

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OF 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-10200

SEI New ways.
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SEI INVESTMENTS COMPANY

(Exact Name of Registrant as Specified in its Charter)

Pennsylvania

(State or Other Jurisdiction of
Incorporation or Organization)

23-1707341

(I.R.S. Employer Identification No.)

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	SEIC	The NASDAQ Stock Market LLC

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares outstanding of the registrant's common stock, as of the close of business on October 17, 2019:

Common Stock, \$0.01 par value

150,256,238

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)

	September 30, 2019	December 31, 2018
Assets		
Current Assets:		
Cash and cash equivalents	\$ 767,809	\$ 754,525
Restricted cash	3,100	3,514
Receivables from investment products	52,140	49,869
Receivables, net of allowance for doubtful accounts of \$1,311 and \$718	349,332	315,336
Securities owned	32,862	30,892
Other current assets	34,894	36,676
Total Current Assets	1,240,137	1,190,812
Property and Equipment, net of accumulated depreciation of \$346,377 and \$338,206	154,584	145,863
Operating Lease Right-of-Use Assets	41,054	—
Capitalized Software, net of accumulated amortization of \$430,644 and \$395,171	300,848	309,500
Investments Available for Sale	101,580	111,901
Investments in Affiliated Funds, at fair value	5,533	4,887
Investment in Unconsolidated Affiliate	41,437	52,342
Goodwill	64,489	64,489
Intangible Assets, net of accumulated amortization of \$7,853 and \$5,090	28,907	31,670
Deferred Contract Costs	28,506	24,007
Deferred Income Taxes	1,421	2,042
Other Assets, net	32,109	34,155
Total Assets	\$ 2,040,605	\$ 1,971,668

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

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

	September 30, 2019	December 31, 2018
Liabilities and Equity		
Current Liabilities:		
Accounts payable	\$ 8,712	\$ 10,920
Accrued liabilities	193,919	279,634
Current portion of long-term operating lease liabilities	7,888	—
Deferred revenue	5,529	5,154
Total Current Liabilities	216,048	295,708
Long-term Income Taxes Payable	803	803
Deferred Income Taxes	56,339	57,795
Long-term Operating Lease Liabilities	37,816	—
Other Long-term Liabilities	26,292	24,215
Total Liabilities	337,298	378,521
Commitments and Contingencies		
Shareholders' Equity:		
Common stock, \$0.01 par value, 750,000 shares authorized; 150,222 and 153,634 shares issued and outstanding	1,502	1,536
Capital in excess of par value	1,137,636	1,106,641
Retained earnings	599,949	517,970
Accumulated other comprehensive loss, net	(35,780)	(33,000)
Total Shareholders' Equity	1,703,307	1,593,147
Total Liabilities and Shareholders' Equity	\$ 2,040,605	\$ 1,971,668

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues:				
Asset management, administration and distribution fees	\$ 330,943	\$ 322,778	\$ 969,812	\$ 955,495
Information processing and software servicing fees	85,311	85,904	256,848	263,615
Total revenues	416,254	408,682	1,226,660	1,219,110
Expenses:				
Subadvisory, distribution and other asset management costs	44,978	45,276	134,960	135,690
Software royalties and other information processing costs	7,198	7,767	22,719	24,462
Compensation, benefits and other personnel	130,579	127,480	386,913	379,132
Stock-based compensation	5,453	5,878	15,555	16,396
Consulting, outsourcing and professional fees	48,789	51,758	144,325	150,906
Data processing and computer related	22,338	21,754	65,514	63,478
Facilities, supplies and other costs	15,926	16,689	51,771	52,085
Amortization	12,947	12,405	38,407	36,420
Depreciation	7,409	7,255	22,162	21,515
Total expenses	295,617	296,262	882,326	880,084
Income from operations	120,637	112,420	344,334	339,026
Net gain (loss) from investments	611	89	2,121	(460)
Interest and dividend income	4,167	3,482	12,737	9,146
Interest expense	(154)	(122)	(477)	(511)
Equity in earnings of unconsolidated affiliate	37,609	41,726	112,758	123,406
Income before income taxes	162,870	157,595	471,473	470,607
Income taxes	30,702	29,276	98,784	80,773
Net income	\$ 132,168	\$ 128,319	\$ 372,689	\$ 389,834
Basic earnings per common share	\$ 0.88	\$ 0.82	\$ 2.45	\$ 2.48
Shares used to compute basic earnings per share	150,855	156,283	152,009	157,086
Diluted earnings per common share	\$ 0.86	\$ 0.80	\$ 2.40	\$ 2.41
Shares used to compute diluted earnings per share	154,227	160,511	155,311	162,053
Dividends declared per common share	\$ —	\$ —	\$ 0.33	\$ 0.30

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	\$ 132,168	\$ 128,319	\$ 372,689	\$ 389,834
Other comprehensive loss, net of tax:				
Foreign currency translation adjustments	(5,207)	(435)	(4,687)	(7,261)
Unrealized gain (loss) on investments:				
Unrealized gains (losses) during the period, net of income taxes of \$(27), \$91, \$(497) and \$463	71	(337)	1,633	(1,662)
Less: reclassification adjustment for losses (gains) realized in net income, net of income taxes of \$(23), \$(29), \$(73) and \$(75)	96	167	130	(207)
	274	1,907	(32)	(1,694)
Total other comprehensive loss, net of tax	(5,040)	(642)	(2,780)	(8,955)
Comprehensive income	<u>\$ 127,128</u>	<u>\$ 127,677</u>	<u>\$ 369,909</u>	<u>\$ 380,879</u>

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

SEI Investments Company
Consolidated Statements of Changes in Equity
(unaudited)
(In thousands)

	Shares of Common Stock	Common Stock	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
For the Three Months Ended September 30, 2019						
Balance, July 1, 2019	150,955	\$ 1,509	\$ 1,122,068	\$ 541,664	\$ (30,740)	\$ 1,634,501
Net income	—	—	—	132,168	—	132,168
Other comprehensive loss	—	—	—	—	(5,040)	(5,040)
Purchase and retirement of common stock	(1,400)	(15)	(7,469)	(73,883)	—	(81,367)
Issuance of common stock under employee stock purchase plan	21	1	998	—	—	999
Issuance of common stock upon exercise of stock options	646	7	16,586	—	—	16,593
Stock-based compensation	—	—	5,453	—	—	5,453
Balance, September 30, 2019	<u>150,222</u>	<u>\$ 1,502</u>	<u>\$ 1,137,636</u>	<u>\$ 599,949</u>	<u>\$ (35,780)</u>	<u>\$ 1,703,307</u>

	Shares of Common Stock	Common Stock	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
For the Three Months Ended September 30, 2018						
Balance, July 1, 2018	156,800	\$ 1,568	\$ 1,094,771	\$ 522,764	\$ (28,221)	\$ 1,590,882
Net income	—	—	—	128,319	—	128,319
Other comprehensive loss	—	—	—	—	(642)	(642)
Purchase and retirement of common stock	(1,668)	(17)	(8,117)	(94,502)	—	(102,636)
Issuance of common stock under employee stock purchase plan	21	1	1,106	—	—	1,107
Issuance of common stock upon exercise of stock options	322	3	7,599	—	—	7,602
Stock-based compensation	—	—	5,878	—	—	5,878
Balance, September 30, 2018	<u>155,475</u>	<u>\$ 1,555</u>	<u>\$ 1,101,237</u>	<u>\$ 556,581</u>	<u>\$ (28,863)</u>	<u>\$ 1,630,510</u>

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

SEI Investments Company
Consolidated Statements of Changes in Equity
(unaudited)
(In thousands)

	Shares of Common Stock	Common Stock	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
For the Nine Months Ended September 30, 2019						
Balance, January 1, 2019	153,634	\$ 1,536	\$ 1,106,641	\$ 517,970	\$ (33,000)	\$ 1,593,147
Net income	—	—	—	372,689	—	372,689
Other comprehensive loss	—	—	—	—	(2,780)	(2,780)
Purchase and retirement of common stock	(4,950)	(50)	(26,408)	(240,726)	—	(267,184)
Issuance of common stock under employee stock purchase plan	77	1	3,391	—	—	3,392
Issuance of common stock upon exercise of stock options	1,461	15	38,457	—	—	38,472
Stock-based compensation	—	—	15,555	—	—	15,555
Dividends declared (\$0.33 per share)	—	—	—	(49,984)	—	(49,984)
Balance, September 30, 2019	<u>150,222</u>	<u>\$ 1,502</u>	<u>\$ 1,137,636</u>	<u>\$ 599,949</u>	<u>\$ (35,780)</u>	<u>\$ 1,703,307</u>

	Shares of Common Stock	Common Stock	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
For the Nine Months Ended September 30, 2018						
Balance, January 1, 2018	157,069	\$ 1,571	\$ 1,027,709	\$ 467,467	\$ (19,908)	\$ 1,476,839
Cumulative effect upon adoption of ASC 606	—	—	—	14,402	—	14,402
Net income	—	—	—	389,834	—	389,834
Other comprehensive loss	—	—	—	—	(8,955)	(8,955)
Purchase and retirement of common stock	(4,419)	(44)	(21,507)	(267,983)	—	(289,534)
Issuance of common stock under employee stock purchase plan	57	1	3,257	—	—	3,258
Issuance of common stock upon exercise of stock options	2,768	27	75,382	—	—	75,409
Stock-based compensation	—	—	16,396	—	—	16,396
Dividends declared (\$0.30 per share)	—	—	—	(47,139)	—	(47,139)
Balance, September 30, 2018	<u>155,475</u>	<u>\$ 1,555</u>	<u>\$ 1,101,237</u>	<u>\$ 556,581</u>	<u>\$ (28,863)</u>	<u>\$ 1,630,510</u>

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

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

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 372,689	\$ 389,834
Adjustments to reconcile net income to net cash provided by operating activities (See Note 1)	8,846	28,064
Net cash provided by operating activities	381,535	417,898
Cash flows from investing activities:		
Additions to property and equipment	(30,515)	(21,652)
Additions to capitalized software	(26,821)	(33,371)
Purchases of marketable securities	(126,030)	(122,259)
Prepayments and maturities of marketable securities	137,783	116,568
Cash paid for acquisition, net of cash acquired	—	(5,794)
Other investing activities	2,538	(10,900)
Net cash used in investing activities	(43,045)	(77,408)
Cash flows from financing activities:		
Repayments under revolving credit facility	—	(30,000)
Purchase and retirement of common stock	(262,861)	(290,563)
Proceeds from issuance of common stock	41,864	78,667
Payment of dividends	(100,745)	(94,318)
Net cash used in financing activities	(321,742)	(336,214)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3,878)	(6,552)
Net increase (decrease) in cash, cash equivalents and restricted cash	12,870	(2,276)
Cash, cash equivalents and restricted cash, beginning of period	758,039	747,752
Cash, cash equivalents and restricted cash, end of period	\$ 770,909	\$ 745,476
Non-cash operating activities:		
Operating lease right-of-use assets and lease liabilities recorded upon adoption of ASC 842	\$ 44,169	\$ —

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 platforms 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 platforms consist of application and business process outsourcing services, professional services and transaction-based services. Revenues from investment processing platforms are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations.

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 platforms consist of outsourcing services including fund and investment accounting, administration, reconciliation, investor servicing and client reporting. Revenues from investment operations platforms 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 September 30, 2019, the results of operations for the three and nine months ended September 30, 2019 and 2018, and cash flows for the nine-month periods ended September 30, 2019 and 2018. 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, 2018.

The Company adopted the requirements of the Accounting Standards Update (ASU) No. 2016-2 Leases (Topic 842) (Accounting Standards Codifications (ASC) 842 (ASC 842)) using the modified retrospective method during the nine months ended September 30, 2019. As a result of the adoption of ASC 842, the Company recorded additional lease assets and net lease liabilities of \$44,169 as of January 1, 2019. Upon implementation, the Company elected the package of practical expedients permitted under the transition guidance within the new standard which allowed the Company to carryforward the historical lease identification, classification and initial direct cost. ASC 842 did not materially impact the Company's consolidated net income or consolidated cash flows (see following caption "Leases"). With the exception of the adoption of ASC 842, there have been no significant changes in significant accounting policies during the nine months ended September 30, 2019 as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Variable Interest Entities

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. The Company receives asset management, distribution, administration and custodial fees for these services. 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.

The Company has concluded that it is not the primary beneficiary of the entities and, therefore, is not required to consolidate any of the pooled investment vehicles for which it receives asset management, distribution, administration and custodial fees under the VIE model. The entities either do not meet the definition of a VIE or the Company does not hold a variable interest in the entities. The entities either qualify for the money market scope exception, or are entities in which the Company's asset management, distribution, administration and custodial fees are commensurate with the services

provided and include fair terms and conditions, or are entities that are limited partnerships which have substantive kick-out rights. The Company acts as a fiduciary and does not hold any other interests other than insignificant seed money investments in the pooled investment vehicles. For this reason, the Company also concluded that it is not required to consolidate the pooled investment vehicles under the voting interest entity model.

The Company is a party to expense limitation agreements with certain SEI-sponsored money market funds subject to Rule 2a-7 of the Investment Company Act of 1940 which establish a maximum level of ordinary operating expenses incurred by the fund in any fiscal year including, but not limited to, fees of the administrator or its affiliates. Under the terms of these agreements, the Company waived \$6,390 and \$6,525 in fees during the three months ended September 30, 2019 and 2018, respectively. During the nine months ended September 30, 2019 and 2018, the Company waived \$21,091 and \$19,551, respectively, in fees.

Revenue Recognition

Revenue is recognized when the transfer of control of promised goods or services under the terms of a contract with customers are satisfied in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those promised goods or services. Certain portions of the Company's revenues involve a third party in providing goods or services to its customers. In such circumstances, the Company must determine whether the nature of its promise to the customer is to provide the underlying goods or services (the Company is the principal in the transaction and reports the transaction gross) or to arrange for a third party to provide the underlying goods or services (the entity is the agent in the transaction and reports the transaction net).

Cash and Cash Equivalents

Cash and cash equivalents includes \$319,977 and \$315,840 at September 30, 2019 and December 31, 2018, respectively, primarily invested in SEI-sponsored open-ended money market mutual funds. The SEI-sponsored mutual funds are Level 1 assets.

Restricted Cash

Restricted cash includes \$3,000 at September 30, 2019 and December 31, 2018 segregated for regulatory purposes related to trade-execution services conducted by SEI Investments (Europe) Limited. Restricted cash also includes \$100 and \$514 at September 30, 2019 and December 31, 2018, 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 (SEC) for broker-dealers.

Capitalized Software

The Company capitalized \$26,821 and \$33,371 of software development costs during the nine months ended September 30, 2019 and 2018, respectively. The Company's software development costs primarily relate to significant enhancements to the SEI Wealth PlatformSM (SWP). The Company capitalized \$26,029 and \$32,526 of software development costs for significant enhancements to SWP during the nine months ended September 30, 2019 and 2018, respectively. As of September 30, 2019, the net book value of SWP was \$283,128. The net book value includes \$51,781 of capitalized software development costs in-progress associated with future releases. Capitalized software development costs in-progress associated with future releases of SWP were \$42,238 as of December 31, 2018. SWP has a weighted average remaining life of 8.4 years. Amortization expense for SWP was \$31,567 and \$29,723 during the nine months ended September 30, 2019 and 2018, respectively.

