

SEI INVESTMENTS CO
Form 10-Q
April 22, 2015

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

FORM 10-Q

(Mark One)*

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended March 31, 2015

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)

SEI INVESTMENTS COMPANY
(Exact name of registrant as specified in its charter)

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

23-1707341
(IRS Employer
Identification Number)

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 ☒ Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

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 April 17, 2015 was 166,140,996.

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, except par value)

| | March 31, 2015 | December 31, 2014 |
|---|----------------|-------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$643,260 | \$667,446 |
| Restricted cash | 5,805 | 5,801 |
| Receivables from regulated investment companies | 47,006 | 48,393 |
| Receivables, net of allowance for doubtful accounts of \$667 and \$784 | 200,673 | 194,419 |
| Securities owned | 21,192 | 21,175 |
| Other current assets | 25,028 | 18,193 |
| Total Current Assets | 942,964 | 955,427 |
| Property and Equipment, net of accumulated depreciation of \$246,881 and \$241,295 | 125,855 | 125,535 |
| Capitalized Software, net of accumulated amortization of \$228,815 and \$218,514 | 306,728 | 309,040 |
| Investments Available for Sale | 74,222 | 77,609 |
| Investments in Affiliated Funds, at fair value | 4,454 | 4,523 |
| Investment in Unconsolidated Affiliates | 51,320 | 54,290 |
| Other Assets, net | 16,442 | 16,451 |
| Total Assets | \$1,521,985 | \$1,542,875 |
| Liabilities and Equity | | |
| Current Liabilities: | | |
| Accounts payable | \$6,050 | \$10,588 |
| Accrued liabilities | 152,227 | 207,429 |
| Deferred income taxes, net | 1,298 | 1,414 |
| Deferred revenue | 3,618 | 1,749 |
| Total Current Liabilities | 163,193 | 221,180 |
| Deferred Income Taxes | 63,742 | 63,755 |
| Other Long-term Liabilities | 10,791 | 10,327 |
| Total Liabilities | 237,726 | 295,262 |
| Commitments and Contingencies | | |
| Shareholders' Equity: | | |
| Common stock, \$.01 par value, 750,000 shares authorized; 166,071 and 166,688 shares issued and outstanding | 1,661 | 1,667 |
| Capital in excess of par value | 854,995 | 834,615 |
| Retained earnings | 445,368 | 420,226 |
| Accumulated other comprehensive loss, net | (17,765) | (8,895) |
| Total Shareholders' Equity | 1,284,259 | 1,247,613 |
| Total Liabilities and Shareholders' Equity | \$1,521,985 | \$1,542,875 |

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 March 31, | |
|---|---------------------------------|-----------|
| | 2015 | 2014 |
| Revenues: | | |
| Asset management, administration and distribution fees | \$246,768 | \$225,071 |
| Information processing and software servicing fees | 70,653 | 69,178 |
| Transaction-based and trade execution fees | 8,023 | 8,137 |
| Total revenues | 325,444 | 302,386 |
| Expenses: | | |
| Subadvisory, distribution and other asset management costs | 38,517 | 34,012 |
| Software royalties and other information processing costs | 7,509 | 8,553 |
| Brokerage commissions | 5,972 | 5,979 |
| Compensation, benefits and other personnel | 94,186 | 94,424 |
| Stock-based compensation | 3,750 | 2,823 |
| Consulting, outsourcing and professional fees | 35,628 | 34,933 |
| Data processing and computer related | 13,400 | 12,620 |
| Facilities, supplies and other costs | 17,059 | 15,852 |
| Amortization | 10,358 | 9,214 |
| Depreciation | 5,995 | 5,584 |
| Total expenses | 232,374 | 223,994 |
| Income from operations | 93,070 | 78,392 |
| Net gain from investments | 250 | 136 |
| Interest and dividend income | 969 | 777 |
| Interest expense | (113) | (113) |
| Equity in earnings of unconsolidated affiliates | 34,033 | 31,891 |
| Gain on sale of subsidiary | 2,791 | 5,582 |
| Income before income taxes | 131,000 | 116,665 |
| Income taxes | 46,389 | 41,845 |
| Net income | 84,611 | 74,820 |
| Basic earnings per common share | \$0.51 | \$0.44 |
| Shares used to compute basic earnings per share | 166,695 | 169,306 |
| Diluted earnings per common share | \$0.50 | \$0.43 |
| Shares used to compute diluted earnings per share | 170,703 | 173,828 |
| 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 March 31, | |
|--|------------------------------|-----------|
| | 2015 | 2014 |
| Net income | \$84,611 | \$74,820 |
| Other comprehensive loss, net of tax: | | |
| Foreign currency translation adjustments | (8,783) | (1,966) |
| Unrealized (loss) gain on investments: | | |
| Unrealized gains during the period, net of income taxes of \$(25) and \$(295) 7 | | 538 |
| Less: reclassification adjustment for gains realized in net income, net of income taxes of \$52 and \$25 | (94) (87) | (45) 493 |
| Total other comprehensive loss, net of tax | (8,870) | (1,473) |
| Comprehensive income | \$75,741 | \$73,347 |

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

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

| | Three Months Ended March 31, | |
|---|---------------------------------|-----------|
| | 2015 | 2014 |
| Cash flows from operating activities: | | |
| Net income | \$84,611 | \$74,820 |
| Adjustments to reconcile net income to net cash provided by operating activities (See Note 1) | (6,681) | (29,328) |
| Net cash provided by operating activities | 77,930 | 45,492 |
| Cash flows from investing activities: | | |
| Additions to restricted cash | (4) | — |
| Additions to property and equipment | (7,386) | (7,627) |
| Additions to capitalized software | (7,989) | (9,408) |
| Purchases of marketable securities | (4,107) | (6,645) |
| Prepayments and maturities of marketable securities | 7,375 | 9,077 |
| Receipt of contingent payment from sale of SEI AK | 2,791 | — |
| Purchases of other investments | (1,000) | — |
| Net cash used in investing activities | (10,320) | (14,603) |
| Cash flows from financing activities: | | |
| Purchase and retirement of common stock | (67,534) | (65,948) |
| Proceeds from issuance of common stock | 19,209 | 35,793 |
| Tax benefit on stock options exercised | 3,268 | 5,409 |
| Payment of dividends | (40,178) | (37,314) |
| Net cash used in financing activities | (85,235) | (62,060) |
| Effect of exchange rate changes on cash and cash equivalents | (6,561) | (1,550) |
| Net decrease in cash and cash equivalents | (24,186) | (32,721) |
| Cash and cash equivalents, beginning of period | 667,446 | 578,273 |
| Cash and cash equivalents, end of period | \$643,260 | \$545,552 |
| The accompanying notes are an integral part of these consolidated financial statements. | | |

Notes to Consolidated Financial Statements

(all figures are in thousands except share and 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 financial institutions, financial advisors, institutional investors, investment managers and ultra-high-net-worth families in the United States, Canada, the United Kingdom, continental Europe and various other 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 which are recognized in Transaction-based and trade execution fees.

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.

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 have 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 March 31, 2015, the results of operations for the three months ended March 31, 2015 and 2014, and cash flows for the three month periods ended March 31, 2015 and 2014. 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, 2014.

There have been no significant changes in significant accounting policies during the three months ended March 31, 2015 as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Cash and Cash Equivalents

Cash and cash equivalents includes \$419,278 and \$435,268 at March 31, 2015 and December 31, 2014, 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 March 31, 2015 and December 31, 2014 segregated for regulatory purposes related to trade-execution services conducted by SEI Investments (Europe) Limited. Restricted cash also includes \$500 at March 31, 2015 and December 31, 2014, 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's software development costs primarily relate to the continued development of the SEI Wealth PlatformSM (the Platform). The Company capitalized \$7,330 and \$9,408 of software development costs for significant enhancements to the Platform during the three months ended March 31, 2015 and 2014, respectively. As of March 31, 2015, the net book value of the Platform was \$298,739. The Platform has an estimated useful life of 15 years and a weighted average remaining life of 7.3

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years. Amortization expense for the Platform was \$10,301 and \$9,110 during the three months ended March 31, 2015 and 2014, respectively.

