

MORGAN STANLEY  
Form FWP  
September 28, 2018

**October 2018**

Preliminary Terms No. 1,027

Registration Statement Nos. 333-221595; 333-221595-01

Dated September 28, 2018

Filed pursuant to Rule 433

Morgan Stanley Finance LLC

Structured Investments

Opportunities in International Equities

Buffered PLUS Based on the iShares® MSCI Emerging Markets ETF due May 5, 2021

**Buffered Performance Leveraged Upside Securities<sup>SM</sup>**

Fully and Unconditionally Guaranteed by Morgan Stanley

**Principal at Risk Securities**

The Buffered PLUS offered are unsecured obligations of Morgan Stanley Finance LLC (“MSFL”) and are fully and unconditionally guaranteed by Morgan Stanley. The Buffered PLUS will pay no interest, provide a minimum payment at maturity of only 10% of the stated principal amount and have the terms described in the accompanying product supplement for PLUS, index supplement and prospectus, as supplemented or modified by this document. At maturity, if the underlying shares have appreciated in value, investors will receive the stated principal amount of their investment plus leveraged upside performance of the underlying shares, subject to the maximum payment at maturity. If the underlying shares have depreciated in value, but the underlying shares have not declined by more than the specified buffer amount, the Buffered PLUS will redeem for par. However, if the underlying shares have declined by more than the buffer amount, investors will lose 1% for every 1% decline beyond the specified buffer amount, subject to the **minimum payment at maturity of 10% of the stated principal amount. Investors may lose up to 90% of the stated principal amount of the Buffered PLUS.** The Buffered PLUS are for investors who seek an equity fund-based return and who are willing to risk their principal and forgo current income and upside above the maximum payment at maturity in exchange for the leverage and buffer features that in each case apply to a limited range of performance of the underlying shares. The Buffered PLUS are notes issued as part of MSFL’s Series A Global Medium-Term Notes program.

**All payments are subject to our credit risk. If we default on our obligations, you could lose some or all of your investment. These securities are not secured obligations and you will not have any security interest in, or otherwise have any access to, any underlying reference asset or assets.**

**SUMMARY TERMS**

Issuer: Morgan Stanley Finance LLC

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Guarantor:	Morgan Stanley
Maturity date:	May 5, 2021
Underlying shares:	Shares of the iShares <sup>®</sup> MSCI Emerging Markets ETF (the “Fund”)
Aggregate principal amount:	\$
Payment at maturity per Buffered PLUS:	<p>§ If the final share price is <i>greater than</i> the initial share price: \$10 + leveraged upside payment</p> <p><i>In no event will the payment at maturity exceed the maximum payment at maturity.</i></p> <p>§ If the final share price is <i>less than or equal to</i> the initial share price but has decreased from the initial share price by an amount less than or equal to the buffer amount of 10%: \$10</p> <p>§ If the final share price is <i>less than</i> the initial share price and has decreased from the initial share price by an amount <i>greater than</i> the buffer amount of 10%:</p> <p style="padding-left: 40px;">(\$10 x the share performance factor) + \$1.00</p> <p><i>Under these circumstances, the payment at maturity will be less than the stated principal amount of \$10.</i></p> <p><i>However, under no circumstances will the Buffered PLUS pay less than \$1.00 per Buffered PLUS at maturity.</i></p>
Leveraged upside payment:	\$10 x leverage factor x share percent increase
Share percent increase:	(final share price – initial share price) / initial share price
Share performance factor:	final share price / initial share price
Initial share price:	\$ , which is the closing price of one underlying share on the pricing date
Final share price:	The closing price of one underlying share on the valuation date <i>times</i> the adjustment factor on such date
Adjustment factor:	1.0, subject to adjustment in the event of certain events affecting the underlying shares
Valuation date:	April 30, 2021, subject to postponement for non-trading days and certain market disruption events
Leverage factor:	200%
Buffer amount:	10%. As a result of the buffer amount of 10%, the value at or above which the underlying shares must close on the valuation date so that investors do not suffer a loss on their initial investment in the Buffered PLUS is \$ , which is 90% of the initial share price.
Minimum payment at maturity:	\$1.00 per Buffered PLUS (10% of the stated principal amount)
Maximum payment at maturity:	\$12.925 per Buffered PLUS (129.25% of the stated principal amount)
Interest:	None
Stated principal amount:	\$10 per Buffered PLUS

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Issue price:	\$10 per Buffered PLUS		
Pricing date:	October 18, 2018		
Original issue date:	October 23, 2018 (3 business days after the pricing date)		
CUSIP:	61768T340		
ISIN:	US61768T3409		
Listing:	The Buffered PLUS will not be listed on any securities exchange.		
Agent:	Morgan Stanley & Co. LLC (“MS & Co.”), an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley. See “Supplemental information regarding plan of distribution; conflicts of interest.”		
<b>Estimated value on the pricing date:</b>	Approximately \$9.619 per Buffered PLUS, or within \$0.15 of that estimate. See “Investment Summary” on page 2.		
Commissions and issue price:	Price to public	Agent’s commissions and fees	Proceeds to us <sup>(3)</sup>
<b>Per Buffered PLUS</b>	\$10	\$0.25 <sup>(1)</sup>	
		\$0.05 <sup>(2)</sup>	\$9.70
<b>Total</b>	\$	\$	\$

Selected dealers, including Morgan Stanley Wealth Management (an affiliate of the agent), and their financial advisors will collectively receive from the agent, MS & Co., a fixed sales commission of \$0.25 for each Buffered PLUS they sell. See “Supplemental information regarding plan of distribution; conflicts of interest.” For additional information, see “Plan of Distribution (Conflicts of Interest)” in the accompanying product supplement for PLUS.

<sup>(1)</sup> Reflects a structuring fee payable to Morgan Stanley Wealth Management by the agent or its affiliates of \$0.05 for each Buffered PLUS.

<sup>(2)</sup> See “Use of proceeds and hedging” on page 16.

**The Buffered PLUS involve risks not associated with an investment in ordinary debt securities. See “Risk Factors” beginning on page 6.**

**The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this document or the accompanying product supplement, index supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The Buffered PLUS are not deposits or savings accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality, nor are they obligations of, or guaranteed by, a bank.**

**You should read this document together with the related product supplement, index supplement and prospectus, each of which can be accessed via the hyperlinks below. Please also see “Additional Information About the Buffered PLUS” at the end of this document.**

**As used in this document, “we,” “us” and “our” refer to Morgan Stanley or MSFL, or Morgan Stanley and MSFL collectively, as the context requires.**

**Product Supplement for PLUS dated November 16, 2017**

**Index Supplement dated November 16, 2017**

**Prospectus dated November 16, 2017**

Morgan Stanley Finance LLC

Buffered PLUS Based on the iShares® MSCI Emerging Markets ETF due May 5, 2021

Buffered Performance Leveraged Upside Securities<sup>SM</sup>

Principal at Risk Securities

Investment Summary

Buffered Performance Leveraged Upside Securities

**Principal at Risk Securities**

The Buffered PLUS Based on the iShares® MSCI Emerging Markets ETF due May 5, 2021 (the “Buffered PLUS”) can be used:

§ As an alternative to direct exposure to the underlying shares that enhances returns for a certain range of positive performance of the underlying shares, subject to the maximum payment at maturity

§ To enhance returns and potentially outperform the underlying shares in a moderately bullish scenario

§ To achieve similar levels of upside exposure to the underlying shares as a direct investment, subject to the maximum payment at maturity, while using fewer dollars by taking advantage of the leverage factor

§ To obtain a buffer against a specified level of negative performance in the underlying shares

Maturity:	Approximately 2.5 years
Leverage factor:	200%
Maximum payment at maturity:	\$12.925 per Buffered PLUS (129.25% of the stated principal amount)
Minimum payment at maturity:	\$1.00 per Buffered PLUS (10% of the stated principal amount). Investors may lose up to 90% of the stated principal amount of the Buffered PLUS.
Buffer amount:	10%
Coupon:	None

The original issue price of each Buffered PLUS is \$10. This price includes costs associated with issuing, selling, structuring and hedging the Buffered PLUS, which are borne by you, and, consequently, the estimated value of the

Buffered PLUS on the pricing date will be less than \$10. We estimate that the value of each Buffered PLUS on the pricing date will be approximately \$9.619, or within \$0.15 of that estimate. Our estimate of the value of the Buffered PLUS as determined on the pricing date will be set forth in the final pricing supplement.

*What goes into the estimated value on the pricing date?*

In valuing the Buffered PLUS on the pricing date, we take into account that the Buffered PLUS comprise both a debt component and a performance-based component linked to the underlying shares. The estimated value of the Buffered PLUS is determined using our own pricing and valuation models, market inputs and assumptions relating to the underlying shares, instruments based on the underlying shares, volatility and other factors including current and expected interest rates, as well as an interest rate related to our secondary market credit spread, which is the implied interest rate at which our conventional fixed rate debt trades in the secondary market.

*What determines the economic terms of the Buffered PLUS?*

In determining the economic terms of the Buffered PLUS, including the leverage factor, the maximum payment at maturity, the buffer amount and the minimum payment at maturity, we use an internal funding rate, which is likely to be lower than our secondary market credit spreads and therefore advantageous to us. If the issuing, selling, structuring and hedging costs borne by you were lower or if the internal funding rate were higher, one or more of the economic terms of the securities would be more favorable to you.

*What is the relationship between the estimated value on the pricing date and the secondary market price of the Buffered PLUS?*

The price at which MS & Co. purchases the Buffered PLUS in the secondary market, absent changes in market conditions, including those related to the underlying shares, may vary from, and be lower than, the estimated value on the pricing date, because the secondary market price takes into account our secondary market credit spread as well as the bid-offer spread that MS & Co. would charge in a secondary market transaction of this type and other factors. However, because the costs associated with issuing, selling, structuring and hedging the Buffered PLUS are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the Buffered PLUS in the secondary market, absent changes in market conditions, including those related to the underlying shares, and to our secondary market credit spreads, it would do so based on values higher than the estimated value. We expect that those higher values will also be reflected in your brokerage account statements.

MS & Co. may, but is not obligated to, make a market in the Buffered PLUS, and, if it once chooses to make a market, may cease doing so at any time.



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Key Investment Rationale

The Buffered PLUS offer leveraged upside exposure to the underlying shares, subject to the maximum payment at maturity, while providing limited protection against negative performance of the underlying shares. Once the underlying shares have decreased in price by more than a specified buffer amount, investors are exposed to the negative performance of the underlying shares, subject to the minimum payment at maturity. At maturity, if the underlying shares have appreciated, investors will receive the stated principal amount of their investment plus leveraged upside performance of the underlying shares, subject to the maximum payment at maturity. At maturity, if the underlying shares have depreciated and (i) if the closing price of the underlying shares has not declined from the initial share price by more than the specified buffer amount, the Buffered PLUS will redeem for par, or (ii) if the closing price of the underlying shares has declined by more than the buffer amount, the investor will lose 1% for every 1% decline beyond the specified buffer amount, subject to the minimum payment at maturity. **Investors may lose up to 90% of the stated principal amount of the Buffered PLUS.**

Leveraged Performance up to a Cap	The Buffered PLUS offer investors an opportunity to capture enhanced returns for a certain range of positive performance relative to a direct investment in the underlying shares, subject to the maximum payment at maturity.
Upside Scenario	The underlying shares increase in price, and, at maturity, the Buffered PLUS redeem for the stated principal amount of \$10 plus 200% of the share return, subject to the maximum payment at maturity of \$12.925 per Buffered PLUS (129.25% of the stated principal amount).
Par Scenario	The underlying shares decline in price by no more than 10%, and, at maturity, the Buffered PLUS redeem for the stated principal amount of \$10.
Downside Scenario	The underlying shares decline in price by more than 10%, and, at maturity, the Buffered PLUS redeem for less than the stated principal amount by an amount that is proportionate to the percentage decrease of the underlying shares from the initial share price, plus the buffer amount of 10%. (Example: if the underlying shares decrease in price by 35%, investors would lose 25% of their principal and the Buffered PLUS will redeem for \$7.50, or 75% of the stated principal amount.) The minimum payment at maturity is \$1.00 per Buffered PLUS.

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Principal at Risk Securities

How the Buffered PLUS Work

Payoff Diagram

The payoff diagram below illustrates the payment at maturity on the Buffered PLUS based on the following terms:

Stated principal amount:	\$10 per Buffered PLUS
Leverage factor:	200%
Buffer amount:	10%
Maximum payment at maturity:	\$12.925 per Buffered PLUS
Minimum payment at maturity:	\$1.00 per Buffered PLUS

#### Buffered PLUS Payoff Diagram

How it works

**Upside Scenario.** If the final share price is greater than the initial share price, investors will receive the \$10 stated principal amount plus 200% of the appreciation of the underlying shares over the term of the Buffered PLUS, subject to the maximum payment at maturity. An investor will realize the maximum payment at maturity of \$12.925 per Buffered PLUS at a final share price of 114.625% of the initial share price.

