

# Evolving in the **New** **Operational** **Frontier**

**SEI** New ways.  
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## Introduction

To gain advantage in a hypercompetitive world, asset managers must not only **evolve** their operations, but also discover new ways to leverage them. Having **the right operating platform** has become a critical success factor.



“Every battle is won before it’s fought,” Sun Tzu wrote in “The Art of War.” As the legendary Chinese military strategist observed more than 2,500 years ago, understanding the terrain in which a battle will be waged is critical for those who want to prevail.

That’s as true for 21st century investment managers as it has been for armies throughout history. Asset management remains a growth business with strong margins, but demographic, social, economic and technological forces are reshaping the business landscape, transforming the industry into a much more complex and competitive environment than the previous generation of money managers could have imagined.

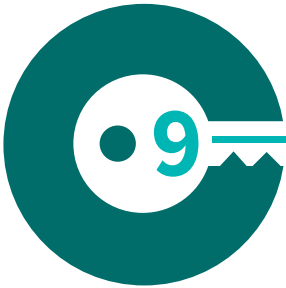
Managers and consultants are heard talking in terms of “hand-to-hand combat” and “distribution wars.” More than a few pundits are predicting dramatic upheavals as investor preferences shift. Other forecasts are even gloomier, warning that a large percentage of existing money managers will likely disappear within the next 10 to 15 years. Regardless of how much stock one places in these scenarios, it seems clear that “adapt or die” is quickly becoming an industry mantra.

At the turn of the millennium, the business of asset management was far less complex and uncertain than it is today. The market was dominated by institutions. Investments were packaged in straightforward formats, revolved around familiar securities, and generally relied on established style box strategies. Managers focused mostly on their home markets. The regulatory environment was relatively unobtrusive, and the industry hadn’t yet been shocked by the dot-com bust, market timing scandals, or the Madoff affair, not to mention the financial crisis.

To succeed in that relatively benign environment, asset managers needed to accomplish three things: create a product that met the needs of one or more investor segments, deliver on the investment promise, and effectively distribute that product. All of these remain critical success factors today. With the tectonic changes to the competitive environment, however, a fourth requisite for success has emerged. Now asset managers must also be operationally adept — that is, they need an operating infrastructure that will equip them to better meet client needs, satisfy regulators, and compete effectively in a business that keeps growing more costly and complex.

Why have operations become so critical?

# We've identified nine key challenges that are spurring a growing focus on operations



- 1 A More Competitive Business Climate
- 2 Increasingly Complex Investment Strategies
- 3 Proliferation of Vehicles and Distribution Channels
- 4 Growing Compliance Burden
- 5 Less Favourable Economics
- 6 Amplified Risks
- 7 Heightened Investor Demands
- 8 Leveraging Big Data
- 9 Managing Technology

While keeping up operationally is a big part of the challenge facing investment organisations, it can also be the source of far-reaching solutions. With the right technologies, the right expertise, and thoughtful systems design, forward-looking managers can turn their infrastructure into a powerful source of competitive advantage. Instead of being overwhelmed by the torrent of data streams and information demands, they can harness it to gain economic leverage, meet the demands of investors and regulators, gain new insight into business dynamics, and fuel product development.

Some of this competitive terrain is only now being mapped, and its reaches are as yet unknown. But one thing is clear: The managers who survive and thrive in the years ahead will be those who evolve to meet the challenges of the operational frontier.

*In the future, SEI will be delving further into some of the nine key challenges outlined here. In the meantime, we hope this overview will encourage asset managers to think through their next evolutionary steps in the pursuit of business success.*

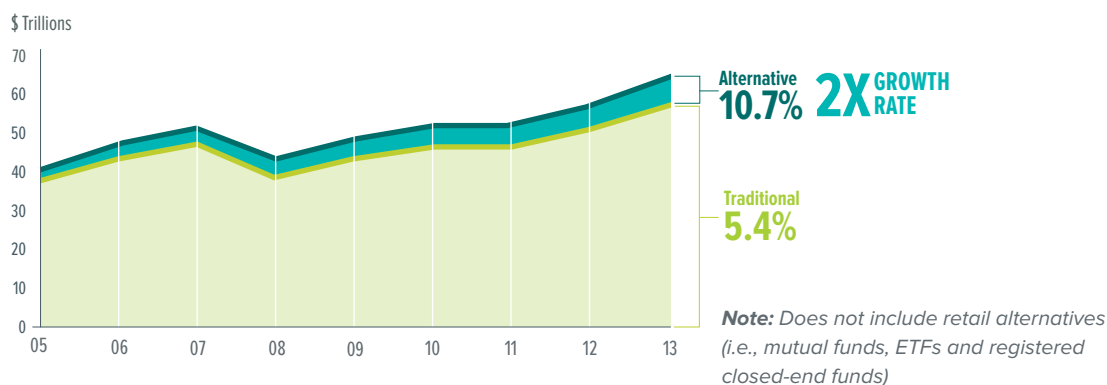
# A More Competitive Business Climate

Always on the hunt for new assets, investment organisations will now have to be both more dogged and more strategic in that pursuit. Retirement plans and other traditional engines of growth are slowing, forcing managers to adjust their bearings and find new sources of asset growth.

The industry has been talking for years about the convergence of traditional and alternative investing. In the last five years, the trend has not only taken hold, but also accelerated as managers and investors absorbed the harsh lessons of the 2008 financial crisis. Investment frameworks continue to move away from traditional style box products and toward alternative, outcome-driven, and solution-oriented products, with no reversal in sight.