Earnings per Share

The calculations of basic and diluted earnings per share for the three months ended March 31, 2015 and 2014 are:

| | For the Three Months Ended March 31, 2015 | | |
|-----------------------------------|---|-------------------------|---------------------|
| | Income (Numerator) | Shares (Denominator) | Per Share Amount |
| Basic earnings per common share | \$84,611 | 166,695,000 | \$0.51 |
| Dilutive effect of stock options | — | 4,008,000 | |
| Diluted earnings per common share | \$84,611 | 170,703,000 | \$0.50 |

| | For the Three Months Ended March 31, 2014 | | |
|-----------------------------------|---|-------------------------|---------------------|
| | Income (Numerator) | Shares (Denominator) | Per Share Amount |
| Basic earnings per common share | \$74,820 | 169,306,000 | \$0.44 |
| Dilutive effect of stock options | — | 4,522,000 | |
| Diluted earnings per common share | \$74,820 | 173,828,000 | \$0.43 |

Employee stock options to purchase 10,051,000 and 4,389,000 shares of common stock, with an average exercise price of \$30.02 and \$32.40, were outstanding during the three months ended March 31, 2015 and 2014, respectively, but not included in the computation of diluted earnings per common share because the option's exercise price was greater than the average market price of the Company's common stock or the performance conditions have not been satisfied or would have been satisfied if the reporting date was the end of the contingency period and 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 three months ended March 31:

| | 2015 | 2014 |
|---|----------|----------|
| Net income | \$84,611 | \$74,820 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 5,995 | 5,584 |
| Amortization | 10,358 | 9,214 |
| Equity in earnings of unconsolidated affiliates | (34,033) | (31,891) |
| Distributions received from unconsolidated affiliate | 37,003 | 31,505 |
| Stock-based compensation | 3,750 | 2,823 |
| Provision for losses on receivables | (117) | (25) |
| Deferred income tax expense | (102) | 4,686 |
| Gain from sale of SEI AK | (2,791) | (5,582) |
| Net gain from investments | (250) | (136) |
| Change in other long-term liabilities | 464 | 705 |
| Change in other assets | 100 | (3,273) |
| Other | (1,628) | (351) |
| Change in current asset and liabilities | | |
| Decrease (increase) in | | |
| Receivables from regulated investment companies | 1,387 | (3,908) |
| Receivables | (6,137) | (15,453) |
| Other current assets | (6,835) | (3,266) |
| Increase (decrease) in | | |
| Accounts payable | (3,902) | (7,862) |
| Accrued liabilities | (11,812) | (12,199) |
| Deferred revenue | 1,869 | 101 |
| Total adjustments | (6,681) | (29,328) |
| Net cash provided by operating activities | \$77,930 | \$45,492 |

New Accounting Pronouncements

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The updated standard permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. ASU 2014-09 currently becomes effective for the Company during the first quarter 2017. In April 2015, the FASB proposed a one year delay of the effective date of ASU 2014-09. The Company is currently evaluating the transition method that will be elected and the effect that the updated standard will have on its consolidated financial statements and related disclosures.

On February 18, 2015, the FASB issued Accounting Standards Update No. 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis (ASU 2015-02). The new guidance applies to entities in all industries and provides a new scope exception to registered money market funds and similar unregistered money market funds. It makes targeted amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying the VIE guidance. ASU 2015-02 becomes effective for the Company during the first quarter 2016. The Company is currently evaluating the effect that the standard will have on its consolidated financial statements and related disclosures.

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 LSV Asset Management (LSV), a registered investment advisor that provides investment advisory services primarily to institutions, including pension plans and investment companies. LSV is currently an investment sub-advisor for a limited 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.

At March 31, 2015, the Company's total investment in LSV was \$50,282. The Company receives partnership distributions from LSV on a quarterly basis. The Company received partnership distributions from LSV of \$37,003 and \$31,505 in the three months ended March 31, 2015 and 2014, respectively.

The Company's proportionate share in the earnings of LSV was \$34,345 and \$32,216 during the three months ended March 31, 2015 and 2014, respectively.

The following table contains the condensed financial operations of LSV for the three months ended March 31, 2015 and 2014:

| | Three Months Ended March 31, | |
|------------|------------------------------|----------|
| | 2015 | 2014 |
| Revenues | \$105,895 | \$95,773 |
| Net income | 87,425 | 81,923 |

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.

The Company's direct interest in LSV was unchanged as a result of this transaction. The Company has determined that LSV Employee Group III is a VIE; however, the Company is not considered the primary beneficiary because it does not have the power to direct the activities that most significantly impact the economic performance of LSV Employee Group III either directly or through any financial responsibility from the guaranty.

In September 2014, LSV Employee Group III made the final principal payment related to the term loan guaranteed by LSV. As of April 17, 2015, the remaining unpaid principal balance of the term loan guaranteed by the Company was \$33,979. 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.

Note 3. Variable Interest Entities – Investment Products

The Company or its affiliates have 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 or loss and net capital gains or losses 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.

An entity that lacks decision-making rights is a VIE. In some circumstances, the Manager or Trustee of the Company's investment products controls the governing decisions about the investment activities with respect to the ongoing operations of the investment products without the equity investors possessing the right to remove the Manager or Trustee. Therefore, the

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equity investors, as a group, do not have the ability to make decisions that have an impact on the ongoing activities of such investment products. Consequently, some of the Company's investment products have been determined to be VIEs at inception.

The VIEs are marketed with investment objectives to generate positive returns; however, the nature of such investments exposes the investors to the risk that the value of the VIEs may increase or decrease. The purpose and design of the VIEs are to achieve the investment objective by implementing strategies which are designed to minimize potential losses; however, there is no assurance given that these strategies will be successful.

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 fees paid to the decision maker of a VIE are considered to be variable interests if the decision maker is not subject to substantive kick-out rights. The fees paid to the Company represent a variable interest when the decision maker is not subject to substantive kick-out rights.

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, would not be 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 immaterial. 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 immaterial to the total current assets of the Company.

Note 4. Composition of Certain Financial Statement Captions

Receivables

Receivables on the accompanying Consolidated Balance Sheets consist of:

| | March 31, 2015 | December 31, 2014 |
|---------------------------------------|----------------|-------------------|
| Trade receivables | \$43,556 | \$48,394 |
| Fees earned, not billed | 153,340 | 139,038 |
| Other receivables | 4,444 | 7,771 |
| | 201,340 | 195,203 |
| Less: Allowance for doubtful accounts | (667) | (784) |
| | \$200,673 | \$194,419 |

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:

| | March 31, 2015 | December 31, 2014 |
|--------------------------------|----------------|-------------------|
| Buildings | \$150,644 | \$149,890 |
| Equipment | 82,860 | 78,266 |
| Land | 9,997 | 9,997 |
| Purchased software | 105,728 | 104,964 |
| Furniture and fixtures | 16,883 | 16,944 |
| Leasehold improvements | 5,974 | 5,675 |
| Construction in progress | 650 | 1,094 |
| | 372,736 | 366,830 |
| Less: Accumulated depreciation | (246,881) | (241,295) |
| Property and Equipment, net | \$125,855 | \$125,535 |

The Company recognized \$5,995 and \$5,584 in depreciation expense related to property and equipment for the three months ended March 31, 2015 and 2014, respectively.