§ If the value of the underlying shares appreciate 2%, the investor would receive a 4% return, or \$10.40 per Buffered PLUS.

§ If the value of the underlying shares appreciate 40%, the investor would receive only the maximum payment at maturity of \$12.925 per Buffered PLUS, or 129.25% of the stated principal amount.

**Par Scenario.** If the final share price is less than or equal to the initial share price but has decreased from the initial share price by an amount less than or equal to the buffer amount of 10%, investors will receive the stated principal amount of \$10 per Buffered PLUS.



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**Downside Scenario.** If the final share price is less than the initial share price and has decreased from the initial share price by an amount greater than the buffer amount of 10%, investors will receive an amount that is less than the § stated principal amount by an amount that is proportionate to the percentage decrease in the value of the underlying shares from the initial share price, plus the buffer amount of 10%. The minimum payment at maturity is \$1.00 per Buffered PLUS.

§ For example, if the value of the underlying shares depreciate 45%, investors would lose 35% of their principal and receive only \$6.50 per Buffered PLUS at maturity, or 65% of the stated principal amount.

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Risk Factors

*The following is a non-exhaustive list of certain key risk factors for investors in the Buffered PLUS. For further discussion of these and other risks, you should read the section entitled “Risk Factors” in the accompanying product supplement for PLUS, index supplement and prospectus. You should also consult with your investment, legal, tax, accounting and other advisers in connection with your investment in the Buffered PLUS.*

**Buffered PLUS do not pay interest and provide a minimum payment at maturity of only 10% of your principal.** The terms of the Buffered PLUS differ from those of ordinary debt securities in that the Buffered PLUS do not pay interest, and provide a minimum payment at maturity of only 10% of the stated principal amount of the Buffered PLUS, subject to our credit risk. If the final share price is less than 90% of the initial share price, you will § receive for each Buffered PLUS that you hold a payment at maturity that is less than the stated principal amount of each Buffered PLUS by an amount proportionate to the decline in the closing value of the underlying shares from the initial share price, plus \$1.00 per Buffered PLUS. **Accordingly, investors may lose up to 90% of the stated principal amount of the Buffered PLUS.**

**The appreciation potential of the Buffered PLUS is limited by the maximum payment at maturity.** The appreciation potential of the Buffered PLUS is limited by the maximum payment at maturity of \$12.925 per Buffered PLUS, or 129.25% of the stated principal amount. Although the leverage factor § provides 200% exposure to any increase in the final share price over the initial share price, because the payment at maturity will be limited to 129.25% of the stated principal amount for the Buffered PLUS, any increase in the final share price over the initial share price by more than 14.625% of the initial share price will not further increase the return on the Buffered PLUS.

§ **The market price of the Buffered PLUS will be influenced by many unpredictable factors.** Several factors, many of which are beyond our control, will influence the value of the Buffered PLUS in the secondary market and the price at which MS & Co. may be willing to purchase or sell the Buffered PLUS in the secondary market, including the trading price, volatility (frequency and magnitude of changes in value) and dividends of the underlying shares and of the stocks composing the MSCI Emerging Markets Index<sup>SM</sup>, interest and yield rates in the market, time remaining until the Buffered PLUS mature, geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the underlying shares or equities markets generally and which may affect the final share price of the underlying shares, the exchange rates relative to the U.S. dollar with respect to each of the currencies in which the shares comprising the MSCI Emerging Markets Index<sup>SM</sup> trade, the occurrence of certain events affecting the underlying shares that may or may not require an adjustment to the adjustment factor, and any actual or anticipated changes in our credit ratings or credit spreads. The price of the underlying shares may be, and has recently been, volatile, and we can give you no assurance that the volatility will lessen. See “iShare® MSCI Emerging Markets ETF Overview” below. You may receive less, and possibly significantly less, than the stated

principal amount per Buffered PLUS if you try to sell your Buffered PLUS prior to maturity.

**The Buffered PLUS are subject to our credit risk, and any actual or anticipated changes to our credit ratings or credit spreads may adversely affect the market value of the Buffered PLUS.** You are dependent on our ability to pay all amounts due on the Buffered PLUS at maturity and therefore you are subject to our credit risk. If we default on our obligations under the Buffered PLUS, your investment would be at risk and you could lose some or all § of your investment. As a result, the market value of the Buffered PLUS prior to maturity will be affected by changes in the market's view of our creditworthiness. Any actual or anticipated decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the market value of the Buffered PLUS.

**As a finance subsidiary, MSFL has no independent operations and will have no independent assets.** As a finance subsidiary, MSFL has no independent operations beyond the issuance and administration of its securities and will have no independent assets available for distributions to holders of MSFL securities if they make claims in respect of such securities in a bankruptcy, resolution or similar proceeding. Accordingly, any recoveries by such § holders will be limited to those available under the related guarantee by Morgan Stanley and that guarantee will rank *pari passu* with all other unsecured, unsubordinated obligations of Morgan Stanley. Holders will have recourse only to a single claim against Morgan Stanley and its assets under the guarantee. Holders of securities issued by MSFL should accordingly assume that in any such proceedings they would not have any priority over and should be

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treated *pari passu* with the claims of other unsecured, unsubordinated creditors of Morgan Stanley, including holders of Morgan Stanley-issued securities.

**The amount payable on the Buffered PLUS is not linked to the value of the underlying shares at any time other than the valuation date.** The final share price will be based on the closing price on the valuation date, subject to postponement for non-trading days and certain market disruption events. Even if the value of the underlying shares appreciate prior to the valuation date but then drop by the valuation date by more than 10%, the payment at maturity will be less, and may be significantly less, than it would have been had the payment at maturity been linked to the value of the underlying shares prior to such drop. Although the actual value of the underlying shares on the stated maturity date or at other times during the term of the Buffered PLUS may be higher than the closing price on the valuation date, the payment at maturity will be based solely on the closing price on the valuation date.

**Investing in the Buffered PLUS is not equivalent to investing in the underlying shares or the stocks composing the MSCI Emerging Markets Index<sup>SM</sup>.** Investing in the Buffered PLUS is not equivalent to investing in the underlying shares, the MSCI Emerging Markets Index<sup>SM</sup> (the “share underlying index”) or the stocks that constitute the MSCI Emerging Markets Index<sup>SM</sup>. Investors in the Buffered PLUS will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to the underlying shares or the stocks that constitute the MSCI Emerging Markets Index<sup>SM</sup>.

**The price of the underlying shares is subject to currency exchange risk.** Because the price of the underlying shares is related to the U.S. dollar value of stocks underlying the MSCI Emerging Markets Index<sup>SM</sup>, holders of the Buffered PLUS will be exposed to currency exchange rate risk with respect to each of the currencies in which such component securities trade. Exchange rate movements for a particular currency are volatile and are the result of numerous factors including the supply of, and the demand for, those currencies, as well as relevant government policy, intervention or actions, but are also influenced significantly from time to time by political or economic developments, and by macroeconomic factors and speculative actions related to the relevant region. An investor’s net exposure will depend on the extent to which the currencies of the component securities strengthen or weaken against the U.S. dollar and the relative weight of each currency. If, taking into account such weighting, the dollar strengthens against the currencies of the component securities represented in the MSCI Emerging Markets Index<sup>SM</sup>, the price of the underlying shares will be adversely affected and the payment at maturity on the Buffered PLUS may be reduced.

Of particular importance to potential currency exchange risk are:

existing and expected rates of inflation;

existing and expected interest rate levels;

the balance of payments; and

the extent of governmental surpluses or deficits in the countries represented in the MSCI Emerging Markets Index<sup>SM</sup> and the United States.

All of these factors are in turn sensitive to the monetary, fiscal and trade policies pursued by the governments of various countries represented in the MSCI Emerging Markets Index<sup>SM</sup> and the United States and other countries important to international trade and finance.

**There are risks associated with investments in securities, such as the Buffered PLUS, linked to the value of foreign (and especially emerging markets) equity securities.** The underlying shares track the performance of the MSCI Emerging Markets Index<sup>SM</sup>, which is linked to the value of foreign (and especially emerging markets) equity securities. Investments in securities linked to the value of foreign equity securities involve risks associated with the securities markets in those countries, including risks of volatility in those markets, governmental intervention in those markets and cross-shareholdings in companies in certain countries. Also, there is generally less publicly § available information about foreign companies than about U.S. companies that are subject to the reporting requirements of the Securities and Exchange Commission, and foreign companies are subject to accounting, auditing and financial reporting standards and requirements different from those applicable to U.S. reporting companies. The prices of securities issued in foreign markets may be affected by political, economic, financial and social factors in those countries, or global regions, including changes in government, economic and fiscal policies and currency exchange laws. In addition, the stocks included in the MSCI Emerging Markets Index<sup>SM</sup>

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and that are generally tracked by the underlying shares have been issued by companies in various emerging markets countries, which pose further risks in addition to the risks associated with investing in foreign equity markets generally. Countries with emerging markets may have relatively unstable governments, may present the risks of nationalization of businesses, restrictions on foreign ownership and prohibitions on the repatriation of assets, and may have less protection of property rights than more developed countries. The economies of countries with emerging markets may be based on only a few industries, may be highly vulnerable to changes in local or global trade conditions, and may suffer from extreme and volatile debt burdens or inflation rates. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of holdings difficult or impossible at times. Moreover, the economies in such countries may differ unfavorably from the economy in the United States in such respects as growth of gross national product, rate of inflation, capital reinvestment, resources, self-sufficiency and balance of payment positions between countries.

**Adjustments to the underlying shares or to the MSCI Emerging Markets Index<sup>SM</sup> could adversely affect the value of the Buffered PLUS.** As the investment adviser to the iShares® MSCI Emerging Markets ETF, BlackRock Fund Advisors (the “Investment Adviser”), seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the MSCI Emerging Markets Index<sup>SM</sup>. Pursuant to its investment strategy or otherwise, the Investment Adviser may add, delete or substitute the stocks composing the iShares® MSCI Emerging Markets ETF. Any of these actions could adversely affect the price of the underlying shares and, § consequently, the value of the Buffered PLUS. MSCI Inc. (“MSCI”) is responsible for calculating and maintaining the MSCI Emerging Markets Index<sup>SM</sup>. MSCI may add, delete or substitute the stocks constituting the MSCI Emerging Markets Index<sup>SM</sup> or make other methodological changes that could change the value of the MSCI Emerging Markets Index<sup>SM</sup>. MSCI may discontinue or suspend calculation or publication of the MSCI Emerging Markets Index at any time. In these circumstances, the calculation agent will have the sole discretion to substitute a successor index that is comparable to the discontinued MSCI Emerging Markets Index<sup>SM</sup> and is permitted to consider indices that are calculated and published by the calculation agent or any of its affiliates.

**The performance and market price of the Fund, particularly during periods of market volatility, may not correlate with the performance of the share underlying index, the performance of the component securities of the share underlying index or the net asset value per share of the Fund.** The Fund does not fully replicate the share underlying index and may hold securities that are different than those included in the share underlying index. In addition, the performance of the Fund will reflect additional transaction costs and fees that are not included in the § calculation of the share underlying index. All of these factors may lead to a lack of correlation between the performance of the Fund and the share underlying index. In addition, corporate actions (such as mergers and spin-offs) with respect to the equity securities underlying the Fund may impact the variance between the performances of the Fund and the share underlying index. Finally, because the shares of the Fund are traded on an exchange and are subject to market supply and investor demand, the market price of one share of the Fund may differ from the net asset value per share of the Fund.



In particular, during periods of market volatility, or unusual trading activity, trading in the securities underlying the Fund may be disrupted or limited, or such securities may be unavailable in the secondary market. Under these circumstances, the liquidity of the Fund may be adversely affected, market participants may be unable to calculate accurately the net asset value per share of the Fund, and their ability to create and redeem shares of the Fund may be disrupted. Under these circumstances, the market price of shares of the Fund may vary substantially from the net asset value per share of the Fund or the level of the share underlying index.

For all of the foregoing reasons, the performance of the Fund may not correlate with the performance of the share underlying index, the performance of the component securities of the share underlying index or the net asset value per share of the Fund. Any of these events could materially and adversely affect the price of the shares of the Fund and, therefore, the value of the Buffered PLUS. Additionally, if market volatility or these events were to occur on the valuation date, the calculation agent would maintain discretion to determine whether such market volatility or events have caused a market disruption event to occur, and such determination would affect the payment at maturity of the Buffered PLUS. If the calculation agent determines that no market disruption event has taken place, the payment at maturity would be based solely on the published closing price per share of the Fund on the valuation date, even if the Fund's shares are underperforming the share underlying index or the component securities of the share underlying index and/or trading below the net asset value per share of the Fund.

