

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)\*

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
for the quarterly period ended September 30, 2013

or

**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
for the transition period from \_\_\_\_\_ to \_\_\_\_\_

0-10200

(Commission File Number)

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**SEI INVESTMENTS COMPANY**

(Exact name of registrant as specified in its charter)

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**Pennsylvania**  
(State or other jurisdiction of  
incorporation or organization)

**23-1707341**  
(IRS Employer  
Identification Number)

**1 Freedom Valley Drive, Oaks, Pennsylvania 19456-1100**  
(Address of principal executive offices)  
(Zip Code)

**(610) 676-1000**  
(Registrant's telephone number, including area code)

**N/A**  
(Former name, former address and former fiscal year, if changed since last report)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the registrant's common stock as of October 22, 2013 was 170,608,053.

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# SEI Investments Company

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**PART I. FINANCIAL INFORMATION**

**Item 1. Consolidated Financial Statements.**

**SEI Investments Company**  
**Consolidated Balance Sheets**  
*(unaudited)*  
*(In thousands)*

	<u>September 30, 2013</u>	<u>December 31, 2012</u>
<b><u>Assets</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 527,214	\$ 452,247
Restricted cash	5,500	6,000
Receivables from regulated investment companies	39,579	31,084
Receivables, net of allowance for doubtful accounts of \$625 and \$805 (Note 4)	186,382	171,734
Deferred income taxes	1,284	2,012
Securities owned (Note 6)	20,728	20,088
Other current assets	19,345	18,239
Total Current Assets	<u>800,032</u>	<u>701,404</u>
Property and Equipment, net of accumulated depreciation of \$214,653 and \$201,418 (Note 4)	<u>118,494</u>	<u>127,581</u>
Capitalized Software, net of accumulated amortization of \$171,015 and \$149,747	<u>313,206</u>	<u>307,490</u>
Investments Available for Sale (Note 6)	<u>86,186</u>	<u>75,869</u>
Trading Securities (Note 6)	<u>4,841</u>	<u>5,909</u>
Investment in Unconsolidated Affiliates (Note 2)	<u>57,429</u>	<u>77,398</u>
Other Assets, net	<u>11,511</u>	<u>14,173</u>
Total Assets	<u>\$ 1,391,699</u>	<u>\$ 1,309,824</u>

The accompanying notes are an integral part of these consolidated financial statements.

**SEI Investments Company**  
**Consolidated Balance Sheets**  
*(unaudited)*  
*(In thousands, except par value)*

	September 30, 2013	December 31, 2012
<b><u>Liabilities and Equity</u></b>		
Current Liabilities:		
Accounts payable	\$ 7,275	\$ 11,248
Accrued liabilities (Note 4)	136,639	138,305
Deferred revenue	1,364	2,452
Total Current Liabilities	<u>145,278</u>	<u>152,005</u>
Deferred Income Taxes	71,151	93,458
Other Long-term Liabilities (Note 11)	8,703	7,032
Total Liabilities	<u>225,132</u>	<u>252,495</u>
Commitments and Contingencies (Note 12)		
Equity:		
SEI Investments shareholders' equity:		
Common stock, \$.01 par value, 750,000 shares authorized; 170,500 and 172,220 shares issued and outstanding	1,705	1,722
Capital in excess of par value	700,673	624,305
Retained earnings	462,633	405,914
Accumulated other comprehensive income, net	1,556	6,239
Total SEI Investments shareholders' equity	<u>1,166,567</u>	<u>1,038,180</u>
Noncontrolling interest	—	19,149
Total Equity	<u>1,166,567</u>	<u>1,057,329</u>
Total Liabilities and Equity	<u>\$ 1,391,699</u>	<u>\$ 1,309,824</u>

The accompanying notes are an integral part of these consolidated financial statements.

**SEI Investments Company**  
**Consolidated Statements of Operations**  
*(unaudited)*  
*(In thousands, except per share data)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
<b>Revenues:</b>				
Asset management, administration and distribution fees	\$ 208,780	\$ 183,083	\$ 611,135	\$ 532,650
Information processing and software servicing fees	64,606	60,901	191,606	174,355
Transaction-based and trade execution fees	7,269	7,768	24,367	23,882
<b>Total revenues</b>	<b>280,655</b>	<b>251,752</b>	<b>827,108</b>	<b>730,887</b>
<b>Expenses:</b>				
Subadvisory, distribution and other asset management costs	31,209	26,022	88,795	79,442
Software royalties and other information processing costs	7,541	6,701	22,912	19,337
Brokerage commissions	5,519	5,542	18,291	17,483
Compensation, benefits and other personnel	89,311	85,781	264,636	244,855
Stock-based compensation	11,097	3,879	26,997	11,777
Consulting, outsourcing and professional fees	33,367	27,314	98,667	80,598
Data processing and computer related	12,654	11,749	37,028	34,873
Facilities, supplies and other costs	13,573	15,129	47,280	44,909
Amortization	8,829	10,384	25,498	25,413
Depreciation	5,616	5,761	17,050	16,823
<b>Total expenses</b>	<b>218,716</b>	<b>198,262</b>	<b>647,154</b>	<b>575,510</b>
Income from operations	61,939	53,490	179,954	155,377
Net gain from investments	535	3,708	638	7,577
Interest and dividend income	679	1,490	2,420	4,417
Interest expense	(195)	(115)	(422)	(389)
Equity in earnings of unconsolidated affiliates	31,028	24,928	86,204	74,970
Gain on sale of subsidiary (Note 13)	—	—	22,112	—
Other income (Note 14)	—	—	43,429	—
<b>Net income before income taxes</b>	<b>93,986</b>	<b>83,501</b>	<b>334,335</b>	<b>241,952</b>
Income taxes	26,791	32,415	111,376	90,892
<b>Net income</b>	<b>67,195</b>	<b>51,086</b>	<b>222,959</b>	<b>151,060</b>
Less: Net income attributable to the noncontrolling interest	—	(343)	(350)	(797)
<b>Net income attributable to SEI Investments Company</b>	<b>\$ 67,195</b>	<b>\$ 50,743</b>	<b>\$ 222,609</b>	<b>\$ 150,263</b>
Basic earnings per common share	\$ 0.39	\$ 0.29	\$ 1.29	\$ 0.86
Shares used to compute basic earnings per share	171,308	173,429	172,043	174,869
Diluted earnings per common share	\$ 0.38	\$ 0.29	\$ 1.26	\$ 0.85
Shares used to compute diluted earnings per share	176,043	175,369	176,036	176,317
Dividends declared per common share	\$ —	\$ —	\$ 0.20	\$ 0.15

The accompanying notes are an integral part of these consolidated financial statements.

**SEI Investments Company**  
**Consolidated Statements of Comprehensive Income**  
*(unaudited)*  
*(In thousands)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 67,195	\$ 51,086	\$222,959	\$ 151,060
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	3,146	3,464	(3,961)	4,011
Unrealized holding gain (loss) on investments:				
Unrealized holding gains(losses) during the period, net of income taxes of \$111, \$230, \$(701) and \$307	354	586	(886)	642
Less: reclassification adjustment for losses (gains) realized in net income, net of income taxes of \$23, \$4, \$(162) and \$(19)	55	409	10	596
			(287)	(1,173)
			(27)	615
Total other comprehensive income (loss), net of tax	3,555	4,060	(5,134)	4,626
Comprehensive income	\$ 70,750	\$ 55,146	\$ 217,825	\$155,686
Comprehensive (income) loss attributable to the noncontrolling interest	—	(847)	101	(1,630)
Comprehensive income attributable to SEI Investments Company	\$ 70,750	\$ 54,299	\$ 217,926	\$ 154,056

The accompanying notes are an integral part of these consolidated financial statements.

**SEI Investments Company**  
**Consolidated Statements of Cash Flows**  
*(unaudited)*  
*(In thousands)*

	Nine Months Ended September 30,	
	2013	2012
<b>Cash flows from operating activities:</b>		
Net income	\$ 222,959	\$ 151,060
Adjustments to reconcile net income to net cash provided by operating activities (See Note 1)	17,336	(5,161)
Net cash provided by operating activities	240,295	145,899
<b>Cash flows from investing activities:</b>		
Additions to property and equipment	(10,413)	(21,651)
Additions to capitalized software	(31,044)	(25,894)
Purchases of marketable securities	(48,653)	(22,505)
Prepayments and maturities of marketable securities	29,462	36,938
Sales of marketable securities	7,284	910
Purchases of other investments	(2,604)	(2,568)
Sale of subsidiary, net of cash transferred (See Note 13)	6,028	—
Net cash used in investing activities	(49,940)	(34,770)
<b>Cash flows from financing activities:</b>		
Purchase and retirement of common stock	(144,121)	(111,593)
Proceeds from issuance of common stock	54,788	30,624
Tax benefit on stock options exercised	8,345	(834)
Payment of dividends	(34,400)	(52,635)
Net cash used in financing activities	(115,388)	(134,438)
Net increase (decrease) in cash and cash equivalents	74,967	(23,309)
Cash and cash equivalents, beginning of period	452,247	420,986
Cash and cash equivalents, end of period	\$ 527,214	\$ 397,677

The accompanying notes are an integral part of these consolidated financial statements.

**Notes to Consolidated Financial Statements**  
(all figures are in thousands except per share data)

**Note 1. Summary of Significant Accounting Policies**

**Nature of Operations**

SEI Investments Company (the Company), a Pennsylvania corporation, provides investment processing, investment management, and investment operations solutions to corporations, financial institutions, financial advisors, and ultra-high-net-worth families in the United States, Canada, the United Kingdom, continental Europe, and other various locations throughout the world. Investment processing solutions consist of application and business process outsourcing services, professional services and transaction-based services. Revenues from investment processing solutions are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations, except for fees earned associated with trade execution services.

Investment management programs consist of mutual funds, alternative investments and separate accounts. These include a series of money market, equity, fixed-income and alternative investment portfolios, primarily in the form of registered investment companies. The Company serves as the administrator and investment advisor for many of these products. Revenues from investment management programs are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

Investment operations solutions offer investment managers support for traditional investment products such as mutual funds, collective investment trusts, exchange-traded funds, and institutional and separate accounts, by providing outsourcing services including fund and investment accounting, administration, reconciliation, investor servicing and client reporting. These solutions also provide support to managers focused on alternative investments who manage hedge funds, funds of hedge funds, private equity funds and real estate funds, across registered, partnership and separate account structures domiciled in the United States and overseas. Revenues from investment operations solutions are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

On July 31, 2012, the Company entered into a definitive agreement to sell all ownership interest in the asset management firm SEI Asset Korea (SEI AK), a joint venture located in South Korea. The Company's ownership interest in SEI AK was 56.1 percent. On March 28, 2013, all conditions subject to closing the transaction were satisfied and all ownership interests in SEI AK were transferred to the buyer (See Note 13).

**Basis of Presentation**

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Certain financial information and accompanying note disclosure normally included in the Company's Annual Report on Form 10-K has been condensed or omitted. The interim financial information is unaudited but reflects all adjustments (consisting of only normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of financial position of the Company as of September 30, 2013, the results of operations for the three and nine months ended September 30, 2013 and 2012, and cash flows for the nine month periods ended September 30, 2013 and 2012. These interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

There have been no significant changes in significant accounting policies during the nine months ended September 30, 2013 as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

**Cash and Cash Equivalents**

Cash and cash equivalents includes \$368,819 and \$247,314 at September 30, 2013 and December 31, 2012, respectively, primarily invested in SEI-sponsored open-ended money market mutual funds. The SEI-sponsored mutual funds are considered Level 1 assets.

**Restricted Cash**

Restricted cash includes \$5,000 at September 30, 2013 and December 31, 2012 segregated for regulatory purposes related to trade-execution services conducted by SEI Investments (Europe) Limited. Restricted cash also includes \$500 and \$1,000 at September 30, 2013 and December 31, 2012, respectively, segregated in special reserve accounts for the benefit of customers of the Company's broker-dealer subsidiary, SEI Investments Distribution Co. (SIDCO), in accordance with certain rules established by the Securities and Exchange Commission for broker-dealers.



### Capitalized Software

The Company capitalized \$31,044 and \$25,894 of software development costs during the nine months ended September 30, 2013 and 2012, respectively. As of September 30, 2013, capitalized software placed into service included on the accompanying Consolidated Balance Sheet had a weighted average remaining life of approximately 8.8 years. Amortization expense related to capitalized software was \$25,328 and \$24,858 during the nine months ended September 30, 2013 and 2012, respectively.

Software development costs capitalized during the nine months ended September 30, 2013 and 2012 relates to the continued development of the SEI Wealth Platform<sup>SM</sup> (the Platform), formerly known as the Global Wealth Platform or GWP. As of September 30, 2013, the net book value of the Platform was \$307,121, net of accumulated amortization of \$140,925. Capitalized software development costs in-progress at September 30, 2013 associated with future releases to the Platform were \$5,943. The Platform has an estimated useful life of 15 years and a weighted average remaining life of 8.8 years. Amortization expense for the Platform was \$25,046 and \$24,506 during the nine months ended September 30, 2013 and 2012, respectively. During the three months ended September 30, 2012, the Company decided to discontinue the use of specific functionality within the Platform by the end of the September 2012 and expensed the remaining net book value of \$2,661 related to previously capitalized software development costs of the component. This cost is included in total amortization expense during the nine months ended September 30, 2012.

### Earnings per Share

The calculations of basic and diluted earnings per share for the three months ended September 30, 2013 and 2012 are:

	For the Three Months Ended September 30, 2013		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per common share	\$ 67,195	171,308	\$ 0.39
Dilutive effect of stock options	—	4,735	
Diluted earnings per common share	\$ 67,195	176,043	\$ 0.38

	For the Three Months Ended September 30, 2012		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per common share	\$ 50,743	173,429	\$ 0.29
Dilutive effect of stock options	—	1,940	
Diluted earnings per common share	\$ 50,743	175,369	\$ 0.29

Employee stock options to purchase 3,042,000 and 9,552,000 shares of common stock, with an average exercise price of \$31.39 and \$26.51, were outstanding during the three months ended September 30, 2013 and 2012, respectively, but not included in the computation of diluted earnings per common share because the effect on diluted earnings per common share would have been anti-dilutive.

	For the Nine Months Ended September 30, 2013		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per common share	\$ 222,609	172,043	\$ 1.29
Dilutive effect of stock options	—	3,993	
Diluted earnings per common share	\$ 222,609	176,036	\$ 1.26

	For the Nine Months Ended September 30, 2012		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per common share	\$ 150,263	174,869	\$ 0.86
Dilutive effect of stock options	—	1,448	
Diluted earnings per common share	\$ 150,263	176,317	\$ 0.85

Employee stock options to purchase 5,522,000 and 13,908,000 shares of common stock, with an average exercise price of \$29.22 and \$23.40, were outstanding during the nine months ended September 30, 2013 and 2012, respectively, but not

included in the computation of diluted earnings per common share because the effect on diluted earnings per common share would have been anti-dilutive.

#### Statements of Cash Flows

For purposes of the Consolidated Statements of Cash Flows, the Company considers investment instruments purchased with an original maturity of three months or less to be cash equivalents.

The following table provides the details of the adjustments to reconcile net income to net cash provided by operating activities for the nine months ended September 30:

	2013	2012
Net income	\$ 222,959	\$ 151,060
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	17,050	16,823
Amortization	25,498	25,413
Equity in earnings of unconsolidated affiliates	(86,204)	(74,970)
Distributions received from unconsolidated affiliate	109,173	72,306
Stock-based compensation	26,997	11,777
Provision for losses on receivables	(180)	(112)
Deferred income tax expense	(21,443)	2,117
Gain from sale of SEI AK (See Note 13)	(22,112)	—
Net gain from investments	(638)	(7,577)
Change in other long-term liabilities	1,671	2,803
Change in other assets	80	(1,063)
Other	(4,199)	4,759
Change in current asset and liabilities		
Decrease (increase) in		
Restricted cash for broker-dealer operations	500	—
Receivables from regulated investment companies	(8,495)	(3,203)
Receivables	(17,255)	(54,995)
Other current assets	(1,208)	(863)
Increase (decrease) in		
Accounts payable	(3,960)	1,568
Accrued liabilities	3,149	967
Deferred revenue	(1,088)	(911)
Total adjustments	<u>17,336</u>	<u>(5,161)</u>
Net cash provided by operating activities	<u>\$ 240,295</u>	<u>\$ 145,899</u>

#### Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

## **Note 2. Investment in Unconsolidated Affiliates**

### LSV Asset Management

The Company has an investment in the general partnership LSV Asset Management (LSV). LSV is a registered investment advisor that provides investment advisory services to institutions, including pension plans and investment companies. LSV is currently an investment sub-advisor for a small number of SEI-sponsored mutual funds. The Company accounts for its interest in LSV using the equity method because of its less than 50 percent ownership. The Company's interest in the net assets of LSV is reflected in Investment in unconsolidated affiliates on the accompanying Consolidated Balance Sheets and its interest in the earnings of LSV is reflected in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statements of Operations.

