

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, 1998 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

23-1707341

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification Number)

1 FREEDOM VALLEY DRIVE, OAKS, PENNSYLVANIA 19456-1100

(Address of principal executive offices)  
(Zip Code)

(610) 676-1000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

\*APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

\*APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of March 31, 1998: 17,884,863 shares of common stock, par value \$.01 per share.

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEETS

(In thousands)

	March 31, 1998	December 31, 1997
	-----	-----
	(unaudited)	
Assets		
-----		
Current assets:		
Cash and cash equivalents	\$ 17,247	\$ 16,891
Receivables from regulated investment companies	15,680	14,452
Receivables, net of allowance for doubtful accounts of \$1,200	27,576	31,192
Loans receivable available for sale	2,738	11,340
Prepaid expenses	3,555	3,783
Deferred income taxes	7,251	6,337
	-----	-----
Total current assets	74,047	83,995
	-----	-----
Investments available for sale	3,834	876
	-----	-----
Investment in unconsolidated affiliate	1,270	--
	-----	-----
Property and equipment, net of accumulated depreciation and amortization of \$51,734 and \$49,493	52,570	52,131
	-----	-----
Capitalized software, net of accumulated amortization of \$8,790 and \$7,959	18,916	18,440
	-----	-----
Customer lists, net of accumulated amortization of \$381 and \$291	3,018	3,009
	-----	-----
Other assets, net	11,147	10,433
	-----	-----
Total Assets	\$164,802	\$168,884
	=====	=====

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS  
 -----  
 (In thousands, except par value)

	March 31, 1998	December 31, 1997
	-----	-----
	(unaudited)	
Liabilities and Shareholders' Equity		
-----		
Current liabilities:		
Current portion of long-term debt	\$ 2,000	\$ 2,000
Accounts payable	7,680	5,798
Accrued compensation	6,557	20,920
Accrued proprietary fund services	10,372	9,812
Accrued discontinued operations disposal costs	6,275	7,228
Other accrued liabilities	32,671	28,760
Deferred revenue	7,479	7,158
	-----	-----
Total current liabilities	73,034	81,676
	-----	-----
Long-term debt	31,000	33,000
	-----	-----
Deferred income taxes	8,182	7,798
	-----	-----
Shareholders' equity:		
Common stock, \$.01 par value, 100,000 shares authorized; 17,885 and 17,767 shares issued and outstanding	179	178
Capital in excess of par value	52,952	46,724
Retained earnings	--	--
Accumulated other comprehensive losses	(545)	(492)
	-----	-----
Total shareholders' equity	52,586	46,410
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 164,802	\$168,884
	=====	=====

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME  
 -----  
 (unaudited)  
 (In thousands, except per share data)

	Three Months Ended March 31,	
	1998	1997
	----	----
Revenues	\$81,871	\$63,504
Expenses:		
Operating and development	44,170	32,262
Sales and marketing	22,039	19,568
General and administrative	3,222	3,394
	-----	-----
Income from operations	12,440	8,280
Equity in the earnings of unconsolidated affiliate	510	--
Interest income	220	212
Interest expense	(712)	(491)
	-----	-----
Income before income taxes	12,458	8,001
Income taxes	4,861	3,200
	-----	-----
Net income	7,597	4,801
	-----	-----
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments, net of income tax benefit of \$17 and \$87	(27)	(131)
Unrealized holding (losses) gains on investments, net of income tax (benefit) expense of \$(16) and \$137	(26)	207
	-----	-----
Other comprehensive (loss) income	(53)	76
	-----	-----
Comprehensive income	\$ 7,544	\$ 4,877
	=====	=====
Basic earnings per common share	\$ .43	\$ .26
	=====	=====
Diluted earnings per common share	\$ .40	\$ .25
	=====	=====

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)  
(In thousands)