Accrued Liabilities

Accrued liabilities on the accompanying Consolidated Balance Sheets consist of:

| | March 31, 2015 | December 31, 2014 |
|--|----------------|-------------------|
| Accrued employee compensation | \$28,916 | \$73,269 |
| Accrued employee benefits and other personnel | 3,286 | 6,482 |
| Accrued consulting, outsourcing and professional fees | 23,868 | 18,915 |
| Accrued sub-advisory, distribution and other asset management fees | 29,929 | 31,913 |
| Accrued dividend payable | — | 40,178 |
| Accrued income taxes | 38,664 | 3,272 |
| Other accrued liabilities | 27,564 | 33,400 |
| Total accrued liabilities | \$152,227 | \$207,429 |

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 open-ended mutual funds that are quoted daily. Level 2 financial assets consist of Government National Mortgage Association (GNMA) mortgage-backed securities held by the Company's wholly-owned limited purpose federal thrift subsidiary, SEI Private Trust Company (SPTC), Federal Home Loan Bank (FHLB) and other U.S. government agency short-term notes and investment grade commercial paper held by SIDCO, and investment funds sponsored by LSV. The financial assets held by SIDCO were purchased as part of a cash management program requiring only short term, top-tier investment grade government and corporate securities. The financial assets held by SPTC are debt securities issued by GNMA and are backed by the full faith and credit of the U.S. government. These securities were purchased for the sole purpose of satisfying applicable regulatory requirements and have maturity dates which range from 2020 to 2043. The valuation of the Company's Level 2 financial assets held by SIDCO and SPTC are based upon securities pricing policies and procedures utilized by third-party pricing vendors. As a practical expedient, the Company relies on the net asset values (NAVs) of the investment funds sponsored by LSV as the fair value. The NAVs of the funds are calculated by the funds' independent custodian and are derived from the fair values of the underlying investments as of the reporting date.

The pricing policies and procedures applied during the three months ended March 31, 2015 were consistent with those as described in our Annual Report on Form 10-K at December 31, 2014. The Company had no Level 3 financial assets or liabilities at March 31, 2015 or December 31, 2014. There were no transfers of financial assets between levels within the fair value hierarchy during the three months ended March 31, 2015.

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

At March 31, 2015

Fair Value Measurements at Reporting Date
Using

| Assets | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
|--|----------|--|---|
| Equity available-for-sale securities | \$11,622 | \$11,622 | \$— |
| Fixed income available-for-sale securities | 62,600 | — | 62,600 |
| Fixed income securities owned | 21,192 | — | 21,192 |
| Investment funds sponsored by LSV | 4,454 | — | 4,454 |
| | \$99,868 | \$11,622 | \$88,246 |

At December 31, 2014

Fair Value Measurements at Reporting Date
Using

| Assets | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
|--|-----------|--|---|
| Equity available-for-sale securities | \$11,588 | \$11,588 | \$— |
| Fixed income available-for-sale securities | 66,021 | — | 66,021 |
| Fixed income securities owned | 21,175 | — | 21,175 |
| Investment funds sponsored by LSV | 4,523 | — | 4,523 |
| | \$103,307 | \$11,588 | \$91,719 |

Note 6. Marketable Securities

Investments Available for Sale

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

At March 31, 2015

| | Cost Amount | Gross Unrealized Gains | Gross Unrealized (Losses) | Fair Value |
|---------------------------------|----------------|------------------------------|---------------------------------|---------------|
| SEI-sponsored mutual funds | \$8,651 | \$217 | \$(224) | \$8,644 |
| Equities and other mutual funds | 2,950 | 28 | — | 2,978 |
| Debt securities | 60,839 | 1,761 | — | 62,600 |
| | \$72,440 | \$2,006 | \$(224) | \$74,222 |

At December 31, 2014

| | Cost Amount | Gross Unrealized Gains | Gross Unrealized (Losses) | Fair Value |
|----------------------------|----------------|------------------------------|---------------------------------|---------------|
| SEI-sponsored mutual funds | \$8,685 | \$134 | \$(95) | \$8,724 |

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| | | | | |
|---------------------------------|----------|---------|-------|------------|
| Equities and other mutual funds | 2,695 | 169 | — | 2,864 |
| Debt securities | 64,333 | 1,688 | — | 66,021 |
| | \$75,713 | \$1,991 | \$(95 |) \$77,609 |

Net unrealized gains at March 31, 2015 and December 31, 2014 were \$1,106 (net of income tax expense of \$676) and \$1,193 (net of income tax expense of \$703), respectively. These net unrealized gains are reported as a separate component of Accumulated other comprehensive loss on the accompanying Consolidated Balance Sheets.

There were gross realized gains of \$288 and gross realized losses of \$142 from available-for-sale securities during the three months ended March 31, 2015. There were gross realized gains of \$119 and gross realized losses of \$49 from available-

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for-sale securities during the three months ended March 31, 2014. 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.

Investments in Affiliated Funds

The Company has an investment related to the startup of investment funds sponsored by LSV. The Company records this investment on the accompanying Consolidated Balance Sheets at fair value. Unrealized gains and losses from the change in fair value of these funds are recognized in Net gain from investments on the accompanying Consolidated Statements of Operations.

The investment primarily consist of U.S. dollar denominated funds that invest primarily in securities of Canadian, Australian and Japanese 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 \$4,454 and \$4,523 at March 31, 2015 and December 31, 2014, respectively. There were no material gross realized gains or losses from the funds during the three months ended March 31, 2015 and 2014, respectively.

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 \$21,192 and \$21,175 at March 31, 2015 and December 31, 2014, respectively. There were no material net gains or losses from the change in fair value of the securities during the three months ended March 31, 2015 and 2014.

Note 7. Line 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 under the Credit Facility at March 31, 2015. The Company was in compliance with all covenants of the Credit Facility during the three months ended March 31, 2015.

Note 8. Shareholders' Equity

Stock-Based Compensation

The Company has only non-qualified stock options outstanding under the its equity compensation plans. 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. Options do not vest due to the passage of time but solely as a result of achievement of the financial vesting targets. 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 recognized stock-based compensation expense in its Consolidated Financial Statements in the three months ended March 31, 2015 and 2014, respectively, as follows:

| | Three Months Ended March 31, | |
|--|------------------------------|---------|
| | 2015 | 2014 |
| Stock-based compensation expense | \$3,750 | \$2,823 |
| Less: Deferred tax benefit | (1,308) | (1,011) |
| Stock-based compensation expense, net of tax | \$2,442 | \$1,812 |

As of March 31, 2015, there was approximately \$54,326 of unrecognized compensation cost remaining, adjusted for estimated forfeitures, related to unvested employee stock options that management expects will vest and is being amortized.

The Company issues new common shares associated with the exercise of stock options. The total intrinsic value of options exercised during the three months ended March 31, 2015 was \$18,742. The total options exercisable as of March 31, 2015 had an intrinsic value of \$221,902. The total intrinsic value for options exercisable is calculated as the difference between the market value of the Company's common stock as of March 31, 2015 and the weighted average exercise price of the shares. The market value of the Company's common stock as of March 31, 2015 was \$44.09 as reported by the Nasdaq Stock Market, LLC. The weighted average exercise price of the options exercisable as of March 31, 2015 was \$20.52. Total options that were outstanding and exercisable as of March 31, 2015 were 19,469,000 and 9,415,000, 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 1,512,000 shares at a total cost of \$65,321 during the three months ended March 31, 2015. The cost of stock purchases during the period includes the cost of certain transactions that settled in the following quarter. As of April 17, 2015, the Company has \$37,392 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.

Note 9. Accumulated Other Comprehensive Loss

The components of Accumulated other comprehensive loss, net of tax, are as follows:

| | Foreign Currency Translation Adjustments | Unrealized Gains (Losses) on Investments | Total |
|---|---|--|------------|
| Balance, January 1, 2015 | \$(10,088) | \$1,193 | \$(8,895) |
| Other comprehensive loss before reclassifications | (8,783) | 7 | (8,776) |
| Amounts reclassified from accumulated other comprehensive income— | | (94) | (94) |
| Net current-period other comprehensive loss | (8,783) | (87) | (8,870) |
| Balance, March 31, 2015 | \$(18,871) | \$1,106 | \$(17,765) |

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, independent wealth advisers and financial advisers worldwide;

Investment Advisors – provides investment management programs to affluent investors through a network of independent registered investment advisors, 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;

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Investment Managers – provides investment operations outsourcing solutions to fund companies, banking institutions and both traditional and non-traditional investment managers worldwide; and

Investments in New Businesses – focuses on providing investment management programs to ultra-high-net-worth families residing in the United States; developing internet-based investment services and advice solutions; entering new markets; and conducting 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 months ended March 31, 2015 and 2014. 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, 2014.