Earnings per Share

The calculations of basic and diluted earnings per share for the three and nine months ended September 30, 2019 and 2018 are:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	\$ 132,168	\$ 128,319	\$ 372,689	\$ 389,834
Shares used to compute basic earnings per common share	150,855,000	156,283,000	152,009,000	157,086,000
Dilutive effect of stock options	3,372,000	4,228,000	3,302,000	4,967,000
Shares used to compute diluted earnings per common share	154,227,000	160,511,000	155,311,000	162,053,000
Basic earnings per common share	\$ 0.88	\$ 0.82	\$ 2.45	\$ 2.48
Diluted earnings per common share	\$ 0.86	\$ 0.80	\$ 2.40	\$ 2.41

During the three months ended September 30, 2019 and 2018, employee stock options to purchase 6,239,000 and 6,183,000 shares of common stock with an average exercise price of \$54.91 and \$53.38, respectively, were outstanding but not included in the computation of diluted earnings per common share. During the nine months ended September 30, 2019 and 2018, employee stock options to purchase 6,269,000 and 6,153,000 shares of common stock with an average exercise price of \$54.84 and \$53.15, respectively, were outstanding but not included in the computation of diluted earnings per common share. These options for the three and nine month periods were not included in the computation of diluted earnings per common share because either the performance conditions have not been satisfied or would not have been satisfied if the reporting date was the end of the contingency period or the options' exercise price was greater than the average market price of the Company's common stock and the effect on diluted earnings per common share would have been anti-dilutive.

Leases

The Company determines if an arrangement is a lease at the inception of the contract. The Company's operating leases are included in Operating lease right-of-use (ROU) assets, Current portion of long-term operating lease liabilities, and Long-term operating lease liabilities on the accompanying Consolidated Balance Sheet.

The operating lease ROU assets and operating lease liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date. As most of the Company's leases do not provide an implicit interest rate, the Company utilizes an estimated incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. In determining the discount rate used in the present value calculation, the Company has elected to apply the portfolio approach for leases of equipment provided the leases commenced at or around the same time. This election allows the Company to account for leases at a portfolio level provided that the resulting accounting at this level would not differ materially from the accounting at the individual lease level. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The Company has elected to account for lease and non-lease components separately. Operating lease ROU assets include all contractual lease payments and initial direct costs incurred, less any lease incentives. Facility leases generally only contain lease expense and non-component items such as taxes and pass through charges. Only the lease components are included in the ROU assets and lease liabilities. Additionally, the Company has elected not to apply the recognition requirements of ASC 842 to leases which have a lease term of less than one year at the commencement date.

The majority of the Company's leases for corporate facilities and equipment contain terms for renewal and extension of the lease agreement. The exercise of lease renewal options is generally at the Company's sole discretion. The Company includes the lease extensions when it is reasonably certain the Company will exercise the extension. The Company's lease agreements do not contain any material variable lease payments, material residual value guarantees or any material restrictive covenants. The Company does not currently have any finance leases.

See Note 15 for information on related disclosures regarding leases.

New Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13) and a subsequent amendment ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments (ASU 2019-04) in April 2019. ASU 2016-13 requires that expected credit losses relating to financial assets measured on an amortized cost basis and available-for-sale debt securities be recorded through an allowance for credit losses. ASU 2016-13 limits the amount of credit losses to be recognized for available-for-sale debt securities to the amount by which carrying value exceeds fair value and also requires the reversal of previously recognized credit losses if fair value increases. ASU 2019-04 provides certain improvements to ASU 2016-13. ASU 2016-13 and ASU 2019-04 become effective for the Company during the first quarter of 2020. Early adoption is permitted. The Company is currently finalizing its evaluation of ASU 2016-13 and ASU 2019-04 and does not believe the adoption of the updated standards will have a material impact on its consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment (ASU 2017-04). The objective of ASU 2017-04 is to simplify the subsequent measurement of goodwill by entities performing their annual goodwill impairment tests by comparing the fair value of a reporting unit, including income tax effects from any tax-deductible goodwill, with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds fair value. ASU 2017-04 is effective for the Company beginning in the first quarter of 2020. Early adoption is permitted. The Company does not believe the adoption of ASU 2017-04 will have a material impact on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13) which modifies the disclosure requirements

on fair value measurements. ASU 2018-13 is effective for the Company beginning in the first quarter of 2020. The Company is currently finalizing its evaluation of ASU 2018-13 and does not believe the adoption of the updated standard will have a material impact on its consolidated financial statements and related disclosures.

In October 2018, the FASB issued ASU 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities (ASU 2018-17). The new standard changes how entities evaluate decision-making fees under the variable interest entity guidance. ASU 2018-17 is effective for the Company beginning in the first quarter of 2020. The Company does not believe the adoption of ASU 2018-17 will have a material impact on its consolidated financial statements and related disclosures.

Statements of Cash Flows

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

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

	2019	2018
Net income	\$ 372,689	\$ 389,834
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	22,162	21,515
Amortization	38,407	36,420
Equity in earnings of unconsolidated affiliate	(112,758)	(123,406)
Distributions received from unconsolidated affiliate	123,663	138,216
Stock-based compensation	15,555	16,396
Provision for losses on receivables	593	(29)
Deferred income tax expense	(1,405)	8,378
Net (gain) loss from investments	(2,121)	460
Change in long-term income taxes payable	—	(9,859)
Change in other long-term liabilities	2,077	1,930
Change in other assets	(56)	(4,214)
Contract costs capitalized, net of amortization	(4,499)	(3,463)
Other	(721)	(99)
Change in current assets and liabilities		
(Increase) decrease in		
Receivables from investment products	(2,271)	2,263
Receivables	(34,589)	(44,878)
Other current assets	729	(5,955)
(Decrease) increase in		
Accounts payable	(2,208)	3,893
Accrued liabilities	(34,087)	(9,717)
Deferred revenue	375	213
Total adjustments	8,846	28,064
Net cash provided by operating activities	\$ 381,535	\$ 417,898

Note 2. Investment in Unconsolidated Affiliate

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 investment products. The Company's partnership interest in LSV as of September 30, 2019 was 38.9%. The Company accounts for its interest in LSV using the equity

method because of its less than 50% ownership. The Company's interest in the net assets of LSV is reflected in Investment in unconsolidated affiliate on the accompanying Consolidated Balance Sheets and its interest in the earnings of LSV is reflected in Equity in earnings of unconsolidated affiliate on the accompanying Consolidated Statements of Operations.

At September 30, 2019, the Company's total investment in LSV was \$41,437. The Company receives partnership distributions from LSV on a quarterly basis. The Company received partnership distributions from LSV of \$123,663 and \$138,216 in the nine months ended September 30, 2019 and 2018, respectively. As such, the Company considers these distribution payments as returns on investment rather than returns of the Company's original investment in LSV and has therefore classified the associated cash inflows as an operating activity on the Consolidated Statements of Cash Flows.

The Company's proportionate share in the earnings of LSV was \$37,609 and \$41,726 during the three months ended September 30, 2019 and 2018, respectively. During the nine months ended September 30, 2019 and 2018, the Company's proportionate share in the earnings of LSV was \$112,758 and \$123,406, respectively.

These tables contain condensed financial information of LSV:

Condensed Statement of Operations	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues	\$ 121,232	\$ 133,921	\$ 365,164	\$ 397,750
Net income	96,699	107,284	289,918	317,295

Condensed Balance Sheets

	September 30, 2019	December 31, 2018
Current assets	\$ 138,320	\$ 138,083
Non-current assets	4,721	1,165
Total assets	\$ 143,041	\$ 139,248
Current liabilities	\$ 75,192	\$ 47,874
Non-current liabilities	4,738	—
Partners' capital	63,111	91,374
Total liabilities and partners' capital	\$ 143,041	\$ 139,248

Note 3. Composition of Certain Financial Statement Captions

Receivables

Receivables on the accompanying Consolidated Balance Sheets consist of:

	September 30, 2019	December 31, 2018
Trade receivables	\$ 91,372	\$ 76,362
Fees earned, not billed	241,340	226,001
Other receivables	17,931	13,691
	350,643	316,054
Less: Allowance for doubtful accounts	(1,311)	(718)
	\$ 349,332	\$ 315,336

Fees earned, not billed represents receivables from contracts with customers 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 an extended valuation process. Billings to these clients occur once the asset valuation processes are completed.

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

Property and Equipment

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

	September 30, 2019	December 31, 2018
Buildings	\$ 162,677	\$ 160,796
Equipment	119,585	126,954
Land	10,830	10,772
Purchased software	142,693	139,245
Furniture and fixtures	18,478	18,103
Leasehold improvements	19,656	18,959
Construction in progress	27,042	9,240
	<u>500,961</u>	<u>484,069</u>
Less: Accumulated depreciation	(346,377)	(338,206)
Property and Equipment, net	<u>\$ 154,584</u>	<u>\$ 145,863</u>

The Company recognized \$22,162 and \$21,515 in depreciation expense related to property and equipment for the nine months ended September 30, 2019 and 2018, respectively.

Deferred Contract Costs

Deferred contract costs, which primarily consist of deferred sales commissions, were \$28,506 and \$24,007 as of September 30, 2019 and December 31, 2018, respectively. The Company deferred expenses related to contract costs of \$4,575 and \$1,400 during the three months ended September 30, 2019 and 2018, respectively. During the nine months ended September 30, 2019 and 2018, the Company deferred expenses related to contract costs of \$7,673 and \$5,483, respectively. Amortization expense related to deferred contract costs were \$3,174 and \$2,020 during the nine months ended September 30, 2019 and 2018, respectively, and are included in Compensation, benefits and other personnel on the accompanying Consolidated Statements of Operations. There was no impairment loss in relation to deferred contract costs during the nine months ended September 30, 2019.

Accrued Liabilities

Accrued liabilities on the accompanying Consolidated Balance Sheets consist of:

	September 30, 2019	December 31, 2018
Accrued employee compensation	\$ 73,997	\$ 97,603
Accrued consulting, outsourcing and professional fees	27,491	31,000
Accrued sub-advisory, distribution and other asset management fees	45,495	42,583
Accrued dividend payable	—	50,761
Other accrued liabilities	46,936	57,687
Total accrued liabilities	<u>\$ 193,919</u>	<u>\$ 279,634</u>

Note 4. Fair Value Measurements

The fair value of the Company's financial assets and liabilities, except for the Company's investment funds sponsored by LSV, 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 held by SIDCO. 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 2023 to 2041.

The fair value of the Company's investment funds sponsored by LSV is measured using the net asset value per share (NAV) as a practical expedient. 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 funds allow for investor redemptions at the

end of each calendar month. This investment has not been classified in the fair value hierarchy but is presented in the tables below to permit reconciliation to the amounts presented on the accompanying Consolidated Balance Sheets.

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.

The pricing policies and procedures applied for our Level 1 and Level 2 financial assets during the nine months ended September 30, 2019 were consistent with those as described in our Annual Report on Form 10-K at December 31, 2018. The Company had no Level 3 financial assets at September 30, 2019 or December 31, 2018 that were required to be measured at fair value on a recurring basis. The Company's Level 3 financial liabilities at September 30, 2019 and December 31, 2018 consist entirely of the estimated contingent consideration resulting from an acquisition (See Note 12). The fair value of the contingent consideration was determined using a Monte-Carlo simulation model. Key assumptions for the Monte-Carlo simulation model include expected revenues, expected volatility, risk-free rate and correlation coefficient. There were no transfers of financial assets between levels within the fair value hierarchy during the nine months ended September 30, 2019.

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

Assets	September 30, 2019	Fair Value Measurements at the End of the Reporting Period Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equity available-for-sale securities	\$ 11,313	\$ 11,313	\$ —
Fixed-income available-for-sale securities	90,267	—	90,267
Fixed-income securities owned	32,862	—	32,862
Investment funds sponsored by LSV (1)	5,533		
	<u>\$ 139,975</u>	<u>\$ 11,313</u>	<u>\$ 123,129</u>

Assets	December 31, 2018	Fair Value Measurements at the End of the Reporting Period Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equity available-for-sale securities	\$ 10,218	\$ 10,218	\$ —
Fixed-income available-for-sale securities	101,683	—	101,683
Fixed-income securities owned	30,892	—	30,892
Investment funds sponsored by LSV (1)	4,887		
	<u>\$ 147,680</u>	<u>\$ 10,218</u>	<u>\$ 132,575</u>

(1) The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the accompanying Consolidated Balance Sheets (See Note 5).

Note 5. Marketable Securities

Investments Available for Sale

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

	At September 30, 2019			
	Cost Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
SEI-sponsored mutual funds	\$ 7,477	\$ 105	\$ (411)	\$ 7,171
Equities and other mutual funds	3,476	666	—	4,142
Debt securities	89,625	642	—	90,267
	<u>\$ 100,578</u>	<u>\$ 1,413</u>	<u>\$ (411)</u>	<u>\$ 101,580</u>

	At December 31, 2018			
	Cost Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
SEI-sponsored mutual funds	\$ 7,446	\$ —	\$ (788)	\$ 6,658
Equities and other mutual funds	3,434	126	—	3,560
Debt securities	103,518	—	(1,835)	101,683
	<u>\$ 114,398</u>	<u>\$ 126</u>	<u>\$ (2,623)</u>	<u>\$ 111,901</u>

Net unrealized gains at September 30, 2019 of the Company's available-for-sale debt securities were \$494 (net of income tax expense of \$148). Net unrealized losses at December 31, 2018 of the Company's available-for-sale debt securities were \$1,413 (net of income tax benefit of \$422). These net unrealized gains and losses are reported as a separate component of Accumulated other comprehensive loss on the accompanying Consolidated Balance Sheets.

There were gross realized gains of \$1,031 and gross realized losses of \$1,520 during the nine months ended September 30, 2018. Gross realized gains and losses from available-for-sale securities during the nine months ended September 30, 2019 were immaterial. Gains and losses from available-for-sale securities, including amounts reclassified from accumulated comprehensive loss, are reflected in Net gain (loss) from investments on the accompanying Consolidated Statements of Operations.

Investments in Affiliated Funds

The Company has an investment in 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 (loss) from investments on the accompanying Consolidated Statements of Operations.

The investment primarily consists 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 \$5,533 and \$4,887 at September 30, 2019 and December 31, 2018, respectively. The Company recognized gains of \$646 and losses of \$298 during the nine months ended September 30, 2019 and 2018, respectively, from the change in fair value of the funds. There were no material gains or losses during the three months ended September 30, 2019 and 2018 from the change in fair value of the funds.

Securities Owned

The Company's broker-dealer subsidiary, SIDCO, has investments in U.S. government agency 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 \$32,862 and \$30,892 at September 30, 2019 and December 31, 2018, respectively. There were no material net gains or losses related to the securities during the three and nine months ended September 30, 2019 and 2018.

Note 6. 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 June 2021, 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 rates that, at the Company's option, are based on a base rate (the Base Rate) plus a premium that

can range from 0.25% to 1.00% or the London InterBank Offered Rate (LIBOR) plus a premium that can range from 1.25% to 2.00% depending on the Company's Leverage Ratio (a ratio of consolidated indebtedness to consolidated EBITDA for the four preceding fiscal quarters, all as defined in the related agreement). The Base Rate is defined as the highest of a) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 0.50%, b) the prime commercial lending rate of Wells Fargo, c) the applicable LIBOR plus 1.00%, or d) 0%. The Company also pays quarterly commitment fees based on the unused portion of the Credit Facility. The quarterly fees for the Credit Facility can range from 0.15% of the amount of the unused portion to 0.30%, depending on the Company's Leverage Ratio. Certain wholly-owned subsidiaries of the Company have guaranteed the obligations of the Company under the agreement. The aggregate amount of the Credit Facility may be increased by an additional \$100,000 under certain conditions set forth in the agreement. The Company may issue up to \$15,000 in letters of credit under the terms of the Credit Facility. The Company pays a periodic commission fee of 1.25% plus a fronting fee of 0.175% of the aggregate face amount of the outstanding letters of credit issued under the Credit Facility.

