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# SEI Survey: Optimistic Expectations for Exchange Traded Products Despite Market Volatility

## Distribution Strategy Seen as Most Critical Element in Launch of New Products

OAKS, Pa., Dec. 4 /PRNewswire-FirstCall/ -- While Exchange Traded Products (ETPs) have experienced unprecedented growth over the past decade, there appears to be more growth on the horizon. An SEI (Nasdaq: SEIC) Knowledge Partnership survey brief released today notes that ETP assets, that is Exchange Traded Funds and Exchange Traded Notes, have grown over the past ten years from $16 billion to $487 billion as of October 31, 2008, a compound annual growth rate in excess of 41%. Ninety percent of firms surveyed pointed to growth potential within the product category as the primary reason for launching the products. The survey shows that product sponsors remain bullish despite a decrease in assets in the wake of the recent market downturn.

The survey brief, titled Exchange Traded Products: A Look Ahead, also revealed that distribution is widely viewed as a critical success factor, with 90% of those polled saying that having an effective distribution strategy is one of the most important factors in a successful ETP launch. Half of those polled (50%) said selecting the right market niche was the second-most important criteria in a successful launch.

"Despite a recent downturn in assets, there is still clearly a lot of interest among investment managers in Exchange Traded Products. Exchange Traded Funds have had inflows in excess of $100 billion from the start of the year through October," said Phil Masterson, Managing Director, Thought Leadership, for SEI's Investment Manager Services division. "Managers believe the growth opportunity still exists as long as there is a sound strategy and a strong infrastructure to back it up. Most of the firms we have spoken with understand a strong distribution strategy, a distinct and relevant market niche and the right operations partners are critical factors in launching a successful Exchange Traded Product."

The survey found that nearly a third (28%) of respondents said they are planning on launching ETPs in the next 18 months. There was also a significant shift in which asset classes are viewed as most desirable. Among firms planning to launch ETPs, 80% planned to launch equity-focused products while that number was substantially less (10%) among

firms that already sponsor ETPs. Conversely nearly half of those who already manage ETPs revealed that they launched ETPs based on commodities while only 10% of those planning ETPs say they will launch commodity-based products.

While the growth potential remains alluring, respondents cited a variety of barriers to entry in the ETP market, including legal and regulatory hurdles (21%), the ability to differentiate (16%) their offering, and infrastructure requirements (16%).

The survey was completed by nearly 40 money management executives at firms ranging in size from $250 million to well over $100 billion in assets under management. The survey brief is published by the SEI Knowledge Partnership, which provides ongoing business insight, market intelligence and points of view to SEI's investment manager clients. To request a copy of the survey brief, please visit http://www.seic.com/ims/ALookAhead.

About SEI's Investment Manager Services Division

SEI's Investment Manager Services division provides total operations outsourcing solutions to global investment managers focused on mutual funds, hedge and private equity funds, exchange traded funds, collective trusts, separately managed accounts and institutional and private client services. The division applies operating services, technologies, and business and regulatory knowledge to each client's business objectives. Its resources enable clients to meet the demands of the marketplace and sharpen business strategies by focusing on their core competencies.

About SEI

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