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

FORM 10-Q

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

For the quarterly period ended June 30, 2020

or

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

For the transition period from_________to________

Commission File Number: 0-10200

SEI New ways. New answers.®

SEI INVESTMENTS COMPANY
(Exact Name of Registrant as Specified in its Charter)

Pennsylvania	**23-1707341**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

1 Freedom Valley Drive, Oaks, Pennsylvania 19456-1100
(Address of Principal Executive Offices) (Zip Code)

(610) 676-1000
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ☐

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

Large accelerated filer	x	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

The number of shares outstanding of the registrant's common stock, as of the close of business on July 23, 2020:

Common Stock, $0.01 par value	**146,501,594**

SEI INVESTMENTS COMPANY

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PART I - FINANCIAL INFORMATION

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

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

	June 30, 2020	December 31, 2019
Assets		
Current Assets:		
Cash and cash equivalents	$ 758,276	$ 841,446
Restricted cash	3,101	3,101
Receivables from investment products	49,873	54,165
Receivables, net of allowance for doubtful accounts of $1,079 and $1,201	351,614	340,358
Securities owned	35,030	33,486
Other current assets	35,005	32,289
Total Current Assets	1,232,899	1,304,845
Property and Equipment, net of accumulated depreciation of $367,677 and $353,453	182,273	160,859
Operating Lease Right-of-Use Assets	39,076	42,789
Capitalized Software, net of accumulated amortization of $466,937 and $442,677	284,341	296,068
Available for Sale and Equity Securities	105,361	116,917
Investments in Affiliated Funds, at fair value	4,749	5,988
Investment in Unconsolidated Affiliate	41,094	67,413
Goodwill	64,489	64,489
Intangible Assets, net of accumulated amortization of $10,615 and $8,773	26,145	27,987
Deferred Contract Costs	33,108	30,991
Deferred Income Taxes	2,343	2,822
Other Assets, net	37,722	30,202
Total Assets	$ 2,053,600	$ 2,151,370

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

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

	June 30, 2020	December 31, 2019
Liabilities and Equity		
Current Liabilities:		
Accounts payable	$ 10,780	$ 4,423
Accrued liabilities	210,711	272,801
Current portion of long-term operating lease liabilities	8,285	9,156
Deferred revenue	6,349	7,185
Total Current Liabilities	236,125	293,565
Long-term Income Taxes Payable	803	803
Deferred Income Taxes	50,219	55,722
Long-term Operating Lease Liabilities	35,224	38,450
Other Long-term Liabilities	22,604	24,052
Total Liabilities	344,975	412,592
Commitments and Contingencies		
Shareholders' Equity:		
Common stock, $0.01 par value, 750,000 shares authorized; 146,445 and 149,745 shares issued and outstanding	1,464	1,497
Capital in excess of par value	1,174,411	1,158,900
Retained earnings	566,929	601,885
Accumulated other comprehensive loss, net	(34,179)	(23,504)
Total Shareholders' Equity	1,708,625	1,738,778
Total Liabilities and Shareholders' Equity	$ 2,053,600	$ 2,151,370

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues:				
Asset management, administration and distribution fees	$ 320,577	$ 324,925	$ 652,430	$ 638,869
Information processing and software servicing fees	80,069	84,661	162,978	171,537
Total revenues	400,646	409,586	815,408	810,406
Expenses:				
Subadvisory, distribution and other asset management costs	44,182	46,177	89,519	89,982
Software royalties and other information processing costs	7,389	7,393	14,836	15,521
Compensation, benefits and other personnel	125,331	125,999	256,812	256,334
Stock-based compensation	7,062	5,064	13,991	10,102
Consulting, outsourcing and professional fees	57,111	45,330	110,401	95,536
Data processing and computer related	24,506	22,184	47,210	43,176
Facilities, supplies and other costs	13,973	17,100	30,769	35,845
Amortization	13,140	12,781	26,217	25,460
Depreciation	7,640	7,422	15,113	14,753
Total expenses	300,334	289,450	604,868	586,709
Income from operations	100,312	120,136	210,540	223,697
Net gain (loss) from investments	1,903	231	(2,086)	1,510
Interest and dividend income	1,370	4,313	4,573	8,570
Interest expense	(151)	(166)	(303)	(323)
Equity in earnings of unconsolidated affiliate	28,276	37,832	58,183	75,149
Income before income taxes	131,710	162,346	270,907	308,603
Income taxes	30,644	35,806	60,599	68,082
Net income	$ 101,066	$ 126,540	$ 210,308	$ 240,521
Basic earnings per common share	$ 0.69	$ 0.83	$ 1.42	$ 1.58
Shares used to compute basic earnings per share	147,478	151,863	148,473	152,587
Diluted earnings per common share	$ 0.68	$ 0.82	$ 1.39	$ 1.54
Shares used to compute diluted earnings per share	149,598	155,165	150,983	155,853
Dividends declared per common share	$ 0.35	$ 0.33	$ 0.35	$ 0.33

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

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2020		2019		2020		2019	
Net income		$ 101,066		$ 126,540		$ 210,308		$ 240,521
Other comprehensive income (loss), net of tax:								
Foreign currency translation adjustments		940		(2,877)		(12,136)		520
Unrealized gain on investments:								
Unrealized gains during the period, net of income taxes of $(33), $(230), $(372) and $(470)	113		765		1,244		1,562	
Reclassification adjustment for losses realized in net income, net of income taxes of $(35), $(26), $(63) and $(50)	116	229	92	857	217	1,461	178	1,740
Total other comprehensive income (loss), net of tax		1,169		(2,020)		(10,675)		2,260
Comprehensive income		$ 102,235		$ 124,520		$ 199,633		$ 242,781

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

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

	Shares of Common Stock	Common Stock	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
	For the Three Months Ended June 30, 2020					
Balance, April 1, 2020	147,903	$ 1,479	$ 1,170,649	$ 597,486	$ (35,348)	$ 1,734,266
Net income	—	—	—	101,066	—	101,066
Other comprehensive income	—	—	—	—	1,169	1,169
Purchase and retirement of common stock	(1,642)	(16)	(9,293)	(80,161)	—	(89,470)
Issuance of common stock under employee stock purchase plan	26	—	1,142	—	—	1,142
Issuance of common stock upon exercise of stock options	158	1	4,851	—	—	4,852
Stock-based compensation	—	—	7,062	—	—	7,062
Dividends declared ($0.35 per share)	—	—	—	(51,462)	—	(51,462)
Balance, June 30, 2020	146,445	$ 1,464	$ 1,174,411	$ 566,929	$ (34,179)	$ 1,708,625

	Shares of Common Stock	Common Stock	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
	For the Three Months Ended June 30, 2019					
Balance, April 1, 2019	152,276	$ 1,523	$ 1,111,366	$ 552,381	$ (28,720)	$ 1,636,550
Net income	—	—	—	126,540	—	126,540
Other comprehensive loss	—	—	—	—	(2,020)	(2,020)
Purchase and retirement of common stock	(1,825)	(18)	(9,737)	(87,273)	—	(97,028)
Issuance of common stock under employee stock purchase plan	24	—	1,071	—	—	1,071
Issuance of common stock upon exercise of stock options	480	4	14,304	—	—	14,308
Stock-based compensation	—	—	5,064	—	—	5,064
Dividends declared ($0.33 per share)	—	—	—	(49,984)	—	(49,984)
Balance, June 30, 2019	150,955	$ 1,509	$ 1,122,068	$ 541,664	$ (30,740)	$ 1,634,501

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

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

	Shares of Common Stock	Common Stock	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
	For the Six Months Ended June 30, 2020					
Balance, January 1, 2020	149,745	$ 1,497	$ 1,158,900	$ 601,885	$ (23,504)	$ 1,738,778
Net income	—	—	—	210,308	—	210,308
Other comprehensive loss	—	—	—	—	(10,675)	(10,675)
Purchase and retirement of common stock	(4,075)	(40)	(23,060)	(193,802)	—	(216,902)
Issuance of common stock under employee stock purchase plan	47	—	2,248	—	—	2,248
Issuance of common stock upon exercise of stock options	728	7	22,332	—	—	22,339
Stock-based compensation	—	—	13,991	—	—	13,991
Dividends declared ($0.35 per share)	—	—	—	(51,462)	—	(51,462)
Balance, June 30, 2020	146,445	$ 1,464	$ 1,174,411	$ 566,929	$ (34,179)	$ 1,708,625

	Shares of Common Stock	Common Stock	Capital In Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
	For the Six Months Ended June 30, 2019					
Balance, January 1, 2019	153,634	$ 1,536	$ 1,106,641	$ 517,970	$ (33,000)	$ 1,593,147
Net income	—	—	—	240,521	—	240,521
Other comprehensive income	—	—	—	—	2,260	2,260
Purchase and retirement of common stock	(3,550)	(35)	(18,939)	(166,843)	—	(185,817)
Issuance of common stock under employee stock purchase plan	56	—	2,393	—	—	2,393
Issuance of common stock upon exercise of stock options	815	8	21,871	—	—	21,879
Stock-based compensation	—	—	10,102	—	—	10,102
Dividends declared ($0.33 per share)	—	—	—	(49,984)	—	(49,984)
Balance, June 30, 2019	150,955	$ 1,509	$ 1,122,068	$ 541,664	$ (30,740)	$ 1,634,501

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

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

	Six Months Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net income	$ 210,308	$ 240,521
Adjustments to reconcile net income to net cash provided by operating activities (See Note 1)	53,824	(22,876)
Net cash provided by operating activities	264,132	217,645
Cash flows from investing activities:		
Additions to property and equipment	(34,442)	(18,239)
Additions to capitalized software	(12,533)	(19,188)
Purchases of marketable securities	(60,764)	(77,891)
Prepayments and maturities of marketable securities	71,782	85,012
Sales of marketable securities	64	—
Other investing activities	(1,500)	—
Net cash used in investing activities	(37,393)	(30,306)
Cash flows from financing activities:		
Payment of contingent consideration	(633)	—
Purchase and retirement of common stock	(219,404)	(183,396)
Proceeds from issuance of common stock	24,587	24,272
Payment of dividends	(103,914)	(100,745)
Net cash used in financing activities	(299,364)	(259,869)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(10,545)	277
Net decrease in cash, cash equivalents and restricted cash	(83,170)	(72,253)
Cash, cash equivalents and restricted cash, beginning of period	844,547	758,039
Cash, cash equivalents and restricted cash, end of period	$ 761,377	$ 685,786
Non-cash operating activities:		
Operating lease right-of-use assets and net lease liabilities recorded upon adoption of ASC 842	$ —	$ 44,169

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

Notes to Consolidated Financial Statements

(all figures are in thousands except share and per share data)

Note 1. Summary of Significant Accounting Policies

Nature of Operations

SEI Investments Company (the Company), a Pennsylvania corporation, provides comprehensive platforms for investment processing, investment operations and investment management to wealth managers, financial institutions, financial advisors, investment managers, institutional investors and ultra-high-net-worth families in the United States, Canada, the United Kingdom, continental Europe and various other locations throughout the world.

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

Investment operations platforms consist of outsourcing services including fund and investment accounting, administration, reconciliation, investor servicing and client reporting. Revenues from investment operations platforms are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

Investment management platforms consists of investment products including mutual funds, collective investment products, alternative investment portfolios and separately managed accounts. The Company serves as the administrator and investment advisor for many of these products. Revenues from investment management platforms are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Certain financial information and accompanying note disclosure normally included in the Company’s Annual Report on Form 10-K have been condensed or omitted. The interim financial information is unaudited but reflects all adjustments (consisting of only normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of financial position of the Company as of June 30, 2020, the results of operations for the three and six months ended June 30, 2020 and 2019, and cash flows for the six-months ended June 30, 2020 and 2019. These interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the Notes to the Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019.

The Company adopted the requirements of Accounting Standards Update (ASU) 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (Accounting Standards Codification (ASC) 326)) (ASU 2016-13) and subsequent amendments ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments (ASU 2019-04) and ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments-Credit Losses (ASU 2019-11) on January 1, 2020. ASU 2016-13 and the related amendments are hereafter referred to as ASC 326. ASC 326 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. The Company owns mortgage-backed securities issued by the Government National Mortgage Association (GNMA), a federal agency of the U.S. government classified as Available-for-sale debt securities which qualify for the zero credit risk allowance. The Company's U.S. Treasury and other U.S. government agency securities classified as Securities owned are outside the scope of ASC 326. There was no impact to the Company's disclosures related to its marketable securities from the implementation of ASC 326.

In accordance with ASC 326, the Company evaluated its receivable balances for credit risk based upon the source of revenue, its ability to collect fees directly from investment products or directly from assets in the client's account, a review of actual historical credit losses, and the potential for expected credit loss from its current client base. The Company has no meaningful historical credit loss data and a very limited amount of losses pertaining directly to a client's inability to satisfy its receivable balance even during periods of economic distress. The credit loss reserve recognized by the Company through the implementation of ASC 326 during the six months ended June 30, 2020 was immaterial.

The Company also adopted the requirements of ASU 2017-04, Simplifying the Test for Goodwill Impairment (ASU 2017-04) on January 1, 2020. The adoption of ASU 2017-04 did not have a material impact on the Company's consolidated financial statements and related disclosures.

With the exception of the adoption of ASC 326 and ASU 2017-04, there have been no other significant changes in significant accounting policies during the six months ended June 30, 2020 as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Variable Interest Entities

The Company or its affiliates have created numerous investment products for its clients in various types of legal entity structures. The Company serves as the Manager, Administrator and Distributor for these investment products and may also serve as the Trustee for some of the investment products. The Company receives asset management, distribution, administration and custodial fees for these services. Clients are the equity investors and participate in proportion to their ownership percentage in the net income or loss and net capital gains or losses of the products, and, on liquidation, will participate in proportion to their ownership percentage in the remaining net assets of the products after satisfaction of outstanding liabilities.

The Company has concluded that it is not the primary beneficiary of the entities and, therefore, is not required to consolidate any of the pooled investment vehicles for which it receives asset management, distribution, administration and custodial fees under the VIE model. The entities either do not meet the definition of a VIE or the Company does not hold a variable interest in the entities. The entities either qualify for the money market scope exception, or are entities in which the Company's asset management, distribution, administration and custodial fees are commensurate with the services provided and include fair terms and conditions, or are entities that are limited partnerships which have substantive kick-out rights. The Company acts as a fiduciary and does not hold any other interests other than insignificant seed money investments in the pooled investment vehicles. For this reason, the Company also concluded that it is not required to consolidate the pooled investment vehicles under the voting interest entity model.