The following tables highlight certain unaudited financial information about each of the Company's business segments for the three months ended March 31, 2015 and 2014.

| | Private Banks | Investment Advisors | Institutional Investors | Investment Managers | Investments In New Businesses | Total |
|---|------------------|------------------------|----------------------------|------------------------|-------------------------------------|-----------|
| For the Three Months Ended March 31, 2015 | | | | | | |
| Revenues | \$111,213 | \$74,015 | \$73,548 | \$65,367 | \$1,301 | \$325,444 |
| Expenses | 99,256 | 39,059 | 35,211 | 40,623 | 4,866 | 219,015 |
| Operating profit (loss) | \$11,957 | \$34,956 | \$38,337 | \$24,744 | \$(3,565) | \$106,429 |
| Gain on sale of subsidiary | 2,791 | — | — | — | — | 2,791 |
| Interest income | 180 | — | — | — | — | 180 |
| Total profit (loss) | \$14,928 | \$34,956 | \$38,337 | \$24,744 | \$(3,565) | \$109,400 |

| | Private Banks | Investment Advisors | Institutional Investors | Investment Managers | Investments In New Businesses | Total |
|---|------------------|------------------------|----------------------------|------------------------|-------------------------------------|-----------|
| For the Three Months Ended March 31, 2014 | | | | | | |
| Revenues | \$105,179 | \$66,424 | \$68,657 | \$61,008 | \$1,118 | \$302,386 |
| Expenses | 100,190 | 34,577 | 34,095 | 39,184 | 4,249 | 212,295 |
| Operating profit (loss) | \$4,989 | \$31,847 | \$34,562 | \$21,824 | \$(3,131) | \$90,091 |
| Gain on sale of subsidiary | 5,582 | — | — | — | — | 5,582 |
| Total profit (loss) | \$10,571 | \$31,847 | \$34,562 | \$21,824 | \$(3,131) | \$95,673 |

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 March 31, 2015 and 2014 is as follows:

| | 2015 | 2014 |
|--|-----------|----------|
| Total operating profit from segments above | \$106,429 | \$90,091 |
| Corporate overhead expenses | (13,359) | (11,699) |
| Income from operations | \$93,070 | \$78,392 |

The following tables provide additional information for the three months ended March 31, 2015 and 2014 pertaining to our business segments:

| | Capital Expenditures | | Depreciation | |
|-------------------------------|----------------------|----------|--------------|---------|
| | 2015 | 2014 | 2015 | 2014 |
| Private Banks | \$8,502 | \$8,798 | \$3,097 | \$3,732 |
| Investment Advisors | 3,318 | 3,589 | 838 | 491 |
| Institutional Investors | 947 | 1,288 | 303 | 209 |
| Investment Managers | 2,048 | 2,135 | 999 | 512 |
| Investments in New Businesses | 151 | 580 | 563 | 530 |
| Total from business segments | \$14,966 | \$16,390 | \$5,800 | \$5,474 |
| Corporate overhead | 409 | 645 | 195 | 110 |
| | \$15,375 | \$17,035 | \$5,995 | \$5,584 |

| | Amortization | |
|-------------------------------|--------------|---------|
| | 2015 | 2014 |
| Private Banks | \$7,251 | \$5,952 |
| Investment Advisors | 2,400 | 2,197 |
| Institutional Investors | 375 | 341 |
| Investment Managers | 250 | 227 |
| Investments in New Businesses | 25 | 440 |
| Total from business segments | \$10,301 | \$9,157 |
| Corporate overhead | 57 | 57 |
| | \$10,358 | \$9,214 |

Note 11. Income Taxes

The gross liability for unrecognized tax benefits at March 31, 2015 and December 31, 2014 was \$14,373 and \$14,018, respectively, exclusive of interest and penalties, of which \$12,528 and \$12,162 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 March 31, 2015 and December 31, 2014, the combined amount of accrued interest and penalties related to tax positions taken on tax returns was \$1,189 and \$1,066, respectively.

| | March 31, 2015 | December 31, 2014 |
|--|----------------|-------------------|
| Gross liability for unrecognized tax benefits, exclusive of interest and penalties | \$14,373 | \$14,018 |
| Interest and penalties on unrecognized benefits | 1,189 | 1,066 |
| Total gross uncertain tax positions | \$15,562 | \$15,084 |
| Amount included in Current liabilities | \$4,771 | \$4,757 |
| Amount included in Other long-term liabilities | 10,791 | 10,327 |
| | \$15,562 | \$15,084 |

The Company's effective tax rate was 35.4 percent and 35.9 percent for the three months ended March 31, 2015 and 2014, respectively. The decrease in the tax rate for the three months ended March 31, 2015 relates to the increase in the usage of foreign tax credits. The Research and Development Tax Credit had expired for both three month periods ended March 31, 2015 or 2014.

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 2011 and is no longer subject to state, local or foreign income tax examinations by authorities for years before 2009.

The Company estimates it will recognize \$4,771 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.

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. One of the five actions purports to set forth claims on behalf of a class and also names SPTC as a defendant. 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/or SPTC under the Louisiana Securities Act. Two of the 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 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 actions relate to the purported 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.

The case filed in Ascension Parish was removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to the United States District Court for the Northern District of Texas. The schedule for responding to that petition has not yet been established.

The plaintiffs in two of the cases filed in East Baton Rouge have granted SEI and SPTC an indefinite extension to respond to the petitions.

In a third East Baton Rouge action, brought as a class action, SEI and SPTC filed exceptions, which the Court granted in part, dismissing the claims under the Louisiana Unfair Trade Practices Act. Plaintiffs then filed a motion for class certification, and SEI and SPTC also filed a motion for summary judgment. The Court deferred the motion for summary judgment, stating that the motion would not be set for hearing until after the hearing on class certification. After the Court held a hearing on class certification, it certified a class composed of persons who purchased or renewed any Stanford International Bank certificates of deposit (SIB CDs) 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. SEI and SPTC filed motions for appeal from the class certification judgments. On February 1, 2013, plaintiffs filed a motion for Leave to File a First Amended and Restated Class Action Petition in which they asked the Court to allow them to amend the petition and add 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 28, 2013, SEI responded to the First Amended and Restated Class Action Petition by seeking dismissal of the action. On March 11, 2013, the newly-added insurance carrier defendants removed the case to the Middle District of Louisiana. SEI notified the Judicial Panel on Multidistrict Litigation (MDL) of this case as a potential tag-along action. Plaintiffs filed a motion to remand the action to state court. On March 25, 2013, SEI filed a motion requesting

that the federal court decline to adopt the state court's order regarding class certification, which the court dismissed without prejudice to renew upon a determination of the jurisdictional issue. On August 7, 2013, the MDL Panel transferred the matter against SEI to the Northern District of Texas. On October 1, 2014, SEI filed a renewed motion to dismiss in the Northern District of Texas, and on October 6, 2014, the District Court denied plaintiffs' motion to remand. This case is now pending in the Northern District of Texas, and SEI is awaiting a ruling on its motion to dismiss.

In the two other cases filed in East Baton Rouge, brought by the same counsel who filed the class action, virtually all of the litigation to date has involved motions practice and appellate litigation regarding the existence of federal subject matter jurisdiction under the federal Securities Litigation Uniform Standards Act (SLUSA). After the matter was removed to the United States District Court for the Northern District of Texas, that court dismissed the action under SLUSA. The Court of

Appeals for the Fifth Circuit reversed that order, and the Supreme Court of the United States affirmed the Court of Appeals judgment on February 26, 2014. The matter was remanded to state court and no material activity has taken place since that date.

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 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.