	Three Months Ended March 31,	
	1998	1997
Cash flows from operating activities:		
Net income	\$ 7,597	\$ 4,801
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,580	3,364
Provision for losses on receivables	--	189
Tax benefit on stock options exercised	5,653	218
Equity in the earnings of unconsolidated affiliate	(510)	--
Other	(1,536)	(1,239)
Change in current assets and liabilities:		
Decrease (increase) in		
Receivables from regulated investment companies	(1,228)	(245)
Receivables	1,883	(5,489)
Loans receivable available for sale	8,602	263
Prepaid expenses	228	(342)
Increase (decrease) in		
Accounts payable	1,882	(1,167)
Accrued compensation	(14,358)	(9,930)
Accrued proprietary fund services	560	925
Accrued discontinued operations disposal costs	(953)	(696)
Other accrued liabilities	7,740	4,290
Deferred revenue	321	1,524
Net cash provided by (used in) operating activities	19,461	(3,534)
Cash flows from investing activities:		
Additions to property and equipment	(2,914)	(3,649)
Additions to capitalized software	(1,307)	(2,660)
Purchase of investments available for sale	(3,000)	--
Other	(376)	(190)
Net cash used in investing activities	(7,597)	(6,499)
Cash flows from financing activities:		
Proceeds from (payment on) long-term debt	(2,000)	35,000
Payment on line of credit	--	(20,000)
Purchase and retirement of common stock	(11,610)	(1,075)
Proceeds from issuance of common stock	4,589	1,144
Payment of dividend	(2,487)	(2,220)
Net cash (used in) provided by financing activities	(11,508)	12,849
Net increase in cash and cash equivalents	356	2,816
Cash and cash equivalents, beginning of period	16,891	13,167
Cash and cash equivalents, end of period	\$ 17,247	\$ 15,983

The accompanying notes are an integral part of these statements.

Note 1. Summary of Significant Accounting Policies

Nature of Operations

SEI Investments Company (the "Company") is organized around its two primary business lines: Investment Technology and Services and Asset Management. The Investment Technology and Services segment provides trust accounting and management information services through the Company's 3000 product line, administration and distribution services to proprietary mutual funds, and back-office trust processing. The principal market for these products and services are trust departments of banks located in the United States. The Asset Management segment provides investment solutions through various investment products and services including the Company's Family of Funds, liquidity funds and services, and other investment products and services distributed directly or through professional investment advisors. Principal markets for these products and services include trust departments of banks, investment advisors, corporations, high-net-worth individuals, and money managers located in the United States and Canada.

Summary Financial Information and Results of Operations

In the opinion of the Company, the accompanying unaudited Consolidated Financial Statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position as of March 31, 1998, the results of operations and cash flows for the three months ended March 31, 1998 and 1997.

Interim Financial Information

While the Company believes that the disclosures presented are adequate to make the information not misleading, these Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and the notes included in the Company's latest annual report on Form 10-K.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. The Company's principal subsidiaries are SEI Investments Distribution Company, SEI Investments Management Corporation, and SEI Trust Company. All intercompany accounts and transactions have been eliminated. Investment in unconsolidated affiliate is accounted for using the equity method due to the Company's less than 50 percent ownership. The Company's portion of the affiliate's operating results is reflected in Equity in the earnings of unconsolidated affiliate on the accompanying Consolidated Statements of Income.

Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment on the accompanying Consolidated Balance Sheets consist of the following:

	March 31, 1998 -----	December 31, 1997 -----	Estimated Useful Lives (In Years) -----
Equipment	\$ 43,677,000	\$ 42,376,000	3 to 5
Buildings	28,273,000	27,940,000	25 to 39
Land	6,993,000	6,993,000	N/A
Furniture and fixtures	10,172,000	9,790,000	3 to 5
Purchased software	9,330,000	9,181,000	3
Leasehold improvements	5,624,000	5,344,000	Lease Term
Construction in progress	235,000	--	N/A
	-----	-----	
	104,304,000	101,624,000	
Less: Accumulated depreciation and amortization	(51,734,000)	(49,493,000)	
	-----	-----	
Property and Equipment, net	\$ 52,570,000 =====	\$ 52,131,000 =====	

Property and equipment are stated at cost, which includes interest on funds borrowed to finance the construction of the Company's corporate campus. Depreciation and amortization are computed using the straight-line method over the estimated useful life of each asset. Expenditures for renewals and betterments are capitalized, while maintenance and repairs are charged to expense when incurred.

Customer Lists

Customer Lists represent the value assigned to customer relationships obtained in various acquisitions. Customer Lists are amortized on a straight-line basis over 10 years. The Company evaluates the realizability of intangible assets based on estimates of undiscounted future cash flows over the remaining useful life of the asset. If the amount of such estimated undiscounted cash flow is less than the net book value of the asset, the asset is written down to its net realizable value. As of March 31, 1998, no such write-down was required.