The Company is a party to expense limitation agreements with certain SEI-sponsored money market funds subject to Rule 2a-7 of the Investment Company Act of 1940 which establish a maximum level of ordinary operating expenses incurred by the fund in any fiscal year including, but not limited to, fees of the administrator or its affiliates. Under the terms of these agreements, the Company waived $9,714 and $6,796 in fees during the three months ended June 30, 2020 and 2019, respectively. During the six months ended June 30, 2020 and 2019, the Company waived $16,355 and $14,701, respectively, in fees.

Revenue Recognition

Revenue is recognized when the transfer of control of promised goods or services under the terms of a contract with customers are satisfied in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those promised goods or services. Certain portions of the Company's revenues involve a third party in providing goods or services to its customers. In such circumstances, the Company must determine whether the nature of its promise to the customer is to provide the underlying goods or services (the Company is the principal in the transaction and reports the transaction gross) or to arrange for a third party to provide the underlying goods or services (the entity is the agent in the transaction and reports the transaction net). See Note 13 for related disclosures regarding revenue recognition.

Cash and Cash Equivalents

Cash and cash equivalents includes $335,676 and $414,581 at June 30, 2020 and December 31, 2019, respectively, primarily invested in SEI-sponsored open-ended money market mutual funds.

Restricted Cash

Restricted cash includes $3,000 at June 30, 2020 and December 31, 2019 segregated for regulatory purposes related to trade-execution services conducted by SEI Investments (Europe) Limited. Restricted cash also includes $101 at June 30, 2020 and December 31, 2019 segregated in special reserve accounts for the benefit of customers of the Company's broker-dealer subsidiary, SEI Investments Distribution Co. (SIDCO), in accordance with certain rules established by the Securities and Exchange Commission (SEC) for broker-dealers.

Capitalized Software

The Company capitalized $12,533 and $19,188 of software development costs during the six months ended June 30, 2020 and 2019, respectively. The Company's software development costs primarily relate to significant enhancements to the SEI Wealth Platform℠ (SWP). The Company capitalized $11,785 and $18,693 of software development costs for significant enhancements to SWP during the six months ended June 30, 2020 and 2019, respectively. As of June 30, 2020, the net book value of SWP was $269,582. The net book value includes $60,504 of capitalized software development costs in-progress associated with future releases of SWP. Capitalized software development costs in-progress associated with future releases of SWP were $55,332 as of December 31, 2019. SWP has a weighted average remaining life of 8.4 years. Amortization expense for SWP was $21,656 and $20,900 during the six months ended June 30, 2020 and 2019, respectively.

Earnings per Share

The calculations of basic and diluted earnings per share for the three and six months ended June 30, 2020 and 2019 are:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income	$ 101,066	$ 126,540	$ 210,308	$ 240,521
Shares used to compute basic earnings per common share	147,478,000	151,863,000	148,473,000	152,587,000
Dilutive effect of stock options	2,120,000	3,302,000	2,510,000	3,266,000
Shares used to compute diluted earnings per common share	149,598,000	155,165,000	150,983,000	155,853,000
Basic earnings per common share	$ 0.69	$ 0.83	$ 1.42	$ 1.58
Diluted earnings per common share	$ 0.68	$ 0.82	$ 1.39	$ 1.54

During the three months ended June 30, 2020 and 2019, employee stock options to purchase 8,154,000 and 6,244,000 shares of common stock with an average exercise price of $58.26 and $54.79, respectively, were outstanding but not included in the computation of diluted earnings per common share. During the six months ended June 30, 2020 and 2019, employee stock options to purchase 7,781,000 and 6,284,000 shares of common stock with an average exercise price of $58.50 and $54.80, respectively, were outstanding but not included in the computation of diluted earnings per common share. These options for the three and six month periods were not included in the computation of diluted earnings per common share because either the performance conditions have not been satisfied or would not have been satisfied if the reporting date was the end of the contingency period or the options' exercise price was greater than the average market price of the Company’s common stock and the effect on diluted earnings per common share would have been anti-dilutive.

New Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board (FASB) issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (ASU 2019-12). The standard removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for the Company beginning in the first quarter of 2021. The Company is currently evaluating the impact of adopting ASU 2019-12 on its consolidated financial statements and related disclosures.

Reclassifications

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

Statements of Cash Flows

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

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

	2020	2019
Net income	$ 210,308	$ 240,521
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	15,113	14,753
Amortization	26,217	25,460
Equity in earnings of unconsolidated affiliate	(58,183)	(75,149)
Distributions received from unconsolidated affiliate	84,502	77,288
Stock-based compensation	13,991	10,102
Provision for losses on receivables	(122)	383
Deferred income tax expense	(5,459)	(2,050)
Net loss (gain) from investments	2,086	(1,510)
Change in other long-term liabilities	(1,448)	1,129
Change in other assets	(6,135)	249
Contract costs capitalized, net of amortization	(2,117)	(1,125)
Other	(1,217)	122
Change in current assets and liabilities		
(Increase) decrease in		
Receivables from investment products	4,292	(2,538)
Receivables	(11,134)	(20,192)
Other current assets	(2,716)	3,708
(Decrease) increase in		
Accounts payable	6,357	(5,426)
Accrued liabilities	(9,367)	(47,631)
Deferred revenue	(836)	(449)
Total adjustments	53,824	(22,876)
Net cash provided by operating activities	$ 264,132	$ 217,645

Note 2. Investment in Unconsolidated Affiliate

LSV Asset Management

The Company has an investment in LSV Asset Management (LSV), a registered investment advisor that provides investment advisory services primarily to institutions, including pension plans and investment companies. LSV is currently an investment sub-advisor for a limited number of SEI-sponsored investment products. The Company's partnership interest in LSV as of June 30, 2020 was 38.8%. The Company accounts for its interest in LSV using the equity method because of its less than 50% ownership. The Company’s interest in the net assets of LSV is reflected in Investment in unconsolidated affiliate on the accompanying Consolidated Balance Sheets and its interest in the earnings of LSV is reflected in Equity in earnings of unconsolidated affiliate on the accompanying Consolidated Statements of Operations.

At June 30, 2020, the Company’s total investment in LSV was $41,094. The Company receives partnership distributions from LSV on a quarterly basis. The Company received partnership distributions from LSV of $84,502 and $77,288 in the six months ended June 30, 2020 and 2019, respectively. As such, the Company considers these distribution payments as returns on investment rather than returns of the Company's original investment in LSV and has therefore classified the associated cash inflows as an operating activity on the Consolidated Statements of Cash Flows.

The Company's proportionate share in the earnings of LSV was $28,276 and $37,832 during the three months ended June 30, 2020 and 2019, respectively. During the six months ended June 30, 2020 and 2019, the Company's proportionate share in the earnings of LSV was $58,183 and $75,149, respectively.

These tables contain condensed financial information of LSV:

Condensed Statement of Operations	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Revenues	$ 94,648	$ 123,017	$ 194,644	$ 243,932
Net income	72,847	97,271	149,744	193,219

Condensed Balance Sheets	June 30, 2020	December 31, 2019
Current assets	$ 114,909	$ 144,547
Non-current assets	4,625	5,048
Total assets	$ 119,534	$ 149,595
Current liabilities	$ 55,851	$ 46,828
Non-current liabilities	4,980	5,326
Partners' capital	58,703	97,441
Total liabilities and partners' capital	$ 119,534	$ 149,595

On April 1, 2020, 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 slightly to approximately 38.8% from approximately 38.9%.

Note 3. Composition of Certain Financial Statement Captions

Receivables

Receivables on the accompanying Consolidated Balance Sheets consist of:

	June 30, 2020	December 31, 2019
Trade receivables	$ 89,183	$ 86,043
Fees earned, not billed	252,541	240,239
Other receivables	10,969	15,277
	352,693	341,559
Less: Allowance for doubtful accounts	(1,079)	(1,201)
	$ 351,614	$ 340,358

Fees earned, not billed represents receivables from contracts with customers earned but unbilled and results from timing differences between services provided and contractual billing schedules. These billing schedules generally provide for fees to be billed on a quarterly basis. In addition, certain fees earned from investment operations services are calculated based on assets under administration that have an extended valuation process. Billings to these clients occur once the asset valuation processes are completed.

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

Property and Equipment

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

	June 30, 2020	December 31, 2019
Buildings	$ 162,999	$ 162,882
Equipment	137,698	123,945
Land	10,830	10,830
Purchased software	145,816	143,705
Furniture and fixtures	20,032	18,835
Leasehold improvements	20,109	20,700
Construction in progress	52,466	33,415
	549,950	514,312
Less: Accumulated depreciation	(367,677)	(353,453)
Property and Equipment, net	$ 182,273	$ 160,859

The Company recognized $15,113 and $14,753 in depreciation expense related to property and equipment for the six months ended June 30, 2020 and 2019, respectively.

Deferred Contract Costs

Deferred contract costs, which primarily consist of deferred sales commissions, were $33,108 and $30,991 as of June 30, 2020 and December 31, 2019, respectively. The Company deferred expenses related to contract costs of $1,752 and $1,950 during the three months ended June 30, 2020 and 2019, respectively. During the six months ended June 30, 2020 and 2019, the Company deferred expenses related to contract costs of $4,749 and $3,076, respectively. Amortization expense related to deferred contract costs were $2,632 and $1,951 during the six months ended June 30, 2020 and 2019, respectively, and are included in Compensation, benefits and other personnel on the accompanying Consolidated Statements of Operations. There was no impairment loss in relation to deferred contract costs during the six months ended June 30, 2020.

Accrued Liabilities

Accrued liabilities on the accompanying Consolidated Balance Sheets consist of:

	June 30, 2020	December 31, 2019
Accrued employee compensation	$ 50,858	$ 96,991
Accrued consulting, outsourcing and professional fees	35,750	28,610
Accrued sub-advisory, distribution and other asset management fees	47,797	46,245
Accrued dividend payable	—	52,452
Accrued income taxes	24,739	2,010
Other accrued liabilities	51,567	46,493
Total accrued liabilities	$ 210,711	$ 272,801

Note 4. Fair Value Measurements

The fair value of the Company’s financial assets and liabilities, except for the Company's investment funds sponsored by LSV, is determined in accordance with the fair value hierarchy. The fair value of the Company’s Level 1 financial assets consist mainly of investments in open-ended mutual funds that are quoted daily. Level 2 financial assets consist of GNMA mortgage-backed securities held by the Company's wholly-owned limited purpose federal thrift subsidiary, SEI Private Trust Company (SPTC), Federal Home Loan Bank (FHLB) and other U.S. government agency short-term notes held by SIDCO. The financial assets held by SIDCO were purchased as part of a cash management program requiring only short term, top-tier investment grade government and corporate securities. The financial assets held by SPTC are debt securities issued by GNMA and are backed by the full faith and credit of the U.S. government. These securities were purchased for the sole purpose of satisfying applicable regulatory requirements and have maturity dates which range from 2023 to 2041.

The fair value of the Company's investment funds sponsored by LSV is measured using the net asset value per share (NAV) as a practical expedient. The NAVs of the funds are calculated by the funds' independent custodian and are derived from the fair values of the underlying investments as of the reporting date. The funds allow for investor redemptions at the end of each calendar month. This investment has not been classified in the fair value hierarchy but is presented in the tables below to permit reconciliation to the amounts presented on the accompanying Consolidated Balance Sheets.

The valuation of the Company's Level 2 financial assets held by SIDCO and SPTC are based upon securities pricing policies and procedures utilized by third-party pricing vendors.

The pricing policies and procedures applied for our Level 1 and Level 2 financial assets during the six months ended June 30, 2020 were consistent with those as described in our Annual Report on Form 10-K at December 31, 2019. The Company had no Level 3 financial assets at June 30, 2020 or December 31, 2019 that were required to be measured at fair value on a recurring basis. The Company's Level 3 financial liabilities at June 30, 2020 and December 31, 2019 consist entirely of the estimated contingent consideration resulting from an acquisition (See Note 12). The fair value of the contingent consideration was determined using a Monte-Carlo simulation model. Key assumptions for the Monte-Carlo simulation model include expected revenues, expected volatility, risk-free rate and other factors. There were no transfers of financial assets between levels within the fair value hierarchy during the six months ended June 30, 2020.

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

		Fair Value Measurements at the End of the Reporting Period Using	
Assets	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equity securities	$ 11,194	$ 11,194	$ —
Available-for-sale debt securities	94,167	—	94,167
Fixed-income securities owned	35,030	—	35,030
Investment funds sponsored by LSV (1)	4,749		
	$ 145,140	$ 11,194	$ 129,197

		Fair Value Measurements at the End of the Reporting Period Using	
Assets	December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equity securities	$ 12,119	$ 12,119	$ —
Available-for-sale debt securities	104,798	—	104,798
Fixed-income securities owned	33,486	—	33,486
Investment funds sponsored by LSV (1)	5,988		
	$ 156,391	$ 12,119	$ 138,284

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

Note 5. Marketable Securities

The Company's marketable securities include investments in money market funds and commercial paper classified as cash equivalents, available-for-sale debt securities, investments in SEI-sponsored and non-SEI-sponsored mutual funds, equities, investments in funds sponsored by LSV and securities owned by SIDCO.

Cash Equivalents

The Company's investments in money market funds and commercial paper classified as cash equivalents had a fair value of $445,941 and $543,765 at June 30, 2020 and December 31, 2019, respectively. There were no material unrealized or realized gains or losses from these investments during the six months ended June 30, 2020 and 2019. The Company's investments in money market funds and commercial paper are Level 1 assets.