The Credit Facility contains covenants that restrict the ability of the Company to engage in mergers, consolidations, asset sales, investments, transactions with affiliates other than wholly-owned subsidiaries, or to incur liens or other indebtedness including contingent obligations or guarantees, 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. 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.

As of September 30, 2019, the Company had outstanding letters of credit of \$11,553 under the Credit Facility. These letters of credit were issued primarily for the expansion of the Company's headquarters and are scheduled to expire during the remainder of 2019. The amount of the Credit Facility that is available for general corporate purposes as of September 30, 2019 was \$288,447.

The Company was in compliance with all covenants of the Credit Facility during the nine months ended September 30, 2019.

Note 7. Shareholders' Equity

Stock-Based Compensation

The Company has only non-qualified stock options outstanding under 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% when a specified diluted earnings per share target is achieved, and the remaining 50% when a second, higher specified diluted earnings per share target is achieved. Options do not vest due to the passage of time but solely as a result of achievement of the financial vesting targets. Options granted in December 2017 and thereafter include a service condition which requires a minimum two or four year waiting period from the grant date along with the attainment of the applicable financial vesting target. Earnings per share targets exclude the impact of stock-based compensation and are established at time of grant. The targets are measured annually on December 31. The amount of stock-based compensation expense recognized in the period is based upon management's estimate of when the earnings per share targets may be achieved. Any change in management's estimate could result in the remaining amount of stock-based compensation expense to be accelerated, spread out over a longer period, or reversed. This may cause volatility in the recognition of stock-based compensation expense in future periods and could materially affect the Company's earnings.

The Company recognized stock-based compensation expense in its Consolidated Financial Statements in the three and nine months ended September 30, 2019 and 2018, respectively, as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Stock-based compensation expense	\$ 5,453	\$ 5,878	\$ 15,555	\$ 16,396
Less: Deferred tax benefit	(1,042)	(1,311)	(2,959)	(3,556)
Stock-based compensation expense, net of tax	\$ 4,411	\$ 4,567	\$ 12,596	\$ 12,840

As of September 30, 2019, there was approximately \$50,330 of unrecognized compensation cost remaining 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 nine months ended September 30, 2019 was \$43,246. The total options exercisable as of September 30, 2019 had an intrinsic value of \$197,860. The total intrinsic value for options exercisable is calculated as

the difference between the market value of the Company's common stock as of September 30, 2019 and the weighted average exercise price of the options. The market value of the Company's common stock as of September 30, 2019 was \$59.26 as reported by the Nasdaq Stock Market, LLC. The weighted average exercise price of the options exercisable as of September 30, 2019 was \$25.08. Total options that were outstanding as of September 30, 2019 were 14,132,000. Total options that were exercisable as of September 30, 2019 were 7,890,000.

Common Stock Buyback

The Company's Board of Directors, under multiple authorizations, has authorized the repurchase of the Company's common stock on the open market or through private transactions. The Company purchased 4,950,000 shares at a total cost of \$267,184 during the nine months ended September 30, 2019, which reduced the total shares outstanding of common stock. The cost of stock purchases during the period includes the cost of certain transactions that settled in the following quarter. As of September 30, 2019, the Company had approximately \$198,695 of authorization remaining for the purchase of common stock under the program.

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

Cash Dividend

On May 29, 2019, the Board of Directors declared a cash dividend of \$0.33 per share on the Company's common stock, which was paid on June 20, 2019, to shareholders of record on June 12, 2019. Cash dividends declared during the nine months ended September 30, 2019 and 2018 were \$49,984 and \$47,139, respectively.

Note 8. 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	Accumulated Other Comprehensive Loss
Balance, January 1, 2019	\$ (31,587)	\$ (1,413)	\$ (33,000)
Other comprehensive loss before reclassifications	(4,687)	1,633	(3,054)
Amounts reclassified from accumulated other comprehensive loss	—	274	274
Net current-period other comprehensive loss	(4,687)	1,907	(2,780)
Balance, September 30, 2019	<u>\$ (36,274)</u>	<u>\$ 494</u>	<u>\$ (35,780)</u>

Note 9. Business Segment Information

The Company's reportable business segments are:

Private Banks – provides outsourced investment processing and investment management platforms to banks and trust institutions, independent wealth advisers and financial advisors worldwide;

Investment Advisors – provides investment management and investment processing platforms 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 and administrative outsourcing platforms to retirement plan sponsors, healthcare systems and not-for-profit organizations worldwide;

Investment Managers – provides investment operations outsourcing platforms to fund companies, banking institutions, traditional and non-traditional investment managers worldwide and family offices in the United States; and

Investments in New Businesses – focuses on providing investment management solutions to ultra-high-net-worth families residing in the United States; developing internet-based investment services and advice platforms; 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 and nine months ended September 30, 2019 and 2018. 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, 2018.

The following tables highlight certain financial information about each of the Company's business segments for the three months ended September 30, 2019 and 2018:

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
For the Three Months Ended September 30, 2019						
Revenues	\$ 117,250	\$ 103,033	\$ 80,337	\$ 112,186	\$ 3,448	\$ 416,254
Expenses	110,788	51,509	37,268	71,889	7,926	279,380
Operating profit (loss)	\$ 6,462	\$ 51,524	\$ 43,069	\$ 40,297	\$ (4,478)	\$ 136,874
	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
For the Three Months Ended September 30, 2018						
Revenues	\$ 118,449	\$ 102,550	\$ 83,466	\$ 101,275	\$ 2,942	\$ 408,682
Expenses	116,471	53,287	40,497	65,296	5,769	281,320
Operating profit (loss)	\$ 1,978	\$ 49,263	\$ 42,969	\$ 35,979	\$ (2,827)	\$ 127,362

A reconciliation of the total operating profit reported for the business segments to income from operations in the Consolidated Statements of Operations for the three months ended September 30, 2019 and 2018 is as follows:

	2019	2018
Total operating profit from segments	\$ 136,874	\$ 127,362
Corporate overhead expenses	(16,237)	(14,942)
Income from operations	\$ 120,637	\$ 112,420

The following tables provide additional information for the three months ended September 30, 2019 and 2018 pertaining to our business segments:

	Capital Expenditures (1)		Depreciation	
	2019	2018	2019	2018
Private Banks	\$ 8,018	\$ 7,999	\$ 3,640	\$ 3,427
Investment Advisors	4,468	3,927	1,162	1,168
Institutional Investors	1,070	962	393	410
Investment Managers	5,311	4,104	1,793	1,796
Investments in New Businesses	379	287	101	137
Total from business segments	\$ 19,246	\$ 17,279	\$ 7,089	\$ 6,938
Corporate overhead	663	460	320	317
	\$ 19,909	\$ 17,739	\$ 7,409	\$ 7,255

(1) Capital expenditures include additions to property and equipment and capitalized software.

	Amortization	
	2019	2018
Private Banks	\$ 7,322	\$ 6,943
Investment Advisors	2,609	2,445
Institutional Investors	440	427
Investment Managers	2,334	2,346
Investments in New Businesses	185	186
Total from business segments	\$ 12,890	\$ 12,347
Corporate overhead	57	58
	\$ 12,947	\$ 12,405

The following tables highlight certain financial information about each of the Company's business segments for the nine months ended September 30, 2019 and 2018:

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Nine Months Ended September 30, 2019					
Revenues	\$ 351,601	\$ 297,916	\$ 241,559	\$ 326,037	\$ 9,547	\$ 1,226,660
Expenses	329,540	154,569	115,383	209,326	20,663	829,481
Operating profit (loss)	\$ 22,061	\$ 143,347	\$ 126,176	\$ 116,711	\$ (11,116)	\$ 397,179

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Nine Months Ended September 30, 2018					
Revenues	\$ 361,739	\$ 301,632	\$ 252,391	\$ 295,696	\$ 7,652	\$ 1,219,110
Expenses	343,515	158,792	122,617	191,955	16,807	833,686
Operating profit (loss)	\$ 18,224	\$ 142,840	\$ 129,774	\$ 103,741	\$ (9,155)	\$ 385,424

A reconciliation of the total operating profit reported for the business segments to income from operations in the Consolidated Statements of Operations for the nine months ended September 30, 2019 and 2018 is as follows:

	2019	2018
Total operating profit from segments	\$ 397,179	\$ 385,424
Corporate overhead expenses	(52,845)	(46,398)
Income from operations	\$ 344,334	\$ 339,026

The following tables provide additional information for the nine months ended September 30, 2019 and 2018 pertaining to our business segments:

	Capital Expenditures (1)		Depreciation	
	2019	2018	2019	2018
Private Banks	\$ 25,240	\$ 27,767	\$ 10,774	\$ 10,069
Investment Advisors	12,973	12,471	3,506	3,378
Institutional Investors	2,990	2,926	1,212	1,310
Investment Managers	13,535	9,994	5,384	5,411
Investments in New Businesses	964	731	302	442
Total from business segments	\$ 55,702	\$ 53,889	\$ 21,178	\$ 20,610
Corporate Overhead	1,634	1,134	984	905
	\$ 57,336	\$ 55,023	\$ 22,162	\$ 21,515

(1) Capital expenditures include additions to property and equipment and capitalized software.

	Amortization	
	2019	2018
Private Banks	\$ 21,680	\$ 20,317
Investment Advisors	7,682	7,203
Institutional Investors	1,300	1,281
Investment Managers	7,019	7,036
Investments in New Businesses	555	410
Total from business segments	\$ 38,236	\$ 36,247
Corporate Overhead	171	173
	<u>\$ 38,407</u>	<u>\$ 36,420</u>

Note 10. Income Taxes

The gross liability for unrecognized tax benefits at September 30, 2019 and December 31, 2018 was \$14,627 and \$14,367, respectively, exclusive of interest and penalties, of which \$14,183 and \$13,774 would affect the effective tax rate if the Company were to recognize the tax benefit.

The Company classifies interest and penalties on unrecognized tax benefits as income tax expense. As of September 30, 2019 and December 31, 2018, the combined amount of accrued interest and penalties related to tax positions taken on tax returns was \$1,520 and \$1,289, respectively.

	September 30, 2019	December 31, 2018
Gross liability for unrecognized tax benefits, exclusive of interest and penalties	\$ 14,627	\$ 14,367
Interest and penalties on unrecognized benefits	1,520	1,289
Total gross uncertain tax positions	<u>\$ 16,147</u>	<u>\$ 15,656</u>
Amount included in Current liabilities	\$ 1,008	\$ 3,131
Amount included in Other long-term liabilities	15,139	12,525
	<u>\$ 16,147</u>	<u>\$ 15,656</u>

The Company's effective income tax rate for the three and nine months ended September 30, 2019 and 2018 differs from the federal income tax statutory rate due to the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Statutory rate	21.0 %	21.0 %	21.0 %	21.0 %
State taxes, net of federal tax benefit	2.6	2.3	2.6	2.3
Foreign tax expense and tax rate differential	(0.3)	(0.2)	(0.2)	(0.2)
Tax benefit from stock option exercises	(2.2)	(1.4)	(1.5)	(4.8)
Expiration of the statute of limitations	(1.2)	(1.0)	(0.4)	(0.3)
Provision-to-return adjustment	(0.6)	(2.3)	(0.2)	(0.8)
Other, net	(0.4)	0.2	(0.3)	—
	<u>18.9 %</u>	<u>18.6 %</u>	<u>21.0 %</u>	<u>17.2 %</u>

The increase in the Company's effective tax rate for the nine months ended September 30, 2019 was primarily due to reduced tax benefits related to the lower volume of stock option exercises as compared to the nine months ended September 30, 2018.

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 2015 and is no longer subject to state, local or foreign income tax examinations by authorities for years before 2014.

The Company estimates it will recognize \$1,008 of gross unrecognized tax benefits. This amount is expected to be paid within one year or to be removed at the expiration of the statute of limitations and resolution of income tax audits and is netted against the current payable account. 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 the 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 11. Commitments and Contingencies

In the ordinary course of business, the Company from time to time enters into contracts containing indemnification obligations of the Company. These obligations may require the Company to make payments to another party upon the occurrence of certain events including the failure by the Company to meet its performance obligations under the contract. These contractual indemnification provisions are often standard contractual terms of the nature customarily found in the type of contracts entered into by the Company. In many cases, there are no stated or notional amounts included in the indemnification provisions. There are no amounts reflected on the Consolidated Balance Sheets as of September 30, 2019 and December 31, 2018 related to these indemnifications.

Stanford Trust Company Litigation

SEI has been named in seven lawsuits filed in Louisiana courts; four of the cases also name SPTC as a defendant. The underlying allegations in all actions relate to the purported role of SPTC in providing back-office services to Stanford Trust Company. The complaints allege that SEI and SPTC participated in some manner in the sale of "certificates of deposit" issued by Stanford International Bank so as to be a "seller" of the certificates of deposit for purposes of primary liability under the Louisiana Securities Law or so as to be secondarily liable under that statute for sales of certificates of deposit made by Stanford Trust Company. Two of the actions also include claims for violations of the Louisiana Racketeering Act and possibly conspiracy, and a third also asserts claims of negligence, breach of contract, breach of fiduciary duty, violations of the uniform fiduciaries law, negligent misrepresentation, detrimental reliance, violations of the Louisiana Racketeering Act, and conspiracy.

The procedural status of the seven cases varies. The *Lillie* case, filed originally in the 19th Judicial District Court for the Parish of East Baton Rouge, was brought as a class action and is procedurally the most advanced of the cases. SEI and SPTC filed exceptions, which the Court granted in part, dismissing claims under the Louisiana Unfair Trade Practices Act and permitting the claims under the Louisiana Securities Law to go forward. On March 11, 2013, newly-added insurance carrier defendants removed the case to the United States District Court for the Middle District of Louisiana. On August 7, 2013, the Judicial Panel on Multidistrict Litigation transferred the matter to the Northern District of Texas where MDL 2099, *In re: Stanford Entities Securities Litigation* ("the Stanford MDL"), is pending. On September 22, 2015, the District Court on the motion of SEI and SPTC dismissed plaintiffs' claims for primary liability under Section 714(A) of the Louisiana Securities Law, but declined to dismiss plaintiffs' claims for secondary liability under Section 714(B) of the Louisiana Securities Law based on the allegations pled by plaintiffs. On November 4, 2015, the District Court granted SEI and SPTC's motion to dismiss plaintiffs' claims under Section 712(D) of the Louisiana Securities Law. Consequently, the only claims of plaintiffs remaining in *Lillie* are plaintiffs' claims for secondary liability against SEI and SPTC under Section 714(B) of the Louisiana Securities Law. On May 2, 2016, the District Court certified the class as being "all persons for whom Stanford Trust Company purchased or renewed Stanford Investment Bank Limited certificates of deposit in Louisiana between January 1, 2007 and February 13, 2009". Notice of the pendency of the class action was mailed to potential class members on October 4, 2016.

On December 1, 2016, a group of plaintiffs who opted out of the *Lillie* class filed a complaint against SEI and SPTC in the United States District Court in the Middle District of Louisiana ("*Ahders* Complaint"), alleging claims essentially the same as those in *Lillie*. In January 2017, the Judicial Panel on Multidistrict Litigation transferred the *Ahders* proceeding to the Northern District of Texas and the Stanford MDL. During February 2017, SEI filed its response to the *Ahders* Complaint, and in March 2017 the District Court for the Northern District of Texas approved the stipulated dismissal of all claims in this Complaint predicated on Section 712(D) or Section 714(A) of the Louisiana Securities Law. In both cases, as a result of the proceedings in the Northern District of Texas, only the plaintiffs' secondary liability claims under Section 714(B) of the Louisiana Securities Law remain. Limited discovery and motions practice have occurred, including SEI and SPTC's filing of a dispositive summary judgment motion in the *Lillie* proceeding. On January 31, 2019, the Judicial Panel on Multidistrict Litigation remanded the *Lillie* and *Ahders* proceedings to the Middle District of Louisiana.