Capitalized Software

The Company accounts for software development costs in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed" ("SFAS 86"). Under SFAS 86, costs incurred to create a computer software product are charged to research and development expense as incurred until technological feasibility has been established. The Company establishes technological feasibility upon completion of a detail program design. At that point, computer software costs are capitalized until the product is available for general release to customers. The establishment of technological feasibility and the ongoing assessment of recoverability of capitalized software development costs require considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future revenues, estimated economic life, and changes in technology. Amortization begins when the product is released. Capitalized software development costs are amortized on a product-by-product basis using the straight-line method over the estimated economic life of the product or enhancement, which is primarily three to ten years, with a weighted average remaining life of approximately 7.4 years.

Earnings per Share

The Company computes earnings per common share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"), which superceded Accounting Principles Board Opinion No. 15. Pursuant to SFAS 128, dual presentation of basic and diluted earnings per common share is required on the face of the statements of income for companies with complex capital structures. Basic earnings per common share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share reflects the potential dilution from the exercise or conversion of securities into common stock, such as stock options. If the inclusion of common stock equivalents has an anti-dilutive effect in the aggregate, it is excluded from the diluted earnings per common share calculation. The Company adopted SFAS 128 in its December 31, 1997 financial statements. All prior period earnings per common share information has been restated to conform with the provisions of SFAS 128.

FOR THE THREE MONTH PERIOD ENDED  
MARCH 31, 1998

	INCOME (NUMERATOR)	SHARES (Denominator)	PER SHARE Amount
Basic earnings per common share	\$7,597,000	17,750,000	\$ .43
Dilutive effect of stock options	--	1,399,000	
Diluted earnings per common share	\$7,597,000	19,149,000	\$ .40

FOR THE THREE MONTH PERIOD ENDED  
MARCH 31, 1997

	INCOME (NUMERATOR)	SHARES (Denominator)	PER SHARE Amount
Basic earnings per common share	\$4,801,000	18,532,000	\$ .26
Dilutive effect of stock options	--	788,000	
Diluted earnings per common share	\$4,801,000	19,320,000	\$ .25

All options outstanding during the first quarter of 1998 were included in the diluted earnings per common share calculation. Options to purchase 534,000 shares of common stock with an average exercise price per share of \$24.20 were outstanding during the first quarter of 1997, but were excluded from the diluted earnings per common share calculation because the option's exercise price was greater than the average market price of the Company's common stock.

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.

Supplemental disclosures of cash paid/received during the three months ended March 31 is as follows:

	1998	1997
Interest paid	\$1,343,000	\$231,000
Interest and dividends received	\$ 226,000	\$210,000
Income taxes paid	\$2,456,000	\$ 85,000



Recent Accounting Pronouncements

In June 1997, The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to stockholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. SFAS 131 is required to be adopted for the Company's 1998 year-end financial statements. The Company is currently evaluating the impact, if any, of the adoption of this pronouncement on the Company's existing disclosures.

Reclassifications

The financial statements for prior periods have been reclassified to conform with the current period's presentation.

Note 2. Comprehensive Income - In the first quarter of 1998, the Company adopted

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes standards for reporting and presentation of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements and requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is presented with equal prominence as other financial statements.

	Foreign Currency Translation Adjustments	Unrealized Holding Losses on Investments	Accumulated Other Comprehensive Losses
	-----	-----	-----
Beginning balance	\$(417)	\$ (75)	\$(492)
Current period change	(27)	(26)	(53)
	-----	-----	-----
Ending Balance	\$(444) =====	\$(101) =====	\$(545) =====

Note 3. Receivables - Receivables on the accompanying Consolidated Balance

Sheets consist of the following:

	March 31, 1998	December 31, 1997
	-----	-----
Trade receivables	\$13,972,000	\$16,219,000
Fees earned, not received	2,247,000	2,308,000
Fees earned, not billed	12,557,000	13,865,000
	-----	-----
	28,776,000	32,392,000
Less: Allowance for doubtful accounts	(1,200,000)	(1,200,000)
	-----	-----
	\$27,576,000 =====	\$31,192,000 =====

Fees earned, not received represent brokerage commissions earned but not yet collected. Fees earned, not billed represent cash receivables earned but unbilled and result from timing differences between services provided and contractual billing schedules.

Receivables from regulated investment companies on the accompanying Consolidated Balance Sheets represent fees collected from the Company's wholly owned subsidiaries, SEI Investments Distribution Company and SEI Investments Management Corporation, for distribution, investment advisory, and administration services provided by these subsidiaries to various regulated investment companies sponsored by the Company.

