

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

**FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2016

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-10200

**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

(Address of principal executive offices)

19456-1100

(Zip Code)

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

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

Title of each class

Common Stock, par value \$.01 per share

Name of each exchange on which registered

The NASDAQ Stock Market LLC  
(The NASDAQ Global Select Market®)

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

None  
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting  
company)

Smaller reporting company

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

The aggregate market value of the voting common stock held by non-affiliates of the registrant was approximately \$6.1 billion based on the closing price of \$48.11 as reported by NASDAQ on June 30, 2016 (the last business day of the registrant's most recently completed second fiscal quarter). For purposes of making this calculation only, the registrant has defined affiliates as including all executive officers, directors and beneficial owners of more than ten percent of the common stock of the registrant.

The number of shares outstanding of the registrant's common stock, as of the close of business on January 31, 2017:

**Common Stock, \$0.01 par value**

**159,176,081**

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the following documents are incorporated by reference herein:

1. The definitive proxy statement relating to the registrant's 2017 Annual Meeting of Shareholders, to be filed within 120 days after the end of the fiscal year covered by this annual report, is incorporated by reference in Part III hereof.
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# SEI Investments Company

Fiscal Year Ended December 31, 2016

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## PART I

### Forward Looking Statements

This Annual Report on Form 10-K contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve certain known and unknown risks, uncertainties and other factors, many of which are beyond our control, and are not limited to those discussed in Item 1A, “Risk Factors.” All statements that do not relate to historical or current facts are forward-looking statements. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to present or anticipated products and markets, future revenues, capital expenditures, expansion plans, future financing and liquidity, personnel, and other statements regarding matters that are not historical facts or statements of current condition.

Any or all forward-looking statements contained within this Annual Report on Form 10-K may turn out to be wrong. They can be affected by inaccurate assumptions we might make, or by known or unknown risks and uncertainties. Many factors mentioned in the discussion below will be important in determining future results. Consequently, we cannot guarantee any forward-looking statements. Actual future results may vary materially.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. You are advised, however, to consult any further disclosures we make on related subjects in our filings with the U.S. Securities and Exchange Commission (SEC).

### **Item 1. Business.**

#### *Overview*

SEI (NASDAQ: SEIC) is a leading global provider of investment processing, investment management and investment operations solutions. We help corporations, financial institutions, financial advisors, institutional investors and ultra-high-net-worth families create and manage wealth by providing comprehensive, innovative, investment and investment-business solutions. As of December 31, 2016, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers \$751.1 billion in hedge, private equity, mutual fund and pooled or separately managed assets, including \$283.1 billion in assets under management and \$468.0 billion in client assets under administration. Our affiliate, LSV Asset Management (LSV), manages \$87.2 billion of assets which are included as assets under management.

Our investment management business solutions include:

- Investment processing outsourcing solutions for providers of institutional and private-client wealth management services, including banks, trust companies, independent wealth advisers and other financial services firms;
- Investment management solutions for institutional investors, including retirement plan sponsors, not-for-profit organizations and affluent individual investors; and
- Investment operations outsourcing solutions for investment management firms, banks and investment companies that sponsor and distribute mutual funds, hedge funds and alternative investments.

#### *General Development of the Business*

For over 45 years, SEI has been a leading provider of wealth management business solutions for the financial services industry.

We began doing business in 1968 by providing computer-based training simulations for bank loan officers. We developed an investment accounting system for bank trust departments in 1972 and became a leading provider of investment-processing outsourcing services to banks and trust institutions in the United States. Later, we broadened these outsourcing services and began offering bank clients a family of mutual funds, as well as investment-operations outsourcing services. We became a public company in 1981.

We began to adapt these solutions, and develop new investment management solutions for selected global markets in the 1990s, including: investment advisors, retirement plan sponsors and institutional investors, asset management distribution firms, investment managers and affluent individual investors. Today, we serve approximately 8,600 clients in the United States, Canada, the United Kingdom, continental Europe, South Africa and East Asia.

In each of these markets, we have combined our core competencies - investment processing, investment management and investment operations - to deliver broader and more strategic solutions for clients and markets. Today, we offer a global wealth platform and investment services for private banks and wealth services firms; a complete wealth platform for operating an investment advisory business; a comprehensive fiduciary management solution for retirement plan sponsors and institutional investors; a total operational outsourcing solution for investment managers and a complete life and wealth solution for ultra-high-net-worth families.

## Strategy

We seek to achieve growth in earnings and shareholder value by strengthening our position as a provider of global investment management solutions. To achieve this objective, we have implemented these strategies:

*Create broader solutions for wealth service firms.* Banks, investment managers and financial advisors seek to enter new markets, expand their service offerings, provide a differentiated experience to their clients, improve efficiencies, reduce risks and better manage their businesses. We offer business solutions integrating technology, operating processes and financial products designed to help these institutions better serve their clients and provide opportunities to improve their business success.

*Help institutional investors manage retirement plans and operating capital.* Retirement plan sponsors, not-for-profit organizations and other institutional investors strive to meet their fiduciary obligations and financial objectives while reducing business risk. We deliver customized investment management solutions, as part of a complete solution offering, that enable investors to make better decisions about their investments and to manage their assets more effectively.

*Help affluent individual investors manage their life and wealth goals.* These investors demand a holistic wealth management experience that focuses on their life goals and provides them with an integrated array of financial services that includes substantially more than traditional wealth management offerings. We help these investors identify their goals and offer comprehensive life and wealth advisory services including life planning, investments and other financial services.

*Expand globally.* Global markets are large and present significant opportunities for growth. We have evolved U.S. business models for the global wealth management marketplace, focusing on the needs of institutional investors, private banks, independent wealth advisers, investment managers, investment advisors and affluent individual investors.

## Fundamental Principles

We are guided by these fundamental principles in managing the business and adopting these growth strategies:

- *Achieve growth in revenue and earnings.* We seek to grow the business by providing additional services to clients, adding new clients, introducing new products and adapting products for new markets.
- *Forge long-term client relationships.* We strive to achieve high levels of customer satisfaction and to forge close and long lasting client relationships. We believe these relationships enable us to market additional services and acquire knowledge and insights that fuel the product development process.
- *Invest in product development.* We continually enhance products and services to keep pace with industry developments, regulatory requirements and the emerging needs of markets and clients. We believe ongoing investments in research and development give us a sustainable, competitive advantage in our markets.
- *Maintain financial strength.* We adopt business models that generate recurring revenues and positive cash flows. Predictable cash flows serve as a source of funds for continuing operations, investments in new products, common stock repurchases and dividend payments.
- *Leverage investments across the business.* We create scalable, enterprise-wide solutions designed to serve the needs of multiple markets, potentially offering operating efficiencies that can benefit corporate profitability.
- *Create value for shareholders.* The objective of achieving long-term sustainable growth in revenues and earnings strongly influences the management of the business. This philosophy guides corporate management practices, strategic planning activities and employee compensation practices.

## Business Solutions

### Investment Processing

Investment processing solutions consist of application and business process outsourcing services, professional services and transaction-based services. We offer these services to providers of institutional and private-client wealth management services, including banks, trust companies, independent wealth advisers and other financial services firms. We also deliver these solutions, combined with our investment management programs, to investment advisors and other financial services firms that provide wealth management services to their advisory clients.

Application services are delivered through two proprietary software applications: TRUST 3000® and the SEI Wealth Platform<sup>SM</sup> (the SEI Wealth Platform or the Platform). We own, maintain and operate these applications and associated information processing infrastructure and facilities, and are responsible for customer support. We design and develop enhancements to these proprietary applications. Through our wholly-owned subsidiaries, we also provide business-process

outsourcing services including custodial and sub-custodial services, and back-office accounting services integrated with these software applications.

The TRUST 3000 product is a comprehensive trust and investment accounting system that provides securities processing and investment accounting for all types of domestic and global securities, and support for multiple account types, including personal trust, corporate trust, institutional trust and non-trust investment accounts.

The SEI Wealth Platform provides a global, unified and scalable platform for operating a wealth management business. This comprehensive solution includes investment processing and infrastructure services, and advanced capabilities to support wealth advisory, asset management, and wealth administration functions. The Platform provides global wealth management capabilities including a 24/7 operating model, global securities processing, and multi-currency accounting and reporting. Built around a client-centric relationship model, the Platform has an open architecture and supports workflow management and straight-through processing. We began delivering the SEI Wealth Platform to private banks and independent wealth advisers in the United Kingdom in 2007 and to banks in the United States in 2012. We have also implemented select groups of new and existing investment advisor clients in the United States.

Investment processing revenues are earned as monthly fees for contracted services including software licenses, information processing and business-process outsourcing. Revenues are primarily earned based upon the type and number of investor accounts serviced or as a percentage of the market value of the clients' assets processed. These revenues are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations.

Professional services revenues are earned from contracted, project-oriented services, including client implementations, and are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations.

We also offer transaction execution services through our proprietary software applications. Fees are earned primarily from commissions earned on securities trades executed on behalf of clients. These revenues are recognized as Transaction-based and trade execution fees on the accompanying Consolidated Statements of Operations.

#### Investment Management Programs

Investment management programs consist of money market, fixed-income and equity mutual funds, collective investment products, alternative investment portfolios and separately managed accounts. Through our wholly owned subsidiaries, we serve as sponsor, administrator, transfer agent, investment advisor, distributor and shareholder servicer for many of these products. We distribute these programs through investment advisory firms, including investment advisors and banks, and directly to institutional and individual investors.

These investment products are used to formulate an investment strategy tailored to meet the needs of different investors, taking into consideration their objectives and risk tolerances. Our clients, or the investors served by our client intermediaries, are the investors in these products. Investors typically invest in a globally diversified portfolio that consists of multiple asset classes and investment styles.

We have expanded these investment management programs to include other consultative, operational and technology components, and have created comprehensive solutions tailored to the needs of a specific market. These components may include investment strategies, consulting services, administrative and processing services and technology tools.

As of December 31, 2016, SEI managed \$195.9 billion in assets including: \$148.2 billion invested in fixed-income and equity funds and separately managed account programs; \$37.1 billion invested in collective trust fund programs and \$10.6 billion invested in liquidity or money market funds. An additional \$87.2 billion in assets is managed by our unconsolidated affiliate LSV, a registered investment advisor that specializes in a value equity management style for their clients.

Revenues from investment management programs are primarily earned as a percentage of net assets under management. These revenues are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations. Our interest in the earnings of LSV is recognized in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statements of Operations.

#### Investment Operations

Investment operations outsourcing solutions consist of accounting and administration services, and distribution support services. We deliver these solutions to investment management firms that offer traditional and alternative products. We support traditional managers who advise a variety of investment products including mutual funds, UCITS schemes, collective investment trusts (CITs), exchange-traded funds (ETFs), institutional accounts and separately managed accounts. We also provide comprehensive solutions to investment managers worldwide that sponsor and distribute alternative investment products

such as hedge funds, funds of hedge funds, private equity funds and real estate funds, across both registered and partnership structures.

Accounting and administration services include account and fund administration, investment portfolio and fund accounting; cash administration and treasury services; trade capture, settlement and reconciliation; trustee and custodial services; legal, audit and tax support; and investor services. Distribution support services may include access to distribution platforms and market and industry analyses to identify specific product distribution opportunities. These solutions are delivered by utilizing a highly integrated, robust and scalable technology platform adapted to fit the specific business needs of our investment manager clients.

As of December 31, 2016, we administered \$468.0 billion in client assets for traditional and alternative investment fund products, including mutual funds, hedge funds and private equity funds. Revenues from these products are primarily earned as a percentage of net assets under administration.

Revenues for the processing of institutional separate accounts and separately managed accounts are generally earned on the number of investor accounts serviced. Assets associated with this separate account processing are not included in reported assets under administration. Both revenue categories are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

#### *Business Segments*

Business segments are generally organized around our target markets. Financial information about each business segment is contained in Note 13 to the Consolidated Financial Statements. Our business segments are:

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

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

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

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

Investments in New Businesses – focuses on providing investment management programs to ultra-high-net-worth families residing in the United States; developing internet-based investment services and advice solutions; entering new markets; and conducting other research and development activities.

The percentage of consolidated revenues generated by each business segment for the last three years was:

	2016	2015	2014
Private Banks	33%	34%	35%
Investment Advisors	23%	23%	22%
Institutional Investors	22%	22%	22%
Investment Managers	21%	20%	20%
Investments in New Businesses	1%	1%	1%
	100%	100%	100%

#### Private Banks

The Private Banks segment delivers a comprehensive outsourcing solution integrating investment processing services, investment management and distribution programs, and business expertise to banks and trust institutions, independent wealth advisers and financial advisors worldwide.

We offer TRUST 3000 investment processing as an application solution (Software-as-a-Service, or SaaS) or as a business processing solution. Application solution clients outsource investment processing software services and information processing to SEI, but retain responsibility for back-office investment operations. Business processing solution clients also outsource investment operations, including custody and safekeeping of certain assets, income collection, securities settlement and other back-office accounting activities.

Contracts with TRUST 3000 clients have initial terms that are generally three to seven years in length. At December 31, 2016, we had significant relationships with 94 bank and trust institutions in the United States. Our principal competitors for this business are: Fidelity National Information Services, Inc. (FIS), Fi-Tek LLC, Innovest Portfolio Solutions, LLC, Charles

Schwab & Co., Inc. and Fidelity Investments. Many large financial institutions develop, operate and maintain proprietary investment and trust accounting systems. We consider these “in-house” solutions to be a form of competition.

Marketing efforts in this segment are focused on the SEI Wealth Platform. The Platform offers advanced capabilities across the entire range of wealth management processes, including those of large global wealth managers. The Platform enables banks and investment service firms of all types to manage the growing complexity of their operations, replace legacy platforms, comply with complex regulations, and make more effective use of capital by outsourcing wealth management services.

We currently deliver the SEI Wealth Platform as a business processing solution. New Platform clients undergo a business transformation process that includes either a conversion of existing client assets, or a business transition process which funds new client assets onto the Platform as the client grows their business with a contractual minimum fee in place. We begin to earn processing revenues when the client commences operation on the Platform.

In 2015, we signed an existing TRUST 3000 client to be the first large national bank to implement the SEI Wealth Platform, and the first client to operate the Platform as an SaaS solution. This will be a multi-year conversion due to the client’s size, the development work involved to expand the Platform to be offered as a SaaS solution, and the scope of integration activities required. While executing this large-scale implementation, we will continue to install other signed clients. We will also continue to manage our current TRUST 3000 relationships toward eventual conversion to the Platform.

Contracts with SEI Wealth Platform clients have initial terms that are generally five to seven years in length. At December 31, 2016, we had significant relationships with 26 banks, independent wealth advisers and other wealth managers located in the United Kingdom and the United States. Our principal competitors for this business, in addition to those named above, are: Pershing LLC, FNZ UK Ltd., Temenos Group AG, Avaloq, SS&C Technologies, Fiserv, Inc. and smaller technology firms. We also consider “in-house” solutions to be a form of competition.

This segment also offers investment management and distribution programs for banks, wealth managers and other financial services intermediaries. These programs start with SEI’s standard investment solutions, strategies, funds and investment services. We also deliver customized solutions including asset management strategies, as well as investment manager and portfolio research services. Increasingly, asset management distributors with established platforms are seeking to grow their businesses by offering broader investment solutions while outsourcing non-client facing investment services activities. We believe we offer our distribution partners a cost-effective way to grow their businesses and offer their investors differentiated investment choices, such as SEI’s goal-based investing solution.

We have business relationships with approximately 320 banks, wealth managers and other financial services intermediaries at December 31, 2016. Our definition of an asset management distribution client for this segment includes financial intermediaries who have exceeded a minimal level of customer assets invested in our investment products. With the growth of our business, the minimal level of customer assets which defines a “business relationship” is adjusted from time to time. Our business is primarily based on 95 asset management distribution clients who, at December 31, 2016, had at least \$5.0 million each in customer assets invested in our programs. We also had single-product relationships with 90 additional banks and trust institutions. The principal competitors for this business are: Russell Investment Group, Fidelity Investments, Franklin Templeton Investments, discretionary portfolio managers and various multi-manager investment programs offered by other firms. We also consider “in-house” proprietary asset management capabilities to be a form of long-term competition.

#### Investment Advisors

The Investment Advisors segment offers investment management solutions throughout the United States to registered investment advisors, financial planners and life insurance agents, many of whom are registered with independent broker-dealers. These solutions include our investment management programs and back-office investment processing outsourcing services and are usually offered on a bundled basis. We also help advisors manage and grow their businesses by giving them access to our marketing support programs and our practice management services which include, for example, workflow recommendations, succession planning advice, business assessment assistance and recommended management practices. We believe our solutions help investment advisors reduce risk, improve quality and gain operational efficiency which allows them to devote more of their resources to acquiring new clients and achieving better outcomes for their existing clients.

Advisors are responsible for the investor relationship which includes creating financial plans, implementing investment strategies and educating and servicing their customers. Advisors may customize portfolios to include separate account managers provided through our programs as well as SEI-sponsored mutual funds. Our wealth and investment programs are designed to be attractive to affluent or high-net-worth individual investors and small to medium-sized institutional retirement plans.



We continually enhance our offering to meet the emerging needs of our advisors and their end clients. We anticipate the enhanced service offerings enabled through the SEI Wealth Platform will provide a more diverse range of back-office, front-office and client-facing investment processing outsourcing services and investment management solutions. We began to implement selected groups of advisor clients onto the Platform in 2015. In 2016, we began to conduct large-scale migrations of existing advisor relationships onto the Platform, including larger, more sophisticated advisors. We will continue to focus on recruiting new advisors, improving net cash flows into our investment management programs, and managing client relationships toward eventual migration onto the Platform.

We estimate we have business relationships with approximately 7,300 financial advisors at December 31, 2016. Our definition of a client for this segment includes financial advisors who have exceeded a minimal level of customer assets invested in our investment products. With the growth of our business, the minimal level of customer assets which defines a "business relationship" is adjusted from time to time. Our business is primarily based on approximately 1,900 investment advisors who, at December 31, 2016, had at least \$5.0 million each in customer assets invested in our programs. Revenues are earned largely as a percentage of average assets under management.

The principal competition for our investment management products is from other active money managers, passive investment management sponsors, other turnkey asset management providers, mutual fund companies, custody service providers and the proprietary investment management programs of broker dealers. In the advisor distributor channel, the principal competitors include AssetMark Investment Services Inc., Brinker Capital, EnvestNet Asset Management, Inc., Fidelity Investments, TD Ameritrade, Charles Schwab & Co., Inc., and other broker-dealers. As we introduce the Platform, we expect to more directly compete with custody service providers.

#### Institutional Investors

The Institutional Investors segment offers Outsourced Chief Investment Officer (OCIO) solutions to retirement plan sponsors, healthcare systems, and not-for-profit organizations globally. We have a broadly experienced team with specific expertise in defined benefit plans, defined contribution plans, endowments, foundations and balance sheet assets.

Our clients benefit from solutions that combine the breadth of SEI's investment management, advisory, and administration services. Depending on their needs, objectives, and risk tolerance, clients can elect to either retain control or outsource specific management functions. As a result, they can integrate SEI's investment process, advisory services, and plan administration services into their existing best practices. This approach is designed to address the investor's specific risk-return requirements, reduce business risk, provide ongoing due diligence, and increase operational efficiency.

SEI's open architecture investment management approach provides access to manager research, manager selection and monitoring, portfolio construction and discretionary management. Advisory services include scenario modeling and customization of an asset allocation plan that is designed to meet long-term objectives. Plan administration services include trustee, custodial, and benefit payment services.

In 2017, we expect to continue to build a globally diversified institutional client base, provide our clients with value-added advice and discretionary services, and place increased emphasis on defined contribution and not-for-profit organizations fiduciary management sales opportunities.

Fees are primarily earned as a percentage of average assets under management calculated using the average of the four month ending balances preceding the billing date. At December 31, 2016, we had relationships with 479 institutional clients. The principal competitors for this segment are Mercer, Aon Hewitt, Willis Towers Watson, Russell Investments, Northern Trust Company and other OCIO/fiduciary management firms.

#### Investment Managers

The Investment Managers segment provides investment organizations of all types with the advanced operating infrastructure they need to be competitive while enabling them to navigate a host of business and regulatory challenges. Our comprehensive global operating platform provides asset managers with customized and integrated capabilities in the areas of data and information management, investment operations, risk management and compliance support, as well as fund administration, fund accounting and distribution support.

We work with a diverse and sophisticated group of alternative, traditional, and hybrid asset managers, including approximately one-third of the top 100 managers worldwide. Clients choose our full-service offering because of its flexibility, speed and ability to support their diverse business needs across multiple product types and structures, investment strategies and asset classes. Our investment manager clients offer a variety of packaging types, including hedge funds, private equity funds, mutual funds, separate accounts, ETFs, UCITS, unit trusts and closed-end funds. For clients focused on the U.S. retirement market

who desire to manage assets within a collective investment trust, we offer trustee and investment management services in addition to the aforementioned administration services. Because our operational platform enables managers to view their business in such a comprehensive and integrated way, it gives them more insight and thus control over their business risks and results.

Over the past few years, investors have faced multiple market crises and rising volatility. Investment managers have responded with a range of innovative products designed to better manage volatility and downside risk, and many now offer alternatives to the pure long-only investing strategy historically used in traditional markets. This can be accomplished in a standalone private or public fund vehicle or using our series trust platform. Additionally, as competitiveness will increasingly be based on capabilities other than just investment expertise, we have offered managers solutions that help them gain scale and efficiency, run their businesses more intelligently, and be more responsive to investor and intermediary needs. We also continually enhance our solutions to anticipate and adapt to economic, regulatory and industry changes.

In 2017, we expect to continue our efforts to add new asset managers, grow our existing relationships, expand into new markets and further develop our solutions and global operations platform.

Contracts for fund administration outsourcing services generally have terms ranging from three to five years. Fees are primarily earned as a percentage of average assets under management and administration. A portion of the revenues for this segment is earned as account servicing fees. At December 31, 2016, we had relationships with 264 investment management companies and alternative investment managers. Our competitors vary according to the asset class or solution provided and include large global custodian banks such as State Street, BNY Mellon and Northern Trust as well as independently-owned firms such as SS&C Technologies and Citco.

#### Investments in New Businesses

The Investments in New Businesses segment represents other business ventures or research and development activities intended to expand our solutions to new or existing markets including ultra-high-net-worth families who reside in the United States. This segment also includes the costs associated with developing internet-based investment services and advice solutions. The family wealth management solution offers flexible family-office type services through a highly personalized solution while utilizing a goals-based investment process.

The principal competitors for the family wealth solution are diversified financial services providers focused on the ultra-high-net-worth market.

#### *Research and Development*

We are devoting significant resources to research and development, including expenditures for new technology platforms, enhancements to existing technology platforms and new investment products and services. Our research and development expenditures for the last three years were:

<i>(all dollar amounts in thousands)</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Research and development expenditures	\$ 134,323	\$ 102,923	\$ 98,622
Capitalization of costs incurred in developing computer software	\$ 50,392	\$ 29,416	\$ 34,877
Research and development expenditures as a percentage of revenues	9.6%	7.7%	7.8%

Our research and development expenditures are included in Compensation, benefits and other personnel and Consulting, outsourcing and professional fees on the accompanying Consolidated Statements of Operations.

The majority of our research and development spending is related to building the SEI Wealth Platform, which combines business service processing with asset management and distribution services. The Platform offers to our customers a client-centric, rather than an account-centric, process with model-based portfolio management services through a single platform. The Platform utilizes SEI's proprietary applications with those built by third-party providers and integrates them into a single technology solution. This integration supports straight-through business processing and enables the transformation of our clients' wealth services from operational investment processing services to client value-added services.

The Platform provides the technology infrastructure for the business solutions now being marketed and delivered to markets in the United States and the United Kingdom served by the Private Banks segment. The Platform also provides the technology infrastructure for the business solutions now being marketed and delivered to markets in the United States served by the

Investment Advisors segment. We believe the advanced capabilities of the Platform will enable us to significantly extend and enhance the services we offer to clients and expand SEI's addressable markets.

The Investment Managers segment is enhancing its business solutions to provide services to other areas of the investment firm. The new application initially being developed exclusively for this segment includes components that will aggregate, transact and process data to provide integration and aggregation capabilities, data management services, and risk and compliance reporting.

#### *Marketing and Sales*

Our business solutions are directly marketed to potential clients in our target markets. At January 31, 2017, we employed 103 sales representatives who operate from offices located throughout the United States, Canada, the United Kingdom, continental Europe, South Africa, Asia and other locations.

#### *Customers*

In 2016, no single customer accounted for more than ten percent of revenues in any business segment.

#### *Personnel*

At January 31, 2017, we had 3,186 full-time and 57 part-time employees. Employee unions do not represent any of our employees. Management considers employee relations to be generally good.

#### *Regulatory Considerations*

Our principal, regulated wholly-owned subsidiaries are SEI Investments Distribution Co., or SIDCO, SEI Investments Management Corporation, or SIMC, SEI Private Trust Company, or SPTC, SEI Trust Company, or STC, and SEI Investments (Europe) Limited, or SIEL. SIDCO is a broker-dealer registered with the SEC under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority, Inc. (FINRA). SIMC is an investment advisor registered with the SEC under the Investment Advisers Act of 1940 and with the Commodity Futures Trading Commission (CFTC) under the Commodity Exchange Act. SPTC is a limited purpose federal thrift chartered and regulated by the Office of the Comptroller of the Currency. STC is a Pennsylvania trust company, regulated by the Pennsylvania Department of Banking and Securities. SIEL is an investment manager and financial institution subject to regulation by the Financial Conduct Authority of the United Kingdom. In addition, various SEI subsidiaries are subject to the jurisdiction of regulatory authorities in Canada, the Republic of Ireland and other foreign countries. The Company has a minority ownership interest 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 sanctions that may be imposed include the suspension of individual employees, limitations on our ability to engage in business for specified periods of time, the revocation of applicable registration as a broker-dealer, investment advisor or other regulated entity, and, as the case may be, censures and fines. Additionally, certain securities and banking laws applicable to us and our subsidiaries provide for certain private rights of action that could give rise to civil litigation. Any litigation could have significant financial and non-financial consequences including monetary judgments and the requirement to take action or limit activities that could ultimately affect our business.

Governmental scrutiny from regulators, legislative bodies and law enforcement agencies with respect to matters relating to our regulated subsidiaries and their activities, services and solutions, our business practices, our past actions and other matters has increased dramatically in the past several years. Responding to these examinations, investigations, actions and lawsuits, regardless of the ultimate outcome of the proceeding, is time consuming and expensive and can divert the time and effort of our senior management from our business. Penalties and fines sought by regulatory authorities have increased substantially over the last several years, and certain regulators have been more likely in recent years to commence enforcement actions or to advance or support legislation targeted at the financial services industry. 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 legislative activity in the United States (including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and attendant rule making activities) and in other jurisdictions (including the European Union and the United Kingdom) have made and continue to make extensive changes to the laws regulating financial services firms. As a result of these examinations, inquiries and requests, as a result of increased civil litigation activity, and as a result of these new laws and regulations, we engage legal counsel, review our compliance procedures, solution and service offerings, and business operations, and make changes as we deem necessary. These additional activities and required changes may result in increased expense or may reduce revenues.