The alternatives category — generally defined as hedge funds, funds of funds, private equity, real estate, commodities and infrastructure — has more than doubled in size since 2005. Even excluding retail alternatives (one of the fastest growing mutual fund categories in recent years) global assets under management (AUM) grew at an annualised pace of 10.7% between 2005 and 2013, twice the growth rate of traditional investments (Figure 1).

FIGURE 1 Global AUM: Traditional vs. Alternative Assets



Sources: McKinsey, Preqin, HFR.

The shift has been slowly transforming the institutional market for many years, with endowments and large pension plans leading the way. While nonbenchmark strategies still represent a relatively small slice of the total assets invested for institutional clients, they now account for more than half of revenues from those clients, up from only 25% in 2005.<sup>1</sup> Nor has the retail market been immune: In the decade between the end of 2003 and year-end 2013, assets in alternative mutual funds and ETFs grew more than 1000%, from less than \$17 billion to almost \$197 billion.<sup>2</sup> Moreover, “new active” products are expected to capture more than \$3 trillion of new assets from 2014 to 2018 while traditional active strategies suffer outflows.<sup>3</sup>

As new investment approaches take hold, strategies, products and competitors are proliferating. By mid-2014, there were 28,664 mutual funds (representing 9,105 individual fund portfolios) competing in the U.S. market alone.<sup>4</sup> It isn't just that new products are being introduced to the market. New asset managers are also throwing their hats into an increasingly crowded ring. There are now 815 managers of mutual funds in the U.S. market—an increase of 28% from the end of 2008, when the markets were swooning.<sup>5</sup>

Competition is heating up globally. There were 35,884 UCITS available to European investors as at 30 June 2014.<sup>6</sup> Meanwhile, ETFs have been proliferating across markets and asset classes, with more than 5,400 products now listed on 60 exchanges around the world by 222 fund sponsors.<sup>7</sup>

There has been talk of a maturing market for hedge funds, but that is countered by the legions of investment professionals launching new hedge funds. An estimated 8,319 single-manager hedge funds were available globally as at 30 June 2014, up 21.5% since the end of 2008.<sup>8</sup>

## Implications

- › The convergence of traditional and alternative investing means that **asset managers can no longer compete in their accustomed silos.**
- › To stand out in an increasingly crowded field, **managers will also need to distinguish themselves** in terms of both products and the client experience they deliver.
- › **Operating systems must be product-agnostic;** they must also support more complex and customised reporting.

# Increasingly Complex Investment Strategies

The industry has seen rapid growth in the number of products and managers before, but not like this. The diversity of today’s strategies is unprecedented, and many of the newer strategies are more complex. This growing complexity can be traced back to the global financial crisis, when many investors were let down by traditional long-only strategies, simple asset allocation models, and style box approaches.

Seeking new ways to find growth and manage risk, managers are investing in formerly novel asset classes, such as farmland or bank loans, and making use of complex derivatives. Thanks to technology and greater access to information, advisors are now much more likely to incorporate non-mainstream strategies and asset classes into their asset allocation models (Figure 2).

Figure 2 Emerging Asset Allocation Framework

LEGACY	“NEW ACTIVE”
Cash	Cash
Fixed Income	Duration
	Credit <ul style="list-style-type: none"> <li><b>Listed</b> <ul style="list-style-type: none"> <li>&gt; Variable beta</li> <li>&gt; Fixed beta</li> </ul> </li> <li><b>Unlisted</b> <ul style="list-style-type: none"> <li>&gt; Private credit</li> <li>&gt; Direct lending</li> </ul> </li> </ul>
Equity	Equity Risk <ul style="list-style-type: none"> <li><b>Listed</b> <ul style="list-style-type: none"> <li>&gt; Variable beta</li> <li>&gt; Fixed beta</li> </ul> </li> <li><b>Unlisted</b> <ul style="list-style-type: none"> <li>&gt; Private equity</li> </ul> </li> </ul>
Alternatives <ul style="list-style-type: none"> <li>&gt; Real estate</li> <li>&gt; Private equity</li> <li>&gt; Hedge funds</li> </ul>	Idiosyncratic (Uncorrelated) <ul style="list-style-type: none"> <li><b>Listed</b> <ul style="list-style-type: none"> <li>&gt; Liquid hedged</li> <li>&gt; Multi-asset</li> </ul> </li> <li><b>Unlisted</b> <ul style="list-style-type: none"> <li>&gt; Real assets debt</li> <li>&gt; Real assets equity</li> </ul> </li> </ul>

Source: Casey, Quirk & Associates.



“The diversity of today’s strategies is **unprecedented**, and many of the newer strategies are more complex.”

## Implications

- › Producing a differentiated strategy is more challenging, **making product innovation paramount.**
- › To communicate effectively with investors and their advisors, managers need **a thorough understanding of their asset allocation frameworks.**
- › Operating infrastructure must support **increasingly complex strategies.**

# • Proliferation of Vehicles and Distribution Channels

The map of investment industry vehicles and distribution channels was once static and straightforward, with institutional, high-net-worth and retail vehicles clearly siloed and hedge fund strategies safely walled off from mainstream investors. Today's version looks more like a crazy quilt still in progress.