Note 4. Loans Receivable Available for Sale - Loans receivable available for

sale represent loans which were purchased through SEI Capital AG, which is based in Zurich. These receivables are reported at the lower of cost or market, and any difference between the purchase price and the related loan principal amount is recognized as an adjustment of the yield over the life of the loan using the effective interest method. Each loan receivable involves various risks, including, but not limited to, country, interest rate, credit, and liquidity risk. Management evaluates and monitors these risks on a continuing basis to ensure that these loan receivables are recorded at their realizable value. This evaluation is based upon management's best estimates and the amounts the Company will ultimately realize could differ from these estimates. The Company intends to sell these loans within one year from the balance sheet date.

Note 5. Investments Available for Sale - Investments available for sale

consist of mutual funds sponsored by the Company which are primarily invested in equity securities. The Company accounts for investments in marketable securities pursuant to Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). SFAS 115 requires that debt and equity securities classified as available for sale be reported at market value. Unrealized holding gains and losses, net of income taxes, are reported as a separate component of Shareholders' equity. Realized gains and losses, as determined on a specific identification basis, are reported separately on the accompanying Consolidated Statements of Income.

At March 31, 1998, Investments available for sale had an aggregate cost of \$4,000,000 and an aggregate market value of \$3,834,000 with gross unrealized losses of \$166,000. At that date, the unrealized holding losses of \$101,000 (net of income tax benefit of \$65,000) were reported as a separate component of Shareholders' equity on the accompanying Consolidated Balance Sheets. There were no unrealized holding gains as of March 31, 1998.

At December 31, 1997, Investments available for sale had an aggregate cost of \$1,000,000 and an aggregate market value of \$876,000 with gross unrealized losses of \$124,000. At that date, the unrealized holding losses of \$75,000 (net of income tax benefit of \$49,000) were reported as a separate component of Shareholders' equity on the accompanying Consolidated Balance Sheets. There were no unrealized holding gains as of December 31, 1997.

Note 6. Line of Credit - The Company has a line of credit agreement (the

"Agreement") with its principal lending institution which provides for borrowings of up to \$50,000,000. The Agreement ends on May 31, 1998, at which time the outstanding principal balance, if any, becomes due unless the Agreement is extended. Management believes the Agreement will be extended. The line of credit, when utilized, accrues interest at the Prime rate or three-tenths percent above the London Interbank Offered Rate. The Company is obligated to pay a commitment fee equal to one-tenth percent per annum on the average daily unused portion of the commitment. Certain covenants under the Agreement require the Company to maintain specified levels of net worth and place certain restrictions on investments. The Company had no outstanding borrowings on its line of credit at March 31, 1998.

Note 7. Long-term Debt - On February 24, 1997, the Company signed a Note

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Purchase Agreement authorizing the issuance and sale of \$20,000,000 of 7.20% Senior Notes, Series A, and \$15,000,000 of 7.27% Senior Notes, Series B, (collectively, the "Notes") in a private offering with certain financial institutions. The Notes are unsecured with final maturities ranging from 10 to 15 years with an average life of 7 to 10 years. The proceeds from the Notes were used to repay the outstanding balance on the Company's line of credit at that date. The Note Purchase Agreement contains various covenants, including limitations on indebtedness, maintenance of minimum net worth levels, and restrictions on certain investments. In addition, the agreement limits the Company's ability to merge or consolidate, and to sell certain assets. None of these covenants negatively affect the Company's liquidity or capital resources. Principal payments on the Notes will be made annually from the date of issuance while interest payments are made semi-annually. The Company made its first principal payment of \$2,000,000 in February 1998. The current portion of the Notes amounted to \$2,000,000 at March 31, 1998. The carrying amount of the Company's long-term debt approximates its fair value.

Note 8. Common Stock Buyback - The Board of Directors has authorized the

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purchase of the Company's common stock on the open market or through private transactions of up to an aggregate of \$248,365,000, including an additional authorization in April 1998. The Company purchased 237,000 shares at a total cost of \$11,610,000 during the first quarter of 1998.

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. Dividend - On December 4, 1997, the Board of Directors declared a cash

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dividend of \$.14 per share on the Company's common stock, which was paid on January 21, 1998, to shareholders of record on December 31, 1997.

The Board of Directors has indicated its intention to pay future dividends on a semiannual basis.

Note 10. Segment Information - The Company defines its business segments to

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reflect the Company's focus around its two primary business lines: Investment Technology and Services and Asset Management. The Investment Technology and Services segment consists of the Company's trust technology, proprietary mutual fund, and back-office trust processing businesses. The Asset Management segment provides investment solutions through various investment products and services distributed directly or through professional investment advisors to institutional and high-net-worth markets.