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**The rate we are willing to pay for securities of this type, maturity and issuance size is likely to be lower than the rate implied by our secondary market credit spreads and advantageous to us. Both the lower rate and the inclusion of costs associated with issuing, selling, structuring and hedging the Buffered PLUS in the original issue price reduce the economic terms of the Buffered PLUS, cause the estimated value of the Buffered PLUS to be less than the original issue price and will adversely affect secondary market prices.** Assuming no change § in market conditions or any other relevant factors, the prices, if any, at which dealers, including MS & Co., may be willing to purchase the Buffered PLUS in secondary market transactions will likely be significantly lower than the original issue price, because secondary market prices will exclude the issuing, selling, structuring and hedging-related costs that are included in the original issue price and borne by you and because the secondary market prices will reflect our secondary market credit spreads and the bid-offer spread that any dealer would charge in a secondary market transaction of this type as well as other factors.

The inclusion of the costs of issuing, selling, structuring and hedging the Buffered PLUS in the original issue price and the lower rate we are willing to pay as issuer make the economic terms of the Buffered PLUS less favorable to you than they otherwise would be.

However, because the costs associated with issuing, selling, structuring and hedging the Buffered PLUS are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the Buffered PLUS in the secondary market, absent changes in market conditions, including those related to the underlying shares, and to our secondary market credit spreads, it would do so based on values higher than the estimated value, and we expect that those higher values will also be reflected in your brokerage account statements.

**The estimated value of the Buffered PLUS is determined by reference to our pricing and valuation models, which may differ from those of other dealers and is not a maximum or minimum secondary market price.** These pricing and valuation models are proprietary and rely in part on subjective views of certain market inputs and certain assumptions about future events, which may prove to be incorrect. As a result, because there is no market-standard way to value these types of securities, our models may yield a higher estimated value of the Buffered PLUS than those generated by others, including other dealers in the market, if they attempted to value the § Buffered PLUS. In addition, the estimated value on the pricing date does not represent a minimum or maximum price at which dealers, including MS & Co., would be willing to purchase your Buffered PLUS in the secondary market (if any exists) at any time. The value of your Buffered PLUS at any time after the date of this document will vary based on many factors that cannot be predicted with accuracy, including our creditworthiness and changes in market conditions. See also “The market price of the Buffered PLUS will be influenced by many unpredictable factors” above.

§ **The antidilution adjustments the calculation agent is required to make do not cover every event that could affect the shares of the iShares® MSCI Emerging Markets ETF.** MS & Co., as calculation agent, will adjust the

adjustment factor for certain events affecting the shares of the iShares® MSCI Emerging Markets ETF. However, the calculation agent will not make an adjustment for every event that could affect the shares of the iShares® MSCI Emerging Markets ETF. If an event occurs that does not require the calculation agent to adjust the adjustment factor, the market price of the Buffered PLUS may be materially and adversely affected.

**The Buffered PLUS will not be listed on any securities exchange and secondary trading may be limited.** The Buffered PLUS will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the Buffered PLUS. MS & Co. may, but is not obligated to, make a market in the Buffered PLUS and, if it once chooses to make a market, may cease doing so at any time. When it does make a market, it will generally do so for transactions of routine secondary market size at prices based on its estimate of the current value of the Buffered PLUS, taking into account its bid/offer spread, our credit spreads, market volatility, the notional size of the proposed § sale, the cost of unwinding any related hedging positions, the time remaining to maturity and the likelihood that it will be able to resell the Buffered PLUS. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Buffered PLUS easily. Since other broker-dealers may not participate significantly in the secondary market for the Buffered PLUS, the price at which you may be able to trade your Buffered PLUS is likely to depend on the price, if any, at which MS & Co. is willing to transact. If, at any time, MS & Co. were to cease making a market in the Buffered PLUS, it is likely that there would be no secondary market for the Buffered PLUS. Accordingly, you should be willing to hold your Buffered PLUS to maturity.

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**The calculation agent, which is a subsidiary of Morgan Stanley and an affiliate of MSFL, will make determinations with respect to the Buffered PLUS.** As calculation agent, MS & Co. will determine the initial share price and the final share price, and will calculate the amount of cash you receive at maturity. Moreover, certain determinations made by MS & Co. in its capacity as calculation agent, may require it to exercise discretion and make subjective judgements, such as with respect to the occurrence or non-occurrence of market disruption events and the selection of a successor index or calculation of the final share price in the event of a market disruption event or discontinuance of the MSCI Emerging Markets Index<sup>SM</sup>. These potentially subjective determinations may adversely affect the payout to you at maturity. For further information regarding these type of determinations, see “Description of PLUS—Postponement of Valuation Date(s)” and “—Calculation Agent and Calculations” in the accompanying product supplement. In addition, MS & Co. has determined the estimated value of the Buffered PLUS on the pricing date.

**Hedging and trading activity by our affiliates could potentially adversely affect the value of the Buffered PLUS.** One or more of our affiliates and/or third-party dealers expect to carry out hedging activities related to the Buffered PLUS (and to other instruments linked to the underlying shares, or the MSCI Emerging Markets Index<sup>SM</sup>), including trading in the underlying shares and in other instruments related to the underlying shares or the MSCI Emerging Markets Index<sup>SM</sup>. As a result, these entities may be unwinding or adjusting hedge positions during the term of the Buffered PLUS, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the valuation date approaches. Some of our affiliates also trade the underlying shares or the stocks that constitute the MSCI Emerging Markets Index<sup>SM</sup> and other financial instruments related to the MSCI Emerging Markets Index<sup>SM</sup> on a regular basis as part of their general broker-dealer and other businesses. Any of these hedging or trading activities on or prior to the pricing date could potentially increase the initial share price, and, therefore, could increase the price at or above which the shares of the iShares® MSCI Emerging Markets ETF must close on the valuation date so that investors do not suffer a loss on their initial investment in the Buffered PLUS. Additionally, such hedging or trading activities during the term of the Buffered PLUS, including on the valuation date, could adversely affect the closing price of the shares of the iShares® MSCI Emerging Markets ETF on the valuation date, and, accordingly, the amount of cash an investor will receive at maturity.

**§ The U.S. federal income tax consequences of an investment in the Buffered PLUS are uncertain.** Please read the discussion under “Additional provisions—Tax considerations” in this document and the discussion under “United States Federal Taxation” in the accompanying product supplement for PLUS (together, the “Tax Disclosure Sections”) concerning the U.S. federal income tax consequences of an investment in the Buffered PLUS. As discussed in the Tax Disclosure Sections, there is a substantial risk that the “constructive ownership” rule could apply, in which case all or a portion of any long-term capital gain recognized by a U.S. Holder could be recharacterized as ordinary income and an interest charge could be imposed. If the Internal Revenue Service (the “IRS”) were successful in asserting an alternative treatment, the timing and character of income on the Buffered PLUS might differ significantly from the tax treatment described in the Tax Disclosure Sections. For example, under one possible treatment, the IRS could seek to recharacterize the Buffered PLUS as debt instruments. In that event, U.S. Holders would be required to accrue into income original issue discount on the Buffered PLUS every year at a “comparable yield” determined at the time of issuance and recognize all income and gain in respect of the Buffered PLUS as ordinary income. Additionally, as discussed under “United States Federal Taxation—FATCA” in the accompanying product supplement for PLUS, the withholding rules commonly referred to as “FATCA” would apply to the Buffered PLUS if they were

recharacterized as debt instruments. The risk that financial instruments providing for buffers, triggers or similar downside protection features, such as the Buffered PLUS, would be recharacterized as debt is greater than the risk of recharacterization for comparable financial instruments that do not have such features. We do not plan to request a ruling from the IRS regarding the tax treatment of the Buffered PLUS, and the IRS or a court may not agree with the tax treatment described in the Tax Disclosure Sections.

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. investors should be subject to withholding tax; and whether these instruments are or should be subject to the “constructive ownership” rule, as discussed in this document. While the notice requests comments on appropriate

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transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the Buffered PLUS, possibly with retroactive effect. Both U.S. and Non-U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Buffered PLUS, including possible alternative treatments, the potential application of the constructive ownership rule, the issues presented by this notice and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

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iShares® MSCI Emerging Markets ETF Overview

The iShares® MSCI Emerging Markets ETF is an exchange-traded fund that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the MSCI Emerging Markets Index<sup>SM</sup>. The iShares® MSCI Emerging Markets ETF is managed by iShares®, Inc. (“iShares”), a registered investment company that consists of numerous separate investment portfolios, including the iShares® MSCI Emerging Markets ETF. Information provided to or filed with the Securities and Exchange Commission (the “Commission”) by iShares pursuant to the Securities Act of 1933 and the Investment Company Act of 1940 can be located by reference to Commission file numbers 033-97598 and 811-09102, respectively, through the Commission’s website at [www.sec.gov](http://www.sec.gov). In addition, information may be obtained from other publicly available sources. **Neither the issuer nor the agent makes any representation that any such publicly available information regarding the iShares® MSCI Emerging Markets ETF is accurate or complete.**

Information as of market close on September 24, 2018:

Bloomberg Ticker Symbol:	EEM UP
Current Share Price:	\$42.74
52 Weeks Ago:	\$44.61
52 Week High (on 1/26/2018):	\$52.08
52 Week Low (on 9/10/2018):	\$41.14

The following graph sets forth the daily closing price of the underlying shares for the period from January 1, 2013 through September 24, 2018. The related table sets forth the published high and low closing prices as well as the end-of-quarter closing prices of the underlying shares for each quarter in the same period. The closing price of the underlying shares on September 24, 2018 was \$42.74. We obtained the information in the table and graph below from Bloomberg Financial Markets, without independent verification. The historical prices of the underlying shares should not be taken as an indication of future performance, and no assurance can be given as to the closing price of the underlying shares on the valuation date.

Shares of the iShares® MSCI Emerging Markets ETF  
Daily Closing Prices  
January 1, 2013 to September 24, 2018





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iShares® MSCI Emerging Markets ETF (CUSIP 464287234)	High (\$)	Low (\$)	Period End (\$)
<b>2013</b>			
First Quarter	45.20	41.80	42.78
Second Quarter	44.23	36.63	38.57
Third Quarter	43.29	37.34	40.77
Fourth Quarter	43.66	40.44	41.77
<b>2014</b>			
First Quarter	40.99	37.09	40.99
Second Quarter	43.95	40.82	43.23
Third Quarter	45.85	41.56	41.56
Fourth Quarter	42.44	37.73	39.29
<b>2015</b>			
First Quarter	41.07	37.92	40.13
Second Quarter	44.09	39.04	39.62
Third Quarter	39.78	31.32	32.78
Fourth Quarter	36.29	31.55	32.19
<b>2016</b>			
First Quarter	34.28	28.25	34.25
Second Quarter	35.26	31.89	34.36
Third Quarter	38.20	33.77	37.45
Fourth Quarter	38.10	34.08	35.01
<b>2017</b>			
First Quarter	39.99	35.43	39.39
Second Quarter	41.93	38.81	41.39
Third Quarter	45.85	41.05	44.81
Fourth Quarter	47.81	44.82	47.12
<b>2018</b>			
First Quarter	52.08	45.69	48.28
Second Quarter	48.14	42.33	43.33
Third Quarter (through September 24, 2018)	45.03	41.14	42.74

**This document relates only to the Buffered PLUS offered hereby and does not relate to the underlying shares. We have derived all disclosures contained in this document regarding iShares from the publicly available documents described in the preceding paragraph. In connection with the offering of the Buffered PLUS, neither we nor the agent has participated in the preparation of such documents or made any due diligence inquiry with respect to iShares. Neither we nor the agent makes any representation that such publicly available documents or any other publicly available information regarding iShares is accurate or complete. Furthermore, we cannot give any assurance that all events occurring prior to the date hereof (including events that would affect the accuracy or completeness of the publicly available documents described in the preceding paragraph) that would affect the trading price of the underlying shares (and therefore the price of the underlying shares at the time we price the Buffered PLUS) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning iShares could affect the value received at maturity with respect to the Buffered PLUS and therefore the value of the Buffered PLUS.**

**Neither we nor any of our affiliates makes any representation to you as to the performance of the underlying shares.**

We and/or our affiliates may presently or from time to time engage in business with iShares. In the course of such business, we and/or our affiliates may acquire non-public information with respect to iShares, and neither we nor any of our affiliates undertakes to disclose any such information to you. In addition, one or more of our affiliates may publish research reports with respect to the underlying shares. The statements in the preceding two sentences are not intended to affect the rights of investors in the Buffered PLUS under the securities laws. As a prospective purchaser of the Buffered PLUS, you should undertake an independent investigation of iShares as in your judgment is appropriate to make an informed decision with respect to an investment linked to the underlying shares.