Over the past two decades, a confluence of forces has fueled the development and growth of investment vehicles of all types. While institutional investors were seeking innovative ways to generate return and manage risk, asset managers were busy expanding their markets and creating new structures that might offer a competitive edge. Meanwhile, in the wake of the stock market boom of the 1990s, individual investors became more serious and discerning in their pursuit of returns. This led to a wave of alternative strategies translated into investor-friendly, mutual fund formats.

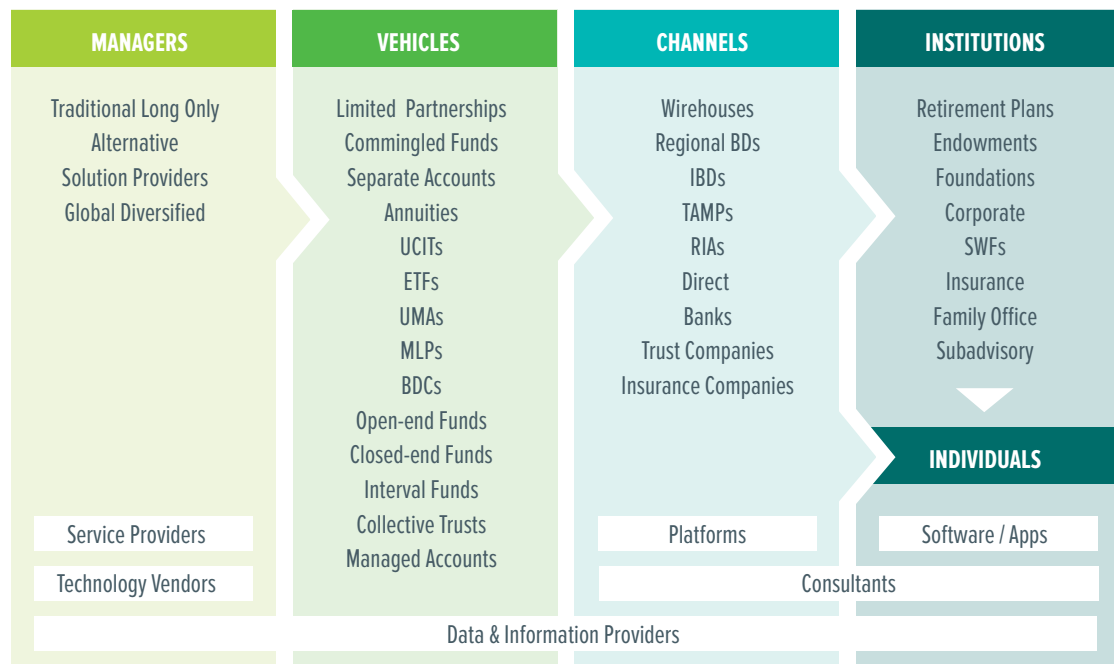
The financial crisis accelerated these trends, leading investors of all types to demand sophisticated investment strategies packaged in vehicles with liquidity and risk management features. In this context, investors were less likely to dismiss novel or exotic investment products out of hand, and more likely to explore them as potential solutions. Attention also turned to once esoteric vehicles, like collective investment trusts (CITs), that had been around for decades without gaining much traction. Once only a tiny fraction of the retirement market, CITs have grown to capture more than 20% of the multitrillion-dollar U.S. defined contribution plan market, and continue to gain share.<sup>9</sup>

The explosion of information technologies has greatly abetted the trend, supporting the adoption of new or reintroduced vehicles by enabling any investor to research them in depth. Witness the meteoric rise of ETFs, which were introduced in 1993 and initially marketed to institutional investors for use with sophisticated trading strategies. In just two decades, they grew from a single product to thousands of products representing more than \$2.2 trillion in assets as at mid-2013, according to ETF Global, which tracks the industry. The rise of liquid alternatives has been another sea change in the industry. While they use a traditional mutual fund structure, liquid alts nonetheless require specialised investment expertise, marketing and distribution.

Today's investment organisations may have built successful businesses around '40 Act mutual funds or hedge funds. But, depending on their client base, their expertise, and their growth plans, they may still be pushed to translate their strategies into a different format. They may even need to become familiar with lesser known product types, such as master limited partnerships (another example of a formerly institutional vehicle that has migrated to the high-net-worth market) or business development companies (a mutual fund/private equity hybrid), to name just two examples.

This explosion of investment vehicles and product choices is good news for investors, but may prove challenging to investment organisations accustomed to simpler times. Beyond managing a widening range of investment vehicles, asset managers must also sell them to multiple markets through a dizzying array of intermediaries, distribution platforms and gatekeepers (Figure 3).

Figure 3 Asset Management Ecosystem



Source: Alphahut.

Distribution challenges are exacerbated by the fact that asset managers now compete on a global playing field. Slower to globalise than many less regulated industries, asset management firms increasingly find themselves competing for the attention of investors far from their home markets. Drawn by the newly minted millionaires and rising middle classes in emerging markets, many U.S.-based managers are busy with plans for overseas expansion. Meanwhile, firms with funds domiciled in Dublin and Luxembourg are competing for wealthy American investors.

The decision to go global isn't one to make lightly. To earn a place on global distribution platforms, managers typically will need the expertise to navigate a half-dozen or more regulatory jurisdictions.<sup>10</sup> Carefully considering which products are best aligned with each market is a good start, but cross-cultural marketing is likely to demand considerably more resources and sophistication than are needed to operate on familiar home turf. Knowledge of local rules and culture will be critical, and the most useful employees are likely to be those who can help the firm steer a course through unfamiliar regulations and local investor behaviour.