Available for Sale and Equity Securities

Available For Sale and Equity Securities on the accompanying Consolidated Balance Sheets consist of:

	At June 30, 2020			
	Cost Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Available-for-sale debt securities	$ 91,666	$ 2,501	$ —	$ 94,167
SEI-sponsored mutual funds	7,514	72	(594)	6,992
Equities and other mutual funds	3,600	602	—	4,202
	$ 102,780	$ 3,175	$ (594)	$ 105,361

	At December 31, 2019			
	Cost Amount	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Available-for-sale debt securities	$ 104,193	$ 605	$ —	$ 104,798
SEI-sponsored mutual funds	7,564	125	(39)	7,650
Equities and other mutual funds	3,637	832	—	4,469
	$ 115,394	$ 1,562	$ (39)	$ 116,917

Net unrealized gains at June 30, 2020 of the Company's available-for-sale debt securities were $1,926 (net of income tax expense of $575). Net unrealized gains at December 31, 2019 of the Company's available-for-sale debt securities were $465 (net of income tax expense of $140). These net unrealized gains are reported as a separate component of Accumulated other comprehensive loss on the accompanying Consolidated Balance Sheets.

There were gross realized losses of $280 and $227 from available-for-sale debt securities during the six months ended June 30, 2020 and 2019, respectively. There were no gross realized gains from available-for-sale debt securities during the six months ended June 30, 2020 and 2019. Realized losses from available-for-sale debt securities, including amounts reclassified from accumulated comprehensive loss, are reflected in Net gain (loss) from investments on the accompanying Consolidated Statements of Operations.

There were gross realized gains of $196 and gross realized losses of $240 from mutual funds and equities during the six months ended June 30, 2020. During the six months ended June 30, 2019, there were gross realized gains of $56 and gross realized losses of $238 from mutual funds and equities. Gains and losses from mutual funds and equities are reflected in Net gain (loss) from investments on the accompanying Consolidated Statements of Operations.

Investments in Affiliated Funds

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

The investment primarily consists of U.S. dollar denominated funds that invest primarily in securities of Canadian, Australian and Japanese companies as well as various other global securities. The underlying securities held by the funds are translated into U.S. dollars within the funds. The funds had a fair value of $4,749 and $5,988 at June 30, 2020 and December 31, 2019, respectively. The Company recognized unrealized gains of $996 and $95 during the three months ended June 30, 2020 and 2019, respectively, from the change in fair value of the funds. The Company recognized unrealized losses of $1,239 and unrealized gains of $547 during the six months ended June 30, 2020 and 2019, respectively, from the change in fair value of the funds.

Securities Owned

The Company's broker-dealer subsidiary, SIDCO, has investments in U.S. government agency securities with maturity dates less than one year. These investments are reflected as Securities owned on the accompanying Consolidated Balance Sheets. Due to specialized accounting practices applicable to investments by broker-dealers, the securities are reported at fair value and changes in fair value are recorded in current period earnings. The securities had a fair value of $35,030 and $33,486 at June 30, 2020 and December 31, 2019, respectively. There were no material net gains or losses related to the securities during the three and six months ended June 30, 2020 and 2019.

Note 6. Line of Credit

The Company has a five-year $300,000 Credit Agreement (the Credit Facility) with Wells Fargo Bank, National Association, and a syndicate of other lenders. The Credit Facility is scheduled to expire in June 2021, at which time any aggregate principal amount of loans outstanding becomes payable in full. Any borrowings made under the Credit Facility will accrue interest at rates that, at the Company's option, are based on a base rate (the Base Rate) plus a premium that can range from 0.25% to 1.00% or the London InterBank Offered Rate (LIBOR) plus a premium that can range from 1.25% to 2.00% depending on the Company's Leverage Ratio (a ratio of consolidated indebtedness to consolidated EBITDA for the four preceding fiscal quarters, all as defined in the related agreement). The Base Rate is defined as the highest of a) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 0.50%, b) the prime commercial lending rate of Wells Fargo, c) the applicable LIBOR plus 1.00%, or d) 0%. The Company also pays quarterly commitment fees based on the unused portion of the Credit Facility. The quarterly fees for the Credit Facility can range from 0.15% of the amount of the unused portion to 0.30%, depending on the Company's Leverage Ratio. Certain wholly-owned subsidiaries of the Company have guaranteed the obligations of the Company under the agreement. The aggregate amount of the Credit Facility may be increased by an additional $100,000 under certain conditions set forth in the agreement. The Company may issue up to $15,000 in letters of credit under the terms of the Credit Facility. The Company pays a periodic commission fee of 1.25% plus a fronting fee of 0.175% of the aggregate face amount of the outstanding letters of credit issued under the Credit Facility.

The Credit Facility contains covenants that restrict the ability of the Company to engage in mergers, consolidations, asset sales, investments, transactions with affiliates other than wholly-owned subsidiaries, or to incur liens or other indebtedness including contingent obligations or guarantees, as defined in the agreement. In the event of a default under the Credit Facility, the Company would also be restricted from paying dividends on, or repurchasing its common stock without the approval of the lenders. Upon the occurrence of certain financial or economic events, significant corporate events, or certain other events of default constituting an event of default under the Credit Facility, all loans outstanding may be declared immediately due and payable and all commitments under the agreement may be terminated.

As of June 30, 2020, the Company had outstanding letters of credit of $11,553 under the Credit Facility. These letters of credit were issued primarily for the expansion of the Company's headquarters and are scheduled to expire during the remainder of 2020. The amount of the Credit Facility that is available for general corporate purposes as of June 30, 2020 was $288,447.

The Company was in compliance with all covenants of the Credit Facility during the six months ended June 30, 2020.

Note 7. Shareholders' Equity

Stock-Based Compensation

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

The Company recognized stock-based compensation expense in its Consolidated Financial Statements in the three and six months ended June 30, 2020 and 2019, respectively, as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Stock-based compensation expense	$ 7,062	$ 5,064	$ 13,991	$ 10,102
Less: Deferred tax benefit	(1,318)	(971)	(2,703)	(1,917)
Stock-based compensation expense, net of tax	$ 5,744	$ 4,093	$ 11,288	$ 8,185

As of June 30, 2020, there was approximately $59,935 of unrecognized compensation cost remaining related to unvested employee stock options that management expects will vest and is being amortized.

The Company issues new common shares associated with the exercise of stock options. The total intrinsic value of options exercised during the six months ended June 30, 2020 was $22,672. The total options exercisable as of June 30, 2020 had an intrinsic value of $127,233. The total intrinsic value for options exercisable is calculated as the difference between the market value of the Company's common stock as of June 30, 2020 and the weighted average exercise price of the options. The market value of the Company's common stock as of June 30, 2020 was $54.98 as reported by the Nasdaq Stock Market, LLC. The weighted average exercise price of the options exercisable as of June 30, 2020 was $37.98. Total options that were outstanding as of June 30, 2020 were 14,931,000. Total options that were exercisable as of June 30, 2020 were 7,483,000.

<u>Common Stock Buyback</u>

The Company's Board of Directors, under multiple authorizations, has authorized the repurchase of the Company's common stock on the open market or through private transactions. The Company purchased 4,075,000 shares at a total cost of $216,902 during the six months ended June 30, 2020, which reduced the total shares outstanding of common stock. The cost of stock purchases during the period includes the cost of certain transactions that settled in the following quarter. As of June 30, 2020, the Company had approximately $150,627 of authorization remaining for the purchase of common stock under the program.

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

<u>Cash Dividend</u>

On June 3, 2020, the Board of Directors declared a cash dividend of $0.35 per share on the Company's common stock, which was paid on June 23, 2020, to shareholders of record on June 15, 2020. Cash dividends declared during the six months ended June 30, 2020 and 2019 were $51,462 and $49,984, respectively.

Note 8. Accumulated Other Comprehensive Loss

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

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Investments	Accumulated Other Comprehensive Loss
Balance, January 1, 2020	$ (23,969)	$ 465	$ (23,504)
Other comprehensive loss before reclassifications	(12,136)	1,244	(10,892)
Amounts reclassified from accumulated other comprehensive loss	—	217	217
Net current-period other comprehensive loss	(12,136)	1,461	(10,675)
Balance, June 30, 2020	$ (36,105)	$ 1,926	$ (34,179)

Note 9. Business Segment Information

The Company’s reportable business segments are:

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

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

Institutional Investors – provides investment management and administrative outsourcing platforms to retirement plan sponsors, healthcare systems, higher education and other not-for-profit organizations worldwide;

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

Investments in New Businesses – focuses on providing investment management solutions to ultra-high-net-worth families residing in the United States; developing internet-based investment services; developing network and data protection services; modularizing larger technology platforms into stand-alone components; entering new markets; and conducting other research and development activities.

The information in the following tables is derived from the Company’s internal financial reporting used for corporate management purposes. There are no inter-segment revenues for the three and six months ended June 30, 2020 and 2019. Management evaluates Company assets on a consolidated basis during interim periods. The accounting policies of the reportable business segments are the same as those described in Note 1 to the Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019.

The following tables highlight certain financial information about each of the Company’s business segments for the three months ended June 30, 2020 and 2019:

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Three Months Ended June 30, 2020					
Revenues	$ 107,726	$ 93,708	$ 76,523	$ 119,340	$ 3,349	$ 400,646
Expenses	107,723	50,149	36,937	74,668	13,466	282,943
Operating profit (loss)	$ 3	$ 43,559	$ 39,586	$ 44,672	$ (10,117)	$ 117,703

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Three Months Ended June 30, 2019					
Revenues	$ 116,092	$ 100,122	$ 81,109	$ 109,202	$ 3,061	$ 409,586
Expenses	107,790	50,558	39,361	68,371	6,797	272,877
Operating profit (loss)	$ 8,302	$ 49,564	$ 41,748	$ 40,831	$ (3,736)	$ 136,709

A reconciliation of the total operating profit reported for the business segments to income from operations in the Consolidated Statements of Operations for the three months ended June 30, 2020 and 2019 is as follows:

	2020	2019
Total operating profit from segments	$ 117,703	$ 136,709
Corporate overhead expenses	(17,391)	(16,573)
Income from operations	$ 100,312	$ 120,136

The following tables provide additional information for the three months ended June 30, 2020 and 2019 pertaining to our business segments:

	Capital Expenditures (1)		Depreciation	
	2020	2019	2020	2019
Private Banks	$ 6,634	$ 8,761	$ 3,965	$ 3,585
Investment Advisors	3,803	4,558	1,172	1,165
Institutional Investors	1,029	1,049	301	414
Investment Managers	7,259	4,875	1,869	1,820
Investments in New Businesses	332	344	76	110
Total from business segments	$ 19,057	$ 19,587	$ 7,383	$ 7,094
Corporate overhead	798	586	257	328
	$ 19,855	$ 20,173	$ 7,640	$ 7,422

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

	Amortization	
	2020	2019
Private Banks	$ 7,464	$ 7,217
Investment Advisors	2,664	2,550
Institutional Investors	427	427
Investment Managers	2,342	2,346
Investments in New Businesses	185	185
Total from business segments	$ 13,082	$ 12,725
Corporate overhead	58	56
	$ 13,140	$ 12,781

The following tables highlight certain financial information about each of the Company’s business segments for the six months ended June 30, 2020 and 2019:

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Six Months Ended June 30, 2020					
Revenues	$ 220,947	$ 196,029	$ 155,726	$ 235,969	$ 6,737	$ 815,408
Expenses	218,376	102,581	75,204	148,957	24,376	569,494
Operating profit (loss)	$ 2,571	$ 93,448	$ 80,522	$ 87,012	$ (17,639)	$ 245,914

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Six Months Ended June 30, 2019					
Revenues	$ 234,351	$ 194,883	$ 161,222	$ 213,851	$ 6,099	$ 810,406
Expenses	218,752	103,060	78,115	137,437	12,737	550,101
Operating profit (loss)	$ 15,599	$ 91,823	$ 83,107	$ 76,414	$ (6,638)	$ 260,305

A reconciliation of the total operating profit reported for the business segments to income from operations in the Consolidated Statements of Operations for the six months ended June 30, 2020 and 2019 is as follows:

	2020	2019
Total operating profit from segments	$ 245,914	$ 260,305
Corporate overhead expenses	(35,374)	(36,608)
Income from operations	$ 210,540	$ 223,697

The following tables provide additional information for the six months ended June 30, 2020 and 2019 pertaining to our business segments:

	Capital Expenditures (1)		Depreciation	
	2020	2019	2020	2019
Private Banks	$ 16,559	$ 17,222	$ 7,847	$ 7,134
Investment Advisors	9,193	8,505	2,323	2,344
Institutional Investors	2,387	1,920	603	819
Investment Managers	16,291	8,224	3,681	3,591
Investments in New Businesses	750	585	146	201
Total from business segments	$ 45,180	$ 36,456	$ 14,600	$ 14,089
Corporate Overhead	1,795	971	513	664
	$ 46,975	$ 37,427	$ 15,113	$ 14,753

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

	Amortization	
	2020	2019
Private Banks	$ 14,885	$ 14,358
Investment Advisors	5,316	5,073
Institutional Investors	854	860
Investment Managers	4,677	4,685
Investments in New Businesses	370	370
Total from business segments	$ 26,102	$ 25,346
Corporate Overhead	115	114
	$ 26,217	$ 25,460

Note 10. Income Taxes

The gross liability for unrecognized tax benefits at June 30, 2020 and December 31, 2019 was $17,122 and $15,356, respectively, exclusive of interest and penalties, of which $17,097 and $15,194 would affect the effective tax rate if the Company were to recognize the tax benefit.

The Company classifies interest and penalties on unrecognized tax benefits as income tax expense. As of June 30, 2020 and December 31, 2019, the combined amount of accrued interest and penalties related to tax positions taken on tax returns was $2,387 and $1,962, respectively.

	June 30, 2020	December 31, 2019
Gross liability for unrecognized tax benefits, exclusive of interest and penalties	$ 17,122	$ 15,356
Interest and penalties on unrecognized benefits	2,387	1,962
Total gross uncertain tax positions	$ 19,509	$ 17,318
Amount included in Current liabilities	$ 4,950	$ 4,896
Amount included in Other long-term liabilities	14,559	12,422
	$ 19,509	$ 17,318

The Company's effective income tax rate for the three and six months ended June 30, 2020 and 2019 differs from the federal income tax statutory rate due to the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Statutory rate	21.0 %	21.0 %	21.0 %	21.0 %
State taxes, net of federal tax benefit	3.3	2.6	3.2	2.6
Foreign tax expense and tax rate differential	(0.2)	(0.1)	(0.1)	(0.1)
Tax benefit from stock option exercises	(0.4)	(1.1)	(1.3)	(1.1)
Other, net	(0.4)	(0.3)	(0.4)	(0.3)
	23.3 %	22.1 %	22.4 %	22.1 %

The increase in the Company's effective tax rate for the three months ended June 30, 2020 was primarily due to decreased tax benefits related to the lower volume of stock option exercises as compared to the three months ended June 30, 2019 as well as an increase in the state effective tax rate.