As of December 31, 2012, the Company's total partnership interest in LSV was approximately 39.8 percent. In March 2009, certain partners (the Contributing partners) of LSV, including the Company, designated a portion of their partnership interest for the purpose of providing an interest in the partnership to a select group of key employees. Until such time an interest in the partnership is issued to a key employee, all profits, losses, distributions and other rights and obligations relating to such unissued interests remains with the Contributing partners. Each issuance must be authorized by unanimous vote of all Contributing partners. In April 2013, the Contributing partners agreed to provide certain key employees an interest in LSV, thereby reducing the Company's interest in LSV to approximately 39.3 percent. This issuance reflected the remaining amount of the designated partnership interest of the Contributing partners.

At September 30, 2013, the Company's total investment in LSV was \$46,414. The investment in LSV exceeded the underlying equity in the net assets of LSV by \$3,062 which is considered goodwill embedded in the investment. The Company receives partnership distributions from LSV on a quarterly basis. The Company received partnership distribution payments from LSV for \$109,173 and \$72,306 in the nine months ended September 30, 2013 and 2012, respectively. The Company received an additional partnership distribution payment from LSV during the nine months ended September 30, 2013 as compared to the prior year period due to a change in the timing of the payments.

The Company's proportionate share in the earnings of LSV was \$31,285 and \$24,928 during the three months ended September 30, 2013 and 2012, respectively. During the nine months ended September 30, 2013 and 2012, the Company's proportionate share in the earnings of LSV was \$86,871 and \$74,970, respectively.

The following table contains the condensed statements of operations of LSV for the three and nine months ended September 30, 2013 and 2012:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues	\$ 92,184	\$ 74,163	\$ 256,782	\$ 220,817
Net income	79,555	62,946	220,657	186,991

#### Guaranty Agreement with LSV Employee Group II

In April 2011, LSV Employee Group II agreed to purchase a partnership interest of an existing LSV employee for \$4,300, of which \$3,655 was financed through a term loan with Bank of America, N.A. (Bank of America). The Company provided an unsecured guaranty to the lenders of all the obligations of LSV Employee Group II. The lenders have the right to seek payment from the Company in the event of a default by LSV Employee Group II.

As of October 22, 2013, the remaining unpaid principal balance of the term loan was \$1,026. LSV Employee Group II has met all financial obligations to date regarding the scheduled repayment of the term loan since its origination. The Company, in its capacity as guarantor, currently has no obligation of payment relating to the term loan of LSV Employee Group II and, furthermore, fully expects that LSV Employee Group II will meet all of their future obligations regarding the term loan.

#### Guaranty Agreement with LSV Employee Group III

In October 2012, LSV Employee Group III purchased a portion of the partnership interest of three existing LSV employees for \$77,700, of which \$69,930 was financed through two syndicated term loan facilities contained in a credit agreement with The PrivateBank and Trust Company. The Company provided an unsecured guaranty for \$45,000 of the obligations of LSV Employee Group III to the lenders through a guaranty agreement. The lenders have the right to seek payment from the Company in the event of a default by LSV Employee Group III. LSV agreed to provide an unsecured guaranty for \$24,930 of the obligations of LSV Employee Group III to the lenders through a separate guaranty agreement.

As of October 22, 2013, the remaining unpaid principal balances of the term loans guaranteed by LSV and the Company were \$13,086 and \$45,000, respectively. LSV Employee Group III has met all financial obligations to date regarding the scheduled repayment of the term loans since origination. The Company, in its capacity as guarantor, currently has no obligation of payment relating to the term loan of LSV Employee Group III and, furthermore, fully expects that LSV Employee Group III will meet all of their future obligations regarding the term loan.

#### Investment in Gao Fu Limited

The Company has an investment in Gao Fu Limited (Gao Fu), a wealth services firm based in Shanghai in the Republic of China. The Company accounts for its interest in Gao Fu using the equity method. At September 30, 2013, the Company's total investment in Gao Fu was \$11,015. The Company's proportionate share in the losses of Gao Fu was \$257 and \$667 during the three and nine months ended September 30, 2013, respectively.

### Note 3. Variable Interest Entities – Investment Products

The Company has created numerous investment products for its clients in various types of legal entity structures. The Company serves as the Manager, Administrator and Distributor for these investment products and may also serve as the Trustee for some of the investment products. Clients are the equity investors and participate in proportion to their ownership percentage in the net income and net capital gains of the products, and, on liquidation, will participate in proportion to their ownership percentage in the remaining net assets of the products after satisfaction of outstanding liabilities. Some of the Company's investment products have been determined to be VIEs at inception.

The Company does not have a significant equity investment in any of the VIEs and does not have an obligation to enter into any guarantee agreements with the VIEs. The Company is not the primary beneficiary of the VIEs because the expected fees and the expected return on any investment into the VIE by the Company relative to the expected returns of the VIE to the equity investor holders does not approach 50 percent of the expected losses or gains of the VIEs. Therefore, the Company is not required to consolidate any investment products that are VIEs into its financial statements. The Company's variable interest in the VIEs, which consists of management fees and in some situations, seed capital, is not considered a significant variable interest.

The risks to the Company associated with its involvement with any of the investment products that are VIEs are limited to the cash flows received from the revenue generated for asset management, administration and distribution services and any equity investments in the VIEs. Both of these items are not significant. The Company has no other financial obligation to the VIEs.

Amounts relating to fees due from the VIEs included in Receivables and amounts relating to equity investments in the VIEs included in Investments Available for Sale on the Company's Consolidated Balance Sheets are not significant to the total assets of the Company.

### Note 4. Composition of Certain Financial Statement Captions

#### Receivables

Receivables on the accompanying Consolidated Balance Sheets consist of:

	September 30, 2013	December 31, 2012
Trade receivables	\$ 46,855	\$ 46,650
Fees earned, not billed	126,943	116,019
Other receivables	13,209	9,870
	187,007	172,539
Less: Allowance for doubtful accounts	(625)	(805)
	\$ 186,382	\$ 171,734

Fees earned, not billed represents receivables earned but unbilled and results from timing differences between services provided and contractual billing schedules. These billing schedules generally provide for fees to be billed on a quarterly basis. In addition, certain fees earned from investment operations services are calculated based on assets under administration that have a prolonged valuation process which delays billings to clients.

Receivables from regulated investment companies on the accompanying Consolidated Balance Sheets primarily represent fees receivable for distribution, investment advisory, and administration services to various regulated investment companies sponsored by SEI.

### Property and Equipment

Property and Equipment on the accompanying Consolidated Balance Sheets consists of:

	September 30, 2013	December 31, 2012
Buildings	\$ 138,106	\$ 137,751
Equipment	67,182	66,167
Land	9,929	9,929
Purchased software	95,448	91,468
Furniture and fixtures	16,909	18,535
Leasehold improvements	4,467	5,037
Construction in progress	1,106	112
	333,147	328,999
Less: Accumulated depreciation	(214,653)	(201,418)
Property and Equipment, net	\$ 118,494	\$ 127,581

The Company recognized \$17,050 and \$16,823 in depreciation expense related to property and equipment for the nine months ended September 30, 2013 and 2012, respectively.

### Accrued Liabilities

Accrued liabilities on the accompanying Consolidated Balance Sheets consist of:

	September 30, 2013	December 31, 2012
Accrued employee compensation	\$ 55,729	\$ 63,996
Accrued employee benefits and other personnel	8,644	7,299
Accrued consulting, outsourcing and professional fees	21,606	16,676
Accrued brokerage fees	5,045	5,733
Accrued sub-advisory, distribution and other asset management fees	23,839	17,548
Accrued income taxes	26	104
Other accrued liabilities	21,750	26,949
Total accrued liabilities	\$ 136,639	\$ 138,305

### **Note 5. Fair Value Measurements**

The fair value of the Company's financial assets and liabilities is determined in accordance with the fair value hierarchy. The fair value of the Company's Level 1 financial assets consist mainly of investments in equity and fixed-income mutual funds that are quoted daily. Level 2 financial assets consist of Government National Mortgage Association (GNMA) mortgage-backed pass-through certificates, Federal Home Loan Bank (FHLB) and other U.S. government agency short-term notes and investment grade commercial paper. The Company's Level 2 financial assets, with the exception of the GNMA securities, were purchased as part of a cash management program requiring only short term, top-tier investment grade government and corporate securities. The GNMA mortgage-backed pass-through certificates were purchased for the sole purpose of satisfying specific regulatory requirements imposed on our wholly-owned limited purpose federal thrift subsidiary, SEI Private Trust Company (SPTC). As a result, the Company's Level 2 financial assets are limited to only these types of fixed income securities. The valuation of the Company's Level 2 financial assets are based upon securities pricing policies and procedures utilized by third-party pricing vendors. The pricing policies and procedures applied during the nine months ended September 30, 2013 were consistent with those as described in our Annual Report on Form 10-K at December 31, 2012. The Company's Level 3 financial assets at December 31, 2012 consisted of an investment product that was in the process of liquidation and was closed to new investors. The Company had no Level 3 financial assets at September 30, 2013 and had no Level 3 financial liabilities at September 30, 2013 or December 31, 2012. There were no transfers of financial assets between levels within the fair value hierarchy during the nine months ended September 30, 2013.

The fair value of certain financial assets and liabilities of the Company was determined using the following inputs:

At September 30, 2013				
Fair Value Measurements at Reporting Date Using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets</u>	Total			
Equity available-for-sale securities	\$ 10,644	\$ 10,644	\$ —	\$ —
Fixed income available-for-sale securities	75,542	—	75,542	—
Fixed income securities owned	20,728	—	20,728	—
Trading securities	4,841	4,841	—	—
	<u>\$ 111,755</u>	<u>\$ 15,485</u>	<u>\$ 96,270</u>	<u>\$ —</u>

At December 31, 2012				
Fair Value Measurements at Reporting Date Using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets</u>	Total			
Equity available-for-sale securities	\$ 15,926	\$ 15,926	\$ —	\$ —
Fixed income available-for-sale securities	59,943	—	59,943	—
Fixed income securities owned	20,088	—	20,088	—
Trading securities	5,909	4,706	—	1,203
	<u>\$ 101,866</u>	<u>\$ 20,632</u>	<u>\$ 80,031</u>	<u>\$ 1,203</u>

The table below presents a reconciliation for all assets and liabilities of the Company measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period from January 1, 2013 to September 30, 2013:

	Trading Securities
Balance, January 1, 2013	\$ 1,203
Purchases	—
Issuances	—
Principal prepayments and settlements	(1,167)
Sales	—
Total gains or (losses) (realized/unrealized):	
Included in earnings	(36)
Included in other comprehensive income	—
Transfers in and out of Level 3	—
Balance, September 30, 2013	<u>\$ —</u>

The table below presents a reconciliation for all assets and liabilities of the Company measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period from January 1, 2012 to September 30, 2012:

	Trading Securities
Balance, January 1, 2012	\$ 52,623
Purchases	—
Issuances	—
Principal prepayments and settlements	(9,833)
Sales	—
Total gains or (losses) (realized/unrealized):	
Included in earnings	7,303
Included in other comprehensive income	—
Transfers in and out of Level 3	—
Balance, September 30, 2012	\$ 50,093

#### Note 6. Marketable Securities

##### Investments Available for Sale

Investments available for sale classified as non-current assets consist of:

	At September 30, 2013			
	Cost Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
SEI-sponsored mutual funds	\$ 7,148	\$ 873	\$ —	\$ 8,021
Equities and other mutual funds	2,589	34	—	2,623
Debt securities	74,102	1,440	—	75,542
	<u>\$ 83,839</u>	<u>\$ 2,347</u>	<u>\$ —</u>	<u>\$ 86,186</u>

	At December 31, 2012			
	Cost Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
SEI-sponsored mutual funds	\$ 12,953	\$ 376	\$ (13)	\$ 13,316
Equities and other mutual funds	2,610	—	—	2,610
Debt securities	55,923	4,020	—	59,943
	<u>\$ 71,486</u>	<u>\$ 4,396</u>	<u>\$ (13)</u>	<u>\$ 75,869</u>

Net unrealized holding gains at September 30, 2013 and December 31, 2012 were \$1,656 (net of income tax expense of \$691) and \$2,829 (net of income tax expense of \$1,554), respectively. These net unrealized gains are reported as a separate component of Accumulated other comprehensive income on the accompanying Consolidated Balance Sheets.

There were gross realized gains of \$710 and gross realized losses of \$261 from available-for-sale securities during the nine months ended September 30, 2013. There were no material gross realized gains or losses from available-for-sale securities during the nine months ended September 30, 2012. Gains and losses from available-for-sale securities, including amounts reclassified from accumulated comprehensive income, are reflected in Net gain from investments on the accompanying Consolidated Statements of Operations.

The Company's debt securities classified as available-for-sale securities are issued by GNMA and are backed by the full faith and credit of the U.S. government. These securities were purchased to satisfy applicable regulatory requirements of SPTC and have maturity dates which range from 2020 to 2043.

##### Trading Securities

The Company records all of its trading securities on the accompanying Consolidated Balance Sheets at fair value. Unrealized gains and losses from the change in fair value of these securities are recognized in Net gain from investments on the accompanying Consolidated Statements of Operations.

Trading securities of the Company primarily consist of an investment related to the startup of mutual funds sponsored by LSV. These mutual funds are U.S. dollar denominated funds that invests primarily in securities of Canadian and Australian companies as well as various other global securities. The underlying securities held by the funds are translated into U.S. dollars within the funds. The funds had a fair value of \$4,841 and \$4,706 at September 30, 2013 and December 31, 2012, respectively. The Company recognized gains of \$135 and \$520 from the change in fair value of the funds during the nine months ended September 30, 2013 and 2012, respectively. During the three months ended September 30, 2013 and 2012, the Company recognized gains of \$610 and \$357, respectively, from the change in fair value of the funds.

During the nine months ended September 30, 2012, the Company recognized gains from structured investment vehicle (SIV) securities of \$7,343. The gains from SIV securities are reflected in Net gain from investments on the accompanying Consolidated Statements of Operations. In November 2012, the Company sold its remaining SIV securities and no longer owns any SIV securities.

#### Securities Owned

The Company's broker-dealer subsidiary, SIDCO, has investments in U.S. government agency and commercial paper securities with maturity dates less than one year. These investments are reflected as Securities owned on the accompanying Consolidated Balance Sheets. Due to specialized accounting practices applicable to investments by broker-dealers, the securities are reported at fair value and changes in fair value are recorded in current period earnings. The securities had a fair value of \$20,728 and \$20,088 at September 30, 2013 and December 31, 2012, respectively. There were no material net gains or losses from the change in fair value of the securities during the three and nine months ended September 30, 2013 and 2012.

#### **Note 7. Lines of Credit**

The Company has a five-year \$300,000 Credit Agreement (the Credit Facility) with Wells Fargo Bank, National Association, and a syndicate of other lenders. The Credit Facility is scheduled to expire in February 2017, at which time any aggregate principal amount of loans outstanding becomes payable in full. Any borrowings made under the Credit Facility will accrue interest at 1.25 percent above LIBOR. There is also a commitment fee equal to 0.15 percent per annum on the daily unused portion of the facility. The aggregate amount of the Credit Facility may be increased by an additional \$100,000 under certain conditions set forth in the agreement. The Credit Facility contains covenants that restrict the ability of the Company to engage in mergers, consolidations, asset sales, investments, transactions with affiliates, or to incur liens, as defined in the agreement. In the event of a default under the Credit Facility, the Company would also be restricted from paying dividends on, or repurchasing, its common stock without the approval of the lenders. None of the covenants of the Credit Facility negatively affect the Company's liquidity or capital resources. Both the interest rate and commitment fee prices may increase if the Company's leverage ratio reaches certain levels. Upon the occurrence of certain financial or economic events, significant corporate events, or certain other events of default constituting an event of default under the Credit Facility, all loans outstanding may be declared immediately due and payable and all commitments under the agreement may be terminated. The Company had no borrowings through the Credit Facility at September 30, 2013. The Company was in compliance with all covenants of the Credit Facility at September 30, 2013.

The Company's Canadian subsidiary has a credit facility agreement (the Canadian Credit Facility) for the purpose of facilitating the settlement of mutual fund transactions. The Canadian Credit Facility has no stated expiration date. The amount of the facility is limited to \$2,000 Canadian dollars or the equivalent amount in U.S. dollars. The Canadian Credit Facility does not contain any covenants which restrict the liquidity or capital resources of the Company. The Company had no borrowings under the Canadian Credit Facility at September 30, 2013. The Company was in compliance with all covenants of the Canadian Credit Facility at September 30, 2013.