## Implications

- › **Investment expertise must be packaged in diverse ways**, according to the demands of intermediaries and investors.
- › Asset managers must be prepared to **compete in multiple jurisdictions and cultural contexts**.
- › **Systems will need upgrading** to meet the requirements of global intermediaries and regulatory entities when selling a growing array of investment vehicles.
- › Managers with greater operational efficiency will be **better able to focus on entering new and unfamiliar markets**.

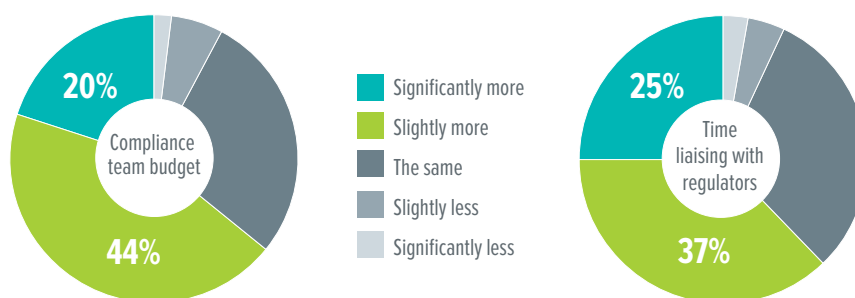
# • Growing Compliance Burden

As managers attempt to penetrate additional markets, they find themselves grappling with a number of regulatory initiatives around the globe. These include Dodd-Frank and FATCA in the U.S.; the EMIR, MiFID2, AIFMD, and UCITS directives in Europe; and a variety of evolving regimes in Asia, Africa, and Australia. As recently as 2009, compliance officers expected to deal with one major regulatory change a year.<sup>11</sup> There are now more than twenty international regulatory proposals directly or indirectly affecting the industry, in addition to an ongoing stream of incremental changes.

A prime focus of this regulatory tide is increased transparency and reporting to investors and regulators alike. While hard data on the resource and cost impacts is sketchy, the surge in compliance-related demands on staff time and technology-related resources is undeniable. A recent survey by Thomson Reuters found that 64% of firms expect their compliance team budget to rise over the coming year (Figure 4).

According to a KPMG survey, investment managers name regulatory pressures and costs as the top issue they face today.<sup>12</sup> In some cases, areas that used to be lightly regulated are beginning to look more like their heavily regulated cousins. The hedge fund industry, for example, already spends an estimated \$3 billion a year on regulatory compliance, and nine out of ten hedge funds expect spending on compliance-related technology to increase further.<sup>13</sup>

FIGURE 4 Expected Change to Compliance Over Coming Year



Source: Thomson Reuters Accelus as at 13 March 2014.

“A prime focus of this regulatory tide is **increased transparency** and reporting to investors and regulators alike.”

## Implications

- › New rules and requirements require **more extensive reporting** and place greater demands on information systems.
- › Compliance efficiency is becoming an **increasingly important competitive factor**.
- › The successful penetration of new markets will be **constrained by the ability to meet associated regulatory demands**.

# Less Favourable Economics

Asset management is an attractive business that historically has produced the kind of financial performance that executives in many other sectors can only envy. At their peak in 2007, asset management firms in a McKinsey survey reported average pretax operating margins of 33%.<sup>14</sup> Margins deteriorated sharply during the financial crisis, and while assets and revenues quickly recovered, margins have not improved at the same pace. According to McKinsey, average profitability remains at only 87% of 2007 levels, even as assets and revenues have reached new highs. The recent bull market has effectively camouflaged widespread margin erosion and asset managers will need sustainable responses to some troubling trends if they are to improve profitability going forward.

FIGURE 5 Financial Results at North American Asset Management Firms



Source: McKinsey.

Fee pressures are ongoing, if not intensifying. Traditional long-only managers have long faced fee pressure from indexing firms. This threat to the revenues of active money managers has become even more acute since the widespread adoption of ETFs, which offer convenient, cost-effective indexing options for a wide array of asset classes. For their part, alternative managers are now under pressure to negotiate fees rather than applying the “two and twenty” formula long considered standard.

Meanwhile, operating costs have been rising, causing profitability to languish (Figure 5). Underscoring the acutely competitive environment, higher sales and marketing are the primary drivers of higher costs, typically accounting for almost a quarter of the overall cost base.<sup>15</sup> Spending is likely to rise further in other areas as well, driven by heightened regulation, the growing complexity of investment products, and investor demands for increased transparency and customisation. These trends will all tend to push spending for technology, product development and client service even higher.

## Implications

- › Investment organisations should work to **identify points of leverage across business functions** and encourage business management across product groups.
- › **Firms need operating systems that support and streamline** the complete range of business functions, equipping them to scale up efficiently.
- › **An efficient operating model can help combat rising costs** and free up cash for other initiatives.
- › Strategic planning should be **informed by industry metrics**.

# Amplified Risks

As they deal with the growing range and complexity of investment products, managers are facing a more daunting range of internal and external risks than in the past. Market, counterparty, operational, regulatory, fiduciary, tax, business, reputational risks—the list goes on. A recent Ernst & Young (E&Y) survey of risk officers lists 24 categories in all.<sup>16</sup> It also found that regulatory risk is now considered to be the number one risk, with nearly all participants commenting on the challenges of complying with the “... torrent of global, regional and local/thematic prudential and conduct regulations, applied in the form of rule-making, principles and recommendations...”

