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SEI Poll: Managers Remain Optimistic in Spite of Current and Impending Regulatory Outlook

OAKS, PA -- (Marketwire) -- 12/19/12 -- According to a poll released today by SEI (NASDAQ: SEIC), a large majority of U.S. investment managers (78 percent) are optimistic about their firms' prospects over the next three years. That number was up considerably from last year's poll in which 63 percent of participants indicated optimism. The poll, conducted at SEI's annual CFO/COO Forum for Alternative Investment Managers in New York, found that among the several reasons expressed, a strong brand, followed by positive market prospects, were the main drivers behind this optimism.

The remaining participants (22 percent) were concerned about their firms' prospects in large part due to uncompetitive performance and a weak distribution strategy. When asked about the most significant challenge facing the industry in the near future, the number one choice (37 percent) was current and future regulatory requirements. This was a substantial increase over the prior year's poll, where the regulatory environment was voted as the most challenging by just 21 percent and economic uncertainty was the number one choice at 36 percent. At SEI's CFO/COO Forum in London, held in October, European clients expressed an even higher level of concern, with 42 percent of participants agreeing that current and future regulatory requirements pose the most significant challenge.

The uncertain regulatory climate weighed heavily on the minds of investment managers throughout the Forum. Over three-quarters (83 percent) of those polled thought that the volume and appropriateness of U.S. and EU regulations were "far too draconian," and as a result, the top area of investment in the next 12-18 months would most likely be in compliance and regulatory functions. Similar to results at the European Forum, respondents felt that satisfying regulatory requirements was their greatest operational challenge (28 percent in the U.S., 30 percent in the EU), closely followed by enhancing compliance and risk management, and increasing operational efficiency.

Further reinforcing the heightened focus on risk, managers noted their top challenge in satisfying investors was getting them comfortable with the firms' operating infrastructure; in last year's poll results this selection was fourth on the list, well behind providing investors with educational consulting beyond what they receive when making an investment. Seventy-nine percent of managers indicated that investor confidence has improved since the aftermath of the financial crisis, an improvement compared to last year's poll, when 70

percent of managers felt that way. Significantly, no managers indicated that investor confidence was "much worse," whereas 17 percent indicated so when asked last year.

"While it's encouraging that managers still feel optimistic, it's not surprising that the current geopolitical and economic environment has put a slight damper on that enthusiasm," said Ross Ellis, Vice President and Managing Director for SEI's Investment Manager Services division. "Based on the survey data, the regulatory outlook is overshadowing other concerns, even economic ones. Given the variety of challenges managers must contend with, it becomes even more important for them to work with outsourcing partners that can help them remain current with regulatory requirements and thrive in a fast-paced and rapidly-evolving industry."

The large majority of managers (41 percent) felt that new assets from institutional channels will provide the greatest growth for the industry, with only 18 percent believing that organic growth would be the primary driver. The results were even more pronounced at the European event, where the participants voted 62 percent and 19 percent respectively. When focusing more specifically on the investor types or channels that promise the greatest growth, two-thirds of U.S. participants (67 percent) cited pension plans, followed by foundations and endowments. Given the debate and scrutiny of funds of hedge funds (FoHFs), particularly immediately following the financial crisis, the viability and acceptance of the structure showed a marked improvement over a year ago. Fifty percent believed that FoHFs and what they offer would remain relevant as they evolve structurally, while another 18 percent believed they would reemerge as a powerful vehicle if fees were restructured.

The poll was completed by CFOs, COOs, and senior executives across management operations, distribution, and investment professions. To see the full set of poll results, visit www.seic.com/2012CFOPoll.

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. 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 September 30, 2012, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers $448 billion in mutual fund and pooled or separately managed assets, including $195 billion in assets under management and $253 billion in client assets under administration. For more information, visit www.seic.com.

Source: SEI