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

In addition, see the discussion of governmental regulations in Item 1A "Risk Factors" for a description of the risks that proposed regulatory changes may present for our business.

#### *Available Information*

We maintain a website at [www.seic.com](http://www.seic.com) and make available free of charge through the Investors section of this website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We include our website in this Annual Report on Form 10-K only as an inactive textual reference and do not intend it to be an active link to our website. The material on our website is not part of this Annual Report on Form 10-K.

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

We believe that the risks and uncertainties described below are those that impose the greatest threat to the sustainability of our business. However, there are other risks and uncertainties that exist that may be unknown to us or, in the present opinion of our management, do not currently pose a material risk of harm to us. The risk and uncertainties facing our business, including those described below, could materially adversely affect our business, results of operations, financial condition and liquidity.

*Our revenues and earnings are affected by changes in capital markets.* A majority of our revenues are earned based on the value of assets invested in investment products that we manage or administer. Significant fluctuations in securities prices may materially affect the value of these assets and may also influence an investor's decision to invest in and maintain an investment in a mutual fund or other investment product. As a result, our revenues and earnings derived from assets under management and administration could be adversely affected.

*We are exposed to product development risk.* We continually strive to increase revenues and meet our customers' needs by introducing new products and services. As a result, we are subject to product development risk, which may result in loss if we are unable to develop and deliver products to our target markets that address our clients' needs and that are developed on a timely basis and reflect an attractive value proposition. The majority of our product development risk pertains to the SEI Wealth Platform, which provides a global, unified and scalable platform for operating a wealth management business. It is designed to improve client experience capabilities and strengthen operating efficiencies by providing straight through business processing solutions and transform the front, middle and back office operations that exist today. New product development is primarily for the purpose of enhancing our competitive position in the industry. In the event that we fail to develop products or services at an acceptable cost or on a timely basis or if we fail to deliver products and services which are of sound, economic value to our clients and our target markets, or an inability to support the product in a cost-effective and compliant manner, we may recognize significant financial losses.

In 2015, we signed an existing client to be the first large national bank to implement the SEI Wealth Platform, and the first client to operate the Platform as an SaaS solution. This will be a multi-year conversion due to the client's size, the development work involved to expand the Platform to be offered as a SaaS solution, and the scope of integration activities required. The failure to develop and implement the contractually-agreed upon services on a timely basis for this client may result in significant financial losses and may negatively impact our ability to generate future growth in revenues derived from the SEI Wealth Platform.

*We are dependent upon third-party service providers in our operations.* We utilize numerous third-party service providers located in the United States, Canada, the United Kingdom and other offshore locations in our operations, in the development of new products, and in the maintenance of our proprietary systems. A failure by a third-party service provider could expose us to an inability to provide contractual services to our clients in a timely basis. Additionally, if a third-party service provider is unable to provide these services, we may incur significant costs to either internalize some of these services or find a suitable alternative.

We serve as the investment advisor for many of the products offered through our investment management programs and utilize the services of investment sub-advisers to manage the majority of these assets. A failure in the performance of our due diligence processes and controls related to the supervision and oversight of these firms in detecting and addressing conflicts of interest, fraudulent activity, noncompliance with relevant securities and other laws could cause us to suffer financial loss, regulatory sanctions or damage to our reputation.

*We are exposed to data and cyber security risks.* A failure to safeguard the integrity and confidentiality of client data and our proprietary data from the infiltration by an unauthorized user may lead to modifications or theft of critical and sensitive data pertaining to us or our clients. We have established a strategy designed to protect against threats and vulnerabilities containing preventive and detective controls including, but not limited to, firewalls, intrusion detection systems, computer forensics, vulnerability scanning, server hardening, penetration testing, anti-virus software, data leak prevention, encryption and centralized event correlation monitoring. Despite our efforts to ensure the integrity of our proprietary systems and information, it is possible that we may not be able to anticipate or to implement effective preventive measures against all cyber threats, especially because the methods used change frequently or are not recognized until launched. Additionally, security breaches or disruptions of our proprietary systems, or those of our service providers, could impact our ability to provide services to our clients, which could expose us to liability for damages which may not be covered by insurance, result in the loss of customer business, damage our reputation, subject us to regulatory scrutiny or expose us to civil litigation. In addition, the failure to upgrade or maintain our computer systems, software and networks, as necessary, could also make us susceptible to breaches and unauthorized access and misuse. Data security breaches may also result from non-technical means, for example, employee misconduct or human error. We may be required to expend significant additional resources to modify, investigate or remediate vulnerabilities or other exposures arising from data and cyber security risks. Furthermore, even if not directed at us specifically, attacks on other financial institutions could disrupt the overall functioning of the financial system. As a result of the importance of communications and information systems to our business, we could also be adversely affected if attacks affecting our third party service providers impair our ability to process transactions and communicate with clients and counterparties.

*We are exposed to operational risks.* Operational risk generally refers to the risk of loss resulting from our operations, including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in our operating systems, inefficiencies in our operational business units, business disruptions and inadequacies or breaches in our internal control processes. We operate different businesses in diverse markets and are reliant on the ability of our employees and systems to process large volumes of transactions often within short time frames. In the event of a breakdown or improper operation of systems, human error or improper action by employees, we could suffer significant financial loss, regulatory sanctions or damage to our reputation. In order to mitigate and control operational risk, we continue to enhance policies and procedures that are designed to identify and manage operational risk.

*We are exposed to systems and technology risks.* Through our proprietary systems, we maintain and process data for our clients that is critical to their business operations. An unanticipated interruption of service may have significant ramifications, such as lost data, damaged software codes, or inaccurate processing of transactions. As a result, the costs necessary to rectify these problems may be substantial. Our continued success also depends in part on our ability to protect our proprietary technology and solutions and to defend against infringement claims of others. We primarily rely upon trade secret law, software security measures, copyrights and confidentiality restrictions in contracts with employees, vendors and customers. Our industry is characterized by the existence of a large number of trade secrets, copyrights and the rapid issuance of patents, as well as frequent litigation based on allegations of infringement or other violations of intellectual property rights of others. A successful assertion by others of infringement claims or a failure to maintain the confidentiality and exclusivity of our intellectual property may have a material adverse effect on our business and financial results.

*Pricing pressure from increased competition and poor investment performance may affect our revenues and earnings.*

The investment management industry is highly competitive and has relatively low barriers to entry. In recent years, the Company has experienced, and continues to experience, pricing pressures from the introduction of new, lower-priced investment products and services as well as from competitor firms offering automated portfolio management and other services based on technological innovations. These new investment products and technological innovations available to both institutional and retail investors have led to a general trend towards lower fees in some segments of the investment management industry. We believe price competition and pricing pressures in these and other areas will continue as institutional investors continue to reduce the amounts they are willing to pay and financial services firms seek to obtain market share by reducing fees or margins.

Our investment management solutions include investment management programs and back-office investment processing outsourcing services and are generally offered on a bundled basis. The breadth of our business solutions allows us to compete on a number of factors including: the performance of our investment products; the level of fees charged; the quality of our investment processing services; our reputation and position in the industry; and our ability to address the complex and changing needs of our clients. Increased competition on the basis of any of these factors could have an adverse impact on our competitive position resulting in a decrease in our revenues and earnings.

Our ability to maintain our existing clients and attract new clients may be negatively affected if the performance of our mutual funds and other investment products, relative to market conditions and other comparable competitive investment products, is lower. Investors may decide to place their investable funds elsewhere which would reduce the amount of assets we manage resulting in a decrease in our revenues and earnings.

*Our earnings and cashflows are affected by the performance of LSV.* We maintain a minority ownership interest in LSV which is a significant contributor to our earnings. We also receive partnership distribution payments from LSV on a quarterly basis which contribute to our operating cashflows. LSV is a registered investment advisor that provides investment advisory services to institutions, including pension plans and investment companies. LSV is a value-oriented, contrarian money manager offering a deep-value investment alternative utilizing a proprietary equity investment model to identify securities generally considered to be out of favor by the market. Volatility in the capital markets or poor investment performance on the part of LSV, on a relative basis or an absolute basis, could result in a significant reduction in their assets under management and revenues and a reduction in performance fees. Consequently, LSV's contribution to our earnings through our minority ownership as well as to our operating cashflows through LSV's partnership distribution payments could be adversely affected.

In addition, we provided an unsecured guaranty for \$45.0 million of the obligations of LSV Employee Group III in connection with their purchase of a partnership interest in LSV, of which \$5.7 million remains outstanding at December 31, 2016. The ability of LSV Employee Group III to successfully repay their loan obligation subject to our guaranty is dependent upon the level of quarterly partnership distribution payments from LSV. In the event that LSV Employee Group III does not receive sufficient partnership distribution payments from LSV or is otherwise unable to meet all of their financial obligations regarding the loan, the lenders have the right to seek payment from us for the outstanding obligations. The repayment of such obligations related to our guaranty agreement may negatively affect our operating results, liquidity and financial condition.

*We are dependent on third party pricing services for the valuation of securities invested in our investment products.* The majority of the securities held by our investment products are valued using quoted prices from active markets gathered by external third party pricing services. Securities for which market prices are not readily available are valued in accordance with procedures applicable to that investment product. These procedures may utilize unobservable inputs that are not gathered from any active markets and involve considerable judgment. If these valuations prove to be inaccurate, our revenues and earnings from assets under management could be adversely affected.

*Our Company and our clients are subject to extensive governmental regulation.* Our various business activities are conducted through entities which may be registered with or regulated by the SEC and CFTC as an investment advisor, a broker-dealer, a transfer agent, or an investment company, and with federal or state banking authorities as a trust company. Our broker-dealer is also a member of the Financial Industry Regulatory Authority and is subject to its rules and oversight. In addition, some of our foreign subsidiaries are registered with, and subject to the oversight of, regulatory authorities primarily in the United Kingdom, the Republic of Ireland and Canada. Many of our clients are subject to substantial regulation by federal and state banking, securities or insurance authorities or the Department of Labor. Compliance with existing and future regulations, responding to and complying with recent regulatory activity affecting broker-dealers, investment advisors, investment companies and their service providers and financial institutions, and examination or other supervisory activities of our regulators or of the regulators of our clients, could have a significant impact on our operations or business or our ability to provide certain products or services.

We offer investment and banking products 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 products could lead to a reduction in sales of these products or an increase in the cost of providing these products.

The fees and assessments imposed on our regulated subsidiaries by federal, state and foreign regulatory authorities could have a significant impact on us. In the current regulatory environment, the frequency and scope of regulatory reform may lead to an increase in fees and assessments resulting in increased expense, or an increase or change in regulatory requirements which could affect our operations and business.

*We are subject to litigation and regulatory examinations and investigations.* The financial services industry faces substantial regulatory risks and litigation. Like many firms operating within the financial services industry, we are experiencing a difficult regulatory environment across our markets. Our current scale and reach as a provider to the financial services industry; the 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, have made this an increasingly challenging and costly regulatory environment in which to operate. These examinations or investigations could result in the identification of matters that may require remediation activities or enforcement proceedings by the regulator. The direct and indirect costs of responding to these examinations, or of defending ourselves in any litigation could be significant. Additionally, actions brought against us may result in settlements, awards, injunctions, fines and penalties. The outcome of litigation or regulatory action is inherently difficult to predict and could have an adverse effect on our ability to offer some of our products and services.

*Consolidation within our target markets may affect our business.* Merger and acquisition activity between banks and other financial institutions could reduce the number of existing and prospective clients or reduce the amount of revenue we receive from retained clients. Consolidation activities may also cause larger institutions to internalize some or all of our services. These factors may negatively impact our ability to generate future growth in revenues and earnings.

*The exit by the United Kingdom from the European Union could adversely affect our business.* The results of the referendum held in the United Kingdom announced in June 2016 led to a determination that the United Kingdom should exit the European Union (EU). It is currently unclear how the United Kingdom's access to the EU Single Market, and the wider trading, legal and regulatory environment in which we, our clients and our counterparties operate, will be impacted and how this will affect our and their businesses and the global macroeconomic environment. The uncertainty surrounding the timing, terms and consequences of the United Kingdom's exit could adversely impact customer and investor confidence, result in additional market volatility and adversely affect our business.

*We are dependent upon third party approvals.* Many of the investment advisors through which we distribute our investment offerings are affiliated with independent broker-dealers or other networks, which have regulatory responsibility for the advisor's practice. As part of the regulatory oversight, these broker-dealers or networks must approve the use of our investment products by affiliated advisors within their networks. Failure to receive such approval, or the withdrawal of such approval, could adversely affect the marketing of our investment products.

*We are subject to financial and non-financial covenants which may restrict our ability to manage liquidity needs.* Our \$300.0 million five-year senior unsecured revolving credit facility (Credit Facility) contains financial and non-financial covenants. The non-financial covenants include restrictions on indebtedness, mergers and acquisitions, sale of assets and investments. In the event of default, we have restrictions on paying dividends and repurchasing our common stock. We have one financial covenant, the Leverage Ratio, which restricts the level of indebtedness we can incur to a maximum of 1.75 times earnings before interest, taxes, depreciation and amortization (EBITDA). We believe our primary risk is with the financial covenant if we were to incur significant unexpected losses that would impact the EBITDA calculation. This would increase the Leverage Ratio and restrict the amount we could borrow under the Credit Facility. A restriction on our ability to fully utilize our Credit Facility may negatively affect our operating results, liquidity and financial condition.

*Changes in, or interpretation of, accounting principles could affect our revenues and earnings.* We prepare our consolidated financial statements in accordance with generally accepted accounting principles. A change in these principles can have a significant effect on our reported results and may even retrospectively affect previously reported results (See Note 3 to the Consolidated Financial Statements for more information).

*Changes in, or interpretations of, tax rules and regulations may adversely affect our effective tax rates.* Unanticipated changes in our tax rates could affect our future results of operations. Our future effective tax rates could be adversely affected by changes in tax laws or the interpretation of tax laws. We are subject to possible examinations of our income tax returns by the Internal Revenue Service and state and foreign tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes; however, there can be no assurance that the final determination of any examination will not have an adverse effect on our operating results or financial position.

*Currency fluctuations could negatively affect our future revenues and earnings as our business grows globally.* We operate and invest globally to expand our business into foreign markets. Our foreign subsidiaries use the local currency as the functional currency. As these businesses evolve, our exposure to changes in currency exchange rates may increase. Adverse movements in currency exchange rates may negatively affect our operating results, liquidity and financial condition.

*Changes in interest rates may affect the value of our fixed-income investment securities.* We own Government National Mortgage Association (GNMA) mortgage-backed securities for the sole purpose of satisfying applicable regulatory requirements imposed on our wholly-owned limited purpose federal thrift subsidiary, SPTC. The valuations of these securities are impacted by fluctuations in interest rates. Interest rates during the past several years have remained relatively low. The effect of a rising interest rate environment may negatively impact the value of these securities and thereby negatively affect our financial position and earnings.

*We rely on our executive officers and senior management.* Most of our executive officers and senior management personnel do not have employment agreements with us. The loss of these individuals may have a material adverse effect on our future operations.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

Our corporate headquarters is located in Oaks, Pennsylvania and consists of nine buildings situated on approximately 90 acres. We own and operate the land and buildings, which encompass approximately 524,000 square feet of office space and 34,000 square feet of data center space. We lease other offices which aggregate 156,000 square feet. We also own a 3,400 square foot condominium that is used for business purposes in New York, New York.

**Item 3. Legal Proceedings.**

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 still pending before the District Court 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, alleging claims essentially the same as those in *Lillie*. In January 2017, the Judicial Panel on Multidistrict Litigation transferred the proceeding to the Northern District of Texas and the Stanford MDL. SEI's response to the Complaint is expected to be filed during the first quarter of 2017.

Another one of the cases, 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.



The plaintiffs in two of the cases remaining in the Parish of East Baton Rouge have granted SEI and SPTC indefinite extensions to respond to the petitions. In the 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). After the matter was removed to the United States District Court for the Northern District of Texas, that court dismissed the action under SLUSA. The Court of Appeals for the Fifth Circuit reversed that order, and the Supreme Court of the United States affirmed the Court of Appeals judgment on February 26, 2014. The matter was remanded to state court and no material activity has taken place since that date.

While the outcome of this litigation 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.

On November 26, 2014, a Writ of Summons was issued to two of our subsidiaries, SEI Investments - Global Fund Services Limited (GFSL) and SEI Investments - Depositary & Custodial Services (Ireland) Limited (D&C), to appear before the Court of First Instance Antwerp, Belgium. The plaintiffs in this case allege that through their initial investments in collective investment funds domiciled in Netherlands and subsequent transfer of claim rights to a Belgium domiciled partnership, they are beneficial owners of a portfolio of life settlement policies (the Portfolio) which lapsed due to a failure to make premium payments. The plaintiffs seek to recover jointly and severally from nine defendants including GFSL and D&C, damages of approximately \$84 million. GFSL and D&C's involvement in the litigation appears to arise out of their historical provision of administration and custody services, respectively, to the Strategic Life Settlement Fund PLC, who, together with its managers, appear to be the principal defendants in this claim. On December 4, 2015, the Belgium Court dismissed plaintiffs' claims for a lack of jurisdiction. On December 22, 2015, the plaintiffs appealed the dismissal. The appeal is still pending.

While the outcome of this action is uncertain given its early phase and the lack of specific theories of liability asserted against GFSL and D&C, each of GFSL and D&C believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuit vigorously, and GFSL and D&C are not reasonably able to provide an estimate of the ultimate loss, if any, with respect to this lawsuit.

During the fourth quarter of 2016, the lawsuit entitled *Steven Curd and Rebel Curd v. SEI Investments Management Corporation*, referred to in Part II, Item 1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, was terminated. During November 2016, plaintiffs Steven Curd and Rebel Curd, their counsel, and defendants SEI Investments Management Corporation and SEI Investments Global Funds Services reached a settlement agreement with respect to the proceeding, and on November 21, 2016, plaintiffs and defendants filed a motion with the District Court for the Eastern District of Pennsylvania stipulating to the dismissal with prejudice of all claims asserted in this action.

#### **Executive Officers of the Registrant**

Information about our executive officers is contained in Item 10 of this report and is incorporated by reference into this Part I.

#### **Item 4. Mine Safety Disclosures.**

None.

PART II

**Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Price Range of Common Stock and Dividends:

Our common stock is traded on The Nasdaq Global Select Market® (NASDAQ) under the symbol “SEIC.” The following table shows the high and low sales prices for our common stock as reported by NASDAQ and the dividends declared on our common stock for the last two years. Our Board of Directors intends to declare future dividends on a semiannual basis.

2016	High	Low	Dividends
First Quarter	\$ 51.94	\$ 32.01	\$ —
Second Quarter	51.75	42.04	0.26
Third Quarter	52.54	42.12	—
Fourth Quarter	50.60	43.54	0.28

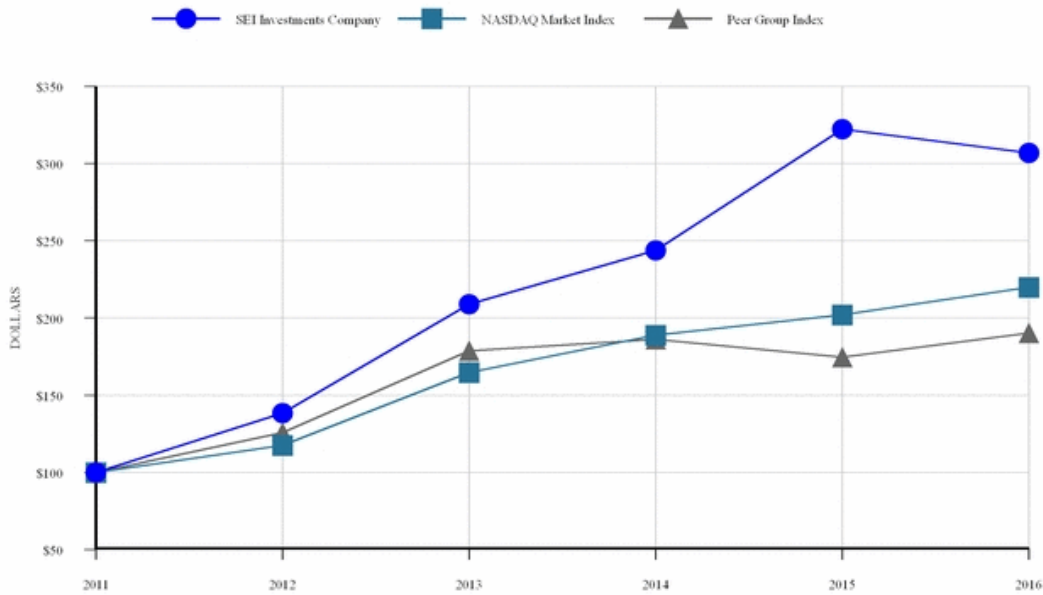
  

2015	High	Low	Dividends
First Quarter	\$ 44.66	\$ 38.12	\$ —
Second Quarter	50.75	43.26	0.24
Third Quarter	55.48	46.29	—
Fourth Quarter	55.10	47.31	0.26

According to the records of our transfer agent, there were 305 holders of record of our common stock on January 31, 2017. Because many of such shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

For information on our equity compensation plans, refer to Note 8 to the Consolidated Financial Statements and Item 12 of this Annual Report on Form 10-K.

**Comparison of Cumulative Total Return of Common Stock, Industry Index and Nasdaq Market Index:**



ASSUMES \$100 INVESTED ON JANUARY 1, 2011 & DIVIDENDS REINVESTED  
FISCAL YEAR ENDED DECEMBER 31,

Issuer Purchases of Equity Securities:

Our Board of Directors has authorized the repurchase of up to \$3.278 billion worth of our common stock, which includes an additional authorization of \$200.0 million on December 13, 2016. Currently, there is no expiration date for our common stock repurchase program (See Note 8 to the Consolidated Financial Statements).

Information regarding the repurchase of common stock during the three months ended December 31, 2016 is:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
October 1 – 31, 2016	214,000	\$ 44.69	214,000	\$ 76,011,000
November 1 – 30, 2016	468,000	46.33	468,000	54,330,000
December 1 – 31, 2016	725,000	49.07	725,000	218,752,000
Total	1,407,000	47.49	1,407,000	

**Item 6. Selected Financial Data.**

(In thousands, except per-share data)

This table presents selected consolidated financial information for the five-year period ended December 31, 2016. This data should be read in conjunction with the financial statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Annual Report on Form 10-K.

Year Ended December 31,	2016	2015	2014	2013	2012
Revenues	\$ 1,401,545	\$ 1,334,208	\$ 1,266,005	\$ 1,126,132	\$ 992,522
Total expenses	1,025,851	975,995	913,221	877,723	780,956
Income from operations	375,694	358,213	352,784	248,409	211,566
Other income (expense), net	132,791	142,267	136,878	186,989	117,930
Income before income taxes	508,485	500,480	489,662	435,398	329,496
Income taxes	174,668	168,825	170,949	146,924	121,462
Net income	333,817	331,655	318,713	288,474	208,034
Less: Net income attributable to the noncontrolling interest	—	—	—	(350)	(1,186)
Net income attributable to SEI Investments	333,817	331,655	318,713	288,124	206,848
Basic earnings per common share	\$ 2.07	\$ 2.00	\$ 1.89	\$ 1.68	\$ 1.19
Shares used to calculate basic earnings per common share	161,350	165,725	168,246	171,561	174,295
Diluted earnings per common share	\$ 2.03	\$ 1.96	\$ 1.85	\$ 1.64	\$ 1.18
Shares used to calculate diluted earnings per common share	164,431	169,598	172,565	175,718	175,872
Cash dividends declared per common share	\$ 0.54	\$ 0.50	\$ 0.46	\$ 0.42	\$ 0.63
<b>Financial Position as of December 31,</b>					
Cash and cash equivalents	\$ 695,701	\$ 679,661	\$ 667,446	\$ 578,273	\$ 452,247
Total assets	1,636,823	1,588,628	1,542,875	1,439,169	1,309,824
SEI Investments Shareholders’ equity	1,303,114	1,289,720	1,247,613	1,156,002	1,038,180

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(In thousands, except share and per-share data)

This discussion reviews and analyzes the consolidated financial condition at December 31, 2016 and 2015, the consolidated results of operations for the years ended December 31, 2016, 2015 and 2014, and other factors that may affect future financial performance. This discussion should be read in conjunction with the Selected Financial Data included in Item 6 of this Annual Report and the Consolidated Financial Statements and Notes to the Consolidated Financial Statements included in Item 8 of this Annual Report.

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.

### Overview

#### Consolidated Summary

We are a leading global provider of investment processing, investment management and investment operations solutions. We help corporations, financial institutions, financial advisors and ultra-high-net-worth families create and manage wealth by providing comprehensive, innovative, investment and investment-business solutions. Investment processing fees are earned as monthly fees for contracted services, including computer processing services, software licenses and investment operations services, as well as transaction-based fees for providing securities valuation and trade-execution. Investment operations and investment management fees are earned as a percentage of average assets under management or administration. As of December 31, 2016, through our subsidiaries and partnerships in which we have a significant interest, we manage or administer \$751.1 billion in hedge, private equity, mutual fund and pooled or separately managed assets, including \$283.1 billion in assets under management and \$468.0 billion in client assets under administration.

Our Condensed Consolidated Statements of Operations for the years ended 2016, 2015 and 2014 were:

Year Ended December 31,	2016	2015	Percent Change*	2014	Percent Change
Revenues	\$ 1,401,545	\$ 1,334,208	5 %	\$ 1,266,005	5 %
Expenses	1,025,851	975,995	5 %	913,221	7 %
Income from operations	375,694	358,213	5 %	352,784	2 %
Net gain (loss) from investments	112	(456)	NM	614	NM
Interest income, net of interest expense	3,785	2,875	32 %	2,896	(1)%
Equity in earnings of unconsolidated affiliates	126,103	137,057	(8)%	127,786	7 %
Gain on sale of subsidiary	2,791	2,791	—%	5,582	NM
Income before income taxes	508,485	500,480	2 %	489,662	2 %
Income taxes	174,668	168,825	3 %	170,949	(1)%
Net income	333,817	331,655	1 %	318,713	4 %
Diluted earnings per common share	\$ 2.03	\$ 1.96	4 %	\$ 1.85	6 %

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

#### *Significant Items Impacting Our Financial Results in 2016*

Revenues increased \$67.3 million, or five percent, to \$1.4 billion in 2016 compared to 2015. Net income increased \$2.2 million, or one percent, to \$333.8 million and diluted earnings per share increased to \$2.03 per share in 2016 compared to \$1.96 per share in 2015. We believe the following items were significant to our business results during 2016:

- Revenue growth was primarily driven by higher Asset management, administration and distribution fees from improved cash flows from new and existing clients and market appreciation. Our average assets under management, excluding LSV, increased \$13.4 billion, or eight percent, to \$189.9 billion during 2016 as compared to \$176.5 billion during 2015. Our average assets under administration increased \$43.3 billion, or 11 percent, to \$439.9 billion during 2016 as compared to \$396.6 billion during 2015.
- We recognized a \$12.3 million performance fee and a corresponding \$6.1 million sub-advisory expense associated with an SEI-sponsored investment product during the fourth quarter 2016. These items resulted in a positive net impact of approximately \$0.03 diluted earnings per share and were reflected in the Institutional Investors segment.