While some risks are evident, others are buried deep in the intricacies of strategies, contracts or transactions. Nor are risks necessarily firm-specific. There are always systemic risks, which in some cases remain poorly understood.

As the E&Y report concludes, “Risk management is all about access to the right data.” That translates into the need for holistic, cross-functional operating systems that incorporate robust, customisable analytics. But with middle-office systems in varying states of evolution and best practices still taking shape, getting to “the right data” remains an industrywide challenge.

## Implications

- › **It behooves managers to address the challenge of regulatory risk proactively** rather than by meeting minimum requirements set forth by regulators.
- › **Operating systems should be assessed in terms of the flexibility of their data management** and their ability to integrate existing and future third-party data streams.
- › **Forward-looking managers may want to explore predictive analytics** and other cutting-edge risk management techniques.



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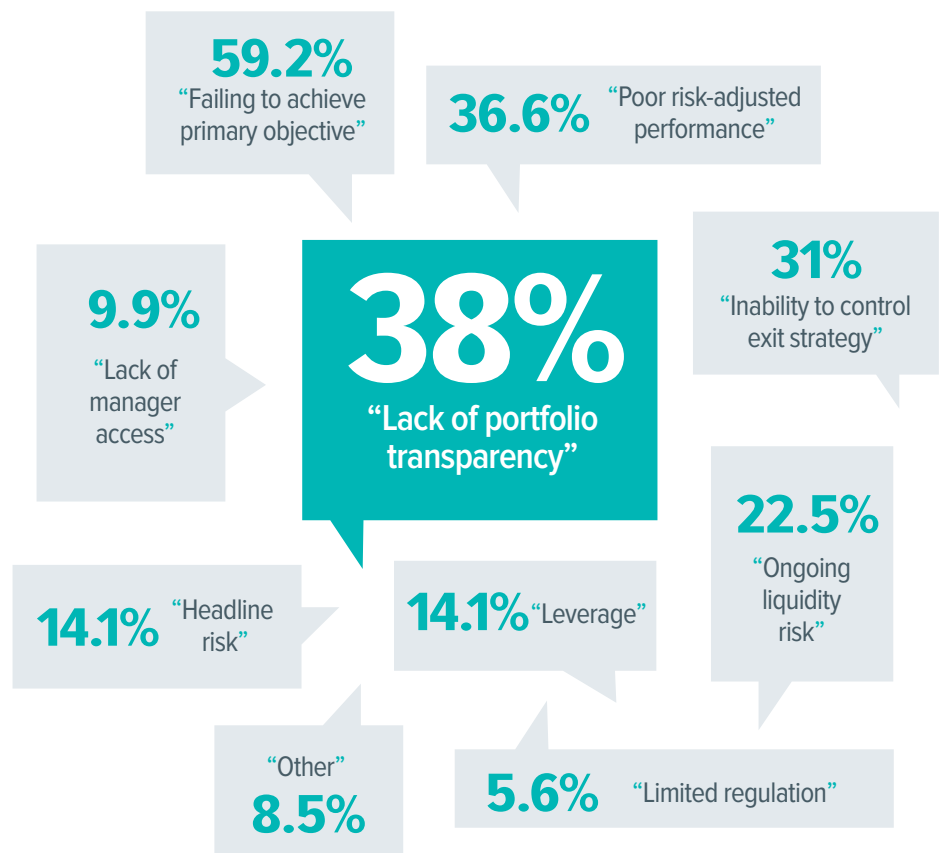


# Heightened Investor Demands

The shock of the global financial crisis empowered institutional investors, consultants and intermediaries to demand more of their managers. Many who had generally been content to accept the status quo started looking for more transparency and customised reporting. The demand for better treatment has had an effect on allocations: Virtually all investors (98%) in a recent SEI survey said that client service was a significant consideration when hiring managers.<sup>17</sup> Yet it appears that clients' expectations are often unmet. Responding to the same survey, 57% of asset managers reported being satisfied with their client service efforts, but only 6% of institutional investors concurred.

The issue is not a trivial one. Institutional investors in an SEI hedge fund survey ranked the lack of portfolio transparency as their second biggest concern about investing in hedge funds, even outranking risk-adjusted performance (Figure 6).<sup>18</sup>

FIGURE 6 Biggest Worries About Hedge Fund Investing



Source: SEI.

Meanwhile, retail investors are being conditioned by their experience with e-commerce to expect high levels of customisation and convenience in their interactions with investment organisations.

Managers have learned how difficult it is to compete on price and performance; most recognise that providing high-quality client service and a distinctive investor experience is critical to being competitive. Understanding client expectations and keeping abreast of industry best practices nevertheless remain a difficult challenge.

“Many who had generally been content to accept the status quo started looking for **more transparency and customised reporting.**”

## Implications

- › Client service is an **opportunity to differentiate.**
- › Operations must allow the **flexibility and customisation** required to meet investor demands.

# Leveraging Big Data

Our world is awash in data. It's estimated that 90% of all data in the world was created in the last two years.<sup>19</sup> This data juggernaut presents investment organisations with a daunting operational challenge that is compounded by a variety of related factors. One of these is the question of who "owns" IT, an issue that is familiar to many companies and often leads to a disconnect between technology initiatives and business strategy. Even if strategy is taken into consideration, it is never easy to translate business needs into operating platform requirements.

Then, too, companies often have skill gaps in the area of data management, especially within small and mid-sized organisations. Even for large firms, it is difficult to have all the specialised skill sets needed to develop a comprehensive data management solution or to manage multiple partners.