#### **Note 8. Shareholders' Equity**

##### Stock-Based Compensation

The Company currently has one active equity compensation plan, the 2007 Equity Compensation Plan (the 2007 Plan), which provides for the grant of incentive stock options, non-qualified stock options and stock appreciation rights with respect to up to 20 million shares of common stock of the Company, subject to adjustment for stock splits, reclassifications, mergers and other events. Permitted grantees under the 2007 Plan include employees, non-employee directors and consultants who perform services for the Company. The plan is administered by the Compensation Committee of the Board of Directors of the Company. The Company has only granted non-qualified stock options under the plan. All outstanding stock options have performance-based vesting provisions specific to each option grant that tie the vesting of the applicable stock options to the Company's financial performance. The Company's stock options vest at a rate of 50 percent when specified diluted earnings per share targets are achieved, and the remaining 50 percent when secondary, higher specified diluted earnings per share targets are achieved. The amount of stock-based compensation expense is based upon management's estimate of when the earnings per share targets may be achieved.



The Company discontinued any further grants under the Company's 1998 Equity Compensation Plan (the 1998 Plan) as a result of the approval of the 2007 Plan. No options are available for grant from this plan. Grants made from the 1998 Plan continue in effect under the terms of the grant.

The Company recognized stock-based compensation expense in its Consolidated Financial Statements in the three and nine months ended September 30, 2013 and 2012, respectively, as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Stock-based compensation expense	\$ 11,097	\$ 3,879	\$ 26,997	\$ 11,777
Less: Deferred tax benefit	(4,125)	(1,573)	(9,908)	(4,381)
Stock-based compensation expense, net of tax	\$ 6,972	\$ 2,306	\$ 17,089	\$ 7,396

As of September 30, 2013, there was approximately \$29,229 of unrecognized compensation cost remaining, adjusted for estimated forfeitures, related to unvested employee stock options that management expects will vest and is being amortized.

During the nine months ended September 30, 2013, the Company revised its previous estimate made as of December 31, 2012 of when certain vesting targets are expected to be achieved. This change in management's estimate resulted in an increase of \$13,440 in stock-based compensation expense in the nine months ended September 30, 2013.

The Company issues new common shares associated with the exercise of stock options. The total intrinsic value of options exercised during the nine months ended September 30, 2013 was \$37,171. The total options exercisable as of September 30, 2013 had an intrinsic value of \$82,557. The total intrinsic value for options exercisable is calculated as the difference between the market value of the Company's common stock as of September 30, 2013 and the weighted average exercise price of the shares. The market value of the Company's common stock as of September 30, 2013 was \$30.91 as reported by the Nasdaq Stock Market, LLC. The weighted average exercise price of the options exercisable as of September 30, 2013 was \$18.54. Total options that were outstanding and exercisable as of September 30, 2013 were 22,146,000 and 6,676,000, respectively.

#### Common Stock Buyback

The Company's Board of Directors, under multiple authorizations, has authorized the repurchase of the Company's common stock on the open market or through private transactions. The Company purchased 4,879,000 shares at a total cost of \$145,269 during the nine months ended September 30, 2013. As of September 30, 2013, the Company has \$45,744 of authorization remaining for the purchase of common stock under the program.

The Company immediately retires its common stock when purchased. Upon retirement, the Company reduces Capital in excess of par value for the average capital per share outstanding and the remainder is charged against Retained earnings. If the Company reduces its Retained earnings to zero, any subsequent purchases of common stock will be charged entirely to Capital in excess of par value.

#### Cash Dividend

On May 22, 2013, the Board of Directors declared a cash dividend of \$0.20 per share on the Company's common stock, which was paid on June 25, 2013, to shareholders of record on June 17, 2013. Cash dividends declared during the nine months ended September 30, 2013 and 2012 were \$34,400 and \$26,117, respectively.

#### Noncontrolling Interest

The following table provides a reconciliation of Noncontrolling interest on the Consolidated Balance Sheet for the period from January 1, 2013 to September 30, 2013:

	Noncontrolling interest
Balance, January 1, 2013	\$ 19,149
Net income attributable to noncontrolling interest	350
Foreign currency translation adjustments	(451)
Sale of subsidiary (See Note 13)	(19,048)
Balance, September 30, 2013	\$ —

The following table provides a reconciliation of Noncontrolling interest on the Consolidated Balance Sheet for the period from January 1, 2012 to September 30, 2012:

	Noncontrolling interest
Balance, January 1, 2012	\$ 16,143
Net income attributable to noncontrolling interest	797
Foreign currency translation adjustments	833
Balance, September 30, 2012	<u>\$ 17,773</u>

**Note 9. Accumulated Comprehensive Income**

Accumulated other comprehensive income, net of tax, consists of:

	Foreign Currency Translation Adjustments	Unrealized Holding Gains (Losses) on Investments	Accumulated Other Comprehensive (Loss) Income
Total accumulated comprehensive income at December 31, 2012	\$ 3,861	\$ 2,829	\$ 6,690
Less: Total accumulated comprehensive income attributable to noncontrolling interest at December 31, 2012	(451)	—	(451)
Total accumulated comprehensive income attributable to SEI Investments Company at December 31, 2012	<u>\$ 3,410</u>	<u>\$ 2,829</u>	<u>\$ 6,239</u>
Total comprehensive loss for the nine months ended September 30, 2013	\$ (3,961)	\$ (1,173)	\$ (5,134)
Less: Total comprehensive loss attributable to noncontrolling interest for the nine months ended September 30, 2013	451	—	451
Total comprehensive loss attributable to SEI Investments Company for the nine months ended September 30, 2013	<u>\$ (3,510)</u>	<u>\$ (1,173)</u>	<u>\$ (4,683)</u>
Total accumulated comprehensive income at September 30, 2013	\$ (100)	\$ 1,656	\$ 1,556
Less: Total accumulated comprehensive income attributable to noncontrolling interest at September 30, 2013	—	—	—
Total accumulated comprehensive income attributable to SEI Investments Company at September 30, 2013	<u>\$ (100)</u>	<u>\$ 1,656</u>	<u>\$ 1,556</u>

**Note 10. Business Segment Information**

The Company's reportable business segments are:

Private Banks – provides investment processing and investment management programs to banks and trust institutions worldwide, independent wealth advisers located in the United Kingdom, and financial advisers in Canada;

Investment Advisors – provides investment management programs to affluent investors through a network of independent registered investment advisers, financial planners, and other investment professionals in the United States;

Institutional Investors – provides investment management programs and administrative outsourcing solutions to retirement plan sponsors, hospitals, and not-for-profit organizations worldwide;

Investment Managers – provides investment operations outsourcing solutions to investment managers, fund companies and banking institutions located in the United States, and to investment managers worldwide of alternative asset classes such as hedge funds, funds of hedge funds, and private equity funds across both registered and partnership structures; and

Investments in New Businesses – provides investment management programs to ultra-high-net-worth families residing in the United States through the SEI Wealth Network® and conducts other research and development activities.

The information in the following tables is derived from the Company's internal financial reporting used for corporate management purposes. There are no inter-segment revenues for the three and nine months ended September 30, 2013 and 2012. Management evaluates Company assets on a consolidated basis during interim periods. The accounting policies of the reportable business segments are the same as those described in Note 1 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

The following tables highlight certain unaudited financial information about each of the Company's business segments for the three months ended September 30, 2013 and 2012.

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
For the Three Months Ended September 30, 2013						
Revenues	\$ 97,370	\$ 61,393	\$ 63,539	\$ 57,266	\$ 1,087	\$ 280,655
Expenses	95,579	33,768	33,058	37,763	4,146	204,314
Operating profit (loss)	\$ 1,791	\$ 27,625	\$ 30,481	\$ 19,503	\$ (3,059)	\$ 76,341

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
For the Three Months Ended September 30, 2012						
Revenues	\$ 92,076	\$ 51,384	\$ 58,081	\$ 49,311	\$ 900	\$ 251,752
Expenses	91,209	30,114	29,654	32,122	3,698	186,797
Operating profit (loss)	\$ 867	\$ 21,270	\$ 28,427	\$ 17,189	\$ (2,798)	\$ 64,955

A reconciliation of the total operating profit reported for the business segments to income from operations in the Consolidated Statements of Operations for the three months ended September 30, 2013 and 2012 is as follows:

	2013	2012
Total operating profit from segments above	\$ 76,341	\$ 64,955
Corporate overhead expenses	(14,402)	(11,668)
Noncontrolling interest reflected in segments	—	203
Income from operations	\$ 61,939	\$ 53,490

The following tables provide additional information for the three months ended September 30, 2013 and 2012 pertaining to our business segments:

	Capital Expenditures		Depreciation	
	2013	2012	2013	2012
Private Banks	\$ 9,376	\$ 8,248	\$ 3,799	\$ 3,911
Investment Advisors	3,513	2,797	521	503
Institutional Investors	777	647	222	252
Investment Managers	1,596	927	525	500
Investments in New Businesses	186	140	442	449
Total from business segments	\$ 15,448	\$ 12,759	\$ 5,509	\$ 5,615
Corporate overhead	259	228	107	146
	\$ 15,707	\$ 12,987	\$ 5,616	\$ 5,761

	Amortization	
	2013	2012
Private Banks	\$ 5,704	\$ 7,660
Investment Advisors	2,105	1,832
Institutional Investors	326	302
Investment Managers	218	201
Investments in New Businesses	419	332
Total from business segments	\$ 8,772	\$ 10,327
Corporate overhead	57	57
	\$ 8,829	\$ 10,384

The following tables highlight certain unaudited financial information about each of the Company's business segments for the nine months ended September 30, 2013 and 2012.

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Nine Months Ended September 30, 2013					
Revenues	\$ 291,258	\$ 175,868	\$ 190,385	\$ 166,542	\$ 3,055	\$ 827,108
Expenses	289,632	98,291	97,595	109,432	11,774	606,724
Operating profit (loss)	\$ 1,626	\$ 77,577	\$ 92,790	\$ 57,110	\$ (8,719)	\$ 220,384
Gain on sale of subsidiary	22,112	—	—	—	—	22,112
Total profit (loss)	\$ 23,738	\$ 77,577	\$ 92,790	\$ 57,110	\$ (8,719)	\$ 242,496

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Nine Months Ended September 30, 2012					
Revenues	\$ 268,367	\$ 150,227	\$ 167,293	\$ 142,235	\$ 2,765	\$ 730,887
Expenses	263,612	88,440	86,494	92,711	11,080	542,337
Operating profit (loss)	\$ 4,755	\$ 61,787	\$ 80,799	\$ 49,524	\$ (8,315)	\$ 188,550

A reconciliation of the total operating profit reported for the business segments to income from operations in the Consolidated Statements of Operations for the nine months ended September 30, 2013 and 2012 is as follows:

	2013	2012
Total operating profit from segments above	\$ 220,384	\$ 188,550
Corporate overhead expenses	(40,719)	(33,830)
Noncontrolling interest reflected in segments	289	657
Income from operations	\$ 179,954	\$ 155,377

The following tables provide additional information for the nine months ended September 30, 2013 and 2012 pertaining to our business segments:

	Capital Expenditures		Depreciation	
	2013	2012	2013	2012
Private Banks	\$ 26,079	\$ 28,270	\$ 11,679	\$ 11,343
Investment Advisors	9,480	9,743	1,547	1,489
Institutional Investors	1,921	2,514	674	765
Investment Managers	3,071	5,090	1,461	1,468
Investments in New Businesses	461	560	1,350	1,273
Total from business segments	\$ 41,012	\$ 46,177	\$ 16,711	\$ 16,338
Corporate Overhead	445	1,368	339	485
	\$ 41,457	\$ 47,545	\$ 17,050	\$ 16,823

	Amortization	
	2013	2012
Private Banks	\$ 16,497	\$ 17,139
Investment Advisors	6,063	5,305
Institutional Investors	937	906
Investment Managers	626	603
Investments in New Businesses	1,204	905
Total from business segments	\$ 25,327	\$ 24,858
Corporate Overhead	171	555
	\$ 25,498	\$ 25,413

#### Note 11. Income Taxes

The gross liability for unrecognized tax benefits at September 30, 2013 and December 31, 2012 was \$12,731 and \$11,553, respectively, exclusive of interest and penalties, of which \$10,608 and \$9,965 would affect the effective tax rate if the Company were to recognize the tax benefit.

The Company classifies interest and penalties on unrecognized tax benefits as income tax expense. As of September 30, 2013 and December 31, 2012, the combined amount of accrued interest and penalties related to tax positions taken on tax returns was \$957 and \$770, respectively.

	September 30, 2013	December 31, 2012
Gross liability for unrecognized tax benefits, exclusive of interest and penalties	\$ 12,731	\$ 11,553
Interest and penalties on unrecognized benefits	957	770
Total gross uncertain tax positions	\$ 13,688	\$ 12,323
Amount included in Current liabilities	\$ 4,985	\$ 5,291
Amount included in Other long-term liabilities	8,703	7,032
	\$ 13,688	\$ 12,323

The Company's effective tax rates were 28.5 percent and 39.0 percent for the three months ended September 30, 2013 and 2012, respectively. For the nine months ended September 30, 2013 and 2012, the Company's tax rates were 33.3 percent and 37.6 percent, respectively. The third quarter 2013 tax rate was benefited by Pennsylvania tax law changes enacted on July 18, 2013 which become effective on January 1, 2014. The most significant changes affecting the Company's tax rate were an increase in the annual utilization cap of the net operating loss deduction and the state apportionment of sales of services. The bill adopts a market-based approach for the sales apportionment factor that requires a company's sales be recognized, for tax purposes, in the state the client benefits from such services. Under the current method, the sales apportionment factor is recognized in the state where the cost was incurred to perform those services. This change significantly reduced the apportionment to Pennsylvania which resulted in a reduction in the Company's deferred tax liability. Accounting rules require the effect of changes to tax laws be recognized in the period in which the change occurred. The 2012 third quarter tax rate includes the U.S. deferred taxes on the undistributed earnings of SEI AK. As a result of the sale of SEI AK, the Company no longer considered the undistributed earnings of the subsidiary to be indefinitely reinvested and, therefore, accrued U.S. deferred taxes on the cumulative undistributed earnings. This increase of taxes was partially offset by state tax planning occurring in the third quarter.

The 2013 tax rate was benefited by the reinstatement of the research and development tax credit. On January 2, 2013, President Barack Obama signed into law the American Taxpayer Relief Act of 2012 (the Act), which reinstated the research and development credit retroactively from January 1, 2012 through December 31, 2013. The accounting rules require the determination of current and deferred taxes be based upon the provisions of the enacted tax law as of the balance sheet date. Since the Act was not signed into law until January 2, 2013, the effect was not reflected in the tax provision for 2012. The effect of the 2012 research and development tax credit was therefore reflected in the 2013 tax rate. The 2013 tax rate was also benefited by the approval by Joint Tax Committee on certain refund requests. These benefits were partially offset by additional foreign taxes caused by the sale of SEI AK (See Note 13).

The Company files income tax returns in the United States on a consolidated basis and in many U.S. state and foreign jurisdictions. The Company is subject to examination of income tax returns by the Internal Revenue Service (IRS) and other

domestic and foreign tax authorities. The Company is no longer subject to U.S. federal income tax examination for years before 2010 and is no longer subject to state, local or foreign income tax examinations by authorities for years before 2006.

The Company estimates it will recognize \$4,985 of unrecognized tax benefits within the next twelve months due to the expiration of the statute of limitations and resolution of income tax audits. These unrecognized tax benefits are related to tax positions taken on certain federal, state, and foreign tax returns. However, the timing of the resolution of income tax examinations is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. While it is reasonably possible that some issues under examination could be resolved in the next twelve months, based upon the current facts and circumstances, the Company cannot reasonably estimate the timing of such resolution or total range of potential changes as it relates to the current unrecognized tax benefits that are recorded as part of the Company's financial statements.

## **Note 12. Commitments and Contingencies**

In the normal course of business, the Company is party to various claims and legal proceedings.

One of SEI's principal subsidiaries, SIDCO, has been named as a defendant in certain putative class action complaints (the Complaints) related to leveraged exchange traded funds (ETFs) advised by ProShares Advisors, LLC. The first complaint was filed on August 5, 2009 and the subsequent cases were all consolidated in the Southern District of New York. The Complaints are purportedly made on behalf of all persons that purchased or otherwise acquired shares in various ProShares leveraged ETFs pursuant or traceable to allegedly false and misleading registration statements, prospectuses and statements of additional information. The Complaints name as defendants ProShares Advisors, LLC; ProShares Trust; ProShares Trust II, SIDCO, and various officers and trustees to ProShares Advisors, LLC; ProShares Trust and ProShares Trust II. The Complaints allege that SIDCO was the distributor and principal underwriter for the various ProShares leveraged ETFs that were distributed to authorized participants and ultimately shareholders. The Complaints allege that the registration statements for the ProShares ETFs were materially false and misleading because they failed adequately to describe the nature and risks of the investments and claim that SIDCO is liable for these purportedly material misstatements and omissions under Section 11 of the Securities Act of 1933. On September 7, 2012, the District Court for the Southern District of New York issued an opinion dismissing with prejudice the plaintiffs' amended complaint. Plaintiffs filed with the Second Circuit Court of Appeals a notice of appeal of the District Court's decision and on July 22, 2013, the Second Circuit Court of Appeals issued an opinion affirming the decision of the District Court dismissing the amended complaint. While the outcome of this litigation is uncertain given its early phase, SEI believes that it has valid defenses to plaintiffs' claims and intends to defend the lawsuits vigorously.