The Company files income tax returns in the United States on a consolidated basis and in many U.S. state and foreign jurisdictions. The Company is subject to examination of income tax returns by the Internal Revenue Service (IRS) and other domestic and foreign tax authorities. The Company is no longer subject to U.S. federal income tax examination for years before 2016 and is no longer subject to state, local or foreign income tax examinations by authorities for years before 2015.

The Company estimates it will recognize $4,950 of gross unrecognized tax benefits. This amount is expected to be paid within one year or to be removed at the expiration of the statute of limitations and resolution of income tax audits and is netted against the current payable account. These unrecognized tax benefits are related to tax positions taken on certain federal, state, and foreign tax returns. However, the timing of the resolution of income tax examinations is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. While it is reasonably possible that some issues under examination could be resolved in the next twelve months, based upon the current facts and circumstances, the Company cannot reasonably estimate the timing of such resolution or the total range of potential changes as it relates to the current unrecognized tax benefits that are recorded as part of the Company’s financial statements.

Note 11. Commitments and Contingencies

In the ordinary course of business, the Company from time to time enters into contracts containing indemnification obligations of the Company. These obligations may require the Company to make payments to another party upon the occurrence of certain events including the failure by the Company to meet its performance obligations under the contract. These contractual indemnification provisions are often standard contractual terms of the nature customarily found in the type of contracts entered into by the Company. In many cases, there are no stated or notional amounts included in the indemnification provisions. There are no amounts reflected on the Consolidated Balance Sheets as of June 30, 2020 and December 31, 2019 related to these indemnifications.

Stanford Trust Company Litigation

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

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

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

With respect to the Lillie proceeding, on July 9, 2019, the District Court issued an order granting SEI's Summary Judgment Motion to dismiss the remaining Section 714(B) claim and denying Plaintiffs' Motion for Continuance of SEI and SPTC's Motion for Summary Judgment pursuant to Rule 56(d). On July 17, 2019, Plaintiffs filed a Motion for Reconsideration and/or New Trial. The Court denied Plaintiffs' Motion for Reconsideration and/or New Trial and entered a Final Judgment in favor of SEI and SPTC on August 15, 2019. On August 27, 2019, Plaintiffs-Appellants filed a Notice of Appeal to the United States Court of Appeals for the Fifth Circuit of the District Court's dismissal of the Lillie matter. On November 20, 2019, Plaintiffs-Appellants filed a Motion in Support of the Notice of Appeal. On January 17, 2020, SEI and SPTC timely filed their brief in opposition to the Plaintiffs-Appellants' motion for appeal. On February 7, 2020, Plaintiffs- Appellants filed their reply brief. The parties are currently waiting for oral argument to be scheduled.

With respect to the Ahders proceeding, on July 16, 2019, SEI and SPTC filed a Motion for Summary Judgment pursuant to Rule 56(d) to have the remaining Section 714(B) claim dismissed. On January 24, 2020, the District Court issued an order granting SEI's Summary Judgment Motion to dismiss the remaining Section 714(B) claim. On March 17, 2020, Plaintiffs-Appellants filed a Notice of Appeal to the United States Court of Appeals for the Fifth Circuit of the District Court's dismissal of the Ahders matter. Similar to the Lillie matter, all motions and briefs in support of the parties' positions have been filed and the parties are currently waiting for oral argument to be scheduled.

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

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

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

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

SS&C Advent Matter

On February 28, 2020, SEI Global Services, Inc. ("SGSI"), a wholly-owned subsidiary of the Company, filed a complaint under seal in the United States District Court for the Eastern District of Pennsylvania against SS&C Advent ("Advent") and SS&C Technologies Holdings, Inc. ("SS&C") alleging that SS&C and Advent breached the terms of the contract between the parties and asking the Court to hold SS&C and Advent to their bargained-for obligations (the "Advent Matter"). In addition to Breach of Contract, the complaint also includes counts for Declaratory Judgment, Tortious Interference with Existing and Prospective Contractual Relations, Violation of the New York General Business Law Section 349, Violations of Section 2 of the Sherman Antitrust Act, Promissory Estoppel and Breach of the Covenant of Good Faith and Fair Dealing. SGSI seeks various forms of relief, including declaratory judgment, specific performance under the contract, and monetary damages, including treble damages and attorney's fees.

Following various procedural actions, including an amendment of the Company's complaint to include additional breach of contract claims, SS&C and Advent filed a motion to dismiss the Company's compliant. The oral argument regarding the motion to dismiss is currently scheduled for July 30, 2020.

SEI does not believe that it will have to change providers under the current terms of its contract with SS&C or Advent and that the process of litigating its rights under this contract may be a multi-year process. Consequently, SEI does not believe that the Advent Matter will create any consequence to the services it provides to its clients in the near term. SEI believes that it has alternatives available to it that will enable it to continue to provide currently provided services to its clients in all material respects in the unlikely event that there ultimately is a negative outcome in the Advent Matter.

SEI believes it has a strong basis for proving the actions it alleges in the Advent Matter and looks forward to the opportunity to assert its rights under contract. SEI expects the financial impact of litigating the Advent Matter to be immaterial.

Other Matters

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

Note 12. Goodwill and Intangible Assets

On April 2, 2018, the Company acquired all ownership interests of Huntington Steele, LLC (Huntington Steele). The total purchase price was allocated to Huntington Steele's net tangible and intangible assets based upon their estimated fair values at the date of purchase. The excess purchase price over the value of the identifiable intangible assets was recorded as goodwill. The total amount of goodwill from this transaction amounted to $11,499 and is included on the accompanying Consolidated Balance Sheets. The total purchase price for Huntington Steele included a contingent purchase price payable to the sellers upon the attainment of specified financial measures determined at various intervals occurring between 2019 and 2023. The Company made payments of $433 and $633 during 2019 and the six months ended June 30, 2020, respectively, to the sellers and recorded a fair value adjustment related to the contingent consideration. As of June 30, 2020, the current portion of the contingent consideration of $3,577 is included in Accrued liabilities on the accompanying Balance Sheet. The long-term portion of the contingent consideration of $8,045 is included in Other long-term liabilities on the accompanying Balance Sheet.

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

There were no changes to the Company's goodwill during the six months ended June 30, 2020.

The Company recognized $1,842 of amortization expense related to the intangible assets acquired through the acquisitions of Huntington Steele and Archway during the six months ended June 30, 2020 and 2019.

Note 13. Revenues from Contracts with Customers

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

Disaggregation of Revenue

The following tables provide additional information pertaining to our revenues disaggregated by major product line and primary geographic market based on the location of the use of the products or services for each of the Company’s business segments for the three months ended June 30, 2020 and 2019:

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
Major Product Lines:	For the Three Months Ended June 30, 2020					
Investment management fees from pooled investment products	$ 30,307	$ 62,251	$ 12,894	$ 163	$ 348	$ 105,963
Investment management fees from investment management agreements	292	26,545	62,924	—	2,908	92,669
Investment operations fees	438	—	—	109,078	—	109,516
Investment processing fees - PaaS	44,191	—	—	—	—	44,191
Investment processing fees - SaaS	28,047	—	—	3,392	—	31,439
Professional services fees	3,157	—	—	1,384	—	4,541
Account fees and other	1,294	4,912	705	5,323	93	12,327
Total revenues	$ 107,726	$ 93,708	$ 76,523	$ 119,340	$ 3,349	$ 400,646
Primary Geographic Markets:						
United States	$ 71,607	$ 93,708	$ 60,414	$ 111,137	$ 3,349	$ 340,215
United Kingdom	22,345	—	12,280	—	—	34,625
Canada	9,726	—	1,431	—	—	11,157
Ireland	4,048	—	2,265	8,203	—	14,516
Other	—	—	133	—	—	133
Total revenues	$ 107,726	$ 93,708	$ 76,523	$ 119,340	$ 3,349	$ 400,646

Major Product Lines:	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Three Months Ended June 30, 2019					
Investment management fees from pooled investment products	$ 33,451	$ 70,087	$ 13,799	$ 184	$ 325	$ 117,846
Investment management fees from investment management agreements	283	25,448	67,076	—	2,713	95,520
Investment operations fees	362	—	—	99,932	—	100,294
Investment processing fees - PaaS	43,156	—	—	—	—	43,156
Investment processing fees - SaaS	34,776	—	—	2,593	—	37,369
Professional services fees	2,586	—	—	1,548	—	4,134
Account fees and other	1,478	4,587	234	4,945	23	11,267
Total revenues	$ 116,092	$ 100,122	$ 81,109	$ 109,202	$ 3,061	$ 409,586
Primary Geographic Markets:						
United States	$ 74,889	$ 100,122	$ 63,653	$ 101,794	$ 3,061	$ 343,519
United Kingdom	25,695	—	13,140	—	—	38,835
Canada	10,882	—	1,708	—	—	12,590
Ireland	4,626	—	2,356	7,408	—	14,390
Other	—	—	252	—	—	252
Total revenues	$ 116,092	$ 100,122	$ 81,109	$ 109,202	$ 3,061	$ 409,586

The following tables provide additional information pertaining to our revenues disaggregated by major product line and primary geographic market based on the location of the use of the products or services for each of the Company’s business segments for the six months ended June 30, 2020 and 2019:

Major Product Lines:	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Six Months Ended June 30, 2020					
Investment management fees from pooled investment products	$ 63,151	$ 132,431	$ 26,211	$ 356	$ 707	$ 222,856
Investment management fees from investment management agreements	639	53,965	128,634	—	5,871	189,109
Investment operations fees	913	—	—	215,279	—	216,192
Investment processing fees - PaaS	90,344	—	—	—	—	90,344
Investment processing fees - SaaS	57,216	—	—	6,643	—	63,859
Professional services fees	5,872	—	—	2,658	—	8,530
Account fees and other	2,812	9,633	881	11,033	159	24,518
Total revenues	$ 220,947	$ 196,029	$ 155,726	$ 235,969	$ 6,737	$ 815,408
Primary Geographic Markets:						
United States	$ 145,621	$ 196,029	$ 122,503	$ 219,580	$ 6,737	$ 690,470
United Kingdom	46,704	—	25,104	—	—	71,808
Canada	20,127	—	3,029	—	—	23,156
Ireland	8,495	—	4,795	16,389	—	29,679
Other	—	—	295	—	—	295
Total revenues	$ 220,947	$ 196,029	$ 155,726	$ 235,969	$ 6,737	$ 815,408

Major Product Lines:	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Six Months Ended June 30, 2019					
Investment management fees from pooled investment products	$ 66,424	$ 136,710	$ 27,460	$ 389	$ 634	$ 231,617
Investment management fees from investment management agreements	985	49,286	133,247	—	5,411	188,929
Investment operations fees	738	—	—	194,799	—	195,537
Investment processing fees - PaaS	87,067	—	—	—	—	87,067
Investment processing fees - SaaS	69,484	—	—	5,142	—	74,626
Professional services fees	6,363	—	—	2,965	—	9,328
Account fees and other	3,290	8,887	515	10,556	54	23,302
Total revenues	$ 234,351	$ 194,883	$ 161,222	$ 213,851	$ 6,099	$ 810,406
Primary Geographic Markets:						
United States	$ 152,343	$ 194,883	$ 125,978	$ 199,852	$ 6,099	$ 679,155
United Kingdom	51,045	—	26,606	—	—	77,651
Canada	21,542	—	3,435	—	—	24,977
Ireland	9,421	—	4,667	13,999	—	28,087
Other	—	—	536	—	—	536
Total revenues	$ 234,351	$ 194,883	$ 161,222	$ 213,851	$ 6,099	$ 810,406

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

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

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

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

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

Investment processing fees - Software as a Service - Revenues associated with clients that outsource investment processing technology software and computer processing by accessing our proprietary software and data center remotely but retain responsibility for all investment operations, client administration and other back-office trust operations. The contractual fee is based on a monthly fee plus additional fees determined on a per-account or per-transaction basis. The client is billed directly on a monthly basis. Revenues are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations.

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

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

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

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.
(In thousands, except asset balances and per share data)

This discussion reviews and analyzes the consolidated financial condition, the consolidated results of operations and other key factors that may affect future performance. This discussion should be read in conjunction with the Consolidated Financial Statements, the Notes to the Consolidated Financial Statements and the Annual Report on Form 10-K for the year ended December 31, 2019.

Overview

Consolidated Summary

SEI is a leading global provider of technology-driven wealth and investment management solutions. We deliver comprehensive platforms, services and infrastructure – encompassing investment processing, investment operations and investment management – to help wealth managers, financial advisors, investment managers, institutional and private investors create and manage wealth. Investment processing fees are earned as either monthly fees for contracted services or as a percentage of the market value of our clients' assets processed on our platforms. Investment operations and investment management fees are earned as a percentage of assets under management, administration or advised assets (See Note 13 to the Consolidated Financial Statements for more information pertaining to our revenues). As of June 30, 2020, through our subsidiaries and partnerships in which we have a significant interest, we manage, advise or administer $1.0 trillion in hedge, private equity, mutual fund and pooled or separately managed assets, including $317.8 billion in assets under management and $692.5 billion in client assets under administration. Our affiliate, LSV Asset Management (LSV), manages $81.1 billion of assets which are included as assets under management.