Resource availability is another common hurdle; IT professionals are constantly scrambling just to keep up with immediate demands. Then there is the encumbrance of legacy systems and the investment they represent. Few firms can afford to wipe the technology slate clean and start afresh; it can also be hard to discern when obsolescence is holding the business back.

One of the biggest challenges may be the lack of understanding of what good data management can actually achieve. The temptation to address data requirements in a piecemeal fashion is strong and may prevent managers from taking advantage of one of the most significant opportunities they have to improve virtually every aspect of their business. Those who can turn data into information and business knowledge stand to gain a significant competitive advantage. As the Boston Consulting Group said in a recent report, "Mature data-management practices are formidable enablers that allow a high level of automation and near-real-time analytics."<sup>20</sup>

FIGURE 7 Sample Executive Data Queries



Source: SEI.

## Implications

- › Managers need **operating systems that can integrate varying volumes** and types of data from both internal and external sources.
- › To fulfill the promise of big data, investment organisations need to **invest in new processes, faster technologies and more advanced analytical methods.**
- › **Closer working relationships amongst management, IT and distribution teams** will be required.
- › Chief analytical officers and data scientists may become **standard members of management teams.**

This kind of thinking has wide-ranging applications to the investment industry. Consultants and portfolio managers could use predictive analytics to anticipate how strategies might perform under varying economic scenarios. Wealth management platforms could advise managers on the strategies likely to have the highest adoption rates. Executives at asset management firms could have easy access to data insights that may have taken considerable effort to produce in the past (Figure 7).

Asset managers currently rate themselves low on data management, but the bar is being raised as many invest in resources and capabilities. Those able to implement effective data management programmes can expect to be more efficient, flexible, focussed, and profitable as a result. As if that were not enough, leveraging big data can also mean improved investment performance through integrated risk management and the identification of trade opportunities through data mining.

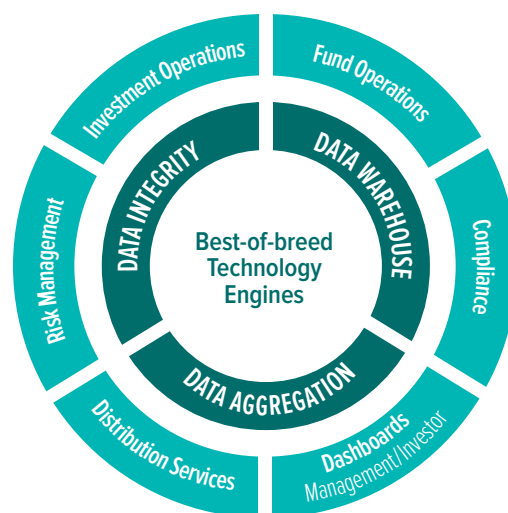
# Managing Technology

Data handling is only one aspect of the multipronged challenge posed by the rapid advancement of technology. How should asset management firms adapt, evolve, or replace their legacy systems in light of new requirements and technologies? Keep up with data management and security needs? Take advantage of cloud-based capabilities? And increase the speed and efficiency of their information processing?

For many years, asset managers steadily directed more money to technology in an effort to meet these challenges. But more recently IT budgets have been flat or declining, even as the industry's IT managers have had to deal with the significant expansion of reporting, compliance and other data management requirements. According to TABB Group, investment firms will have spent an estimated \$22.7 billion on technology in 2014, about the same as in 2013.<sup>22</sup>

With slimmer budgets, it is more important than ever that spending on technology is focussed on achieving the desired results. This is more easily said than done, particularly when IT and operations have largely been handled in-house. No matter how talented their technologists or how elegantly designed their systems and processes, asset management firms will struggle to keep up with the requirements of clients, regulators, and their own professionals if they attempt to do everything internally. Technology is not a support function. It lies at the very heart of everything investment firms do, and it is critical that the best available solutions are deployed (Figure 8).

FIGURE 8 Technology at the Core



Source: SEI.

Some firms will find that this is best achieved via extensive outsourcing. Still, outsourcing is not a panacea. Not all service providers provide access to best-of-breed technologies or demonstrate the same capacity for innovation. Outsourcing firms are also not always a less expensive option, but they can more easily integrate new technologies, offer the insights of dedicated experts, and allow asset management firms to focus on other aspects of their businesses.

## Implications

- › Investment firms need **new and better technologies** in order to meet rapidly rising demands without a major expansion of IT budgets.
- › **Every IT choice and investment must be considered** in the context of a future technology path.
- › Managers need to **choose operating partners equipped to innovate** and problem-solve in the years ahead.