SEI has been named in six lawsuits filed in Louisiana. Five lawsuits were filed in the 19th Judicial District Court for the Parish of East Baton Rouge, State of Louisiana. One of the five actions purports to set forth claims on behalf of a class and also names SPTC as a defendant and, as described below, was certified as a class in December 2012. Two of the other actions also name SPTC as a defendant. All five actions name various defendants in addition to SEI, and, in all five actions, the plaintiffs purport to bring a cause of action against SEI and SPTC under the Louisiana Securities Act. The class action originally included a claim against SEI and SPTC for an alleged violation of the Louisiana Unfair Trade Practices Act. Two of the other five actions include claims for violations of the Louisiana Racketeering Act and possibly conspiracy. In addition, another group of plaintiffs filed a lawsuit in the 23rd Judicial District Court for the Parish of Ascension, State of Louisiana, against SEI and SPTC and other defendants asserting claims of negligence, breach of contract, breach of fiduciary duty, violations of the uniform fiduciaries law, negligent misrepresentation, detrimental reliance, violations of the Louisiana Securities Act and Louisiana Racketeering Act and conspiracy. The underlying allegations in all the actions are purportedly related to the role of SPTC in providing back-office services to Stanford Trust Company. The petitions allege that SEI and SPTC aided and abetted or otherwise participated in the sale of "certificates of deposit" issued by Stanford International Bank.

Two of the five actions filed in East Baton Rouge were removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to United States District Court for the Northern District of Texas. On August 31, 2011, the United States District Court for the Northern District of Texas issued an order and judgment that the causes of action alleged against SEI in the two removed actions were preempted by federal law and the court dismissed these cases with prejudice. Plaintiffs appealed this ruling, and on March 19, 2012, a panel of the Court of Appeals for the Fifth Circuit reversed the decision of the United States District Court and remanded the actions for further proceedings. On July 18, 2012, SEI filed a petition for a writ of *certiorari* in the United States Supreme Court, seeking review of the decision by the United States Court of Appeals in the Fifth Circuit to permit the claims against SEI to proceed. SEI believes that the trial court correctly concluded that the claims against SEI were barred by the federal Securities Litigation Uniform Standards Act and is requesting that the Supreme Court reinstate that dismissal. On January 18, 2013, the Supreme Court granted the petition for a writ of *certiorari*. On October 7, 2013, the Supreme Court heard oral argument on the appeal.

The case filed in Ascension was also removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to the Northern District of Texas. The schedule for responding to that complaint has not yet been established. The plaintiffs in the remaining two cases in East Baton Rouge have granted SEI and SPTC an extension to respond to the filings. SEI and SPTC filed exceptions in the class action pending in East Baton Rouge, which the Court granted in part and dismissed the claims under the Louisiana Unfair Trade Practices Act and denied in part as to the other exceptions.

SEI and SPTC filed an answer to the East Baton Rouge class action, plaintiffs filed a motion for class certification; and SEI and SPTC also filed a motion for summary judgment against certain named plaintiffs which the Court stated will not be set for hearing until after the hearing on the class certification motion. The Court in the East Baton Rouge action held a hearing on class certification on September 20, 2012. By oral decision on December 5, 2012 and later entered in a judgment signed on December 17, 2012 that was subsequently amended, the Court in East Baton Rouge certified a class to be composed of persons who purchased any Stanford International Bank certificates of deposit (SIB CDs) in Louisiana between January 1, 2007 and February 13, 2009; persons who renewed any SIB CD in Louisiana between January 1, 2007 and February 13, 2009; or any person for whom the Stanford Trust Company purchased SIB CDs in Louisiana between January 1, 2007 and February 13, 2009. On January 30, 2013, SEI and SPTC filed motions for appeal from the judgments that stated SEI's and SPTC's intention to move to stay the litigation. On February 1, 2013, plaintiffs filed a motion for Leave to File First Amended and Restated Class Action Petition in which they ask the Court to allow them to amend the petition in this case to add additional facts that were developed during discovery and adding claims against certain of SEI's insurance carriers. On February 5, 2013, the Court granted two of the motions for appeal and the motion for leave to amend. On February 15, 2013, SEI filed a motion for new trial, or, in the alternative, for reconsideration of the Court's order allowing amendment. On February 22, 2013, SEI filed a motion to stay proceedings in view of the pending Supreme Court case. On February 28, 2013, SEI responded to the First Amended and Restated Class Action Petition by filing an exception. On March 11, 2013, the insurance carrier defendants filed a notice of removal removing the case to the Middle District of Louisiana and on March 18, 2013, the insurance carrier defendants filed answers. On March 13, 2013, SEI notified the Judicial Panel on Multidistrict Litigation (MDL) of this case as a potential tag-along action. On March 19, 2013, plaintiffs filed a motion to remand, a motion for expedited briefing schedule, expedited status conference and expedited consideration of their motion to remand, a motion for leave to file under seal and a motion for order pursuant to 28 U.S.C. 1447(b) requiring removing defendants to supplement federal court record with certified copy of state court record. These motions are now fully briefed. On March 25, 2013, SEI filed a motion that the court decline to adopt the state court's order regarding class certification, which the court dismissed without prejudice to renew upon a determination of removal jurisdiction in an April 12, 2013 order that also dismissed without prejudice a motion to dismiss for lack of jurisdiction and improper venue filed on April 9, 2013 by one of the insurers. On April 1, 2013, the Louisiana Office of Financial Institutions (OFI) filed a motion to remand and sever claims, and a response to that motion by the insurers and opposition to that motion by the plaintiffs were filed on April 22, 2013. Along with the briefing in the Middle District of Louisiana, on March 13, 2013, SEI notified the Judicial Panel on Multidistrict Litigation (MDL) of this case as a potential tag-along action. On March 19, 2013, plaintiffs notified the MDL that they had filed a motion to remand and asked the panel to decline to issue a conditional transfer order. On March 29, 2013, the MDL issued a conditional transfer order (CTO). On April 18, 2013, OFI filed a motion to vacate the CTO or, in the alternative, stay any ruling to transfer the matter until after the Middle District of Louisiana ruled on OFI's motion to remand and sever. Plaintiffs filed a motion to vacate the CTO on April 19, 2013. SEI's responses to those motions were filed on May 9, 2013. On June 12, 2013, the MDL Panel issued an order notifying the parties that on July 25, 2013, it would consider, without oral argument, Plaintiffs' and OFI's motions to vacate the CTO. On August 7, 2013, the MDL Panel affirmed the CTO and transferred the matter against SEI to the US District Court for the Northern District of Texas; the MDL Panel also severed the claims against OFI and remanded those claims to the Middle District of Louisiana. On September 11, 2013, defendants filed a motion requesting a status conference with the Court to address the status of all pending motions. On October 4, 2013, Plaintiffs filed a petition for a writ of mandamus asking the United States Court of Appeals for the Fifth Circuit to review the MDL Panel's transfer Order.

While the outcome of this litigation is uncertain given its early phase, SEI and SPTC believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuits vigorously. Because of the uncertainty of the make-up of the classes, the outcome of the proceeding in the United States Supreme Court, the specific theories of liability that may survive a motion for summary judgment or other dispositive motion, the lack of discovery regarding damages, causation, mitigation and other aspects that may ultimately bear upon loss, the Company is not reasonably able to provide an estimate of loss, if any, with respect to the foregoing lawsuits.

### **Note 13. Sale of SEI Asset Korea**

On July 31, 2012, the Company, MetLife International Holdings, Inc. (MetLife) and International Finance Corporation (IFC) entered into a definitive agreement with Baring Asset Management Limited to sell all ownership interest in SEI Asset Korea (SEI AK). SEI AK was located in South Korea and provided domestic equity and fixed income investment management services to financial institutions and pension funds.

On March 28, 2013, all conditions subject to closing the transaction were satisfied and all ownership interests in SEI AK were transferred to Barings Asset Management Limited. Under the terms of the agreement, a portion of the purchase price was paid upon closing with up to an additional \$11,220 payable to the Company as a contingent purchase price with respect to three one-year periods ending on December 31, 2013, 2014, and 2015 depending upon whether SEI AK achieves specified revenue measures during such periods. Also, the net working capital of SEI AK at closing in excess of required regulatory capital, and subject to certain other adjustments, was distributed to the Company, MetLife and IFC in accordance with the ownership interests. Without regard to the contingent purchase price, the Company recognized a gain of \$22.1 million, or \$0.08 diluted earnings per share, during the nine months ended September 30, 2013 as a result of the sale. The Company's gain from the sale of SEI AK is included in Gain on sale of subsidiary on the accompanying Consolidated Statement of Operations.

Excluding the contingent purchase price, the Company received gross proceeds of \$56,879 from the sale. The Company incurred \$2,545 in transaction costs during the nine months ended September 30, 2013 for net proceeds of \$54,334 resulting from the sale. The net effect of the cash received from the sale and the transfer of cash balances to the owners is reflected in Sale of subsidiary, net of cash transferred in the investing section of the Consolidated Statement of Cash flows.

The Company's ownership interest in SEI AK was 56.1 percent. The Company consolidated the assets, liabilities and operations of SEI AK in its Consolidated Financial Statements. As of December 31, 2012, SEI AK had total corporate assets of \$54,783, of which \$48,306 was included in Cash and cash equivalents on the Consolidated Balance Sheet. All other accounts of SEI AK were not material to any financial statement line item in the Consolidated Financial Statements. The ownership interests in SEI AK of MetLife and IFC were reflected in Noncontrolling interest in the Consolidated Financial Statements.

The operating results of SEI AK were included in the Private Banks business segment. SEI AK revenues and net income included in the Company's Consolidated Statement of Operations were as follows:

	For the Period January 1, 2013 through March 28, 2013	For the Three Months Ended September 30, 2012	For the Nine Months Ended September 30, 2012
Revenues	\$ 2,889	\$ 2,779	\$ 8,632
Net income	\$ 796	\$ 729	\$ 1,817
Less: Income attributable to the noncontrolling interests	(350)	(343)	(797)
Net income attributable to SEI AK	<u>\$ 446</u>	<u>\$ 386</u>	<u>\$ 1,020</u>

#### Note 14. Settlement Agreement

On April 24, 2013, the Company entered into a Settlement Agreement with respect to litigation captioned Abu Dhabi Commercial Bank, et. al. v. Morgan Stanley & Co., Incorporated, et. al., brought by a group of plaintiffs, including the Company, related to the purchase of securities by the Company and others of Cheyne Finance LLC, a SIV security. In accordance with the Settlement Agreement, the Company received a cash settlement payment of \$43,429 after fees and expenses during the three months ended June 30, 2013. The income related to the cash settlement payment is reflected in Other income on the accompanying Consolidated Statements of Operations.



**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

(In thousands, except asset balances and per share data)

This discussion reviews and analyzes the consolidated financial condition at September 30, 2013 and 2012, the consolidated results of operations for the three and nine months ended September 30, 2013 and 2012 and other key factors that may affect future performance. This discussion should be read in conjunction with the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements.

**Overview***Consolidated Summary*

We are a leading global provider of investment processing, investment management, and investment operations solutions. We help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth by providing comprehensive, innovative, investment and investment-business solutions. Investment processing fees are earned as monthly fees for contracted services, including computer processing services and investment operations services, as well as transaction-based fees for providing securities valuation and trade-execution. Investment operations and investment management fees are earned as a percentage of average assets under management or administration. As of September 30, 2013, through our subsidiaries and partnerships in which we have a significant interest, we manage or administer \$528.6 billion in mutual fund and pooled or separately managed assets, including \$218.5 billion in assets under management and \$310.1 billion in client assets under administration. Our affiliate, LSV Asset Management (LSV), manages \$71.1 billion of assets which are included as assets under management.

Our Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2013 and 2012 were:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2013	2012	Percent Change	2013	2012	Percent Change
Revenues	\$ 280,655	\$ 251,752	11 %	\$ 827,108	\$ 730,887	13 %
Expenses	218,716	198,262	10 %	647,154	575,510	12 %
Income from operations	61,939	53,490	16 %	179,954	155,377	16 %
Net gain from investments	535	3,708	(86)%	638	7,577	(92)%
Interest income, net of interest expense	484	1,375	(65)%	1,998	4,028	(50)%
Equity in earnings from unconsolidated affiliates	31,028	24,928	24 %	86,204	74,970	15 %
Gain on sale of subsidiary	—	—	N/M	22,112	—	N/M
Other income	—	—	N/M	43,429	—	N/M
Income before income taxes	93,986	83,501	13 %	334,335	241,952	38 %
Income taxes	26,791	32,415	(17)%	111,376	90,892	23 %
Net income	67,195	51,086	32 %	222,959	151,060	48 %
Less: Net income attributable to noncontrolling interest	—	(343)	(100)%	(350)	(797)	(56)%
Net income attributable to SEI Investments Co.	\$ 67,195	\$ 50,743	32 %	222,609	\$ 150,263	48 %
Diluted earnings per common share	\$ 0.38	\$ 0.29	31 %	\$ 1.26	\$ 0.85	48 %

In our opinion, the following items had a significant impact on our financial results for the three and nine months ended September 30, 2013 and 2012:

- Revenue growth was primarily driven by higher Asset management, administration and distribution fees from improved cash flows from new and existing clients and market appreciation. Our average assets under management, excluding LSV, increased \$15.5 billion, or 12 percent, to \$143.3 billion in the first nine months of 2013 as compared to \$127.8 billion during the first nine months of 2012.
- Sales of new business in our Institutional Investors and Investment Managers business segments as well as positive cash receipts from new and existing advisor relationships in our Investment Advisors business segment contributed to the increase in our revenues and profits.
- Revenue growth was also driven by increased Information processing and software servicing fees in our Private Banks segment. The increase was attributable to new business, higher one-time project revenue from new and existing bank clients and increased fees earned from our mutual fund trading solution.
- We recorded income of \$43.4 million, or \$.16 diluted earnings per share, in the first nine months of 2013 from the previously disclosed cash settlement payment received during the second quarter pertaining to litigation related to the purchase of securities of Cheyne Finance LLC, a structured investment vehicle (SIV) security (See Note 14 to the Consolidated Financial Statements for more information).
- Our proportionate share in the earnings of LSV was \$86.9 million in the first nine months of 2013 as compared to \$75.0 million in the first nine months of 2012, an increase of 16 percent. The increase in our earnings was primarily driven by the increase in assets under management of LSV from existing clients due to market appreciation and an increase in performance fees earned by LSV. Our earnings from LSV; however, were negatively impacted by the decrease in our ownership interest from approximately 39.8 percent to approximately 39.3 percent during the second quarter 2013. The reduction in our ownership interest is described in greater detail under the caption "Equity in earnings of unconsolidated affiliates" later in this discussion.
- Our operating expenses related to personnel and third-party service providers in our Private Banks and Investment Managers segments increased. These increased operational costs are mainly related to servicing new and existing clients and are included in Compensation, benefits and other personnel as well as Consulting, outsourcing and professional fees on the accompanying Consolidated Statements of Operations.
- Our previously disclosed sale of SEI Asset Korea (SEI AK) was completed during the first quarter 2013 resulting in a gain of \$22.1 million, or \$0.08 diluted earnings per share. The gain from the sale is included in Gain on sale of subsidiary for the nine months ended September 30, 2013 on the accompanying Consolidated Statement of Operations. The operating results of SEI AK were included in the Private Banks business segment (See Note 13 to the Consolidated Financial Statements for more information).
- Stock-based compensation expense increased by \$13.4 million during the first nine months of 2013 as compared to the first nine months of 2012 due to a change in our estimate of the timing of when stock option vesting targets will be achieved. The change in our estimate resulted from the positive earnings impacts from the previously mentioned cash payment for the litigation settlement and the sale of SEI AK during 2013.
- We capitalized \$31.0 million in the first nine months of 2013 for significant enhancements and new functionality for the SEI Wealth Platform as compared to \$25.9 million in the first nine months of 2012. Included in the amount for 2013 is a one-time contractual payment of \$8.8 million to exercise a conversion option in lieu of periodic fee payments pertaining to a software license for the Platform. Amortization expense related to capitalized software increased to \$25.3 million during the first nine months of 2013 as compared to \$24.9 million during the first nine months of 2012 due to continued releases of the Platform. Amortization expense during the first nine months of 2012 includes \$2.7 million of expense related to the remaining net book value of a component of the Platform that was discontinued.
- Corporate overhead costs increased during the first nine months of 2013 as compared to the first nine months of 2012 due to increased stock-based compensation, increased personnel costs, and higher costs related to regulatory and compliance matters.
- Our effective tax rate during the first nine months of 2013 was 33.3 percent as compared to 37.6 percent in the first nine months of 2012. The 2013 tax rate was benefited by the changes to the Pennsylvania Tax Law primarily relating to the method of apportioning income to Pennsylvania. These changes have dramatically reduced the deferred tax liability. The 2012 tax rate included the U.S. deferred taxes on the undistributed earnings of SEI AK (See the caption "Income Taxes" later in this discussion for more information).
- We continued our stock repurchase program during 2013 and purchased 4,879,000 shares at an average price of approximately \$29.77 per share in the nine month period.