The following tables highlight certain unaudited financial information about each of the Company's segments for the three months ended March 31, 1998 and 1997.

	Investment Technology and Services	Asset Management	General and Admin.	Consolidated
-----				
For the Three-Month Period Ended March 31, 1998				
-----				
Revenues	\$51,065,000	\$30,806,000		\$81,871,000
	=====	=====		=====
Operating profit	\$ 8,642,000	\$ 7,020,000	\$(3,222,000)	\$12,440,000
	=====	=====	=====	
Equity in the earnings of unconsolidated affiliate				510,000
Interest income				220,000
Interest expense				(712,000)
				-----
Income before income taxes				\$12,458,000
				=====
Depreciation and amortization	\$ 2,568,000	\$ 815,000	\$ 197,000	\$ 3,580,000
	=====	=====	=====	=====
Capital expenditures	\$ 2,253,000	\$ 453,000	\$ 208,000	\$ 2,914,000
	=====	=====	=====	=====
-----				
For the Three-Month Period Ended March 31, 1997				
-----				
Revenues	\$39,963,000	\$23,541,000		\$63,504,000
	=====	=====		=====
Operating profit	\$ 9,923,000	\$ 1,751,000	\$(3,394,000)	\$ 8,280,000
	=====	=====	=====	=====
Interest income				212,000
Interest expense				(491,000)
				-----
Income before income taxes				\$ 8,001,000
				=====
Depreciation and amortization	\$ 2,270,000	\$ 921,000	\$ 173,000	\$ 3,364,000
	=====	=====	=====	=====
Capital expenditures	\$ 2,518,000	\$ 871,000	\$ 260,000	\$ 3,649,000
	=====	=====	=====	=====

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

OF OPERATIONS.

The Company is organized around its two primary business lines: Investment Technology and Services and Asset Management. Financial information for each of these segments is reflected in Note 10 of the Notes to Consolidated Financial Statements.

RESULTS OF OPERATIONS

First Quarter Ended March 31, 1998 Compared to First Quarter Ended March 31, 1997

The Company's results of operations for the first quarter of 1998 included revenues of \$81,871,000, as compared to \$63,504,000 for the same period in 1997, an increase of 29 percent. Net income for the first quarter of 1998 increased 58 percent to \$7,597,000, as compared to the \$4,801,000 reported in the first quarter of 1997. Diluted earnings per share for the three months ended March 31, 1998 and 1997 was \$.40 and \$.25, respectively, an increase of 60 percent. Total fund balances at March 31, 1998 were \$128.1 billion, as compared to \$90.6 billion at March 31, 1997, an increase of 41 percent. Included in these totals are proprietary fund balances of \$89.3 billion at March 31, 1998 and \$64.9 billion at March 31, 1997, an increase of 38 percent. The increase in revenues recorded in the first quarter of 1998 was primarily driven by significant growth in fund balances and the recognition of nonrecurring trust technology services revenues. Earnings increased principally due to improved operating margins from the Company's Asset Management segment, which more than offset a decline in operating margins from the Company's Investment Technology and Services segment. Revenues and earnings expectations are optimistic primarily due to an increased interest in the Company's trust products, as evidenced by the new trust technology and back-office client relationships established during the past year. Additionally, the Company anticipates continued growth from its Asset Management segment. However, revenues and earnings could be adversely affected by continued consolidation within the banking industry and an unfavorable change in the stock market.

INVESTMENT TECHNOLOGY AND SERVICES - Revenues from Investment Technology and

Services for the three months ended March 31, 1998 and 1997 were \$51,065,000 and \$39,963,000, respectively.

INVESTMENT TECHNOLOGY AND SERVICES REVENUES

	1ST QTR 1998	1ST QTR 1997	DOLLAR CHANGE	PERCENT CHANGE
Trust technology services	\$29,625,000	\$23,039,000	\$ 6,586,000	29%
Proprietary fund services	19,329,000	16,143,000	3,186,000	20%
Trust back-office processing services	2,111,000	781,000	1,330,000	170%
Total	\$51,065,000	\$39,963,000	\$11,102,000	28%

The comparison of trust technology services revenues was influenced by the inclusion of significant one-time revenues in the first quarter of 1998. The Company recognized an increase in implementation fees of \$3.6 million in connection with the contracting of new trust clients during 1997. Once a client becomes fully implemented, recurring processing fees are favorably impacted in future periods. The Company estimates that the increase in recurring processing fees relating to the new trust client relationships established in 1997 will not be completely recognized until early 1999. Additionally, the Company realized approximately \$4.0 million in one-time buyout and deconversion fees associated with trust clients that terminated their relationship with the Company in 1997. When a client ceases its relationship with the Company, recurring processing fees are negatively impacted in future periods. As a result, recurring processing fees decreased approximately \$1.6 million in the first quarter of 1998. The outlook for trust technology services revenues is optimistic. The establishment of new trust client relationships in early 1998 and during 1997 should increase the recurring processing revenue base following implementation. However, continued consolidation within the banking industry could negatively affect future recurring revenues. Additionally, future trust technology services revenues will be impacted by the recognition of a substantial one-time buyout fee from one of its clients involved in an acquisition once the client has been fully deconverted.