On July 9, 2019, the District Court issued an order granting SEI's Summary Judgment Motion to dismiss the remaining Section 714(B) claim in the *Lillie* proceeding and denying Plaintiffs' Motion for Continuance of SEI and SPTC's Motion for Summary Judgment pursuant to Rule 56(d).

On July 16, 2019, SEI and SPTC filed a Motion for Summary Judgment pursuant to Rule 56(d) in the *Ahders* proceeding to have the remaining Section 714(B) claim dismissed.

On July 17, 2019, Plaintiffs filed a Motion for Reconsideration and/or New Trial as to the July 9, 2019 Ruling and Order (ECF 146) by the Honorable Brian A. Jackson denying a continuance of SEI's Motion for Summary Judgment pursuant to Rule 56(d). The Court denied Plaintiffs' Motion and entered a Final Judgment in favor of SEI on August 15, 2019.

On August 27, 2019, Plaintiffs filed a Notice of Appeal to the United States Court of Appeal for the Fifth Circuit of the District Court's dismissal of the matter. Plaintiffs' Motion in Support of the Notice of Appeal must be filed with the Court by November 20, 2019. If Plaintiffs' Motion in Support of Appeal is filed, SEI intends to contest the Plaintiffs' appeal.

Another case, filed in the 23rd Judicial District Court for the Parish of Ascension, also was removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to the Northern District of Texas and the Stanford MDL. The schedule for responding to that Complaint has not yet been established.

Two additional cases remain in the Parish of East Baton Rouge. Plaintiffs filed petitions in 2010 and have granted SEI and SPTC indefinite extensions to respond. No material activity has taken place since.

In two additional cases, filed in East Baton Rouge and brought by the same counsel who filed the *Lillie* 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). The matters were removed to the United States District Court for the Northern District of Texas and consolidated. The court then 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 matters were remanded to state court and no material activity has taken place since that date.

While the outcome of this litigation remains uncertain, SEI and SPTC believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuits vigorously. Because of uncertainty in the make-up of the *Lillie* class, the specific theories of liability that may survive a motion for summary judgment or other dispositive motion, the relative 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.

SEI Capital Accumulation Plan Litigation

On September 28, 2018, a class action complaint was filed in the United States District Court for the Eastern District of Pennsylvania by Gordon Stevens, individually and as the representative of similarly situated persons, and on behalf of the SEI Capital Accumulation Plan (the "Plan") naming the Company and its affiliated and/or related entities SEI Investments Management Corporation, SEI Capital Accumulation Plan Design Committee, SEI Capital Accumulation Plan Investment Committee, SEI Capital Accumulation Plan Administration Committee, and John Does 1-30 as defendants (the "Stevens Complaint"). The Stevens Complaint seeks unspecified damages for defendants' breach of fiduciary duties under ERISA with respect to selecting and monitoring the Plan's investment options and by retaining affiliated investment products in the Plan.

Although SEI believes its defenses against the plaintiff's allegations were valid, the Company agreed to settle this matter in the very early stages of the litigation in order to avoid the high cost of protracted class-action litigation and internal distractions such cases bring. The written settlement agreement was submitted to the Court on July 26, 2019, and is a matter of public record. A Preliminary Approval Order approving the settlement agreement was issued by the Court and the Court has scheduled a fairness hearing for December 18, 2019. The settlement agreement will not be finalized until the Court has issued a final approval after the December 18, 2019. The Company expects final Court approval of the settlement by year-end. The Company expects the financial impact of the settlement agreement to be immaterial.

Other Matters

The Company is also a party to various other actions and claims arising in the normal course of business that the Company does not believe are material. The Company believes that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position or the manner in which the Company conducts its business. Currently, the Company does not believe the amount of losses associated with these matters can be estimated. While the Company does not believe that the amount of such losses will, when liquidated or estimable, be material to its financial position, the assumptions may be incorrect and any such loss could have a material adverse effect on the Company's results of operations or the manner in which the Company conducts its business in the period(s) during which the underlying matters are resolved.

Note 12. Business Acquisition

On April 2, 2018, the Company acquired all ownership interests of Huntington Steele, LLC (Huntington Steele), a registered investment advisor based in Seattle, Washington servicing the ultra-high-net-worth market. The total purchase price for Huntington Steele was \$17,914, which includes \$5,794 in cash consideration, net of \$125 in cash acquired, and a contingent purchase price of \$12,120. The contingent purchase price consists of amounts payable to the sellers upon the attainment of specified financial measures determined at various intervals occurring between 2019 and 2023. The Company made a payment of \$433 to the sellers during the nine months ended September 30, 2019. As of September 30, 2019, the current portion of the contingent purchase price of \$535 is included in Accrued liabilities on the accompanying Balance Sheet. The long-term portion of the contingent consideration of \$11,152 is included in Other long-term liabilities on the accompanying Balance Sheet.

Note 13. Goodwill and Intangible Assets

On April 2, 2018, the Company acquired all ownership interests of Huntington Steele (See Note 12). The total purchase price was allocated to Huntington Steele's net tangible and intangible assets based upon their estimated fair values at the date of purchase. The excess purchase price over the value of the identifiable intangible assets was recorded as goodwill. The total amount of goodwill from this transaction amounted to \$11,499 and is included on the accompanying Consolidated Balance Sheets.

In July 2017, the Company acquired all ownership interests of Archway Technology Partners, LLC, Archway Finance & Operations, Inc. and Keystone Capital Holdings, LLC (collectively, Archway), a provider of operating technologies and services to the family office industry. The total purchase price was allocated to Archway's net tangible and intangible assets based upon their estimated fair values at the date of purchase. The excess purchase price over the value of the net tangible and identifiable intangible assets was recorded as goodwill. The total amount of goodwill from this transaction amounted to \$52,990 and is included on the accompanying Consolidated Balance Sheets.

There were no changes to the Company's goodwill during the nine months ended September 30, 2019.

The Company recognized \$2,763 and \$2,617 of amortization expense related to the intangible assets acquired through the acquisitions of Huntington Steele and Archway during the nine months ended September 30, 2019 and 2018, respectively.

Note 14. Revenues from Contracts with Customers

The Company's principal sources of revenues are: (1) asset management, administration and distribution fees primarily earned based upon a contractual percentage of net assets under management or administration; and (2) information processing and software servicing fees that are either recurring and primarily earned based upon the number of trust accounts being serviced or a percentage of the total average daily market value of the clients' assets processed on the Company's platforms, or non-recurring and based upon project-oriented contractual agreements related to client implementations.

Disaggregation of Revenue

The following tables provide additional information pertaining to our revenues disaggregated by major product line and primary geographic market based on the location of the use of the products or services for each of the Company's business segments for the three months ended September 30, 2019 and 2018:

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
Major Product Lines:						
For the Three Months Ended September 30, 2019						
Investment management fees from pooled investment products	\$ 34,074	\$ 72,150	\$ 13,602	\$ 161	\$ 323	\$ 120,310
Investment management fees from investment management agreements	314	26,240	66,373	—	3,099	96,026
Investment operations fees	434	—	—	102,543	—	102,977
Investment processing fees - PaaS	43,462	—	—	—	—	43,462
Investment processing fees - SaaS	34,018	—	—	2,789	—	36,807
Professional services fees	3,533	—	—	1,398	—	4,931
Account fees and other	1,415	4,643	362	5,295	26	11,741
Total revenues	\$ 117,250	\$ 103,033	\$ 80,337	\$ 112,186	\$ 3,448	\$ 416,254

Primary Geographic Markets:						
United States	\$ 76,864	\$ 103,033	\$ 63,405	\$ 104,859	\$ 3,448	\$ 351,609
United Kingdom	24,604	—	12,717	—	—	37,321
Canada	10,985	—	1,743	—	—	12,728
Ireland	4,797	—	2,310	7,327	—	14,434
Other	—	—	162	—	—	162
Total revenues	\$ 117,250	\$ 103,033	\$ 80,337	\$ 112,186	\$ 3,448	\$ 416,254

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
Major Product Lines:						
For the Three Months Ended September 30, 2018						
Investment management fees from pooled investment products	\$ 34,897	\$ 73,663	\$ 14,614	\$ 206	\$ 267	\$ 123,647
Investment management fees from investment management agreements	197	24,525	68,318	79	2,641	95,760
Investment operations fees	381	—	—	92,185	—	92,566
Investment processing fees - PaaS	44,836	—	—	624	—	45,460
Investment processing fees - SaaS	32,925	—	—	2,417	—	35,342
Professional services fees	3,408	—	—	1,792	—	5,200
Account fees and other	1,805	4,362	534	3,972	34	10,707
Total revenues	\$ 118,449	\$ 102,550	\$ 83,466	\$ 101,275	\$ 2,942	\$ 408,682

Primary Geographic Markets:						
United States	\$ 73,188	\$ 102,550	\$ 64,601	\$ 95,132	\$ 2,942	\$ 338,413
United Kingdom	28,647	—	13,817	—	—	42,464
Canada	11,730	—	1,895	—	—	13,625
Ireland	4,884	—	2,828	6,143	—	13,855
Other	—	—	325	—	—	325
Total revenues	\$ 118,449	\$ 102,550	\$ 83,466	\$ 101,275	\$ 2,942	\$ 408,682

The following tables provide additional information pertaining to our revenues disaggregated by major product line and primary geographic market based on the location of the use of the products or services for each of the Company's business segments for the nine months ended September 30, 2019 and 2018:

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
Major Product Lines:						
For the Nine Months Ended September 30, 2019						
Investment management fees from pooled investment products	\$ 100,498	\$ 208,860	\$ 41,062	\$ 550	\$ 957	\$ 351,927
Investment management fees from investment management agreements	1,299	75,526	199,620	—	8,510	284,955
Investment operations fees	1,172	—	—	297,342	—	298,514
Investment processing fees - PaaS	130,529	—	—	—	—	130,529
Investment processing fees - SaaS	103,502	—	—	7,931	—	111,433
Professional services fees	9,896	—	—	4,363	—	14,259
Account fees and other	4,705	13,530	877	15,851	80	35,043
Total revenues	\$ 351,601	\$ 297,916	\$ 241,559	\$ 326,037	\$ 9,547	\$ 1,226,660
Primary Geographic Markets:						
United States	\$ 229,207	\$ 297,916	\$ 189,383	\$ 304,711	\$ 9,547	\$ 1,030,764
United Kingdom	75,649	—	39,323	—	—	114,972
Canada	32,527	—	5,178	—	—	37,705
Ireland	14,218	—	6,977	21,326	—	42,521
Other	—	—	698	—	—	698
Total revenues	\$ 351,601	\$ 297,916	\$ 241,559	\$ 326,037	\$ 9,547	\$ 1,226,660

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
Major Product Lines:						
For the Nine Months Ended September 30, 2018						
Investment management fees from pooled investment products	\$ 105,251	\$ 218,562	\$ 45,819	\$ 445	\$ 729	\$ 370,806
Investment management fees from investment management agreements	609	70,678	205,202	242	6,824	283,555
Investment operations fees	1,138	—	—	267,951	—	269,089
Investment processing fees - PaaS	133,336	—	—	1,749	—	135,085
Investment processing fees - SaaS	102,980	—	—	7,152	—	110,132
Professional services fees	13,022	—	—	5,660	—	18,682
Account fees and other	5,403	12,392	1,370	12,497	99	31,761
Total revenues	\$ 361,739	\$ 301,632	\$ 252,391	\$ 295,696	\$ 7,652	\$ 1,219,110
Primary Geographic Markets:						
United States	\$ 226,990	\$ 301,632	\$ 193,417	\$ 279,736	\$ 7,652	\$ 1,009,427
United Kingdom	85,177	—	42,498	—	—	127,675
Canada	34,847	—	6,700	—	—	41,547
Ireland	14,725	—	8,282	15,960	—	38,967
Other	—	—	1,494	—	—	1,494
Total revenues	\$ 361,739	\$ 301,632	\$ 252,391	\$ 295,696	\$ 7,652	\$ 1,219,110

Investment management fees from pooled investment products - Revenues associated with clients' assets invested in Company-sponsored pooled investment products. Contractual fees are stated as a percentage of the average market value of assets under management and collected on a monthly basis. Revenues are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

Investment management fees from investment management agreements - Revenues based on assets of clients of the Institutional Investors segment primarily invested in Company-sponsored products. Each client is charged an investment management fee that is stated as a percentage of the average market value of all assets under management. The client is billed directly on a quarterly basis. Revenues are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

Revenues associated with the separately managed account program offered through registered investment advisors located throughout the United States. The contractual fee is stated as a percentage of the average market value of all assets invested in the separately managed account and collected on a quarterly basis. Revenues are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

Investment operations fees - Revenues earned from accounting and administrative services, distribution support services and regulatory and compliance services to investment management firms and family offices. The Company contracts directly with the investment management firm or family office. The contractual fees are stated as a percentage of net assets under administration and billed when asset valuations are finalized. Revenues are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

Investment processing fees - Platform as a Service - Revenues associated with clients that outsource their entire investment operation and back-office processing functions. Through the use of the Company's proprietary platforms, the Company assumes all back-office investment processing services including investment processing, custody and safekeeping of assets, income collections, securities settlement and other related trust activities. The contractual fee is based on a monthly fee plus additional fees determined on a per-account or per-transaction basis. Contractual fees can also be stated as a percentage of the value of assets processed on the Company's platforms each month as long as the fee is in excess of a monthly contractual minimum. The client is billed directly on a monthly basis. Revenues are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations.

Investment processing fees - Software as a Service - Revenues associated with clients that outsource investment processing technology software and computer processing by accessing our proprietary software and data center remotely

but retain responsibility for all investment operations, client administration and other back-office trust operations. The contractual fee is based on a monthly fee plus additional fees determined on a per-account or per-transaction basis. The client is billed directly on a monthly basis. Revenues are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations.

Professional services fees - Revenues associated with the business services migration for investment processing clients of the Private Banks segment and investment operations clients of the Investment Managers segment. In addition, Professional services include other services such as business transformation consulting. Typically, fees are stated as a contractual fixed fee. The client is billed directly and fees are collected according to the terms of the agreement.

Account fees and other - Revenues associated with custody account servicing, account terminations, reimbursements received for out-of-pocket expenses, and other fees for the provision of ancillary services.

Revenue is recognized by the Company when the performance obligations are satisfied and transfer of control to the client is completed. The majority of the Company's performance obligations are satisfied and control is transferred to the client continuously. Therefore, revenue is recognized on a monthly basis. The amount of revenue recognized reflects the amount of consideration expected to be received by the Company in exchange for satisfied performance obligations.

The Company does not disclose the value of unsatisfied performance obligations as the majority of its contracts relate to: 1) contracts with an original term of one year or less; 2) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed; and 3) contracts that are based on the value of assets under management or administration.

Note 15. Leases

The Company has operating leases for corporate facilities and equipment. The Company's expense related to leases during the three and nine months ended September 30, 2019 was \$2,502 and \$7,599, respectively, and is included in Facilities, supplies and other costs on the accompanying Consolidated Statement of Operations.