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**iShares® is a registered trademark of BlackRock Institutional Trust Company, N.A. (“BTC”). The Buffered PLUS are not sponsored, endorsed, sold, or promoted by BTC. BTC makes no representations or warranties to the owners of the Buffered PLUS or any member of the public regarding the advisability of investing in the Buffered PLUS. BTC has no obligation or liability in connection with the operation, marketing, trading or sale of the Buffered PLUS.**

**The MSCI Emerging Markets Index<sup>SM</sup>.** The MSCI Emerging Markets Index<sup>SM</sup> is a stock index calculated, published and disseminated daily by MSCI Inc. and is intended to provide performance benchmarks for certain emerging equity markets including Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. The MSCI Emerging Markets Index<sup>SM</sup> is described in “MSCI Emerging Markets Index<sup>SM</sup>” and “MSCI Global Investable Market Indices Methodology” in the accompanying index supplement.

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Additional Information About the Buffered PLUS

Please read this information in conjunction with the summary terms on the front cover of this document.

Additional provisions:

**Share**

**underlying index:** The MSCI Emerging Markets Index<sup>SM</sup>

**Postponement of**

If the scheduled valuation date is not a trading day or if a market disruption event occurs on that day so that the valuation date as postponed falls less than two business days prior to the scheduled

**maturity date:** maturity date, the maturity date of the Buffered PLUS will be postponed to the second business day following that valuation date as postponed.

**Denominations:** \$10 per Buffered PLUS and integral multiples thereof

**Minimum ticketing size:** \$1,000 / 100 Buffered PLUS

**Tax**

**considerations:**

Although there is uncertainty regarding the U.S. federal income tax consequences of an investment in the Buffered PLUS due to the lack of governing authority, in the opinion of our counsel, Davis Polk & Wardwell LLP, under current law, and based on current market conditions, a Buffered PLUS should be treated as a single financial contract that is an “open transaction” for U.S. federal income tax purposes.

Assuming this treatment of the Buffered PLUS is respected and subject to the discussion in “United States Federal Taxation” in the accompanying product supplement for PLUS, the following U.S. federal income tax consequences should result based on current law:

§ A U.S. Holder should not be required to recognize taxable income over the term of the Buffered PLUS prior to settlement, other than pursuant to a sale or exchange.

§ Upon sale, exchange or settlement of the Buffered PLUS, a U.S. Holder should recognize gain or loss equal to the difference between the amount realized and the U.S. Holder’s tax basis in the Buffered PLUS. Subject to the discussion below concerning the potential application of the “constructive ownership” rule, such gain or loss should be long-term capital gain or loss if the investor has held the Buffered PLUS for more than one year, and short-term capital gain or loss otherwise.

Because the Buffered PLUS are linked to shares of an exchange-traded fund, although the matter is not clear, there is a substantial risk that an investment in the Buffered PLUS will be treated as a “constructive ownership transaction” under Section 1260 of the Internal Revenue Code of 1986, as amended (the “Code”). If this treatment applies, all or a portion of any long-term capital gain of the U.S. Holder in respect of the Buffered PLUS could be recharacterized as ordinary income (in which case an interest charge will be imposed). Due to the lack of governing authority, our counsel is unable to opine as to whether or how Section 1260 of the Code applies to the Buffered PLUS. U.S. investors should read the section entitled “United States Federal Taxation—Tax Consequences to U.S. Holders—Possible Application of Section 1260 of the Code” in the accompanying product supplement for PLUS for additional information and consult their tax advisers regarding the potential application of the “constructive ownership” rule.

In 2007, the U.S. Treasury Department and the Internal Revenue Service (the “IRS”) released a notice requesting comments on the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. investors should be subject to withholding tax; and whether these instruments are or should be subject to the “constructive ownership” rule, as discussed above. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the Buffered PLUS, possibly with retroactive effect.

As discussed in the accompanying product supplement for PLUS, Section 871(m) of the Code and Treasury regulations promulgated thereunder (“Section 871(m)”) generally impose a 30% (or a lower applicable treaty rate) withholding tax on dividend equivalents paid or deemed paid to Non-U.S. Holders with respect to certain financial instruments linked to U.S. equities or indices that include U.S. equities (each, an “Underlying Security”). Subject to certain exceptions, Section 871(m) generally applies to securities that substantially replicate the economic performance of one or more Underlying Securities, as determined based on tests set forth in the applicable Treasury regulations (a “Specified Security”). However, pursuant to an IRS notice,

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Section 871(m) will not apply to securities issued before January 1, 2021 that do not have a delta of one with respect to any Underlying Security. Based on our determination that the Buffered PLUS do not have a delta of one with respect to any Underlying Security, our counsel is of the opinion that the Buffered PLUS should not be Specified Securities and, therefore, should not be subject to Section 871(m).

Our determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on your particular circumstances, including whether you enter into other transactions with respect to an Underlying Security. If withholding is required, we will not be required to pay any additional amounts with respect to the amounts so withheld. You should consult your tax adviser regarding the potential application of Section 871(m) to the Buffered PLUS.

**Both U.S. and non-U.S. investors considering an investment in the Buffered PLUS should read the discussion under “Risk Factors” in this document and the discussion under “United States Federal Taxation” in the accompanying product supplement for PLUS and consult their tax advisers regarding all aspects of the U.S. federal income tax consequences of an investment in the Buffered PLUS, including possible alternative treatments, the potential application of the constructive ownership rule, the issues presented by the aforementioned notice and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.**

**The discussion in the preceding paragraphs under “Tax considerations” and the discussion contained in the section entitled “United States Federal Taxation” in the accompanying product supplement for PLUS, insofar as they purport to describe provisions of U.S. federal income tax laws or legal conclusions with respect thereto, constitute the full opinion of Davis Polk & Wardwell LLP regarding the material U.S. federal tax consequences of an investment in the Buffered PLUS.**

**Trustee:** The Bank of New York Mellon

**Calculation agent:** MS & Co.

**Use of proceeds and hedging:** The proceeds from the sale of the Buffered PLUS will be used by us for general corporate purposes. We will receive, in aggregate, \$10 per Buffered PLUS issued, because, when we enter into hedging transactions in order to meet our obligations under the Buffered PLUS, our hedging counterparty will reimburse the cost of the agent’s commissions. The costs of the Buffered PLUS borne by you and described on page 2 above comprise the agent’s commissions and the cost of issuing, structuring

and hedging the Buffered PLUS.

On or prior to the pricing date, we will hedge our anticipated exposure in connection with the Buffered PLUS, by entering into hedging transactions with our affiliates and/or third-party dealers. We expect our hedging counterparties to take positions in underlying shares, futures and options contracts on the underlying shares, and any component stocks of the share underlying index listed on major securities markets or positions in any other available securities or instruments that they may wish to use in connection with such hedging. Such purchase activity could potentially increase the price of the underlying shares on the pricing date, and, therefore, could increase the price at or above which the underlying shares must close on the valuation date so that investors do not suffer a loss on their initial investment in the Buffered PLUS. In addition, through our affiliates, we are likely to modify our hedge position throughout the term of the Buffered PLUS, including on the valuation date, by purchasing and selling the underlying shares, futures or options contracts on the underlying shares or component stocks of the share underlying index listed on major securities markets or positions in any other available securities or instruments that we may wish to use in connection with such hedging activities. As a result, these entities may be unwinding or adjusting hedge positions during the term of the Buffered PLUS, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the valuation date approaches. We cannot give any assurance that our hedging activities will not affect the value of the underlying shares, and, therefore, adversely affect the value of the Buffered PLUS or the payment you will receive at maturity. For further information on our use of proceeds and hedging, see “Use of Proceeds and Hedging” in the accompanying product supplement for PLUS.

**Benefit plan  
investor  
considerations:**

Each fiduciary of a pension, profit-sharing or other employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) (a “Plan”), should consider the fiduciary standards of ERISA in the context of the Plan’s particular circumstances before authorizing an investment in the Buffered PLUS. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan.

In addition, we and certain of our affiliates, including MS & Co., may each be considered a “party in

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interest” within the meaning of ERISA, or a “disqualified person” within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”), with respect to many Plans, as well as many individual retirement accounts and Keogh plans (such accounts and plans, together with other plans, accounts and arrangements subject to Section 4975 of the Code, also “Plans”). ERISA Section 406 and Section 4975 of the Code generally prohibit transactions between Plans and parties in interest or disqualified persons. Prohibited transactions within the meaning of ERISA or the Code would likely arise, for example, if the Buffered PLUS are acquired by or with the assets of a Plan with respect to which MS & Co. or any of its affiliates is a service provider or other party in interest, unless the Buffered PLUS are acquired pursuant to an exemption from the “prohibited transaction” rules. A violation of these “prohibited transaction” rules could result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory or administrative exemption.

The U.S. Department of Labor has issued five prohibited transaction class exemptions (“PTCEs”) that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the Buffered PLUS. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities and the related lending transactions, provided that neither the issuer of the securities nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than “adequate consideration” in connection with the transaction (the so-called “service provider” exemption). There can be no assurance that any of these class or statutory exemptions will be available with respect to transactions involving the Buffered PLUS.

Because we may be considered a party in interest with respect to many Plans, the Buffered PLUS may not be purchased, held or disposed of by any Plan, any entity whose underlying assets include “plan assets” by reason of any Plan’s investment in the entity (a “Plan Asset Entity”) or any person investing “plan assets” of any Plan, unless such purchase, holding or disposition is eligible for exemptive relief, including relief available under PTCEs 96-23, 95-60, 91-38, 90-1, 84-14 or the service provider exemption or such purchase, holding or disposition is otherwise not prohibited. Any purchaser, including any fiduciary purchasing on behalf of a Plan, transferee or holder of the Buffered PLUS will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of the Buffered PLUS that either (a) it is not a Plan or a Plan Asset Entity and is not purchasing such Buffered PLUS on behalf of or with “plan assets” of any Plan or with any assets of a governmental, non-U.S. or church plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (“Similar Law”) or (b) its purchase, holding and disposition of these Buffered PLUS will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violate any Similar Law.



Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Buffered PLUS on behalf of or with “plan assets” of any Plan consult with their counsel regarding the availability of exemptive relief.

The Buffered PLUS are contractual financial instruments. The financial exposure provided by the Buffered PLUS is not a substitute or proxy for, and is not intended as a substitute or proxy for, individualized investment management or advice for the benefit of any purchaser or holder of the Buffered PLUS. The Buffered PLUS have not been designed and will not be administered in a manner intended to reflect the individualized needs and objectives of any purchaser or holder of the Buffered PLUS.

Each purchaser or holder of any Buffered PLUS acknowledges and agrees that:

(i) the purchaser or holder or its fiduciary has made and shall make all investment decisions for the purchaser or holder and the purchaser or holder has not relied and shall not rely in any way upon us or our affiliates to act as a fiduciary or adviser of the purchaser or holder with respect to (A) the design and terms of the Buffered PLUS, (B) the purchaser or holder’s investment in the Buffered PLUS, or (C) the exercise of or failure to exercise any rights we have under or with respect to the Buffered PLUS;

(ii) we and our affiliates have acted and will act solely for our own account in connection with (A) all transactions relating to the Buffered PLUS and (B) all hedging transactions in connection with our obligations under the Buffered PLUS;

(iii) any and all assets and positions relating to hedging transactions by us or our affiliates are assets and positions of those entities and are not assets and positions held for the benefit of the purchaser or holder;

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(iv) our interests are adverse to the interests of the purchaser or holder; and

(v) neither we nor any of our affiliates is a fiduciary or adviser of the purchaser or holder in connection with any such assets, positions or transactions, and any information that we or any of our affiliates may provide is not intended to be impartial investment advice.

Each purchaser and holder of the Buffered PLUS has exclusive responsibility for ensuring that its purchase, holding and disposition of the Buffered PLUS do not violate the prohibited transaction rules of ERISA or the Code or any Similar Law. The sale of any Buffered PLUS to any Plan or plan subject to Similar Law is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by plans generally or any particular plan, or that such an investment is appropriate for plans generally or any particular plan. In this regard, neither this discussion nor anything provided in this document is or is intended to be investment advice directed at any potential Plan purchaser or at Plan purchasers generally and such purchasers of the Buffered PLUS should consult and rely on their own counsel and advisers as to whether an investment in the Buffered PLUS is suitable.

However, individual retirement accounts, individual retirement annuities and Keogh plans, as well as employee benefit plans that permit participants to direct the investment of their accounts, will not be permitted to purchase or hold the Buffered PLUS if the account, plan or annuity is for the benefit of an employee of Morgan Stanley or Morgan Stanley Wealth Management or a family member and the employee receives any compensation (such as, for example, an addition to bonus) based on the purchase of the Buffered PLUS by the account, plan or annuity.

Additional considerations:

Client accounts over which Morgan Stanley, Morgan Stanley Wealth Management or any of their respective subsidiaries have investment discretion are **not** permitted to purchase the Buffered PLUS, either directly or indirectly.