Proprietary fund services revenues increased 20 percent over the prior year period principally driven by continued increases in average proprietary fund balances. Average proprietary fund balances increased \$21.0 billion or 32 percent from the \$65.5 billion reported in the first quarter of 1997 to \$86.5 billion during the first quarter of 1998. The increase in average proprietary fund balances was mainly fueled by growth in existing proprietary fund complexes. The growth in existing complexes can be attributed to banks maintaining their market share in a rapidly growing mutual fund industry and the favorable growth trend experienced in the stock market. The Company anticipates this strong growth trend in proprietary fund balances to continue in the near term. However, revenues could be adversely affected by continued consolidation within the banking industry and an unfavorable change in the stock market.

The Company is currently experiencing significant growth in its trust back-office processing business which is an extension of its trust technology services business. The increase in trust back-office processing services revenues was primarily due to increases in recurring processing fees associated with the contracting of new clients during the past year, including some larger banks. Management believes the Company is favorably positioned to provide these services, principally to bank trust departments, which could create new client relationships in the near term.

INVESTMENT TECHNOLOGY AND SERVICES EXPENSES

	1ST QTR 1998	1ST QTR 1997	DOLLAR CHANGE	PERCENT CHANGE
Operating and development	\$33,358,000	\$21,243,000	\$12,115,000	57%
Sales and marketing	\$ 9,065,000	\$ 8,797,000	\$ 268,000	3%

Operating and development expenses were affected by various distinct factors in the first quarter of 1998. First, the direct correlation between proprietary fund revenues and direct expenses partially contributed to the increase in operating and development expenses. Second, associated with the new trust technology and back-office processing client relationships established during 1997, the Company incurred additional personnel and other operating costs in order to properly implement, service, and maintain these new relationships. Third, with the completion and subsequent release of several capitalized software development projects, the Company recognized additional maintenance costs relating to the trust technology product line that were not eligible for capitalization in accordance with accounting standards. Finally, the Company incurred substantial nonrecurring costs to evaluate and enhance its new trust technology client implementation process. The Company does not expect to incur any significant additional costs associated with this project.

Operating profit from Investment Technology and Services for the three months ended March 31, 1998 was \$8,642,000, as compared to the \$9,923,000 reported in the corresponding quarter of 1997. Operating margins were 17 percent for the three months ended March 31, 1998, as compared to 25 percent for the same period in 1997. Operating profits and margins decreased principally due to the substantial increases in operating and development expenses described above. Management believes that operating margins from this segment should increase in the near term primarily due to increases in revenues from all product lines. However, revenues and profits could be adversely affected by the loss of bank clients as a result of continued consolidation within the banking industry and changes in banking regulations, as well as an unfavorable change in the stock market.

ASSET MANAGEMENT - Revenues from Asset Management for the three months ended

March 31, 1998 and 1997 were \$30,806,000 and \$23,541,000, respectively.

ASSET MANAGEMENT REVENUES

	1ST QTR 1998	1ST QTR 1997	DOLLAR CHANGE	PERCENT CHANGE
Investment management services	\$17,070,000	\$11,145,000	\$5,925,000	53%
Liquidity management services	6,534,000	5,485,000	1,049,000	19%
Other investment products and services	7,202,000	6,911,000	291,000	4%
<b>Total</b>	<b>\$30,806,000</b>	<b>\$23,541,000</b>	<b>\$7,265,000</b>	<b>31%</b>

Investment management services revenues increased 53 percent over the prior year period due to an increase in average fund balances invested in the Company's Family of Funds. Average assets under management invested in the Company's Family of Funds increased \$5.7 billion or 71 percent to \$13.7 billion for the first quarter of 1998, as compared to \$8.0 billion for the first quarter of 1997. This increase was the result of increased sales of the Company's Family of Funds to high-net-worth investors through various registered investment advisors, financial planners, and other financial intermediaries, as well as increased sales of the Company's asset management programs to institutional investors. Additionally, the favorable increase in the stock market has contributed to the growth in average assets under management. Revenues are expected to increase as the Company continues to experience growth through its registered investment advisor channel and acceptance of its asset management programs by institutional investors. However, future revenues could be adversely affected by an unfavorable change in the stock market.

