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SEI Targets New Inst'l Segment, Opens Manager Research to Asset Owners

By Aziza Kasumov July 31, 2020

SEI has a new target in the institutional market: big asset owners with their own investment teams. The asset manager and outsourced CIO (OCIO) firm is launching a new product to cater to institutions that are set on running their investment programs in-house, but could use a little extra help modernizing their technology and navigating the vast landscape of investment managers in the market.

The new "ECIO" tool, for "enhanced CIO," combines technology, risk management, portfolio analytics, and "non-fiduciary investment analytics" services, says **Paul Klauder**, head of SEI's institutional group. The exact package of services is fully customizable based on an institution's needs, according to a spokesperson for the firm.

SEI has already been shopping the tool around but expects to launch it formally in the coming few weeks. Two client prospects are already "very active in the sales process," Klauder says. Planning for the tool started in November. The firm's goal is to charge clients on a basis point model, based on assets under administration.

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Via the technology platform, institutional clients can consolidate performance reporting, stress test portfolios, and keep track of capital calls and subscription documents, among other tools, with all of that information in "one warehouse," Klauder says. While SEI has already sold the underlying tech platform to about 500 asset managers, the key addition in the package pitched to asset owners is that those clients can also get access to the firm's manager research.

Of those products and managers, "there's probably a couple of thousand that we have a very deep understanding of and deep diligence on," says Klauder. But even if clients want more research on a manager not in that pool, they can still come to SEI and ask, he says.

SEI isn't the first allocator deciding to share its manager research with asset owners. Mercer, through a database called MercerInsight, had sold access to its manager research to more than 370 asset owners as of this spring, as reported. Clients pay up to $400,000 annually for access to the database and other Mercer research and data through third-party agreements, a regulatory filing from March shows.

However, SEI insists that it's not trying to become its clients' next investment consultant.

"We're not trying to be interviewing all their managers," says Klauder. "But to the extent that they don't use an investment consultant and want a partner that has access to … information [on managers], we want that information to be exposed to those clients."

For managers, the spread of such databases means that it's becoming harder to circumvent investment consultants, OCIOs and other gatekeeping structures when trying to win institutional allocations. But some say there's a benefit to increased use of such databases, too.

"The managers welcome the databases because they market their profile to subscribers," says Richard Jackson, director of research at APX Stream, a firm focusing on investment data management and distribution. "The more their data is seen by an investor, the better the chance that the money manager has to attract investors."

For the new tool, SEI is targeting institutional investors it can't reach through its OCIO unit.

“It’s geared toward institutional investors who have clearly made the decision to have their investment office and investment personnel build their investment portfolio,” says Klauder. While there’s no “magical number,” Klauder says, those institutions would likely start somewhere around the $2 billion in assets mark.

Many endowments and foundations that have less than $500 million to $1 billion in assets typically do not build out their own in-house investment team, research conducted last year by Manager Analysis Services showed.

Manager Analysis, which offers manager due diligence, governance and OCIO search assistance, looked at 35 endowments and foundations and found that those with more than $4 billion in assets tend to have an investment staff of between 12 and 16 people, as reported. Those between $1 billion and $2 billion generally have in-house teams with four to six professionals. The segment between $500 million and $1 billion is where institutions opt for either in-house or OCIO services.

The research also laid out sample organizational charts for endowments. An organization with roughly $11 billion in assets, for instance, usually had a CIO, four to five senior managers, two people in operations, and an executive assistant, Tom Donahoe, managing director at Manager Analysis, told *FundFire* last year.

“That leaves you with … five people who are doing stock analysis, and they only have a certain bandwidth, as talented as they may be,” Donahoe said then. “Even if you have this person on your staff, they’re not sitting there 40 hours a week analyzing managers.”

That’s exactly the gap SEI tries to tap into.

The firm is trying to “bring a sophisticated tech process [to in-house teams] so they don’t have to spend as much time on the operations side, and spend more time on the investment management side,” says Klauder.