A lawsuit entitled *Steven Curd and Rebel Curd v. SEI Investments Management Corporation* was filed against SIMC in the United States District Court for the Eastern District of Pennsylvania on December 11, 2013. On August 28, 2014, the Court granted SIMC's motion to dismiss the initial complaint in the lawsuit, but also granted plaintiffs leave to amend the complaint. On October 2, 2014, plaintiffs filed an amended complaint. In the amended complaint, SEI Investments Global Funds Services (SGFS) was added as a defendant. The plaintiffs bring the case as a shareholder derivative action against SIMC and SGFS on behalf of certain SEI funds. The claims are based on Section 36(b) of the Investment Company Act of 1940, as amended, which allows shareholders of a mutual fund to sue the investment adviser of the fund or its affiliates for an alleged breach of fiduciary duty with respect to compensation received by the adviser or its affiliates. The plaintiffs have brought the suit against SIMC and SGFS with respect to five specific SEI Funds: the High Yield Bond, Tax-Managed Large Cap, and Tax-Managed Small/Mid Cap Funds, each of which is a series of the SEI Institutional Managed Trust, the Intermediate Term Municipal Fund, which is a series of the SEI Tax Exempt Trust, and the International Equity Fund, which is a series of the SEI Institutional International Trust (the SEI Funds). The plaintiffs seek: (1) damages for the SEI Funds in the amount of the alleged "excessive" fees earned by SIMC and SGFS beginning from the one year period prior to the filing of the lawsuit, plus interest, costs, and fees; (2) orders declaring that SIMC and SGFS allegedly violated Section 36(b) and enjoining SIMC and SGFS from further alleged violations; and (3) rescission of SIMC's and SGFS's contracts with the funds, and restitution of all allegedly excessive fees paid beginning from the one year period prior to the filing of the lawsuit, plus interest, costs, and fees. On November 24, 2014, SIMC and SGFS filed a motion to dismiss the amended complaint. The court has not yet ruled on that motion. While the outcome of this litigation is uncertain given its early phase, SIMC and SGFS believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuit vigorously, and SIMC and SGFS are not reasonably able to provide an estimate of the ultimate loss, if any, with respect to this lawsuit.

On November 26, 2014, a Writ of Summons was issued to two of our subsidiaries, SEI Investments - Global Fund Services Limited (GFSL) and SEI Investments - Trustee & Custodial Services (Ireland) Limited (T&C), to appear before the Court of First Instance Antwerp, Belgium. The plaintiffs in this case allege that through their initial investments in collective investment funds domiciled in Netherlands and subsequent transfer of claim rights to a Belgium domiciled partnership, they are beneficial owners of a portfolio of life settlement policies (the Portfolio) which lapsed due to a failure to make premium payments. The plaintiffs seek to recover jointly and severally from nine defendants including GFSL and T&C, damages of approximately \$84 million. GFSL and T&C's involvement in the litigation appears to arise out of their historical provision of administration and custody services, respectively, to the Strategic Life Settlement Fund PLC, who, together with its managers, appear to be the principal defendants in this claim. While the outcome of this action is uncertain given its early phase and the lack of specific theories of liability asserted against GFSL and T&C, each of GFSL and T&C believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuit vigorously.

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 (Barings) 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. 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. The Company recognized a pre-tax gain of \$5,582, or \$0.02 diluted earnings per share, with respect to the one-year period ended December 31, 2013 during the three months ended March 31, 2014 and a pre-tax gain of \$2,791, or \$0.01 diluted earnings per share, with respect to the one-year period ended December 31, 2014 during the three months ended March 31, 2015. The Company's gains from the sale of SEI AK are included in Gain on sale of subsidiary on the accompanying Consolidated Statement 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 March 31, 2015 and 2014, the consolidated results of operations for the three months ended March 31, 2015 and 2014 and other key factors that may affect future performance. This discussion should be read in conjunction with the Consolidated Financial Statements, the Notes to the Consolidated Financial Statements and the Annual Report on Form 10-K for the year ended December 31, 2014.

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, software licenses 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 March 31, 2015, through our subsidiaries and partnerships in which we have a significant interest, we manage or administer \$648.1 billion in mutual fund and pooled or separately managed assets, including \$258.3 billion in assets under management and \$389.8 billion in client assets under administration. Our affiliate, LSV Asset Management (LSV), manages \$84.1 billion of assets which are included as assets under management.

Our Condensed Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014 were:

| | Three Months Ended March 31, | | Percent Change | |
|---|------------------------------|-----------|----------------|---|
| | 2015 | 2014 | | |
| Revenues | \$325,444 | \$302,386 | 8 | % |
| Expenses | 232,374 | 223,994 | 4 | % |
| Income from operations | 93,070 | 78,392 | 19 | % |
| Net gain from investments | 250 | 136 | 84 | % |
| Interest income, net of interest expense | 856 | 664 | 29 | % |
| Equity in earnings from unconsolidated affiliates | 34,033 | 31,891 | 7 | % |
| Gain on sale of subsidiary | 2,791 | 5,582 | NM | |
| Income before income taxes | 131,000 | 116,665 | 12 | % |
| Income taxes | 46,389 | 41,845 | 11 | % |
| Net income | 84,611 | 74,820 | 13 | % |
| Diluted earnings per common share | \$0.50 | \$0.43 | 16 | % |

The following items had a significant impact on our financial results for the three months ended March 31, 2015 and 2014:

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 \$14.9 billion, or nine percent, to \$172.5 billion in the first three months of 2015 as compared to \$157.6 billion during the first three months of 2014. Our average assets under administration increased \$48.7 billion, or 14 percent, to \$384.7 billion in the first three months of 2015 as compared to \$336.0 billion during the first three months of 2014.

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. Additionally, increased investment management fees from international clients in our Private Banks segment also contributed to our revenue growth.

Revenue growth was also driven by increased Information processing and software servicing fees in our Private Banks segment. The increase was primarily attributable to higher fees from the growth in assets processed on the SEI Wealth Platform and increased non-recurring professional services fees from a single project.

Our proportionate share in the earnings of LSV was \$34.3 million in the first three months of 2015 as compared to \$32.2 million in the first three months of 2014, an increase of seven percent. The increase in earnings was primarily driven by the increase in assets under management from LSV's existing clients due to market appreciation and an increase in performance fees earned by LSV.

The direct costs associated with our investment management programs increased in our Private Banks, Investment Advisors and Institutional Investors segments. These costs primarily relate to fees charged by investment advisory firms and are included in Sub-advisory, distribution and other asset management costs on the accompanying Consolidated Statements of Operations.

We capitalized \$7.3 million in the first three months of 2015 for the SEI Wealth Platform as compared to \$9.4 million in the first three months of 2014. Amortization expense related to the Platform increased to \$10.3 million during the first three months of 2015 as compared to \$9.1 million during the first three months of 2014 due to continued enhancements to the Platform.

As we continue through the development of the Platform, our expenses related to maintenance and enhancements have increased. A higher portion of these costs are not capitalized. These increased costs primarily impacted the Private Banks and Investment Advisors business segments.

We recorded pre-tax gains of \$2.8 million, or \$.01 diluted earnings per share, and \$5.6 million, or \$.02 diluted earnings per share, from the sale of SEI Asset Korea (SEI AK) in the first three months of 2015 and 2014, respectively. The gains from the sale are 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).

Our effective tax rate was 35.4 percent during the first quarter 2015 as compared to 35.9 percent during the first quarter 2014. The decrease in the tax rate for the three months ended March 31, 2015 relates to the increase in the usage of the foreign tax credit.