The Company's future minimum lease payments under non-cancelable leases as of September 30, 2019 are as follows:

2019 (excluding the nine months ended September 30, 2019)	\$	2,515
2020		8,955
2021		7,657
2022		7,369
2023		7,374
Thereafter		16,726
Total future minimum lease payments		50,596
Less: Imputed interest		(4,892)
Total	\$	45,704

The following table provides supplemental Consolidated Balance Sheet information related to the Company's leases:

	September 30, 2019
Current portion of long-term operating lease liabilities	\$ 7,888
Long-term operating lease liabilities	37,816
Total operating lease liabilities	\$ 45,704
Weighted average remaining lease term	6.5 years
Weighted average discount rate	2.66%

The following table provides supplemental cash flow information related to the Company's leases:

	For the Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities	\$ 8,053
Right-of-use assets obtained in exchange for lease obligations	4,178

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, the consolidated results of operations 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, 2018.

Overview

Consolidated Summary

We are a leading global provider of investment processing, investment management and investment operations platforms. 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 platforms. 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 processing fees can be stated as a percentage of the value of assets processed on the our platforms. Investment operations and investment management fees are earned as a percentage of average assets under management, administration or advised assets. As of September 30, 2019, through our subsidiaries and partnerships in which we have a significant interest, we manage, advise or administer \$1.0 trillion in hedge, private equity, mutual fund and pooled or separately managed assets, including \$334.7 billion in assets under management and \$662.0 billion in client assets under administration. Our affiliate, LSV Asset Management (LSV), manages \$100.3 billion of assets which are included as assets under management.

Our Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2019 and 2018 were:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Percent Change*	2019	2018	Percent Change*
Revenues	\$ 416,254	\$ 408,682	2%	\$ 1,226,660	\$ 1,219,110	1%
Expenses	295,617	296,262	—%	882,326	880,084	—%
Income from operations	120,637	112,420	7%	344,334	339,026	2%
Net gain (loss) from investments	611	89	NM	2,121	(460)	NM
Interest income, net of interest expense	4,013	3,360	19%	12,260	8,635	42%
Equity in earnings from unconsolidated affiliate	37,609	41,726	(10)%	112,758	123,406	(9)%
Income before income taxes	162,870	157,595	3%	471,473	470,607	—%
Income taxes	30,702	29,276	5%	98,784	80,773	22%
Net income	132,168	128,319	3%	372,689	389,834	(4)%
Diluted earnings per common share	\$ 0.86	\$ 0.80	8%	\$ 2.40	\$ 2.41	—%

* Variances noted "NM" indicate the percent change is not meaningful.

The following items had a significant impact on our financial results for the three and nine months ended September 30, 2019 and 2018:

- Revenue from Asset management, administration and distribution fees increased primarily from higher assets under administration in our Investment Managers segment. Our average assets under administration increased \$77.3 billion, or 14%, to \$623.9 billion in the first nine months of 2019 as compared to \$546.6 billion during the first nine months of 2018. Our average assets under management, excluding LSV, decreased \$1.1 billion to \$228.3 billion in the first nine months of 2019 as compared to \$229.4 billion during the first nine months of 2018.
- Information processing and software servicing fees in our Private Banks segment decreased by \$5.9 million during the first nine months of 2019 due to decreased non-recurring fees and previously announced client losses.
- Our proportionate share in the earnings of LSV decreased to \$112.8 million in the first nine months of 2019 as compared to \$123.4 million in the first nine months of 2018 due to negative cash flows, lost clients, lower performance fees and lower assets under management from LSV's existing clients from the significant market depreciation in late 2018. Market appreciation and new client activity during 2019 partially offset the decline in LSV's assets under management.

- Our operating expenses, primarily personnel costs, increased in the first nine months of 2019. These expenses are primarily related to servicing existing clients and acquiring new clients. The increase was partially offset by cost containment measures implemented in late 2018 and early 2019. These operating expenses are included in Compensation, benefits and other personnel costs on the accompanying Consolidated Statements of Operations.
- We capitalized \$26.0 million in the first nine months of 2019 for the SEI Wealth Platform as compared to \$32.5 million in the first nine months of 2018. Amortization expense related to SWP increased to \$31.6 million during the first nine months of 2019 as compared to \$29.7 million during the first nine months of 2018.
- Our effective tax rate during the third quarter of 2019 was 18.9% as compared to 18.6% during the third quarter of 2018. Our tax rate was 21.0% during the first nine months of 2019 as compared to 17.2% during the first nine months of 2018. The increase in our effective tax rate in the nine month period was primarily due to reduced tax benefits from a lower volume of stock option exercise activity (See the caption "Income Taxes" later in this discussion for more information).
- We continued our stock repurchase program during 2019 and purchased 5.0 million shares for \$267.2 million in the nine month period.

Ending Asset Balances

(In millions)

	As of September 30,		Percent Change
	2019	2018	
Private Banks:			
Equity and fixed-income programs	\$ 22,580	\$ 22,739	(1)%
Collective trust fund programs	4	4	—%
Liquidity funds	3,695	3,142	18%
Total assets under management	\$ 26,279	\$ 25,885	2%
Client assets under administration	23,985	23,394	3%
Total assets	\$ 50,264	\$ 49,279	2%
Investment Advisors:			
Equity and fixed-income programs	\$ 65,059	\$ 63,958	2%
Collective trust fund programs	4	5	(20)%
Liquidity funds	2,673	3,182	(16)%
Total assets under management	\$ 67,736	\$ 67,145	1%
Institutional Investors:			
Equity and fixed-income programs	\$ 82,659	\$ 85,248	(3)%
Collective trust fund programs	81	74	9%
Liquidity funds	2,290	2,544	(10)%
Total assets under management	\$ 85,030	\$ 87,866	(3)%
Client assets under advisement	4,467	4,131	8%
Total assets	\$ 89,497	\$ 91,997	(3)%
Investment Managers:			
Equity and fixed-income programs	\$ —	\$ 99	NM
Collective trust fund programs	53,169	46,934	13%
Liquidity funds	477	580	(18)%
Total assets under management	\$ 53,646	\$ 47,613	13%
Client assets under administration (A)	637,986	552,411	15%
Total assets	\$ 691,632	\$ 600,024	15%
Investments in New Businesses:			
Equity and fixed-income programs	\$ 1,621	\$ 1,179	37%
Liquidity funds	132	162	(19)%
Total assets under management	\$ 1,753	\$ 1,341	31%
Client assets under advisement	825	730	13%
Total assets	\$ 2,578	\$ 2,071	24%
LSV:			
Equity and fixed-income programs (B)	\$ 100,295	\$ 109,363	(8)%
Total:			
Equity and fixed-income programs (C)	\$ 272,214	\$ 282,586	(4)%
Collective trust fund programs	53,258	47,017	13%
Liquidity funds	9,267	9,610	(4)%
Total assets under management	\$ 334,739	\$ 339,213	(1)%
Client assets under advisement	5,292	4,861	9%
Client assets under administration (D)	661,971	575,805	15%
Total assets under management, advisement and administration	\$ 1,002,002	\$ 919,879	9%

- (A) Client assets under administration in the Investment Managers segment include \$52.6 billion of assets that are at fee levels below our normal full service assets (as of September 30, 2019).
- (B) Equity and fixed-income programs include assets managed by LSV in which fees are based on performance only. The ending value of these assets as of September 30, 2019 was \$2.4 billion.
- (C) Equity and fixed-income programs include \$5.7 billion of assets invested in various asset allocation funds at September 30, 2019.
- (D) In addition to the numbers presented, SEI also administers an additional \$12.4 billion in Funds of Funds assets (as of September 30, 2019) on which SEI does not earn an administration fee.

Average Asset Balances

(In millions)

	Three Months Ended September 30,			Percent Change	Nine Months Ended September 30,		
	2019	2018			2019	2018	Percent Change
Private Banks:							
Equity and fixed-income programs	\$ 22,432	\$ 22,516	—%	\$ 22,117	\$ 22,933	(4)%	
Collective trust fund programs	4	4	—%	4	4	—%	
Liquidity funds	3,625	3,376	7%	3,573	3,537	1%	
Total assets under management	\$ 26,061	\$ 25,896	1%	\$ 25,694	\$ 26,474	(3)%	
Client assets under administration	23,717	23,175	2%	22,980	23,059	—%	
Total assets	\$ 49,778	\$ 49,071	1%	\$ 48,674	\$ 49,533	(2)%	
Investment Advisors:							
Equity and fixed-income programs	\$ 64,761	\$ 63,399	2%	\$ 61,971	\$ 62,980	(2)%	
Collective trust fund programs	5	5	—%	5	5	—%	
Liquidity funds	2,580	2,958	(13)%	3,781	2,559	48%	
Total assets under management	\$ 67,346	\$ 66,362	1%	\$ 65,757	\$ 65,544	—%	
Institutional Investors:							
Equity and fixed-income programs	\$ 82,398	\$ 84,885	(3)%	\$ 82,240	\$ 85,712	(4)%	
Collective trust fund programs	80	74	8%	79	74	7%	
Liquidity funds	2,287	2,469	(7)%	2,335	2,665	(12)%	
Total assets under management	\$ 84,765	\$ 87,428	(3)%	\$ 84,654	\$ 88,451	(4)%	
Client assets under advisement	3,797	4,263	(11)%	3,644	4,316	(16)%	
Total assets	\$ 88,562	\$ 91,691	(3)%	\$ 88,298	\$ 92,767	(5)%	
Investment Managers:							
Equity and fixed-income programs	\$ —	\$ 95	NM	\$ —	\$ 100	NM	
Collective trust fund programs	52,587	45,856	15%	50,006	46,915	7%	
Liquidity funds	460	555	(17)%	505	679	(26)%	
Total assets under management	\$ 53,047	\$ 46,506	14%	\$ 50,511	\$ 47,694	6%	
Client assets under administration (A)	630,328	541,063	16%	600,967	523,564	15%	
Total assets	\$ 683,375	\$ 587,569	16%	\$ 651,478	\$ 571,258	14%	
Investments in New Businesses:							
Equity and fixed-income programs	\$ 1,609	\$ 1,148	40%	\$ 1,480	\$ 1,114	33%	
Liquidity funds	142	146	(3)%	174	104	67%	
Total assets under management	\$ 1,751	\$ 1,294	35%	\$ 1,654	\$ 1,218	36%	
Client assets under advisement	842	777	8%	822	547	50%	
Total assets	\$ 2,593	\$ 2,071	25%	\$ 2,476	\$ 1,765	40%	
LSV:							
Equity and fixed-income programs (B)	\$ 100,094	\$ 109,527	(9)%	\$ 102,510	\$ 109,270	(6)%	
Total:							
Equity and fixed-income programs (C)	\$ 271,294	\$ 281,570	(4)%	\$ 270,318	\$ 282,109	(4)%	
Collective trust fund programs	52,676	45,939	15%	50,094	46,998	7%	
Liquidity funds	9,094	9,504	(4)%	10,368	9,544	9%	
Total assets under management	\$ 333,064	\$ 337,013	(1)%	\$ 330,780	\$ 338,651	(2)%	
Client assets under advisement	4,639	5,040	(8)%	4,466	4,863	(8)%	
Client assets under administration (D)	654,045	564,238	16%	623,947	546,623	14%	
Total assets under management, advisement and administration	\$ 991,748	\$ 906,291	9%	\$ 959,193	\$ 890,137	8%	

- (A) Average client assets under administration in the Investment Managers segment for the three months ended September 30, 2019 include \$52.6 billion that are at fee levels below our normal full service assets.
- (B) Equity and fixed-income programs include assets managed by LSV in which fees are based on performance only. The average value of these assets for the three months ended September 30, 2019 was \$2.7 billion.
- (C) Equity and fixed-income programs include \$5.7 billion of average assets invested in various asset allocation funds for the three months ended September 30, 2019.
- (D) In addition to the numbers presented, SEI also administers an additional \$12.4 billion of average assets in Funds of Funds assets for the three months ended September 30, 2019 on which SEI does not earn an administration fee.

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 through our subsidiaries and partnerships in which we have a significant interest. Assets under advisement include assets for which we provide advisory services through a subsidiary to the accounts but do not manage the underlying assets. Assets under administration include total assets of our clients or their customers for which we provide administrative services, including client fund balances for which we provide administration and/or distribution services through our subsidiaries and partnerships in which we have a significant interest. The assets presented in the preceding tables do not include assets processed on SWP and are not included in the accompanying Consolidated Balance Sheets because we do not own them.

Business Segments

Revenues, Expenses and Operating Profit (Loss) for our business segments for the three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018 were as follows:

	Three Months Ended September 30,		Percent Change	Nine Months Ended September 30,		Percent Change
	2019	2018		2019	2018	
Private Banks:						
Revenues	\$ 117,250	\$ 118,449	(1)%	\$ 351,601	\$ 361,739	(3)%
Expenses	110,788	116,471	(5)%	329,540	343,515	(4)%
Operating Profit	\$ 6,462	\$ 1,978	227%	\$ 22,061	\$ 18,224	21%
Operating Margin	6%	2%		6%	5%	
Investment Advisors:						
Revenues	\$ 103,033	\$ 102,550	—%	\$ 297,916	\$ 301,632	(1)%
Expenses	51,509	53,287	(3)%	154,569	158,792	(3)%
Operating Profit	\$ 51,524	\$ 49,263	5%	\$ 143,347	\$ 142,840	—%
Operating Margin	50%	48%		48%	47%	
Institutional Investors:						
Revenues	\$ 80,337	\$ 83,466	(4)%	\$ 241,559	\$ 252,391	(4)%
Expenses	37,268	40,497	(8)%	115,383	122,617	(6)%
Operating Profit	\$ 43,069	\$ 42,969	—%	\$ 126,176	\$ 129,774	(3)%
Operating Margin	54%	51%		52%	51%	
Investment Managers:						
Revenues	\$ 112,186	\$ 101,275	11%	\$ 326,037	\$ 295,696	10%
Expenses	71,889	65,296	10%	209,326	191,955	9%
Operating Profit	\$ 40,297	\$ 35,979	12%	\$ 116,711	\$ 103,741	13%
Operating Margin	36%	36%		36%	35%	
Investments in New Businesses:						
Revenues	\$ 3,448	\$ 2,942	17%	\$ 9,547	\$ 7,652	25%
Expenses	7,926	5,769	37%	20,663	16,807	23%
Operating Loss	\$ (4,478)	\$ (2,827)	NM	\$ (11,116)	\$ (9,155)	NM

For additional information pertaining to our business segments, see Note 9 to the Consolidated Financial Statements.

Private Banks

	Three Months Ended September 30,			Percent Change	Nine Months Ended September 30,		
	2019	2018			2019	2018	Percent Change
Revenues:							
Information processing and software servicing fees	\$ 82,503	\$ 82,921	(1)%	\$ 248,850	\$ 254,764	(2)%	
Asset management, administration & distribution fees	34,747	35,528	(2)%	102,751	106,975	(4)%	
Total revenues	<u>\$ 117,250</u>	<u>\$ 118,449</u>	(1)%	<u>\$ 351,601</u>	<u>\$ 361,739</u>	(3)%	

Revenues decreased \$1.2 million, or 1%, in the three month period and decreased \$10.1 million, or 3%, in the nine month period ended September 30, 2019 and were primarily affected by:

- Decreased investment processing fees from the loss of clients offset by new client conversions and growth from existing clients;
- Decreased non-recurring professional services fees from existing clients as well as clients scheduled for implementation;
- Decreased investment management fees from existing international clients due to negative cash flows; and
- The negative impact from foreign currency exchange rate fluctuations between the U.S. dollar and the British pound on our foreign operations.