Liquidity management services revenues increased 19 percent over the prior year period primarily due to an increase in average fund balances invested in the Company's lower-fee liquidity products, as well as, increased sales of the Company's cash sweep services to smaller banks. Average assets under management from the Company's liquidity funds were \$19.4 billion for the first quarter of 1998, as compared to \$16.1 billion for the first quarter of 1997, an increase of 20 percent.

Other investment products and services revenues is comprised of several distinct operations that include performance measurement and consulting services to Canadian pension plans, brokerage and clearing services, and several other small business ventures. In the first quarter of 1998, the Company realized an increase in bank-related brokerage services. However, this was partially offset due to the removal of one of the Company's business ventures from this segment. This reclassification was required according to accounting standards because the Company's interest in this business venture has been reduced to less than fifty percent.

ASSET MANAGEMENT EXPENSES

	1ST QTR 1998	1ST QTR 1997	DOLLAR CHANGE	PERCENT CHANGE
Operating and development	\$10,812,000	\$11,019,000	\$ (207,000)	(2%)
Sales and marketing	\$12,974,000	\$10,771,000	\$2,203,000	20%

In the first quarter of 1998, operating and development expenses were affected by additional direct brokerage expenses associated with the increase in bank-related brokerage services revenues. However, this was offset by the reclassification of one of the Company's business ventures into other non-operating expenses. This reclassification was required according to accounting standards because the Company's interest in this business venture has been reduced to less than fifty percent.

The 20 percent increase in sales and marketing expenses was primarily due to increases in personnel and promotion expenses. The increase in personnel costs related to additional sales compensation associated with new sales of the Company's asset management products and services to high-net-worth and institutional investors. The Company incurred additional promotion expenditures in relation to an enhanced marketing strategy of its asset management products and services.

The Asset Management segment recorded an operating profit of \$7,020,000 with an operating margin of 23 percent for the three months ended March 31, 1998, as compared to an operating profit of \$1,751,000 with an operating margin of 7 percent for the three months ended March 31, 1997. Operating profits and margin increased considerably primarily due to the significant increase in assets under management which generated substantial revenues without incurring substantial additional operating expenses. The Company's growth expectations for revenues and earnings generated from this segment are principally based upon continued growth in assets currently under management and new sales of its asset management products and services.

OTHER INCOME AND EXPENSES - General and administrative expenses for the three months ended March 31, 1998 and 1997 were \$3,222,000 and \$3,394,000, respectively, a decrease of 5 percent. This decrease is primarily due to a decline in various expenses associated with corporate overhead groups.

In the first quarter of 1998, in accordance with generally accepted accounting principles, the Company could no longer consolidate one of its business ventures, LSV Asset Management ("LSV"). The Company's interest in LSV was reduced to less than 50 percent requiring the Company to apply the equity method of accounting. The Company's interest in the net operating results of LSV for the first quarter of 1998 are reflected in Equity in the earnings of unconsolidated affiliate on the accompanying Consolidated Statements of Income. Prior period information has not been restated. LSV's net operating results in prior periods were reflected in the Asset Management segment.

Interest expense for the first quarter of 1998 and 1997 relates to the Company's issuance of long-term debt in February 1997. The increase in interest expense over the prior year period results from carrying an outstanding debt balance for a full quarter in 1998 (See Note 7 of the Notes to Consolidated Financial Statements).

Interest income is earned based upon the amount of cash that is invested daily and fluctuations in interest income recognized for one period as compared to another is due to changes in the average cash balance invested for the period.

LIQUIDITY AND CAPITAL RESOURCES - The Company's ability to generate cash adequate to meet its needs results primarily from cash flows from operations and its capacity for additional borrowing. The Company has a line of credit agreement which provides for borrowings of up to \$50,000,000 (See Note 6 of the Notes to Consolidated Financial Statements). At March 31, 1998, the Company's sources of liquidity consisted primarily of cash and cash equivalents of \$17,247,000 and the unused balance on the line of credit of \$50,000,000. The availability of the line of credit is subject to the Company's compliance with certain covenants set forth in the agreement.

