despite becoming increasingly competitive, the market for regulated alternative funds remains much more fragmented than traditional parts of the business, and no dominant players have yet emerged," said [Ross Ellis](#), Vice President and Head of the [SEI Knowledge](#)

[Partnership](#) for SEI's [Investment Manager Services division](#). "We see that assets in the regulated alternatives space tend to migrate to the largest professionally managed funds with the strongest performance, but new unrated funds also get a large share of sales. Partnerships that combine the investment expertise of existing alternative managers with the distribution prowess of traditional managers will become more common as managers of all stripes look for ways to gain a foothold in one of the most dynamic and growing parts of the asset management business."

The U.S. and Europe have been at the forefront of product innovation, but alternative strategies in regulated retail-fund form are now appearing in other parts of the world. Opportunities for alternative managers are growing across Asia, Latin America, and the Middle East, driven by demand from both private investors and institutions.

"In the US, the focus of alternative mutual funds and ETFs has changed from boosting returns to managing risk and volatility, which is even more urgent given the global turbulence of the past several months," said Loren Fox, Senior Research Analyst at Strategic Insight. "The growth we've seen in registered alternative funds represents the early stages of a permanent shift in the fund landscape."

The white paper provides additional insights on growth opportunities, market factors, and challenges facing managers in the current environment. The paper is published by the SEI [Knowledge Partnership](#), in conjunction with Strategic Insight. The SEI Knowledge Partnership provides ongoing business intelligence to SEI's investment manager clients. To request a copy of the 24-page white paper, please visit www.seic.com/NewConventional.

About SEI's Investment Manager Services Division

SEI's Investment Manager Services division provides comprehensive operational outsourcing solutions to support investment managers globally across a range of registered and unregistered fund structures, diverse investment strategies and jurisdictions. With expertise covering traditional and alternative investment vehicles, the division applies customized operating services, industry-leading technologies, and practical business and regulatory insights to each client's business objectives. SEI's resources enable clients to meet the demands of the marketplace and sharpen business strategies by focusing on their core competencies. The division has been recently recognized by the Money Management Institute as "Service Provider of the Year," by Buy-Side Technology as "Best Fund Administrator" and by HFMWeek as "Best Single Manager Hedge Fund Administrator (Over \$30B AUA--US)," and "Best Funds of Hedge Funds Administrator (Over \$30B AUA--Europe)." For more information, visit www.seic.com/ims.

About SEI

SEI (NASDAQ: SEIC) is a leading global provider of investment processing, fund processing, and investment management business outsourcing solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of September 30, 2011, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers \$395 billion in mutual fund and pooled assets or separately managed assets, including \$162 billion in assets under management and \$233 billion in client assets under administration. For more information, visit www.seic.com.

About Strategic Insight

Strategic Insight is a leading research firm for the fund and wealth management industry, providing clients with industry data and consulting services for product, distribution and

business strategy decisions. Strategic Insight assists over 250 firms worldwide, and its Simfund databases and analytical platforms cover more than 70,000 funds around the world. For more information, visit www.Sionline.com. The company's parent, Asset International, is an information provider to financial-services institutions, including asset managers, global pensions, and others. Find out more at www.AssetInternational.com.

Source: SEI