Supplemental information regarding plan of distribution;

The agent may distribute the Buffered PLUS through Morgan Stanley Smith Barney LLC (“Morgan Stanley Wealth Management”), as selected dealer, or other dealers, which may include Morgan Stanley & Co. International plc (“MSIP”) and Bank Morgan Stanley AG. Morgan Stanley Wealth Management, MSIP and Bank Morgan Stanley AG are affiliates of ours. Selected dealers, including Morgan Stanley Wealth Management, and their financial advisors will collectively receive from the agent, Morgan Stanley & Co. LLC, a fixed sales commission of \$0.25 for each Buffered PLUS they sell. In addition, Morgan Stanley Wealth Management will receive a structuring fee of \$0.05 for each Buffered PLUS.

conflicts of interest:

MS & Co. is an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley, and it and other affiliates of ours expect to make a profit by selling, structuring and, when applicable, hedging the Buffered PLUS. When MS & Co. prices this offering of Buffered PLUS, it will determine the economic terms of the Buffered PLUS such that for each Buffered PLUS the estimated value on the pricing date will be no lower than the minimum level described in “Investment Summary” on page 2.

MS & Co. will conduct this offering in compliance with the requirements of FINRA Rule 5121 of the Financial Industry Regulatory Authority, Inc., which is commonly referred to as FINRA, regarding a FINRA member firm’s distribution of the securities of an affiliate and related conflicts of interest. MS & Co. or any of our other affiliates may not make sales in this offering to any discretionary account. See “Plan of Distribution (Conflicts of Interest)” and “Use of Proceeds and Hedging” in the accompanying product supplement for PLUS.

**Contact:**

Morgan Stanley Wealth Management clients may contact their local Morgan Stanley branch office or our principal executive offices at 1585 Broadway, New York, New York 10036 (telephone number (866) 477-4776). All other clients may contact their local brokerage representative. Third-party distributors may contact Morgan Stanley Structured Investment Sales at (800) 233-1087.

**Where you can find more information:**

Morgan Stanley and MSFL have filed a registration statement (including a prospectus, as supplemented by the product supplement for PLUS and the index supplement) with the Securities and Exchange Commission, or SEC, for the offering to which this communication relates. You should read the prospectus in that registration statement, the product supplement for PLUS, the index supplement and any other documents relating to this offering that Morgan Stanley and MSFL have filed with the SEC for more complete information about Morgan Stanley, MSFL and this offering. You may get these documents without cost by visiting EDGAR on the SEC web site at [www.sec.gov](http://www.sec.gov). Alternatively, Morgan Stanley, MSFL, any underwriter or any dealer participating in the offering will arrange to send you the product supplement for PLUS, index supplement and prospectus if you so request by calling toll-free 800-584-6837.

You may access these documents on the SEC web site at [www.sec.gov](http://www.sec.gov) as follows:

**[Product Supplement for PLUS dated November 16, 2017](#)**

Morgan Stanley Finance LLC

Buffered PLUS Based on the iShares® MSCI Emerging Markets ETF due May 5, 2021

Buffered Performance Leveraged Upside Securities<sup>SM</sup>

Principal at Risk Securities

**Index Supplement dated November 16, 2017**

**Prospectus dated November 16, 2017**

Terms used but not defined in this document are defined in the product supplement for PLUS, in the index supplement or in the prospectus.

“Performance Leveraged Upside Securities<sup>SM</sup>” and “PLUS<sup>SM</sup>” are our service marks.

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

A lawsuit entitled Steven Curd and Rebel Curd v. SEI Investments Management Corporation was filed against SIMC in the United States District Court for the Eastern District of Pennsylvania on December 11, 2013. On August 28, 2014, the Court granted SIMC's motion to dismiss the initial complaint in the lawsuit, but also granted plaintiffs leave to amend the complaint.

On October 2, 2014, plaintiffs filed an amended complaint. In the amended complaint, SEI Investments Global Funds Services (SGFS) was added as a defendant. The plaintiffs bring the case as a shareholder derivative action against SIMC and SGFS on behalf of certain SEI funds. The claims are based on Section 36(b) of the Investment Company Act of 1940, as amended, which allows shareholders of a mutual fund to sue the investment adviser of the fund or its affiliates for an alleged breach of fiduciary duty with respect to compensation received by the adviser or its affiliates. The plaintiffs have brought the suit against SIMC and SGFS with respect to five specific SEI Funds: the High Yield Bond, Tax-Managed Large Cap, and Tax-Managed Small/Mid Cap Funds, each of which is a series of the SEI Institutional Managed Trust, the Intermediate Term Municipal Fund, which is a series of the SEI Tax Exempt Trust, and the International Equity Fund, which is a series of the SEI Institutional International Trust (the SEI Funds). The plaintiffs seek: (1) damages for the SEI Funds in the amount of the alleged “excessive” fees earned by SIMC and SGFS beginning from the one year period prior to the filing of the lawsuit, plus interest, costs, and fees; (2) orders declaring

that SIMC and SGFS allegedly violated Section 36(b) and enjoining SIMC and SGFS from further alleged violations; and (3) rescission of SIMC's and SGFS's contracts with the funds, and restitution of all allegedly excessive fees paid beginning from the one year period prior to the filing of the lawsuit, plus interest, costs, and fees. On November 24, 2014, SIMC and SGFS filed a motion to dismiss the amended complaint. On July 13, 2015, the Court denied the motion to dismiss with respect to SIMC, and granted the motion to dismiss with respect to SGFS. On September 18, 2015, plaintiffs filed a second amended complaint reinstating SGFS as a defendant in the case. The parties are currently engaged in discovery, which is expected to be completed in the fall of 2017. While the outcome of this litigation is uncertain given its early phase, SIMC and SGFS believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuit vigorously, and SIMC and SGFS are not reasonably able to provide an estimate of the ultimate loss, if any, with respect to this lawsuit. Identifying information for the Curd case is *Steven Curd, et. al. v. SEI Investments Management Corporation, et. al.*, U.S. District Court for the Eastern District of Pennsylvania, Case No. 2: 13-CV-07219.

On November 26, 2014, a Writ of Summons was issued to two of our subsidiaries, SEI Investments - Global Fund Services Limited (GFSL) and SEI Investments - Trustee & Custodial Services (Ireland) Limited (T&C), to appear before the Court of First Instance Antwerp, Belgium. The plaintiffs in this case allege that through their initial investments in collective investment funds domiciled in Netherlands and subsequent transfer of claim rights to a Belgium domiciled partnership, they are beneficial owners of a portfolio of life settlement policies (the Portfolio) which lapsed due to a failure to make premium payments. The plaintiffs seek to recover jointly and severally from nine defendants including GFSL and T&C, damages of approximately \$84 million. GFSL and T&C's involvement in the litigation appears to arise out of their historical provision of administration and custody services, respectively, to the Strategic Life Settlement Fund PLC, who, together with its managers, appear to be the principal defendants in this claim. On December 4, 2015, the Belgium Court dismissed plaintiff's claims for a lack of jurisdiction. On December 22, 2015, the plaintiffs appealed the dismissal.

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

Executive Officers of the Registrant

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

Item 4. Mine Safety Disclosures.

None.

## PART II

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

Price Range of Common Stock and Dividends:

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

	High	Low	Dividends
2015			
First Quarter	\$44.66	\$38.12	\$—
Second Quarter	50.75	43.26	0.24
Third Quarter	55.48	46.29	—
Fourth Quarter	55.10	47.31	0.26
2014	High	Low	Dividends
First Quarter	\$35.57	\$32.38	\$—
Second Quarter	33.80	29.93	0.22
Third Quarter	38.14	31.90	—
Fourth Quarter	41.22	32.95	0.24

According to the records of our transfer agent, there were 310 holders of record of our common stock on January 29, 2016. Because many of such shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

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

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

## Issuer Purchases of Equity Securities:

Our Board of Directors has authorized the repurchase of up to \$2.878 billion worth of our common stock through multiple authorizations. Currently, there is no expiration date for our common stock repurchase program (See Note 8 to the Consolidated Financial Statements).

Information regarding the repurchase of common stock during the three months ended December 31, 2015 is:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
October 1 – 31, 2015	50,000	\$50.97	50,000	\$ 88,072,000
November 1 – 30, 2015	448,000	53.50	448,000	64,095,000
December 1 – 31, 2015	970,000	52.54	970,000	113,126,000
Total	1,468,000	52.78	1,468,000	

## Item 6. Selected Financial Data.

(In thousands, except per-share data)

This table presents selected consolidated financial information for the five-year period ended December 31, 2015.

This data should be read in conjunction with the financial statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Annual Report on Form 10-K.

Year Ended December 31,	2015	2014	2013	2012	2011
Revenues	\$1,334,208	\$1,266,005	\$1,126,132	\$992,522	\$929,727
Total expenses	975,995	913,221	877,723	780,956	725,662
Income from operations	358,213	352,784	248,409	211,566	204,065
Other income (expense)	142,267	136,878	186,989	117,930	114,422
Income before income taxes	500,480	489,662	435,398	329,496	318,487
Income taxes	168,825	170,949	146,924	121,462	111,837
Net income	331,655	318,713	288,474	208,034	206,650
Less: Net income attributable to the noncontrolling interest	—	—	(350)	(1,186)	(1,691)
Net income attributable to SEI Investments	331,655	318,713	288,124	206,848	204,959
Basic earnings per common share	\$2.00	\$1.89	\$1.68	\$1.19	\$1.12
Shares used to calculate basic earnings per common share	165,725	168,246	171,561	174,295	182,547
Diluted earnings per common share	\$1.96	\$1.85	\$1.64	\$1.18	\$1.11
Shares used to calculate diluted earnings per common share	169,598	172,565	175,718	175,872	184,127
Cash dividends declared per common share	\$0.50	\$0.46	\$0.42	\$0.63	\$0.27
Financial Position as of December 31,					
Cash and cash equivalents	\$679,661	\$667,446	\$578,273	\$452,247	\$420,986
Total assets	1,588,628	1,542,875	1,439,169	1,309,824	1,294,559
SEI Investments Shareholders’ equity	1,289,720	1,247,613	1,156,002	1,038,180	1,025,316

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

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

This discussion reviews and analyzes the consolidated financial condition at December 31, 2015 and 2014, the consolidated results of operations for the years ended December 31, 2015, 2014 and 2013, and other factors that may affect future financial performance. This discussion should be read in conjunction with the Selected Financial Data included in Item 6 of this Annual Report and the Consolidated Financial Statements and Notes to the Consolidated Financial Statements included in Item 8 of this Annual Report.

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

## Overview

## Consolidated Summary

We are a leading global provider of investment processing, investment management and investment operations solutions. We help corporations, financial institutions, financial advisors and ultra-high-net-worth families create and manage wealth by providing comprehensive, innovative, investment and investment-business solutions. Investment processing fees are earned as monthly fees for contracted services, including computer processing services, software licenses and investment operations services, as well as transaction-based fees for providing securities valuation and trade-execution. Investment operations and investment management fees are earned as a percentage of average assets under management or administration. As of December 31, 2015, through our subsidiaries and partnerships in which we have a significant interest, we manage or administer \$670.3 billion in mutual fund and pooled or separately managed assets, including \$262.5 billion in assets under management and \$407.8 billion in client assets under administration.

Our Condensed Consolidated Statements of Operations for the years ended 2015, 2014 and 2013 were:

Year Ended December 31,	2015	2014	Percent Change	2013	Percent Change
Revenues	\$1,334,208	\$1,266,005	5 %	\$1,126,132	12 %
Expenses	975,995	913,221	7 %	877,723	4 %
Income from operations	358,213	352,784	2 %	248,409	42 %
Net (loss) gain from investments	(456 )	614	NM	659	(7 )%
Interest income, net of interest expense	2,875	2,896	(1 )%	2,713	7 %
Equity in earnings of unconsolidated affiliates	137,057	127,786	7 %	118,076	8 %
Gain on sale of subsidiary	2,791	5,582	NM	22,112	NM
Other income	—	—	— %	43,429	NM
Income before income taxes	500,480	489,662	2 %	435,398	12 %
Income taxes	168,825	170,949	(1 )%	146,924	16 %
Net income	331,655	318,713	4 %	288,474	10 %
Less: Net income attributable to the noncontrolling interest	—	—	— %	(350 )	NM
Net income attributable to SEI Investments Company	\$331,655	\$318,713	4 %	\$288,124	11 %
Diluted earnings per common share	\$1.96	\$1.85	6 %	\$1.64	13 %

## Significant Items Impacting Our Financial Results in 2015

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



2015:

Revenue growth was primarily driven by higher Asset management, administration and distribution fees from improved cash flows from new and existing clients and the market appreciation of assets from the favorable market conditions which prevailed during the first six months of 2015. The market volatility occurring during the second half of 2015 negatively impacted our asset-based fee revenues and partially offset our revenue growth. Despite the volatility, our average assets under management, excluding LSV, increased \$11.6 billion, or seven percent, to \$176.5 billion during

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2015 as compared to \$164.9 billion during 2014. Our average assets under administration increased \$42.3 billion, or 12 percent, to \$396.6 billion during 2015 as compared to \$354.3 billion during 2014.