- Information processing and software servicing fees in our Private Banks segment increased \$9.3 million in 2016 primarily due to increased assets from new and existing clients processed on the SEI Wealth Platform and increased non-recurring professional services fees.
- Our proportionate share in the earnings of LSV was \$126.1 million in 2016 as compared to \$138.4 million in 2015, a decrease of nine percent. The decrease was primarily due to lower performance fees and increased personnel expenses of LSV.
- The direct costs associated with our investment management programs increased in our Private Banks, Investment Advisors and Institutional Investors segments. These costs primarily relate to fees charged by investment advisory firms for day-to-day portfolio management of SEI-sponsored investment products and include the \$6.1 million sub-advisory expense associated with performance fees mentioned previously. These costs are included in Sub-advisory, distribution and other asset management costs on the accompanying Consolidated Statements of Operations.
- We capitalized \$50.4 million and \$29.4 million in software development costs in 2016 and 2015, respectively. Of these amounts, \$39.8 million in 2016 and \$24.5 million in 2015 directly relate to the SEI Wealth Platform. Amortization expense related to capitalized software was \$45.0 million during 2016 as compared to \$42.4 million during 2015 due to continued enhancements to the Platform.
- As we continue the development of new elements of the Platform, our expenses related to maintenance, enhancements and support have increased. These costs are primarily recognized in personnel and consulting costs and are expensed as incurred. These increased costs primarily impacted the Private Banks and Investment Advisors business segments. We expect these costs to continue to increase into 2017.
- We progressed in the development phase of a new application for the Investment Managers segment and capitalized \$10.6 million in software development costs in 2016. This new offering includes components that leverage upon the current infrastructure and add significant enhancements designed to aggregate, transact and process data. The application has not yet been placed into service.
- Our operating expenses, primarily personnel costs, in our Investment Advisors and Investment Managers segments increased. These expenses primarily consist of operational and marketing costs and are mainly related to servicing existing clients and acquiring new clients. These operating expenses are included in Compensation, benefits and other personnel costs on the accompanying Consolidated Statements of Operations.
- The strengthening of the U.S. dollar against the British pound during 2016 negatively impacted our revenues and operating income of our Private Banks and Institutional Investors segments. A prolonged period of a strengthening U.S. dollar against the British pound could have a further negative impact to our revenues and operating profits of these segments.
- We recorded our final pre-tax gain of \$2.8 million, or \$0.01 diluted earnings per share, in 2016 from the sale of SEI Asset Korea (SEI AK) which was completed during the first quarter 2013. This gain was the result of the third in a series of three annual payments related to the contingent purchase price we received from the sale. The gain from the sale is included in Gain on sale of subsidiary on the accompanying Consolidated Statement of Operations (See Note 15 to the Consolidated Financial Statements for more information).
- Our effective tax rate was 34.3 percent in 2016 as compared to 33.7 percent in 2015. Our tax rate in 2015 benefited from a favorable settlement of a tax petition filed with the State of Pennsylvania (See the caption "Income Taxes" later in this discussion for more information).
- We continued our stock repurchase program during 2016 and purchased approximately 6,600,000 shares at an average price of \$44.60 per share for a total cost of \$294.4 million.

#### *Significant Items Impacting Our Financial Results in 2015*

Revenues increased \$68.2 million, or five percent, to \$1.3 billion in 2015 compared to 2014. Net income increased \$12.9 million, or four percent, to \$331.7 million and diluted earnings per share increased to \$1.96 per share in 2015 compared to \$1.85 per share in 2014. We believe the following items were significant to our business results during 2015:

- Revenue growth was primarily driven by higher Asset management, administration and distribution fees from improved cash flows from new and existing clients and the market appreciation of assets from the favorable market conditions which prevailed during the first six months of 2015. The market volatility occurring during the second half of 2015 negatively impacted our asset-based fee revenues and partially offset our revenue growth. Despite the volatility, our average assets under management, excluding LSV, increased \$11.6 billion, or seven percent, to \$176.5 billion during 2015 as compared to \$164.9 billion during 2014. Our average assets under administration increased \$42.3 billion, or 12 percent, to \$396.6 billion during 2015 as compared to \$354.3 billion during 2014.
- Sales of new business in our Institutional Investors and Investment Managers business segments as well as positive cash receipts from new and existing advisor relationships in our Investment Advisors business segment contributed to the

increase in our revenues and profits. Additionally, increased investment management fees from international clients in our Private Banks segment during the first six months of 2015 also contributed to our revenue growth.

- Information processing and software servicing fees in our Private Banks segment increased \$6.0 million in 2015 primarily due to the increase in assets from existing clients processed on the SEI Wealth Platform.
- Our proportionate share in the earnings of LSV was \$138.4 million in 2015 as compared to \$140.2 million in 2014, a decrease of one percent. The decrease was primarily due to increased personnel expenses of LSV.
- The direct costs associated with our investment management programs increased in our Private Banks, Investment Advisors and Institutional Investors segments. These costs primarily relate to fees charged by investment advisory firms for day-to-day portfolio management of SEI-sponsored investment products and are included in Sub-advisory, distribution and other asset management costs on the accompanying Consolidated Statements of Operations.
- We wrote off approximately \$6.0 million, or \$0.02 diluted earnings per share, of previously capitalized software development costs and purchased software related to the SEI Wealth Platform during 2015. The expense associated with this write off impacted the Private Banks and Investment Advisors business segments and is included in Facilities, supplies and other costs on the accompanying Consolidated Statement of Operations (See Notes 1 and 4 to the Consolidated Financial Statements for more information).
- We capitalized \$24.5 million in 2015 for the SEI Wealth Platform as compared to \$34.9 million in 2014. Our expenses related to maintenance and enhancements not eligible for capitalization have increased. A higher portion of these costs are recognized in personnel and consulting costs. These increased costs primarily impacted the Private Banks and Investment Advisors business segments.
- Amortization expense related to capitalized software was \$42.4 million during 2015 as compared to \$38.4 million during 2014 due to continued enhancements to the Platform.
- Our operating expenses related to personnel costs in our Investment Advisors and Investment Managers segments increased. These increased operational and sales costs are mainly related to servicing new and existing clients. Additionally, sales compensation expense in our Private Banks, Investment Advisors and Investment Managers segments increased due to new business activity. These increased operational costs are included in Compensation, benefits and other personnel costs on the accompanying Consolidated Statements of Operations.
- We recorded a pre-tax gain of \$2.8 million, or \$0.01 diluted earnings per share, in 2015 from the sale of SEI AK. This gain was the result of the second in a series of three annual payments related to the contingent purchase price we received from the sale. The gain from the sale is included in Gain on sale of subsidiary on the accompanying Consolidated Statement of Operations (See Note 15 to the Consolidated Financial Statements for more information).
- Our effective tax rate was 33.7 percent in 2015 as compared to 34.9 percent in 2014. The decrease in our tax rate was primarily due to a one-time reduction resulting from a favorable settlement of a tax petition filed with the State of Pennsylvania relating to the apportionment methodology of net income for prior years. (See the caption "Income Taxes" later in this discussion for more information).
- We continued our stock repurchase program during 2015 and purchased approximately 5,951,000 shares at an average price of \$48.66 per share for a total cost of \$289.6 million.

#### *Product Development - SEI Wealth Platform*

Much of our product development efforts have been focused on building and delivering the SEI Wealth Platform which provides a global, unified and scalable platform for operating a wealth management business. The Platform combines internally built functionality with third-party applications and integrates them into a single solution with a common user experience. The goal is to provide straight-through business processing and transform the front, middle and back office operations that exist today. The capabilities of the Platform will expand the services we offer to large global financial institutions, investment advisors, and other similar institutions. In addition, the expanded capabilities of the Platform provide us the opportunity to enter into new markets.

We will continue to focus our development efforts on enhancing the functionality of the Platform and building the operational infrastructure for a wider deployment of the Platform under the business processing solution and SaaS delivery models to financial institutions and investment advisors in the United States. Future enhancements to the Platform may replace significant existing components or functionality. Once new enhancements are completed and ready to be placed into service, the components or functionality that are being replaced will be abandoned. If this occurs, the remaining net book value of the previously capitalized software development costs will be expensed over the remaining useful life of those components or written off.

An area of continued focus is improving the operational efficiency of the Platform in order to achieve scale more rapidly. Our operational costs consist mainly of third-party vendor costs and SEI personnel. We are investing in the operational and service infrastructure with the goal of achieving a sustainable operating model that minimizes costs as revenues increase. Additionally,

we have increased the resources devoted to enhancing the Platform's development, installation and service teams in order to prepare for the conversion of our first large U.S. national bank client to operate under the SaaS delivery model while simultaneously preparing for our largest client to operate under a fully integrated business processing outsourcing model. These resources will also be directed towards migrating existing bank clients from TRUST 3000 to the Platform. We started large-scale migrations of larger, more sophisticated advisors onto the Platform in 2016 and will implement all new advisors directly onto the Platform beginning in 2017. We believe continued investments in the SEI Wealth Platform and its infrastructure will enable a more aggressive timetable for the migration of these clients.

As we progress through the different stages of deployment of the Platform to a broader market, we expect to encounter numerous challenges; however, the Platform promises to provide a significant opportunity to expand our services into new markets that will increase revenues and profits in the long term. Until we attain a level of revenues that technological and operational scale can be achieved, we expect continued pressure on our operating margins in the Private Banks and Investment Advisors business segments from increased investment spending in 2017.

*Sensitivity of our revenues and earnings to capital market fluctuations*

The majority of our revenues are based on the value of assets invested in investment products that we manage or administer which are affected by changes in the capital markets. The prevailing capital market conditions during 2016 had a net positive impact on our asset-based fees thereby increasing our base revenues. Conversely, the declining capital markets during the second half of 2015 and early first quarter 2016 negatively impacted our asset-based fee revenues and partially offset our revenue growth. Any prolonged future downturns in general capital market conditions could have adverse effects on our revenues and earnings derived from assets under management and administration.

## Ending Asset Balances

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

### Ending Asset Balances

(In millions)

	As of December 31,				
	2016	2015	Percent Change	2014	Percent Change
<b>Private Banks:</b>					
Equity and fixed-income programs	\$ 17,926	\$ 18,150	(1)%	\$ 18,666	(3)%
Collective trust fund programs	3	4	(25)%	8	(50)%
Liquidity funds	4,230	5,835	(28)%	5,889	(1)%
Total assets under management	\$ 22,159	\$ 23,989	(8)%	\$ 24,563	(2)%
Client proprietary assets under administration	19,255	17,532	10 %	16,741	5 %
Total assets	\$ 41,414	\$ 41,521	— %	\$ 41,304	1 %
<b>Investment Advisors:</b>					
Equity and fixed-income programs	\$ 52,847	\$ 46,123	15 %	\$ 43,845	5 %
Collective trust fund programs	5	7	(29)%	9	(22)%
Liquidity funds	2,741	4,924	(44)%	3,173	55 %
Total assets under management	\$ 55,593	\$ 51,054	9 %	\$ 47,027	9 %
<b>Institutional Investors:</b>					
Equity and fixed-income programs	\$ 76,465	\$ 72,263	6 %	\$ 72,828	(1)%
Collective trust fund programs	93	96	(3)%	95	1 %
Liquidity funds	2,903	2,883	1 %	2,929	(2)%
Total assets under management	\$ 79,461	\$ 75,242	6 %	\$ 75,852	(1)%
<b>Investment Managers:</b>					
Equity and fixed-income programs	\$ 81	\$ 66	23 %	\$ 27	144 %
Collective trust fund programs	36,991	32,117	15 %	20,833	54 %
Liquidity funds	667	832	(20)%	946	(12)%
Total assets under management	\$ 37,739	\$ 33,015	14 %	\$ 21,806	51 %
Client proprietary assets under administration	448,708	390,282	15 %	355,890	10 %
Total assets	\$ 486,447	\$ 423,297	15 %	\$ 377,696	12 %
<b>Investments in New Businesses:</b>					
Equity and fixed-income programs	\$ 884	\$ 764	16 %	\$ 736	4 %
Liquidity funds	61	47	30 %	98	(52)%
Total assets under management	\$ 945	\$ 811	17 %	\$ 834	(3)%
<b>LSV:</b>					
Equity and fixed-income programs	\$ 87,248	\$ 78,335	11 %	\$ 82,665	(5)%
<b>Total:</b>					
Equity and fixed-income programs	\$ 235,451	\$ 215,701	9 %	\$ 218,767	(1)%
Collective trust fund programs	37,092	32,224	15 %	20,945	54 %
Liquidity funds	10,602	14,521	(27)%	13,035	11 %
Total assets under management	\$ 283,145	\$ 262,446	8 %	\$ 252,747	4 %
Client proprietary assets under administration	467,963	407,814	15 %	372,631	9 %
Total assets under management and administration	\$ 751,108	\$ 670,260	12 %	\$ 625,378	7 %



## Average Asset Balances

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

### Average Asset Balances

(In millions)

For the Year Ended December 31,

	2016	2015	Percent Change	2014	Percent Change
<b>Private Banks:</b>					
Equity and fixed-income programs	\$ 18,186	\$ 19,106	(5)%	\$ 17,838	7 %
Collective trust fund programs	3	7	(57)%	12	(42)%
Liquidity funds	4,799	5,491	(13)%	5,547	(1)%
Total assets under management	\$ 22,988	\$ 24,604	(7)%	\$ 23,397	5 %
Client proprietary assets under administration	18,433	17,652	4 %	15,648	13 %
Total assets	\$ 41,421	\$ 42,256	(2)%	\$ 39,045	8 %
<b>Investment Advisors:</b>					
Equity and fixed-income programs	\$ 49,537	\$ 45,968	8 %	\$ 41,346	11 %
Collective trust fund programs	6	9	(33)%	12	(25)%
Liquidity funds	3,601	3,550	1 %	2,840	25 %
Total assets under management	\$ 53,144	\$ 49,527	7 %	\$ 44,198	12 %
<b>Institutional Investors:</b>					
Equity and fixed-income programs	\$ 75,347	\$ 73,804	2 %	\$ 70,796	4 %
Collective trust fund programs	94	95	(1)%	108	(12)%
Liquidity funds	2,805	3,082	(9)%	2,773	11 %
Total assets under management	\$ 78,246	\$ 76,981	2 %	\$ 73,677	4 %
<b>Investment Managers:</b>					
Equity and fixed-income programs	\$ 73	\$ 34	115 %	\$ 66	(48)%
Collective trust fund programs	33,808	23,476	44 %	21,929	7 %
Liquidity funds	805	1,004	(20)%	857	17 %
Total assets under management	\$ 34,686	\$ 24,514	41 %	\$ 22,852	7 %
Client proprietary assets under administration	421,446	378,970	11 %	338,645	12 %
Total assets	\$ 456,132	\$ 403,484	13 %	\$ 361,497	12 %
<b>Investments in New Businesses:</b>					
Equity and fixed-income programs	\$ 816	\$ 776	5 %	\$ 671	16 %
Liquidity funds	48	68	(29)%	81	(16)%
Total assets under management	\$ 864	\$ 844	2 %	\$ 752	12 %
<b>LSV:</b>					
Equity and fixed-income programs	\$ 80,620	\$ 82,785	(3)%	\$ 80,440	3 %
<b>Total:</b>					
Equity and fixed-income programs	\$ 224,579	\$ 222,473	1 %	\$ 211,157	5 %
Collective trust fund programs	33,911	23,587	44 %	22,061	7 %
Liquidity funds	12,058	13,195	(9)%	12,098	9 %
Total assets under management	\$ 270,548	\$ 259,255	4 %	\$ 245,316	6 %
Client proprietary assets under administration	439,879	396,622	11 %	354,293	12 %
Total assets under management and administration	\$ 710,427	\$ 655,877	8 %	\$ 599,609	9 %

In the preceding tables, assets under management are total assets of our clients or their customers invested in our equity and fixed-income investment programs, collective trust fund programs, and liquidity funds for which we provide asset management services. Assets under management and administration also include total assets of our clients or their customers for which we provide administrative services, including client proprietary fund balances for which we provide administration and/or distribution services. The assets presented in the preceding tables do not include assets processed on the SEI Wealth Platform 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 year ended 2016 compared to the year ended 2015, and for the year ended 2015 compared to the year ended 2014 are:

Year Ended December 31,	2016	2015	Percent Change	2014	Percent Change
<b>Private Banks:</b>					
Revenues	\$ 457,886	\$ 456,516	—%	\$ 441,467	3%
Expenses	421,188	410,975	2%	399,620	3%
Operating profit	\$ 36,698	\$ 45,541	(19)%	\$ 41,847	9%
Gain on sale of subsidiary	2,791	2,791	—%	5,582	NM
Total profit	\$ 39,489	\$ 48,332	NM	\$ 47,429	NM
Operating margin (a)	8%	10%		9%	
<b>Investment Advisors:</b>					
Revenues	330,677	306,620	8%	283,811	8%
Expenses	180,140	171,968	5%	146,500	17%
Operating profit	\$ 150,537	\$ 134,652	12%	\$ 137,311	(2)%
Operating margin	46%	44%		48%	
<b>Institutional Investors:</b>					
Revenues	312,584	297,568	5%	284,677	5%
Expenses	153,117	145,851	5%	140,659	4%
Operating profit	\$ 159,467	\$ 151,717	5%	\$ 144,018	5%
Operating margin	51%	51%		51%	
<b>Investment Managers:</b>					
Revenues	294,390	267,963	10%	251,310	7%
Expenses	191,127	172,094	11%	159,176	8%
Operating profit	\$ 103,263	\$ 95,869	8%	\$ 92,134	4%
Operating margin	35%	36%		37%	
<b>Investments in New Businesses:</b>					
Revenues	6,008	5,541	8%	4,740	17%
Expenses	20,962	20,656	1%	18,377	12%
Operating loss	\$ (14,954)	\$ (15,115)	NM	\$ (13,637)	NM

(a) Percentage determined exclusive of gain from sale of subsidiary (See Note 15 to the Consolidated Financial Statements).

For additional information pertaining to our business segments, see Note 13 to the Consolidated Financial Statements.

## Private Banks

Year Ended December 31,	2016	2015	Percent Change	2014	Percent Change
<b>Revenues:</b>					
Investment processing and software servicing fees	\$ 298,382	\$ 289,056	3 %	\$ 283,021	2%
Asset management, administration & distribution fees	133,740	138,606	(4)%	132,427	5%
Transaction-based and trade execution fees	25,764	28,854	(11)%	26,019	11%
Total revenues	<u>\$ 457,886</u>	<u>\$ 456,516</u>	— %	<u>\$ 441,467</u>	3%

Revenues increased slightly in 2016 compared to the prior year. Revenues during 2016 were primarily affected by:

- Increased recurring investment processing fees from the growth in new and existing client assets processed on the SEI Wealth Platform;
- Increased non-recurring professional services fees from existing clients as well as clients scheduled for implementation on the SEI Wealth Platform; and
- Non-recurring contract buyout fees of \$1.6 million from an investment processing client; partially offset by
- Decreased investment management fees from existing international clients due to negative cash flows associated with client losses and the deployment of a new product strategy for a global distribution client;
- Lower recurring investment processing fees earned on our mutual fund trading solution due to price reductions; and
- The negative impact from foreign currency exchange rate fluctuations between the U.S. dollar and the British pound.

Revenues increased \$15.0 million, or 3 percent, in 2015 compared to the prior year. Revenues during 2015 were primarily affected by:

- Increased recurring investment processing fees from the growth in existing client assets processed on the SEI Wealth Platform; and
- Increased investment management fees from existing international clients due to increased net cash flows and higher average assets under management from favorable market conditions; partially offset by
- Lower recurring investment processing fees earned on our mutual fund trading solution due to price reductions; and
- The negative impact from foreign currency exchange rate fluctuations.

Operating margins were eight percent in 2016 and ten percent in 2015. Operating income decreased \$8.8 million, or 19 percent, in 2016 compared to the prior year. Operating income in 2016 was primarily affected by:

- Increased non-capitalized costs, mainly personnel and consulting costs, related to maintenance and enhancements to the SEI Wealth Platform;
- Increased amortization expense related to the SEI Wealth Platform; 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
- The write-off of approximately \$3.6 million of previously capitalized software development costs and purchased software related to the SEI Wealth Platform in the third quarter 2015; and
- Decreased direct expenses associated with decreased investment management fees from existing international clients.

Operating margins were ten percent in 2015 and nine percent in 2014. Operating income increased \$3.7 million, or nine percent, in 2015 compared to the prior year. Operating income in 2015 was primarily affected by:

- An increase in revenues;
- Decreased salary, incentive compensation and other personnel-related costs; and
- Decreased expenses from foreign operations due to foreign currency exchange rate fluctuations; partially offset by
- Increased direct expenses associated with increased investment management fees from existing international clients;
- The write off of approximately \$3.6 million of previously capitalized software development costs and purchased software related to the SEI Wealth Platform in the third quarter 2015;
- Increased non-capitalized costs, mainly personnel costs, related to maintenance and enhancements to the SEI Wealth Platform;
- Increased amortization expense related to the SEI Wealth Platform; and
- Increased sales compensation expense due to new business activity.

### Investment Advisors

Year Ended December 31,	2016	2015	Percent Change	2014	Percent Change
<b>Revenues:</b>					
Investment management fees-SEI fund programs	\$ 251,333	\$ 238,120	6%	\$ 223,371	7%
Separately managed account fees	64,280	54,987	17%	45,404	21%
Other fees	15,064	13,513	11%	15,036	(10)%
Total revenues (a)	\$ 330,677	\$ 306,620	8%	\$ 283,811	8%

(a) All amounts are reflected in Asset management, administration and distribution fees except for \$727, \$742 and \$2,406 in 2016, 2015 and 2014, respectively, which are reflected in Transaction-based and trade execution fees.

Revenues increased \$24.1 million, or eight percent, in 2016 and increased \$22.8 million, or eight percent, in 2015 compared to 2014. Revenues during 2016 and 2015 were primarily affected by:

- Increased investment management fees and separately managed account program fees due to higher assets under management caused by market appreciation and an increase in net cash flows from new and existing advisors; partially offset by
- A decrease in average basis points earned on assets in 2015 due to client-directed shifts into lower fee investment products.

Operating margins were 46 percent in 2016 and 44 percent in 2015. Operating income increased \$15.9 million, or 12 percent, in 2016 compared to the prior year. Operating income in 2016 was primarily affected by:

- An increase in revenues;
- The write-off of approximately \$2.4 million of previously capitalized software development costs related to the SEI Wealth Platform in the third quarter 2015; and
- Decreased sales compensation expense; partially offset by
- Increased direct expenses associated with increased assets in our investment management programs;
- Increased personnel costs for marketing to and servicing new advisors;
- Increased non-capitalized costs, mainly personnel and consulting costs, related to maintenance, enhancements and client migrations to the SEI Wealth Platform; and
- Increased amortization expense related to the SEI Wealth Platform.

Operating margins were 44 percent in 2015 and 48 percent in 2014. Operating income decreased \$2.7 million, or two percent, in 2015 compared to the prior year. Operating income in 2015 was primarily affected by:

- Increased direct expenses associated with the increased assets in our investment management programs;
- Increased personnel costs, mainly salary, related to acquiring and servicing new advisors as well as increased sales compensation expense due to new business activity;
- The write off of approximately \$2.4 million of previously capitalized software development costs related to the SEI Wealth Platform in the third quarter 2015;
- Increased non-capitalized costs, mainly personnel costs, related to maintenance and enhancements to the SEI Wealth Platform; and
- Increased amortization expense related to the SEI Wealth Platform; partially offset by
- An increase in revenues.

### Institutional Investors

Revenues increased \$15.0 million, or five percent, in 2016 and increased \$12.9 million, or five percent, in 2015 compared to 2014. Revenues during 2016 and 2015 were primarily affected by:

- Increased investment management fees from existing clients due to higher assets under management caused by market appreciation;
- Performance fees of \$12.3 million earned during the fourth quarter 2016 from an SEI-sponsored investment product; and
- Asset funding from new sales of our retirement and not-for-profit solutions; partially offset by
- Client losses and the negative impact from foreign currency exchange rate fluctuations between the U.S. dollar and the British pound.

Operating margins were 51 percent in 2016 and 2015. Operating income increased \$7.8 million, or five percent, in 2016 compared to the prior year. Operating income during 2016 was primarily affected by:

- An increase in revenues; and
- Decreased personnel costs, mainly sales compensation expenses; partially offset by
- Sub-advisory expense of \$6.1 million related to the previously mentioned performance fees;
- Increased direct expenses associated with investment management fees; and
- The net negative impact from foreign currency exchange rate fluctuations between the U.S. dollar and the British pound on our foreign operations.

Operating margins were 51 percent in 2015 and 2014. Operating income increased \$7.7 million, or five percent, in 2015 compared to the prior year. Operating income during 2015 was primarily affected by:

- An increase in revenues; and
- Decreased stock-based compensation costs of \$3.9 million; partially offset by
- Increased direct expenses associated with higher investment management fees; and
- Increased personnel costs, mainly salary and incentive-based compensation expenses.

#### Investment Managers

Revenues increased \$26.4 million, or ten percent, in 2016 and increased \$16.7 million, or seven percent, in 2015 compared to 2014. Revenues during 2016 and 2015 were primarily affected by:

- Positive cash flows from new and existing clients; partially offset by
- Client losses and fund closures.

Operating margins were 35 percent in 2016 and 36 percent in 2015. Operating income increased \$7.4 million, or eight percent, in 2016 compared to the prior year. Operating income during 2016 was primarily affected by:

- An increase in revenues; partially offset by
- Increased personnel expenses, technology and other operational costs to service new and existing clients; and
- Increased non-capitalized investment spending, mainly consulting costs.

Operating margins were 36 percent in 2015 and 37 percent in 2014. Operating income increased \$3.7 million, or four percent, in 2015 compared to the prior year. Operating income during 2015 was primarily affected by:

- An increase in revenues; and
- Decreased stock-based compensation costs of \$4.5 million; partially offset by
- Increased personnel expenses, technology and other operational costs to service new and existing clients.

#### *Other*

##### Corporate overhead expenses

Corporate overhead expenses primarily consist of general and administrative expenses and other costs not directly attributable to a reportable business segment. Corporate overhead expenses were \$59.3 million, \$54.5 million and \$48.9 million in 2016, 2015 and 2014, respectively. The increase in corporate overhead expenses in 2016 was primarily due to higher salary and other personnel-related costs and expenses associated with ongoing litigation and regulatory activity. The increase in corporate overhead expenses in 2015 was primarily due to higher salary and other personnel-related costs as well as costs incurred for the relocation of our London operations.