- We continued our stock repurchase program during 2015 and purchased 1.5 million shares at an average price of approximately \$43.21 per share in the three 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 March 31, | | Percent | |
|--|-----------------|-----------|---------|----|
| | 2015 | 2014 | Change | |
| Private Banks: | | | | |
| Equity and fixed income programs | \$19,296 | \$16,918 | 14 | % |
| Collective trust fund programs | 9 | 14 | NM | |
| Liquidity funds | 5,551 | 5,670 | (2) |)% |
| Total assets under management | \$24,856 | \$22,602 | 10 | % |
| Client proprietary assets under administration | 17,643 | 15,641 | 13 | % |
| Total assets | \$42,499 | \$38,243 | 11 | % |
| Investment Advisors: | | | | |
| Equity and fixed income programs | 45,800 | 39,981 | 15 | % |
| Collective trust fund programs | 8 | 13 | NM | |
| Liquidity funds | 3,047 | 2,802 | 9 | % |
| Total assets under management | \$48,855 | \$42,796 | 14 | % |
| Institutional Investors: | | | | |
| Equity and fixed income programs | 74,178 | 69,194 | 7 | % |
| Collective trust fund programs | 94 | 102 | NM | |
| Liquidity funds | 3,246 | 2,505 | 30 | % |
| Total assets under management | \$77,518 | \$71,801 | 8 | % |
| Investment Managers: | | | | |
| Equity and fixed income programs | 25 | 68 | NM | |
| Collective trust fund programs | 20,965 | 22,633 | (7) |)% |
| Liquidity funds | 1,091 | 782 | 40 | % |
| Total assets under management | \$22,081 | \$23,483 | (6) |)% |
| Client proprietary assets under administration | 372,116 | 326,735 | 14 | % |
| Total assets | \$394,197 | \$350,218 | 13 | % |
| Investments in New Businesses: | | | | |
| Equity and fixed income programs | 756 | 632 | 20 | % |
| Liquidity funds | 106 | 49 | 116 | % |
| Total assets under management | \$862 | \$681 | 27 | % |
| LSV: | | | | |
| Equity and fixed income programs | \$84,123 | \$77,973 | 8 | % |
| Total: | | | | |
| Equity and fixed income programs | 224,178 | 204,766 | 9 | % |
| Collective trust fund programs | 21,076 | 22,762 | (7) |)% |
| Liquidity funds | 13,041 | 11,808 | 10 | % |
| Total assets under management | \$258,295 | \$239,336 | 8 | % |
| Client proprietary assets under administration | 389,759 | 342,376 | 14 | % |
| Total assets under management and administration | \$648,054 | \$581,712 | 11 | % |

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 March 31, | | Percent Change | |
|--|---------------------------------|-----------|-------------------|----|
| | 2015 | 2014 | | |
| Equity and fixed income programs | \$18,869 | \$16,114 | 17 | % |
| Collective trust fund programs | 8 | 14 | NM | |
| Liquidity funds | 5,755 | 5,757 | — | % |
| Total assets under management | \$24,632 | \$21,885 | 13 | % |
| Client proprietary assets under administration | 17,504 | 15,366 | 14 | % |
| Total assets | \$42,136 | \$37,251 | 13 | % |
| Investment Advisors: | | | | |
| Equity and fixed income programs | 44,809 | 39,005 | 15 | % |
| Collective trust fund programs | 9 | 13 | NM | |
| Liquidity funds | 3,072 | 2,806 | 9 | % |
| Total assets under management | \$47,890 | \$41,824 | 15 | % |
| Institutional Investors: | | | | |
| Equity and fixed income programs | 73,760 | 67,697 | 9 | % |
| Collective trust fund programs | 95 | 103 | NM | |
| Liquidity funds | 3,021 | 2,571 | 18 | % |
| Total assets under management | \$76,876 | \$70,371 | 9 | % |
| Investment Managers: | | | | |
| Equity and fixed income programs | 27 | 68 | NM | |
| Collective trust fund programs | 21,108 | 22,004 | (4) |)% |
| Liquidity funds | 1,066 | 738 | 44 | % |
| Total assets under management | \$22,201 | \$22,810 | (3) |)% |
| Client proprietary assets under administration | 367,206 | 320,644 | 15 | % |
| Total assets | \$389,407 | \$343,454 | 13 | % |
| Investments in New Businesses: | | | | |
| Equity and fixed income programs | 755 | 623 | 21 | % |
| Liquidity funds | 101 | 46 | 120 | % |
| Total assets under management | \$856 | \$669 | 28 | % |
| LSV: | | | | |
| Equity and fixed income programs | \$83,439 | \$76,306 | 9 | % |
| Total: | | | | |
| Equity and fixed income programs | 221,659 | 199,813 | 11 | % |
| Collective trust fund programs | 21,220 | 22,134 | (4) |)% |
| Liquidity funds | 13,015 | 11,918 | 9 | % |
| Total assets under management | \$255,894 | \$233,865 | 9 | % |
| Client proprietary assets under administration | 384,710 | 336,010 | 14 | % |
| Total assets under management and administration | \$640,604 | \$569,875 | 12 | % |

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 months ended March 31, 2015 compared to the three months ended March 31, 2014 were as follows:

| | Three Months Ended March 31, | | Percent Change | |
|--------------------------------|---------------------------------|-----------|-------------------|----|
| | 2015 | 2014 | | |
| Private Banks: | | | | |
| Revenues | \$111,213 | \$105,179 | 6 | % |
| Expenses | 99,256 | 100,190 | (1) |)% |
| Operating Profit | \$11,957 | \$4,989 | 140 | % |
| Gain on sale of subsidiary | 2,791 | 5,582 | NM | |
| Interest income | 180 | — | NM | |
| Total Profit | \$14,928 | \$10,571 | NM | |
| Operating Margin (A) | 11 | % 5 | % | |
| Investment Advisors: | | | | |
| Revenues | \$74,015 | \$66,424 | 11 | % |
| Expenses | 39,059 | 34,577 | 13 | % |
| Operating Profit | \$34,956 | \$31,847 | 10 | % |
| Operating Margin | 47 | % 48 | % | |
| Institutional Investors: | | | | |
| Revenues | \$73,548 | \$68,657 | 7 | % |
| Expenses | 35,211 | 34,095 | 3 | % |
| Operating Profit | \$38,337 | \$34,562 | 11 | % |
| Operating Margin | 52 | % 50 | % | |
| Investment Managers: | | | | |
| Revenues | \$65,367 | \$61,008 | 7 | % |
| Expenses | 40,623 | 39,184 | 4 | % |
| Operating Profit | \$24,744 | \$21,824 | 13 | % |
| Operating Margin | 38 | % 36 | % | |
| Investments in New Businesses: | | | | |
| Revenues | \$1,301 | \$1,118 | 16 | % |
| Expenses | 4,866 | 4,249 | 15 | % |
| Operating Loss | \$(3,565) | \$(3,131) | NM | |

(A) Percentages determined exclusive of gain from sale of subsidiary and interest income.

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

Private Banks

| | Three Months Ended March 31, | | Percent Change | |
|--|---------------------------------|-----------|-------------------|---|
| | 2015 | 2014 | | |
| Revenues: | | | | |
| Information processing and software servicing fees | \$70,218 | \$68,531 | 2 | % |
| Asset management, administration & distribution fees | 33,839 | 29,993 | 13 | % |
| Transaction-based and trade execution fees | 7,156 | 6,655 | 8 | % |
| Total revenues | \$111,213 | \$105,179 | 6 | % |

Revenues increased \$6.0 million, or six percent, in the three month period ended March 31, 2015 and were primarily affected by:

- Increased investment management fees from existing international clients due to higher average assets under management from improved capital markets and increased net cash flows;

- Increased non-recurring professional services fees from a single project related to investment processing services; and

- Increased recurring investment processing fees from the growth in existing client assets processed on the SEI Wealth Platform; partially offset by

- Lower recurring investment processing fees earned on our mutual fund trading solution due to price reductions, and

- The negative impact from foreign currency exchange rate fluctuations.

Operating margin increased to 11 percent compared to five percent in the same period a year ago. Operating income increased by \$7.0 million compared to the prior year corresponding period and was primarily affected by:

- An increase in revenues; and

- Decreased personnel costs, mainly salary, incentive and sales compensation, for servicing investment processing clients; partially offset by

- Increased direct expenses associated with increased investment management fees from existing international clients;

- Increased non-capitalized costs, mainly personnel costs, related to maintenance and enhancements to the SEI Wealth Platform; and

- Increased amortization expense related to the SEI Wealth Platform.