Cash flows provided by operations for the three months ended March 31, 1998 were \$19,461,000, as compared to cash flows used in operations for the three months ended March 31, 1997 of \$3,534,000. The sales of loans classified as Loans receivable available for sale by the Company's Swiss based subsidiary, increased collections of receivables, and increases in income and various accrued liabilities principally boosted cash flows from operations in the first quarter of 1998. Cash flows from operations in the first quarter of 1997 were unfavorably affected by an increase in receivables. Additionally, the payout of sales and incentive compensation in the first quarter of 1998 and 1997 negatively affected cash flows from operations. In the second quarter of 1998, the Company expects to receive a buyout payment relating to a bank client involved in an acquisition. This buyout payment will not be recognized in revenues until the client has been fully deconverted.



Cash flows from investing activities are principally affected by capital expenditures. Capital expenditures, including capitalized software development costs, for the three months ended March 31, 1998 and 1997 were \$4,221,000 and \$6,309,000, respectively. The Company is currently in the early stages of expanding its corporate campus. Construction is expected to be completed by late 1998 at an estimated cost of \$5,250,000. Additionally in the first quarter of 1998, the Company purchased additional investments classified as Investments available for sale (see Note 5 of the Notes to Consolidated Financial Statements). The Company disposed of these same investments in the second quarter of 1998.

Cash flows from financing activities are primarily affected by debt and equity transactions. On February 24, 1997, the Company issued \$35,000,000 of medium-term notes in a private offering with certain financial institutions. The proceeds were used to repay the outstanding balance on its line of credit at that date. The Company made its first principal payment of \$2,000,000 on its long-term debt in February 1998 (See Note 7 of the Notes to Consolidated Financial Statements). The Company continued its common stock repurchase program during the first quarter of 1998. The Company has purchased 315,000 shares of its common stock at a cost of \$16,735,000 through April 30, 1998. The Company still has \$22,508,000 remaining authorized for the purchase of its common stock.

The Company's operating cash flow, borrowing capacity, and liquidity should provide adequate funds for continuing operations, continued investment in new products and equipment, its common stock repurchase program, future dividend payments, and principal and interest payments on its long-term debt.

#### Assessment of Risks Associated with the Year 2000

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The Company began to address the Year 2000 issue in 1995, initially focusing on its TRUST 3000 product line. In 1997, a committee was formed with representatives from all areas of the Company's business in order to review all internal proprietary systems and every vendor with which the Company interacts. Each vendor was contacted in order for the Committee to assess the impact the Year 2000 will have on operations. If deemed necessary, the Company will initiate appropriate systems testing in order to make a reasonable determination as to whether a vendor will, in fact, be Year 2000 compliant on time. SEI customers have been informed of the Company's Year 2000 program through a users group and periodic communications.

The current Year 2000 project has the highest level of corporate commitment. The Company will utilize both internal and external resources to reprogram, or replace, and test software for Year 2000 compliance. The Company plans to have all its systems Year 2000 compliant by early 1999. Management estimates that it will cost approximately \$10 million to bring TRUST 3000 into Year 2000 compliance, the majority of which will be capitalized. Management does not expect to expend significant resources to bring all of its internal proprietary systems into Year 2000 compliance. Amounts incurred for internal proprietary systems are expensed, unless new software is purchased which will be capitalized. The cost of the Year 2000 project and the date on which the Company plans to complete Year 2000 modifications are based on management's best estimates. At this time, management does not believe the financial impact of the Company's Year 2000 project will have a material adverse affect on its financial position or results of operations in any given year. However, if the Company or any significant vendors utilized in the Company's operations do not successfully achieve Year 2000 compliance in a timely manner, the Company's operations could be adversely affected.

#### RECENT ACCOUNTING PRONOUNCEMENTS

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In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 is required to be adopted for the Company's 1998 year-end financial statements. The Company is currently evaluating the impact, if any, of the adoption of this pronouncement on the Company's existing disclosures (See Note 1 of the Notes to Consolidated Financial Statements).

Except for the historical information contained herein, the matters discussed in this report are forward-looking statements which involve risks and uncertainties, including but not limited to economic, competitive, governmental and technological factors affecting the Company's operations, markets, services and related products, prices, and other factors discussed in the Company's prior filings with the Securities and Exchange Commission. Although the Company believes the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

Exhibit 27. Financial Data Schedule.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed by the Company during the quarter ended March 31, 1998.

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 May 14, 1998  
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By /s/ Henry H. Greer  
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Henry H. Greer  
President, Chief Operating  
Officer, and Chief Financial Officer



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF INCOME AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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164802		0
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	712	
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