##### Other income and expense items

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

<b>Year Ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net gain (loss) from investments	\$ 112	\$ (456)	\$ 614
Interest and dividend income	4,316	3,358	3,354
Interest expense	(531)	(483)	(458)
Equity in earnings of unconsolidated affiliates	126,103	137,057	127,786
Gain on sale of subsidiary	2,791	2,791	5,582
Total other income and expense items, net	\$ 132,791	\$ 142,267	\$ 136,878

### *Equity in earnings of unconsolidated affiliates*

Equity in earnings of unconsolidated affiliates includes our ownership in LSV. Our proportionate share in the earnings of LSV declined to \$126.1 million in 2016 as compared to \$138.4 million in 2015. The decrease in our earnings was primarily due to a reduction in performance fees and increased personnel expenses of LSV. LSV's average assets under management decreased \$2.2 billion to \$80.6 billion during 2016 as compared to \$82.8 billion during 2015, a decrease of three percent. In 2015, our proportionate share in the earnings of LSV declined slightly to \$138.4 million from \$140.2 million in 2014. The decrease in 2015 was primarily due to increased personnel expenses of LSV.

In April 2016, LSV provided an interest in the partnership to select key employees which reduced the ownership percentage of each existing partner on a pro-rata basis. As a result, our total partnership interest in LSV was reduced from approximately 39.2 percent to approximately 38.9 percent.

Equity in earnings of unconsolidated affiliates in 2015 and 2014 also included our proportionate share in the losses of Gao Fu, a wealth services firm based in China. In December 2014, we wrote down our investment in Gao Fu to its net realizable value based on our ownership percentage of the remaining net assets of the firm and recognized an impairment charge of \$11.3 million during the fourth quarter 2014. This charge is reflected in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statements of Operations. We wrote off our remaining investment in Gao Fu during 2015.

### *Gain on sale of subsidiary*

On July 31, 2012, we entered into an agreement to sell all of our ownership interest in SEI AK and completed the sale on March 28, 2013. We recorded gains from the sale of \$2.8 million during 2016 and 2015 and \$5.6 million during 2014. The gain recorded in 2016 was the result of the final in a series of three annual payments related to the contingent purchase price we received from the sale. These gains are included in Gain on sale of subsidiary on the accompanying Consolidated Statement of Operations (See Note 15 to the Consolidated Financial Statements for more information).

### **Income Taxes**

Our effective tax rate was 34.3 percent in 2016, 33.7 percent in 2015, and 34.9 percent in 2014. Our effective tax rate is affected by recurring items, such as tax rates in various states and foreign jurisdictions and the relative amount of income we earned in those jurisdictions. These amounts have been fairly consistent in prior years. In 2014, there was an increase in the taxable income earned in certain foreign jurisdictions which was taxed at a lower rate or was offset by the foreign tax credit.

Our effective tax rate is also affected by discrete items that may occur in any given year, but are not consistent from year to year. Below are the most significant recurring and discrete items (See Note 12 to the Consolidated Financial Statements for more information):

#### 2016

- An increase in our effective rate due to lower foreign income in jurisdictions with lower effective tax rates or offset by a foreign tax credit; and
- A one time reduction in 2015 in our effective rate due to a favorable settlement of a tax petition with the Pennsylvania Department of Revenue regarding prior year apportionment methodology; partially offset by
- A reduction in our effective rate from a higher research and development tax credit due to an increase in eligible spending.

#### 2015

- A one time reduction in our effective rate due to a favorable settlement of a tax petition with the Pennsylvania Department of Revenue regarding prior year apportionment methodology; and
- A reduction in our effective rate due to more foreign income in jurisdictions with lower effective tax rates or offset by a foreign tax credit.

#### 2014

- A reduction in our effective rate due to more foreign income in jurisdictions with lower effective tax rates or offset by a foreign tax credit;
- A reduction in our state effective rate as a result of Pennsylvania Tax Law changes that became effective January 1, 2014; and
- A reduction in our effective rate due to the reinstatement of the Research and Development Tax Credit. The tax credit was retroactively extended for 2014 through the Tax Increase Prevention Law, signed into law on December 19, 2014.

### **Stock-Based Compensation**

During 2016, 2015 and 2014, we recognized approximately \$16.0 million, \$17.3 million and \$13.5 million, respectively, in stock-based compensation expense. All of our stock options have performance-based vesting provisions that tie vesting of the options to our financial performance and do not contain any time-based vesting provisions. The amount of stock-based

compensation expense recognized is based upon an estimate of when the earnings per share targets may be achieved. If our estimate proves to be inaccurate, the amount of stock-based compensation expense could be accelerated, spread out over a longer period, or reversed. This may cause volatility in the recognition of stock-based compensation expense and materially affect our earnings.

Effective January 1, 2017, we adopted the provisions of ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (ASU 2016-09). The primary impact of adoption will be the recognition of all excess tax benefits or deficiencies in our provision for income taxes in the income statement rather than an adjustment to paid-in capital. The determination of all tax effects on our income tax expense is dependent on current period stock option activity as well as our stock price, previously recognized expense for share-based payment awards, current tax laws, etc. This could cause our income tax expense to differ significantly from period to period.

In addition, we expect the dilutive effect from our stock options outstanding in 2017 will increase as a result of the adoption of ASU 2016-09. We elected to account for forfeitures as they occur when determining the amount of compensation cost to be recognized as well as retroactively reflecting all tax effects from stock option exercises as an operating activity for the periods prior to the date of adoption. The amendments to the accounting for income taxes and the change in the policy for accounting for forfeitures will require an adjustment to retained earnings as of January 1, 2017, where the cumulative effect of these changes are required to be recorded.

There was approximately \$77.0 million of unrecognized compensation cost related to unvested employee stock options at December 31, 2016 and we expect to recognize approximately \$25.0 million in stock-based compensation costs in 2017. These amounts do not reflect any estimate of forfeitures or cancellations in future periods. Actual forfeitures and cancellations occurring in a future period will reduce our stock-based compensation expense.

#### **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. We did not have any financial liabilities at December 31, 2016 or 2015 (See Note 5 to the Consolidated Financial Statements for more information).

#### **Regulatory Matters**

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

SEI and some of our regulated subsidiaries have undergone or been scheduled to undergo a range of periodic or thematic reviews, examinations or investigations by numerous regulatory authorities around the world, including the Office of the Comptroller of the Currency, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Financial Conduct Authority of the United Kingdom (FCA), the Central Bank of Ireland and others. These regulatory activities typically result in the identification of matters or practices to be addressed by us or our subsidiaries and, in certain circumstances, the regulatory authorities require remediation activities or pursue enforcement proceedings against us or our subsidiaries. As described under the caption "Regulatory Considerations" in Item 1 of this report, the range of possible sanctions that are available to regulatory authorities include limitations on our ability to engage in business for specified periods of time, the revocation of registration, censures and fines. The direct and indirect costs of responding to these regulatory activities and of complying with new or modified regulations, as well as the potential financial costs and potential reputational impact against us of any enforcement proceedings that might result, is uncertain but could have a material adverse impact on our operating results or financial position.

### Foreign Currency Exchange Rates

We transact business in the local currencies of various foreign countries, principally the United Kingdom, Canada and Ireland. The total of all of our foreign operations in these countries accounted for approximately 12 percent of our total consolidated revenues during 2016. Also, most of our foreign operations match local currency revenues with local currency costs. We translate sales and other results denominated in foreign currency into U.S. dollars for our consolidated financial statements. During periods of a strengthening dollar, our reported international sales and earnings could be reduced because foreign currencies may translate into fewer U.S. dollars. A fluctuation of currency exchange rates may expose us to gains and losses on non-U.S. currency transactions and a potential devaluation of the local currencies relative to the U.S. dollar which may impair our revenue growth and operating profits and also prolong sales cycles with potential customers. We currently do not engage in any foreign currency hedging strategies. The percentages of our total consolidated revenues and expenses during 2016 transacted in British pound, Canadian dollar and Euro currencies were as follows:

	<u>2016</u>
<b>British pound</b>	
Total revenues	6%
Total expenses	6%
<b>Canadian dollar</b>	
Total revenues	5%
Total expenses	5%
<b>Euro</b>	
Total revenues	1%
Total expenses	2%

### United Kingdom European Union Membership Referendum

The results of the United Kingdom's referendum regarding their membership in the European Union (EU) (referred to as Brexit) announced in late June 2016 caused significant volatility in global stock markets and currency exchange rates that resulted in the strengthening of the U.S. dollar against foreign currencies in which we conduct business. Our foreign subsidiary located in the United Kingdom, SEI Investments (Europe) Limited (SIEL), accounted for approximately six percent of our total consolidated revenues during 2016. The majority of our operations in the United Kingdom match local currency revenues with local currency costs.

### Liquidity and Capital Resources

Year Ended December 31,	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net cash provided by operating activities	\$ 425,236	\$ 391,460	\$ 374,803
Net cash used in investing activities	(79,585)	(78,015)	(53,385)
Net cash used in financing activities	(319,688)	(289,805)	(224,750)
Effect of exchange rate changes on cash and cash equivalents	(9,923)	(11,425)	(7,495)
Net increase in cash and cash equivalents	16,040	12,215	89,173
Cash and cash equivalents, beginning of year	679,661	667,446	578,273
Cash and cash equivalents, end of year	\$ 695,701	\$ 679,661	\$ 667,446

Cash requirements and liquidity needs are primarily funded through our cash flow from operations and our capacity for additional borrowing. At December 31, 2016, our unused sources of liquidity consisted of cash and cash equivalents and the full amount available under our credit facility.

In June 2016, we replaced our credit facility with a new five-year credit facility agreement which provides for borrowings of up to \$300 million (See Note 7 to the Consolidated Financial Statements). The new credit facility is a senior unsecured revolving line of credit with Wells Fargo Bank, National Association, and a syndicate of other lenders and is scheduled to expire in June 2021. The availability of the credit facility is subject to compliance with certain covenants set forth in the agreement. The credit facility contains covenants which restrict our ability to engage in mergers, consolidations, asset sales, investments, transactions with affiliates, or to incur liens, as defined in the agreement. In the event of a default under the credit facility, we would also be



restricted from paying dividends on, or repurchasing our common stock. Currently, our ability to borrow from the credit facility is not limited by any covenant of the agreement. We currently have no borrowings under our credit facility.

The majority of our excess cash reserves are primarily placed in accounts located in the United States that invest 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 January 31, 2017, the amount of cash and cash equivalents considered free and immediately accessible for other general corporate purposes was \$220.6 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. Also, some of our foreign subsidiaries may have excess cash reserves which are considered to be undistributed earnings and indefinitely reinvested. Upon distribution of these earnings, in the form of dividends or otherwise, we would be immediately subject to both U.S. and foreign withholding taxes which would reduce the amount we would ultimately realize. In addition to the foreign withholding taxes, the negative impact resulting from unfavorable exchange rate fluctuations on the cash balances held by our foreign subsidiaries would also reduce the amount realized. We do not include accounts of our foreign subsidiaries in our calculation of free and immediately accessible cash for other general corporate purposes.

Cash flows from operations increased \$33.8 million in 2016 compared to 2015 primarily from the net change in our working capital accounts, mainly receivables. The increase was partially offset by lower distributions payments received from our unconsolidated affiliate, LSV. Cash flows from operations increased \$16.7 million in 2015 compared to 2014 primarily from the increase in our net income, an increase in the distribution payments received from LSV and non-cash items such as the increase in depreciation, amortization and stock-based compensation expense. The increase was partially offset by the larger negative impact from the net change in our working capital accounts in 2015 as compared to 2014.

Net cash used in investing activities includes:

- *Purchases, sales and maturities of marketable securities.* Our purchases, sales and maturities of marketable securities during 2016, 2015 and 2014 were as follows:

	2016	2015	2014
Purchases	\$ (73,193)	\$ (52,538)	\$ (56,754)
Sales and maturities	69,293	46,312	63,434
Net investing activities from marketable securities	<u>\$ (3,900)</u>	<u>\$ (6,226)</u>	<u>\$ 6,680</u>

Marketable securities purchased generally consisted of investments in short-term U.S. government agency and commercial paper securities through SIDCO's cash management program, additional GNMA securities to satisfy applicable regulatory requirements of SPTC and investments for the start-up of new investment products. Proceeds received from sales and maturities primarily included maturities of short-term securities owned by SIDCO and sales and principal prepayments related to the GNMA securities owned by SPTC.

- *The capitalization of costs incurred in developing computer software.* We capitalized \$50.4 million, \$29.4 million and \$34.9 million of software development costs in 2016, 2015 and 2014, respectively. Amounts capitalized primarily include costs for significant enhancements and upgrades for the expanded functionality of the SEI Wealth Platform. Our capitalized software amounts also include \$10.6 million and \$4.9 million in 2016 and 2015, respectively, for a new application for the Investment Managers segment.
- *Capital expenditures.* Our capital expenditures in 2016, 2015 and 2014 primarily include purchased software and equipment for our data center operations. Our expenditures in 2016 also include software and equipment for a new U.S. disaster recovery site. Our expenditures in 2015 include \$13.8 million to relocate our London operations to a new facility. Our expenditures in 2014 include \$8.4 million related to the construction of an additional building at our corporate headquarters.
- *Receipt of contingent payment from sale of SEI AK.* The sale of SEI AK was completed during the first quarter of 2013. We received cash of \$2.8 million during 2016 and 2015 and \$5.6 million during 2014 resulting from annual payments related to the contingent purchase price from the sale. The cash received in 2016 was the final payment in the series of annual payments. Additional information pertaining to the sale is presented in Note 15 to the Consolidated Financial Statements.

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. The following table lists information regarding repurchases of our common stock during 2016, 2015 and 2014:

Year	Total Number of Shares Repurchased	Average Price Paid per Share	Total Cost
2016	6,600,000	\$ 44.60	\$ 294,374
2015	5,951,000	48.66	289,587
2014	7,888,000	35.29	278,357

- *Proceeds from the issuance of our common stock.* We received \$48.3 million, \$65.5 million and \$104.9 million in proceeds from the issuance of our common stock during 2016, 2015 and 2014, respectively. The proceeds we receive from the issuance of our common stock is directly attributable to the levels of stock option exercise activity.
- *Dividend payments.* Our cash dividends paid during 2016, 2015 and 2014 were as follows:

Year	Cash Dividends Paid	Cash Dividends Paid per Share
2016	\$ 84,686	\$ 0.52
2015	80,030	0.48
2014	74,294	0.44

Our Board of Directors declared a semi-annual cash dividend of \$0.28 per share on December 13, 2016. The dividend was paid on January 6, 2017 for a total of \$44.6 million.

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

#### Significant Arrangement

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

#### Contractual Obligations and Contingent Obligations

As of December 31, 2016, the Company is obligated to make payments in connection with its lines of credit, operating leases, maintenance contracts and other commitments in the amounts listed below. The Company has no unrecorded obligations other than the items noted in the following table:

	Total	2017	2018	2019 to 2020	2021 and thereafter
Line of credit (a)	\$ 2,181	\$ 486	\$ 486	\$ 974	\$ 235
Operating leases and maintenance agreements (b)	51,027	5,958	6,406	11,842	26,821
Other commitments (c)	3,866	3,866	—	—	—
Total	\$ 57,074	\$ 10,310	\$ 6,892	\$ 12,816	\$ 27,056

- (a) Amounts include estimated commitment fees for our credit facility. See Note 7 to the Consolidated Financial Statements.  
 (b) See Note 11 to the Consolidated Financial Statements.  
 (c) Amount includes the portion of uncertain tax liabilities classified as a current liability. The actual cash payment associated with these commitments may differ. See Note 12 to the Consolidated Financial Statements.

#### Critical Accounting Policies

The accompanying consolidated financial statements and supplementary information were prepared in accordance with accounting principles generally accepted in the United States. Our significant accounting policies are discussed in Note 1 to the Consolidated Financial Statements. Inherent in the application of many of these accounting policies is the need for management to make estimates and judgments in the determination of certain revenues, expenses, assets and liabilities. Materially different financial results can occur as circumstances change and additional information becomes known. We believe that the following

accounting policies require extensive judgment by our management to determine the recognition and timing of amounts recorded in our financial statements.

*Revenue Recognition:*

Revenues are recognized in the periods in which the related services are performed provided that persuasive evidence of an agreement exists, the fee is fixed or determinable, and collectibility is reasonably assured. Cash received by us in advance of the performance of services is deferred and recognized as revenue when earned. Our principal sources of revenues are: (1) asset management, administration and distribution fees calculated as a percentage of the total average daily net assets under management or administration; (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 our clients' assets processed on our platforms, or non-recurring and based upon project-oriented contractual agreements related to client implementations; and (3) transaction-based fees for providing trade-execution services.

Our revenues are based on contractual arrangements. Certain portions of our revenues require management's consideration of the nature of the client relationship in determining whether to recognize as revenue the gross amount billed or net amount retained after payments are made to vendors for certain services related to the product or service offering. For the majority of our services, we are the primary obligor responsible for fulfilling the performance obligations of the contract. In addition, we retain full discretion in establishing the price charged to the customer, control the nature, type, characteristics or specifications of the performance obligations identified in the contract, and assume all credit risk associated with the client. Based on the foregoing, fees received from our clients for these services are recorded as gross revenues and vendor costs are recorded as gross expenses. However, we are also party to certain arrangements whereby we are not the primary obligor responsible for fulfilling the performance obligations of the contract. Fees received for those arrangements are reported net of costs associated with the provision of those services.

*Computer Software Development Costs:*

We utilize internally developed computer software as part of our product offerings. In the development of a new software product, substantial consideration must be given by management to determine whether costs incurred are research and development costs, or internal software development costs eligible for capitalization. Management must consider a number of different factors during their evaluation of each computer software development project that includes estimates and assumptions. Costs considered to be research and development are expensed as incurred. After meeting specific requirements, internal software development costs are capitalized as incurred. The capitalization and ongoing assessment of recoverability of software development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life. Amortization of capitalized software development costs begins when the product is ready for its intended use. Capitalized software development costs are amortized on a project basis using the straight-line method over the estimated economic life of the product or enhancement.

We evaluate the carrying value of our capitalized software when circumstances indicate the carrying value may not be recoverable. The review of capitalized software for impairment requires significant assumptions about operating strategies, underlying technologies utilized, and external market factors. Our capitalized software was developed using mainstream technologies that are industry standards and are based on technology developed by multiple vendors that are significant industry leaders. External market factors include, but are not limited to, expected levels of competition, barriers to entry by potential competitors, stability in the target market and governmental regulations.

*Income Tax Accounting:*

We use the asset and liability method of accounting for income taxes. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year. In addition, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Management must make assumptions, judgments and estimates to determine our current provision for income taxes and also our deferred tax assets and liabilities and any valuation allowance to be recorded against a deferred tax asset.

Our assumptions, judgments and estimates relative to the current provision for income taxes take into account current tax laws, our interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. We have established reserves for income taxes to address potential exposures involving tax positions that could be challenged by tax authorities. Although we believe our assumptions, judgments and estimates are reasonable, changes in tax laws or our interpretation of tax laws and the resolution of any future tax audits could significantly impact the amounts provided for income taxes in our consolidated financial statements.

Our assumptions, judgments and estimates relative to the value of a deferred tax asset take into account predictions of the amount and category of future taxable income, such as income from operations or capital gains income. Actual operating results and the underlying amount and category of income in future years could render our current assumptions, judgments and estimates of recoverable net deferred taxes inaccurate. Any of the assumptions, judgments and estimates mentioned above could cause our actual income tax obligations to differ from our estimates, thus materially impacting our financial position and results of operations.

*Stock-Based Compensation:*

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is the vesting period. We currently use the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as various other assumptions. These assumptions include our expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends. We are required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The amount of stock-based compensation expense that is recognized in a given period is dependent upon management's estimate of when the earnings per share targets are expected to be achieved. If this estimate proves to be inaccurate, the remaining amount of stock-based compensation expense could be accelerated, spread out over a longer period, or reversed. We currently base our expectations for these assumptions from historical data and other applicable factors. These expectations are subject to change in future periods.

The assessment of critical accounting policies is not meant to be an all-inclusive discussion of the uncertainties to financial results that can occur from the application of the full range of our accounting policies. Materially different financial results could occur in the application of other accounting policies as well. Also, materially different results can occur upon the adoption of new accounting standards.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Information required by this item is set forth under the captions "Our revenues and earnings are affected by changes in capital markets" and "Changes in interest rates may affect the value of our fixed-income investment securities" in Item 1A "Risk Factors" and under the caption "Sensitivity of our revenues and earnings to capital market fluctuations" in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

**Item 8. Financial Statements and Supplementary Data.**

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All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders  
SEI Investments Company:

We have audited the accompanying consolidated balance sheets of SEI Investments Company and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2016. In connection with our audits of the consolidated financial statements, we also have audited financial statement Schedule II referred to in Item 15(2) of this Form 10-K. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SEI Investments Company and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), SEI Investments Company's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 22, 2017 expressed an unqualified opinion on the effectiveness of SEI Investments Company's internal control over financial reporting.

/s/ KPMG LLP

Philadelphia, Pennsylvania  
February 22, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders  
SEI Investments Company:

We have audited SEI Investments Company's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). SEI Investments Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Controls over Financial Reporting (Item 9A). Our responsibility is to express an opinion on SEI Investments Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, SEI Investments Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of SEI Investments Company and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated February 22, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Philadelphia, Pennsylvania  
February 22, 2017

**Consolidated Balance Sheets**  
(In thousands)

SEI Investments Company  
and Subsidiaries

December 31,		2016	2015
<b>Assets</b>	<b>Current Assets:</b>		
	Cash and cash equivalents	\$ 695,701	\$ 679,661
	Restricted cash	3,500	5,500
	Receivables from investment products	61,761	48,098
	Receivables, net of allowance for doubtful accounts of \$523 and \$649	227,957	223,023
	Securities owned	21,339	21,235
	Other current assets	27,575	26,207
	<b>Total Current Assets</b>	<b>1,037,833</b>	<b>1,003,724</b>
	<b>Property and Equipment</b> , net of accumulated depreciation of \$285,322 and \$259,501	<b>146,190</b>	<b>143,977</b>
	<b>Capitalized Software</b> , net of accumulated amortization of \$303,540 and \$259,358	<b>295,867</b>	<b>290,522</b>
	<b>Investments Available for Sale</b>	<b>84,033</b>	<b>81,294</b>
	<b>Investments in Affiliated Funds</b> , at fair value	<b>4,858</b>	<b>4,039</b>
	<b>Investment in Unconsolidated Affiliates</b>	<b>50,459</b>	<b>49,580</b>
	<b>Deferred Income Taxes</b>	<b>2,127</b>	<b>—</b>
	<b>Other Assets, net</b>	<b>15,456</b>	<b>15,492</b>
	<b>Total Assets</b>	<b>\$ 1,636,823</b>	<b>\$ 1,588,628</b>
<b>Liabilities and Equity</b>	<b>Current Liabilities:</b>		
	Accounts payable	\$ 5,966	\$ 4,511
	Accrued liabilities	240,525	217,587
	Deferred revenue	2,880	2,385
	<b>Total Current Liabilities</b>	<b>249,371</b>	<b>224,483</b>
	<b>Deferred Income Taxes</b>	<b>69,693</b>	<b>63,028</b>
	<b>Other Long-term Liabilities</b>	<b>14,645</b>	<b>11,397</b>
	<b>Total Liabilities</b>	<b>333,709</b>	<b>298,908</b>
	<b>Commitments and Contingencies</b>		
	<b>Shareholders' Equity:</b>		
	Series Preferred stock, \$.05 par value, 50 shares authorized; no shares issued and outstanding	—	—
	Common stock, \$.01 par value, 750,000 shares authorized; 159,031 and 163,733 shares issued and outstanding	1,590	1,637
	Capital in excess of par value	955,461	910,513
	Retained earnings	384,018	402,860
	Accumulated other comprehensive loss, net	(37,955)	(25,290)
	<b>Total Shareholders' Equity</b>	<b>1,303,114</b>	<b>1,289,720</b>
	<b>Total Liabilities and Equity</b>	<b>\$ 1,636,823</b>	<b>\$ 1,588,628</b>

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



**Consolidated Statements of Operations**  
(In thousands, except per-share data)

SEI Investments Company  
and Subsidiaries

Year Ended December 31,	2016	2015	2014
<b>Revenues:</b>			
Asset management, administration and distribution fees	\$ 1,072,176	\$ 1,010,511	\$ 948,932
Information processing and software servicing fees	300,346	290,893	285,463
Transaction-based and trade execution fees	29,023	32,804	31,610
<b>Total revenues</b>	<b>1,401,545</b>	<b>1,334,208</b>	<b>1,266,005</b>
<b>Expenses:</b>			
Subadvisory, distribution and other asset management costs	170,961	160,062	149,791
Software royalties and other information processing costs	30,323	31,497	33,522
Brokerage commissions	22,152	24,388	23,002
Compensation, benefits and other personnel	414,622	395,774	376,873
Stock-based compensation	16,017	17,312	13,463
Consulting, outsourcing and professional fees	166,769	146,436	136,818
Data processing and computer related	64,930	58,884	52,512
Facilities, supplies and other costs	68,245	74,968	66,113
Amortization	45,392	42,630	38,679
Depreciation	26,440	24,044	22,448
<b>Total expenses</b>	<b>1,025,851</b>	<b>975,995</b>	<b>913,221</b>
<b>Income from operations</b>	<b>375,694</b>	<b>358,213</b>	<b>352,784</b>
<b>Net gain (loss) from investments</b>	<b>112</b>	<b>(456)</b>	<b>614</b>
<b>Interest and dividend income</b>	<b>4,316</b>	<b>3,358</b>	<b>3,354</b>
<b>Interest expense</b>	<b>(531)</b>	<b>(483)</b>	<b>(458)</b>
<b>Equity in earnings of unconsolidated affiliates</b>	<b>126,103</b>	<b>137,057</b>	<b>127,786</b>
<b>Gain on sale of subsidiary</b>	<b>2,791</b>	<b>2,791</b>	<b>5,582</b>
<b>Income before income taxes</b>	<b>508,485</b>	<b>500,480</b>	<b>489,662</b>
<b>Income taxes</b>	<b>174,668</b>	<b>168,825</b>	<b>170,949</b>
<b>Net income</b>	<b>\$ 333,817</b>	<b>\$ 331,655</b>	<b>\$ 318,713</b>
<b>Basic earnings per common share</b>			
	\$ 2.07	\$ 2.00	\$ 1.89
<b>Shares used to compute basic earnings per share</b>			
	161,350	165,725	168,246
<b>Diluted earnings per common share</b>			
	\$ 2.03	\$ 1.96	\$ 1.85
<b>Shares used to compute diluted earnings per share</b>			
	164,431	169,598	172,565
<b>Dividends declared per common share</b>			
	\$ 0.54	\$ 0.50	\$ 0.46

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

**Consolidated Statements of Comprehensive Income**  
(In thousands)

SEI Investments Company  
and Subsidiaries

Year Ended December 31,	2016	2015	2014
<b>Net income</b>	<b>\$ 333,817</b>	<b>\$ 331,655</b>	<b>\$ 318,713</b>
Other comprehensive loss, net of tax:			
Foreign currency translation adjustments	(12,131)	(14,900)	(10,189)
Unrealized holding (loss) gain on investments:			
Unrealized holding (losses) gains during the period, net of income taxes of \$457, \$822 and \$(592)	(918)	(1,659)	441
Less: reclassification adjustment for losses (gains) realized in net income, net of income taxes of \$(201), \$(76) and \$319	384	164	(634)
Total other comprehensive loss, net of taxes	(12,665)	(16,395)	(10,382)
<b>Comprehensive income</b>	<b>\$ 321,152</b>	<b>\$ 315,260</b>	<b>\$ 308,331</b>