**Ending Asset Balances**

(In millions)

This table presents ending assets of our clients, or of our clients' customers, for which we provide management or administrative services through our subsidiaries and partnerships in which we have a significant interest.

	As of September 30,		Percent Change
	2013	2012	
<b>Private Banks:</b>			
Equity and fixed income programs (A)	\$ 14,305	\$ 17,960	(20)%
Collective trust fund programs	11	147	(93)%
Liquidity funds	5,167	5,342	(3)%
Total assets under management	\$ 19,483	\$ 23,449	(17)%
Client proprietary assets under administration	14,101	11,611	21 %
Total assets	\$ 33,584	\$ 35,060	(4)%
<b>Investment Advisors:</b>			
Equity and fixed income programs	36,203	30,864	17 %
Collective trust fund programs	14	370	(96)%
Liquidity funds	2,779	1,868	49 %
Total assets under management	\$ 38,996	\$ 33,102	18 %
<b>Institutional Investors:</b>			
Equity and fixed income programs	64,429	59,852	8 %
Collective trust fund programs	107	153	(30)%
Liquidity funds	3,125	3,272	(4)%
Total assets under management	\$ 67,661	\$ 63,277	7 %
<b>Investment Managers:</b>			
Equity and fixed income programs	75	65	15 %
Collective trust fund programs	19,868	15,433	29 %
Liquidity funds	678	396	71 %
Total assets under management	\$ 20,621	\$ 15,894	30 %
Client proprietary assets under administration	295,959	240,965	23 %
Total assets	\$ 316,580	\$ 256,859	23 %
<b>Investments in New Businesses:</b>			
Equity and fixed income programs	594	534	11 %
Liquidity funds	26	29	(10)%
Total assets under management	\$ 620	\$ 563	10 %
<b>LSV:</b>			
Equity and fixed income programs	\$ 71,149	\$ 58,886	21 %
<b>Total:</b>			
Equity and fixed income programs (A)	186,755	168,161	11 %
Collective trust fund programs	20,000	16,103	24 %
Liquidity funds	11,775	10,907	8 %
Total assets under management	\$ 218,530	\$ 195,171	12 %
Client proprietary assets under administration	310,060	252,576	23 %
Total assets under management and administration	\$ 528,590	\$ 447,747	18 %

(A) Equity and fixed income programs in the Private Banks segment in 2012 includes \$6.6 billion in assets related to SEI AK which was sold in first-quarter 2013 (See Note 13 to the Consolidated Financial Statements).

## Average Asset Balances

(In millions)

This table presents average asset balances of our clients, or of clients' customers, for which we provide management or administrative services through our subsidiaries and partnerships in which we have a significant interest.

	Three Months Ended September 30,		Percent Change	Nine Months Ended September 30,		Percent Change
	2013	2012		2013	2012	
<b>Private Banks:</b>						
Equity and fixed income programs (A)	\$ 13,696	\$ 17,527	(22)%	\$ 15,284	\$ 17,145	(11)%
Collective trust fund programs	11	230	(95)%	11	354	(97)%
Liquidity funds	5,142	5,401	(5)%	5,264	5,366	(2)%
Total assets under management	\$ 18,849	\$ 23,158	(19)%	\$ 20,559	\$ 22,865	(10)%
Client proprietary assets under administration	13,760	10,867	27 %	13,268	10,570	26 %
Total assets	\$ 32,609	\$ 34,025	(4)%	\$ 33,827	\$ 33,435	1 %
<b>Investment Advisors:</b>						
Equity and fixed income programs	35,618	30,032	19 %	34,546	29,187	18 %
Collective trust fund programs	14	532	(97)%	14	918	(98)%
Liquidity funds	2,520	1,886	34 %	2,211	1,902	16 %
Total assets under management	\$ 38,152	\$ 32,450	18 %	\$ 36,771	\$ 32,007	15 %
<b>Institutional Investors:</b>						
Equity and fixed income programs	63,153	57,763	9 %	63,420	55,010	15 %
Collective trust fund programs	107	284	(62)%	104	376	(72)%
Liquidity funds	3,091	3,253	(5)%	3,009	3,388	(11)%
Total assets under management	\$ 66,351	\$ 61,300	8 %	\$ 66,533	\$ 58,774	13 %
<b>Investment Managers:</b>						
Equity and fixed income programs	76	62	23 %	73	61	20 %
Collective trust fund programs	19,259	14,797	30 %	18,198	13,257	37 %
Liquidity funds	613	287	114 %	541	237	128 %
Total assets under management	\$ 19,948	\$ 15,146	32 %	\$ 18,812	\$ 13,555	39 %
Client proprietary assets under administration	292,627	237,155	23 %	280,566	230,525	22 %
Total assets	\$ 312,575	\$ 252,301	24 %	\$ 299,378	\$ 244,080	23 %
<b>Investments in New Businesses:</b>						
Equity and fixed income programs	584	530	10 %	564	543	4 %
Liquidity funds	27	35	(23)%	33	36	(8)%
Total assets under management	\$ 611	\$ 565	8 %	\$ 597	\$ 579	3 %
<b>LSV:</b>						
Equity and fixed income programs	\$ 69,463	\$ 57,164	22 %	\$ 66,747	\$ 57,453	16 %
<b>Total:</b>						
Equity and fixed income programs (A)	182,590	163,078	12 %	180,634	159,399	13 %
Collective trust fund programs	19,391	15,843	22 %	18,327	14,905	23 %
Liquidity funds	11,393	10,862	5 %	11,058	10,929	1 %
Total assets under management	\$ 213,374	\$ 189,783	12 %	\$ 210,019	\$ 185,233	13 %
Client proprietary assets under administration	306,387	248,022	24 %	293,834	241,095	22 %
Total assets under management and administration	\$ 519,761	\$ 437,805	19 %	\$ 503,853	\$ 426,328	18 %

(A) Equity and fixed income programs in the Private Banks segment include \$6.5 billion and \$6.6 billion in assets for the three and nine months ended September 30, 2012, respectively, related to SEI AK which was sold in first-quarter 2013 (See Note 13 to the Consolidated Financial Statements).

In the preceding tables, assets under management are total assets of our clients or their customers invested in our equity and fixed-income investment programs, collective trust fund programs, and liquidity funds for which we provide asset management services. Assets under management and administration also include total assets of our clients or their customers for which we provide administrative services, including client proprietary fund balances for which we provide administration and/or distribution services. All assets presented in the preceding tables are not included in the accompanying Consolidated Balance Sheets because we do not own them.

### **Business Segments**

Revenues, Expenses and Operating Profit (Loss) for our business segments for the three and nine months ended September 30, 2013 compared to the three and nine months ended September 30, 2012 were as follows:

	Three Months Ended September 30,		Percent Change	Nine Months Ended September 30,		Percent Change
	2013	2012		2013	2012	
<b>Private Banks:</b>						
Revenues	\$ 97,370	\$ 92,076	6%	\$ 291,258	\$ 268,367	9 %
Expenses	95,579	91,209	5%	289,632	263,612	10 %
Operating Profit	\$ 1,791	\$ 867	107%	\$ 1,626	\$ 4,755	(66)%
Gain on sale of subsidiary	—	—	N/M	22,112	—	N/M
Total Profit	\$ 1,791	\$ 867	107%	\$ 23,738	\$ 4,755	N/M
Operating Margin (A)	2%	1%		1%	2%	
<b>Investment Advisors:</b>						
Revenues	\$ 61,393	\$ 51,384	19%	\$ 175,868	\$ 150,227	17 %
Expenses	33,768	30,114	12%	98,291	88,440	11 %
Operating Profit	\$ 27,625	\$ 21,270	30%	\$ 77,577	\$ 61,787	26 %
Operating Margin	45%	41%		44%	41%	
<b>Institutional Investors:</b>						
Revenues	\$ 63,539	\$ 58,081	9%	\$ 190,385	\$ 167,293	14 %
Expenses	33,058	29,654	11%	97,595	86,494	13 %
Operating Profit	\$ 30,481	\$ 28,427	7%	\$ 92,790	\$ 80,799	15 %
Operating Margin	48%	49%		49%	48%	
<b>Investment Managers:</b>						
Revenues	\$ 57,266	\$ 49,311	16%	\$ 166,542	\$ 142,235	17 %
Expenses	37,763	32,122	18%	109,432	92,711	18 %
Operating Profit	\$ 19,503	\$ 17,189	13%	\$ 57,110	\$ 49,524	15 %
Operating Margin	34%	35%		34%	35%	
<b>Investments in New Businesses:</b>						
Revenues	\$ 1,087	\$ 900	21%	\$ 3,055	\$ 2,765	10 %
Expenses	4,146	3,698	12%	11,774	11,080	6 %
Operating Loss	\$ (3,059)	\$ (2,798)	N/M	\$ (8,719)	\$ (8,315)	N/M

(A) Percentage for the nine months ended September 30, 2013 determined exclusive of gain from sale of subsidiary (See Note 13 to the Consolidated Financial Statements).

For additional information pertaining to our business segments, see Note 10 to the Consolidated Financial Statements.

## Private Banks

	Three Months Ended September 30,		Percent Change	Nine Months Ended September 30,		Percent Change
	2013	2012		2013	2012	
Revenues:						
Information processing and software servicing fees	\$ 64,226	\$ 60,435	6%	\$ 190,564	\$ 172,972	10%
Asset management, administration & distribution fees	26,723	25,767	4%	79,593	75,947	5%
Transaction-based and trade execution fees	6,421	5,874	9%	21,101	19,448	8%
Total revenues	<u>\$ 97,370</u>	<u>\$ 92,076</u>	6%	<u>\$ 291,258</u>	<u>\$ 268,367</u>	9%

Revenues increased \$5.3 million, or six percent, in the three month period and increased \$22.9 million, or nine percent, in the nine month period ended September 30, 2013 and were primarily affected by:

- Increased recurring investment processing fees from new investment processing clients;
- Increased fees earned on our mutual fund trading solution due to an increase in assets processed on the system from new and existing clients; and
- Increased investment management fees from existing international clients due to higher average assets under management from improved capital markets during 2012 and in the first nine months of 2013, net of the decrease in assets under management from the sale of SEI AK in the first quarter 2013; partially offset by
- Lower recurring investment processing fees due to price reductions provided to existing clients that recontracted for longer periods and client losses.

Operating income increased by \$0.9 million in the three month period and decreased by \$3.1 million in the nine month period and was primarily affected by:

- Increased direct expenses associated with increased investment management fees from existing international clients;
- Increased operational costs, mainly salary, incentive compensation, consulting and outsourcing costs, for servicing new and existing investment processing clients; and
- Increased stock-based compensation costs of \$4.3 million primarily due to the change in management's estimate of the timing of the achievement of stock option vesting targets; partially offset by
- An increase in revenues.

## Investment Advisors

Revenues increased \$10.0 million, or 19 percent, in the three month period and increased by \$25.6 million, or 17 percent, in the nine month period ended September 30, 2013 and were primarily affected by:

- Increased investment management fees from existing clients due to higher average assets under management caused by market appreciation during 2012 and the first nine months of 2013 and an increase in net cash flows from new and existing advisors; and
- An increase in the average basis points earned on assets due to the increase in average assets under management; partially offset by
- Lower fees earned from our collective trust fund offering due to the closing of the SEI Stable Asset Fund at the end of 2012.

Operating margin increased to 45 percent compared to 41 percent in the three month period and increased to 44 percent compared to 41 percent in the nine month period. Operating income increased by \$6.4 million, or 30 percent, in the three month period and increased by \$15.8 million, or 26 percent, in the nine month period and was primarily affected by:

- An increase in revenues; partially offset by
- Increased amortization expense relating to the SEI Wealth Platform as well as spending associated with building the necessary functionality and infrastructure for servicing financial institutions and investment advisors in the United States;
- Increased sales compensation expense due to new business activity and other personnel costs, mainly salary and incentive compensation; and

- Increased stock-based compensation costs of \$2.7 million primarily due to the change in management's estimate of the timing of the achievement of stock option vesting targets.

#### Institutional Investors

Revenues increased \$5.5 million, or nine percent, in the three month period and increased by \$23.1 million, or 14 percent, in the nine month period ended September 30, 2013 and were primarily affected by:

- Increased investment management fees from existing clients due to higher average assets under management caused by improved capital markets during 2012 and the first nine months of 2013 as well as additional asset funding from existing clients; and
- Asset funding from new sales of our retirement and not-for-profit solutions; partially offset by client losses.

Operating margin decreased to 48 percent compared to 49 percent in the three month period and increased to 49 percent compared to 48 percent in the nine month period. Operating income increased \$2.1 million, or seven percent, in the three month period and increased \$12.0 million, or 15 percent in the nine month period and was primarily affected by:

- An increase in revenues; partially offset by
- Increased direct expenses associated with higher investment management fees; and
- Increased stock-based compensation costs of \$2.5 million primarily due to the change in management's estimate of the timing of the achievement of stock option vesting targets.

#### Investment Managers

Revenues increased \$8.0 million, or 16 percent, in the three month period and increased by \$24.3 million, or 17 percent, in the nine month period ended September 30, 2013 and were primarily affected by:

- Positive cash flows from new clients; partially offset by client losses;
- Net positive cash flows from existing clients due to new funding along with higher valuations from capital market increases in late 2012 through the first nine months of 2013; and
- Increased accounts from our separately managed account program from new and existing clients.

Operating margin decreased to 34 percent compared to 35 percent in the three and nine month periods. Operating income increased \$2.3 million, or 13 percent, in the three month period and increased by \$7.6 million, or 15 percent, in the nine month period and was primarily affected by:

- An increase in revenues; partially offset by
- Increased personnel expenses, technology and other operational costs to service new and existing clients; and
- Increased stock-based compensation costs of \$2.9 million primarily due to the change in management's estimate of the timing of the achievement of stock option vesting targets.

#### Other

##### *Corporate overhead expenses*

Corporate overhead expenses primarily consist of general and administrative expenses and other costs not directly attributable to a reportable business segment. Corporate overhead expenses were \$14.4 million and \$11.7 million in the three months ended September 30, 2013 and 2012, respectively, and \$40.7 million and \$33.8 million in the nine months ended September 30, 2013 and 2012, respectively. The increase in corporate overhead expenses in the nine month period was primarily due to increased stock-based compensation, other personnel-related costs and higher costs related to regulatory and compliance matters.

### *Other income and expense*

Other income and expense items on the accompanying Consolidated Statements of Operations consists of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net gain from investments	\$ 535	\$ 3,708	\$ 638	\$ 7,577
Interest and dividend income	679	1,490	2,420	4,417
Interest expense	(195)	(115)	(422)	(389)
Equity in earnings of unconsolidated affiliates	31,028	24,928	86,204	74,970
Gain on sale of subsidiary	—	—	22,112	—
Other income	—	—	43,429	—
Total other income and expense items, net	\$ 32,047	\$ 30,011	\$ 154,381	\$ 86,575

### *Net gain from investments*

Net gain from investments consists of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net realized and unrealized gains from marketable securities	\$ 535	\$ 319	\$ 536	\$ 530
Gains from SIV securities	—	3,389	—	7,343
Other gains (losses)	—	—	102	(296)
Net gain from investments	\$ 535	\$ 3,708	\$ 638	\$ 7,577

During the nine months ended September 30, 2012, we recognized gains of \$7.3 million from SIV securities, of which \$6.2 million resulted from cash payments received from the SIV securities and \$1.1 million was from an increase in fair value at September 30, 2012. In November 2012, we sold the last remaining SIV security and no longer own any SIV securities.

### *Equity in earnings of unconsolidated affiliates*

Equity in earnings of unconsolidated affiliates primarily includes our less than 50 percent ownership in LSV. In March 2009, certain partners of LSV, including SEI, agreed to designate a portion of their partnership interest for the purpose of providing an interest in the partnership to a select group of key LSV employees. In April 2013, these contributing partners agreed to provide certain key LSV employees an interest in LSV thereby reducing our interest in LSV from approximately 39.8 percent to approximately 39.3 percent.

Our proportionate share in the earnings of LSV was \$31.3 million in third quarter 2013 as compared to \$24.9 million in third quarter 2012, an increase of 26 percent. In the nine months ended September 30, 2013, our proportionate share in the earnings of LSV was \$86.9 million as compared to \$75.0 million in the nine months ended September 30, 2012, an increase of 16 percent. The increase in our earnings was primarily due to increased assets under management of LSV from existing clients due to improved capital markets and an increase in performance fees. LSV's average assets under management increased \$9.2 billion to \$66.7 billion during the nine months ended September 30, 2013 as compared to \$57.5 billion during the nine months ended September 30, 2012, an increase of 16 percent. Our earnings from LSV; however, were negatively impacted by the decrease in our ownership interest which occurred in April 2013.