Sales of new business in our Institutional Investors and Investment Managers business segments as well as positive cash receipts from new and existing advisor relationships in our Investment Advisors business segment contributed to the increase in our revenues and profits. Additionally, increased investment management fees from international clients in our Private Banks segment during the first six months of 2015 also contributed to our revenue growth.

Information processing and software servicing fees in our Private Banks segment increased \$6.0 million in 2015 primarily due to the increase in assets from existing clients processed on the SEI Wealth Platform.

Our proportionate share in the earnings of LSV was \$138.4 million in 2015 as compared to \$140.2 million in 2014, a decrease of one percent. The decrease was primarily due to increased personnel expenses of LSV.

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

We wrote off approximately \$6.0 million, or \$0.02 diluted earnings per share, of previously capitalized software development costs and purchased software related to the SEI Wealth Platform during 2015. The expense associated with this write off impacted the Private Banks and Investment Advisors business segments and is included in Facilities, supplies and other costs on the accompanying Consolidated Statement of Operations (See Notes 1 and 4 to the Consolidated Financial Statements for more information).

We capitalized \$24.5 million in 2015 for the SEI Wealth Platform as compared to \$34.9 million in 2014. Our expenses related to maintenance and enhancements not eligible for capitalization have increased. A higher portion of these costs are recognized in personnel and consulting costs. These increased costs primarily impacted the Private Banks and Investment Advisors business segments.

Amortization expense related to capitalized software was \$42.4 million during 2015 as compared to \$38.4 million during 2014 due to continued enhancements to the Platform.

Our operating expenses related to personnel costs in our Investment Advisors and Investment Managers segments increased. These increased operational and sales costs are mainly related to servicing new and existing clients.

Additionally, sales compensation expense in our Private Banks, Investment Advisors and Investment Managers segments increased due to new business activity. These increased operational costs are included in Compensation, benefits and other personnel costs on the accompanying Consolidated Statements of Operations.

We recorded a pre-tax gain of \$2.8 million, or \$0.01 diluted earnings per share, in 2015 from the sale of SEI Asset Korea (SEI AK) which was completed during the first quarter 2013. This gain was the result of the second in a series of three annual payments related to the contingent purchase price we received from the sale. The gain from the sale is included in Gain on sale of subsidiary on the accompanying Consolidated Statement of Operations (See Note 15 to the Consolidated Financial Statements for more information).

Our effective tax rate was 33.7 percent in 2015 as compared to 34.9 percent in 2014. The decrease in our tax rate was primarily due to a one-time reduction resulting from a favorable settlement of a tax petition filed with the State of Pennsylvania relating to the apportionment methodology of net income for prior years. (See the caption "Income Taxes" later in this discussion for more information).

We continued our stock repurchase program and purchased approximately 5,951,000 shares at an average price of \$48.66 per share for a total cost of \$289.6 million.

#### Significant Items Impacting Our Financial Results in 2014

Revenues increased \$139.9 million, or 12 percent, to \$1.3 billion in 2014 compared to 2013. Net income attributable to SEI increased \$30.6 million, or 11 percent, to \$318.7 million and diluted earnings per share increased to \$1.85 per share in 2014 compared to \$1.64 per share in 2013. We believe the following items were significant to our business during 2014:

Revenue growth was primarily driven by higher Asset management, administration and distribution fees from positive cash flows from new and existing clients and market appreciation. Our average assets under management, excluding LSV, increased \$19.5 billion, or 13 percent, to \$164.9 billion during 2014 as compared to \$145.4 billion during 2013.

Our average assets under administration increased \$54.5 billion, or 18 percent, to \$354.3 billion during 2014 as compared to \$299.8 billion during 2013.

The increase in our average assets under management primarily resulted from the favorable capital market conditions and new client funding in our Institutional Investors segment, increased investment management fees from international clients in our Private Banks segment, and positive net cash flows from new and existing advisor relationships in our

Investment Advisors segment. The increase in our assets under administration primarily resulted from market appreciation and new client funding across all of our products offered in our Investment Managers segment. Revenue growth was also driven by increased information processing fees in our Private Banks segment. The increase in our information processing fees was primarily attributable to higher fees from the growth in assets processed on the SEI Wealth Platform and increased fees from our mutual fund trading solution. In addition, we also recognized \$6.0 million in non-recurring professional services fees from a single project in the second quarter 2014.

Our proportionate share in the earnings of LSV was \$140.2 million in 2014 as compared to \$119.0 million in 2013, an increase of 18 percent. The increase was primarily driven by higher assets under management of LSV from existing clients due to market appreciation and an increase in performance fees earned by LSV.

Stock-based compensation expense decreased by \$24.4 million during 2014 due to the acceleration of expense recognition during 2013 for stock options that achieved performance vesting targets earlier than previously estimated as a result of unexpected, non-recurring events which were not part of our normal business operations (See the caption "Stock-Based Compensation" later in this discussion for more information).

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

Our operating expenses related to personnel in our Private Banks and Investment Managers segments increased. These increased operational costs, primarily attributable to salary and incentive compensation, are mainly related to servicing new and existing clients.

We capitalized \$34.9 million in 2014 for significant enhancements and new functionality for the SEI Wealth Platform as compared to \$39.5 million in 2013. Included in the amount for 2013 is a one-time contractual payment of \$8.8 million to exercise a conversion option in lieu of periodic fee payments pertaining to a software license related to the Platform. Amortization expense related to capitalized software was \$38.4 million during 2014 as compared to \$34.4 million during 2013 primarily due to continued enhancements to the Platform. Our non-capitalized development costs associated with the Platform increased due to higher personnel and consulting costs.

Our operating margins in all four core business segments improved in 2014 mainly due to increased recurring revenues generated from the higher levels of assets under management and administration as previously discussed. We recorded a pre-tax charge of \$11.3 million against earnings during the fourth quarter for the write down of our investment in a wealth services firm based in China (See the caption "Equity in earnings of unconsolidated affiliates" later in this discussion for more information).

We recorded a pre-tax gain of \$5.6 million, or \$0.02 diluted earnings per share, in 2014 from the sale of SEI AK. This gain was the result of the first in a series of three annual payments related to the contingent purchase price we received from the sale. The gain from the sale is included in Gain on sale of subsidiary on the accompanying Consolidated Statement of Operations (See Note 15 to the Consolidated Financial Statements for more information). Our effective tax rate was 34.9 percent in 2014 as compared to 33.7 percent in 2013. The increase in our tax rate was primarily due to a one time reduction in 2013 from a Pennsylvania state tax law change (See the caption "Income Taxes" later in this discussion for more information).

We continued our stock repurchase program and purchased approximately 7,888,000 shares at an average price of \$35.29 per share for a total cost of \$278.4 million.

#### Product Development - SEI Wealth Platform

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

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

An area of continued focus is improving the operational efficiency of the Platform that would promote scale more quickly. Our operational costs consist mainly of third-party vendor costs and SEI personnel. We are investing in the operational infrastructure that will attempt to provide a sustainable operating model that minimizes cost as revenues increase. Additionally, we expect to increase the resources devoted to enhancing the Platform's development, installation and service teams in order to prepare for the conversion of our first large national bank client which entails expanding the Platform to operate under the SaaS delivery model. These resources will also be directed towards migrating existing bank clients from TRUST 3000 to the Platform. We also expect to migrate larger, more sophisticated existing investment advisor clients to the Platform. Our continued investments in the SEI Wealth Platform and its infrastructure will allow for a more aggressive migration of these clients.

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

Sensitivity of our revenues and earnings to capital market fluctuations

The majority of our revenues are based on the value of assets invested in investment products that we manage or administer which are affected by changes in the capital markets. The prevailing capital market conditions during 2014 and the first six months of 2015 had a net positive impact on our asset-based fees thereby increasing our base revenues. Conversely, the market volatility during the second half of 2015 negatively impacted our asset-based fee revenues and partially offset our revenue growth. The recent market volatility occurring at the start of 2016 is expected to have a negative impact on our asset-based fee revenues. Prolonged future downturns in the general capital markets could have adverse effects on our revenues and earnings derived from assets under management and administration.

## Ending Asset Balances

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

## Ending Asset Balances

(In millions)

	As of December 31,					
	2015	2014	Percent Change	2013	Percent Change	
<b>Private Banks:</b>						
Equity and fixed income programs	\$18,150	\$18,666	(3)	)%	\$15,472	21 %
Collective trust fund programs	4	8	(50)	)%	14	(43) %
Liquidity funds	5,835	5,889	(1)	)%	5,685	4 %
Total assets under management	\$23,989	\$24,563	(2)	)%	\$21,171	16 %
Client proprietary assets under administration	17,532	16,741	5	%	15,272	10 %
Total assets	\$41,521	\$41,304	1	%	\$36,443	13 %
<b>Investment Advisors:</b>						
Equity and fixed income programs	\$46,123	\$43,845	5	%	\$38,574	14 %
Collective trust fund programs	7	9	(22)	)%	11	(18) %
Liquidity funds	4,924	3,173	55	%	2,846	11 %
Total assets under management	\$51,054	\$47,027	9	%	\$41,431	14 %
<b>Institutional Investors:</b>						
Equity and fixed income programs	\$72,263	\$72,828	(1)	)%	\$66,548	9 %
Collective trust fund programs	96	95	1	%	109	(13) %
Liquidity funds	2,883	2,929	(2)	)%	2,644	11 %
Total assets under management	\$75,242	\$75,852	(1)	)%	\$69,301	9 %
<b>Investment Managers:</b>						
Equity and fixed income programs	\$66	\$27	144	%	\$69	(61) %
Collective trust fund programs	32,117	20,833	54	%	22,377	(7) %
Liquidity funds	832	946	(12)	)%	718	32 %
Total assets under management	\$33,015	\$21,806	51	%	\$23,164	(6) %
Client proprietary assets under administration	390,282	355,890	10	%	311,992	14 %
Total assets	\$423,297	\$377,696	12	%	\$335,156	13 %
<b>Investments in New Businesses:</b>						
Equity and fixed income programs	\$764	\$736	4	%	\$619	19 %
Liquidity funds	47	98	(52)	)%	46	113 %
Total assets under management	\$811	\$834	(3)	)%	\$665	25 %
<b>LSV:</b>						
Equity and fixed income programs	\$78,335	\$82,665	(5)	)%	\$76,189	8 %
<b>Total:</b>						
Equity and fixed income programs	\$215,701	\$218,767	(1)	)%	\$197,471	11 %
Collective trust fund programs	32,224	20,945	54	%	22,511	(7) %
Liquidity funds	14,521	13,035	11	%	11,939	9 %
Total assets under management	\$262,446	\$252,747	4	%	\$231,921	9 %
Client proprietary assets under administration	407,814	372,631	9	%	327,264	14 %
Total assets under management and administration	\$670,260	\$625,378	7	%	\$559,185	12 %





## Average Asset Balances

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

## Average Asset Balances

(In millions)

For the Year Ended December 31,

	2015	2014	Percent Change	2013	Percent Change	
<b>Private Banks:</b>						
Equity and fixed income programs	\$19,106	\$17,838	7	% \$15,188	17	%
Collective trust fund programs	7	12	(42)	)% 11	9	%
Liquidity funds	5,491	5,547	(1)	)% 5,252	6	%
Total assets under management	\$24,604	\$23,397	5	% \$20,451	14	%
Client proprietary assets under administration	17,652	15,648	13	% 13,626	15	%
Total assets	\$42,256	\$39,045	8	% \$34,077	15	%
<b>Investment Advisors:</b>						
Equity and fixed income programs	\$45,968	\$41,346	11	% \$35,290	17	%
Collective trust fund programs	9	12	(25)	)% 14	(14)	)%
Liquidity funds	3,550	2,840	25	% 2,355	21	%
Total assets under management	\$49,527	\$44,198	12	% \$37,659	17	%
<b>Institutional Investors:</b>						
Equity and fixed income programs	\$73,804	\$70,796	4	% \$64,003	11	%
Collective trust fund programs	95	108	(12)	)% 106	2	%
Liquidity funds	3,082	2,773	11	% 2,937	(6)	)%
Total assets under management	\$76,981	\$73,677	4	% \$67,046	10	%
<b>Investment Managers:</b>						
Equity and fixed income programs	\$34	\$66	(48)	)% \$74	(11)	)%
Collective trust fund programs	23,476	21,929	7	% 18,985	16	%
Liquidity funds	1,004	857	17	% 554	55	%
Total assets under management	\$24,514	\$22,852	7	% \$19,613	17	%
Client proprietary assets under administration	378,970	338,645	12	% 286,208	18	%
Total assets	\$403,484	\$361,497	12	% \$305,821	18	%
<b>Investments in New Businesses:</b>						
Equity and fixed income programs	\$776	\$671	16	% \$577	16	%
Liquidity funds	68	81	(16)	)% 33	145	%
Total assets under management	\$844	\$752	12	% \$610	23	%
<b>LSV:</b>						
Equity and fixed income programs	\$82,785	\$80,440	3	% \$68,870	17	%
<b>Total:</b>						
Equity and fixed income programs	\$222,473	\$211,157	5	% \$184,002	15	%
Collective trust fund programs	23,587	22,061	7	% 19,116	15	%
Liquidity funds	13,195	12,098	9	% 11,131	9	%
Total assets under management	\$259,255	\$245,316	6	% \$214,249	15	%
Client proprietary assets under administration	396,622	354,293	12	% 299,834	18	%
Total assets under management and administration	\$655,877	\$599,609	9	% \$514,083	17	%



In the preceding tables, assets under management are total assets of our clients or their customers invested in our equity and fixed-income investment programs, collective trust fund programs, and liquidity funds for which we provide asset management services. Assets under management and administration also include total assets of our clients or their customers for which we provide administrative services, including client proprietary fund balances for which we provide administration and/or distribution services. All assets presented in the preceding tables are not included in the accompanying Consolidated Balance Sheets because we do not own them.