Our Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2020 and 2019 were:

	Three Months Ended June 30,		Percent Change*	Six Months Ended June 30,		Percent Change*
	2020	2019		2020	2019	
Revenues	$ 400,646	$ 409,586	(2)%	$ 815,408	$ 810,406	1%
Expenses	300,334	289,450	4%	604,868	586,709	3%
Income from operations	100,312	120,136	(17)%	210,540	223,697	(6)%
Net (loss) gain from investments	1,903	231	NM	(2,086)	1,510	NM
Interest income, net of interest expense	1,219	4,147	(71)%	4,270	8,247	(48)%
Equity in earnings from unconsolidated affiliate	28,276	37,832	(25)%	58,183	75,149	(23)%
Income before income taxes	131,710	162,346	(19)%	270,907	308,603	(12)%
Income taxes	30,644	35,806	(14)%	60,599	68,082	(11)%
Net income	101,066	126,540	(20)%	210,308	240,521	(13)%
Diluted earnings per common share	$ 0.68	$ 0.82	(17)%	$ 1.39	$ 1.54	(10)%

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

The following items had a significant impact on our financial results for the three and six months ended June 30, 2020 and 2019:

- Revenue from Asset management, administration and distribution fees in the first six months of 2020 increased primarily from higher average assets under administration from positive cash flows from new and existing clients in the Investment Managers segment. The market volatility beginning in March 2020 and continuing into the second quarter caused by the COVID-19 pandemic negatively impacted our revenues from assets under management, most notably in our Investment Advisors and Institutional Investors segments. Our average assets under administration increased $67.1 billion, or 11%, to $676.0 billion in the first six months of 2020 as compared to $608.9 billion during the first six months of 2019. Our average assets under management, excluding LSV, increased $6.1 billion to $232.0 billion in the first six months of 2020 as compared to $225.9 billion during the first six months of 2019.
- Information processing and software servicing fees in our Private Banks segment decreased by $10.1 million during the first six months of 2020 due to previously announced client losses and decreased non-recurring fees.
- Our proportionate share in the earnings of LSV decreased to $58.2 million in the first six months of 2020 as compared to $75.1 million in the first six months of 2019 due to lower assets under management from negative cash flows from existing clients, market volatility caused by the COVID-19 pandemic and client losses.

- We continue to invest in new business opportunities such as our One SEI strategy and IT Services offering. The majority of these costs are recorded in the Investments in New Businesses segment and are included in Consulting, outsourcing and professional fees on the accompanying Consolidated Statements of Operations.
- Travel and promotional-related expenses declined by $7.4 million during the first six months of 2020 as our sales and client relationship personnel adapted to COVID-19 restrictions.
- We capitalized $11.8 million in the first six months of 2020 for the SEI Wealth Platform as compared to $18.7 million in the first six months of 2019. Amortization expense related to SWP increased to $21.7 million during the first six months of 2020 as compared to $20.9 million during the first six months of 2019.
- Our effective tax rate during the second quarter of 2020 was 23.3% as compared to 22.1% during the second quarter of 2019. Our tax rate was 22.4% during the first six months of 2020 as compared to 22.1% during the first six months of 2019. The increase in our tax rate for both periods was primarily due to an increase in our state effective tax rate. Our second quarter 2020 tax rate was also impacted by decreased tax benefits associated with stock option exercises.
- We continued our stock repurchase program during 2020 and purchased 4.1 million shares for $216.9 million in the six month period.

Impact of COVID-19 and Other Events

The occurrence of unforeseen or catastrophic events, including the emergence of a pandemic or other widespread health emergency or concerns over the possibility of such an emergency, could create economic and financial disruptions, and could lead to operational difficulties that could impair our ability to manage our business. In December 2019, a novel strain of coronavirus (COVID-19) was identified in Wuhan, China. COVID-19 quickly spread globally, leading the World Health Organization to declare the COVID-19 virus outbreak a global pandemic in March 2020. Since that time, governmental authorities have implemented numerous and varying measures to stall the spread and ameliorate the impact of COVID-19, including travel bans and restrictions, quarantines, curfews, shelter in place and safer-at-home orders, business shutdowns and closures, and have also implemented multi-step policies with the goal of re-opening domestic and global markets. Certain jurisdictions have begun re-opening only to return to restrictions in the face of increases in new COVID-19 cases.

In March 2020, we executed upon our business resiliency and contingency plans. To date, our remote capabilities have proven to be effective during the disruption caused by the COVID-19 pandemic with almost the entire workforce working remotely, with only a very limited number of on-site activities in our operational offices continuing to be performed.

We continue to closely monitor the domestic and international landscape for changes in governmental measures both in the United States and in the locations where we rely on critical outsourced services. We continue to be in regular contact with regulators, clients and vendors to confirm the measures taken to continue operating during this crisis, taking into consideration the latest announcements from state and federal authorities. We are also in continuous communication with our workforce to provide for the health and welfare of our employees working remotely and have implemented a return plan that is available for review on our website for those employees working in our operational offices. Currently, we have approximately 250 employees that routinely work out of our offices world-wide. We will monitor the ability of these individuals to work as safely as possible at our offices and make adjustments to the number of on-site personnel (either increases or decreases) accordingly. We expect that the individual circumstances of our employees regarding school, childcare, care-giving and underlying health concerns will significantly impact our ability to return staff to their primary office locations.

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 and the portfolio strategy of our clients or their customers. The market volatility in response to measures taken to contain the spread of COVID-19 negatively impacted our asset-based fee revenues and partially offset our revenue growth. Additionally, changes in the portfolio strategy of our clients or their customers in response to market volatility resulted in asset flows into our lower margin liquidity products and negatively impacted our earnings.

While we have developed and implemented and continue to develop and implement health and safety protocols, business continuity plans and crisis management protocols designed to mitigate the potentially negative impact of COVID-19 to our employees and our business, the extent of the impact of the pandemic on our business and financial results will continue to depend on numerous evolving factors that we are not able to accurately predict and which will vary by market, including the duration and scope of the pandemic, global economic conditions during and after the pandemic, governmental actions that have been taken, or may be taken in the future, in response to the pandemic, the extent that critical public and private infrastructure functions upon which we rely are suspended and changes in investor and consumer behavior in response to the pandemic. The resulting market conditions may adversely affect our revenues and earnings derived from assets under management and administration.

We are aware of a ransomware attack that occurred on May 17, 2020, at M.J. Brunner (Brunner), one of our third-party developers/vendors that provides development services and application management for two of our client applications. We are also aware that certain client data was illegally accessed and revealed by cybercriminal(s). The applications themselves were not compromised by this attack. We take our clients' security very seriously, and we are working with Brunner, the FBI and our impacted clients to understand the extent to which SEI's or our clients' data has been exposed. We are also working with the appropriate parties with respect to notification and remediation protocols. The root cause of the attack was not predicated on vulnerability within SEI's network, and neither SEI's network nor operations were compromised, attacked or otherwise affected as part of this incident. While there were direct and indirect expenses associated with the incident in the second-quarter 2020, and will be in the third-quarter 2020, it is not expected these will be material.

On July 1, 2020, one of our storage arrays supported by our third party vendor, Dell-EMC, failed due to the operation of an application deployed by the vendor as part of our production infrastructure. As a consequence of the hardware failure, transactional activities on our platforms were extremely limited on July 1st and 2nd. All systems are currently on-line and 100% functional. This event was not caused by a third-party actor. While there will be direct and indirect expenses in the third-quarter 2020 associated with the outage, it is not expected these will be material. In response to the outage, we have launched a project internally, that will be supported by third-party experts, to identify tactical and strategic improvements that we should make across our enterprise technology footprint, including a review and improvement of our technical and operational resiliency plans and capabilities. We expect that this work will lead to recommendations that will result in additional investments of capital in hardware, software and personnel. We expect these costs will include both new investments as well as a reprioritization of current spend. Currently, we are not able to fully-estimate the total amount of additional expense as this will be part of an ongoing strategy around recovery and resiliency.

Ending Asset Balances
(In millions)

	As of June 30, 2020	As of June 30, 2019	Percent Change
Private Banks:			
Equity and fixed-income programs	$ 22,974	$ 22,563	2%
Collective trust fund programs	5	4	25%
Liquidity funds	4,291	3,322	29%
Total assets under management	$ 27,270	$ 25,889	5%
Client assets under administration	23,903	23,387	2%
Total assets	$ 51,173	$ 49,276	4%
Investment Advisors:			
Equity and fixed-income programs	$ 59,958	$ 64,591	(7)%
Collective trust fund programs	3	6	(50)%
Liquidity funds	6,648	2,618	154%
Total assets under management	$ 66,609	$ 67,215	(1)%
Institutional Investors:			
Equity and fixed-income programs	$ 80,257	$ 82,335	(3)%
Collective trust fund programs	103	78	32%
Liquidity funds	1,924	2,173	(11)%
Total assets under management	$ 82,284	$ 84,586	(3)%
Client assets under advisement	3,326	3,598	(8)%
Total assets	$ 85,610	$ 88,184	(3)%
Investment Managers:			
Collective trust fund programs	$ 58,178	$ 51,838	12%
Liquidity funds	664	472	41%
Total assets under management	$ 58,842	$ 52,310	12%
Client assets under administration (A)	668,611	607,086	10%
Total assets	$ 727,453	$ 659,396	10%
Investments in New Businesses:			
Equity and fixed-income programs	$ 1,498	$ 1,566	(4)%
Liquidity funds	194	141	38%
Total assets under management	$ 1,692	$ 1,707	(1)%
Client assets under advisement	1,193	887	34%
Total assets	$ 2,885	$ 2,594	11%
LSV:			
Equity and fixed-income programs (B)	$ 81,134	$ 103,575	(22)%
Total:			
Equity and fixed-income programs (C)	$ 245,821	$ 274,630	(10)%
Collective trust fund programs	58,289	51,926	12%
Liquidity funds	13,721	8,726	57%
Total assets under management	$ 317,831	$ 335,282	(5)%
Client assets under advisement	4,519	4,485	1%
Client assets under administration (D)	692,514	630,473	10%
Total assets under management, advisement and administration	$ 1,014,864	$ 970,240	5%

(A) Client assets under administration in the Investment Managers segment include \$49.6 billion of assets that are at fee levels below our normal full service assets (as of June 30, 2020).

(B) Equity and fixed-income programs include assets managed by LSV in which fees are based on performance only. The ending value of these assets as of June 30, 2020 was \$1.6 billion.

(C) Equity and fixed-income programs include \$7.4 billion of assets invested in various asset allocation funds at June 30, 2020.

(D) In addition to the numbers presented, SEI also administers an additional \$11.3 billion in Funds of Funds assets (as of June 30, 2020) on which SEI does not earn an administration fee.

Average Asset Balances
(In millions)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Percent Change	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Percent Change
Private Banks:						
Equity and fixed-income programs	$ 22,229	$ 22,088	1%	$ 23,443	$ 21,960	7%
Collective trust fund programs	5	4	25%	5	4	25%
Liquidity funds	4,366	3,388	29%	3,974	3,547	12%
Total assets under management	$ 26,600	$ 25,480	4%	$ 27,422	$ 25,511	7%
Client assets under administration	23,819	23,124	3%	24,330	22,611	8%
Total assets	$ 50,419	$ 48,604	4%	$ 51,752	$ 48,122	8%
Investment Advisors:						
Equity and fixed-income programs	$ 57,429	$ 62,419	(8)%	$ 61,181	$ 60,576	1%
Collective trust fund programs	3	6	(50)%	3	6	(50)%
Liquidity funds	6,923	3,465	100%	5,104	4,382	16%
Total assets under management	$ 64,355	$ 65,890	(2)%	$ 66,288	$ 64,964	2%
Institutional Investors:						
Equity and fixed-income programs	$ 77,037	$ 82,597	(7)%	$ 78,482	$ 82,161	(4)%
Collective trust fund programs	100	78	28%	93	79	18%
Liquidity funds	2,476	2,342	6%	2,409	2,359	2%
Total assets under management	$ 79,613	$ 85,017	(6)%	$ 80,984	$ 84,599	(4)%
Client assets under advisement	3,362	3,641	(8)%	3,561	3,568	—%
Total assets	$ 82,975	$ 88,658	(6)%	$ 84,545	$ 88,167	(4)%
Investment Managers:						
Collective trust fund programs	$ 54,061	$ 50,108	8%	$ 55,007	$ 48,715	13%
Liquidity funds	482	497	(3)%	550	528	4%
Total assets under management	$ 54,543	$ 50,605	8%	$ 55,557	$ 49,243	13%
Client assets under administration (A)	649,012	600,509	8%	651,699	586,287	11%
Total assets	$ 703,555	$ 651,114	8%	$ 707,256	$ 635,530	11%
Investments in New Businesses:						
Equity and fixed-income programs	$ 1,468	$ 1,436	2%	$ 1,566	$ 1,415	11%
Liquidity funds	182	178	2%	175	190	(8)%
Total assets under management	$ 1,650	$ 1,614	2%	$ 1,741	$ 1,605	8%
Client assets under advisement	1,148	917	25%	1,185	813	46%
Total assets	$ 2,798	$ 2,531	11%	$ 2,926	$ 2,418	21%
LSV:						
Equity and fixed-income programs (B)	$ 80,395	$ 102,919	(22)%	$ 84,227	$ 103,718	(19)%
Total:						
Equity and fixed-income programs (C)	$ 238,558	$ 271,459	(12)%	$ 248,899	$ 269,830	(8)%
Collective trust fund programs	54,169	50,196	8%	55,108	48,804	13%
Liquidity funds	14,429	9,870	46%	12,212	11,006	11%
Total assets under management	$ 307,156	$ 331,525	(7)%	$ 316,219	$ 329,640	(4)%
Client assets under advisement	4,510	4,558	(1)%	4,746	4,381	8%
Client assets under administration (D)	672,831	623,633	8%	676,029	608,898	11%
Total assets under management, advisement and administration	$ 984,497	$ 959,716	3%	$ 996,994	$ 942,919	6%

(A) Average client assets under administration in the Investment Managers segment for the three months ended June 30, 2020 include $50.1 billion that are at fee levels below our normal full service assets.
(B) Equity and fixed-income programs include assets managed by LSV in which fees are based on performance only. The average value of these assets for the three months ended June 30, 2020 was $1.4 billion.
(C) Equity and fixed-income programs include $7.4 billion of average assets invested in various asset allocation funds for the three months ended June 30, 2020.
(D) In addition to the numbers presented, SEI also administers an additional $11.3 billion of average assets in Funds of Funds assets for the three months ended June 30, 2020 on which SEI does not earn an administration fee.