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

**Consolidated Statements of Changes in Equity**  
(In thousands, except per-share data)

SEI Investments Company  
and Subsidiaries

Year Ended December 31,	2016	2015	2014
<b>Shares of Common Stock</b>			
Beginning balance	163,733	166,688	169,242
Purchase and retirement of common stock	(6,600)	(5,951)	(7,888)
Issuance of common stock under the employee stock purchase plan	88	69	73
Issuance of common stock upon exercise of stock options	1,810	2,927	5,261
Ending balance	<u>159,031</u>	<u>163,733</u>	<u>166,688</u>
<b>Common Stock</b>			
Beginning balance	\$ 1,637	\$ 1,667	\$ 1,692
Purchase and retirement of common stock	(66)	(60)	(79)
Issuance of common stock under the employee stock purchase plan	1	1	1
Issuance of common stock upon exercise of stock options	18	29	53
Ending balance	<u>\$ 1,590</u>	<u>\$ 1,637</u>	<u>\$ 1,667</u>
<b>Capital In Excess of Par Value</b>			
Beginning balance	\$ 910,513	\$ 834,615	\$ 721,219
Purchase and retirement of common stock	(28,306)	(22,984)	(25,345)
Issuance of common stock under the employee stock purchase plan	3,357	2,798	2,197
Issuance of common stock upon exercise of stock options	44,896	62,716	102,646
Stock-based compensation	16,017	17,312	13,463
Tax benefit on stock options exercised	8,984	16,056	20,435
Ending balance	<u>\$ 955,461</u>	<u>\$ 910,513</u>	<u>\$ 834,615</u>
<b>Retained Earnings</b>			
Beginning balance	\$ 402,860	\$ 420,226	\$ 431,604
Net income	333,817	331,655	318,713
Purchase and retirement of common stock	(266,002)	(266,543)	(252,933)
Dividends declared (\$0.54, \$0.50 and \$0.46 per share)	(86,657)	(82,478)	(77,158)
Ending balance	<u>\$ 384,018</u>	<u>\$ 402,860</u>	<u>\$ 420,226</u>
<b>Accumulated Other Comprehensive (Loss) Income</b>			
Beginning balance	\$ (25,290)	\$ (8,895)	\$ 1,487
Other comprehensive loss	(12,665)	(16,395)	(10,382)
Ending balance	<u>\$ (37,955)</u>	<u>\$ (25,290)</u>	<u>\$ (8,895)</u>
<b>Total Equity</b>	<u>\$ 1,303,114</u>	<u>\$ 1,289,720</u>	<u>\$ 1,247,613</u>

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

**Consolidated Statements of Cash Flows**  
(In thousands)

SEI Investments Company  
and Subsidiaries

Year Ended December 31,	2016	2015	2014
<b>Cash flows from operating activities:</b>			
Net income	\$ 333,817	\$ 331,655	\$ 318,713
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	26,440	24,044	22,448
Amortization	45,392	42,630	38,679
Equity in earnings of unconsolidated affiliates	(126,103)	(137,057)	(127,786)
Distributions received from unconsolidated affiliate	125,224	141,767	137,866
Stock-based compensation	16,017	17,312	13,463
Provision for losses on receivables	(126)	(135)	133
Deferred income tax expense	4,794	(1,394)	(3,330)
Gain from sale of SEI AK	(2,791)	(2,791)	(5,582)
Net realized (gain) loss from investments	(112)	456	(614)
Change in other long-term liabilities	3,248	1,070	1,720
Change in other assets	(1,917)	783	(5,886)
Write off of capitalized and purchased software	—	6,055	—
Other	390	(2,440)	(2,439)
Change in current assets and liabilities:			
Decrease (increase) in:			
Receivables from investment products	(13,663)	295	(9,029)
Receivables	(4,807)	(28,469)	(7,888)
Other current assets	(1,368)	(8,014)	(2,027)
Increase (decrease) in:			
Accounts payable	1,455	(5,441)	(6,283)
Accrued liabilities	18,851	10,498	12,873
Deferred revenue	495	636	(228)
Total adjustments	91,419	59,805	56,090
<b>Net cash provided by operating activities</b>	<b>\$ 425,236</b>	<b>\$ 391,460</b>	<b>\$ 374,803</b>

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

**Consolidated Statements of Cash Flows**  
(In thousands)

SEI Investments Company  
and Subsidiaries

Year Ended December 31,	2016	2015	2014
<b>Cash flows from investing activities:</b>			
Decrease (increase) in restricted cash	2,000	301	(301)
Additions to property and equipment	(31,397)	(44,465)	(28,469)
Additions to capitalized software	(50,392)	(29,416)	(34,877)
Purchases of marketable securities	(73,193)	(52,538)	(56,754)
Prepayments and maturities of marketable securities	54,141	38,551	38,973
Sales of marketable securities	15,152	7,761	24,461
Other investing activities	1,313	(1,000)	(2,000)
Receipt of contingent payment from sale of SEI AK	2,791	2,791	5,582
<b>Net cash used in investing activities</b>	<b>(79,585)</b>	<b>(78,015)</b>	<b>(53,385)</b>
<b>Cash flows from financing activities:</b>			
Purchase and retirement of common stock	(292,258)	(291,374)	(275,788)
Proceeds from issuance of common stock	48,272	65,543	104,897
Tax benefit on stock options exercised	8,984	16,056	20,435
Payment of dividends	(84,686)	(80,030)	(74,294)
<b>Net cash used in financing activities</b>	<b>(319,688)</b>	<b>(289,805)</b>	<b>(224,750)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(9,923)</b>	<b>(11,425)</b>	<b>(7,495)</b>
<b>Net increase in cash and cash equivalents</b>	<b>16,040</b>	<b>12,215</b>	<b>89,173</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>679,661</b>	<b>667,446</b>	<b>578,273</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 695,701</b>	<b>\$ 679,661</b>	<b>\$ 667,446</b>
Interest paid	\$ 531	\$ 460	\$ 458
Income taxes paid	\$ 157,255	\$ 159,605	\$ 151,250
<b>Non-cash financing activities</b>			
Dividends declared but not paid	\$ 44,596	\$ 42,625	\$ 40,178

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)

SEI Investments Company  
and Subsidiaries

### Note 1 – Summary of Significant Accounting Policies

#### Nature of Operations

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

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

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

#### Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries and entities in which it holds a controlling financial interest. The Company determines whether it has a controlling financial interest either by its decision-making ability through voting interests or by the extent of the Company's participation in the economic risks and rewards of the entity through variable interests. The Company's principal subsidiaries are SEI Investments Distribution Co. (SIDCO), SEI Investments Management Corporation (SIMC), SEI Private Trust Company (SPTC), SEI Trust Company (STC), SEI Global Services, Inc. (SGSI) and SEI Investments (Europe) Limited (SIEL). All intercompany accounts and transactions have been eliminated.

The Company accounts for investments in unconsolidated entities that are 20 percent to 50 percent owned or are 20 percent or less owned and have the ability to exercise significant influence over the operating and financial policies of the entity under the equity method of accounting. Under this method of accounting, the Company's interest in the net assets of unconsolidated entities is reflected in Investment in unconsolidated affiliates on the accompanying Consolidated Balance Sheet and its interest in the earnings or losses of unconsolidated entities is reflected in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statement of Operations.

#### Variable Interest Entities

The Company has involvement with various variable interest entities (VIE or VIEs). These VIEs consist of LSV Employee Group III, LLC (LSV Employee Group III) and investment products established for clients created in the form of various types of legal entity structures. Effective January 1, 2016, the Company adopted the amendments contained in Accounting Standards Update (ASU) No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis (ASU 2015-02) which amends the current guidance for both the VIE and the voting interest entity (VOE) consolidation models. This guidance rescinds the indefinite deferral of the VIE guidance for investment companies that permitted application of the risks and rewards based approach. The adoption of ASU 2015-02 did not have any effect on the consolidated financial statements and related disclosures (See Note 3).

#### Management's Use of Estimates

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

### **Revenue Recognition**

The Company's principal sources of revenues are: (1) asset management, administration and distribution fees earned based upon a contractual percentage of net assets under management or administration; (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 our clients' assets processed on our platforms, or non-recurring and based upon project-oriented contractual agreements related to client implementations; and (3) transaction-based fees for providing trade-execution services.

The Company's revenues are based on contractual arrangements. Revenues are recognized in the periods in which the related services are performed provided that persuasive evidence of an agreement exists, the fee is fixed or determinable, and collectibility is reasonably assured. Cash received by the Company in advance of the performance of services is deferred and recognized as revenue when earned. Reimbursements received for out-of-pocket expenses incurred are recorded as revenue. Certain portions of the Company's revenues require management's consideration of the nature of the client relationship in determining whether to recognize as revenue the gross amount billed or net amount retained after payments are made to suppliers for certain services related to the product or service offering. For the majority of our services, we are the primary obligor responsible for fulfilling the performance obligations of the contract. In addition, we retain full discretion in establishing the price charged to the customer, control the nature, type, characteristics or specifications of the performance obligations identified in the contract, and assume all credit risk associated with the client. Based on the foregoing, fees received from our clients for these services are recorded as gross revenues and vendor costs are recorded as gross expenses. However, we are also party to certain arrangements whereby we are not the primary obligor responsible for fulfilling the performance obligations of the contract. Fees received for those arrangements are reported net of costs associated with the provision of those services.

### **Cash and Cash Equivalents**

The Company considers investment instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include \$374,760 and \$448,957 at December 31, 2016 and 2015, respectively, primarily invested in SEI-sponsored open-ended money market mutual funds. The SEI-sponsored mutual funds are considered Level 1 assets.

### **Restricted Cash**

Restricted cash includes \$3,000 and \$5,000 at December 31, 2016 and 2015, respectively, segregated for regulatory purposes related to trade-execution services conducted by SIEL. Restricted cash also includes \$500 at December 31, 2016 and 2015 segregated in special reserve accounts for the benefit of SIDCO customers in accordance with certain rules established by the Securities and Exchange Commission for broker-dealers.

### **Allowances for Doubtful Accounts**

The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a review of the current status of trade accounts receivable.

### **Concentration of Credit Risk**

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of cash equivalents and trade receivables. Cash equivalents are principally invested in short-term money market funds or placed with major banks and high-credit qualified financial institutions. Cash deposits maintained with institutions are in excess of federally insured limits. Concentrations of credit risk with respect to our receivables are limited due to the large number of clients and their dispersion across geographic areas. No single group or customer represents greater than ten percent of total accounts receivable.

### **Property and Equipment**

Property and Equipment are recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. Construction in progress includes the cost of construction and other direct costs attributable to the construction. When property and equipment are retired or disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives using the straight line method for financial statement purposes. No provision for depreciation is made for construction in progress until such time as the relevant assets are completed and put into service. The Company uses other depreciation methods, generally accelerated, for tax purposes where appropriate. Buildings and building improvements are depreciated over 25 to 39 years. Equipment, purchased software and furniture and fixtures have useful lives ranging from 3 to 5 years. Amortization of leasehold improvements is computed using the straight line method over the shorter of the remaining lease term or the estimated useful lives of the improvements.

### **Marketable Securities**

The classification of investments in marketable securities is determined at the time of purchase and reevaluated at each balance sheet date. Debt and equity securities classified as available-for-sale are reported at fair value as determined by the most recently traded price of each security at the balance sheet date. Unrealized gains and losses, net of income taxes, are reported as a separate component of comprehensive income. SIDCO, the Company's broker-dealer subsidiary, reports changes in fair value of marketable securities through current period earnings due to specialized accounting practices related to investments by broker-dealers. The Company records its investments in funds sponsored by LSV on the accompanying Consolidated Balance Sheets at fair value. Unrealized gains and losses from the change in fair value of these securities are recognized in current period earnings. The specific identification method is used to compute the realized gains and losses on all of the Company's marketable securities (See Note 6).

The Company evaluates the realizable value of its marketable securities on a quarterly basis. In the event that the carrying value of an investment exceeds its fair value and the decline in value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis for the investment is established. Some of the factors considered in determining other-than-temporary impairment for equity securities include, but are not limited to, significant or prolonged declines in the fair value of the investments, the Company's ability and intent to retain the investment for a period sufficient to allow the value to recover, and the financial condition of the investment. Some of the factors considered in determining other-than-temporary impairment for debt securities include, but are not limited to, the intent of management to sell the security, the likelihood that the Company will be required to sell the security before recovering its cost, and management's expectation to recover the entire amortized cost basis of the security even if there is no intent to sell the security.

### **Fair Value of Financial Instruments**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy describes three levels of inputs that may be used by the Company to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities without adjustment. The Company's Level 1 assets primarily include investments in mutual funds sponsored by SEI that are quoted daily.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 financial assets consist of Government National Mortgage Association (GNMA) mortgage-backed securities, Federal Home Loan Bank (FHLB) and other U.S. government agency short-term notes and investment grade commercial paper. The investments in GNMA mortgage-backed securities were purchased for the sole purpose of satisfying applicable regulatory requirements imposed on our wholly-owned limited purpose federal thrift subsidiary, SPTC. The investments in FHLB and other U.S. government agency short-term notes and investment grade commercial paper were purchased as part of a cash management program requiring only short term, top-tier investment grade government and corporate securities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment by management. The Company had no Level 3 financial assets at December 31, 2016 or 2015.

The fair value of an asset or liability may include inputs from more than one level in the fair value hierarchy. The lowest level of significant inputs used to value the asset or liability determines which level the asset or liability is classified in its entirety. Transfers between levels of the fair value hierarchy are reported at fair value as of the beginning of the period in which the transfers occur.

See Note 5 for information on related disclosures regarding fair value measurements.

### **Capitalized Software**

Costs incurred for the development of internal use software to be offered in a hosting arrangement is capitalized during the development stage of the software application. These costs include direct external and internal costs to design the software configuration and interfaces, coding, installation, and testing. Costs incurred during the preliminary and post-implementation stages of the software application are expensed as incurred. Costs associated with significant enhancements to a software application are capitalized while costs incurred to maintain existing software applications are expensed as incurred. The capitalization of software development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life. Amortization of capitalized software development costs begins when the product is ready for its intended use. Capitalized software development



costs are amortized on a product-by-product basis using the straight-line method over the estimated economic life of the product or enhancement.

The Company capitalized \$50,392, \$29,416 and \$34,877 of software development costs during 2016, 2015 and 2014, respectively. The Company's capitalized software development costs primarily relate to the further development of the SEI Wealth Platform<sup>SM</sup> (the Platform). The Company capitalized \$39,785, \$24,515 and \$34,877 of software development costs for significant enhancements to the Platform during 2016, 2015 and 2014, respectively.

As of December 31, 2016, the net book value of the Platform was \$280,359. The Platform has an estimated useful life of 15 years and a weighted average remaining life of 5.5 years. Amortization expense for the Platform was \$45,047, \$42,401 and \$38,357 in 2016, 2015 and 2014, respectively, and is included in Amortization expense on the accompanying Consolidated Statements of Operations. The Company currently expects to recognize approximately \$48,166 in amortization expense related to the Platform each year from 2017 through 2021.

The Company also capitalized \$10,607 and \$4,901 of software development costs during 2016 and 2015, respectively, related to a new application for the Investment Managers segment. Capitalized software development costs in-progress at December 31, 2016 associated with the application were \$15,508. The application is not yet ready for use.

The Company evaluates the carrying value of capitalized software development costs when circumstances indicate the carrying value may not be recoverable. The review of capitalized software development costs for impairment requires significant assumptions about operating strategies, underlying technologies utilized, and external market factors. External market factors include, but are not limited to, expected levels of competition, barriers to entry by potential competitors, stability in the target market and governmental regulations. During 2015, the Company determined that specific functionality within the Platform was no longer in use and wrote off \$5,533 of previously capitalized software development costs reported under the Private Banks and Investment Advisors business segments. The expense associated with the write off is included in Facilities, supplies and other costs on the accompanying Consolidated Statement of Operations. The Company did not recognize any impairment charges related to its capitalized software development costs in 2016 or 2014.

#### Income Taxes

The Company applies the asset and liability approach to account for income taxes whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

#### Foreign Currency Translation

The assets and liabilities and results of operations of the Company's foreign subsidiaries are measured using the foreign subsidiary's local currency as the functional currency. Assets and liabilities have been translated into U.S. dollars using the rates of exchange at the balance sheet dates. The results of operations have been translated into U.S. dollars at average exchange rates prevailing during the period. The resulting translation gain and loss adjustments are recorded as a separate component of comprehensive income.

Transaction gains and losses from exchange rate fluctuations are included in the results of operations in the periods in which they occur. There were no material gains or losses from exchange rate fluctuations in 2016, 2015 or 2014.

#### Earnings Per Common Share

Basic earnings per common share is computed by dividing net income attributable to SEI Investments common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is computed by dividing net income attributable to SEI Investments common shareholders by the combination of the weighted average number of common shares outstanding and the dilutive potential common shares, such as stock options, outstanding during the period.

The calculations of basic and diluted earnings per share for 2016, 2015 and 2014 are:

	2016	2015	2014
Net income	\$ 333,817	\$ 331,655	\$ 318,713
Shares used to compute basic earnings per common share	161,350,000	165,725,000	168,246,000
Dilutive effect of stock options	3,081,000	3,873,000	4,319,000
Shares used to compute diluted earnings per common share	164,431,000	169,598,000	172,565,000
Basic earnings per common share	\$ 2.07	\$ 2.00	\$ 1.89
Diluted earnings per common share	\$ 2.03	\$ 1.96	\$ 1.85

Employee stock options to purchase approximately 10,632,000, 10,730,000 and 10,166,000 shares of common stock, with an average exercise price per share of \$35.02, \$33.99 and \$30.00, were outstanding during 2016, 2015 and 2014, respectively, but not included in the computation of diluted earnings per common share because either the performance conditions have not been satisfied or would have been satisfied if the reporting date was the end of the contingency period or the option's 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 (See Note 8).

#### **Stock-Based Compensation**

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is the vesting period. The Company uses historical data to estimate pre-vesting forfeitures and record stock-based compensation expense only for those awards that are expected to vest. The amount of stock-based compensation expense that is recognized in a given period is dependent upon management's estimate of when the vesting targets are expected to be achieved. If this estimate proves to be inaccurate, the remaining amount of stock-based compensation expense could be accelerated, spread out over a longer period, or reversed (See Note 8).

#### **New Accounting Pronouncements**

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The updated standard permits the use of either the retrospective or cumulative effect transition method. The FASB has recently issued several amendments to the standard, including principal versus agent guidance and identifying performance obligations. ASU 2014-09 currently becomes effective for the Company during the first quarter 2018.

The Company continues to assess the impact ASU 2014-09 will have on its revenue arrangements with completion, including selecting a transition method, expected by the third quarter of 2017. The majority of the Company's services are bundled together and provided and completed for the client on a monthly basis. The Company expects revenue for these services to continue to be recognized monthly because of the continuous transfer of control to the client. Therefore, the adoption of this ASU is not expected to have a material impact on the recognition of revenue for the majority of the fees recognized for the services provided. However, the Company believes the adoption of the new standard may affect the timing of the recognition of implementation fees recognized in information processing and software servicing fees as well as fund conversion fees and other ancillary fees recognized in asset management, administration and distribution fees. Transaction-based and trade execution fees are based on current period activity and is not expected to be affected by the adoption of ASU 2014-09. Due to the complexity of certain of our agreements, the actual revenue recognition treatment required under the standard will be dependent on contract-specific terms, and certain aspects may vary in some instances from recognition ratably over the contract term.

The new standard also modified some of the principal and agent considerations which may result in changes to gross or net treatment of revenue and expenses but would not affect final net income. The Company is also evaluating its sales commission programs. Previously, sales commission costs were expensed at inception of a sales agreement but under the new standard will generally need to be capitalized and amortized over the period of contract performance.

The new standard provides companies with alternative methods of adoption and the Company is in the process of determining the method of adoption, which depends in part upon completion of the evaluation of the remaining revenue arrangements.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01) that will significantly change the income statement impact of equity investments held by an entity, and the recognition of changes in fair value of financial liabilities when the fair value option is elected. ASU 2016-01 becomes effective for the Company during the first quarter 2018. The Company is continuing to assess all potential impacts the updated standard will have on its consolidated financial statements and related disclosures. Management currently believes the most significant impact will be the requirement to recognize all changes in fair value of available-for-sale equity securities in current period earnings. Previously, these changes in fair value were recognized as a separate component of comprehensive income.

In February 2016, the FASB issued ASU No. 2016-02, Leases (ASU 2016-02) requiring lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with the exception of short-term leases. For lessees, leases will continue to be classified as either operating or finance leases in the income statement. Lessor accounting is similar to the current model but updated to align with certain changes to the lessee model. Lessors will continue to classify leases as operating, direct financing or sales-type leases. The new standard must be adopted using a modified retrospective transition and requires application of the new guidance at the beginning of the earliest comparative period presented. The updated standard is effective for the Company beginning in the first quarter of 2019. Early adoption is permitted. The Company is currently

evaluating the transition method that will be elected and the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting (ASU 2016-09) requiring an entity to record all excess tax benefits and tax deficiencies as an income tax benefit or expense in the income statement when stock awards vest or are settled. In addition, ASU 2016-09 eliminates anticipated windfalls and shortfalls that were included in the calculation of assumed proceeds for computing the dilutive effect of share-based payment awards in the calculation of diluted earnings per share. Cash flows related to excess tax benefits will be recorded as an operating cash flow rather than a financing activity and an entity may elect to either estimate the number of forfeitures or account for forfeitures as they occur. ASU 2016-09 became effective for the Company during the first quarter of 2017.

The Company believes the primary impact of adoption will be the requirement to recognize all tax effects related to share-based payments in the provision for income taxes in the income statement rather than paid-in capital as well as additional amendments to the accounting for income taxes. This may increase volatility of the Company's income tax expense. In addition, the dilutive effect from stock options outstanding will increase as a result of the adoption of ASU 2016-09. No adjustment to prior period reported diluted earnings per share amounts is permitted. The Company has elected to account for forfeitures as they occur when determining the amount of compensation cost to be recognized in each period as well as retroactively reflecting all tax benefits or deficiencies from stock option exercises as an operating activity for the periods prior to the date of adoption. The amendments to accounting for income taxes and the change in the policy for accounting for forfeitures will require an adjustment to retained earnings as of January 1, 2017, where the cumulative effect of these changes are required to be recorded.

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) which 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 No. 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 2016-13 becomes effective for the Company during the first quarter of 2020. Early adoption is permitted. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In October 2016, the FASB issued ASU No. 2016-17, Interests Held through Related Parties That Are under Common Control (ASU 2016-17) which amends the consolidation guidance on how a reporting entity that is the single decision maker of a VIE should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. ASU 2016-17 became effective for the Company during the first quarter of 2017. The Company does not believe the adoption of ASU 2016-17 will have a material impact on its consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (ASU 2016-18) which requires restricted cash and cash equivalents to be included with cash and cash equivalents when reconciling beginning-of-period and end-of-period amounts shown on the statement of cash flows. Under this guidance, the statement of cash flows should explain the total change in cash balances, including amounts described as restricted. ASU 2016-18 becomes effective for the Company during the first quarter of 2018. The Company is currently evaluating the guidance in ASU 2016-18 but does not believe it will have a material impact on its consolidated financial statements and related disclosures.

#### **Reclassifications**

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

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

### **LSV Asset Management**

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

At December 31, 2016, the Company's total investment in LSV was \$50,459. The Company's proportionate share in the earnings of LSV was \$126,103, \$138,407 and \$140,211 in 2016, 2015 and 2014, respectively. The Company receives partnership distributions related to the earnings of LSV on a quarterly basis. 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 received partnership distribution payments from LSV of \$125,224, \$141,767 and \$137,866 in 2016, 2015 and 2014, respectively.

These tables contain condensed financial information of LSV:

**Condensed Statement of Operations**  
Year ended December 31,

	2016	2015	2014
Revenues	\$ 399,462	\$ 427,653	\$ 422,064
Net income	\$ 323,381	\$ 352,845	\$ 356,824

**Condensed Balance Sheets**  
December 31,

	2016	2015
Current assets	\$ 125,872	\$ 127,225
Non-current assets	1,927	2,375
Total assets	\$ 127,799	\$ 129,600
Current liabilities	\$ 39,303	\$ 40,876
Partners' capital	88,496	88,724
Total liabilities and partners' capital	\$ 127,799	\$ 129,600

In April 2016, LSV provided an interest in the partnership to select key employees which reduced the ownership percentage of each existing partner on a pro-rata basis. As a result, the Company's total partnership interest in LSV was reduced from approximately 39.2 percent to approximately 38.9 percent.

**Guaranty Agreement with LSV Employee Group III**

In October 2012, a group of existing employees of LSV formed a new limited liability company called LSV Employee Group III and agreed to purchase a portion of the partnership interest of existing LSV employees for \$77,700, of which \$69,930 was financed through syndicated term loan facilities contained in a credit agreement with The PrivateBank and Trust Company. LSV Employee Group III owns the purchased partnership interest. The Company provided an unsecured guaranty for \$45,000 of the obligations of LSV Employee Group III to the lenders through a guaranty agreement. In addition, LSV agreed to provide an unsecured guaranty for the remaining \$24,930 of the obligations of LSV Employee Group III to the lenders through a separate guaranty agreement. In September 2014, LSV Employee Group III made the final principal payment related to the term loan guaranteed by LSV.

With regard to the loan facility guaranteed by the Company, the lenders will have the right to seek payment from the Company in the event of a default by LSV Employee Group III. The loan facility has a five year term and will be repaid from the quarterly distributions of LSV. No principal payments were made by LSV Employee Group III on the loan facility guaranteed by the Company until the separate loan facility guaranteed by LSV was fully repaid.

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

As of January 31, 2017, the remaining unpaid principal balances of the term loan guaranteed by the Company was \$5,657. The Company, in its capacity as guarantor, currently has no obligation of payment relating to the term loan of LSV Employee Group III and, furthermore, fully expects that LSV Employee Group III will meet all of their future obligations regarding the term loan.

**Note 3 – Variable Interest Entities – Investment Products**

The Company or its affiliates have created numerous investment products for its clients in various types of legal entity structures. The Company serves as the Manager, Administrator and Distributor for these investment products and may also serve as the Trustee for some of the investment products. 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 investment products 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 investment products either do not meet the definition of a VIE or the Company does not hold a variable interest in the investment products. Some of the investment products qualify for the money market scope exception, are limited partnerships which have substantive kick-out rights, or are investment products in which the Company's asset management, distribution, administration and custodial fees are commensurate with the services provided and include fair terms and conditions. The Company acts as a fiduciary and does not hold any other interests other than insignificant seed money investments. For this reason, the Company also concluded that it is not required to consolidate the pooled investment vehicles under the VIE 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 \$41,227, \$55,713 and \$54,083 in fees during 2016, 2015 and 2014, respectively.