#### Business Segments

Revenues, Expenses, and Operating profit (loss) for our business segments for the year ended 2015 compared to the year ended 2014, and for the year ended 2014 compared to the year ended 2013 are:

Year Ended December 31,	2015	2014	Percent Change	2013	Percent Change
<b>Private Banks:</b>					
Revenues	\$456,516	\$441,467	3	% \$397,138	11 %
Expenses	410,975	399,620	3	% 392,399	2 %
Operating profit	\$45,541	\$41,847	9	% \$4,739	NM
Gain on sale of subsidiary	2,791	5,582	NM	22,112	NM
Total profit	\$48,332	\$47,429	NM	\$26,851	NM
Operating margin (a)	10	% 9	%	1	%
<b>Investment Advisors:</b>					
Revenues	306,620	283,811	8	% 241,252	18 %
Expenses	171,968	146,500	17	% 133,962	9 %
Operating profit	\$134,652	\$137,311	(2)	)% \$107,290	28 %
Operating margin	44	% 48	%	44	%
<b>Institutional Investors:</b>					
Revenues	297,568	284,677	5	% 257,658	10 %
Expenses	145,851	140,659	4	% 133,218	6 %
Operating profit	\$151,717	\$144,018	5	% \$124,440	16 %
Operating margin	51	% 51	%	48	%
<b>Investment Managers:</b>					
Revenues	267,963	251,310	7	% 226,081	11 %
Expenses	172,094	159,176	8	% 148,977	7 %
Operating profit	\$95,869	\$92,134	4	% \$77,104	19 %
Operating margin	36	% 37	%	34	%
<b>Investments in New Businesses:</b>					
Revenues	5,541	4,740	17	% 4,003	18 %
Expenses	20,656	18,377	12	% 15,723	17 %
Operating loss	\$(15,115 )	\$(13,637 )	NM	\$(11,720 )	NM

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

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

Private Banks

Year Ended December 31,	2015	2014	Percent Change	2013	Percent Change
Revenues:					
Investment processing and software servicing fees	\$289,056	\$283,021	2 %	\$260,085	9 %
Asset management, administration & distribution fees	138,606	132,427	5 %	108,792	22 %
Transaction-based and trade execution fees	28,854	26,019	11 %	28,261	(8) %
Total revenues	\$456,516	\$441,467	3 %	\$397,138	11 %

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

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

- Increased investment management fees from existing international clients due to increased net cash flows and higher average assets under management from favorable market conditions; partially offset by

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

- The negative impact from foreign currency exchange rate fluctuations.

Revenues increased \$44.3 million, or 11 percent, in 2014 compared to the prior year. Revenues during 2014 were primarily affected by:

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

- Increased fees from the growth in existing client assets processed on the SEI Wealth Platform;

- Increased fees earned on our mutual fund trading solution due to an increase in assets processed on the system from new and existing clients; and

- \$6.0 million in non-recurring professional services fees from a single project recorded in the second quarter 2014 related to investment processing services; partially offset by

- Lower recurring investment processing fees due to price reductions provided to existing clients that recontracted for longer periods and client losses.

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

- An increase in revenues;

- Decreased salary, incentive compensation and other personnel-related costs; and

- Decreased expenses from foreign operations due to foreign currency exchange rate fluctuations; partially offset by

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

- The write off of approximately \$3.6 million of previously capitalized software development costs and purchased software related to the SEI Wealth Platform in the third quarter 2015;

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

- Increased amortization expense related to the SEI Wealth Platform; and

- Increased sales compensation expense due to new business activity.

Operating margins were nine percent in 2014 and one percent in 2013. Operating income increased \$37.1 million in 2014 compared to the prior year. Operating income in 2014 was primarily affected by:

- An increase in revenues; and

- Decreased stock-based compensation costs of \$7.3 million; partially offset by

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

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

- Increased operational costs, mainly salary and consulting costs, for servicing investment processing clients;

Increased third-party expenses associated with clients processed on the SEI Wealth Platform; and  
Increased amortization expense related to the SEI Wealth Platform.

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## Investment Advisors

Year Ended December 31,	2015	2014	Percent Change	2013	Percent Change	
Revenues:						
Investment management fees-SEI fund programs	\$238,120	\$223,371	7	% \$191,473	17	%
Separately managed account fees	54,987	45,404	21	% 35,382	28	%
Other fees	13,513	15,036	(10)	)% 14,397	4	%
Total revenues (a)	\$306,620	\$283,811	8	% \$241,252	18	%

(a) All amounts are reflected in Asset management, administration and distribution fees except for \$1,126, \$2,406 and \$1,921 in 2015, 2014 and 2013, respectively, which are reflected in Transaction-based and trade execution fees.

Revenues increased \$22.8 million, or eight percent, in 2015 and increased \$42.6 million, or 18 percent, in 2014 compared to 2013. Revenues during 2015 and 2014 were primarily affected by:

- Increased investment management fees and separately managed account program fees from existing clients due to an increase in net cash flows from new and existing advisors and higher average assets under management caused by market appreciation during 2014 and the first six months of 2015; and

- An increase in average basis points earned on assets in 2014 due to the increase in average assets under management and product mix; partially offset by

- A decrease in average basis points earned on assets in 2015 due to client-directed shifts into lower fee investment products.

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

- Increased direct expenses associated with the increased assets in our investment management programs;

- Increased personnel costs, mainly salary, related to acquiring and servicing new advisors as well as increased sales compensation expense due to new business activity,

- The write off of approximately \$2.4 million of previously capitalized software development costs related to the SEI Wealth Platform in the third quarter 2015;

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

- Increased amortization expense related to the SEI Wealth Platform; partially offset by

- An increase in revenues.

Operating margins were 48 percent in 2014 and 44 percent in 2013. Operating income increased \$30.0 million, or 28 percent, in 2014 compared to the prior year. Operating income in 2014 was primarily affected by:

- An increase in revenues; and

- Decreased stock-based compensation costs of \$4.2 million; partially offset by

- Increased direct expenses associated with increased investment management programs;

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

- Increased amortization expense related to the SEI Wealth Platform.

## Institutional Investors

Revenues increased \$12.9 million, or five percent, in 2015 and increased \$27.0 million, or ten percent, in 2014 compared to 2013. Revenues during 2015 and 2014 were primarily affected by:

- Increased investment management fees from existing clients due to higher average assets under management caused by improved capital markets during 2014 and the first six months of 2015 as well as additional asset funding from existing clients; and

- Asset funding from new sales of our retirement and not-for-profit solutions; partially offset by the negative impact from foreign currency exchange rate fluctuations in 2015 and client losses.



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

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

Operating margins were 51 percent in 2014 and 48 percent in 2013. Operating income increased \$19.6 million, or 16 percent, in 2014 compared to the prior year. Operating income during 2014 was primarily affected by:

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

#### Investment Managers

Revenues increased \$16.7 million, or seven percent, in 2015 and increased \$25.2 million, or 11 percent, in 2014 compared to 2013. Revenues during 2015 and 2014 were primarily affected by:

- Net positive cash flows from existing clients due to new funding along with higher valuations from improved capital markets during 2014 and the first six months of 2015; and
- Positive cash flows from new clients; partially offset by client losses.

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

- ▲ An increase in revenues; partially offset by
- ▮ Increased personnel expenses, technology and other operational costs to service new and existing clients; and
- ▮ Increased discretionary marketing and promotion expenses.

Operating margins were 37 percent in 2014 and 2013. Operating income increased \$15.0 million, or 19 percent, in 2014 compared to the prior year. Operating income during 2014 was primarily affected by:

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

#### Other

##### Corporate overhead expenses

Corporate overhead expenses primarily consist of general and administrative expenses and other costs not directly attributable to a reportable business segment. Corporate overhead expenses were \$54.5 million, \$48.9 million and \$53.7 million in 2015, 2014 and 2013, respectively. The increase in corporate overhead expenses in 2015 was primarily due to higher salary and other personnel-related costs as well as costs incurred for the relocation of our London operations. The decrease in 2014 was primarily due to decreased stock-based compensation costs of \$4.2 million.

##### Other income and expense items

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

Year Ended December 31,	2015	2014	2013
Net (loss) gain from investments	\$(456	) \$614	\$659
Interest and dividend income	3,358	3,354	3,248
Interest expense	(483	) (458	) (535
Equity in earnings of unconsolidated affiliates	137,057	127,786	118,076
Gain on sale of subsidiary	2,791	5,582	22,112
Other income	—	—	43,429
Total other income and expense items, net	\$142,267	\$136,878	\$186,989
Equity in earnings of unconsolidated affiliates			

Equity in earnings of unconsolidated affiliates primarily includes our ownership in LSV. At December 31, 2015, our interest in LSV was approximately 39.2 percent. Our proportionate share in the earnings of LSV declined slightly to \$138.4 million in 2015 as compared to \$140.2 million in 2014. The decrease in our earnings was primarily due to increased personnel expenses of LSV. LSV's average assets under management increased \$2.3 billion to \$82.8 billion



during 2015 as compared to \$80.4

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billion during 2014, an increase of three percent. In 2014, our proportionate share in the earnings of LSV increased to \$140.2 million from \$119.0 million in 2013, an increase of 18 percent. The increase in 2014 was primarily due to increased assets from new and existing clients due to market appreciation and increased performance fees.

Equity in earnings of unconsolidated affiliates in 2015 and 2014 also included our proportionate share in the losses of Gao Fu, a wealth services firm based in China. In December 2014, we wrote down our investment in Gao Fu to its net realizable value based on our ownership percentage of the remaining net assets of the firm and recognized an impairment charge of \$11.3 million during the fourth quarter 2014. This charge is reflected in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statements of Operations (See Note 2 to the Consolidated Financial Statements for more information). We wrote off our remaining investment in Gao Fu during 2015.

#### Gain on sale of subsidiary

On July 31, 2012, we entered into a agreement to sell all of our ownership interest in SEI AK and completed the sale on March 28, 2013. We recorded gains from the sale of \$2.8 million, \$5.6 million and \$22.1 million during 2015, 2014 and 2013, respectively. The gains recorded in 2014 and 2015 were the result of the first and second in a series of three annual payments related to the contingent purchase price we received from the sale. These gains are included in Gain on sale of subsidiary on the accompanying Consolidated Statement of Operations (See Note 15 to the Consolidated Financial Statements for more information).

#### Other income

On April 24, 2013, we entered into a Settlement Agreement with respect to litigation captioned Abu Dhabi Commercial Bank, et. al. v. Morgan Stanley & Co., Incorporated, et. al., related to the purchase of Cheyne Finance LLC, a SIV security. In accordance with the Settlement Agreement, we received a cash settlement payment after fees and expenses of \$43.4 million during 2013 which is included in Other income on the accompanying Consolidated Statement of Operations (See Note 16 to the Consolidated Financial Statements for more information).

#### Income Taxes

Our effective tax rate was 33.7 percent in 2015, 34.9 percent in 2014, and 33.7 percent in 2013. Our effective tax rate is affected by recurring items, such as tax rates in various states and foreign jurisdictions and the relative amount of income we earned in those jurisdictions. These amounts have been fairly consistent in prior years. In 2015 and 2014, there was an increase in the taxable income earned in certain foreign jurisdictions which was taxed at a lower rate or was offset by the foreign tax credit.