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

Business Segments

Revenues, Expenses and Operating Profit (Loss) for our business segments for the three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019 were as follows:

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2020	2019		2020	2019	
Private Banks:						
Revenues	$ 107,726	$ 116,092	(7)%	$ 220,947	$ 234,351	(6)%
Expenses	107,723	107,790	—%	218,376	218,752	—%
Operating Profit	$ 3	$ 8,302	(100)%	$ 2,571	$ 15,599	(84)%
Operating Margin	— %	7 %		1 %	7 %	
Investment Advisors:						
Revenues	$ 93,708	$ 100,122	(6)%	$ 196,029	$ 194,883	1%
Expenses	50,149	50,558	(1)%	102,581	103,060	—%
Operating Profit	$ 43,559	$ 49,564	(12)%	$ 93,448	$ 91,823	2%
Operating Margin	46 %	50 %		48 %	47 %	
Institutional Investors:						
Revenues	$ 76,523	$ 81,109	(6)%	$ 155,726	$ 161,222	(3)%
Expenses	36,937	39,361	(6)%	75,204	78,115	(4)%
Operating Profit	$ 39,586	$ 41,748	(5)%	$ 80,522	$ 83,107	(3)%
Operating Margin	52 %	51 %		52 %	52 %	
Investment Managers:						
Revenues	$ 119,340	$ 109,202	9%	$ 235,969	$ 213,851	10%
Expenses	74,668	68,371	9%	148,957	137,437	8%
Operating Profit	$ 44,672	$ 40,831	9%	$ 87,012	$ 76,414	14%
Operating Margin	37 %	37 %		37 %	36 %	
Investments in New Businesses:						
Revenues	$ 3,349	$ 3,061	9%	$ 6,737	$ 6,099	10%
Expenses	13,466	6,797	98%	24,376	12,737	91%
Operating Loss	$ (10,117)	$ (3,736)	NM	$ (17,639)	$ (6,638)	NM

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

Private Banks

	Three Months Ended June 30, 2020		Three Months Ended June 30, 2019	Percent Change	Six Months Ended June 30, 2020		Six Months Ended June 30, 2019	Percent Change
Revenues:								
Information processing and software servicing fees	$ 76,655		$ 82,045	(7)%	$ 156,288		$ 166,347	(6)%
Asset management, administration & distribution fees	31,071		34,047	(9)%	64,659		68,004	(5)%
Total revenues	$ 107,726		$ 116,092	(7)%	$ 220,947		$ 234,351	(6)%

Revenues decreased $8.4 million, or 7%, in the three month period and decreased $13.4 million, or 6%, in the six month period ended June 30, 2020 and were primarily affected by:

- Decreased investment processing fees from the loss of clients;
- Decreased investment management fees from existing international clients due to negative cash flows and market volatility caused by the COVID-19 pandemic; and
- Lower recurring investment processing fees earned on our mutual fund trading solution; partially offset by
- Increased investment processing fees from new SWP client conversions and growth from existing SWP clients.

Operating margins were essentially flat in the three and six month periods ended June 30, 2020 as compared to 7% in the three and six month periods ended June 30, 2019. Operating income decreased by $8.3 million, or 100%, in the three month period and decreased $13.0 million, or 84%, in the six month period and was primarily affected by:

- A decrease in revenues; and
- Increased costs, mainly personnel and consulting costs, related to maintenance, support and client migrations to SWP; partially offset by
- Decreased direct expenses associated with decreased investment management fees from existing international clients; and
- Decreased promotion and travel costs due to COVID-19 restrictions.

Investment Advisors

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Percent Change	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Percent Change
Revenues:						
Investment management fees-SEI fund programs	$ 62,251	$ 70,087	(11)%	$ 132,431	$ 136,710	(3)%
Separately managed account fees	26,545	25,448	4%	53,965	49,286	9%
Other fees	4,912	4,587	7%	9,633	8,887	8%
Total revenues	$ 93,708	$ 100,122	(6)%	$ 196,029	$ 194,883	1%

Revenues decreased $6.4 million, or 6% in the three month period ended June 30, 2020 and were primarily affected by:

- The impact to investment management fees from the market volatility caused by the COVID-19 pandemic, negative cash flows and a decrease in average basis points earned on assets due to client-directed shifts into liquidity products and SEI's ETF program; partially offset by
- Increased separately managed account program fees from positive cash flows into new and existing SEI-sponsored programs.

Revenues increased $1.1 million, or 1%, in the six month period ended June 30, 2020 and were primarily affected by:

- Increased separately managed account program fees from positive cash flows into new and existing SEI-sponsored programs; partially offset by
- The impact to investment management fees from the market volatility caused by the COVID-19 pandemic, negative cash flows and a decrease in average basis points earned on assets due to client-directed shifts into liquidity products and SEI's ETF program.

Operating margin decreased to 46% compared to 50% in the three month period and increased to 48% compared to 47% in the six month period. Operating income decreased $6.0 million, or 12%, in the three month period and increased $1.6 million, or 2%, in the six month period and was primarily affected by:

- An increase in revenues during the six month period;
- Decreased costs associated with accounts formerly processed on TRUST 3000® due to client migrations to SWP; and
- Decreased promotion and travel costs due to COVID-19 restrictions; partially offset by
- Increased direct expenses associated with increased assets into our investment products; and
- Increased sales compensation expense.

Institutional Investors

Revenues decreased $4.6 million, or 6%, in the three month period and decreased $5.5 million, or 3%, in the six month period ended June 30, 2020 and were primarily affected by:

- Defined benefit client losses, mainly resulting from acquisitions and plan curtailments; and
- The impact to investment management fees from the market volatility caused by the COVID-19 pandemic; partially offset by
- Asset funding from new sales of our investment management platforms.

Operating margin increased to 52% compared to 51% in the three month period and remained at 52% in the six month period. Operating income decreased $2.2 million, or 5%, in the three month period and decreased $2.6 million, or 3%, in the six month period and was primarily affected by:

- A decrease in revenues; partially offset by
- Decreased direct expenses associated with investment management fees; and
- Decreased travel costs due to COVID-19 restrictions.

Investment Managers

Revenues increased $10.1 million, or 9%, in the three month period and increased $22.1 million, or 10%, in the six month period ended June 30, 2020 and were primarily affected by:

- Positive cash flows into alternative, traditional and separately managed account offerings from new and existing clients; partially offset by
- The impact from the market volatility caused by the COVID-19 pandemic to assets under administration; and
- Client losses and fund closures.

Operating margin remained at 37% in the three month period and increased to 37% compared to 36% in the six month period. Operating income increased $3.8 million, or 9%, in the three month period and increased $10.6 million, or 14%, in the six month period and was primarily affected by:

- An increase in revenues; and
- Decreased promotion and travel costs due to COVID-19 restrictions; partially offset by
- Increased costs associated with new business, primarily personnel expenses and third-party vendor costs; and
- Increased non-capitalized investment spending, mainly consulting costs.

Other

Corporate overhead expenses

Corporate overhead expenses primarily consist of general and administrative expenses and other costs not directly attributable to a reportable business segment. Corporate overhead expenses were $17.4 million and $16.6 million in the three months ended June 30, 2020 and 2019, respectively, and $35.4 million and $36.6 million in the six months ended June 30, 2020, respectively. The decrease in corporate overhead expenses during the six month period is primarily due to a decrease in non-recurring personnel-related costs.

Other income and expense

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net gain (loss) from investments	$ 1,903	$ 231	$ (2,086)	$ 1,510
Interest and dividend income	1,370	4,313	4,573	8,570
Interest expense	(151)	(166)	(303)	(323)
Equity in earnings of unconsolidated affiliate	28,276	37,832	58,183	75,149
Total other income and expense items, net	$ 31,398	$ 42,210	$ 60,367	$ 84,906

Net gain (loss) from investments

Net gains from investments in the three months ended June 30, 2020 were primarily due to unrealized gains recorded in current earnings related to LSV-sponsored investment funds and Company-sponsored mutual funds from market appreciation. Net loss from investments in the six months ended June 30, 2020 were primarily due to unrealized losses recorded in current earnings related to LSV-sponsored investment funds and Company-sponsored mutual funds from the market volatility caused by the COVID-19 pandemic (See Note 5).

Interest and dividend income

Interest and dividend income is earned based upon the amount of cash that is invested daily. The decrease in interest and dividend income in the three and six months ended June 30, 2020 was due to an overall decline in interest rates.

Equity in earnings of unconsolidated affiliate

Equity in earnings of unconsolidated affiliate reflects our less than 50% ownership in LSV. As of June 30, 2020, our total partnership interest in LSV was 38.8%. The table below presents the revenues and net income of LSV and our proportionate share in LSV's earnings.

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2020	2019		2020	2019	
Revenues of LSV	$ 94,648	$ 123,017	(23)%	$ 194,644	$ 243,932	(20)%
Net income of LSV	72,847	97,271	(25)%	149,744	193,219	(23)%
SEI's proportionate share in earnings of LSV	$ 28,276	$ 37,832	(25)%	$ 58,183	$ 75,149	(23)%

The decline in our earnings from LSV in the three and six months ended June 30, 2020 was due to lower assets under management from negative cash flows from existing clients, the market volatility caused by the COVID-19 pandemic and client losses. Average assets under management by LSV decreased $15.6 billion to $84.2 billion during the six months ended June 30, 2020 as compared to $103.7 billion during the six months ended June 30, 2019, a decrease of 19%.

Income Taxes

Our effective income tax rates for the three and six months ended June 30, 2020 and 2019 differs from the federal income tax statutory rate due to the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Statutory rate	21.0 %	21.0 %	21.0 %	21.0 %
State taxes, net of federal tax benefit	3.3	2.6	3.2	2.6
Foreign tax expense and tax rate differential	(0.2)	(0.1)	(0.1)	(0.1)
Tax benefit from stock option exercises	(0.4)	(1.1)	(1.3)	(1.1)
Other, net	(0.4)	(0.3)	(0.4)	(0.3)
	23.3 %	22.1 %	22.4 %	22.1 %

The increase in our tax rate for both periods was primarily due to an increase in our state effective tax rate. Our second quarter 2020 tax rate was also impacted by decreased tax benefits associated with stock option exercises.

Stock-Based Compensation

We recognized $14.0 million and $10.1 million in stock-based compensation expense during the six months ended June 30, 2020 and 2019, respectively. The amount of stock-based compensation expense we recognize is based upon our estimate of when financial vesting targets may be achieved. Any change in our estimate could result in the amount of stock-based compensation expense to be accelerated, spread out over a longer period, or reversed. This may cause volatility in the recognition of stock-based compensation expense in future periods and could materially affect our earnings.

Fair Value Measurements

The fair value of our financial assets and liabilities, except for the investment funds sponsored by LSV, is determined in accordance with the fair value hierarchy. The fair value of the investment funds sponsored by LSV is measured using the net asset value per share (NAV) as a practical expedient. The fair value of all other financial assets are determined using Level 1 or Level 2 inputs and consist mainly of investments in equity or fixed-income mutual funds that are quoted daily and Government National Mortgage Association (GNMA) and other U.S. government agency securities that are single issuer pools that are valued based on current market data of similar assets. The Company's Level 3 financial liabilities at June 30, 2020 and December 31, 2019 consist entirely of the estimated contingent consideration resulting from an acquisition (See Note 12 to the Consolidated Financial Statements). We did not have any other financial liabilities at June 30, 2020 or December 31, 2019 that were required to be measured at fair value on a recurring basis (See Note 4 to the Consolidated Financial Statements).

Regulatory Matters

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

SEI and our regulated subsidiaries have undergone or been scheduled to undergo a range of periodic or thematic reviews, examinations or investigations by numerous regulatory authorities around the world, including the Office of the Comptroller of the Currency, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, Inc., the Financial Conduct Authority of the United Kingdom, the Central Bank of Ireland and others. These regulatory activities typically result in the identification of matters or practices to be addressed by us or our subsidiaries and, in certain circumstances, the regulatory authorities require remediation activities or pursue enforcement proceedings against us or our subsidiaries. From time to time, the regulators in different jurisdictions will elevate their level of scrutiny of our operations as our business expands or is deemed critical to the operations of the relevant financial markets. As described under the caption “Regulatory Considerations” in our Annual Report on Form 10-K, the range of possible sanctions that are available to regulatory authorities include limitations on our ability to engage in business for specified periods of time, the revocation of registration, censures and fines. The direct and indirect costs of responding to these regulatory activities, implementation of any remediation actions, and of complying with new or modified regulations, as well as the potential financial costs and potential reputational impact against us of any enforcement proceedings that might result, is uncertain but could have a material adverse impact on our operating results or financial position.

Liquidity and Capital Resources

	Six Months Ended June 30,	
	2020	2019
Net cash provided by operating activities	$ 264,132	$ 217,645
Net cash used in investing activities	(37,393)	(30,306)
Net cash used in financing activities	(299,364)	(259,869)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(10,545)	277
Net decrease in cash, cash equivalents and restricted cash	(83,170)	(72,253)
Cash, cash equivalents and restricted cash, beginning of period	844,547	758,039
Cash, cash equivalents and restricted cash, end of period	$ 761,377	$ 685,786

Cash requirements and liquidity needs are primarily funded through our cash flow from operations and our capacity for additional borrowing. At June 30, 2020, our unused sources of liquidity consisted of cash and cash equivalents and the amount available under our credit facility.

Our credit facility provides for borrowings of up to $300.0 million and is scheduled to expire in June 2021 (See Note 6 to the Consolidated Financial Statements). As of July 23, 2020, we had outstanding letters of credit of $11.6 million which reduced our amount available under the credit facility to $288.4 million. These letters of credit were primarily issued for the expansion of our corporate headquarters and are due to expire in late 2020.

The availability of the credit facility is subject to compliance with certain covenants set forth in the agreement. The credit facility contains covenants which restrict our ability to engage in mergers, consolidations, asset sales, investments, transactions with affiliates other than wholly-owned subsidiaries, or to incur liens or other indebtedness including contingent obligations or guarantees, as defined in the agreement. In the event of a default under the credit facility, we would also be restricted from paying dividends on, or repurchasing, our common stock. Currently, our ability to borrow from the credit facility is not limited by any covenant of the agreement. Our credit facility is provided through Wells Fargo Bank, National Association, and a syndicate of other well-established financial institutions. As of July 23, 2020, we are not aware of any issues related to the ability of the lenders to honor the borrowing terms in our credit facility agreement.