Operating margins increased to 6% compared to 2% in the three month period and increased to 6% compared to 5% in the nine month period. Operating income increased by \$4.5 million, or 227%, in the three month period and increased \$3.8 million, or 21%, in the nine month period and was primarily affected by:

- Decreased costs, mainly personnel and consulting costs, related to maintenance, support and client migrations to SWP;
- Decreased direct expenses associated with decreased investment management fees from existing international clients; and
- Decreased direct expenses associated with client losses; partially offset by
- A decrease in revenues;
- Increased amortization expense related to SWP due to continued enhancements; and
- The net negative impact from foreign currency exchange rate fluctuations between the U.S. dollar and the British pound on our foreign operations.

Investment Advisors

	Three Months Ended September 30,			Percent Change	Nine Months Ended September 30,		
	2019	2018			2019	2018	Percent Change
Revenues:							
Investment management fees-SEI fund programs	\$ 72,150	\$ 73,663	(2)%	\$ 208,860	\$ 218,562	(4)%	
Separately managed account fees	26,240	24,525	7%	75,526	70,678	7%	
Other fees	4,643	4,362	6%	13,530	12,392	9%	
Total revenues	<u>\$ 103,033</u>	<u>\$ 102,550</u>	—%	<u>\$ 297,916</u>	<u>\$ 301,632</u>	(1)%	

Revenues increased slightly in the three month period and decreased \$3.7 million, or 1%, in the nine month period ended September 30, 2019 and were primarily affected by:

- Decreased investment management fees as favorable market conditions were more than offset by negative cash flows and a decrease in average basis points earned on assets due to client-directed shifts into lower fee investment products including SEI's ETF program; partially offset by
- Increased separately managed account program fees from positive cash flows into SEI's ETF programs.

Operating margin increased to 50% compared to 48% in the three month period and increased to 48% compared to 47% in the nine month period. Operating income increased \$2.3 million, or 5%, in the three month period and increased slightly in the nine month period and was primarily affected by:

- Decreased costs, mainly personnel and consulting costs, related to maintenance, support and client migrations to SWP;
- Decreased sales compensation expense; and
- Decreased costs associated with accounts formerly processed on TRUST 3000® due to client migrations to SWP; partially offset by
- A decrease in revenues;
- Increased personnel costs for marketing to and servicing new advisors;
- Increased direct expenses associated with increased assets into our investment products; and
- Increased amortization expense related to SWP due to continued enhancements.

Institutional Investors

Revenues decreased \$3.1 million, or 4%, in the three month period and decreased \$10.8 million, or 4%, in the nine month period ended September 30, 2019 and were primarily affected by:

- Defined benefit client losses, mainly resulting from acquisitions and plan curtailments; and
- The negative impact from foreign currency exchange rate fluctuations between the U.S. dollar and the British pound on our foreign operations; partially offset by
- Asset funding from new sales of our investment management platforms; and
- Increased investment management fees from market appreciation.

Operating margin increased to 54% compared to 51% in the three month period and increased to 52% compared to 51% in the nine month period. Operating income increased slightly in the three month period and decreased \$3.6 million, or 3%, in the nine month period and was primarily affected by:

- A decrease in revenues; and
- The net negative impact from foreign currency exchange rate fluctuations between the U.S. dollar and the British pound on our foreign operations; partially offset by
- Decreased direct expenses associated with investment management fees.

Investment Managers

Revenues increased \$10.9 million, or 11%, in the three month period and increased \$30.3 million, or 10%, in the nine month period ended September 30, 2019 and were primarily affected by:

- Positive cash flows into alternative, traditional and separately managed account offerings from new and existing clients; partially offset by
- Client losses and fund closures.

Operating margin remained at 36% in the three month period and increased to 36% compared to 35% in the nine month period. Operating income increased \$4.3 million, or 12%, in the three month period and increased \$13.0 million, or 13%, in the nine month period and was primarily affected by:

- An increase in revenues; and
- The net positive impact from foreign currency exchange rate fluctuations between the U.S. dollar and the Euro on our foreign operations; partially offset by
- Increased personnel expenses, technology and other operational costs to service new and existing clients; and
- Increased non-capitalized investment spending, mainly consulting costs.

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 \$16.2 million and \$14.9 million in the

three months ended September 30, 2019 and 2018, respectively, and \$52.8 million and \$46.4 million in the nine months ended September 30, 2019 and 2018, respectively. The increase in corporate overhead expenses is primarily due to increased non-recurring personnel-related costs, primarily severance costs.

Other income and expense

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net gain (loss) from investments	\$ 611	\$ 89	\$ 2,121	\$ (460)
Interest and dividend income	4,167	3,482	12,737	9,146
Interest expense	(154)	(122)	(477)	(511)
Equity in earnings of unconsolidated affiliate	37,609	41,726	112,758	123,406
Total other income and expense items, net	\$ 42,233	\$ 45,175	\$ 127,139	\$ 131,581

Interest and dividend income

Interest and dividend income is earned based upon the amount of cash that is invested daily. The increase in interest and dividend income in the three and nine months ended September 30, 2019 was due to an overall increase in interest rates.

Equity in earnings of unconsolidated affiliate

Equity in earnings of unconsolidated affiliate reflects our less than 50% ownership in LSV. As of September 30, 2019, our total partnership interest in LSV was 38.9%. The table below presents the revenues and net income of LSV and our proportionate share in LSV's earnings.

	Three Months Ended September 30,		Percent Change	Nine Months Ended September 30,		Percent Change
	2019	2018		2019	2018	
Revenues of LSV	\$ 121,232	\$ 133,921	(9)%	\$ 365,164	\$ 397,750	(8)%
Net income of LSV	96,699	107,284	(10)%	289,918	317,295	(9)%
SEI's proportionate share in earnings of LSV	\$ 37,609	\$ 41,726	(10)%	\$ 112,758	\$ 123,406	(9)%

The decline in our earnings from LSV in the three and nine months ended September 30, 2019 was due to negative cash flows, lost clients, lower performance fees and decreased assets under management from LSV's existing clients due to the significant market depreciation in late 2018. Market appreciation and new client activity during the first nine months of 2019 partially offset the decline in LSV's assets under management. Average assets under management by LSV decreased \$6.8 billion to \$102.5 billion during the nine months ended September 30, 2019 as compared to \$109.3 billion during the nine months ended September 30, 2018, a decrease of 6%.

Income Taxes

Our effective income tax rates for the three and nine months ended September 30, 2019 and 2018 differs from the federal income tax statutory rate due to the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Statutory rate	21.0 %	21.0 %	21.0 %	21.0 %
State taxes, net of federal tax benefit	2.6	2.3	2.6	2.3
Foreign tax expense and tax rate differential	(0.3)	(0.2)	(0.2)	(0.2)
Tax benefit from stock option exercises	(2.2)	(1.4)	(1.5)	(4.8)
Expiration of the statute of limitations	(1.2)	(1.0)	(0.4)	(0.3)
Provision-to-return adjustment	(0.6)	(2.3)	(0.2)	(0.8)
Other, net	(0.4)	0.2	(0.3)	—
	18.9 %	18.6 %	21.0 %	17.2 %

The increase in our effective tax rate for the nine months ended September 30, 2019 was primarily due to reduced tax benefits due to a lower volume of stock option exercise activity as compared to the prior year period.

Stock-Based Compensation

We recognized \$15.6 million and \$16.4 million in stock-based compensation expense during the nine months ended September 30, 2019 and 2018, respectively. The amount of stock-based compensation expense we recognize is based upon our estimate of when earnings per share targets may be achieved. Any change in our estimate could result in the amount of stock-based compensation expense to be accelerated, spread out over a longer period, or reversed. This may cause volatility in the recognition of stock-based compensation expense in future periods and could materially affect our earnings.

Fair Value Measurements

The fair value of our financial assets and liabilities, except for the investment funds sponsored by LSV, is determined in accordance with the fair value hierarchy. The fair value of the investment funds sponsored by LSV is measured using the net asset value per share (NAV) as a practical expedient. The fair value of all other 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. The Company's Level 3 financial liabilities at September 30, 2019 and December 31, 2018 consist entirely of the estimated contingent consideration resulting from an acquisition (See Note 12 to the Consolidated Financial Statements). We did not have any other financial liabilities at September 30, 2019 or December 31, 2018 that were required to be measured at fair value on a recurring basis (See Note 4 to the Consolidated Financial Statements).

Regulatory Matters

Like many firms operating within the financial services industry, we are experiencing a difficult and increasingly complex regulatory environment across our markets. Our current scale and reach as a provider to the financial services industry, the introduction and implementation of new platforms 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 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, Inc., the Financial Conduct Authority of the United Kingdom, 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 require remediation activities or pursue enforcement proceedings against us or our subsidiaries. From time to time, the regulators in different jurisdictions will elevate their level of scrutiny of our operations as our business expands or is deemed critical to the operations of the relevant financial markets. As described under the caption "Regulatory Considerations" in our Annual Report on Form 10-K, the range of possible sanctions that are available to regulatory authorities include limitations on our ability to engage in business for specified periods of time, the revocation of registration, censures and fines. The direct and indirect costs of responding to these regulatory activities, implementation of any remediation actions, 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

	Nine Months Ended September 30,	
	2019	2018
Net cash provided by operating activities	\$ 381,535	\$ 417,898
Net cash used in investing activities	(43,045)	(77,408)
Net cash used in financing activities	(321,742)	(336,214)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3,878)	(6,552)
Net increase (decrease) in cash, cash equivalents and restricted cash	12,870	(2,276)
Cash, cash equivalents and restricted cash, beginning of period	758,039	747,752
Cash, cash equivalents and restricted cash, end of period	\$ 770,909	\$ 745,476

Cash requirements and liquidity needs are primarily funded through our cash flow from operations and our capacity for additional borrowing. At September 30, 2019, 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 June 2021 (See Note 6 to the Consolidated Financial Statements). As of October 17, 2019, we had outstanding letters of credit of \$11.6 million which reduced our amount available under the credit facility to \$288.4 million. These letters of credit were primarily issued for the expansion of our corporate headquarters and are due to expire during the fourth quarter of 2019.

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 other than wholly-owned subsidiaries, or to incur liens or other indebtedness including contingent obligations or guarantees, 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.

Our credit facility contains terms that utilize the London InterBank Offered Rate (LIBOR) as a potential component of the interest rate to be applied to the borrowings we may undertake under the agreement (See Note 6 to the Consolidated Financial Statements). We are currently monitoring the actions of LIBOR's regulator and the implementation of alternative reference rates in advance of the expected discontinuation of LIBOR after 2021 to determine any potential impact to our current credit facility and negotiations for subsequent borrowing agreements.

The majority of our excess cash reserves are primarily placed in accounts located in the United States that invest entirely in SEI-sponsored money market mutual funds denominated in the U.S. dollar. We also utilize demand deposit accounts or money market accounts at several well-established financial institutions located in the United States. Accounts used to manage these excess cash reserves do not impose any restrictions or limitations that would prevent us from being able to access such cash amounts immediately. As of October 17, 2019, the amount of cash and cash equivalents considered free and immediately accessible for other general corporate purposes was \$397.0 million.

Our cash and cash equivalents include accounts managed by our 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. We therefore do not include accounts of our foreign subsidiaries in our calculation of free and immediately accessible cash for other general corporate purposes. With the enactment of the Tax Act, a portion of the undistributed earnings of our foreign subsidiaries are deemed repatriated. Any subsequent transfer of available cash related to the repatriated earnings of our foreign subsidiaries could significantly increase our free and immediately accessible cash.

Cash flows from operations decreased \$36.4 million in the first nine months of 2019 compared to the first nine months of 2018 primarily from the decrease in our net income, lower distribution payments received from our unconsolidated affiliate, LSV, and the negative impact from the change in our working capital accounts.

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 nine months of 2019 and 2018 were as follows:

	Nine Months Ended September 30,	
	2019	2018
Purchases	\$ (126,030)	\$ (122,259)
Sales and maturities	137,783	116,568
Net investing activities from marketable securities	<u>\$ 11,753</u>	<u>\$ (5,691)</u>

- *The capitalization of costs incurred in developing computer software.* We capitalized \$26.8 million of software development costs in the first nine months of 2019 as compared to \$33.4 million in the first nine months of 2018. The majority of our software development costs are related to significant enhancements for the expanded functionality of the SEI Wealth Platform.
- *Capital expenditures.* Our capital expenditures in the first nine months of 2019 were \$30.5 million as compared to \$21.7 million in the first nine months of 2018. Our expenditures in 2019 and 2018 primarily include purchased software, equipment for our data center operations and the expansion of our corporate headquarters, which is scheduled to be completed in mid 2020. Total expenditures in 2020 related to the expansion are expected to be approximately \$20.0 million.

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 had total capital outlays of \$262.9 million during the first nine months of 2019 and \$290.6 million during the first nine months of 2018 for the repurchase of our common stock.
- *Proceeds from the issuance of our common stock.* We received \$41.9 million in proceeds from the issuance of our common stock during the first nine months of 2019 as compared to \$78.7 million during the first nine months of 2018. The decrease in proceeds is primarily attributable to a lower level of stock option exercise activity.
- *Dividend payments.* Cash dividends paid were \$100.7 million in the first nine months of 2019 as compared to \$94.3 million in the first nine months of 2018.
- *Principal repayments on revolving credit facility.* In July 2017, we borrowed \$40.0 million for the funding of an acquisition. We made principal payments of \$10.0 million each during October 2017 and March 2018 and a final payment of \$20.0 million in April 2018 to repay the entire outstanding balance.

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

Forward-Looking Information and Risk Factors

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

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

- changes in capital markets that may affect our revenues and earnings;
- product development risk;
- risk of failure by a third-party service provider;
- data and cyber security risks;
- operational risks associated with the processing of investment transactions;

- systems and technology risks;
- pricing pressure from increased competition, disruptive technology and poor investment performance;
- the affect on our earnings and cashflows from the performance of LSV Asset Management;
- third party pricing services for the valuation of securities invested in our investment products;
- external factors affecting the fiduciary management market;
- the affect of extensive governmental regulation;
- litigation and regulatory examinations and investigations;
- our ability to capture the expected value from acquisitions, divestitures, joint ventures, minority stakes or strategic alliances;
- increased costs and regulatory risks from the growth of our business;
- consolidation within our target markets;
- our ability to receive dividends or other payments in needed amounts from our subsidiaries;
- the exit by the United Kingdom from the European Union;
- third party approval of our investment products with advisors affiliated with independent broker-dealers or other networks;
- the effectiveness of our risk management and business continuity strategies, models and processes;
- 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;
- our ability to hire and retain qualified employees;
- stockholder activism efforts;
- retention of executive officers and senior management personnel; and
- unforeseen or catastrophic events, including the emergence of pandemic, terrorist attacks, extreme weather events or other natural disasters.

We conduct our operations through several regulated wholly-owned subsidiaries. These subsidiaries are:

- SEI Investments Distribution Co., or SIDCO, a broker-dealer registered with the SEC under the Securities Exchange Act of 1934 and a member of the Financial Industry Regulatory Authority, Inc., or FINRA;
- SEI Investments Management Corporation, or SIMC, an investment advisor registered with the SEC under the Investment Advisers Act of 1940 and with the Commodity Futures Trading Commission, or CFTC, under the Commodity Exchange Act;
- SEI Private Trust Company, or SPTC, a limited purpose federal thrift chartered and regulated by the Office of the Comptroller of the Currency;
- SEI Trust Company, or STC, a Pennsylvania trust company, regulated by the Pennsylvania Department of Banking and Securities;
- SEI Investments (Europe) Limited, or SIEL, an investment manager and financial institution subject to regulation by the Financial Conduct Authority of the United Kingdom;
- SEI Investments Canada Company, or SEI Canada, an investment fund manager that has various other capacities that is regulated by the Ontario Securities Commission and various provincial authorities;
- SEI Investments Global, Limited, or SIGL, a management company for Undertakings for Collective Investment in Transferable Securities, or UCITS, and for Alternative Investment Funds, or AIFs, that is regulated primarily by the Central Bank of Ireland, or CBI;
- SEI Investments - Global Fund Services, Ltd., or GFSL, an authorized provider of administration services for Irish and non-Irish collective investment schemes that is regulated by the CBI; and
- SEI Investments - Depository and Custodial Services (Ireland) Limited, or D&C, an authorized provider of depository and custodial services that is regulated by the CBI.