### *Gain on sale of subsidiary*

On March 28, 2013, the sale of all of our ownership interests in SEI AK was completed. We recorded a gain from the sale of \$22.1 million during the nine months ended September 30, 2013 which is included in Gain on sale of subsidiary on the accompanying Consolidated Statement of Operations (See Note 13 to the Consolidated Financial Statements for more information).

### *Other income*

On April 24, 2013, we entered into a Settlement Agreement with respect to litigation captioned Abu Dhabi Commercial Bank, et. al. v. Morgan Stanley & Co., Incorporated, et. al., related to the purchase of Cheyne Finance LLC, a SIV security. In accordance with the Settlement Agreement, we received a cash settlement payment after fees and expenses of \$43.4 million during the nine months ended September 30, 2013 which is included in Other income on the accompanying Consolidated Statement of Operations (See Note 14 to the Consolidated Financial Statements for more information).



### **Income Taxes**

Our effective tax rates were 28.5 percent and 39.0 percent for the three months ended September 30, 2013 and 2012, respectively. For the nine months ended September 30, 2013 and 2012, our effective tax rates were 33.3 percent and 37.6 percent, respectively. Our third quarter tax rate was benefited by Pennsylvania Tax Law changes enacted on July 18, 2013 which become effective on January 1, 2014. These changes have reduced the deferred tax liability which has been built up over numerous years. In accordance with the tax accounting rules, the effect of the law change is recorded in this quarter in which the law was signed. The primary change that affects SEI results from the reduction of net income apportioned to the State of Pennsylvania. The bill adopts "market-based" sourcing for apportionment. This method apportions sales to state where the benefit is being derived by the customer. The current method apportions sales of services to state where the cost was incurred to perform those services. Our third quarter 2012 tax rate included the U.S. deferred taxes on the undistributed earnings of SEI AK. As a result of the sale of SEI AK, we no longer considered the undistributed earnings of SEI AK to be indefinitely reinvested and, therefore, accrued U.S. deferred taxes on the cumulative undistributed earnings. This increase of taxes was partially offset by state tax planning occurring in the quarter.

### **Stock-Based Compensation**

During the nine months ended September 30, 2013, we revised our estimate made as of December 31, 2012 of when certain vesting targets are expected to be achieved. This change in management's estimate resulted in an increase of \$13.4 million in stock-based compensation expense in the nine months ended September 30, 2013. The change in our estimate resulted from the positive earnings impacts from the cash payment received for the litigation settlement and the sale of SEI AK during 2013.

Based upon our current view of how many options will vest and when they will vest, we estimate that stock-based compensation expense will be recognized according to the following schedule:

	Stock-Based Compensation Expense
Remainder of 2013	\$ 11,036
2014	4,863
2015	4,863
2016	4,863
2017	3,604
	<u>\$ 29,229</u>

We expect to recognize stock-based compensation expense during the fourth quarter of 2013 in the business segments as follows:

	Stock-Based Compensation Expense
Private Banks	\$ 3,309
Investment Advisors	1,932
Institutional Investors	1,734
Investment Managers	2,041
Investments in New Businesses	261
Corporate overhead	1,759
	<u>\$ 11,036</u>

### **Fair Value Measurements**

The fair value of our financial assets and liabilities is determined in accordance with the fair value hierarchy. The fair value of our financial assets are determined using Level 1 or Level 2 inputs and consist mainly of investments in equity or fixed-income mutual funds that are quoted daily and Government National Mortgage Association (GNMA) and other U.S. government agency securities that are single issuer pools that are valued based on current market data of similar assets (See Note 5 to the Notes to Consolidated Financial Statements).

## Regulatory Matters

Like many firms operating within the financial services industry, we are experiencing a difficult regulatory environment across our markets. Our current scale and reach as a provider to the financial services industry; the introduction and implementation of new solutions for our financial services industry clients; the increased regulatory oversight of the financial services industry generally; new laws and regulations affecting the financial services industry and ever-changing regulatory interpretations of existing laws and regulations; and a greater propensity of regulators to pursue enforcement actions and other sanctions against regulated entities, have made this an increasingly challenging and costly regulatory environment in which to operate.

SEI and some of our regulated subsidiaries have undergone or been scheduled to undergo a range of periodic or thematic reviews, examinations or investigations by more than eight regulatory authorities around the world, including the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Financial Conduct Authority of the United Kingdom (FCA), the Central Bank of Ireland and others. In a number of instances, these are the first recurring examinations by these regulatory authorities. These regulatory activities typically result in the identification of matters or practices to be addressed by us or our subsidiaries and, in certain circumstances, the regulatory authorities could require remediation activities or pursue enforcement proceedings against us or our subsidiaries. As described under the caption "Regulatory Considerations" in our Annual Report on Form 10-K, the range of possible sanctions that are available to regulatory authorities include limitations on our ability to engage in business for specified periods of time, the revocation of registration, censures and fines. The direct and indirect costs of responding to these regulatory activities and of complying with new or modified regulations, as well as the potential financial costs and potential reputational impact against us of any enforcement proceedings that might result, is uncertain but could have a material adverse impact on our operating results or financial position. Representatives of the FCA have advised a subsidiary of the Company that they intend to pursue an enforcement action against the subsidiary for alleged violations of the FCA's CASS handbook. An appropriate reserve has been made for this matter in corporate overhead expenses during the quarter ended September 30, 2013.

## Liquidity and Capital Resources

	Nine Months Ended September 30,	
	2013	2012
Net cash provided by operating activities	\$ 240,295	\$ 145,899
Net cash used in investing activities	(49,940)	(34,770)
Net cash used in financing activities	(115,388)	(134,438)
Net increase (decrease) in cash and cash equivalents	74,967	(23,309)
Cash and cash equivalents, beginning of period	452,247	420,986
Cash and cash equivalents, end of period	\$ 527,214	\$ 397,677

Cash requirements and liquidity needs are primarily funded through our cash flow from operations and our capacity for additional borrowing. At September 30, 2013, our unused sources of liquidity consisted of cash and cash equivalents and the amount available under our credit facility.

Our credit facility provides for borrowings of up to \$300.0 million and is scheduled to expire in February 2017 (See Note 7 to the Consolidated Financial Statements). The availability of the credit facility is subject to compliance with certain covenants set forth in the agreement. The credit facility contains covenants which restrict our ability to engage in mergers, consolidations, asset sales, investments, transactions with affiliates, or to incur liens, as defined in the agreement. In the event of a default under the credit facility, we would also be restricted from paying dividends on, or repurchasing, our common stock. Currently, our ability to borrow from the credit facility is not limited by any covenant of the agreement. We currently have no borrowings under our credit facility.

The majority of our excess cash reserves are primarily placed in accounts located in the United States that invest entirely in SEI-sponsored money market mutual funds denominated in the U.S. dollar. We also utilize demand deposit accounts or money market accounts at several well-established financial institutions located in the United States. Accounts used to manage these excess cash reserves do not impose any restrictions or limitations that would prevent us from being able to access such cash amounts immediately. As of October 22, 2013, the amount of cash and cash equivalents considered free and immediately accessible for other general corporate purposes was \$413.7 million.

Our cash and cash equivalents include accounts managed by our subsidiaries and minority-owned subsidiaries that are used in their operations or to cover specific business and regulatory requirements. The availability of this cash for other purposes

beyond the operations of these subsidiaries may be limited. Also, some of our foreign subsidiaries may have excess cash reserves which are considered to be undistributed earnings and indefinitely reinvested. Upon distribution of these earnings, in the form of dividends or otherwise, we would be immediately subject to both U.S. and foreign withholding taxes which would reduce the amount we would ultimately realize. We do not include accounts of our foreign subsidiaries in our calculation of free and immediately accessible cash for other general corporate purposes.

Cash flows from operations increased \$94.4 million in the first nine months of 2013 compared to the first nine months of 2012 due to the increase in net income, the cash payment for the litigation settlement, an additional quarterly partnership distribution payment received from LSV due to a change in the timing of payments and the net change in our working capital accounts. The increase in our net income during the first nine months of 2013 was significantly impacted by the cash payment of \$43.4 million received pertaining to a litigation settlement (See Note 14 to the Consolidated Financial Statements).

Cash flows from investing activities decreased \$15.2 million in the first nine months of 2013 compared to the first nine months of 2012. Net cash used in investing activities includes:

- *Purchases, sales and maturities of marketable securities.* We had cash outflows of \$48.7 million for the purchase of marketable securities in the first nine months of 2013 as compared to \$22.5 million in the first nine months of 2012. Marketable securities purchased in 2013 consisted of additional GNMA securities to satisfy applicable regulatory requirements of SPTC and investments in short-term U.S. government agency and commercial paper securities by SIDCO. Marketable securities purchased in 2012 consisted of investments for the start-up of new investment products and investments in short-term U.S. government agency and commercial paper securities by SIDCO. We had cash inflows of \$36.7 million from marketable securities in the first nine months of 2013 as compared to \$37.8 million in the first nine months of 2012. Cash inflows in 2013 and 2012 primarily consisted of maturities and prepayments.
- *The capitalization of costs incurred in developing computer software.* We will continue the development of the SEI Wealth Platform through a series of releases to expand the functionality of the Platform. We capitalized \$31.0 million of software development costs in the first nine months of 2013 as compared to \$25.9 million in the first nine months of 2012. Included in the amount for 2013 is a one-time contractual payment of \$8.8 million to exercise a conversion option in lieu of periodic fee payments pertaining to a software license for the Platform.
- *Capital expenditures.* Our capital expenditures in the first nine months of 2013 were \$10.4 million as compared to \$21.7 million in the first nine months of 2012. Our expenditures in 2013 and 2012 primarily include purchased software. Our expenditures in 2012 include a purchase of \$10.0 million for specific front office client management technology. During the third quarter 2013, we began construction of an additional building at our corporate headquarters. The total cost of the expansion is estimated to be at least \$10.6 million and is expected to be completed in the second quarter of 2014.
- *The sale of our subsidiary.* The sale of SEI AK was completed during the first three months of 2013. Prior to the transaction, cash and cash equivalents held in the accounts of SEI AK were not considered free and immediately available. As a result of the sale, the net cash proceeds received significantly increased our amount of cash considered free and immediately accessible for other general corporate purposes. The net effect of the cash received from the sale of SEI AK and the transfer of cash balances to the owners is reflected in Sale of subsidiary, net of cash transferred. Additional information pertaining to the sale is presented in Note 13 to the Consolidated Financial Statements.

Cash flows from financing activities increased \$19.1 million in the first nine months of 2013 compared to the first nine months of 2012. Net cash used in financing activities includes:

- *The repurchase of our common stock.* Our Board of Directors has authorized the repurchase of our common stock through multiple authorizations. Currently, there is no expiration date for our common stock repurchase program. We spent approximately \$144.1 million during the first nine months of 2013 and \$111.6 million during the first nine months of 2012 for the repurchase of our common stock.
- *Proceeds from the issuance of our common stock.* We received \$54.8 million in proceeds from the issuance of our common stock during the first nine months of 2013 as compared to \$30.6 million during the first nine months of 2012. The increase in proceeds is primarily attributable to a higher level of stock option exercises in 2013.
- *Dividend payments.* Cash dividends paid were \$34.4 million or \$0.20 per share in the first nine months of 2013 and \$52.6 million or \$.30 per share in the first nine months of 2012. The decrease in dividends paid in 2013 was due to the payment date of the December 2012 dividend occurring in the same calendar year as compared to the payment date of the dividend declared in December 2011 which occurred in January 2012.

We believe our operating cash flow, available borrowing capacity, and existing cash and cash equivalents should provide adequate funds for ongoing operations; continued investment in new products and equipment; our common stock repurchase program, expansion of our corporate campus and future dividend payments.

### **Off Balance Sheet Arrangement**

On October 1, 2012, we provided an unsecured guaranty of the obligations of LSV Employee Group III to The PrivateBank and Trust Company and certain other lenders. We entered into this agreement in order to facilitate the acquisition of certain partnership interests of LSV by LSV Employee Group III. Additional information pertaining to the agreement is presented in Note 2 to the Consolidated Financial Statements.

### **Forward-Looking Information and Risk Factors**

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements. Certain information contained in this discussion is or may be considered forward-looking. Forward-looking statements relate to future operations, strategies, financial results or other developments. Forward-looking statements are based upon estimates and assumptions that involve certain risks and uncertainties, many of which are beyond our control or are subject to change. Although we believe our assumptions are reasonable, they could be inaccurate. Our actual future revenues and income could differ materially from our expected results. We have no obligation to publicly update or revise any forward-looking statements.

Among the risks and uncertainties which may affect our future operations, strategies, financial results or other developments are those risks described in our latest Annual Report on Form 10-K in Part I, Item 1A. These risks include the following:

- changes in capital markets that may affect our revenues and earnings;
- product development risk;
- consolidation within our target markets, including consolidations between banks and other financial institutions;
- risk of failure by a third-party service provider;
- the performance of the funds we manage;
- the affect on our earnings from the performance of LSV Asset Management;
- the affect of extensive governmental regulation;
- litigation and regulatory examinations and investigations;
- systems and technology risks;
- data security risks;
- third party approval of our investment products with advisors affiliated with independent broker-dealers or other networks;
- operational risks associated with the processing of investment transactions;
- financial and non-financial covenants which may restrict our ability to manage liquidity needs;
- changes in, or interpretation of, accounting principles or tax rules and regulations;
- fluctuations in foreign currency exchange rates; and
- retention of senior management personnel.

SEI is a savings and loan holding company subject to supervision and regulation by the Federal Reserve. SEI is not subject to specific statutory capital requirements. However, SEI is required to maintain capital that is sufficient to support the holding company and its subsidiaries’ business activities, and the risks inherent in those activities. In July 2013, the Federal Reserve issued final rules establishing an integrated regulatory capital framework that addresses shortcomings in regulatory capital requirements that became apparent during the recent financial crisis. The application of the final rules pertaining to SEI is scheduled to occur in 2015. We are currently evaluating the impact on SEI from these rules; however, we do not anticipate the impact from the application of the rules to have a significant impact on the operations or business of SEI.

Our principal, regulated wholly-owned subsidiaries are SEI Investments Distribution Co., or SIDCO, SEI Investments Management Corporation, or SIMC, SEI Private Trust Company, or SPTC, SEI Trust Company, or STC, and SEI Investments (Europe) Limited, or SIEL. SIDCO is a broker-dealer registered with the SEC under the Securities and Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority, Inc. (FINRA). SIMC is an investment advisor registered with the SEC under the Investment Advisers Act of 1940. SPTC is a limited purpose federal thrift chartered and regulated by the Office of the Comptroller of the Currency. STC is a Pennsylvania trust company, regulated by the Pennsylvania Department of Banking. SIEL is an investment manager and financial institution subject to regulation by the Financial Conduct Authority of the United Kingdom. In addition, various SEI subsidiaries are subject to the jurisdiction of regulatory authorities in Canada, the Republic of Ireland and other foreign countries. The Company has a minority ownership interest in LSV, which is also an investment advisor registered with the SEC.

The Company, its regulated subsidiaries, their regulated services and solutions and their customers are all subject to extensive legislation, regulation and supervision that recently has been subject to, and continues to experience, significant change and increased regulatory activity. These changes and regulatory activities could have a material adverse affect on us and our clients.

The various governmental agencies and self-regulatory authorities that regulate or supervise the Company and various of its subsidiaries have broad administrative powers. In the event of a failure to comply with laws, regulations and requirements of these agencies and authorities, the possible sanctions that may be imposed include the suspension of individual employees, limitations on our ability to engage in business for specified periods of time, the revocation of applicable registration as a broker-dealer, investment advisor or other regulated entity, and, as the case may be, censures and fines. Additionally, certain securities and banking laws applicable to us and our subsidiaries provide for certain private rights of action that could give rise to civil litigation. Any litigation could have significant financial and non-financial consequences including monetary judgments and the requirement to take action or limit activities that could ultimately affect our business.

Governmental scrutiny from regulators, legislative bodies and law enforcement agencies with respect to matters relating to our regulated subsidiaries and their activities, services and solutions, our business practices, our past actions and other matters has increased dramatically in the past several years. Responding to these examinations, investigations, actions and lawsuits, regardless of the ultimate outcome of the proceeding, is time consuming and expensive and can divert the time and effort of our senior management from our business. Penalties and fines sought by regulatory authorities have increased substantially over the last several years, and certain regulators have been more likely in recent years to commence enforcement actions or to advance or support legislation targeted at the financial services industry. Governmental scrutiny and legal and enforcement proceedings can also have a negative impact on our reputation and on the morale and performance of our employees, which could adversely affect our businesses and results of operations.

We are subject to the USA PATRIOT Act of 2001, which contains anti-money laundering and financial transparency laws and requires implementation of regulations applicable to financial services companies, including standards for verifying client identification and monitoring client transactions and detecting and reporting suspicious activities. Anti-money laundering laws outside the United States contain similar requirements.