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

The majority of our excess cash reserves are primarily placed in accounts located in the United States that invest entirely in SEI-sponsored money market mutual funds denominated in the U.S. dollar. We also utilize demand deposit accounts or money market accounts at several well-established financial institutions located in the United States. Accounts used to manage these excess cash reserves do not impose any restrictions or limitations that would prevent us from being able to access such cash amounts immediately. As of July 23, 2020, the amount of cash and cash equivalents considered free and immediately accessible for other general corporate purposes was $370.6 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. We therefore do not include accounts of our foreign subsidiaries in our calculation of free and immediately accessible cash for other general corporate purposes. A portion of the undistributed earnings of our foreign subsidiaries are deemed repatriated. Any subsequent transfer of available cash related to the repatriated earnings of our foreign subsidiaries could significantly increase our free and immediately accessible cash.

Cash flows from operations increased $46.5 million in the first six months of 2020 compared to the first six months of 2019 primarily from the positive impact from the change in our working capital accounts and higher distribution payments received from our unconsolidated affiliate, LSV. The increase was partially offset by the decline in our net income.

Net cash used in investing activities includes:

- *Purchases, sales and maturities of marketable securities.* Our purchases, sales and maturities of marketable securities in the first six months of 2020 and 2019 were as follows:

	Six Months Ended June 30,	
	2020	2019
Purchases	$ (60,764)	$ (77,891)
Sales and maturities	71,846	85,012
Net investing activities from marketable securities	$ 11,082	$ 7,121

- *The capitalization of costs incurred in developing computer software.* We capitalized $12.5 million of software development costs in the first six months of 2020 as compared to $19.2 million in the first six months of 2019. The majority of our software development costs are related to significant enhancements for the expanded functionality of the SEI Wealth Platform.
- *Capital expenditures.* Our capital expenditures in the first six months of 2020 were $34.4 million as compared to $18.2 million in the first six months of 2019. Our expenditures in 2020 and 2019 primarily include purchased software, equipment for our data center operations and the expansion of our corporate headquarters which is

scheduled to be completed by the fourth quarter 2020. Total expenditures related to the expansion for the remainder of 2020 are expected to be approximately $5.6 million.

Net cash used in financing activities includes:

- *The repurchase of our common stock.* Our Board of Directors has authorized the repurchase of our common stock through multiple authorizations. Currently, there is no expiration date for our common stock repurchase program. We had total capital outlays of $219.4 million during the first six months of 2020 and $183.4 million during the first six months of 2019 for the repurchase of our common stock.
- *Proceeds from the issuance of our common stock.* We received $24.6 million in proceeds from the issuance of our common stock during the first six months of 2020 as compared to $24.3 million during the first six months of 2019. The increase in proceeds is primarily attributable to a higher level of stock option exercise activity.
- *Dividend payments.* Cash dividends paid were $103.9 million in the first six months of 2020 as compared to $100.7 million in the first six months of 2019.

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

Forward-Looking Information and Risk Factors

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

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

- changes in capital markets that may affect our revenues and earnings;
- product development risk;
- risk of failure by a third-party service provider;
- data and cyber security risks;
- operational risks associated with the processing of investment transactions;
- systems and technology risks;
- pricing pressure from increased competition, disruptive technology and poor investment performance;
- the affect on our earnings and cashflows from the performance of LSV Asset Management;
- third party pricing services for the valuation of securities invested in our investment products;
- external factors affecting the fiduciary management market;
- the affect of extensive governmental regulation;
- litigation and regulatory examinations and investigations;
- our ability to capture the expected value from acquisitions, divestitures, joint ventures, minority stakes or strategic alliances;
- increased costs and regulatory risks from the growth of our business;
- fiduciary or other legal liability for client losses from our investment management operations;
- consolidation within our target markets;
- our ability to receive dividends or other payments in needed amounts from our subsidiaries;
- the exit by the United Kingdom from the European Union;
- third party approval of our investment products with advisors affiliated with independent broker-dealers or other networks;
- the effectiveness of our business, risk management and business continuity strategies, models and processes;
- financial and non-financial covenants which may restrict our ability to manage liquidity needs;

- changes in, or interpretation of, accounting principles or tax rules and regulations;
- fluctuations in foreign currency exchange rates;
- fluctuations in interest rates affecting the value of our fixed-income investment securities;
- our ability to hire and retain qualified employees;
- the competence and integrity of our employees and third-parties;
- stockholder activism efforts;
- retention of executive officers and senior management personnel; and
- unforeseen or catastrophic events, including the emergence of pandemic, terrorist attacks, extreme weather events or other natural disasters.

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

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

In addition to the regulatory authorities listed above, our subsidiaries are subject to the jurisdiction of regulatory authorities in other foreign countries. In addition to our wholly-owned subsidiaries, we also own a minority interest of approximately 38.8 percent in LSV, which is also an investment advisor registered with the SEC.

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

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

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

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

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

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Information required by this item is set forth under the captions "Our revenues and earnings are affected by changes in capital markets" and "Changes in interest rates may affect the value of our fixed-income investment securities" in Item 1A "Risk Factors" and under the caption "Sensitivity of our revenues and earnings to capital market fluctuations and client portfolio strategy" in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2019. There have been no material changes to this information as it is disclosed in our Annual Report on Form 10-K for 2019.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

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

(b) Change in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the quarter ended June 30, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Stanford Trust Company Litigation

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

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

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

With respect to the Lillie proceeding, on July 9, 2019, the District Court issued an order granting SEI’s Summary Judgment Motion to dismiss the remaining Section 714(B) claim and denying Plaintiffs’ Motion for Continuance of SEI and SPTC’s Motion for Summary Judgment pursuant to Rule 56(d). On July 17, 2019, Plaintiffs filed a Motion for Reconsideration and/or New Trial. The Court denied Plaintiffs’ Motion for Reconsideration and/or New Trial and entered a Final Judgment in favor of SEI and SPTC on August 15, 2019. On August 27, 2019, Plaintiffs-Appellants filed a Notice of Appeal to the United States Court of Appeals for the Fifth Circuit of the District Court's dismissal of the Lillie matter. On November 20, 2019, Plaintiffs-Appellants filed a Motion in Support of the Notice of Appeal. On January 17, 2020, SEI and SPTC timely filed their brief in opposition to the Plaintiffs-Appellants' motion for appeal. On February 7, 2020, Plaintiffs- Appellants filed their reply brief. The parties are currently waiting for oral argument to be scheduled.

With respect to the Ahders proceeding, on July 16, 2019, SEI and SPTC filed a Motion for Summary Judgment pursuant to Rule 56(d) to have the remaining Section 714(B) claim dismissed. On January 24, 2020, the District Court issued an order granting SEI’s Summary Judgment Motion to dismiss the remaining Section 714(B) claim. On March 17, 2020, Plaintiffs-Appellants filed a Notice of Appeal to the United States Court of Appeals for the Fifth Circuit of the District Court's dismissal of the Ahders matter. Similar to the Lillie matter, all motions and briefs in support of the parties’ positions have been filed and the parties are currently waiting for oral argument to be scheduled.

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

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

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

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

SS&C Advent Matter

On February 28, 2020, SEI Global Services, Inc. ("SGSI"), a wholly-owned subsidiary of the Company, filed a complaint under seal in the United States District Court for the Eastern District of Pennsylvania against SS&C Advent ("Advent") and SS&C Technologies Holdings, Inc. ("SS&C") alleging that SS&C and Advent breached the terms of the contract between the parties and asking the Court to hold SS&C and Advent to their bargained-for obligations (the "Advent Matter"). In addition to Breach of Contract, the complaint also includes counts for Declaratory Judgment, Tortious Interference with Existing and Prospective Contractual Relations, Violation of the New York General Business Law Section 349, Violations of Section 2 of the Sherman Antitrust Act, Promissory Estoppel and Breach of the Covenant of Good Faith and Fair Dealing. SGSI seeks various forms of relief, including declaratory judgment, specific performance under the contract, and monetary damages, including treble damages and attorney’s fees.

Following various procedural actions, including an amendment of the Company’s complaint to include additional breach of contract claims, SS&C and Advent filed a motion to dismiss the Company’s compliant. The oral argument regarding the motion to dismiss is currently scheduled for July 30, 2020.

SEI does not believe that it will have to change providers under the current terms of its contract with SS&C or Advent and that the process of litigating its rights under this contract may be a multi-year process. Consequently, SEI does not believe that the Advent Matter will create any consequence to the services it provides to its clients in the near term. SEI believes that it has alternatives available to it that will enable it to continue to provide currently provided services to its clients in all material respects in the unlikely event that there ultimately is a negative outcome in the Advent Matter.

SEI believes it has a strong basis for proving the actions it alleges in the Advent Matter and looks forward to the opportunity to assert its rights under contract. SEI expects the financial impact of litigating the Advent Matter to be immaterial.

Other Matters

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

Item 1A. Risk Factors.

Information regarding risk factors appears in Part I – Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2019. There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for 2019.

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

(e) Our Board of Directors has authorized the repurchase of up to $4.428 billion worth of our common stock through multiple authorizations. Currently, there is no expiration date for our common stock repurchase program.

Information regarding the repurchase of common stock during the three months ended June 30, 2020 is as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
April 2020	—	$ —	—	$ 240,097,000
May 2020	612,000	51.26	612,000	208,710,000
June 2020	1,030,000	56.39	1,030,000	150,627,000
Total	1,642,000	$ 54.48	1,642,000	

Item 6. Exhibits.

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

31.1	Rule 13a-15(e)/15d-15(e) Certification of Chief Executive Officer.
31.2	Rule 13a-15(e)/15d-15(e) Certification of Chief Financial Officer.
32	Section 1350 Certifications.
99.1	Press release dated July 22, 2020 of SEI Investments Company related to the Company's financial and operating results for the second quarter ended June 30, 2020.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

SEI INVESTMENTS COMPANY

Date:	July 28, 2020	By:	/s/ Dennis J. McGonigle
			Dennis J. McGonigle
			Chief Financial Officer

Exhibit 31.1

CERTIFICATIONS

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

1. I have reviewed this quarterly report on Form 10-Q of SEI Investments Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: July 28, 2020

/s/ Alfred P. West, Jr.

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

Exhibit 31.2

CERTIFICATIONS

I, Dennis J. McGonigle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SEI Investments Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

> a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
>
> b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
>
> c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
>
> d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

> a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data and report financial information; and
>
> b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: July 28, 2020

/s/ Dennis J. McGonigle

Dennis J. McGonigle
Chief Financial Officer

Exhibit 32

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

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

(1) The Company’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (the “Form 10-Q”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 28, 2020	Date: July 28, 2020
/s/ Alfred P. West, Jr.	/s/ Dennis J. McGonigle
Alfred P. West, Jr.	Dennis J. McGonigle
Chairman and Chief Executive Officer	Chief Financial Officer

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

Exhibit 99.1

Press Release

SEI New ways. New answers.

Investor Contact: **Media Contact:**
Lindsey Opsahl Leslie Wojcik
SEI SEI
+1 610-676-4052 +1 610-676-4191
lopsahl@seic.com lwojcik@seic.com
Pages: 8

FOR IMMEDIATE RELEASE

SEI Reports Second-Quarter 2020 Financial Results

OAKS, Pa., July 22, 2020 – SEI Investments Company (NASDAQ:SEIC) today announced financial results for the second-quarter 2020. Diluted earnings per share were $0.68 in second-quarter 2020 compared to $0.82 in second-quarter 2019.

Consolidated Overview

(In thousands, except earnings per share)	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2020	2019	%	2020	2019	%
Revenues	$400,646	$409,586	(2)%	$815,408	$810,406	1%
Net income	101,066	126,540	(20)%	210,308	240,521	(13)%
Diluted earnings per share	$0.68	$0.82	(17)%	$1.39	$1.54	(10)%

“While we and the rest of the world continue to cope with the pandemic, our employees’ health and safety remain our top priority as we move through our return-to-office plans. We are proud of our global workforce’s resilience as they manage the extended period of a remote workplace—all the while remaining totally committed to supporting and servicing our clients. We greatly appreciate the healthcare workers and others who help us deal with COVID-19’s impact on our lives,” said Alfred P. West, Jr., SEI Chairman and CEO.

“While financial markets somewhat rebounded during the quarter, we experienced headwinds that impacted our results. Our client engagement was high last quarter, resulting in positive sales activity. We continue to invest in our One SEI strategy, using this period to accelerate the necessary development work that will bring this initiative to its full potential.

“Our view of the future is not dampened by the challenges we all face in society today. Our diverse global workforce is the foundation of what will enable us to fulfill our promise of serving our clients and communities in which we work and live. Capitalizing on the opportunities in the markets we serve and the solutions we offer will lead to increased shareholder value.”