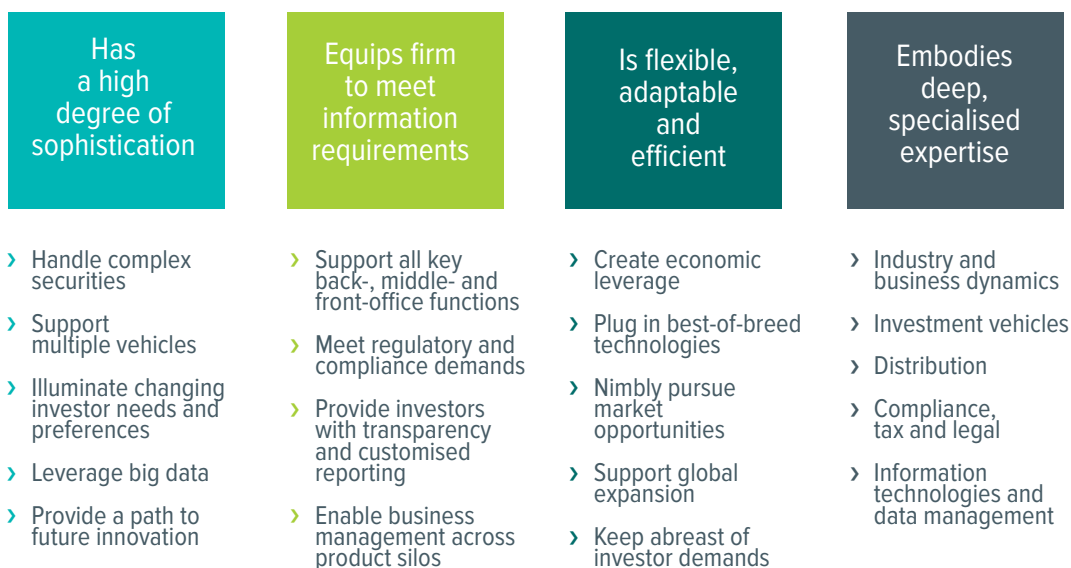
# Building for The Future

Long gone are the days when operating systems were considered mere plumbing behind the real business of money management. It's now understood that they lie at the heart of the industry's value chain, knitting together back, middle and front offices, and providing the infrastructure for everything an investment organisation does.

But in the press of daily processes and the struggle to keep up with the range of regulator, investor and intermediary demands, it's all too easy for investment organisations to be preoccupied with near-term issues and solutions at the expense of longer range thinking. The incremental approach is, in fact, how most firms have evolved their operational infrastructure to date. Without strong links to business strategy, this approach has often led to a mix of suboptimal systems, inefficient processes and unsuitable human resources. This may not have posed significant problems in the more benign environment of the recent past. But, in the more challenging climate this paper describes, firms that stick with the status quo will likely find themselves falling behind their more proactive peers.

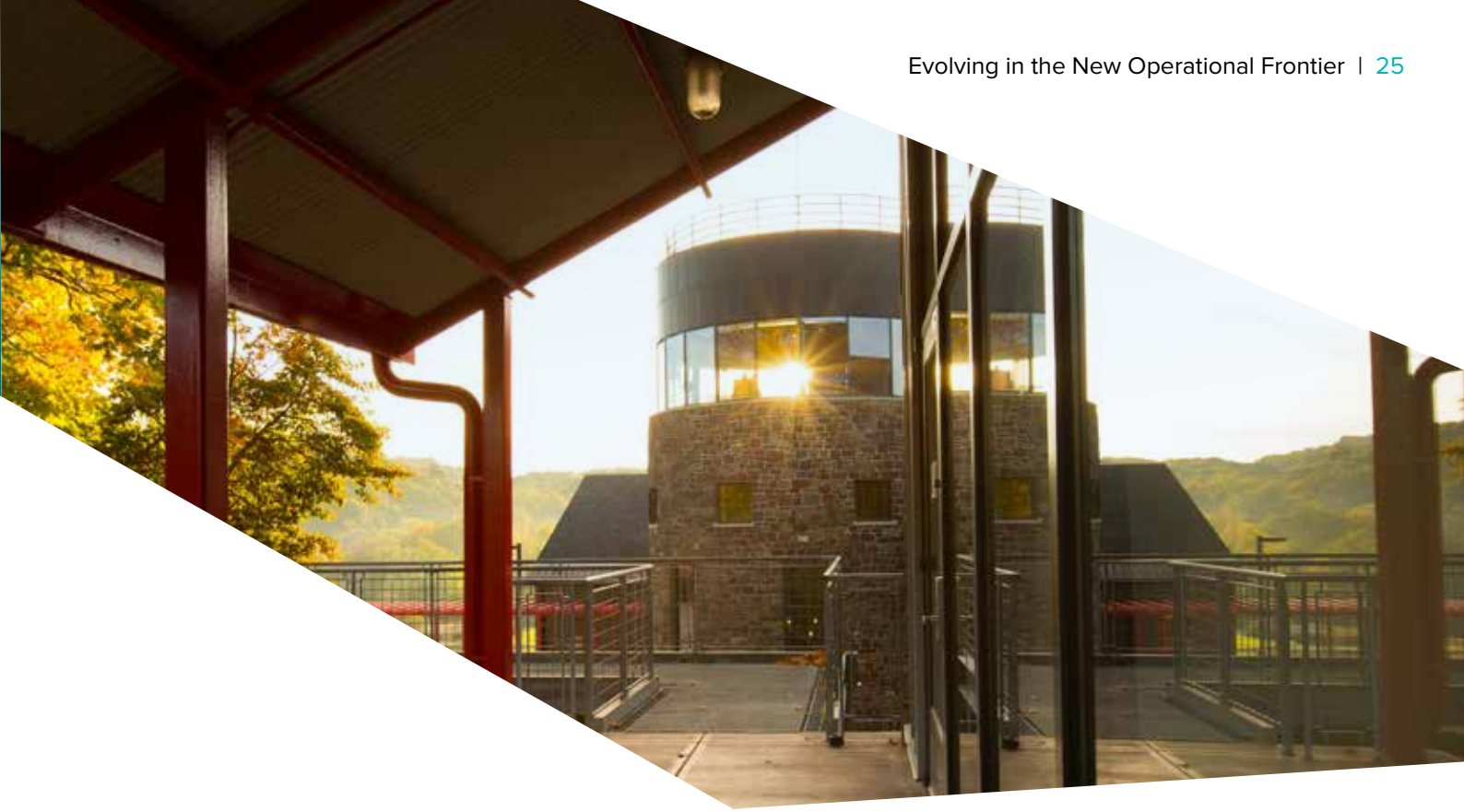
Clearly, the choice of an operating platform is critical. But optimising operations means much more than purchasing technology. It requires an operating partner that can help translate business needs and plans into platform requirements while also supplying technical skill sets, which are in short supply at most investment firms. To be competitive, asset managers should aim for a sophisticated operating platform that equips them to meet all information requirements. It should also be flexible, adaptable and efficient. Most importantly, the platform should embody deep, specialised expertise in all relevant aspects of the industry (Figure 9).