We offer investment and banking solutions that also are subject to regulation by the federal and state securities and banking authorities, as well as foreign regulatory authorities, where applicable. Existing or future regulations that affect these solutions could lead to a reduction in sales of these solutions or require modifications of these solutions.

Compliance with existing and future regulations and responding to and complying with recent increased regulatory activity affecting broker-dealers, investment advisors, investment companies, financial institutions and their service providers could have a significant impact on us. We periodically undergo regulatory examinations and respond to regulatory inquiries and document requests. In addition, recent legislative activity in the United States (including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and attendant rule making activities) and in other jurisdictions (including the European Union and the United Kingdom) have made and continue to make, extensive changes to the laws regulating financial services firms. As a result of these examinations, inquiries and requests, as a result of increased civil litigation activity, and as a result of these new laws and regulations, we engage legal counsel, review our compliance procedures, solution and service offerings, and business operations, and make changes as we deem necessary. These additional activities and required changes may result in increased expense or may reduce revenues.

Our bank clients are subject to supervision by federal and state banking authorities concerning the manner in which such clients purchase and receive our products and services. Our plan sponsor clients and our subsidiaries providing services to those clients are subject to supervision by the Department of Labor and compliance with employee benefit regulations. Investment advisor and broker-dealer clients are regulated by the SEC, state securities authorities, or FINRA. Existing or future regulations applicable to our clients may affect our clients' purchase of our products and services.

In addition, see the discussion of governmental regulations in Item 1A "Risk Factors" in our latest Annual Report on Form 10-K for a description of the risks that proposed regulatory changes may present for our business.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

None.

**Item 4. Controls and Procedures.**

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are effective in ensuring that information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. A controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls systems are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Change in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the quarter ended September 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

One of SEI's principal subsidiaries, SIDCO, has been named as a defendant in certain putative class action complaints (the Complaints) related to leveraged exchange traded funds (ETFs) advised by ProShares Advisors, LLC. The first complaint was filed on August 5, 2009 and the subsequent cases were all consolidated in the Southern District of New York. The Complaints are purportedly made on behalf of all persons that purchased or otherwise acquired shares in various ProShares leveraged ETFs pursuant or traceable to allegedly false and misleading registration statements, prospectuses and statements of additional information. The Complaints name as defendants ProShares Advisors, LLC; ProShares Trust; ProShares Trust II, SIDCO, and various officers and trustees to ProShares Advisors, LLC; ProShares Trust and ProShares Trust II. The Complaints allege that SIDCO was the distributor and principal underwriter for the various ProShares leveraged ETFs that were distributed to authorized participants and ultimately shareholders. The Complaints allege that the registration statements for the ProShares ETFs were materially false and misleading because they failed adequately to describe the nature and risks of the investments and claim that SIDCO is liable for these purportedly material misstatements and omissions under Section 11 of the Securities Act of 1933. On September 7, 2012, the District Court for the Southern District of New York issued an opinion dismissing with prejudice the plaintiffs' amended complaint. Plaintiffs filed with the Second Circuit Court of Appeals a notice of appeal of the District Court's decision and on July 22, 2013, the Second Circuit Court of Appeals issued an opinion affirming the decision of the District Court dismissing the amended complaint. While the outcome of this litigation is uncertain given its early phase, SEI believes that it has valid defenses to plaintiffs' claims and intends to defend the lawsuits vigorously.

SEI has been named in six lawsuits filed in Louisiana. Five lawsuits were filed in the 19th Judicial District Court for the Parish of East Baton Rouge, State of Louisiana. One of the five actions purports to set forth claims on behalf of a class and also names SPTC as a defendant and, as described below, was certified as a class in December 2012. Two of the other actions also name SPTC as a defendant. All five actions name various defendants in addition to SEI, and, in all five actions, the plaintiffs purport to bring a cause of action against SEI and SPTC under the Louisiana Securities Act. The class action originally included a claim against SEI and SPTC for an alleged violation of the Louisiana Unfair Trade Practices Act. Two of the other five actions include claims for violations of the Louisiana Racketeering Act and possibly conspiracy. In addition, another group of plaintiffs filed a lawsuit in the 23rd Judicial District Court for the Parish of Ascension, State of Louisiana, against SEI and SPTC and other defendants asserting claims of negligence, breach of contract, breach of fiduciary duty, violations of the uniform fiduciaries law, negligent misrepresentation, detrimental reliance, violations of the Louisiana Securities Act and Louisiana Racketeering Act and conspiracy. The underlying allegations in all the actions are purportedly related to the role of SPTC in providing back-office services to Stanford Trust Company. The petitions allege that SEI and SPTC aided and abetted or otherwise participated in the sale of "certificates of deposit" issued by Stanford International Bank.

Two of the five actions filed in East Baton Rouge were removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to United States District Court for the Northern District of Texas. On August 31, 2011, the United States District Court for the Northern District of Texas issued an order and judgment that the causes of action alleged against SEI in the two removed actions were preempted by federal law and the court dismissed these cases with prejudice. Plaintiffs appealed this ruling, and on March 19, 2012, a panel of the Court of Appeals for the Fifth Circuit reversed the decision of the United States District Court and remanded the actions for further proceedings. On July 18, 2012, SEI filed a petition for a writ of *certiorari* in the United States Supreme Court, seeking review of the decision by the United States Court of Appeals in the Fifth Circuit to permit the claims against SEI to proceed. SEI believes that the trial court correctly concluded that the claims against SEI were barred by the federal Securities Litigation Uniform Standards Act and is requesting that the Supreme Court reinstate that dismissal. On January 18, 2013, the Supreme Court granted the petition for a writ of *certiorari*. On October 7, 2013, the Supreme Court heard oral argument on the appeal.

The case filed in Ascension was also removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to the Northern District of Texas. The schedule for responding to that complaint has not yet been established. The plaintiffs in the remaining two cases in East Baton Rouge have granted SEI and SPTC an extension to respond to the filings. SEI and SPTC filed exceptions in the class action pending in East Baton Rouge, which the Court granted in part and dismissed the claims under the Louisiana Unfair Trade Practices Act and denied in part as to the other exceptions.

SEI and SPTC filed an answer to the East Baton Rouge class action, plaintiffs filed a motion for class certification; and SEI and SPTC also filed a motion for summary judgment against certain named plaintiffs which the Court stated will not be set for hearing until after the hearing on the class certification motion. The Court in the East Baton Rouge action held a hearing on class certification on September 20, 2012. By oral decision on December 5, 2012 and later entered in a judgment signed on December 17, 2012 that was subsequently amended, the Court in East Baton Rouge certified a class to be composed of persons who purchased any Stanford International Bank certificates of deposit (SIB CDs) in Louisiana between January 1, 2007 and

February 13, 2009; persons who renewed any SIB CD in Louisiana between January 1, 2007 and February 13, 2009; or any person for whom the Stanford Trust Company purchased SIB CDs in Louisiana between January 1, 2007 and February 13, 2009. On January 30, 2013, SEI and SPTC filed motions for appeal from the judgments that stated SEI's and SPTC's intention to move to stay the litigation. On February 1, 2013, plaintiffs filed a motion for Leave to File First Amended and Restated Class Action Petition in which they ask the Court to allow them to amend the petition in this case to add additional facts that were developed during discovery and adding claims against certain of SEI's insurance carriers. On February 5, 2013, the Court granted two of the motions for appeal and the motion for leave to amend. On February 15, 2013, SEI filed a motion for new trial, or, in the alternative, for reconsideration of the Court's order allowing amendment. On February 22, 2013, SEI filed a motion to stay proceedings in view of the pending Supreme Court case. On February 28, 2013, SEI responded to the First Amended and Restated Class Action Petition by filing an exception. On March 11, 2013, the insurance carrier defendants filed a notice of removal removing the case to the Middle District of Louisiana and on March 18, 2013, the insurance carrier defendants filed answers. On March 13, 2013, SEI notified the Judicial Panel on Multidistrict Litigation (MDL) of this case as a potential tag-along action. On March 19, 2013, plaintiffs filed a motion to remand, a motion for expedited briefing schedule, expedited status conference and expedited consideration of their motion to remand, a motion for leave to file under seal and a motion for order pursuant to 28 U.S.C. 1447(b) requiring removing defendants to supplement federal court record with certified copy of state court record. These motions are now fully briefed. On March 25, 2013, SEI filed a motion that the court decline to adopt the state court's order regarding class certification, which the court dismissed without prejudice to renew upon a determination of removal jurisdiction in an April 12, 2013 order that also dismissed without prejudice a motion to dismiss for lack of jurisdiction and improper venue filed on April 9, 2013 by one of the insurers. On April 1, 2013, the Louisiana Office of Financial Institutions (OFI) filed a motion to remand and sever claims, and a response to that motion by the insurers and opposition to that motion by the plaintiffs were filed on April 22, 2013. Along with the briefing in the Middle District of Louisiana, on March 13, 2013, SEI notified the Judicial Panel on Multidistrict Litigation (MDL) of this case as a potential tag-along action. On March 19, 2013, plaintiffs notified the MDL that they had filed a motion to remand and asked the panel to decline to issue a conditional transfer order. On March 29, 2013, the MDL issued a conditional transfer order (CTO). On April 18, 2013, OFI filed a motion to vacate the CTO or, in the alternative, stay any ruling to transfer the matter until after the Middle District of Louisiana ruled on OFI's motion to remand and sever. Plaintiffs filed a motion to vacate the CTO on April 19, 2013. SEI's responses to those motions were filed on May 9, 2013. On June 12, 2013, the MDL Panel issued an order notifying the parties that on July 25, 2013, it would consider, without oral argument, Plaintiffs' and OFI's motions to vacate the CTO. On August 7, 2013, the MDL Panel affirmed the CTO and transferred the matter against SEI to the US District Court for the Northern District of Texas; the MDL Panel also severed the claims against OFI and remanded those claims to the Middle District of Louisiana. On September 11, 2013, defendants filed a motion requesting a status conference with the Court to address the status of all pending motions. On October 4, 2013, Plaintiffs filed a petition for a writ of mandamus asking the United States Court of Appeals for the Fifth Circuit to review the MDL Panel's transfer Order.

While the outcome of this litigation is uncertain given its early phase, SEI and SPTC believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuits vigorously. Because of the uncertainty of the make-up of the classes, the outcome of the proceeding in the United States Supreme Court, the specific theories of liability that may survive a motion for summary judgment or other dispositive motion, the lack of discovery regarding damages, causation, mitigation and other aspects that may ultimately bear upon loss, the Company is not reasonably able to provide an estimate of loss, if any, with respect to the foregoing lawsuits.

#### **Item 1A. Risk Factors.**

Information regarding risk factors appears in Part I – Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2012. There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for 2012.



**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

(e) Our Board of Directors has authorized the repurchase of up to \$2.178 billion worth of our common stock through multiple authorizations. Currently, there is no expiration date for our common stock repurchase program.

Information regarding the repurchase of common stock during the three months ended September 30, 2013 is as follows:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Program</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program</u>
July 1 – 31, 2013	225,000	\$ 31.68	225,000	\$ 97,234,000
August 1 – 31, 2013	1,000,000	31.41	1,000,000	65,819,000
September 1 – 30, 2013	661,400	30.35	661,400	45,744,000
Total	<u>1,886,400</u>	31.07	<u>1,886,400</u>	

**Item 6. Exhibits.**

The following is a list of exhibits filed as part of the Form 10-Q.

- 31.1 Rule 13a-15(e)/15d-15(e) Certification of Chief Executive Officer.
- 31.2 Rule 13a-15(e)/15d-15(e) Certification of Chief Financial Officer.
- 32 Section 1350 Certifications.
- 99.1 Press release dated October 24, 2013 of SEI Investments Company related to the Company's financial and operating results for the third quarter ended September 30, 2013.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEI INVESTMENTS COMPANY

Date: October 24, 2013

By: /s/ Dennis J. McGonigle

Dennis J. McGonigle  
Chief Financial Officer

**CERTIFICATIONS**

I, Alfred P. West, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of SEI Investments Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: October 24, 2013

/s/ Alfred P. West, Jr.

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Alfred P. West, Jr.

Chairman and Chief Executive Officer

## CERTIFICATIONS

I, Dennis J. McGonigle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SEI Investments Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: October 24, 2013

/s/ Dennis J. McGonigle

Dennis J. McGonigle  
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Alfred P. West, Jr., Chairman and Chief Executive Officer, and I, Dennis J. McGonigle, Chief Financial Officer, of SEI Investments Company, a Pennsylvania corporation (the "Company"), hereby certify that, to my knowledge:

- (1) The Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013 (the "Form 10-Q") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 24, 2013

Date: October 24, 2013

/s/ Alfred P. West, Jr.  
Alfred P. West, Jr.  
Chairman and Chief Executive Officer

/s/ Dennis J. McGonigle  
Dennis J. McGonigle  
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.



Press Release

**SEI** New ways.  
New answers.®

**Investor Contact:**

Nicole Vattimo  
SEI SEI  
+1 610-676-4385  
[nvattimo@seic.com](mailto:nvattimo@seic.com)  
Pages: 9

**Media Contact:**

Dana Grosser  
+1 610-676-2459  
[dgrosser@seic.com](mailto:dgrosser@seic.com)

**FOR IMMEDIATE RELEASE**

## SEI REPORTS THIRD-QUARTER 2013 FINANCIAL RESULTS

**OAKS, Pa., October 24, 2013** -- SEI Investments Company (NASDAQ:SEIC) today announced financial results for third-quarter 2013. Diluted earnings per share were \$.38 in third-quarter 2013 compared to \$.29 in third-quarter 2012.

**Consolidated Overview**

(In thousands, except earnings per share)

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	<u>2013</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>2012</u>	<u>%</u>
Revenues	\$ 280,655	\$ 251,752	11%	\$ 827,108	\$ 730,887	13%
Net Income attributable to SEI	67,195	50,743	32%	222,609	150,263	48%
Diluted Earnings Per Share	\$0.38	\$0.29	31%	\$1.26	\$0.85	48%

"During the third quarter of 2013, the Company continued its positive progress across all of our business units. Our growth in revenues and profits reflect the impact of new client activity, growth of existing clients, and positive asset flows," said Alfred P. West, Jr., SEI Chairman and CEO.

"We continue to be encouraged by the market acceptance of our solutions. We are engaged in rapidly-changing markets requiring continued investment in our product and service offering. This enables us to enhance our competitive strength, accelerate our growth, and enhance long-term shareholder value."

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## Summary of Third-Quarter Results by Business Segment

(In thousands)	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	<u>2013</u>	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>2012</u>	<u>%</u>
<b>Private Banks:</b>						
Revenues	\$97,370	\$92,076	6%	\$291,258	\$268,367	9 %
Expenses	95,579	91,209	5%	289,632	263,612	10 %
Operating Profit	<u>1,791</u>	<u>867</u>	107%	<u>1,626</u>	<u>4,755</u>	(66)%
Gain on sale of subsidiary	—	—	N/M	22,112	—	N/M
Total Profit	<u>\$1,791</u>	<u>\$867</u>	107%	<u>\$23,738</u>	<u>\$4,755</u>	N/M
Operating Margin (A)	2%	1%		1%	2%	
<b>Investment Advisors:</b>						
Revenues	61,393	51,384	19%	175,868	150,227	17 %
Expenses	<u>33,768</u>	<u>30,114</u>	12%	<u>98,291</u>	<u>88,440</u>	11 %
Operating Profit	<u>27,625</u>	<u>21,270</u>	30%	<u>77,577</u>	<u>61,787</u>	26 %
Operating Margin	45%	41%		44%	41%	
<b>Institutional Investors:</b>						
Revenues	63,539	58,081	9%	190,385	167,293	14 %
Expenses	<u>33,058</u>	<u>29,654</u>	11%	<u>97,595</u>	<u>86,494</u>	13 %
Operating Profit	<u>30,481</u>	<u>28,427</u>	7%	<u>92,790</u>	<u>80,799</u>	15 %
Operating Margin	48%	49%		49%	48%	
<b>Investment Managers:</b>						
Revenues	57,266	49,311	16%	166,542	142,235	17 %
Expenses	<u>37,763</u>	<u>32,122</u>	18%	<u>109,432</u>	<u>92,711</u>	18 %
Operating Profit	<u>19,503</u>	<u>17,189</u>	13%	<u>57,110</u>	<u>49,524</u>	15 %
Operating Margin	34%	35%		34%	35%	
<b>Investments in New Businesses:</b>						
Revenues	1,087	900	21%	3,055	2,765	10 %
Expenses	<u>4,146</u>	<u>3,698</u>	12%	<u>11,774</u>	<u>11,080</u>	6 %
Operating Loss	<u>(3,059)</u>	<u>(2,798)</u>	N/M	<u>(8,719)</u>	<u>(8,315)</u>	N/M
<b>Totals:</b>						
Revenues	\$ 280,655	\$ 251,752	11%	\$ 827,108	\$ 730,887	13 %
Expenses	204,314	186,797	9%	606,724	542,337	12 %
Corporate overhead expenses	14,402	11,668	23%	40,719	33,830	20 %
NCI reflected in segments	—	(203)	N/M	(289)	(657)	N/M
Income from operations	<u>\$ 61,939</u>	<u>\$ 53,490</u>	16%	<u>\$ 179,954</u>	<u>\$ 155,377</u>	16 %

(A) Percentage determined exclusive of gain on sale of subsidiary.