Investment Advisors

| | Three Months Ended March 31, | | Percent Change | |
|--|---------------------------------|----------|-------------------|----|
| | 2015 | 2014 | | |
| Revenues: | | | | |
| Investment management fees-SEI fund programs | \$57,847 | \$52,461 | 10 | % |
| Separately managed account fees | 12,742 | 10,268 | 24 | % |
| Other fees | 3,426 | 3,695 | (7) |)% |
| Total revenues (a) | \$74,015 | \$66,424 | 11 | % |

(a) All amounts are reflected in Asset management, administration and distribution fees except for \$212 and \$558 in 2015 and 2014, respectively, which are reflected in Transaction-based and trade execution fees.

Revenues increased \$7.6 million, or 11 percent, in the three month period ended March 31, 2015 and were primarily affected by:

- Increased investment management fees and separately managed account program fees from existing clients due to higher average assets under management caused by market appreciation and an increase in net cash flows from new and existing advisors; partially offset by

- An decrease in the average basis points earned on assets due to client-directed shifts into lower fee investment products.

Operating margin decreased to 47 percent compared to 48 percent in the same period a year ago. Operating income increased by \$3.1 million, or 10 percent, compared to the prior year corresponding period and was primarily affected by:

- An increase in revenues; partially offset by
- Increased direct expenses associated with increased investment management programs;
- Increased personnel costs, mainly salary, for servicing new advisors,
- Increased non-capitalized costs, mainly personnel costs, related to maintenance and enhancements to the SEI Wealth Platform; and
- Increased amortization expense related to the SEI Wealth Platform.

Institutional Investors

Revenues increased \$4.9 million, or seven percent, in the three month period ended March 31, 2015 and were primarily affected by:

- Increased investment management fees from existing clients due to higher average assets under management caused by improved capital markets 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 the negative impact from foreign currency exchange rate fluctuations and client losses.

Operating margins increased to 52 percent compared to 50 percent in the same period a year ago. Operating income increased \$3.8 million, or 11 percent, compared to the prior year corresponding period and was primarily affected by:

- An increase in revenues; partially offset by
- Increased direct expenses associated with higher investment management fees.

Investment Managers

Revenues increased \$4.4 million, or seven percent, in the three month period ended March 31, 2015 and were primarily affected by:

- Net positive cash flows from existing clients due to new funding along with higher valuations from improved capital markets; and
- Positive cash flows from new clients; partially offset by client losses.

Operating margin increased to 38 percent compared to 36 percent in the same period a year ago. Operating income increased \$2.9 million, or 13 percent, compared to the prior year corresponding 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.

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 \$13.4 million and \$11.7 million in the three months ended March 31, 2015 and 2014, respectively. The increase in corporate overhead expenses was primarily due to foreign currency exchange rate fluctuations impacting the transactions and balances of non-U.S. dollar denominated accounts of our U.S.-based subsidiaries.

Other income and expense

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

| | Three Months Ended March 31, | |
|---|------------------------------|----------|
| | 2015 | 2014 |
| Net gain from investments | \$250 | \$136 |
| Interest and dividend income | 969 | 777 |
| Interest expense | (113) | (113) |
| Equity in earnings of unconsolidated affiliates | 34,033 | 31,891 |
| Gain on sale of subsidiary | 2,791 | 5,582 |
| Total other income and expense items, net | \$37,930 | \$38,273 |

Equity in earnings of unconsolidated affiliates

Equity in earnings of unconsolidated affiliates primarily includes our less than 50 percent ownership in LSV. At March 31, 2015, our interest in LSV was approximately 39.3 percent. Our proportionate share in the earnings of LSV was \$34.3 million in first quarter 2015 as compared to \$32.2 million in first quarter 2014, an increase of seven percent. The increase in earnings was primarily due to increased assets under management from LSV's existing clients due to improved capital markets and an increase in performance fees. LSV's average assets under management increased \$7.1 billion to \$83.4 billion during the three months ended March 31, 2015 as compared to \$76.3 billion during the three months ended March 31, 2014, an increase of nine percent.

Gain on sale of subsidiary

We recorded gains of \$2.8 million and \$5.6 million during the three months ended March 31, 2015 and 2014, respectively, from the the sale of our ownership interests in SEI AK. These gains are 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).

Income Taxes

Our effective tax rate was 35.4 percent and 35.9 percent for the three months ended March 31, 2015 and 2014, respectively. The decrease in our tax rate for the three months ended March 31, 2015 relates to the increase in the usage of foreign tax credits. The Research and Development Tax Credit had expired for both three month periods ended March 31, 2015 and 2014. If the Research and Development Tax Credit is reinstated for 2015, the tax credit will lower our tax rate in the period of enactment.

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. We did not have any financial liabilities at March 31, 2015 or December 31, 2014 (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 numerous regulatory authorities around the world, including the Office of the Comptroller of the Currency, 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. 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

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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.

Liquidity and Capital Resources

| | Three Months Ended March 31, | |
|--|------------------------------|-----------|
| | 2015 | 2014 |
| Net cash provided by operating activities | \$77,930 | \$45,492 |
| Net cash used in investing activities | (10,320) | (14,603) |
| Net cash used in financing activities | (85,235) | (62,060) |
| Effect of exchange rate changes on cash and cash equivalents | (6,561) | (1,550) |
| Net (decrease) increase in cash and cash equivalents | (24,186) | (32,721) |
| Cash and cash equivalents, beginning of period | 667,446 | 578,273 |
| Cash and cash equivalents, end of period | \$643,260 | \$545,552 |

Cash requirements and liquidity needs are primarily funded through our cash flow from operations and our capacity for additional borrowing. At March 31, 2015, 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 April 17, 2015, the amount of cash and cash equivalents considered free and immediately accessible for other general corporate purposes was \$428.1 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.

Cash and cash equivalents of our foreign subsidiaries are subject to changes in currency exchange rates. The majority of our exposure to adverse movements in foreign currency rates is through our subsidiaries located in Canada, the United Kingdom and Ireland. 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 \$32.4 million in the first three months of 2015 compared to the first three months of 2014. Our cash flows from operations increased primarily due to the increase in our net income, the net change in our working capital accounts and an increase in the distribution payment received from LSV.

Cash flows from investing activities increased \$4.3 million in the first three months of 2015 compared to the first three months of 2014. Net cash used in investing activities includes:

•Purchases, sales and maturities of marketable securities. Our purchases, sales and maturities of marketable securities in the first three months of 2015 and 2014 were as follows:

| | Three Months Ended March 31, | |
|---|---------------------------------|-------------|
| | 2015 | 2014 |
| Purchases | \$ (4,107 |) \$ (6,645 |
| Sales and maturities | 7,375 | 9,077 |
| Net investing activities from marketable securities | 3,268 | 2,432 |

The capitalization of costs incurred in developing computer software. We capitalized \$8.0 million of software development costs in the first three months of 2015 as compared to \$9.4 million in the first three months of 2014. Amounts capitalized primarily include costs for significant enhancements for the expanded functionality of the SEI Wealth Platform.

Capital expenditures. Our capital expenditures in the first three months of 2015 were \$7.4 million as compared to \$7.6 million in the first three months of 2014. Our expenditures in 2015 primarily include purchased software and equipment for our data center operations. We intend to relocate our London operations to a new facility during 2015. The total cost of the improvements to this facility is estimated to be at least \$13.2 million, of which \$1.7 million has been expended. The relocation is expected to be completed during the fourth quarter of 2015. Our expenditures in 2014 also include approximately \$1.7 million for the expansion of our corporate headquarters which was completed in the third quarter.

Cash flows from financing activities decreased \$23.2 million in the first three months of 2015 compared to the first three months of 2014. 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 purchased 1.5 million shares at a total cost of \$67.5 million during the first three months of 2015 and 2.0 million shares at a total cost of \$65.9 million during the first three months of 2014 for the repurchase of our common stock. Proceeds from the issuance of our common stock. We received \$19.2 million in proceeds from the issuance of our common stock during the first three months of 2015 as compared to \$35.8 million during the first three months of 2014. The decrease in proceeds is primarily attributable to a lower level of stock option exercise activity.