FIGURE 9 The Optimal Operating Platform



Source: SEI.





Regardless of how much is done internally or externally, an operational platform grounded in business strategy has the potential to boost competitiveness in myriad ways across all key functions via:

- › Greater efficiency and cost control
- › Focussed distribution
- › Useful data insights
- › Most appropriate technology
- › Improved risk management
- › Additional scalability
- › Rapid market entry
- › Strategic agility and flexibility
- › Effective and cost-efficient compliance
- › Differentiated investment strategies
- › Better investment performance
- › Enhanced client service

Sun Tzu stressed the importance of familiarising oneself with the landscape before wading into battle. But he also pointed out that one didn't need to have all of the answers ahead of time. When he said, "One may know how to conquer without being able to do it," Sun Tzu once again may as well have been writing to investment firms in the early 21st century.

To succeed in a competitive business climate, investment firms don't have to know how to do everything. They are well equipped to learn as they go and to benefit from expert advice along the way. But as a first step, they do need to be aware of the challenges they face and the kind of operating platform that can help overcome them. Thinking ahead, taking the initiative, and finding the right operating partners will help any investment firm make evolutionary strides toward greater competitiveness.

- <sup>1</sup>Casey, Quirk & Associates, "Life After Benchmarks: Retooling Active Asset Management," 2013.
- <sup>2</sup>Strategic Insight, Simfund MF database, 31 December 2013.
- <sup>3</sup>Casey, Quirk & Associates, "Life After Benchmarks: Retooling Active Asset Management," 2013.
- <sup>4</sup>Strategic Insight, Simfund MF database, 30 June 2013.
- <sup>5</sup>Strategic Insight, Simfund MF database, 31 December 2013.
- <sup>6</sup>EFAMA, "Trends in the European Investment Fund Industry in the Second Quarter of 2014," September 2014.
- <sup>7</sup>ETFGI, "ETFGI Monthly Newsletter, July 2014," August 2014.
- <sup>8</sup>Hedge Fund Research, "HFR Global Hedge Fund Industry Report," Q2 2014.
- <sup>9</sup>SEI, "CITs Present Huge Opportunity for Investment Managers in Projected \$7 Trillion DC Market," 2012.
- <sup>10</sup>PwC, "Asset Management 2020: A Brave New World," 2013.
- <sup>11</sup>KPMG, "Evolving Investment Management Regulation," 2014.
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- <sup>13</sup>KPMG, "The cost of compliance: 2013 KPMG/AIMA/MFA Global Hedge Fund Survey," 2013.
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- <sup>16</sup>EY EMEA, "Risk Management for Asset Management," 2013.
- <sup>17</sup>SEI, "Client Service: What It Takes to Walk the Talk," 2014.
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- <sup>20</sup>The Boston Consulting Group, "Differentiation Begins with a Target Operating Model," 2014.
- <sup>21</sup>Ibid.
- <sup>22</sup>SEI/TABB Group, "Reinventing Buy-Side Infrastructure," 2014.

## 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 at 30 September 2014, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers \$612 billion in mutual fund and pooled or separately managed assets, including \$249 billion in assets under management and \$363 billion in client assets under administration. For more information, visit [seic.com](http://seic.com).

## About SEI's Investment Manager Services Division

SEI's Investment Manager Services division provides investment managers globally with a comprehensive operating platform that supports a range of registered and unregistered investment vehicles across diverse investment strategies and jurisdictions. The division's business infrastructure spans operating functions, product types and asset classes by applying customised operating services, industry-leading technologies, and practical business and regulatory insights to each client's business objectives. SEI's resources enable clients to better meet the evolving demands of the marketplace and sharpen business strategies by focussing on their core competencies. The division has been recently recognised as "Best Fund Administrator" by *Buy-Side Technology*, "Best Administrator — Technology and Reporting" in the U.S. and "Best Administrator — Most Innovative" in Europe by *HFMWeek*, "Best Administrator — Client Service" by *CTA Intelligence*, "Best North American Hedge Fund Administrator" by *Hedgeweek*, and "Best Outsourcing Provider" by *Financial Technologies Forum News*. For more information, visit [seic.com/imservices](http://seic.com/imservices).

## SEI Knowledge Partnership

The SEI Knowledge Partnership is an ongoing source of action-oriented business intelligence and guidance for SEI's investment manager clients. It helps clients understand the issues that will shape future business conditions, keep abreast of changing best practices and develop more competitive business strategies. The SEI Knowledge Partnership is a service of the Investment Manager Services unit, an internal business unit of SEI Investments Company.

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