### Third-Quarter Business Commentary:

- Revenues increased in third-quarter 2013 as compared to both third-quarter 2012 and second-quarter 2013. Revenue growth was primarily driven by higher Asset management, administration, and distribution fees from improved cash flows from new and existing clients and market appreciation.
- Our average assets under management, excluding LSV, increased \$11.3 billion, or nine percent, to \$143.9 billion in the third-quarter 2013, as compared to \$132.6 billion during the third-quarter 2012, and increased \$3.0 billion, or two percent, as compared to \$140.9 billion during the second-quarter 2013. Average asset balances for the third-quarter 2012 include \$6.5 billion in assets related to SEI Asset Korea, which was sold in first-quarter 2013 (see attached Ending and Average Asset Balances schedules for further details).
- Sales events, net of client losses, during third-quarter 2013 totaled approximately \$20.7 million and are expected to generate net annualized recurring revenues of approximately \$18.3 million when contract values are fully realized.
- Income from LSV increased in third-quarter 2013 to \$31.3 million as compared to \$24.9 million in third-quarter 2012 due to an increase in assets under management. Our ownership interest in LSV was approximately 39.3 percent in third-quarter 2013 and 39.8 percent in third-quarter 2012.
- Stock-based compensation expense in third-quarter 2013 increased by \$7.2 million as compared to third-quarter 2012. This incremental expense reflects a change in our estimate of the timing of when stock option vesting targets will be achieved. The Private Banks segment recognized \$2.1 million of this incremental expense. The Investment Advisors, Institutional Investors, and Investment Managers segments each recognized approximately \$1.3 million in expense.
- Corporate overhead costs increased in third-quarter 2013 as compared to third-quarter 2012 due to \$1.2 million in increased stock-based compensation, increased personnel costs, and higher costs related to regulatory and compliance matters.
- The effective tax rates were 28.5 percent in third-quarter 2013, 39.0 percent in third-quarter 2012, and 35.5 percent in second-quarter 2013. The third-quarter 2013 tax rate was benefited by Pennsylvania Tax Law changes enacted during the third-quarter 2013. These changes resulted in a reduction of the deferred tax liability that has been built up over numerous years. The third-quarter 2012 tax rate reflected the accrual of taxes on the cumulative undistributed earnings of SEI Asset Korea.
- In third-quarter 2013, we repurchased 1.9 million shares of our common stock for \$58.6 million.



## **Earnings Conference Call**

A conference call to review earnings is scheduled for 2:00 p.m. ET on October 24, 2013. Investors may listen to the call at [www.seic.com/investors](http://www.seic.com/investors). The call may also be accessed at the financial services sections of numerous web sites, including Google Finance and Yahoo Finance. Investors may also listen to replays at these web sites, or by telephone at (USA) 1-800-475-6701; (International) 320-365-3844, access code 306035.

## **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, 2013, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers \$529 billion in mutual fund and pooled or separately managed assets, including \$219 billion in assets under management and \$310 billion in client assets under administration. For more information, visit [www.seic.com](http://www.seic.com).

Many of the statements in this release may be considered "forward looking statements" and include discussions about future operations, strategies and financial results. Forward-looking statements are based upon estimates and assumptions that involve risks and uncertainties, many of which are beyond our control or are subject to change. Although we believe our assumptions are reasonable, they could be inaccurate. Our actual future revenues and income could differ materially from our expected results. We have no obligation to publicly update or revise any forward-looking statements.

**SEI INVESTMENTS COMPANY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)  
(Unaudited)

**For the Three Months Ended September 30,**

**2013**

**2012**

Asset management, admin. and distribution fees	\$208,780	\$183,083
Information processing and software servicing fees	64,606	60,901
Transaction-based and trade execution fees	7,269	7,768
	<hr/>	<hr/>
Total revenues	280,655	251,752
Subadvisory, distribution and other asset mgmt costs	31,209	26,022
Software royalties and other information processing costs	7,541	6,701
Brokerage commissions	5,519	5,542
Compensation, benefits and other personnel	89,311	85,781
Stock-based compensation	11,097	3,879
Consulting, outsourcing and professional fees	33,367	27,314
Data processing and computer related	12,654	11,749
Facilities, supplies and other costs	13,573	15,129
Amortization	8,829	10,384
Depreciation	5,616	5,761
	<hr/>	<hr/>
Total expenses	218,716	198,262
Income from operations	61,939	53,490
Net gain on investments	535	3,708
Interest and dividend income	679	1,490
Interest expense	(195)	(115)
Equity in earnings of unconsolidated affiliates	31,028	24,928
	<hr/>	<hr/>
Net income before income taxes	93,986	83,501
Income taxes	26,791	32,415
	<hr/>	<hr/>
Net income	67,195	51,086
	<hr/>	<hr/>
Less: Net income attributable to the noncontrolling interest	—	(343)
	<hr/>	<hr/>
Net income attributable to SEI	\$67,195	\$50,743
	<hr/>	<hr/>
Diluted earnings per common share	\$0.38	\$0.29
	<hr/>	<hr/>
Shares used to calculate diluted earnings per share	176,043	175,369
	<hr/>	<hr/>
Basic earnings per common share	\$0.39	\$0.29
	<hr/>	<hr/>
Shares used to calculate basic earnings per share	171,308	173,429
	<hr/>	<hr/>

**SEI INVESTMENTS COMPANY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)  
(Unaudited)

**For the Nine Months Ended September 30,**

**2013**

**2012**

Asset management, admin. and distribution fees	\$611,135	\$532,650
Information processing and software servicing fees	191,606	174,355
Transaction-based and trade execution fees	24,367	23,882
	<hr/>	<hr/>
Total revenues	827,108	730,887
Subadvisory, distribution and other asset mgmt costs	88,795	79,442
Software royalties and other information processing costs	22,912	19,337
Brokerage commissions	18,291	17,483
Compensation, benefits and other personnel	264,636	244,855
Stock-based compensation	26,997	11,777
Consulting, outsourcing and professional fees	98,667	80,598
Data processing and computer related	37,028	34,873
Facilities, supplies and other costs	47,280	44,909
Amortization	25,498	25,413
Depreciation	17,050	16,823
	<hr/>	<hr/>
Total expenses	647,154	575,510
Income from operations	179,954	155,377
Net gain on investments	638	7,577
Interest and dividend income	2,420	4,417
Interest expense	(422)	(389)
Equity in earnings of unconsolidated affiliates	86,204	74,970
Gain on sale of subsidiary	22,112	—
Other income	43,429	—
	<hr/>	<hr/>
Net income before income taxes	334,335	241,952
Income taxes	111,376	90,892
	<hr/>	<hr/>
Net income	222,959	151,060
	<hr/>	<hr/>
Less: Net income attributable to the noncontrolling interest	(350)	(797)
	<hr/>	<hr/>
Net income attributable to SEI	\$222,609	\$150,263
	<hr/>	<hr/>
Diluted earnings per common share	\$1.26	\$0.85
	<hr/>	<hr/>
Shares used to calculate diluted earnings per share	176,036	176,317
	<hr/>	<hr/>
Basic earnings per common share	\$1.29	\$0.86
	<hr/>	<hr/>
Shares used to calculate basic earnings per share	172,043	174,869
	<hr/>	<hr/>

**SEI INVESTMENTS COMPANY**  
**CONDENSED BALANCE SHEETS**  
(In thousands)  
(Unaudited)

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
<b>Assets</b>		
Cash and cash equivalents	\$527,214	\$452,247
Restricted cash	5,500	6,000
Receivables, net	225,961	202,818
Securities owned	20,728	20,088
Other current assets	<u>20,629</u>	<u>20,251</u>
Total current assets	800,032	701,404
Property and equipment, net	118,494	127,581
Investments available for sale	86,186	75,869
Trading securities	4,841	5,909
Capitalized software, net	313,206	307,490
Investment in unconsolidated affiliates	57,429	77,398
Other assets, net	<u>11,511</u>	<u>14,173</u>
Total assets	<u>\$1,391,699</u>	<u>\$1,309,824</u>
<b>Liabilities</b>		
Current liabilities	\$145,278	\$152,005
Deferred income taxes	71,151	93,458
Other Long-term liabilities	8,703	7,032
Total SEI Investments Company shareholders' equity	1,166,567	1,038,180
Noncontrolling interest	<u>—</u>	<u>19,149</u>
<b>Total Equity</b>	<u>1,166,567</u>	<u>1,057,329</u>
Total liabilities and equity	<u>\$1,391,699</u>	<u>\$1,309,824</u>

**SEI INVESTMENTS COMPANY**  
**ENDING ASSET BALANCES**  
(In millions)  
(Unaudited)

	Sept. 30, 2012	Dec. 31, 2012	Mar. 31, 2013	Jun. 30, 2013	Sept. 30, 2013
<b>Private Banks:</b>					
Equity/Fixed Income programs	\$17,960	\$18,862	\$12,446	\$12,876	\$14,305
Collective Trust Fund programs	147	11	9	10	11
Liquidity funds	5,342	6,008	5,143	5,048	5,167
Total assets under management	<u>\$23,449</u>	<u>\$24,881</u>	<u>\$17,598</u>	<u>\$17,934</u>	<u>\$19,483</u>
Client assets under administration	11,611	12,178	12,970	13,122	14,101
Total assets	<u>\$35,060</u>	<u>\$37,059</u>	<u>\$30,568</u>	<u>\$31,056</u>	<u>\$33,584</u>
<b>Investment Advisors:</b>					
Equity/Fixed Income programs	\$30,864	\$31,220	\$34,166	\$34,447	\$36,203
Collective Trust Fund programs	370	14	15	14	14
Liquidity funds	1,868	2,514	2,094	2,145	2,779
Total assets under management	<u>\$33,102</u>	<u>\$33,748</u>	<u>\$36,275</u>	<u>\$36,606</u>	<u>\$38,996</u>
<b>Institutional Investors:</b>					
Equity/Fixed Income programs	\$59,852	\$62,160	\$64,214	\$61,927	\$64,429
Collective Trust Fund programs	153	102	101	106	107
Liquidity funds	3,272	2,454	2,810	2,901	3,125
Total assets under management	<u>\$63,277</u>	<u>\$64,716</u>	<u>\$67,125</u>	<u>\$64,934</u>	<u>\$67,661</u>
<b>Investment Managers:</b>					
Equity/Fixed Income programs	\$65	\$67	\$73	\$75	\$75
Collective Trust Fund programs	15,433	16,197	17,656	18,197	19,868
Liquidity funds	396	408	522	542	678
Total assets under management	<u>\$15,894</u>	<u>\$16,672</u>	<u>\$18,251</u>	<u>\$18,814</u>	<u>\$20,621</u>
Client assets under administration (A)	240,965	244,671	275,632	289,807	295,959
Total assets	<u>\$256,859</u>	<u>\$261,343</u>	<u>\$293,883</u>	<u>\$308,621</u>	<u>\$316,580</u>
<b>Investments in New Businesses:</b>					
Equity/Fixed Income programs	\$534	\$513	\$552	\$572	\$594
Liquidity funds	29	43	42	29	26
Total assets under management	<u>\$563</u>	<u>\$556</u>	<u>\$594</u>	<u>\$601</u>	<u>\$620</u>
<b>LSV Asset Management:</b>					
Equity/Fixed Income programs	\$58,886	\$60,947	\$64,958	\$65,417	\$71,149
<b>Total:</b>					
Equity/Fixed Income programs (B) (D)	\$168,161	\$173,769	\$176,409	\$175,314	\$186,755
Collective Trust Fund programs	16,103	16,324	17,781	18,327	20,000
Liquidity funds	10,907	11,427	10,611	10,665	11,775
Total assets under management	<u>\$195,171</u>	<u>\$201,520</u>	<u>\$204,801</u>	<u>\$204,306</u>	<u>\$218,530</u>
Client assets under administration (C)	252,576	256,849	288,602	302,929	310,060
Total assets	<u>\$447,747</u>	<u>\$458,369</u>	<u>\$493,403</u>	<u>\$507,235</u>	<u>\$528,590</u>

(A) Client assets under administration in the Investment Managers segment include \$56.2 billion of assets balances that require limited services and therefore are at fee levels below our normal full service assets (as of Sept. 30, 2013).

(B) Equity/Fixed Income programs include \$3.9 billion of assets invested in various asset allocation funds at Sept. 30, 2013.

(C) In addition to the numbers presented, SEI also administers an additional \$5.6 billion in Funds of Funds assets (as of Sept. 30, 2013) on which SEI does not earn an administration fee.

(D) Equity/Fixed Income programs in the Private Banks segment for 2012 included assets related to SEI Asset Korea, which was sold in first-quarter 2013. Assets for SEI Asset Korea at Sept. 30, 2012 and Dec. 31, 2012 were \$6.6 billion and \$7.0 billion, respectively.

**SEI INVESTMENTS COMPANY  
AVERAGE ASSET BALANCES  
(In millions)  
(Unaudited)**

	3rd Qtr. 2012	4th Qtr. 2012	1st Qtr. 2013	2nd Qtr. 2013	3rd Qtr. 2013
<b>Private Banks:</b>					
Equity/Fixed Income programs	\$17,527	\$18,301	\$19,197	\$12,959	\$13,696
Collective Trust Fund programs	230	66	11	10	11
Liquidity funds	5,401	5,229	5,556	5,093	5,142
Total assets under management	<u>\$23,158</u>	<u>\$23,596</u>	<u>\$24,764</u>	<u>\$18,062</u>	<u>\$18,849</u>
Client assets under administration	10,867	11,783	12,860	13,183	13,760
Total assets	<u>\$34,025</u>	<u>\$35,379</u>	<u>\$37,624</u>	<u>\$31,245</u>	<u>\$32,609</u>
<b>Investment Advisors:</b>					
Equity/Fixed Income programs	\$30,032	\$30,881	\$33,189	\$34,831	\$35,618
Collective Trust Fund programs	532	158	14	14	14
Liquidity funds	1,886	2,176	2,085	2,028	2,520
Total assets under management	<u>\$32,450</u>	<u>\$33,215</u>	<u>\$35,288</u>	<u>\$36,873</u>	<u>\$38,152</u>
<b>Institutional Investors:</b>					
Equity/Fixed Income programs	\$57,763	\$61,304	\$63,642	\$63,466	\$63,153
Collective Trust Fund programs	284	120	101	105	107
Liquidity funds	3,253	3,493	2,960	2,975	3,091
Total assets under management	<u>\$61,300</u>	<u>\$64,917</u>	<u>\$66,703</u>	<u>\$66,546</u>	<u>\$66,351</u>
<b>Investment Managers:</b>					
Equity/Fixed Income programs	\$62	\$68	\$68	\$75	\$76
Collective Trust Fund programs	14,797	15,719	17,129	18,205	19,259
Liquidity funds	287	395	511	500	613
Total assets under management	<u>\$15,146</u>	<u>\$16,182</u>	<u>\$17,708</u>	<u>\$18,780</u>	<u>\$19,948</u>
Client assets under administration	237,155	240,520	263,054	286,018	292,627
Total assets	<u>\$252,301</u>	<u>\$256,702</u>	<u>\$280,762</u>	<u>\$304,798</u>	<u>\$312,575</u>
<b>Investments in New Businesses:</b>					
Equity/Fixed Income programs	\$530	\$518	\$542	\$567	\$584
Liquidity funds	35	33	38	34	27
Total assets under management	<u>\$565</u>	<u>\$551</u>	<u>\$580</u>	<u>\$601</u>	<u>\$611</u>
<b>LSV Asset Management:</b>					
Equity/Fixed Income programs	\$57,164	\$59,383	\$63,997	\$66,781	\$69,463
<b>Total:</b>					
Equity/Fixed Income programs (A)	\$163,078	\$170,455	\$180,635	\$178,679	\$182,590
Collective Trust Fund programs	15,843	16,063	17,255	18,334	19,391
Liquidity funds	10,862	11,326	11,150	10,630	11,393
Total assets under management	<u>\$189,783</u>	<u>\$197,844</u>	<u>\$209,040</u>	<u>\$207,643</u>	<u>\$213,374</u>
Client assets under administration	248,022	252,303	275,914	299,201	306,387
Total assets	<u>\$437,805</u>	<u>\$450,147</u>	<u>\$484,954</u>	<u>\$506,844</u>	<u>\$519,761</u>

(A) Equity/Fixed Income programs in the Private Banks segment for 2012 and first-quarter 2013 included average assets related to SEI Asset Korea, which was sold in first-quarter 2013. Average assets for SEI Asset Korea for the third and fourth quarters of 2012 were \$6.5 billion and \$6.8 billion, respectively, and \$7.0 billion for the first-quarter 2013.