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

##### Receivables

Receivables on the accompanying Consolidated Balance Sheets consist of:

	2016	2015
Trade receivables	\$ 48,683	\$ 47,179
Fees earned, not billed	168,971	154,919
Other receivables	10,826	21,574
	<u>228,480</u>	<u>223,672</u>
Less: Allowance for doubtful accounts	(523)	(649)
Receivables, net	<u>\$ 227,957</u>	<u>\$ 223,023</u>

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

##### Property and Equipment

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

	2016	2015
Buildings	\$ 152,171	\$ 151,604
Equipment	106,759	86,941
Land	10,030	10,003
Purchased software	128,008	122,433
Furniture and fixtures	17,292	16,143
Leasehold improvements	15,175	15,393
Construction in progress	2,077	961
	<u>431,512</u>	<u>403,478</u>
Less: Accumulated depreciation	(285,322)	(259,501)
Property and Equipment, net	<u>\$ 146,190</u>	<u>\$ 143,977</u>

Depreciation expense related to property and equipment for 2016, 2015 and 2014 was \$26,440, \$24,044 and \$22,448, respectively.

During 2015, the Company determined that certain purchased software related to the SEI Wealth Platform is no longer in use and wrote off \$522 of the software classified as Purchased software reported under the Private Banks business segment. The expense associated with the write off of the software is included in Facilities, supplies and other costs on the accompanying Consolidated Statement of Operations.

##### Other Assets

Other assets consist of long-term prepaid expenses, deposits, other investments at cost and various other assets. Amortization expense for certain other assets for 2016, 2015 and 2014 was \$345, \$229 and \$227, respectively.

## Accrued Liabilities

Accrued Liabilities on the accompanying Consolidated Balance Sheets consist of:

	2016	2015
Accrued employee compensation	\$ 79,735	\$ 74,687
Accrued consulting, outsourcing and professional fees	24,428	21,575
Accrued sub-advisory, distribution and other asset management fees	41,666	32,674
Accrued dividend payable	44,596	42,625
Other accrued liabilities	50,100	46,026
Accrued liabilities	<u>\$ 240,525</u>	<u>\$ 217,587</u>

## Note 5 – 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 and investment grade commercial paper 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 2020 to 2041.

The Company has retrospectively adopted ASU No. 2015-07, Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (ASU 2015-07) during 2016 for all periods presented. 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. In accordance with ASU 2015-07, this investment has not been classified in the fair value hierarchy.

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 Company had no Level 3 financial assets or liabilities at December 31, 2016 or 2015. There were no transfers of financial assets between levels within the fair value hierarchy during 2016.

### Valuation of GNMA, Other U.S. Government Agency Securities and Investment Grade Commercial Paper

All of the Company's investments in GNMA, FHLB and other U.S. government agency securities and investment grade commercial paper are held in accounts at well-established financial institutions. The Company's selection of a financial institution for the purpose of purchasing securities considered a number of various factors including, but not limited to, securities pricing policies and procedures utilized by that financial institution. Each financial institution utilizes the services of independent pricing vendors. These vendors utilize evaluated and industry accepted pricing models that vary by asset class and incorporate available trade, bid and other market information to determine the fair value of the securities. The market inputs, listed in approximate order of priority, include: benchmark yields, reported trade, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. The Company evaluated the information regarding the pricing methodologies and processes utilized by the independent pricing vendors during the selection process of the financial institution. The Company analyzed this information for the purpose of classifying the securities into the appropriate level within the fair value hierarchy and to ensure that each pricing model for each asset class provided the fair value of those specific securities in accordance with generally accepted accounting principles. The Company continually monitors the price of each security for any unanticipated deviations from the previously quoted price or deviations from anticipated changes in a security's price based upon an assessment of market factors and other factors relative to a specific issue expected to affect a security's price. In the event of any unanticipated deviations in a security's price, additional analysis is conducted which may include the comparison of the security's price as determined by other independent pricing vendors. The Company's investments in GNMA, FHLB and other U.S. government agency securities and investment grade commercial paper have been recorded at the prices provided by the independent pricing vendor without adjustment.

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

	December 31, 2016	Fair Value Measurements at Reporting Date Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<b>Assets</b>			
Equity available-for-sale securities	\$ 9,581	\$ 9,581	\$ —
Fixed-income available-for-sale securities	74,452	—	74,452
Fixed-income securities owned	21,339	—	21,339
Investment funds sponsored by LSV (1)	4,858		
	<u>\$ 110,230</u>	<u>\$ 9,581</u>	<u>\$ 95,791</u>

	December 31, 2015	Fair Value Measurements at Reporting Date Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<b>Assets</b>			
Equity available-for-sale securities	\$ 10,657	\$ 10,657	\$ —
Fixed-income available-for-sale securities	70,637	—	70,637
Fixed-income securities owned	21,235	—	21,235
Investment funds sponsored by LSV (1)	4,039		
	<u>\$ 106,568</u>	<u>\$ 10,657</u>	<u>\$ 91,872</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 6).

#### Note 6 – Marketable Securities

##### Investments Available For Sale

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

	At December 31, 2016			
	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
SEI-sponsored mutual funds	\$ 7,357	\$ 24	\$ (996)	\$ 6,385
Equities and other mutual funds	2,968	228	—	3,196
Debt securities	74,843	—	(391)	74,452
	<u>\$ 85,168</u>	<u>\$ 252</u>	<u>\$ (1,387)</u>	<u>\$ 84,033</u>

	At December 31, 2015			
	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
SEI-sponsored mutual funds	\$ 8,474	\$ —	\$ (742)	\$ 7,732
Equities and other mutual funds	2,857	68	—	2,925
Debt securities	70,308	329	—	70,637
	<u>\$ 81,639</u>	<u>\$ 397</u>	<u>\$ (742)</u>	<u>\$ 81,294</u>

Net unrealized holding losses at December 31, 2016 and 2015 were \$836 (net of income tax benefit of \$299) and \$302 (net of income tax benefit of \$43), respectively. These net unrealized losses are reported as a separate component of Accumulated other comprehensive loss on the accompanying Consolidated Balance Sheets.

There were gross realized gains of \$284 and gross realized losses of \$869 from available-for-sale securities during 2016. In 2015, there were gross realized gains of \$489 and gross realized losses of \$729 from available-for-sale securities. There were

gross realized gains of \$1,401 and gross realized losses of \$448 from available-for-sale securities during 2014. Gains and losses from available-for-sale securities, including amounts reclassified from accumulated comprehensive income (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 related to the startup of investment funds sponsored by LSV. The Company records this investment on the accompanying Consolidated Balance Sheets at fair value. Unrealized gains and losses from the change in fair value of these funds are recognized in Net gain (loss) from investments on the accompanying Consolidated Statements of Operations.

The investment primarily consists of U.S. dollar denominated funds that invests in equity securities of Canadian, Australian and Japanese companies. The underlying securities held by the funds are translated into U.S. dollars within the funds. The funds had a fair value of \$4,858 and \$4,039 at December 31, 2016 and 2015, respectively. The Company recognized gains of \$819 and losses of \$389 and \$326 from the change in fair value of the funds during 2016, 2015 and 2014, respectively.

#### **Securities Owned**

The Company's broker-dealer subsidiary, SIDCO, has investments in U.S. government agency and commercial paper securities with maturity dates less than one year. These investments are reflected as Securities owned on the accompanying Consolidated Balance Sheets. Due to specialized accounting practices applicable to investments by broker-dealers, the securities are reported at fair value and changes in fair value are recorded in current period earnings. The securities had a fair value of \$21,339 and \$21,235 at December 31, 2016 and 2015, respectively. There were no material net gains or losses from the change in fair value of the securities during 2016, 2015 and 2014.

#### **Note 7 – Lines of Credit**

On June 13, 2016 (the Closing Date), the Company entered into a new five-year \$300,000 Credit Agreement (the Credit Facility) with Wells Fargo Bank, National Association (Wells Fargo) 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 percent to 1.00 percent or the London InterBank Offered Rate (LIBOR) plus a premium that can range from 1.25 percent to 2.00 percent 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 percent, b) the prime commercial lending rate of Wells Fargo, c) the applicable LIBOR plus 1.00 percent, or d) 0 percent. 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 percent of the amount of the unused portion to 0.30 percent, 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 Credit Facility contains covenants that restrict the ability of the Company to engage in mergers, consolidations, asset sales, investments, transactions with affiliates, or to incur liens, as defined in the agreement. In the event of a default under the Credit Facility, the Company would also be restricted from paying dividends on, or repurchasing, its common stock without the approval of the lenders. None of the covenants of the Credit Facility negatively affect the Company's liquidity or capital resources. Upon the occurrence of certain financial or economic events, significant corporate events, or certain other events of default constituting an event of default under the Credit Facility, all loans outstanding may be declared immediately due and payable and all commitments under the agreement may be terminated. The Company had no borrowings under the Credit Facility at December 31, 2016. The Company was in compliance with all covenants of the Credit Facility during 2016.

Prior to entering into the Credit Facility, the Company maintained a \$300,000 revolving line of credit through a Credit Agreement with Wells Fargo Bank, National Association, and a syndicate of other lenders (the 2012 Credit Facility). There was a commitment fee equal to 0.15 percent per annum on the daily unused portion of the facility charged to the Company. The 2012 Credit Facility contained covenants that restricted the ability of the Company to engage in mergers, consolidations, asset sales, investments, transactions with affiliates, or to incur liens, as defined in the agreement. The Company had no borrowings through the 2012 Credit Facility at December 31, 2015. None of the covenants of the 2012 Credit Facility negatively affected the Company's liquidity or capital resources. The Company was in compliance with all covenants of the 2012 Credit Facility during 2016 while active.

The Company incurred \$531, \$483 and \$458 in commitment fees relating to all lines of credit during 2016, 2015 and 2014, respectively, which are reflected in Interest expense on the accompanying Consolidated Statements of Operations.



## Note 8 – Shareholders' Equity

### Stock-Based Compensation

The Company's active equity compensation plan, the 2014 Omnibus Equity Compensation Plan (the 2014 Plan), is the successor plan to the 2007 Equity Compensation Plan (the 2007 Plan) which was merged with and into the 2014 Plan in May 2014. The 2014 Plan provides for the grant of stock options, stock units, stock awards, stock appreciation rights, dividend equivalents and other stock-based awards.

Outstanding grants under the 2007 Plan will continue according to the terms in effect before the plan merger, but the outstanding shares will be issued or transferred under the 2014 Plan. Permitted grantees under the 2014 Plan include employees, non-employee directors and consultants who perform services for the Company. The plan is administered by the Compensation Committee of the Board of Directors of the Company. The Company has only non-qualified stock options outstanding under the 2014 Plan.

All outstanding stock options have performance-based vesting provisions that tie the vesting of stock options to the Company's financial performance. The Company's stock options vest at a rate of 50 percent when a specified diluted earnings per share target is achieved, and the remaining 50 percent 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. Earnings per share targets are calculated exclusive of stock-based compensation expense, net of tax. The diluted earnings per share targets are established at time of grant and are measured annually on December 31. The amount of stock-based compensation expense is based upon management's estimate of when the earnings per share targets may be achieved. If management's estimate of the attainment of the earnings per share targets proves to be inaccurate, the remaining amount of stock-based compensation expense could 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 net income and net income per share.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of stock options on the date of grant using an option-pricing model is affected by the price of the Company's common stock as well as other variables. These variables include expected stock price volatility over the term of the awards, actual and projected employee stock exercise behaviors, risk-free interest rate and expected dividends. The Company primarily uses historical data to estimate the variables used in the option-pricing model except expected volatility. The Company uses a combination of historical and implied volatility. The Company estimates forfeitures at the time of grant and may revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting forfeitures and record stock-based compensation expense only for those awards that are expected to vest. Stock-based compensation is amortized over the requisite service periods of the awards, which are generally the vesting periods.

The weighted average fair value of the Company's stock options granted during 2016, 2015 and 2014 were \$12.43, \$12.16 and \$10.88, respectively, using the following assumptions:

	2016	2015	2014
Expected term (in years)	6.00	5.58	6.79
Expected volatility	25.44%	23.86%	26.98%
Expected dividend yield	1.10%	1.00%	1.15%
Risk-free interest rate	2.18%	1.90%	2.04%

The Company recognized stock-based compensation expense in its Consolidated Financial Statements in 2016, 2015 and 2014 as follows:

	2016	2015	2014
Stock-based compensation expense	\$ 16,017	\$ 17,312	\$ 13,463
Less: Deferred tax benefit	(5,612)	(6,107)	(4,704)
Stock-based compensation expense, net of tax	\$ 10,405	\$ 11,205	\$ 8,759

During 2016 and 2015, the Company revised its estimate of when some vesting targets were expected to be achieved. These changes in management's estimate of stock-based compensation expense were not material in 2016 or 2015.

As of December 31, 2016, there was approximately 11,377,000 unvested employee stock options with an unrecognized compensation cost of \$77,005 that the Company expects will vest and be expensed through 2022 with a weighted average period of 2.3 years.

This table presents certain information relating to the Company's stock option plans for 2016, 2015 and 2014:

	Number of Shares	Weighted Avg. Price
Balance as of December 31, 2013	23,637,000	\$ 22.58
Granted	2,293,000	40.05
Exercised	(5,261,000)	19.52
Expired or canceled	(208,000)	28.83
Balance as of December 31, 2014	20,461,000	\$ 25.26
Granted	2,005,000	53.34
Exercised	(2,927,000)	21.44
Expired or canceled	(302,000)	28.97
Balance as of December 31, 2015	19,237,000	\$ 28.71
Granted	2,310,000	49.57
Exercised	(1,809,000)	24.82
Expired or canceled	(1,669,000)	30.86
Balance as of December 31, 2016	18,069,000	\$ 31.57
Exercisable as of December 31, 2016	6,692,000	\$ 21.28
Available for future grant as of December 31, 2016	25,156,000	

As of December 31, 2015 and 2014, there were 8,508,000 and 10,295,000 shares exercisable, respectively. The expiration dates for options outstanding at December 31, 2016 range from January 31, 2017 to December 13, 2026 with a weighted average remaining contractual life of 5.9 years.

Upon exercise of stock options, the Company will issue new shares of its common shares. The Company does not hold any shares in treasury. The total intrinsic value of options exercised during 2016 and 2015 was \$41,607 and \$76,676, respectively. The total options exercisable as of December 31, 2016 had an intrinsic value of \$187,909. The total options outstanding as of December 31, 2016 had an intrinsic value of \$321,528. The total intrinsic value for options outstanding and options exercisable is calculated as the difference between the market value of the Company's common stock as of December 31, 2016 and the exercise price of the shares. The market value of the Company's common stock as of December 30, 2016 was \$49.36 as reported by the Nasdaq Stock Market, LLC.

This table summarizes information relating to all options outstanding and exercisable at December 31, 2016:

Range of Exercise Prices (Per Share)	Options Outstanding at December 31, 2016			Options Exercisable at December 31, 2016		
	Number of Shares	Weighted Average Exercise Price (Per Share)	Weighted Average Remaining Contractual Life (Years)	Number of Shares	Weighted Average Exercise Price (Per Share)	Weighted Average Remaining Contractual Life (Years)
\$14.62 - 15.77	3,021,000	\$ 15.27	3.70	1,980,000	\$ 15.01	3.02
17.65 - 21.05	1,854,000	17.67	3.02	1,846,000	17.65	3.00
22.45 - 23.86	3,712,000	23.20	4.93	1,513,000	23.20	4.93
27.03 - 39.15	3,321,000	33.18	4.73	1,353,000	33.26	5.19
40.64 - 53.34	6,161,000	47.91	9.06	—	—	—
	18,069,000			6,692,000		

#### Employee Stock Purchase Plan

The Company has an employee stock purchase plan that provides for offerings of common stock to eligible employees at a price equal to 85 percent of the fair market value of the stock at the end of the stock purchase period, as defined. The Company has reserved 15,600,000 shares for issuance under this plan. At December 31, 2016, 11,891,000 cumulative shares have been issued. There were no material costs incurred by the Company related to the employee stock purchase plan in 2016, 2015 and 2014.

### Common Stock Buyback

The Board of Directors, under multiple authorizations, has authorized the purchase of the Company's common stock on the open market or through private transactions. As of December 31, 2016, the Company had approximately \$218,752 of authorization remaining for the purchase of common stock. The following table provides the total number of shares repurchased and the related total costs in 2016, 2015 and 2014:

Year	Total Number of Shares Repurchased	Total Cost
2016	6,600,000	\$ 294,374
2015	5,951,000	289,587
2014	7,888,000	278,357

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.

### Rights Agreement

In December 2008, the Company's Board of Directors declared a dividend distribution pursuant to a Rights Agreement (the Rights Agreement) which became effective on January 6, 2009. The purpose of the Rights Agreement is to deter coercive or unfair takeover tactics and to prevent a person or group (an Acquiring Person) from acquiring control of the Company without offering a fair price to all shareholders. Under the Rights Agreement, all common shareholders receive one Right for each common share outstanding. Each Right entitles the registered holder to purchase from the Company a unit consisting of one twenty-thousandths of a share of Series A Junior Participating Preferred Shares, \$0.05 par value per share, or a combination of securities and assets of equivalent value, at a purchase price of \$150.00 per unit, subject to adjustment. The Rights will become exercisable and trade separately from the common stock ten days following a public announcement that an Acquiring Person has beneficial ownership of more than 20 percent of the outstanding common stock of the Company or the commencement of a tender or exchange offer that would result in an Acquiring Person owning 20 percent or more of the outstanding common stock of the Company. Upon exercise, holders, other than an Acquiring Person, will have the right to purchase the common stock of the Company equal to twice the value of the exercise price of the Rights. In lieu of requiring payment of the purchase price upon exercise of the Rights following certain events, the Company may permit the holders simply to surrender the Rights, in which event they will be entitled to receive common shares and other property, as the case may be, with a value of 50 percent of what could be purchased by payment of the full purchase price. The Rights, which do not have voting rights, will expire on January 6, 2019, and may be redeemed by the Company any time until ten days following the announcement of an Acquiring Person at a price of \$0.01 per Right.

### Cash Dividends

On May 25, 2016, the Board of Directors declared a cash dividend of \$0.26 per share on the Company's common stock, which was paid on June 22, 2016, to shareholders of record on June 14, 2016. On December 13, 2016, the Board of Directors declared a cash dividend of \$0.28 per share on the Company's common stock, which was paid on January 6, 2017, to shareholders of record on December 27, 2016.

The cash dividends declared in 2016, 2015 and 2014 were \$86,657, \$82,478 and \$77,158, respectively. The Board of Directors has indicated its intention to declare future cash dividends on a semiannual basis.

**Note 9 – Accumulated Other Comprehensive Income (Loss)**

Other comprehensive income (loss) consists of net income and other gains and losses affecting shareholders' equity that are excluded from net income. Other comprehensive income (loss) includes unrealized gains and losses on available for sale securities and foreign currency translation adjustments. The Company presents other comprehensive income (loss) in its Consolidated Statements of Comprehensive Income. Components of Accumulated other comprehensive income (loss), net of tax, consisted of:

	Foreign Currency Translation Adjustments	Unrealized Holding Gains (Losses) on Investments	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2014	\$ 101	\$ 1,386	\$ 1,487
Other comprehensive loss before reclassifications	(10,189)	441	(9,748)
Amounts reclassified from accumulated other comprehensive income	—	(634)	(634)
Net current-period other comprehensive loss	(10,189)	(193)	(10,382)
Balance, December 31, 2014	<u>\$ (10,088)</u>	<u>\$ 1,193</u>	<u>\$ (8,895)</u>
Other comprehensive loss before reclassifications	(14,900)	(1,659)	(16,559)
Amounts reclassified from accumulated other comprehensive loss	—	164	164
Net current-period other comprehensive loss	(14,900)	(1,495)	(16,395)
Balance, December 31, 2015	<u>\$ (24,988)</u>	<u>\$ (302)</u>	<u>\$ (25,290)</u>
Other comprehensive loss before reclassifications	(12,131)	(918)	(13,049)
Amounts reclassified from accumulated other comprehensive loss	—	384	384
Net current-period other comprehensive loss	(12,131)	(534)	(12,665)
Balance, December 31, 2016	<u><u>\$ (37,119)</u></u>	<u><u>\$ (836)</u></u>	<u><u>\$ (37,955)</u></u>

**Note 10 – Employee Benefit Plan**

The Company has a tax-qualified defined contribution plan (the Plan). The Plan provides retirement benefits, including provisions for early retirement and disability benefits, as well as a tax-deferred savings feature. After satisfying certain requirements, participants are vested in employer contributions at the time the contributions are made. All Company contributions are discretionary and are made from available profits. The Company contributed \$9,665, \$9,162 and \$6,157 to the Plan in 2016, 2015 and 2014, respectively.

**Note 11 – Commitments and Contingencies**

The Company leases software, facilities, and data processing equipment under non-cancelable operating leases, some which contain escalation clauses for increased taxes and operating expenses. The Company has entered into maintenance agreements primarily for its data processing equipment. Rent expense, primarily related to user licenses for software, was \$28,016, \$25,074 and \$23,011 in 2016, 2015 and 2014, respectively.

The aggregate noncancellable minimum commitments at December 31, 2016 are:

2017	\$ 5,958
2018	6,406
2019	6,715
2020	5,127
2021 and thereafter	26,821
	<u><u>\$ 51,027</u></u>

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 December 31, 2016 and 2015 related to these indemnifications.

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

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 still pending before the District Court 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, alleging claims essentially the same as those in *Lillie*. In January 2017, the Judicial Panel on Multidistrict Litigation transferred the proceeding to the Northern District of Texas and the Stanford MDL. SEI's response to the Complaint is expected to be filed during the first quarter of 2017.

Another one of the cases, 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.

The plaintiffs in two of the cases remaining in the Parish of East Baton Rouge have granted SEI and SPTC indefinite extensions to respond to the petitions.

In the 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). After the matter was removed to the United States District Court for the Northern District of Texas, that court dismissed the action under SLUSA. The Court of Appeals for the Fifth Circuit reversed that order, and the Supreme Court of the United States affirmed the Court of Appeals judgment on February 26, 2014. The matter was remanded to state court and no material activity has taken place since that date.

While the outcome of this litigation 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.

On November 26, 2014, a Writ of Summons was issued to two of our subsidiaries, SEI Investments - Global Fund Services Limited (GFSL) and SEI Investments - Depositary & Custodial Services (Ireland) Limited (D&C), to appear before the Court of First Instance Antwerp, Belgium. The plaintiffs in this case allege that through their initial investments in collective investment funds domiciled in Netherlands and subsequent transfer of claim rights to a Belgium domiciled partnership, they are beneficial owners of a portfolio of life settlement policies (the Portfolio) which lapsed due to a failure to make premium payments. The plaintiffs seek to recover jointly and severally from nine defendants including GFSL and D&C.

damages of approximately \$84 million. GFSL and D&C's involvement in the litigation appears to arise out of their historical provision of administration and custody services, respectively, to the Strategic Life Settlement Fund PLC, who, together with its managers, appear to be the principal defendants in this claim. On December 4, 2015, the Belgium Court dismissed plaintiffs' claims for a lack of jurisdiction. On December 22, 2015, the plaintiffs appealed the dismissal. The appeal is still pending.

While the outcome of this action is uncertain given its early phase and the lack of specific theories of liability asserted against GFSL and D&C, each of GFSL and D&C believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuit vigorously, and GFSL and D&C are not reasonably able to provide an estimate of the ultimate loss, if any, with respect to this lawsuit.

#### Note 12 – Income Taxes

The federal and state and foreign income tax provision is summarized as follows:

Year Ended December 31,	2016	2015	2014
<b>Current</b>			
Federal	\$ 158,411	\$ 159,774	\$ 155,273
State	10,500	7,756	8,744
Foreign	5,137	5,224	5,254
	<u>174,048</u>	<u>172,754</u>	<u>169,271</u>
<b>Deferred</b>			
Federal	788	(5,343)	1,667
State	(168)	1,414	11
	<u>620</u>	<u>(3,929)</u>	<u>1,678</u>
Total income taxes	<u>\$ 174,668</u>	<u>\$ 168,825</u>	<u>\$ 170,949</u>

Annual tax provisions include amounts considered sufficient to pay assessments that may result from examination of prior year tax returns; however, the amount ultimately paid upon resolution of issues raised may differ materially from the amount accrued. The examination and the resolution process may last longer than one year.

The components of Income before income taxes are summarized as follows:

Year Ended December 31,	2016	2015	2014
Domestic	\$ 481,760	\$ 472,384	\$ 475,175
Foreign	26,725	28,096	14,487
	<u>\$ 508,485</u>	<u>\$ 500,480</u>	<u>\$ 489,662</u>

The effective income tax rate differs from the federal income tax statutory rate due to the following:

Year Ended December 31,	2016	2015	2014
Statutory rate	35.0 %	35.0 %	35.0 %
State taxes, net of federal tax benefit	1.3	1.6	1.2
Foreign tax expense and tax rate differential	(0.8)	(1.2)	(0.7)
Research and development tax credit	(0.8)	(0.6)	(0.4)
Domestic Production Activities Deduction	(0.6)	(0.6)	(0.4)
Net change in uncertain tax positions	—	—	0.3
Settlement of state tax petition	—	(0.8)	—
Other, net	0.2	0.3	(0.1)
	<u>34.3 %</u>	<u>33.7 %</u>	<u>34.9 %</u>

The decrease in the Company's effective income tax rate in 2015 was primarily due to a one-time reduction resulting from a favorable settlement of a tax petition filed with the State of Pennsylvania relating to the apportionment methodology of net income for prior years.

Undistributed earnings of the Company's foreign subsidiaries amounted to approximately \$106,122 at December 31, 2016. Those earnings are considered to be indefinitely reinvested and, accordingly, no U.S. federal and state income taxes have been provided thereon. Upon distribution of those earnings, in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes, subject to an adjustment for foreign tax credits, and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of

the complexities associated with its hypothetical calculation, including the availability, or lack thereof, of foreign tax credits to reduce a portion of the U.S. liability.

Deferred income taxes for 2016, 2015 and 2014 reflect the impact of temporary differences between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. Significant components of our deferred tax assets and liabilities at December 31, 2016 and 2015 are as follows:

Year Ended December 31,	2016	2015
<b>Deferred Tax Assets:</b>		
Stock-based compensation expense	\$ 33,459	\$ 34,739
Foreign and state net operating loss carryforward	20,049	19,580
Basis differences in investments	6,165	6,439
Federal benefit of state tax deduction for uncertain tax positions	3,647	3,014
Revenue and expense recognized in different periods for financial reporting and income tax purposes	5,022	4,675
Other assets	813	1,793
Total deferred income tax assets	69,155	70,240
Less: valuation allowance	(17,922)	(14,548)
Net deferred income tax assets	\$ 51,233	\$ 55,692
<b>Deferred Tax Liabilities:</b>		
Capitalized software currently deductible for tax purposes, net of amortization	\$ (107,897)	\$ (111,174)
Difference in financial reporting and income tax depreciation methods	(5,190)	(2,695)
Difference between book and tax basis of other assets	(4,597)	(4,294)
Other liabilities	(1,115)	(557)
Total deferred income tax liabilities	\$ (118,799)	\$ (118,720)
Net deferred income tax liabilities	\$ (67,566)	\$ (63,028)

The valuation allowances against deferred tax assets at December 31, 2016 and 2015 are related to state net operating losses from certain domestic subsidiaries as well as foreign net operating losses from certain foreign subsidiaries. Certain state and foreign tax statutes significantly limit the utilization of net operating losses for domestic and foreign subsidiaries. Furthermore, these net operating losses cannot be used to offset the net income of other subsidiaries.

