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Investment Managers Must Embrace Technological Innovation or Risk Being Displaced, Warns SEI

Paper Urges Industry Participants to Pursue Opportunities Arising From "Five Transformative Trends"

OAKS, PA -- (Marketwired) -- 07/06/16 -- The investment management industry is lagging others in exploiting the vast potential of information technologies, and asset managers are under growing pressure to be more innovative and leverage emerging disruptions occurring in other industries, concludes SEI's (NASDAQ: SEIC) new white paper, "The Upside of Disruption: Why the Future of Asset Management Depends on Innovation." The paper depicts an industry that has been supported by favorable business conditions that are now shifting, making it vulnerable to disruption by technology firms.

The demographic and regulatory tailwinds that have propelled the industry's strong business performance are weakening or reversing, states SEI's analysis. It also warns that investment managers cannot expect the current bull market, which has accounted for most of their recent asset growth, to continue indefinitely or without substantial volatility. According to a McKinsey analysis, only 16 percent of the industry's global asset growth from 2009 through 2014 was due to net new flows.

"While there has been plenty of industry chatter over the potential of robo-advisors and blockchain technology, those trends are just one piece of a much bigger story," said Stephen G. Meyer, Executive Vice President and Head of SEI's Investment Manager Services division, which authored the paper. "At a time when a host of new technologies are rapidly emerging, the field of competitors is widening, and the engines of the industry's growth are slowing, investment management organizations can't afford to be complacent."

The SEI study calls on investment industry participants to explore and act upon five sweeping trends that are transforming the business landscape and have profound implications for asset managers:

Watsonization - Cognitive computing systems that can interpret massive quantities of data, learning as they go, will hold an information advantage over today's stockpickers and analysts. They could also give investment firms powerful new tools for interacting with investors, assessing risk, enhancing cybersecurity, and fail-safing processes.

Googlization - The rapidly growing abundance of information is challenging asset managers to be more strategic and sophisticated in their approach to data management. To stay competitive, investment firms will need to recruit top-flight technologists and be more data-driven in all aspects of their business.

Amazonization - The online platform phenomenon is leveling the industry's playing field and lowering barriers to entry. Meanwhile, e-commerce giants such as Amazon and Alibaba are rapidly moving into lending and investments. Investment managers can't afford to ignore the power of Web-based platforms to engage investors, enhance the investor experience, and bring more discipline to business functions.

Uberization - While most investment organizations remain vertically integrated, the success of companies such as Uber and Airbnb points to the potential of a different business model: the technology-enabled network orchestrator that can gain scale, lower costs, and improve services by outsourcing more elements in their value chain.

Twitterization - Asset managers have been slow to use social media platforms and interactive digital media, due in part to regulatory concerns. The industry is now catching on to the ways new media can help investment firms build brand, gain unconventional market insights, and encourage innovation.

In a graphic timeline covering the last 50 years, the SEI study highlights a number of notable investment industry innovations, including indexed investing, Schwab's mutual fund supermarket, and ETFs. However, it describes most industry advances as "evolutionary rather than revolutionary, revolving around repackaging products or improving certain processes."

The paper, which can be downloaded at seic.com/upsideofdisruption, cites the unfolding financial technology boom as another reason asset managers need to be more innovative in the future. An estimated 4,000 or more "fintech" startups are now active, and while many are focused on banking and transactions, a growing number are targeting opportunities in wealth management, risk analysis, and portfolio optimization.

"In effect, every company is now a technology company," said Meyer. "Any investment firm that isn't focusing on that reality needs to reboot its thinking."

About SEI's Investment Manager Services Division
Investment Manager Services supplies investment organizations of all types with advanced operating infrastructure they must have to evolve and compete in a landscape of escalating business challenges. SEI's award-winning global operating platform provides asset managers with customized and integrated capabilities across a wide range of investment vehicles, strategies and jurisdictions. Our services enable investment managers to gain scale and efficiency, keep pace with marketplace demands and run their businesses more strategically. SEI presently partners with more than 300 traditional, alternative and sovereign wealth managers representing over $15 trillion in assets, including 32 of the top 100 managers worldwide. For more information, visit seic.com/ims.

About SEI
SEI (NASDAQ: SEIC) is 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 March 31, 2016, through its subsidiaries and partnerships in which the company has a

significant interest, SEI manages or administers $684 billion in mutual fund and pooled or separately managed assets, including $265 billion in assets under management and $419 billion in client assets under administration. For more information, visit seic.com.

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