In addition to the regulatory authorities listed above, our subsidiaries are subject to the jurisdiction of regulatory authorities in other foreign countries. In addition to our wholly-owned subsidiaries, we also own a minority interest of approximately 38.9 percent 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 effect on us and our clients.

The various governmental agencies and self-regulatory authorities that regulate or supervise the Company and 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 business process changes required or 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, fines and changes to business processes 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. We continue to be subject to inquiries from examinations and investigations by supervisory and enforcement divisions of regulatory authorities and expect this to continue in the future. We believe this is also the case with many of our regulated clients. Governmental scrutiny and legal and enforcement proceedings can also have a negative impact on our reputation, our relationship with clients and prospective clients, and on the morale and performance of our employees, which could adversely affect our businesses and results of operations.

We are subject to the USA PATRIOT Act of 2001, which contains anti-money laundering and financial transparency laws and requires implementation of regulations applicable to financial services companies, including standards for verifying client identification and monitoring client transactions and detecting and reporting suspicious activities. Anti-money laundering laws outside the United States contain similar requirements. We offer investment and banking solutions that also are subject to regulation by the federal and state securities and banking authorities, as well as foreign regulatory authorities, where applicable. Existing or future regulations that affect these solutions could lead to a reduction in sales of these solutions or require modifications of these solutions.

Compliance with existing and future regulations and responding to and complying with recent increased regulatory activity affecting broker-dealers, investment advisors, investment companies, financial institutions and their service providers could have a significant impact on us. We periodically undergo regulatory examinations and respond to regulatory inquiries and document requests. In addition, recent and continuing legislative activity in the United States 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 and other subject matter experts, review our compliance procedures, solution and service offerings, and business operations, and make changes as we deem necessary or as may be required by the applicable authority. These additional activities and required changes may result in increased expense or may reduce revenues.

Our bank clients are subject to supervision by federal, state and foreign banking and financial services 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 and client portfolio strategy" 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, 2018. There have been no material changes to this information as it is disclosed in our Annual Report on Form 10-K for 2018.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

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

(b) Change in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the quarter ended September 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We implemented internal controls to ensure we adequately evaluated our leases and properly assessed the impact of the new accounting standard related to leases on our consolidated financial statements to facilitate the adoption of this standard on January 1, 2019 as well as the ongoing accounting under the new standard. There were no significant changes to our internal control over financial reporting during 2019 as a result of the ongoing accounting under the new accounting standard.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Stanford Trust Company Litigation

SEI has been named in seven lawsuits filed in Louisiana courts; four of the cases also name SPTC as a defendant. The underlying allegations in all actions relate to the purported role of SPTC in providing back-office services to Stanford Trust Company. The complaints allege that SEI and SPTC participated in some manner in the sale of "certificates of deposit" issued by Stanford International Bank so as to be a "seller" of the certificates of deposit for purposes of primary liability under the Louisiana Securities Law or so as to be secondarily liable under that statute for sales of certificates of deposit made by Stanford Trust Company. Two of the actions also include claims for violations of the Louisiana Racketeering Act and possibly conspiracy, and a third also asserts claims of negligence, breach of contract, breach of fiduciary duty, violations of the uniform fiduciaries law, negligent misrepresentation, detrimental reliance, violations of the Louisiana Racketeering Act, and conspiracy.

The procedural status of the seven cases varies. The *Lillie* case, filed originally in the 19th Judicial District Court for the Parish of East Baton Rouge, was brought as a class action and is procedurally the most advanced of the cases. SEI and SPTC filed exceptions, which the Court granted in part, dismissing claims under the Louisiana Unfair Trade Practices Act and permitting the claims under the Louisiana Securities Law to go forward. On March 11, 2013, newly-added insurance carrier defendants removed the case to the United States District Court for the Middle District of Louisiana. On August 7, 2013, the Judicial Panel on Multidistrict Litigation transferred the matter to the Northern District of Texas where MDL 2099, *In re: Stanford Entities Securities Litigation* ("the Stanford MDL"), is pending. On September 22, 2015, the District Court on the motion of SEI and SPTC dismissed plaintiffs' claims for primary liability under Section 714(A) of the Louisiana Securities Law, but declined to dismiss plaintiffs' claims for secondary liability under Section 714(B) of the Louisiana Securities Law based on the allegations pled by plaintiffs. On November 4, 2015, the District Court granted SEI and SPTC's motion to dismiss plaintiffs' claims under Section 712(D) of the Louisiana Securities Law. Consequently, the only claims of plaintiffs remaining in *Lillie* are plaintiffs' claims for secondary liability against SEI and SPTC under Section 714(B) of the Louisiana Securities Law. On May 2, 2016, the District Court certified the class as being "all persons for whom Stanford Trust Company purchased or renewed Stanford Investment Bank Limited certificates of deposit in Louisiana between January 1, 2007 and February 13, 2009". Notice of the pendency of the class action was mailed to potential class members on October 4, 2016.

On December 1, 2016, a group of plaintiffs who opted out of the *Lillie* class filed a complaint against SEI and SPTC in the United States District Court in the Middle District of Louisiana ("*Ahders* Complaint"), alleging claims essentially the same as those in *Lillie*. In January 2017, the Judicial Panel on Multidistrict Litigation transferred the *Ahders* proceeding to the Northern District of Texas and the Stanford MDL. During February 2017, SEI filed its response to the *Ahders* Complaint, and in March 2017 the District Court for the Northern District of Texas approved the stipulated dismissal of all claims in this Complaint predicated on Section 712(D) or Section 714(A) of the Louisiana Securities Law. In both cases, as a result of the proceedings in the Northern District of Texas, only the plaintiffs' secondary liability claims under Section 714(B) of the Louisiana Securities Law remain. Limited discovery and motions practice have occurred, including SEI and SPTC's filing of a dispositive summary judgment motion in the *Lillie* proceeding. On January 31, 2019, the Judicial Panel on Multidistrict Litigation remanded the *Lillie* and *Ahders* proceedings to the Middle District of Louisiana.

On July 9, 2019, the District Court issued an order granting SEI's Summary Judgment Motion to dismiss the remaining Section 714(B) claim in the *Lillie* proceeding and denying Plaintiffs' Motion for Continuance of SEI and SPTC's Motion for Summary Judgment pursuant to Rule 56(d).

On July 16, 2019, SEI and SPTC filed a Motion for Summary Judgment pursuant to Rule 56(d) in the *Ahders* proceeding to have the remaining Section 714(B) claim dismissed.

On July 17, 2019, Plaintiffs filed a Motion for Reconsideration and/or New Trial as to the July 9, 2019 Ruling and Order (ECF 146) by the Honorable Brian A. Jackson denying a continuance of SEI's Motion for Summary Judgment pursuant to Rule 56(d). The Court denied Plaintiffs' Motion and entered a Final Judgment in favor of SEI on August 15, 2019.

On August 27, 2019, Plaintiffs filed a Notice of Appeal to the United States Court of Appeal for the Fifth Circuit of the District Court's dismissal of the matter. Plaintiffs' Motion in Support of the Notice of Appeal must be filed with the Court by November 20, 2019. If Plaintiffs' Motion in Support of Appeal is filed, SEI intends to contest the Plaintiffs' appeal.

Another case, filed in the 23rd Judicial District Court for the Parish of Ascension, also was removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to the Northern District of Texas and the Stanford MDL. The schedule for responding to that Complaint has not yet been established.

Two additional cases remain in the Parish of East Baton Rouge. Plaintiffs filed petitions in 2010 and have granted SEI and SPTC indefinite extensions to respond. No material activity has taken place since.

In two additional cases, filed in East Baton Rouge and brought by the same counsel who filed the *Lillie* 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). The matters were removed to the United States District Court for the Northern District of Texas and consolidated. The court then 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 matters were remanded to state court and no material activity has taken place since that date.

While the outcome of this litigation remains uncertain, SEI and SPTC believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuits vigorously. Because of uncertainty in the make-up of the *Lillie* class, the specific theories of liability that may survive a motion for summary judgment or other dispositive motion, the relative 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.

SEI Capital Accumulation Plan Litigation

On September 28, 2018, a class action complaint was filed in the United States District Court for the Eastern District of Pennsylvania by Gordon Stevens, individually and as the representative of similarly situated persons, and on behalf of the SEI Capital Accumulation Plan (the "Plan") naming the Company and its affiliated and/or related entities SEI Investments Management Corporation, SEI Capital Accumulation Plan Design Committee, SEI Capital Accumulation Plan Investment Committee, SEI Capital Accumulation Plan Administration Committee, and John Does 1-30 as defendants (the "Stevens Complaint"). The Stevens Complaint seeks unspecified damages for defendants' breach of fiduciary duties under ERISA with respect to selecting and monitoring the Plan's investment options and by retaining affiliated investment products in the Plan.

Although SEI believes its defenses against the plaintiff's allegations were valid, the Company agreed to settle this matter in the very early stages of the litigation in order to avoid the high cost of protracted class-action litigation and internal distractions such cases bring. The written settlement agreement was submitted to the Court on July 26, 2019, and is a matter of public record. A Preliminary Approval Order approving the settlement agreement was issued by the Court and the Court has scheduled a fairness hearing for December 18, 2019. The settlement agreement will not be finalized until the Court has issued a final approval after the December 18, 2019. The Company expects final Court approval of the settlement by year-end. The Company expects the financial impact of the settlement agreement to be immaterial.

Other Matters

The Company is also a party to various other actions and claims arising in the normal course of business that the Company does not believe are material. The Company believes that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position or the manner in which the Company conducts its business. Currently, the Company does not believe the amount of losses associated with these matters can be estimated. While the Company does not believe that the amount of such losses will, when liquidated or estimable, be material to its financial position, the assumptions may be incorrect and any such loss could have a material adverse effect on the Company's results of operations or the manner in which the Company conducts its business in the period(s) during which the underlying matters are resolved.

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, 2018. There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for 2018.

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

(e) Our Board of Directors has authorized the repurchase of up to \$4.178 billion worth of our common stock through multiple authorizations. Currently, there is no expiration date for our common stock repurchase program.

Information regarding the repurchase of common stock during the three months ended September 30, 2019 is as follows:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Program</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program</u>
July 2019	—	\$ —	—	\$ 280,061,000
August 2019	725,000	56.85	725,000	238,847,000
September 2019	675,000	59.49	675,000	198,695,000
Total	<u>1,400,000</u>	\$ 58.12	<u>1,400,000</u>	

Item 6. Exhibits.

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

[31.1](#) [Rule 13a-15\(e\)/15d-15\(e\) Certification of Chief Executive Officer.](#)

[31.2](#) [Rule 13a-15\(e\)/15d-15\(e\) Certification of Chief Financial Officer.](#)

[32](#) [Section 1350 Certifications.](#)

[99.1](#) [Press release dated October 23, 2019 of SEI Investments Company related to the Company's financial and operating results for the third quarter ended September 30, 2019.](#)

101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

SEI INVESTMENTS COMPANY

Date: October 24, 2019

By: /s/ Dennis J. McGonigle

Dennis J. McGonigle
Chief Financial Officer

CERTIFICATIONS

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

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

Date: October 24, 2019

/s/ Alfred P. West, Jr.

Alfred P. West, Jr.

Chairman and Chief Executive Officer

CERTIFICATIONS

I, Dennis J. McGonigle, certify that:

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

Date: October 24, 2019

/s/ Dennis J. McGonigle

Dennis J. McGonigle

Chief Financial Officer

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

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

- (1) The Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019 (the "Form 10-Q") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 24, 2019

Date: October 24, 2019

/s/ Alfred P. West, Jr.

/s/ Dennis J. McGonigle

Alfred P. West, Jr.

Dennis J. McGonigle

Chairman and Chief Executive Officer

Chief Financial Officer

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

Press Release

SEI New ways.
New answers.®**Investor Contact:**

Lindsey Opsahl
SEI SEI
+1 610-676-4052
lopsahl@seic.com
Pages: 7

Media Contact:

Leslie Wojcik
+1 610-676-4191
lwojcik@seic.com

FOR IMMEDIATE RELEASE**SEI Reports Third-Quarter 2019 Financial Results***Company Hits \$1 Trillion in Combined Assets under Management, Administration and Advisement*

OAKS, Pa., Oct. 23, 2019 – SEI Investments Company (NASDAQ:SEIC) today announced financial results for the third-quarter 2019. Diluted earnings per share were \$0.86 in third-quarter 2019 compared to \$0.80 in third-quarter 2018.

Consolidated Overview

(In thousands, except earnings per share)	For the Three Months Ended Sept. 30,			For the Nine Months Ended Sept. 30,		
	<u>2019</u>	<u>2018</u>	<u>%</u>	<u>2019</u>	<u>2018</u>	<u>%</u>
Revenues	\$416,254	\$408,682	2%	\$1,226,660	\$1,219,110	1%
Net income	132,168	128,319	3%	372,689	389,834	(4)%
Diluted earnings per share	\$0.86	\$0.80	8%	\$2.40	\$2.41	—%

"Our third-quarter financial and new business sales results reflect continued success in our Investment Management Services business and growing momentum in our Private Banks segment," said Alfred P. West, Jr., SEI Chairman and CEO.

"We continue to invest in technology and business platforms that position us to take advantage of large opportunities and provide innovative client solutions. We are pleased with our progress and will continue to execute our strategy to deliver long-term value for our shareholders, clients and employees."