Summary of Second-Quarter Results by Business Segment

(In thousands)	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2020	2019	%	2020	2019	%
Private Banks:						
Revenues	$107,726	$116,092	(7)%	$220,947	$234,351	(6)%
Expenses	107,723	107,790	—%	218,376	218,752	—%
Operating Profit	3	8,302	(100)%	2,571	15,599	(84)%
Operating Margin	— %	7 %		1 %	7 %	
Investment Advisors:						
Revenues	93,708	100,122	(6)%	196,029	194,883	1%
Expenses	50,149	50,558	(1)%	102,581	103,060	—%
Operating Profit	43,559	49,564	(12)%	93,448	91,823	2%
Operating Margin	46 %	50 %		48 %	47 %	
Institutional Investors:						
Revenues	76,523	81,109	(6)%	155,726	161,222	(3)%
Expenses	36,937	39,361	(6)%	75,204	78,115	(4)%
Operating Profit	39,586	41,748	(5)%	80,522	83,107	(3)%
Operating Margin	52 %	51 %		52 %	52 %	
Investment Managers:						
Revenues	119,340	109,202	9%	235,969	213,851	10%
Expenses	74,668	68,371	9%	148,957	137,437	8%
Operating Profit	44,672	40,831	9%	87,012	76,414	14%
Operating Margin	37 %	37 %		37 %	36 %	
Investments in New Businesses:						
Revenues	3,349	3,061	9%	6,737	6,099	10%
Expenses	13,466	6,797	98%	24,376	12,737	91%
Operating Loss	(10,117)	(3,736)	NM	(17,639)	(6,638)	NM
Totals:						
Revenues	$400,646	$409,586	(2)%	$815,408	$810,406	1%
Expenses	282,943	272,877	4%	569,494	550,101	4%
Corporate Overhead Expenses	17,391	16,573	5%	35,374	36,608	(3)%
Income from Operations	$100,312	$120,136	(17)%	$210,540	$223,697	(6)%

Second-Quarter Business Highlights:

- Revenues from Asset management, administration, and distribution fees decreased primarily from lower assets under management from the carryover effect of the sharp market depreciation during March 2020, which negatively impacted our asset-based fee revenues. This decline was partially offset by increased fees from higher assets under administration from positive cash flows and sales of new business in our Investment Managers segment.
- Our average assets under administration increased $49.2 billion, or 8%, to $672.8 billion in the second-quarter 2020, as compared to $623.6 billion during the second-quarter 2019 (see attached Average Asset Balances schedules for further details).
- Our average assets under management, excluding LSV, declined $1.8 billion, or 1%, to $226.8 billion in the second-quarter 2020, as compared to $228.6 billion during the second-quarter 2019 (see attached Average Asset Balances schedules for further details).
- Information processing and software servicing fees in our Private Banks segment decreased by $5.4 million during the second-quarter 2020 due primarily to previously announced client losses.
- Sales events, net of client losses, during second-quarter 2020 totaled approximately $22.1 million and are expected to generate net annualized recurring revenues of approximately $16.6 million when contract values are fully realized.
- The increase in our operational expenses was primarily due to increased consulting costs related to our continued investments in new business opportunities, such as our One SEI strategy and IT Services offering. This increase was partially offset by a decline in travel and promotional-related expenses, as our sales and client relationship personnel adapted to COVID-19 restrictions.
- Our earnings from LSV decreased by $9.5 million, or 25%, to $28.3 million in second-quarter 2020 as compared to $37.8 million in second-quarter 2019. The decrease in earnings was due to lower assets under management from negative cash flows from existing clients, the carryover effect of negative markets in March 2020, and client losses.
- We capitalized $5.6 million of software development costs in second-quarter 2020 for continued enhancements to the SEI Wealth Platform℠ (SWP). Amortization expense related to SWP was $10.9 million in second-quarter 2020.
- Our effective tax rates were 23.3% in second-quarter 2020 and 22.1% in second-quarter 2019. The increase in our effective tax rate was due to decreased tax benefits associated with a lower volume of stock option exercises and a higher effective state tax rate.
- We repurchased 1.6 million shares of our common stock for $89.5 million during the second-quarter 2020.

Earnings Conference Call

A conference call to review earnings is scheduled for 4:30 p.m. Eastern time on July 22, 2020. Investors may listen to the call at seic.com/ir-events. Investors may also listen to a replay by telephone at (USA) 866-207-1041; (International) 402-970-0847; Access Code: 8812985.

About SEI

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

As of June 30, 2020, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages, advises or administers $1 trillion in hedge, private equity, mutual fund and pooled or separately managed assets, including $318 billion in assets under management and $693 billion in client assets under administration. For more information, visit seic.com.

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

- revenue that we believe will be generated by sales events that occurred during the quarter,
- whether our development initiatives will enable the full potential of our One SEI initiative,
- whether we will fulfill our promise of serving our clients and communities, and
- whether capitalizing on the opportunities in the markets in which we serve and the solutions we offer will lead to shareholder value.

You should not place undue reliance on our forward-looking statements, as they are based on the current beliefs and expectations of our management and subject to significant risks and uncertainties, many of which are beyond our control or are subject to change. Although we believe the assumptions upon which we base our forward-looking statements are reasonable, they could be inaccurate. Some of the risks and important factors that could cause actual results to differ from those described in our forward-looking statements can be found in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended Dec. 31, 2019, filed with the Securities and Exchange Commission.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Asset management, admin. and distribution fees	$320,577	$324,925	$652,430	$638,869
Information processing and software servicing fees	80,069	84,661	162,978	171,537
Total revenues	400,646	409,586	815,408	810,406
Subadvisory, distribution and other asset mgmt. costs	44,182	46,177	89,519	89,982
Software royalties and other information processing costs	7,389	7,393	14,836	15,521
Compensation, benefits and other personnel	125,331	125,999	256,812	256,334
Stock-based compensation	7,062	5,064	13,991	10,102
Consulting, outsourcing and professional fees	57,111	45,330	110,401	95,536
Data processing and computer related	24,506	22,184	47,210	43,176
Facilities, supplies and other costs	13,973	17,100	30,769	35,845
Amortization	13,140	12,781	26,217	25,460
Depreciation	7,640	7,422	15,113	14,753
Total expenses	300,334	289,450	604,868	586,709
Income from operations	100,312	120,136	210,540	223,697
Net gain (loss) on investments	1,903	231	(2,086)	1,510
Interest and dividend income	1,370	4,313	4,573	8,570
Interest expense	(151)	(166)	(303)	(323)
Equity in earnings of unconsolidated affiliate	28,276	37,832	58,183	75,149
Income before income taxes	131,710	162,346	270,907	308,603
Income taxes	30,644	35,806	60,599	68,082
Net income	$101,066	$126,540	$210,308	$240,521
Basic earnings per common share	$0.69	$0.83	$1.42	$1.58
Shares used to calculate basic earnings per share	147,478	151,863	148,473	152,587
Diluted earnings per common share	$0.68	$0.82	$1.39	$1.54
Shares used to calculate diluted earnings per share	149,598	155,165	150,983	155,853
Dividends declared per common share	$0.35	$0.33	$0.35	$0.33

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

	June 30, 2020	December 31, 2019
Assets		
Current Assets:		
Cash and cash equivalents	$758,276	$841,446
Restricted cash	3,101	3,101
Receivables from investment products	49,873	54,165
Receivables, net of allowance for doubtful accounts of $1,079 and $1,201	351,614	340,358
Securities owned	35,030	33,486
Other current assets	35,005	32,289
Total Current Assets	1,232,899	1,304,845
Property and Equipment, net of accumulated depreciation of $367,677 and $353,453	182,273	160,859
Operating Lease Right-of-Use Assets	39,076	42,789
Capitalized Software, net of accumulated amortization of $466,937 and $442,677	284,341	296,068
Available for Sale and Equity Securities	105,361	116,917
Investments in Affiliated Funds, at fair value	4,749	5,988
Investment in Unconsolidated Affiliate	41,094	67,413
Goodwill	64,489	64,489
Intangible Assets, net of accumulated amortization of $10,615 and $8,773	26,145	27,987
Deferred Contract Costs	33,108	30,991
Deferred Income Taxes	2,343	2,822
Other Assets, net	37,722	30,202
Total Assets	$2,053,600	$2,151,370
Liabilities and Equity		
Current Liabilities:		
Accounts payable	$10,780	$4,423
Accrued liabilities	210,711	272,801
Current portion of long-term operating lease liabilities	8,285	9,156
Deferred revenue	6,349	7,185
Total Current Liabilities	236,125	293,565
Long-term Income Taxes Payable	803	803
Deferred Income Taxes	50,219	55,722
Long-term Operating Lease Liabilities	35,224	38,450
Other Long-term Liabilities	22,604	24,052
Total Liabilities	344,975	412,592
Shareholders' Equity:		
Common stock, $0.01 par value, 750,000 shares authorized; 146,445 and 149,745 shares issued and outstanding	1,464	1,497
Capital in excess of par value	1,174,411	1,158,900
Retained earnings	566,929	601,885
Accumulated other comprehensive loss, net	(34,179)	(23,504)
Total Shareholders' Equity	1,708,625	1,738,778
Total Liabilities and Shareholders' Equity	$2,053,600	$2,151,370

ENDING ASSET BALANCES
(In millions) (Unaudited)

	Jun. 30, 2019	Sept. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	Jun. 30, 2020
Private Banks:					
Equity and fixed-income programs	$22,563	$22,580	$23,851	$21,160	$22,974
Collective trust fund programs	4	4	4	5	5
Liquidity funds	3,322	3,695	3,405	4,143	4,291
Total assets under management	$25,889	$26,279	$27,260	$25,308	$27,270
Client assets under administration	23,387	23,985	25,801	21,497	23,903
Total assets	$49,276	$50,264	$53,061	$46,805	$51,173
Investment Advisors:					
Equity and fixed-income programs	$64,591	$65,059	$67,895	$54,856	$59,958
Collective trust fund programs	6	4	4	2	3
Liquidity funds	2,618	2,673	2,887	5,969	6,648
Total assets under management	$67,215	$67,736	$70,786	$60,827	$66,609
Institutional Investors:					
Equity and fixed-income programs	$82,335	$82,659	$84,291	$72,399	$80,257
Collective trust fund programs	78	81	83	94	103
Liquidity funds	2,173	2,290	1,746	3,672	1,924
Total assets under management	$84,586	$85,030	$86,120	$76,165	$82,284
Client assets under advisement	3,598	4,467	3,948	3,406	3,326
Total assets	$88,184	$89,497	$90,068	$79,571	$85,610
Investment Managers:					
Collective trust fund programs	51,838	53,169	58,070	48,226	58,178
Liquidity funds	472	477	479	392	664
Total assets under management	$52,310	$53,646	$58,549	$48,618	$58,842
Client assets under administration (A)	607,086	637,986	657,541	610,794	668,611
Total assets	$659,396	$691,632	$716,090	$659,412	$727,453
Investments in New Businesses:					
Equity and fixed-income programs	$1,566	$1,621	$1,688	$1,484	$1,498
Liquidity funds	141	132	158	152	194
Total assets under management	$1,707	$1,753	$1,846	$1,636	$1,692
Client assets under advisement	887	825	1,343	1,056	1,193
Total assets	$2,594	$2,578	$3,189	$2,692	$2,885
LSV Asset Management:					
Equity and fixed-income programs (B)	$103,575	$100,295	$107,476	$70,851	$81,134
Total:					
Equity and fixed-income programs (C)	$274,630	$272,214	$285,201	$220,750	$245,821
Collective trust fund programs	51,926	53,258	58,161	48,327	58,289
Liquidity funds	8,726	9,267	8,675	14,328	13,721
Total assets under management	$335,282	$334,739	$352,037	$283,405	$317,831
Client assets under advisement	4,485	5,292	5,291	4,462	4,519
Client assets under administration (D)	630,473	661,971	683,342	632,291	692,514
Total assets	$970,240	$1,002,002	$1,040,670	$920,158	$1,014,864

(A) Client assets under administration in the Investment Managers segment include $49.6 billion of assets that are at fee levels below our normal full-service assets (as of June 30, 2020).
(B) Equity and fixed-income programs include $1.6 billion of assets managed by LSV in which fees are based on performance only (as of June 30, 2020).
(C) Equity and fixed-income programs include $7.4 billion of assets invested in various asset allocation funds at June 30, 2020.
(D) In addition to the numbers presented, SEI also administers an additional $11.3 billion in Funds of Funds assets (as of June 30, 2020) on which SEI does not earn an administration fee.

AVERAGE ASSET BALANCES
(In millions) (Unaudited)

	2nd Qtr. 2019	3rd Qtr. 2019	4th Qtr. 2019	1st Qtr. 2020	2nd Qtr. 2020
Private Banks:					
Equity and fixed-income programs	$22,088	$22,432	$23,106	$24,657	$22,229
Collective trust fund programs	4	4	4	4	5
Liquidity funds	3,388	3,625	3,581	3,581	4,366
Total assets under management	$25,480	$26,061	$26,691	$28,242	$26,600
Client assets under administration	23,124	23,717	24,930	24,840	23,819
Total assets	$48,604	$49,778	$51,621	$53,082	$50,419
Investment Advisors:					
Equity and fixed-income programs	$62,419	$64,761	$66,371	$64,933	$57,429
Collective trust fund programs	6	5	4	3	3
Liquidity funds	3,465	2,580	2,673	3,284	6,923
Total assets under management	$65,890	$67,346	$69,048	$68,220	$64,355
Institutional Investors:					
Equity and fixed-income programs	$82,597	$82,398	$83,304	$79,926	$77,037
Collective trust fund programs	78	80	82	86	100
Liquidity funds	2,342	2,287	2,106	2,342	2,476
Total assets under management	$85,017	$84,765	$85,492	$82,354	$79,613
Client assets under advisement	3,641	3,797	4,106	3,760	3,362
Total assets	$88,658	$88,562	$89,598	$86,114	$82,975
Investment Managers:					
Collective trust fund programs	50,108	52,587	55,499	55,952	54,061
Liquidity funds	497	460	642	617	482
Total assets under management	$50,605	$53,047	$56,141	$56,569	$54,543
Client assets under administration (A)	600,509	630,328	646,592	654,386	649,012
Total assets	$651,114	$683,375	$702,733	$710,955	$703,555
Investments in New Businesses:					
Equity and fixed-income programs	$1,436	$1,609	$1,649	$1,663	$1,468
Liquidity funds	178	142	145	168	182
Total assets under management	$1,614	$1,751	$1,794	$1,831	$1,650
Client assets under advisement	917	842	1,044	1,222	1,148
Total assets	$2,531	$2,593	$2,838	$3,053	$2,798
LSV Asset Management:					
Equity and fixed-income programs (B)	$102,919	$100,094	$104,814	$88,059	$80,395
Total:					
Equity and fixed-income programs (C)	$271,459	$271,294	$279,244	$259,238	$238,558
Collective trust fund programs	50,196	52,676	55,589	56,045	54,169
Liquidity funds	9,870	9,094	9,147	9,992	14,429
Total assets under management	$331,525	$333,064	$343,980	$325,275	$307,156
Client assets under advisement	4,558	4,639	5,150	4,982	4,510
Client assets under administration (D)	623,633	654,045	671,522	679,226	672,831
Total assets	$959,716	$991,748	$1,020,652	$1,009,483	$984,497

(A) Average client assets under administration in the Investment Managers segment during second-quarter 2020 include $50.1 billion that are at fee levels below our normal full-service assets.
(B) Equity and fixed-income programs include $1.4 billion of average assets managed by LSV in which fees are based on performance only during second-quarter 2020.
(C) Equity and fixed-income programs include $7.4 billion of average assets invested in various asset allocation funds during second-quarter 2020.
(D) In addition to the numbers presented, SEI also administers an additional $11.3 billion of average assets in Funds of Funds assets during second-quarter 2020 on which SEI does not earn an administration fee.