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SEI Surveys Show Investors in Alternative Investments Driving Change in Manager Behavior

Reports Stress the Need for Infrastructural Sophistication

OAKS, Pa., Jan. 9, 2018 /PRNewswire/ -- Alternative investments managers are enjoying continued interest from investors but risk losing out from future flows, warns SEI (NASDAQ: SEIC) in its latest pair of research reports. Superior returns, trusted investment teams, and firm size have traditionally served as the key differentiators in the alternative investments world, but changes in the industry have profound implications for how alternative managers run their businesses and the infrastructure required to support their investment acumen.

Released today and based on a survey of 70 alternatives investors, "[How to Meet Operational Challenges while Pursuing Opportunities in Alternative Investing](#)" illustrates the alignments and disconnects between those investors and the managers with whom they allocate capital. This investor-focused edition comes on the heels of a similar report released in September, "[Finding Success as Alternatives Converge](#)," that addressed how investment managers could take advantage of the opportunities and avoid the challenges resulting from investors' increasing interest in alternative investments. Both reports were done in coordination with Preqin, a U.K.-based source of data and intelligence in the alternative assets industry.

Experts predict continued growth in alternative assets for the foreseeable future. However, as asset classes converge, investment vehicles evolve, and business models change, investors and managers alike are uncertain how to best take advantage of this positive outlook. The survey confirmed that while evaluation of a manager's investment acumen remained critical, operational considerations are becoming more prominent. Growing institutional demand has been accompanied by increasingly diverse and complicated portfolio holdings for many investors, consisting of stakes in a mix of limited partnerships, co-investments, and direct holdings, which bring oversight and administrative challenges of their own.

"We are pleased to see a continued demand for institutional investment products," said Jim Cass, Senior Vice President of SEI's Investment Manager Services division. "As the industry becomes more sophisticated and complex, the winners will be those managers who can close the gaps between investors' expectations and current reality by bolstering their

operational capabilities, while also supporting their portfolio management expertise with a streamlined and technologically-supported investor experience."

The surveys also exposed several areas where perceptions differed from investor to manager. The trend toward greater transparency is well established, but expectations continue to outpace reality, as many investors remain dissatisfied with the level of transparency available to them. While 67 percent of managers surveyed thought existing levels of transparency surrounding operating expenses were sufficient, only 25 percent of investors agreed. Additionally, almost nine out of 10 investors say it was important (or extremely important) that they are given the opportunity to negotiate fees, yet this negotiation occurred far more often with the larger investor than with those at lower asset levels: 73 percent of investors with more than \$25 billion of assets reported they had success negotiating fees compared to only 29 percent of those with less than \$1 billion of assets.

The alternative investments industry is more global and complicated than ever before, presenting both investors and managers with a plethora of challenges and opportunities. To read more about these trends and others in our reports, visit www.seic.com/seizechange.

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 investment managers and asset owners with customized and integrated capabilities across a wide range of investment vehicles, strategies and jurisdictions. Our services enable users to gain scale and efficiency, keep pace with marketplace demands, and run their businesses more strategically. SEI presently partners with more than 300 asset owners and investment managers of traditional, alternative and hybrid structures representing \$16.5 trillion in assets, including 36 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 September 30, 2017, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages, advises or administers \$845 billion in hedge, private equity, mutual fund and pooled or separately managed assets, including \$325 billion in assets under management and \$516 billion in client assets under administration. For more information, visit seic.com.

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