Summary of Third-Quarter Results by Business Segment

(In thousands)	For the Three Months Ended Sept. 30,			For the Nine Months Ended Sept. 30,		
	<u>2019</u>	<u>2018</u>	<u>%</u>	<u>2019</u>	<u>2018</u>	<u>%</u>
Private Banks:						
Revenues	\$117,250	\$118,449	(1)%	\$351,601	\$361,739	(3)%
Expenses	<u>110,788</u>	<u>116,471</u>	(5)%	<u>329,540</u>	<u>343,515</u>	(4)%
Operating Profit	6,462	1,978	227%	22,061	18,224	21%
Operating Margin	6%	2%		6%	5%	
Investment Advisors:						
Revenues	103,033	102,550	—%	297,916	301,632	(1)%
Expenses	<u>51,509</u>	<u>53,287</u>	(3)%	<u>154,569</u>	<u>158,792</u>	(3)%
Operating Profit	51,524	49,263	5%	143,347	142,840	—%
Operating Margin	50%	48%		48%	47%	
Institutional Investors:						
Revenues	80,337	83,466	(4)%	241,559	252,391	(4)%
Expenses	<u>37,268</u>	<u>40,497</u>	(8)%	<u>115,383</u>	<u>122,617</u>	(6)%
Operating Profit	43,069	42,969	—%	126,176	129,774	(3)%
Operating Margin	54%	51%		52%	51%	
Investment Managers:						
Revenues	112,186	101,275	11%	326,037	295,696	10%
Expenses	<u>71,889</u>	<u>65,296</u>	10%	<u>209,326</u>	<u>191,955</u>	9%
Operating Profit	40,297	35,979	12%	116,711	103,741	13%
Operating Margin	36%	36%		36%	35%	
Investments in New Businesses:						
Revenues	3,448	2,942	17%	9,547	7,652	25%
Expenses	<u>7,926</u>	<u>5,769</u>	37%	<u>20,663</u>	<u>16,807</u>	23%
Operating Loss	(4,478)	(2,827)	NM	(11,116)	(9,155)	NM
Totals:						
Revenues	\$416,254	\$408,682	2%	\$1,226,660	\$1,219,110	1%
Expenses	279,380	281,320	(1)%	829,481	833,686	(1)%
Corporate Overhead Expenses	<u>16,237</u>	<u>14,942</u>	9%	<u>52,845</u>	<u>46,398</u>	14%
Income from Operations	<u>\$120,637</u>	<u>\$112,420</u>	7%	<u>\$344,334</u>	<u>\$339,026</u>	2%

Third-Quarter Business Highlights:

- Revenues from Asset management, administration, and distribution fees increased primarily from higher assets under administration in our Investment Managers segment.
- Our average assets under administration increased \$94.8 billion, or 16%, to \$654.0 billion in the third-quarter 2019, as compared to \$564.2 billion during the third-quarter 2018 (see attached Average Asset Balances schedules for further details).
- Our average assets under management, excluding LSV, increased \$5.5 billion, or 2%, to \$233.0 billion in the third-quarter 2019, as compared to \$227.5 billion during the third-quarter 2018 (see attached Average Asset Balances schedules for further details).
- Sales events, net of client losses, during third-quarter 2019 totaled approximately \$42.7 million and are expected to generate net annualized recurring revenues of approximately \$33.2 million when contract values are fully realized.
- Our earnings from LSV decreased by \$4.1 million, or 10%, to \$37.6 million in third-quarter 2019 as compared to \$41.7 million in third-quarter 2018. The decrease in earnings was due to negative cash flows, client losses, reduced performance fees earned by LSV and a decline in assets under management from market depreciation.
- We capitalized \$7.3 million of software development costs in third-quarter 2019 for continued enhancements to the SEI Wealth PlatformSM (SWP). Amortization expense related to SWP was \$10.7 million in third-quarter 2019.
- Our effective tax rates were 18.9% in third-quarter 2019 and 18.6% in third-quarter 2018.
- We repurchased 1.4 million shares of our common stock for \$81.4 million during the third-quarter 2019.

Earnings Conference Call

A conference call to review earnings is scheduled for 4:30 p.m. Eastern Time on Oct. 23, 2019. Investors may listen to the call at seic.com/ir-events. Investors may also listen to a replay by telephone at (USA) 866-207-1041; (International) 402-970-0847; Access Code: 5136905.

About SEI

After 50 years in business, SEI (NASDAQ:SEIC) remains a leading global provider of investment processing, investment management, and investment operations solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth.

As of Sept. 30, 2019, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages, advises or administers \$1 trillion in hedge, private equity, mutual fund and pooled or separately managed assets, including \$335 billion in assets under management and \$662 billion in client assets under administration. For more information, visit seic.com.

This release contains forward looking statements within the meaning or the rules and regulations of the Securities and Exchange Commission. In some cases you can identify forward-looking statements by terminology such as "may", "will", "expect", "believe" and "continue" or "appear." Our forward-looking statements include our current expectations as to:

- revenue that we believe will be generated by sales events that occurred during the quarter,
- the growth and momentum of our businesses,
- the degree to, and the manner in, which invest in our technologies and platforms,
- the degree to which our investments will position us to take advantage of market opportunities, and
- whether our current initiatives will create value for our employees, clients and shareholders.

You should not place undue reliance on our forward-looking statements as they are based on the current beliefs and expectations of our management and subject to significant risks and uncertainties many of which are beyond our control or are subject to change. Although we believe the assumptions upon which we base our forward-looking statements are reasonable, they could be inaccurate. Some of the risks and important factors that could cause actual results to differ from those described in our forward-looking statements can be found in the "Risk Factors" section of our Annual Report on Form 10 -K for the year ended December 31, 2018, filed with the Securities and Exchange Commission.

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

	For the Three Months Ended Sept. 30,		For the Nine Months Ended Sept. 30,	
	2019	2018	2019	2018
Asset management, admin. and distribution fees	\$330,943	\$322,778	\$969,812	\$955,495
Information processing and software servicing fees	85,311	85,904	256,848	263,615
Total revenues	416,254	408,682	1,226,660	1,219,110
Subadvisory, distribution and other asset mgmt. costs	44,978	45,276	134,960	135,690
Software royalties and other information processing costs	7,198	7,767	22,719	24,462
Compensation, benefits and other personnel	130,579	127,480	386,913	379,132
Stock-based compensation	5,453	5,878	15,555	16,396
Consulting, outsourcing and professional fees	48,789	51,758	144,325	150,906
Data processing and computer related	22,338	21,754	65,514	63,478
Facilities, supplies and other costs	15,926	16,689	51,771	52,085
Amortization	12,947	12,405	38,407	36,420
Depreciation	7,409	7,255	22,162	21,515
Total expenses	295,617	296,262	882,326	880,084
Income from operations	120,637	112,420	344,334	339,026
Net gain (loss) on investments	611	89	2,121	(460)
Interest and dividend income	4,167	3,482	12,737	9,146
Interest expense	(154)	(122)	(477)	(511)
Equity in earnings of unconsolidated affiliate	37,609	41,726	112,758	123,406
Income before income taxes	162,870	157,595	471,473	470,607
Income taxes	30,702	29,276	98,784	80,773
Net income	\$132,168	\$128,319	\$372,689	\$389,834
Basic earnings per common share	\$0.88	\$0.82	\$2.45	\$2.48
Shares used to calculate basic earnings per share	150,855	156,283	152,009	157,086
Diluted earnings per common share	\$0.86	\$0.80	\$2.40	\$2.41
Shares used to calculate diluted earnings per share	154,227	160,511	155,311	162,053
Dividends declared per common share	\$—	\$—	\$0.33	\$0.30

SEI INVESTMENTS COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	Sept. 30,	Dec. 31,
	2019	2018
Assets		
Current Assets:		
Cash and cash equivalents	\$767,809	\$754,525
Restricted cash	3,100	3,514
Receivables from investment products	52,140	49,869
Receivables, net of allowance for doubtful accounts of \$1,311 and \$718	349,332	315,336
Securities owned	32,862	30,892
Other current assets	34,894	36,676
Total Current Assets	1,240,137	1,190,812
Property and Equipment, net of accumulated depreciation of \$346,377 and \$338,206	154,584	145,863
Operating Lease Right-of-Use Assets	41,054	—
Capitalized Software, net of accumulated amortization of \$430,644 and \$395,171	300,848	309,500
Investments Available for Sale	101,580	111,901
Investments in Affiliated Funds, at fair value	5,533	4,887
Investment in Unconsolidated Affiliate	41,437	52,342
Goodwill	64,489	64,489
Intangible Assets, net of accumulated amortization of \$7,853 and \$5,090	28,907	31,670
Deferred Contract Costs	28,506	24,007
Deferred Income Taxes	1,421	2,042
Other Assets, net	32,109	34,155
Total Assets	\$2,040,605	\$1,971,668
Liabilities and Equity		
Current Liabilities:		
Accounts payable	\$8,712	\$10,920
Accrued liabilities	193,919	279,634
Short-term operating lease liabilities	7,888	—
Deferred revenue	5,529	5,154
Total Current Liabilities	216,048	295,708
Long-term Taxes Payable	803	803
Deferred Income Taxes	56,339	57,795
Long-term Operating Lease Liabilities	37,816	—
Other Long-term Liabilities	26,292	24,215
Total Liabilities	337,298	378,521
Shareholders' Equity:		
Common stock, \$0.01 par value, 750,000 shares authorized; 150,222 and 153,634 shares issued and outstanding	1,502	1,536
Capital in excess of par value	1,137,636	1,106,641
Retained earnings	599,949	517,970
Accumulated other comprehensive loss, net	(35,780)	(33,000)
Total Shareholders' Equity	1,703,307	1,593,147
Total Liabilities and Shareholders' Equity	\$2,040,605	\$1,971,668

ENDING ASSET BALANCES
(In millions) (Unaudited)

	Sept. 30, 2018	Dec 31, 2018	Mar. 31, 2019	Jun. 30, 2019	Sept. 30, 2019
Private Banks:					
Equity and fixed-income programs	\$22,739	\$20,453	\$22,369	\$22,563	\$22,580
Collective trust fund programs	4	4	4	4	4
Liquidity funds	3,142	3,633	3,753	3,322	3,695
Total assets under management	\$25,885	\$24,090	\$26,126	\$25,889	\$26,279
Client assets under administration	23,394	20,226	22,886	23,387	23,985
Total assets	\$49,279	\$44,316	\$49,012	\$49,276	\$50,264
Investment Advisors:					
Equity and fixed-income programs	\$63,958	\$55,395	\$61,277	\$64,591	\$65,059
Collective trust fund programs	5	7	5	6	4
Liquidity funds	3,182	5,948	4,362	2,618	2,673
Total assets under management	\$67,145	\$61,350	\$65,644	\$67,215	\$67,736
Institutional Investors:					
Equity and fixed-income programs	\$85,248	\$78,765	\$82,578	\$82,335	\$82,659
Collective trust fund programs	74	79	79	78	81
Liquidity funds	2,544	2,234	2,529	2,173	2,290
Total assets under management	\$87,866	\$81,078	\$85,186	\$84,586	\$85,030
Client assets under advisement	4,131	3,359	3,694	3,598	4,467
Total assets	\$91,997	\$84,437	\$88,880	\$88,184	\$89,497
Investment Managers:					
Equity and fixed-income programs	\$99	\$89	\$—	\$—	\$—
Collective trust fund programs	46,934	42,804	49,232	51,838	53,169
Liquidity funds	580	336	704	472	477
Total assets under management	\$47,613	\$43,229	\$49,936	\$52,310	\$53,646
Client assets under administration (A)	552,411	552,318	585,997	607,086	637,986
Total assets	\$600,024	\$595,547	\$635,933	\$659,396	\$691,632
Investments in New Businesses:					
Equity and fixed-income programs	\$1,179	\$1,257	\$1,466	\$1,566	\$1,621
Liquidity funds	162	189	218	141	132
Total assets under management	\$1,341	\$1,446	\$1,684	\$1,707	\$1,753
Client assets under advisement	730	687	729	887	825
Total assets	\$2,071	\$2,133	\$2,413	\$2,594	\$2,578
LSV Asset Management:					
Equity and fixed-income programs (B)	\$109,363	\$96,114	\$103,163	\$103,575	\$100,295
Total:					
Equity and fixed-income programs (C)	\$282,586	\$252,073	\$270,853	\$274,630	\$272,214
Collective trust fund programs	47,017	42,894	49,320	51,926	53,258
Liquidity funds	9,610	12,340	11,566	8,726	9,267
Total assets under management	\$339,213	\$307,307	\$331,739	\$335,282	\$334,739
Client assets under advisement	4,861	4,046	4,423	4,485	5,292
Client assets under administration (D)	575,805	572,544	608,883	630,473	661,971
Total assets	\$919,879	\$883,897	\$945,045	\$970,240	\$1,002,002

(A) Client assets under administration in the Investment Managers segment include \$52.6 billion of assets that are at fee levels below our normal full-service assets (as of Sept. 30, 2019).

(B) Equity and fixed-income programs include \$2.4 billion of assets managed by LSV in which fees are based on performance only (as of Sept. 30, 2019).

(C) Equity and fixed-income programs include \$5.7 billion of assets invested in various asset allocation funds at Sept. 30, 2019.

(D) In addition to the numbers presented, SEI also administers an additional \$12.4 billion in Funds of Funds assets (as of Sept. 30, 2019) on which SEI does not earn an administration fee.

AVERAGE ASSET BALANCES
(In millions) (Unaudited)

	3rd Qtr. 2018	4th Qtr. 2018	1st Qtr. 2019	2nd Qtr. 2019	3rd Qtr. 2019
Private Banks:					
Equity and fixed-income programs	\$22,516	\$21,383	\$21,831	\$22,088	\$22,432
Collective trust fund programs	4	4	4	4	4
Liquidity funds	3,376	3,265	3,706	3,388	3,625
Total assets under management	\$25,896	\$24,652	\$25,541	\$25,480	\$26,061
Client assets under administration	23,175	21,608	22,098	23,124	23,717
Total assets	\$49,071	\$46,260	\$47,639	\$48,604	\$49,778
Investment Advisors:					
Equity and fixed-income programs	\$63,399	\$59,954	\$58,732	\$62,419	\$64,761
Collective trust fund programs	5	4	5	6	5
Liquidity funds	2,958	3,452	5,298	3,465	2,580
Total assets under management	\$66,362	\$63,410	\$64,035	\$65,890	\$67,346
Institutional Investors:					
Equity and fixed-income programs	\$84,885	\$81,833	\$81,725	\$82,597	\$82,398
Collective trust fund programs	74	75	79	78	80
Liquidity funds	2,469	2,449	2,375	2,342	2,287
Total assets under management	\$87,428	\$84,357	\$84,179	\$85,017	\$84,765
Client assets under advisement	4,263	3,566	3,494	3,641	3,797
Total assets	\$91,691	\$87,923	\$87,673	\$88,658	\$88,562
Investment Managers:					
Equity and fixed-income programs	\$95	\$96	\$—	\$—	\$—
Collective trust fund programs	45,856	44,009	47,322	50,108	52,587
Liquidity funds	555	480	559	497	460
Total assets under management	\$46,506	\$44,585	\$47,881	\$50,605	\$53,047
Client assets under administration (A)	541,063	561,043	572,065	600,509	630,328
Total assets	\$587,569	\$605,628	\$619,946	\$651,114	\$683,375
Investments in New Businesses:					
Equity and fixed-income programs	\$1,148	\$1,198	\$1,394	\$1,436	\$1,609
Liquidity funds	146	179	202	178	142
Total assets under management	\$1,294	\$1,377	\$1,596	\$1,614	\$1,751
Client assets under advisement	777	958	708	917	842
Total assets	\$2,071	\$2,335	\$2,304	\$2,531	\$2,593
LSV Asset Management:					
Equity and fixed-income programs (B)	\$109,527	\$99,791	\$104,517	\$102,919	\$100,094
Total:					
Equity and fixed-income programs (C)	\$281,570	\$264,255	\$268,199	\$271,459	\$271,294
Collective trust fund programs	45,939	44,092	47,410	50,196	52,676
Liquidity funds	9,504	9,825	12,140	9,870	9,094
Total assets under management	\$337,013	\$318,172	\$327,749	\$331,525	\$333,064
Client assets under advisement	5,040	4,524	4,202	4,558	4,639
Client assets under administration (D)	564,238	582,651	594,163	623,633	654,045
Total assets	\$906,291	\$905,347	\$926,114	\$959,716	\$991,748

(A) Average client assets under administration in the Investment Managers segment during third-quarter 2019 include \$52.6 billion that are at fee levels below our normal full-service assets.

(B) Equity and fixed-income programs include \$2.7 billion of average assets managed by LSV in which fees are based on performance only during third-quarter 2019.

(C) Equity and fixed-income programs include \$5.7 billion of average assets invested in various asset allocation funds during third-quarter 2019.

(D) In addition to the numbers presented, SEI also administers an additional \$12.4 billion of average assets in Funds of Funds assets during third-quarter 2019 on which SEI does not earn an administration fee.