The Company recognizes uncertain tax positions in accordance with the applicable accounting guidance and adjusts these liabilities when management's judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. The Company's total unrecognized tax benefit, not including interest and penalties, as of December 31, 2016 was \$17,287, of which \$14,868 would affect the effective tax rate if the Company were to recognize the tax benefit. The gross amount of uncertain tax liability of \$3,866 which is expected to be paid within one year is netted against the current payable account while the remaining amount of \$14,645 is included in Other long-term liabilities on the accompanying Consolidated Balance Sheets. During the year ended December 31, 2016, the Company recognized \$2,370 of previously unrecognized tax benefits relating to the lapse of the statute of limitation.

The Company files a consolidated federal income tax return and separate income tax returns with various states. Certain subsidiaries of the Company file tax returns in foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examination for years before 2013 and is no longer subject to state, local or foreign income tax examinations by authorities for years before 2009.

A reconciliation of the beginning and ending amount of unrecognized tax benefit is as follows:

	2016	2015	2014
Balance as of January 1	\$ 14,517	\$ 14,018	\$ 12,028
Tax positions related to current year:			
Gross additions	3,756	1,954	1,957
Tax positions related to prior years:			
Gross additions	1,762	297	1,369
Settlements	(378)	—	—
Lapses on statute of limitations	(2,370)	(1,752)	(1,336)
Balance as of December 31	<u>\$ 17,287</u>	<u>\$ 14,517</u>	<u>\$ 14,018</u>

The above reconciliation of the gross unrecognized tax benefit will differ from the amount which would affect the effective tax rate because of the recognition of the federal and state tax benefits.

The Company classifies all interest and penalties as income tax expense. The Company has recorded \$1,227, \$1,391 and \$1,066 in liabilities for tax-related interest and penalties in 2016, 2015 and 2014, respectively.

The Company estimates it will recognize \$3,866 of unrecognized tax benefits within the next twelve months due to lapses on the statute of limitation.

The Company includes its direct and indirect subsidiaries in its U.S. consolidated federal income tax return. The Company's tax sharing allocation agreement provides that any subsidiary having taxable income will pay a tax liability equivalent to what that subsidiary would have paid if it filed a separate income tax return. If the separately calculated federal income tax provision for any subsidiary results in a tax loss, the current benefit resulting from such loss, to the extent utilizable on a separate return basis, is accrued and paid to that subsidiary.

### Note 13 – Business Segment Information

The Company's reportable business segments are:

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

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

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

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

Investments in New Businesses – focuses on providing investment management programs to ultra-high-net-worth families residing in the United States; developing internet-based investment services and advice solutions; entering new markets; and conducting other research and development activities.

In 2016, 2015 and 2014, no single customer accounted for more than ten percent of revenues in any business segment.



The following tables highlight certain financial information about each of the Company's business segments for the years ended December 31, 2016, 2015 and 2014:

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
<b>For the Year Ended December 31, 2016</b>						
Revenues	\$ 457,886	\$ 330,677	\$ 312,584	\$ 294,390	\$ 6,008	\$ 1,401,545
Expenses	421,188	180,140	153,117	191,127	20,962	966,534
Operating profit (loss)	\$ 36,698	\$ 150,537	\$ 159,467	\$ 103,263	\$ (14,954)	\$ 435,011
Gain on sale of subsidiary	2,791	—	—	—	—	2,791
Total profit (loss)	\$ 39,489	\$ 150,537	\$ 159,467	\$ 103,263	\$ (14,954)	\$ 437,802

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
<b>For the Year Ended December 31, 2015</b>						
Revenues	\$ 456,516	\$ 306,620	\$ 297,568	\$ 267,963	\$ 5,541	\$ 1,334,208
Expenses	410,975	171,968	145,851	172,094	20,656	921,544
Operating profit (loss)	\$ 45,541	\$ 134,652	\$ 151,717	\$ 95,869	\$ (15,115)	\$ 412,664
Gain on sale of subsidiary	2,791	—	—	—	—	2,791
Total profit (loss)	\$ 48,332	\$ 134,652	\$ 151,717	\$ 95,869	\$ (15,115)	\$ 415,455

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
<b>For the Year Ended December 31, 2014</b>						
Revenues	\$ 441,467	\$ 283,811	\$ 284,677	\$ 251,310	\$ 4,740	\$ 1,266,005
Expenses	399,620	146,500	140,659	159,176	18,377	864,332
Operating profit (loss)	\$ 41,847	\$ 137,311	\$ 144,018	\$ 92,134	\$ (13,637)	\$ 401,673
Gain on sale of subsidiary	5,582	—	—	—	—	5,582
Total profit (loss)	\$ 47,429	\$ 137,311	\$ 144,018	\$ 92,134	\$ (13,637)	\$ 407,255

A reconciliation of the total reported for the business segments to income from operations in the Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014 is as follows:

Year Ended December 31,	2016	2015	2014
Total operating profit from segments above	\$ 435,011	\$ 412,664	\$ 401,673
Corporate overhead expenses	(59,317)	(54,451)	(48,889)
Income from operations	\$ 375,694	\$ 358,213	\$ 352,784

The following tables provide additional information for the years ended December 31, 2016, 2015 and 2014 pertaining to our business segments:

Year Ended December 31,	Capital Expenditures (1)			Depreciation		
	2016	2015	2014	2016	2015	2014
Private Banks	\$ 45,940	\$ 41,972	\$ 30,883	\$ 13,222	\$ 12,348	\$ 13,393
Investment Advisors	17,610	13,206	13,783	3,880	3,410	2,507
Institutional Investors	4,319	5,301	4,575	1,367	1,200	1,041
Investment Managers	11,209	10,119	9,505	4,877	4,040	2,917
Investments in New Businesses	726	736	2,547	2,197	2,278	1,983
Total from business segments	\$ 79,804	\$ 71,334	\$ 61,293	\$ 25,543	\$ 23,276	\$ 21,841
Corporate Overhead	1,985	2,547	2,053	897	768	607
	\$ 81,789	\$ 73,881	\$ 63,346	\$ 26,440	\$ 24,044	\$ 22,448

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

Year Ended December 31,	Amortization		
	2016	2015	2014
Private Banks	\$ 31,675	\$ 29,819	\$ 24,993
Investment Advisors	10,458	9,880	9,228
Institutional Investors	1,674	1,558	1,430
Investment Managers	1,092	1,029	954
Investments in New Businesses	146	116	1,846
Total from business segments	\$ 45,045	\$ 42,402	\$ 38,451
Corporate Overhead	347	228	228
	\$ 45,392	\$ 42,630	\$ 38,679

	Total Assets	
	2016	2015
Private Banks	\$ 471,435	\$ 451,079
Investment Advisors	160,717	138,459
Institutional Investors	109,879	105,443
Investment Managers	158,621	154,432
Investments in New Businesses	4,910	5,355
Total from business segments	\$ 905,562	\$ 854,768
Corporate Overhead (2)	731,261	733,860
	\$ 1,636,823	\$ 1,588,628

(2) Unallocated assets primarily consist of cash and cash equivalents, marketable securities, and certain other shared services assets.

The following table presents revenues based on the location of the use of the products or services:

For the Year Ended December 31,	2016	2015	2014
United States	\$ 1,191,640	\$ 1,123,165	\$ 1,063,223
International operations	209,905	211,043	202,782
	\$ 1,401,545	\$ 1,334,208	\$ 1,266,005

The following table presents assets based on their location:

	2016	2015
United States	\$ 1,317,235	\$ 1,330,738
International operations	319,588	257,890
	\$ 1,636,823	\$ 1,588,628

#### Note 14 – Related Party Transactions

The Company, either by itself or through its wholly-owned subsidiaries, serves as the sponsor, administrator, investment advisor, distributor and shareholder servicer for SEI-sponsored investment products. These investment products are offered to clients of the Company and its subsidiaries. Fees earned by the Company for the related services are recognized pursuant to the provisions of investment advisory, fund administration, distribution, and shareholder services agreements directly with the investment products. These fees totaled \$431,318, \$426,301 and \$411,206 in 2016, 2015 and 2014, respectively, and are reflected in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations. The Company also serves as an introducing broker-dealer for securities transactions of SEI-sponsored investment products. The Company recognized \$561, \$365 and \$2,332 in commissions during 2016, 2015 and 2014, respectively. These fees are reflected in Transaction-based and trade execution fees on the accompanying Consolidated Statements of Operations.

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

**Note 15 – Sale of SEI Asset Korea**

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

On March 28, 2013, all conditions subject to closing the transaction were satisfied and all ownership interests in SEI AK were transferred to Barings. Under the terms of the agreement, a portion of the purchase price was paid upon closing with up to an additional \$11,220 payable to the Company as a contingent purchase price with respect to three one-year periods ending on December 31, 2013, 2014 and 2015 depending upon whether SEI AK achieves specified revenue measures during such periods. The Company recognized a pre-tax gain of \$5,582, or \$0.02 diluted earnings per share, during 2014 and a pre-tax gain of \$2,791, or \$0.01 diluted earnings per share, during 2015 and 2016. The Company's gains from the sale of SEI AK are included in Gain on sale of subsidiary on the accompanying Consolidated Statement of Operations.

**Note 16 – Quarterly Financial Data (Unaudited)**

2016	For the Three Months Ended			
	March 31	June 30	September 30	December 31(1)
Revenues	\$ 334,263	\$ 343,831	\$ 354,641	\$ 368,810
Income before income taxes	\$ 119,638	\$ 124,904	\$ 130,890	\$ 133,053
Net income	\$ 77,497	\$ 81,005	\$ 86,704	\$ 88,611
Basic earnings per share	\$ 0.48	\$ 0.50	\$ 0.54	\$ 0.55
Diluted earnings per share (2)	\$ 0.47	\$ 0.49	\$ 0.53	\$ 0.55
Effective income tax rate	35.2%	35.2%	33.8%	33.4%

(1) During the fourth quarter 2016, the Company recognized a performance fee of \$12,286 and a corresponding sub-advisory expense of \$6,143 associated with an SEI-sponsored investment product. These items resulted in an after-tax net profit of \$4,091, or \$0.03 diluted earnings per share.

(2) The sum of the individual quarterly earnings per share amounts may not agree with the annual earnings per share amount as each quarterly computation is based on the weighted average number of shares outstanding during that period.

2015	For the Three Months Ended			
	March 31	June 30	September 30	December 31
Revenues	\$ 325,444	\$ 337,745	\$ 335,622	\$ 335,397
Income before income taxes	\$ 131,000	\$ 133,810	\$ 120,588	\$ 115,082
Net income	\$ 84,611	\$ 86,240	\$ 79,425	\$ 81,379
Basic earnings per share	\$ 0.51	\$ 0.52	\$ 0.48	\$ 0.49
Diluted earnings per share	\$ 0.50	\$ 0.51	\$ 0.47	\$ 0.48
Effective income tax rate	35.4%	35.6%	34.1%	29.3%

**Schedule II - Valuation and Qualifying Accounts and Reserves**  
(In thousands)

SEI Investments Company  
and Subsidiaries

Year Ended December 31, Description	Balance at Beginning of Year	Additions		(Deductions)	Balance at End of Year
		Charged to Costs and Expenses	Charged to Other Accounts		
<b>Allowance for doubtful accounts:</b>					
2016	\$ 649	\$ —	\$ —	\$ (126)	\$ 523
2015	784	—	—	(135)	649
2014	651	133	—	—	784
<b>Deferred income tax valuation allowance:</b>					
2016	\$ 14,548	\$ —	\$ 3,374	\$ —	\$ 17,922
2015	16,509	(1,142)	(819)	—	14,548
2014	14,738	—	1,771	—	16,509

**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. Controls and Procedures.**

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of the end of the period covered by this annual report to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Exchange Act 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.

**Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control – Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2016.

The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

**Changes in Internal Control over Financial Reporting**

No change in our internal control over financial reporting occurred during the quarter ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information.**

None.

## PART III

### **Item 10. Directors, Executive Officers and Corporate Governance.**

#### **Identification of Directors**

Information with respect to the members of the Board of Directors of the Company is set forth under the caption "Election of Directors" in the Company's definitive proxy statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

#### **Identification of Executive Officers**

The Board of Directors of the Company has determined that the Company's executive officers within the meaning of Rule 3b-7 promulgated under the Securities Exchange Act of 1934, as amended, are as follows:

ALFRED P. WEST, JR., 74, has been the Chairman of the Board of Directors and Chief Executive Officer of the Company since its inception in 1968. Mr. West was President from June 1979 to August 1990.

KEVIN P. BARR, 51, has been an employee of the Company since May 2000. Mr. Barr has been an Executive Vice President since May 2008.

ROBERT F. CRUDUP, 69, has been an employee of the Company since 1987. Mr. Crudup has been an Executive Vice President since January 2001.

KATHY C. HEILIG, 58, has been an employee of the Company since November 1987. Ms. Heilig has been Chief Accounting Officer and Controller since May 1999. Ms. Heilig was Treasurer from May 1997 to May 2005.

N. JEFFREY KLAUDER, 64, has been Executive Vice President and General Counsel of the Company since August 2004. Prior to August 2004, Mr. Klauder was a partner of Morgan Lewis & Bockius, LLP, a law firm.

PAUL F. KLAUDER, 49, has been an employee of the Company since May 1993. Mr. Klauder has been an Executive Vice President since February 2016 and a Senior Vice President since May 2004.

DENNIS J. MCGONIGLE, 56, has been an employee of the Company since August 1985. Mr. McGonigle has been the Chief Financial Officer since December 2002 and an Executive Vice President since July 1996 and a Senior Vice President since May 1995.

STEPHEN G. MEYER, 52, has been an employee of the Company since November 1992. Mr. Meyer has been an Executive Vice President since December 2006 and a Senior Vice President since December 2005.

JOSEPH P. UJOBAL, 55, has been an employee of the Company since May 1998. Mr. Ujobai has been an Executive Vice President since May 2003 and a Senior Vice President since January 2001.

WAYNE M. WITHROW, 61, has been an employee of the Company since January 1990. Mr. Withrow has been an Executive Vice President since March 2000 and a Senior Vice President since January 1994. Mr. Withrow was Chief Information Officer from March 2000 to May 2002.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Information with respect to the Section 16(a) compliance of the directors and executive officers of the Company is set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive proxy statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

#### **Code of Conduct**

The Company has adopted a Code of Conduct applicable to all of its employees, including its executive officers, as well as a Code of Ethics for Senior Financial Officers. The Code of Conduct and the Code of Ethics for Senior Financial Officers is posted on our website, [www.seic.com](http://www.seic.com) under the Investors/Corporate Governance section.

### **Item 11. Executive Compensation.**

Information required by this item is set forth under the caption "Executive Compensation" in the Company's definitive proxy statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

Information required by this item is set forth under the caption "Ownership of Shares" in the Company's definitive proxy statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

The following table provides information regarding the aggregate number of securities to be issued under all of our equity compensation plans upon exercise of outstanding options, warrants, and other rights and their weighted-average exercise price as of December 31, 2016. Material features of each of the plans reflected in the table are described below.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted -average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	18,069,227	\$ 31.57	25,155,647
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>18,069,227</b>	<b>\$ 31.57</b>	<b>25,155,647</b>

(1) Consists of: (i) the 2014 Omnibus Equity Compensation Plan, and (ii) the Amended and Restated 1998 Equity Compensation Plan.

**The 2014 Omnibus Equity Compensation Plan:**

On March 19, 2014, the Board of Directors adopted the 2014 Omnibus Equity Compensation Plan (the 2014 Plan), and the Company's shareholders approved the adoption of the 2014 Plan on May 21, 2014 (the Effective Date). The 2014 Plan replaced the 2007 Equity Compensation Plan (The 2007 Plan). The 2007 Plan has been merged with and into the 2014 Plan as of the Effective Date. Outstanding grants under the 2007 Plan will continue according to the terms in effect before the plan merger, but the outstanding shares with respect to those outstanding grants will be issued or transferred under the 2014 Plan. No additional grants shall be made after the Effective Date under the 2007 Plan.

The 2014 Plan provides for grants of stock options (incentive stock options and nonqualified stock options), stock units, stock awards, stock appreciation rights (SARs), dividend equivalents and other stock-based awards to all employees (including employees who are also directors) of the Company or its subsidiaries, consultants who perform valuable services to the Company or its subsidiaries and members of the Board of Directors who are not employees of the Company. The Company has only granted nonqualified stock options under the 2014 Plan.

The 2014 Plan is administered and interpreted by the Compensation Committee (the Committee) or another committee appointed by our Board of Directors; however, the Board of Directors or its delegate will administer and interpret all grants under the 2014 Plan to non-employee directors. The Committee has the authority to (i) determine the individuals to whom grants will be made under the 2014 Plan, (ii) determine the type, size and terms and conditions of the grants, (iii) determine the time when grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability and the acceleration of exercisability, (iv) amend the terms and conditions of any previously issued grant, and (v) deal with any other matters arising under the 2014 Plan.

Options granted under the 2014 Plan may be "incentive stock options," which are intended to qualify within the meaning of Section 422 of the Internal Revenue Code, and "nonqualified stock options" which are not intended to so qualify. Options are granted under the 2014 Plan with an exercise price equal to or greater than the fair market value of the Company's common stock on the date of grant and the term of which may not exceed ten years from the date of grant. The vesting period for options commences on the date of grant, or upon the achievement of such vesting requirements, and ends on such date as is determined in each case by the Committee, in its sole discretion, which is specified in the grant agreement. Options may be exercised only while the participant is actively employed by or actively providing service to the Company unless the Committee provides for a period after such employment or service in which the option may be exercised. The Committee may only grant incentive stock options to employees of the Company or its subsidiaries.

The Committee may grant SARs to anyone eligible to participate in the 2014 Plan. Upon exercise of a SAR, the participant will receive an amount equal to the excess of the fair market value of the Company's common stock on the date of exercise over the base amount set forth in the grant agreement. Such payment to the participant will be in cash, in shares of common stock, or in a combination of cash and shares of common stock as determined by the Committee. The Committee will determine the period when SARs vest and become exercisable, the base amount of the SARs, and whether SARs will be granted in connection with, or independently of, any options. SARs may be exercised only while the participant is actively

employed by or actively providing service to the Company unless the Committee provides for a period after such employment or service in which the option may be exercised.

The Committee may grant stock units to anyone eligible to participate in the 2014 Plan. A stock unit is a phantom unit that represents the right to receive a share of common stock or an amount based on the value of a share of the Company's common stock. The Committee will determine the number of stock units that a participant will receive and the terms and conditions applicable to such stock units as specified in the grant agreement. The Committee may grant stock units that are payable at the end of a specified vesting period or if specified performance goals or other conditions are met, or under other circumstances. Such payment to the participant will be in cash, in shares of common stock, or in a combination of cash and shares of common stock. The Committee will determine the period and conditions when stock units vest. The Committee will determine in the grant agreement under what circumstances a participant may retain stock units if after employment or service with the Company prior to the vesting of any stock units and the circumstances under which a participant will forfeit stock units.

The Committee may grant dividend equivalents in connection with stock units, under such terms and conditions the Committee deems appropriate. Dividend equivalents may be paid as and when the underlying stock units are paid, or may be deferred. The dividend equivalent amount with respect to a stock unit is determined by multiplying the number of shares of the Company's common stock subject to the stock unit by the per share cash dividend, or the per share fair market value for non-cash dividends, paid by the Company with respect to a dividend record date. Dividend equivalents may be accrued as a cash obligation, or may be converted to additional stock units, and deferred dividend equivalents may accrue interest, all as determined by the Committee. The Company may provide that dividend equivalents are payable based on the achievement of specific performance goals. Dividend equivalents may be paid in cash, shares of common stock, or in a combination of the two, as determined by the Committee.

The Committee may grant stock awards to anyone eligible to participate in the 2014 Plan. A stock award is a grant of shares of the Company's common stock, which may be subject to restrictions. The Committee will determine whether a stock award will be granted, the number of shares that will be subject to such award, when and how restrictions, if any, will lapse, and whether a purchase price must be paid for the shares subject to the award. The Committee will determine the period and conditions when stock awards vest. The Committee will determine in the grant agreement under what circumstances a participant may retain stock awards if after employment or service with the Company prior to the vesting of any stock awards and the circumstances under which a participant will forfeit stock awards.

For each share of common stock that is actually issued or transferred pursuant to a grant, other than a stock option or SAR, and which is settled by the issuance of common stock, will count as three shares against the share limits. Each share of common stock that is actually issued or transferred pursuant to a stock option or SAR will count as one share against the share limits. If and to the extent grants under the 2014 Plan (including stock options granted under the 2007 Plan) terminate, expire, or are canceled, forfeited, exchanged, or surrendered without having been exercised, the shares subject to such grants will again be available for purposes of the 2014 Plan, taking into account the ratios described above.

If there is any change in the number or kind of shares of common stock outstanding by reason of a stock dividend, spin-off, recapitalization, stock split, or combination or exchange of shares, by reason of a merger, reorganization or consolidation, by reason of a recapitalization or change in par value or by reason of any other extraordinary or unusual event affecting the outstanding common stock as a class without the Company's receipt of consideration, or if the value of outstanding shares of common stock is substantially reduced as a result of a spin-off or the Company's payment of an extraordinary dividend or distribution, the maximum number of shares of common stock available for issuance under the 2014 Plan, the maximum number of shares of common stock which any individual may receive pursuant to grants in any year, the kind and number of shares covered by outstanding grants, the kind and number of shares issued and to be issued under the 2014 Plan, and the price per share or the applicable market value of such grants shall be appropriately adjusted by the Committee, in such manner as the Committee deems appropriate, to reflect any increase or decrease in the number of, or change in the kind or value of, the issued shares of common stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under the 2014 Plan and such outstanding grants.

Unless otherwise set forth in the grant agreement, with respect to stock options, stock units, stock awards, stock appreciation rights or other stock based awards, if (a) a change of control occurs and (b) during the period commencing on the date of the change of control and ending on the date that is 24 months following the change of control, the participant's employment or service is terminated (i) by the Company or its subsidiaries without "cause" (as defined in the 2014 Plan), (ii) by the participant for "good reason" (as defined in the 2014 Plan), (iii) by the Company or its subsidiaries on account of the participant's Disability (as defined in the 2014 Plan), or (iv) on account of the participant's death, then all outstanding stock options and stock appreciation rights will vest and become exercisable and all other outstanding grants will vest and all restrictions pertaining to such other grants will lapse and have no further effect.

The Board of Directors may amend or terminate the 2014 Plan at any time, subject to shareholder approval. No grants may be issued under the 2014 Plan after May 20, 2024.



As of December 31, 2016, options to acquire 17,999,227 shares were outstanding under the 2014 Plan, out of a total of 46,934,334 shares of common stock reserved for issuance under the 2014 Plan. The 2014 Plan authorizes the issuance of an additional 30,000,000 new shares of common stock. This is in addition to 16,235,712 shares of common stock which were subject to outstanding grants under the 2007 Plan as of the Effective Date and 698,622 shares of common stock which remained available for issuance or transfer under the 2007 Plan but not subject to previously exercised, vested or paid grants as of the Effective Date. A total of 25,155,647 shares of common stock remain available for issuance under the 2014 Plan for future grants.

**The 2007 Equity Compensation Plan:**

On April 3, 2007, the Board of Directors adopted the 2007 Equity Compensation Plan (the 2007 Plan), and the Company's shareholders approved the adoption of the 2007 Plan on May 23, 2007. The 2007 Plan provided for grants of stock options (incentive stock options and nonqualified stock options) and stock appreciation rights (SARs) to all employees (including employees who are also directors) of the Company or its subsidiaries, consultants who perform valuable services to the Company or its subsidiaries and members of the Board of Directors who are not employees of the Company. The Company did not grant any incentive stock options or stock appreciation rights under the 2007 Plan.

The 2007 Plan has been merged with and into the 2014 Plan as of May 21, 2014. Outstanding grants under the 2007 Plan will continue according to the terms in effect before the plan merger, but the outstanding shares with respect to those outstanding grants will be issued or transferred under the 2014 Plan. No additional grants shall be made after May 21, 2014 under the 2007 Plan.

**The 1998 Equity Compensation Plan:**

On May 21, 1998, the Board of Directors adopted the 1998 Equity Compensation Plan (the 1998 Plan), and the Company's shareholders approved the adoption of the 1998 Plan. The Board of Directors had made certain amendments to the 1998 Plan after its adoption that did not require shareholder approval. The 1998 Plan was most recently amended and restated in May 2003. The 1998 Plan provided for grants of stock options (incentive stock options and nonqualified stock options), stock appreciation rights, restricted stock and performance units to all employees (including employees who were also directors) of the Company or its subsidiaries, consultants and advisors who performed valuable services to the Company or its subsidiaries and members of the Board of Directors who were not employees of the Company. The Company did not grant any incentive stock options, stock appreciation rights, restricted stock or performance units under the 1998 Plan. The 1998 Plan was terminated by the Board of Directors in April 2007, and no further options, stock appreciation rights, restricted stock and performance units may be granted. However, options granted under the 1998 Plan prior to its termination continue in effect under the terms of the grant and the 1998 Plan.

All options that were granted under the 1998 Plan to employees and consultants were granted at the fair market value of the Company's common stock on the date of grant, become exercisable ratably upon the attainment of specific diluted earnings per share targets or in their entirety after seven years from the date of grant (for grants prior to 2006), and expire ten years from the date of grant.

As of December 31, 2016, options to acquire 70,000 shares were outstanding under the 1998 Plan, out of a total of 40,444,000 shares of common stock reserved for issuance under the 1998 Plan.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

Information required by this item is set forth under the captions "Election of Directors," "Executive Compensation," and "Director Compensation" in the Company's definitive proxy statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

**Item 14. Principal Accounting Fees and Services.**

Information required by this item is set forth under the caption "Ratification or Appointment of Independent Public Accountants" in the Company's definitive proxy statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

PART IV

**Item 15. Exhibits, Financial Statement Schedules.**

- 1 and 2. Financial Statements and Financial Statement Schedules. The following is a list of the Consolidated Financial Statements of the Company and its subsidiaries and supplementary data filed as part of Item 8 hereof:

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets — December 31, 2016 and 2015

Consolidated Statements of Operations — For the years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Comprehensive Income — For the years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Changes in Equity — For the years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Cash Flows — For the years ended December 31, 2016, 2015 and 2014

Notes to Consolidated Financial Statements

Schedule II - Valuation and Qualifying Accounts and Reserves — For the years ended December 31, 2016, 2015 and 2014

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

3. Exhibits, Including Those Incorporated by Reference. The exhibits to this Report are listed on the accompanying index to exhibits and are incorporated herein by reference or are filed as part of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 22, 2017

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on dates indicated.