Dividend payments. Cash dividends paid were \$40.2 million in the first three months of 2015 as compared to \$37.3 million in the first three months of 2014.

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 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;

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- risk of failure by a third-party service provider;
- product development risk;
- poor investment performance of our mutual funds and other investment products;
- the affect on our earnings and cashflows from the performance of LSV Asset Management;
- the affect of extensive governmental regulation;
- litigation and regulatory examinations and investigations;
- consolidation within our target markets, including consolidations between banks and other financial institutions;
- systems and technology risks;
- data and cyber 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;
- fluctuations in interest rates affecting the value of our fixed-income investment securities; and
- retention of executive officers and senior management personnel.

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 and with the Commodity Futures Trading Commission (CFTC) under the Commodity Futures Exchange Act. 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 and Securities. 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

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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.

Information required by this item is set forth under the captions "Our revenues and earnings are affected by changes in capital markets" and "Changes in interest rates may affect the value of our fixed-income investment securities" in Item 1A "Risk Factors" and under the caption "Sensitivity of our revenues and earnings to capital market fluctuations" in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2014. There have been no material changes to this information as it is disclosed in our Annual Report on Form 10-K for 2014.

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 March 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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. One of the five actions purports to set forth claims on behalf of a class and also names SPTC as a defendant. 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/or SPTC under the Louisiana Securities Act. Two of the 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 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 actions relate to the purported 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.

The case filed in Ascension Parish was removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to the United States District Court for the Northern District of Texas. The schedule for responding to that petition has not yet been established.

The plaintiffs in two of the cases filed in East Baton Rouge have granted SEI and SPTC an indefinite extension to respond to the petitions.

In a third East Baton Rouge action, brought as a class action, SEI and SPTC filed exceptions, which the Court granted in part, dismissing the claims under the Louisiana Unfair Trade Practices Act. Plaintiffs then filed a motion for class certification, and SEI and SPTC also filed a motion for summary judgment. The Court deferred the motion for summary judgment, stating that the motion would not be set for hearing until after the hearing on class certification. After the Court held a hearing on class certification, it certified a class composed of persons who purchased or renewed any Stanford International Bank certificates of deposit (SIB CDs) 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. SEI and SPTC filed motions for appeal from the class certification judgments. On February 1, 2013, plaintiffs filed a motion for Leave to File a First Amended and Restated Class Action Petition in which they asked the Court to allow them to amend the petition and add 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 28, 2013, SEI responded to the First Amended and Restated Class Action Petition by seeking dismissal of the action. On March 11, 2013, the newly-added insurance carrier defendants removed the case to the Middle District of Louisiana. SEI notified the Judicial Panel on Multidistrict Litigation (MDL) of this case as a potential tag-along action. Plaintiffs filed a motion to remand the action to state court. On March 25, 2013, SEI filed a motion requesting that the federal court decline to adopt the state court's order regarding class certification, which the court dismissed without prejudice to renew upon a determination of the jurisdictional issue. On August 7, 2013, the MDL Panel transferred the matter against SEI to the Northern District of Texas. On October 1, 2014, SEI filed a renewed motion to dismiss in the Northern District of Texas, and on October 6, 2014, the District Court denied plaintiffs' motion to remand. This case is now pending in the Northern District of Texas, and SEI is awaiting a ruling on its motion to dismiss.

In the two other cases filed in East Baton Rouge, brought by the same counsel who filed the class action, virtually all of the litigation to date has involved motions practice and appellate litigation regarding the existence of federal subject matter jurisdiction under the federal Securities Litigation Uniform Standards Act (SLUSA). After the matter was removed to the United States District Court for the Northern District of Texas, that court dismissed the action under SLUSA. The Court of Appeals for the Fifth Circuit reversed that order, and the Supreme Court of the United States affirmed the Court of Appeals judgment on February 26, 2014. The matter was remanded to state court and no material activity has taken place since that date.

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 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.

A lawsuit entitled Steven Curd and Rebel Curd v. SEI Investments Management Corporation was filed against SIMC in the United States District Court for the Eastern District of Pennsylvania on December 11, 2013. On August 28, 2014, the Court granted SIMC's motion to dismiss the initial complaint in the lawsuit, but also granted plaintiffs leave to amend the complaint. On October 2, 2014, plaintiffs filed an amended complaint. In the amended complaint, SEI Investments Global Funds Services (SGFS) was added as a defendant. The plaintiffs bring the case as a shareholder derivative action against SIMC and SGFS on behalf of certain SEI funds. The claims are based on Section 36(b) of the Investment Company Act of 1940, as amended, which

allows shareholders of a mutual fund to sue the investment adviser of the fund or its affiliates for an alleged breach of fiduciary duty with respect to compensation received by the adviser or its affiliates. The plaintiffs have brought the suit against SIMC and SGFS with respect to five specific SEI Funds: the High Yield Bond, Tax-Managed Large Cap, and Tax-Managed Small/Mid Cap Funds, each of which is a series of the SEI Institutional Managed Trust, the Intermediate Term Municipal Fund, which is a series of the SEI Tax Exempt Trust, and the International Equity Fund, which is a series of the SEI Institutional International Trust (the SEI Funds). The plaintiffs seek: (1) damages for the SEI Funds in the amount of the alleged “excessive” fees earned by SIMC and SGFS beginning from the one year period prior to the filing of the lawsuit, plus interest, costs, and fees; (2) orders declaring that SIMC and SGFS allegedly violated Section 36(b) and enjoining SIMC and SGFS from further alleged violations; and (3) rescission of SIMC’s and SGFS’s contracts with the funds, and restitution of all allegedly excessive fees paid beginning from the one year period prior to the filing of the lawsuit, plus interest, costs, and fees. On November 24, 2014, SIMC and SGFS filed a motion to dismiss the amended complaint. The court has not yet ruled on that motion. While the outcome of this litigation is uncertain given its early phase, SIMC and SGFS believe that they have valid defenses to plaintiffs’ claims and intend to defend the lawsuit vigorously, and SIMC and SGFS are not reasonably able to provide an estimate of the ultimate loss, if any, with respect to this lawsuit.

On November 26, 2014, a Writ of Summons was issued to two of our subsidiaries, SEI Investments - Global Fund Services Limited (GFSL) and SEI Investments - Trustee & Custodial Services (Ireland) Limited (T&C), to appear before the Court of First Instance Antwerp, Belgium. The plaintiffs in this case allege that through their initial investments in collective investment funds domiciled in Netherlands and subsequent transfer of claim rights to a Belgium domiciled partnership, they are beneficial owners of a portfolio of life settlement policies (the Portfolio) which lapsed due to a failure to make premium payments. The plaintiffs seek to recover jointly and severally from nine defendants including GFSL and T&C, damages of approximately \$84 million. GFSL and T&C’s involvement in the litigation appears to arise out of their historical provision of administration and custody services, respectively, to the Strategic Life Settlement Fund PLC, who, together with its managers, appear to be the principal defendants in this claim. While the outcome of this action is uncertain given its early phase and the lack of specific theories of liability asserted against GFSL and T&C, each of GFSL and T&C believe that they have valid defenses to plaintiffs’ claims and intend to defend the lawsuit vigorously.

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, 2014. There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for 2014.

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

(e) Our Board of Directors has authorized the repurchase of up to \$2.578 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 March 31, 2015 is as follows:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program |
|-----------------------|----------------------------------|------------------------------|--|--|
| January 1 – 31, 2015 | — | \$— | — | \$ 102,713,063 |
| February 1 – 28, 2015 | 475,000 | 43.15 | 475,000 | 82,219,011 |
| March 1 – 31, 2015 | 1,037,000 | 43.24 | 1,037,000 | 37,391,667 |
| Total | 1,512,000 | 43.21 | 1,512,000 | |

Item 6. Exhibits.

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

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|---------|--|
| 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 April 22, 2015 of SEI Investments Company related to the Company's financial and operating results for the first quarter ended March 31, 2015. |
| 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 |

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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: April 22, 2015

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

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