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SEI Study: Active Exchange Traded Funds Will Help Fuel Sector's Next Growth Phase

Experts Predict Market Will Reach \$500 Billion by 2020

OAKS, PA -- (Marketwired) -- 04/22/13 -- While actively managed exchange traded funds (ETFs) currently make up less than 1 percent of the global ETF market, a new paper released by [SEI](#) (NASDAQ: SEIC) predicts the vehicles will be a major contributor to the next phase of ETF expansion, ultimately competing with traditional active mutual funds for market share. The paper, "[Getting a Grasp on Actively Managed ETFs Before the Boom](#)," contends that the benefits of ETF products -- low cost, transparency, and the potential liquidity, and tax efficiency -- make them attractive vehicles for bringing more active management strategies to financial advisors and individual investors via an easy-to-trade, single-ticker investment vehicle.

The paper reveals that increased interest from pension funds, endowments, and other large institutional investors will likely help fuel growth in the active ETF space. An SEC statement in late 2012 now allows active ETFs to utilize derivatives, enabling fund sponsors to expand to other asset classes, such as commodities and currencies. This move, as well as the increased regulatory scrutiny of money-market mutual funds and discussion about a floating-rate NAV, has made active ETFs more attractive to managers, prompting traditional mutual fund-only providers to move in on the space. Confirming growth projections from many industry pundits, global management consultant McKinsey & Co. predicts assets in actively managed ETFs will reach \$500 billion by 2020, up from \$12.6 billion today.

"Investors are looking for actively managed strategies at a lower cost and the benefits of ETFs make them an ideal product structure for delivering such value," said Jay Cipriano, head of Traditional Solutions for SEI's [Investment Manager Services](#) division. "Recently there has been positive movement supporting growth in active ETFs, but the historical roadblocks and lengthy SEC approval process have steered both managers and investors away. If managers can take advantage of these new positive catalysts, active ETFs may not only fuel the next phase of ETF growth, but over time may challenge traditional active mutual funds for market share."

"With giants like PIMCO already in the space and others such as Franklin, T. Rowe Price, and Columbia Management working through the filing process, it's clear that active ETFs are not a passing fad," said Tom Lydon, Editor, ETF Trends. "The market is in its infancy and there's a long way to go before they are truly a rival for mutual funds, but as these products

and managers develop track records and become eligible for Morningstar ratings the sky is the limit for active ETFs."

The paper is published by the [SEI Knowledge Partnership](http://www.sei.com/KnowledgePartnership), which provides ongoing business intelligence and guidance to SEI's investment manager clients. To request the full paper, visit www.seic.com/ActiveETFs.

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 Buy-Side Technology as "Best Outsourcing Provider to the Buy Side" and "Best Fund Administrator," by Hedge Funds World Middle East as "Best Service Provider," by Global Investor as "Hedge Fund Administrator of the Year," and by HFMWeek as "Most Innovative Fund Administrator (Over \$30B AUA)" in the U.S. for hedge funds and "Best Administrator -- Technology Provider" in 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 December 31, 2012, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers \$458 billion in mutual fund and pooled or separately managed assets, including \$201 billion in assets under management and \$257 billion in client assets under administration. For more information, visit www.seic.com.

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