Date: February 22, 2017

By: /s/ Alfred P. West, Jr.  
Alfred P. West, Jr.  
Chairman of the Board, Chief Executive Officer, and  
Director

Date: February 22, 2017

By: /s/ Carmen V. Romeo  
Carmen V. Romeo  
Director

Date: February 22, 2017

By: /s/ William M. Doran  
William M. Doran  
Director

Date: February 22, 2017

By: /s/ Kathryn M. McCarthy  
Kathryn M. McCarthy  
Director

Date: February 22, 2017

By: /s/ Sarah W. Blumenstein  
Sarah W. Blumenstein  
Director

Date: February 22, 2017

By: /s/ Carl A. Guarino  
Carl A. Guarino  
Director

## EXHIBIT INDEX

The following is a list of exhibits filed as part of this annual report on Form 10-K. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated in parentheses.

- 3.1 Articles of Incorporation of the Registrant as amended on January 21, 1983. (Incorporated by reference to exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1982.)
  - 3.1.2 Amendment to Articles of Incorporation of the Registrant, dated May 21, 1992. (Incorporated by reference to exhibit 3.1.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.)
  - 3.1.3 Amendment to Articles of Incorporation of the Registrant, dated May 26, 1994. (Incorporated by reference to exhibit 3.1.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
  - 3.1.4 Amendment to Articles of Incorporation of the Registrant, dated November 21, 1996. (Incorporated by reference to exhibit 3.1.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
  - 3.1.5 Amendment to Articles of Incorporation of the Registrant, dated February 14, 2001. (Incorporated by reference to exhibit 3.1.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.)
  - 3.2 Amended and Restated By-Laws. (Incorporated by reference to exhibit 3.2 to the Registrant's Current Report on Form 8-K dated January 6, 2009.)
  - 3.2.1 Amendment of Section 3.02 of the Amended and Restated Bylaws. (Incorporated by reference to exhibit 3.2.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.)
  - 4.1 Rights Agreement dated January 6, 2009. (Incorporated by reference to exhibit 4.1 to the Registrant's Current Report on Form 8-K dated January 6, 2009.)
  - 4.2 Statement with Respect to Shares of a Domestic Corporation amending the designations of Series A Junior Participating Preferred Shares as a series of the Series Preferred Stock of the Company, dated January 6, 2009. (Incorporated by reference to exhibit 4.1 to the Registrant's Current Report on Form 8-K dated January 6, 2009.)
- Note: Exhibits 10.4 through 10.11 constitute the management contracts and executive compensatory plans or arrangements in which certain of the directors and executive officers of the Registrant participate.
- 10.4 1998 Equity Compensation Plan, Amended and Restated as of April 8, 2003. (Incorporated by reference to exhibit 99.1 to the Registrant's Registration Statement on Form S-8 (No. 333-111224) filed December 16, 2003.)
  - 10.4.1 Amendment 2006-1 to the 1998 Equity Compensation Plan, Amended and Restated as of April 8, 2003. (Incorporated by reference to exhibit 10.4.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.)
  - 10.5 Employee Stock Purchase Plan as Amended and Restated on May 20, 2008. (Incorporated by reference to the Registrant's Current Report on Form 8-K dated May 20, 2008.)
  - 10.6 SEI Capital Accumulation Plan. (Incorporated by reference to exhibit 99(e) to the Registrant's Registration Statement on Form S-8 (No. 333-41343) filed December 2, 1997.)
  - 10.9 Employment Agreement, dated June 25, 2004, between N. Jeffrey Klauder and the Registrant. (Incorporated by reference to exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.)
  - 10.10 2007 Equity Compensation Plan. (Incorporated by reference to exhibit 10.10 to the Registrant's Current Report on Form 8-K dated April 11, 2007.)
  - 10.11 2014 Omnibus Equity Compensation Plan. (Incorporated by reference to exhibit 10.11 to the Registrant's Current Report on Form 8-K dated May 21, 2014.)
  - 10.22 Credit Facility, dated January 14, 2003 between Royal Bank of Canada and SEI Investments Canada Company, a subsidiary of SEI Investments Company. (Incorporated by reference to exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.)
  - 10.22.1 First Amendment, dated June 15, 2005 to Credit Facility, dated January 14, 2003 between Royal Bank of Canada and SEI Investments Canada Company, a subsidiary of SEI Investments Company. (Incorporated by reference to exhibit 10.22.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.)

10.22.2	Second Amendment, dated February 20, 2006 to Credit Facility, dated January 14, 2003 between Royal Bank of Canada and SEI Investments Canada Company, a subsidiary of SEI Investments Company. (Incorporated by reference to exhibit 10.22.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.)
10.24	\$300,000 Credit Agreement, dated February 2, 2012, among SEI Investments Company, the Lenders Party thereto, U.S. Bank National Association, as Syndication Agent, Citizens Bank of Pennsylvania and Manufacturers and Traders Trust Company, each as Documentation Agent, and Wells Fargo Bank, National Association, as Administrative Agent (Incorporated by reference to exhibit 10.24 to the Registrant's Current Report on Form 8-K/A dated February 2, 2012.)
10.25	Guaranty and Collateral Agreement dated as of October 1, 2012 among SEI Investments Company, LSV Employee Group III, LLC, and The PrivateBank and Trust Company. (Incorporated by reference to exhibit 10.25 to the Registrant's Current Report on Form 8-K dated October 1, 2012.)
10.26	Credit Agreement, dated as of June 13, 2016 among SEI Investments Company, the Lenders, U.S. Bank National Association, as Syndication Agent, Citizens Bank of Pennsylvania and Manufacturers and Traders Trust Company, each as Documentation Agent, and Wells Fargo Bank, National Association, as Administrative Agent (Incorporated by reference to exhibit 10.26 to the Registrant's Current Report on Form 8-K dated June 13, 2016.)
14	Code of Ethics for Senior Financial Officers. (Incorporated by reference to exhibit 14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.)
21	* Subsidiaries of the Registrant.
23.1	* Consent of KPMG LLP.
23.2	* Consent of KPMG LLP relating to the financial statements of LSV Asset Management.
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	Financial Statements of LSV Asset Management dated December 31, 2010 and 2009. (Incorporated by reference to exhibit 99.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.)
99.2	Financial Statements of LSV Asset Management dated December 31, 2011 and 2010. (Incorporated by reference to exhibit 99.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.)
99.3	Financial Statements of LSV Asset Management dated December 31, 2012 and 2011. (Incorporated by reference to exhibit 99.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.)
99.4	Financial Statements of LSV Asset Management dated December 31, 2013 and 2012. (Incorporated by reference to exhibit 99.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.)
99.5	Financial Statements of LSV Asset Management dated December 31, 2014 and 2013. (Incorporated by reference to exhibit 99.5 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.)
99.6	Financial Statements of LSV Asset Management dated December 31, 2015 and 2014. (Incorporated by reference to exhibit 99.6 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.)
99.7	* Financial Statements of LSV Asset Management dated December 31, 2016 and 2015.
101.INS	* XBRL Instance Document
101.SCH	* XBRL Taxonomy Extension Schema Document
101.CAL	* XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	* XBRL Taxonomy Extension Label Linkbase Document
101.PRE	* XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	* XBRL Taxonomy Extension Definition Linkbase Document

\* Filed herewith as an exhibit to this Annual Report on Form 10-K.

SUBSIDIARIES OF THE REGISTRANT

NAME	JURISDICTION OF ORGANIZATION OR INCORPORATION
SEI Investments Distribution Co.	Pennsylvania
SEI Investments Management Corporation	Delaware
SEI Investments Developments, Inc.	Delaware
SEI Investments Global Funds Services	Delaware
SEI Custodial Operations Company, LLC	Delaware
SEI Trust Company	Pennsylvania
SEI Funds, Inc.	Delaware
SEI Investments, Inc.	Delaware
SEI Global Investments Corporation	Delaware
SEI Investments Canada Company	Canada (Federal)
SEI Advanced Capital Management, Inc.	Delaware
SEI Global Capital Investments, Inc.	Delaware
SEI Investments Global (Cayman), Ltd.	Cayman Islands, B. W. I.
SEI Investments Global, Limited	Ireland
SEI Investments Global Fund Services, Ltd.	Ireland
SEI Global Holdings (Cayman) Inc.	Cayman Islands, B. W. I.
SEI Investments (South Africa) Limited	South Africa
SEI Primus Holding Corporation	Delaware
SEI Investments Depository & Custodial Services (Ireland) Limited	Ireland
SEI Private Trust Company	Pennsylvania
SEI Ventures, Inc.	Delaware
SEI Investments (Europe) Limited	United Kingdom
SEI SIMC Holdings, LLC	Delaware
SIMC Subsidiary, LLC	Delaware
SEI Global Nominee Ltd.	United Kingdom
SEI Insurance Group, Inc.	Pennsylvania
SEI Global Services, Inc.	Delaware
SEI Investments (Asia), Limited	Hong Kong
SEI European Services Limited	United Kingdom
SEI Trustees Limited	United Kingdom
SEI Investment Strategies, LLC	Delaware
LSV Asset Management	Delaware
SEI Institutional Transfer Agent, Inc.	Delaware
SEI Investments - Guernsey Limited	Guernsey

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
SEI Investments Company:

We consent to the incorporation by reference in the registration statements (No. 2-73997, No. 333-41343, No. 333-63709, No. 333-111224, No. 333-149549 and No. 333-197598) on Form S-8 of SEI Investments Company of our reports dated February 22, 2017, with respect to the consolidated balance sheets of SEI Investments Company and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows, for each of the years in the three-year period ended December 31, 2016, and related financial statement schedule and the effectiveness of internal control over financial reporting as of December 31, 2016, which reports appear in the December 31, 2016 annual report on Form 10-K of SEI Investments Company.

/s/ KPMG LLP

Philadelphia, PA  
February 22, 2017

**Consent of Independent Auditors**

The Board of Directors  
SEI Investments Company:

We consent to the incorporation by reference in the registration statements (No. 2-73997, No. 333-41343, No. 333-63709, No. 333-111224, No. 333-149549 and No. 333-197598) on Form S-8 of SEI Investments Company of our report dated February 22, 2017, with respect to the balance sheets of LSV Asset Management as of December 31, 2016 and 2015, and the related statements of operations, changes in partners' capital and cash flows for each of the years in the three-year period ended December 31, 2016, which report appears in the December 31, 2016 annual report on Form 10-K of SEI Investments Company.

/s/ KPMG LLP

Philadelphia, PA  
February 22, 2017



## CERTIFICATIONS

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

1. I have reviewed this Annual Report on Form 10-K 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 (the registrant's fourth quarter in the case of an annual report) 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 the registrant's board of directors (or persons performing the equivalent functions):
  - 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 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 control over financial reporting.

Date: February 22, 2017

/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 Annual Report on Form 10-K 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 (the registrant's fourth quarter in the case of an annual report) 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 the registrant's board of directors (or persons performing the equivalent functions):
  - 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 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 control over financial reporting.

Date: February 22, 2017

/s/ Dennis J. McGonigle

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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-K for the annual period ended December 31, 2016 (the "Form 10-K") 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2017

/s/ Alfred P. West, Jr.

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

Date: February 22, 2017

/s/ Dennis J. McGonigle

Dennis J. McGonigle  
Chief Financial Officer

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

# **LSV Asset Management**

**Financial Statements**

**As of December 31, 2016 and 2015 and for each of the three years in the period ended  
December 31, 2016**

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**LSV Asset Management**  
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**December 31, 2016**

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## Independent Auditors' Report

To the Management Committee and Partners of  
LSV Asset Management:

We have audited the accompanying financial statements of LSV Asset Management ("the Partnership"), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, changes in partners' capital, and cash flows for each of the years in the three-year period ended December 31, 2016, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LSV Asset Management as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2016, in accordance with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Philadelphia, PA  
February 22, 2017

**LSV Asset Management**  
**Balance Sheets**  
**December 31, 2016 and 2015**

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*(in thousands of dollars)*

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 19,863	\$ 34,483
Management fee receivables, net of allowance for doubtful accounts of \$6 and \$11	104,648	90,770
Prepaid expenses and other current assets	1,361	1,972
Total current assets	<u>125,872</u>	<u>127,225</u>
Fixed assets, net of accumulated depreciation and amortization of \$5,145 and \$4,352	1,927	2,375
Total assets	<u>\$ 127,799</u>	<u>\$ 129,600</u>
<b>Liabilities and Partners' Capital</b>		
Accrued compensation	\$ 36,104	\$ 37,721
Accrued other	1,608	1,864
Total accrued liabilities	37,712	39,585
Due to SEI Funds, Inc.	1,591	1,291
Total current liabilities	<u>39,303</u>	<u>40,876</u>
Commitments and contingencies		
Partners' capital	88,496	88,724
Total liabilities and partners' capital	<u>\$ 127,799</u>	<u>\$ 129,600</u>

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

**LSV Asset Management**  
**Statements of Operations**  
**Years Ended December 31, 2016, 2015 and 2014**

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*(in thousands of dollars)*

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Revenue</b>			
Management fees	\$ 399,462	\$ 427,653	\$ 422,064
Interest income	93	111	102
Total revenue	399,555	427,764	422,166
<b>Expenses</b>			
Compensation, benefits and other personnel	60,747	54,049	43,027
Stock based compensation	(1,181)	3,646	7,063
Consulting and professional fees	2,500	3,051	3,235
Data processing and computer related	9,631	8,889	8,051
Facilities, supplies and other costs	3,684	4,655	3,171
Depreciation and amortization	793	629	795
Total expenses	76,174	74,919	65,342
Net income	<u>\$ 323,381</u>	<u>\$ 352,845</u>	<u>\$ 356,824</u>

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



**LSV Asset Management**  
**Statements of Changes in Partners' Capital**  
**Years Ended December 31, 2016, 2015 and 2014**

---

*(in thousands of dollars)*

	<b>Partnership Capital</b>
<b>Balance, December 31, 2013</b>	\$ 95,115
Net income	356,824
Partnership distributions	(351,221)
<b>Balance, December 31, 2014</b>	100,718
Net income	352,845
Partnership distributions	(364,839)
<b>Balance, December 31, 2015</b>	88,724
Net income	323,381
Partnership distributions	(323,609)
<b>Balance, December 31, 2016</b>	<u>\$ 88,496</u>

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

**LSV Asset Management**  
**Statements of Cash Flows**  
**Years Ended December 31, 2016, 2015 and 2014**

(in thousands of dollars)

	2016	2015	2014
<b>Cash flows from operating activities</b>			
Net income	\$ 323,381	\$ 352,845	\$ 356,824
Adjustments to reconcile net income to cash provided by operating activities			
Depreciation and amortization	793	629	795
Increase (decrease) in allowance for doubtful accounts	(5)	5	(21)
Change in assets and liabilities			
Decrease (increase)			
Management fee receivables	(13,873)	11,346	(5,169)
Prepaid expenses and other current assets	611	68	(1,110)
Increase (decrease)			
Accrued compensation	(1,617)	4,941	9,361
Accrued other	(256)	358	(95)
Due to SEI Funds, Inc.	300	369	(161)
Net cash provided by operating activities	<u>309,334</u>	<u>370,561</u>	<u>360,424</u>
<b>Cash flows from investing activities</b>			
Purchases of fixed assets	(345)	(735)	(476)
Net cash used in investing activities	<u>(345)</u>	<u>(735)</u>	<u>(476)</u>
<b>Cash flows from financing activities</b>			
Partnership distributions	(323,609)	(364,839)	(351,221)
Net cash used in financing activities	<u>(323,609)</u>	<u>(364,839)</u>	<u>(351,221)</u>
Net increase (decrease) in cash and cash equivalents	(14,620)	4,987	8,727
<b>Cash and cash equivalents</b>			
Beginning of year	34,483	29,496	20,769
End of year	<u>\$ 19,863</u>	<u>\$ 34,483</u>	<u>\$ 29,496</u>

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

**LSV Asset Management**  
**Notes to Financial Statements**  
**December 31, 2016, 2015 and 2014**

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(in thousands of dollars)

**1. Background**

LSV Asset Management (“LSV” or the “Partnership”), a Delaware general partnership, is a registered investment advisor that provides management services to institutions, including pension plans and investment companies. LSV uses the Quantitative Value Analysis Method and Software to market its investment advisory services. SEI Funds, Inc. (a wholly-owned subsidiary of SEI Investments Company (“SEI”)) owns approximately 39 percent of the Partnership and the remaining portion, approximately 61 percent is owned by LSV employees and former employees. The general Partnership Agreement has been amended from time to time to include new partners when they are admitted. The partnership interest of each existing partner is diluted on a pro rata basis when a new partner is admitted.

The business and affairs of LSV are managed under the direction of the Management Committee. The Management Committee consists of the remaining original partners and certain other partners of the Partnership. The voting interest by each partner on the Management Committee differs from their partnership ownership percentage.

**2. Summary of Significant Accounting Policies**

**Cash and Cash Equivalents**

LSV considers investment instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

**Allowance for Doubtful Accounts**

LSV provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. LSV's estimate is based on historical collection experience and a review of the current status of Management fee receivables.

**Revenue Recognition and Related Receivables**

Management fee receivables on the accompanying Balance Sheets represent receivables earned and billed, as well as earned but unbilled. Unbilled receivables represent services provided but not yet billed. Management fee receivables on the accompanying Balance Sheets consist of the following:

	<b>2016</b>	<b>2015</b>
Management fee receivables	\$ 4,611	\$ 2,059
Unbilled management fee receivables	100,043	88,722
	<u>104,654</u>	<u>90,781</u>
Less: Allowance for doubtful accounts	(6)	(11)
<b>Total management fee receivables</b>	<b>\$ 104,648</b>	<b>\$ 90,770</b>

Revenues from management fees are recognized in the period in which services are performed and are calculated based upon a contractual percentage of net assets under management.

**Allocations of Net Income or Net Loss**

In accordance with the Partnership Agreement, all partnership net profits or losses are allocated among the partners in accordance with their respective ownership interests at the time the profits are realized. Such allocations are included in the “Partnership Capital” balance on the accompanying Statements of Changes in Partners' Capital.

**LSV Asset Management**  
**Notes to Financial Statements**  
**December 31, 2016, 2015 and 2014**

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**Partnership Distributions**

In accordance with the Partnership Agreement, Partners' distributions are based upon the net quarterly cash flows of the partnership. Such distributions represent reductions of partners' capital and are included in the Statements of Changes in Partners' Capital. Included in Partnership distributions are state taxes paid on certain partners' behalf and which represent a reduction in Partners' Capital.

**Guarantees and Indemnifications**

In the ordinary course of business, the Partnership from time to time enters into contracts containing indemnification obligations of the Partnership. These obligations may require the Partnership to make payments to another party upon the occurrence of certain events including the failure by the Partnership 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 Partnership. In many cases, there are no stated or notional amounts included in the indemnification provisions. There are no amounts reflected on the accompanying Balance Sheets related to these indemnifications.

**Guaranty Agreement with LSV Employee Group III**

In October 2012, a group of existing employees of LSV agreed to purchase a portion of the partnership interest of three existing LSV employees for \$77,700, of which \$69,930 was financed through two syndicated term loan facilities contained in a Credit Agreement with The PrivateBank and Northern Trust Company. The group of existing LSV employees formed a new limited liability company called LSV Employee Group III which owns the purchased partnership interest. SEI provided an unsecured guaranty for \$45,000 of the obligations of LSV Employee Group III to the lenders through a Guaranty Agreement. LSV agreed to provide an unsecured guaranty for \$24,930 of the obligations of LSV Employee Group III to the lenders through a separate guaranty agreement. The loan facility has a six year term and will be repaid from the quarterly distributions of LSV.

LSV Employee Group III made principal payments of \$15,812, \$17,189, and \$16,450 during 2016, 2015 and 2014, respectively. As of December 31, 2016, the remaining unpaid principal balance of the term loan was \$5,657.

**Fixed Assets**

Fixed assets consist of the following at December 31:

	<u>2016</u>	<u>2015</u>	<b>Estimated Useful Lives</b>
Equipment	\$ 2,779	\$ 2,424	3 to 5 years
Leasehold improvements	3,289	3,289	Lease Term
Furniture and fixtures	1,004	1,014	5 years
	<u>7,072</u>	<u>6,727</u>	
Less: Accumulated depreciation and amortization	(5,145)	(4,352)	
	<u>\$ 1,927</u>	<u>\$ 2,375</u>	

Fixed assets are recorded at historical cost. Depreciation of fixed assets is computed using the straight-line method over the estimated useful lives. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements.

# LSV Asset Management

## Notes to Financial Statements

### December 31, 2016, 2015 and 2014

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#### **Management's Use of Estimates**

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

#### **Concentration of Credit Risk**

Financial instruments which potentially expose the Partnership to concentrations of credit risk consist primarily of Cash and cash equivalents and Management fee revenue and receivables. Cash and cash equivalents deposits can be maintained with institutions in excess of federally insured limits.

Concentrations of credit risk with respect to our receivables are limited due to the large number of clients and their dispersion across geographic areas. No single group or customer represents greater than 10 percent of total revenue or Management fee receivables.

#### **Fair Value of Financial Instruments**

The Partnership's financial instruments consist primarily of cash and cash equivalents. The book value of Cash and cash equivalents, Management fee receivables and Accrued liabilities is considered to be representative of their fair value because of their short maturities. The recorded value of these financial instruments approximates their fair value at December 31, 2016 and 2015.

The accounting standard for fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The accounting standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

#### **New Accounting Pronouncements**

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The updated standard permits the use of either the retrospective or cumulative effect transition method. ASU 2014-09 currently becomes effective for LSV during 2018.

The Partnership continues to assess the impact ASU 2014-09 will have on its revenue arrangements with completion, including selecting a transition method, expected by the third quarter of 2017. The Partnership's services are completed for the client on a monthly basis. Revenue for these services should continue to be recognized monthly because of the continuous transfer of control to the client. Therefore, the adoption of this ASU is not expected to have a material impact on the recognition of revenue for the majority of the fees recognized for the services provided. The new standard provides companies with alternative methods of adoption and the Partnership is in the process of determining the method of adoption.

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**3. Commitments and Contingencies**

The Partnership has entered into various operating leases for facilities. Some of these leases contain escalation clauses. The aggregate noncancellable minimum commitments at December 31, 2016 are as follows:

2017	\$	1,083
2018		1,101
2019		1,121
2020		281
	\$	<u>3,586</u>

Rent expense which is included in Facilities, supplies and other costs on the accompanying Statements of Operations was \$1,141, \$1,120, and \$1,059 in 2016, 2015, and 2014, respectively.

**4. Income Taxes**

No federal or state income taxes are provided for by LSV as each partner is liable for income taxes on their respective share of LSV's taxable income, if any.

LSV's tax return is subject to examination by federal and state taxing authorities. If such examinations result in changes to LSV's taxable income, the tax liability of each partner would change accordingly.

**5. Related Party Transactions**

Under LSV's Partnership Agreement, SEI Funds, Inc. is responsible for performing various services to support LSV's advisory business. In connection with such services, SEI Funds, Inc. allocates certain of its costs including employee benefits and other general and administrative expenses to LSV. The total allocated costs were \$1,824, \$1,368, and \$1,368 in 2016, 2015, and 2014, respectively. The amount payable to SEI Funds, Inc. is included in the Due to SEI Funds, Inc. balance on the accompanying Balance Sheets. The balance Due to SEI Funds, Inc. is paid on a monthly basis, is non-interest bearing, and includes compensation, benefits and other general and administrative expenses.

LSV is a party to a number of portfolio investment advisory agreements with SEI Investments Management Corporation, SEI Investments Global, Limited, and SEI Investments Canada Company (all wholly-owned subsidiaries of SEI). Under these agreements, LSV receives an annual fee based on the assets under LSV's management in various SEI-sponsored funds. Total fees earned under these agreements were \$14,328, \$8,862 and \$9,726 in 2016, 2015 and 2014, respectively. The Management fee receivables balance under these agreements on the accompanying Balance Sheets included \$1,055 and \$810 of such fees at December 31, 2016 and 2015, respectively. Some LSV partners have investment interest in LSV funds. LSV receives an annual fee based on the assets under LSV's management attributable to the Partners' interest. Total fees earned from LSV partners for their investments in LSV funds were \$1,634, \$1,576, and \$1,387 in 2016, 2015 and 2014, respectively.

Following completion of eligibility requirements, LSV employees are able to participate in the Capital Accumulation Plan ("CAP"), a SEI-sponsored employee benefit plan. CAP is a tax-qualified defined contribution plan which provides retirement benefits, including provisions for early retirement and disability benefits, as well as a tax-deferred savings feature. Participants are vested in employer contributions at the time the contributions are made. All contributions are discretionary and are made from available profits. The employer contribution expense is included in Compensation, benefits and other personnel on the accompanying Statements of Operations. Costs incurred by the Partnership related to the CAP were immaterial in 2016, 2015, and 2014.

# LSV Asset Management

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Following completion of eligibility requirements, LSV employees are able to participate in a SEI-sponsored employee stock purchase plan. The plan provides for offering of common stock to eligible employees at a price equal to 85 percent of the fair value at the end of the stock purchase period, as defined. Costs incurred by the Partnership related to the employee stock purchase plan were immaterial in 2016, 2015, and 2014.

#### **6. Accrued stock-based compensation**

In March 2009, certain partners (the Contributing Partners) of LSV authorized for designation a portion of their partnership interest for the purpose of providing an interest in LSV. This interest was authorized and to be awarded to a select group of key employees. The partnership granted portions of the authorized partnership interest to key employees from March 2009 through April 2013. The issuance in April 2013 reflected the remaining amount of the designated partnership interest of the Contributing Partners. At the time partnership interest is granted, rights to receive distributions equal to the full granted percentage transfers to the recipient of the grant. Partnership equity equal to the amount of interest granted is earned over a predetermined vesting period. All profits, losses, distributions and other rights and obligations relating to authorized but undesignated partnership interest remains with the Contributing Partners until such interest was granted. The granted partnership interest is treated as a liability and is calculated on projected net income. The granted partnership interest redemption liability amounted to \$22,336 and \$23,517 at December 31, 2016 and 2015, respectively and is included in Accrued compensation on the accompanying Balance Sheets. In 2016, the liability decreased due to a decrease in LSV projected net income. The associated expense is recorded as Stock based compensation on the accompanying Statement of Operations. Each issuance must be authorized by unanimous vote of all Contributing Partners. The issuance of an interest in LSV to a key employee provides them an interest in the future profits of LSV. It does not provide them any rights in the management of the partnership or the ability to direct the operations or affairs of LSV.

#### **7. Variable Interest Entities - Investment Products**

LSV has created investment products for its clients in various types of legal entity structures that may be considered variable interest entities (VIEs). LSV serves as the Manager for these investment products and its clients are the equity investors. LSV does not have an equity investment in any of the VIEs and does not have an obligation to enter into any guarantee agreements with the VIEs. Some of the investment products are limited partnerships which have substantive kick-out rights. LSV is not the primary beneficiary as they lack any equity investment and their fees are paid outside of the fund. Therefore, LSV is not required to consolidate any investment products that are VIEs into its financial statements.

#### **8. Subsequent Events**

The Partnership performed an evaluation of subsequent events through February 22, 2017, which is the date the financial statements were made available to be issued.