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

#### 2015

- There was a reduction in our effective rate due to a favorable settlement of a tax petition with the Pennsylvania Department of Revenue regarding prior year apportionment methodology.

#### 2014

• There was a reduction in our effective rate due to more pre-tax income being taxed in foreign jurisdictions with lower effective tax rates or offset by a foreign tax credit;

• There was a reduction in our state effective rate as a result of Pennsylvania Tax Law changes that became effective January 1, 2014. The 2013 tax rate was benefited by a one-time reduction in deferred taxes; and

• There was a reduction in our effective rate due to the reinstatement of the Research and Development Tax Credit. The tax credit was retroactively extended for 2014 through the Tax Increase Prevention Law, signed into law on December 19, 2014. The 2013 tax rate reflected the Research and Development Tax Credit for two years.

#### 2013

• There was a reduction in our effective rate that was the result of Pennsylvania Tax Law changes enacted on July 18, 2013 which became effective on January 1, 2014. These changes have reduced the deferred tax liability which had accumulated during prior years. In accordance with the tax accounting rules, the effect of the law change is recorded in the year in which the law was signed. The primary change that affects SEI results from the reduction of net income apportioned to the State of Pennsylvania. The bill adopts “market-based” sourcing for apportionment. This method apportions sales to the state where the benefits are being derived by the customer. The current method apportions

sales of services to the state where the cost was incurred to perform those services; and  
There was a reduction in our effective rate from the reinstatement of the Research and Development Tax Credit. The tax credit was reinstated retroactively from January 1, 2012 through December 31, 2013 by The American Taxpayer Relief Act of 2012 (the Act), signed into law on January 2, 2013. The accounting rules require the determination of current and deferred taxes be based upon the provisions of the enacted tax law as of the balance sheet date. Since the

Act was not signed into law until January 2, 2013, the effect was not reflected in the tax provision for 2012. The 2013 effective tax rate reflects a Research and Development Tax Credit for both 2012 and 2013.

#### Stock-Based Compensation

During 2015, 2014 and 2013, we recognized approximately \$17.3 million, \$13.5 million and \$37.9 million, respectively, in stock-based compensation expense. All of our stock options have performance-based vesting provisions that tie vesting of the options to our financial performance and do not contain any time-based vesting provisions. The amount of stock-based compensation expense recognized is based upon an estimate of when the earnings per share targets may be achieved. If our estimate proves to be inaccurate, the amount of stock-based compensation expense could be accelerated, spread out over a longer period, or reversed. This may cause volatility in the recognition of stock-based compensation expense and materially affect our earnings.

During 2013, we revised our estimate of when certain vesting targets were expected to be achieved. This change in estimate resulted in an increase of \$19.6 million in stock-based compensation expense. The change in our estimate resulted from the positive earnings impacts from the unexpected cash payment received for a litigation settlement and the gain recognized from the sale of SEI AK during 2013. These non-recurring events, which were not part of our normal business operations, had a significant positive impact on our earnings and were not initially incorporated into our estimate made at December 31, 2012 for the achievement of our option vesting targets.

As of December 31, 2015, there was approximately \$51.7 million of unrecognized compensation cost related to unvested employee stock options that we expect will vest and is being amortized.

#### Fair Value Measurements

The fair value of our financial assets and liabilities is determined in accordance with the fair value hierarchy. The fair value of our financial assets are determined using Level 1 or Level 2 inputs and consist mainly of investments in equities or mutual funds that are quoted daily and GNMA and other U.S. government agency securities that are single issuer pools that are valued based on current market data of similar assets. We did not have any financial liabilities at December 31, 2015 or 2014 (See Note 5 to the Consolidated Financial Statements for more information).

#### Regulatory Matters

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

During the last twelve months, SEI and some of our regulated subsidiaries have undergone or been scheduled to undergo a range of periodic or thematic reviews or examinations by more than eight regulatory authorities around the world, including the Office of the Comptroller of the Currency, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Financial Conduct Authority of the United Kingdom, the Central Bank of Ireland and others. These examinations typically result in the identification of matters or practices to be addressed by us or our subsidiaries and, in certain circumstances, the regulatory authorities could require remediation activities or pursue enforcement proceedings against us or our subsidiaries. As described under the caption "Regulatory Considerations" in Item 1 of this report, the range of possible sanctions that are available to regulatory authorities include limitations on our ability to engage in business for specified periods of time, the revocation of registration, censures and fines. The direct and indirect costs of responding to these examinations and reviews 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

Year Ended December 31,	2015	2014	2013
Net cash provided by operating activities	\$391,460	\$374,803	\$351,224
Net cash used in investing activities	(78,015)	) (53,385	) (62,413
Net cash used in financing activities	(289,805	) (224,750	) (162,785
Effect of exchange rate changes on cash and cash equivalents	(11,425	) (7,495	) —
Net increase in cash and cash equivalents	12,215	89,173	126,026
Cash and cash equivalents, beginning of year	667,446	578,273	452,247
Cash and cash equivalents, end of year	\$679,661	\$667,446	\$578,273

Cash requirements and liquidity needs are primarily funded through our cash flow from operations and our capacity for additional borrowing. At December 31, 2015, our unused sources of liquidity consisted of cash and cash equivalents and the full amount available under our credit facility.

Our credit facility provides for borrowings of up to \$300.0 million and is scheduled to expire in February 2017 (See Note 7 to the Consolidated Financial Statements). The availability of the credit facility is subject to compliance with certain covenants set forth in the agreement. The credit facility contains covenants which restrict our ability to engage in mergers, consolidations, asset sales, investments, transactions with affiliates, or to incur liens, as defined in the agreement. In the event of a default under the credit facility, we would also be restricted from paying dividends on, or repurchasing, our common stock. Currently, our ability to borrow from the credit facility is not limited by any covenant of the agreement. We currently have no borrowings under our credit facility.

The majority of our excess cash reserves are primarily placed in accounts located in the United States that invest in SEI-sponsored money market mutual funds denominated in the U.S. dollar. We also utilize demand deposit accounts or money market accounts at several well-established financial institutions located in the United States. Accounts used to manage these excess cash reserves do not impose any restrictions or limitations that would prevent us from being able to access such cash amounts immediately. As of January 29, 2016, the amount of cash and cash equivalents considered free and immediately accessible for other general corporate purposes was \$330.4 million.

Our cash and cash equivalents include accounts managed by our subsidiaries that are used in their operations or to cover specific business and regulatory requirements. The availability of this cash for other purposes beyond the operations of these subsidiaries may be limited. Also, some of our foreign subsidiaries may have excess cash reserves which are considered to be undistributed earnings and indefinitely reinvested. Upon distribution of these earnings, in the form of dividends or otherwise, we would be immediately subject to both U.S. and foreign withholding taxes which would reduce the amount we would ultimately realize. In addition to the foreign withholding taxes, the negative impact resulting from unfavorable exchange rate fluctuations on the cash balances held by our foreign subsidiaries would also reduce the amount realized. We do not include accounts of our foreign subsidiaries in our calculation of free and immediately accessible cash for other general corporate purposes.

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

Cash flows from operations increased \$23.6 million in 2014 compared to 2013 primarily from the increase in our net income, the non-cash adjustments related to the gains from the sale of SEI AK and deferred tax expense. These increases were partially offset by the non-cash adjustment for stock-based compensation and the net change in our working capital accounts (See Note 15 to the Consolidated Financial Statements for more information regarding the sale of SEI AK).

Cash flows from investing activities decreased \$24.6 million in 2015 compared to 2014 and increased \$9.0 million in 2014 compared to 2013. Net cash used in investing activities includes:

• Purchases, sales and maturities of marketable securities. Our purchases, sales and maturities of marketable securities during 2015, 2014 and 2013 were as follows:

2015	2014	2013
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Purchases	\$(52,538	)	\$(56,754	)	\$(57,560	)
Sales and maturities	46,312		63,434		47,574	
Net investing activities from marketable securities	\$(6,226	)	\$6,680		\$(9,986	)

Marketable securities purchased generally consisted of additional GNMA securities to satisfy applicable regulatory requirements of SPTC, investments in short-term U.S. government agency and commercial paper securities through

SIDCO's cash management program and investments for the start-up of new investment products. Proceeds received from sales and maturities primarily included maturities of short-term securities owned by SIDCO and sales and principal prepayments related to the GNMA securities owned by SPTC.

The capitalization of costs incurred in developing computer software. We capitalized \$29.4 million, \$34.9 million and \$39.5 million of software development costs in 2015, 2014 and 2013, respectively. Amounts capitalized primarily include costs for significant enhancements and upgrades for the expanded functionality of the SEI Wealth Platform. A higher portion of these costs are recognized in personnel and consulting costs and are not capitalized. Included in the amount for 2013 is a one-time contractual payment of \$8.8 million to exercise a conversion option in lieu of periodic fee payments pertaining to a software license for functionality utilized by the Platform.

Capital expenditures. Our capital expenditures in 2015, 2014 and 2013 primarily include purchased software and equipment for our data center operations. We completed the relocation of our London operations to a new leased facility in 2015. The total cost of the improvements to this facility was \$13.8 million. Our expenditures in 2014 include \$8.4 million related to the construction of an additional building at our corporate headquarters.

The sale of our subsidiary. The sale of SEI AK was completed during the first quarter of 2013. Prior to the transaction, cash and cash equivalents held in the accounts of SEI AK were not considered free and immediately available. As a result of the sale, the net cash proceeds received significantly increased our amount of cash considered free and immediately accessible for other general corporate purposes. The net effect of the cash received from the sale of SEI AK and the transfer of cash balances to the owners is reflected in Sale of subsidiary, net of cash transferred. The cash received in 2014 and 2015 were the result of annual payments related to the contingent purchase price from the sale. Additional information pertaining to the sale is presented in Note 15 to the Consolidated Financial Statements.

Cash flows from financing activities decreased \$65.1 million in 2015 compared to 2014 and decreased \$62.0 million in 2014 compared to 2013. Net cash used in financing activities includes:

The repurchase of our common stock. Our Board of Directors has authorized the repurchase of our common stock through multiple authorizations. Currently, there is no expiration date for our common stock repurchase program. The following table lists information regarding repurchases of our common stock during 2015, 2014 and 2013:

Year	Total Number of Shares Repurchased	Average Price Paid per Share	Total Cost
2015	5,951,000	\$48.66	\$289,587
2014	7,888,000	35.29	278,357
2013	6,789,000	30.92	209,942

Proceeds from the issuance of our common stock. We received \$65.5 million, \$104.9 million and \$66.4 million in proceeds from the issuance of our common stock during 2015, 2014 and 2013, respectively. The proceeds we receive from the issuance of our common stock is directly attributable to the levels of stock option exercise activity.

Dividend payments. Our cash dividends paid during 2015, 2014 and 2013 were as follows:

Year	Cash Dividends Paid	Cash Dividends Paid per Share
2015	\$80,030	\$0.48
2014	74,294	0.44
2013	34,400	0.20

Our Board of Directors declared a semi-annual cash dividend of \$0.26 per share on December 8, 2015. The dividend was paid on January 5, 2016 for a total of \$42.6 million.

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

#### Significant Arrangement

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

the agreement is presented in Note 2 to the Consolidated Financial Statements.

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### Contractual Obligations and Contingent Obligations

As of December 31, 2015, the Company is obligated to make payments in connection with its lines of credit, operating leases, maintenance contracts and other commitments in the amounts listed below. The Company has no unrecorded obligations other than the items noted in the following table:

	Total	2016	2017	2018 to 2019	2020 and thereafter
Line of credit (a)	\$498	\$457	\$41	\$—	\$—
Operating leases and maintenance agreements (b)	63,179	4,397	5,578	15,790	37,414
Other commitments (c)	4,512	4,512	—	—	—
Total	\$68,189	\$9,366	\$5,619	\$15,790	\$37,414

(a) Amounts include estimated commitment fees for our credit facility. See Note 7 to the Consolidated Financial Statements.

(b) See Note 11 to the Consolidated Financial Statements.

(c) Amount includes the portion of uncertain tax liabilities classified as a current liability. The actual cash payment associated with these commitments may differ. See Note 12 to the Consolidated Financial Statements.

### Critical Accounting Policies

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

#### Revenue Recognition:

Revenues are recognized in the periods in which the related services are performed provided that persuasive evidence of an agreement exists, the fee is fixed or determinable, and collectibility is reasonably assured. Cash received by us in advance of the performance of services is deferred and recognized as revenue when earned. Our principal sources of revenues are: (1) asset management, administration and distribution fees calculated as a percentage of the total average daily net assets under management or administration; (2) information processing and software servicing fees that are recurring in nature and earned based upon the number of trust accounts being serviced and non-recurring project fees that are earned based upon contractual agreements related to client implementations; and (3) transaction-based fees for providing trade-execution services.

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

#### Computer Software Development Costs:

We utilize internally developed computer software as part of our product offerings. In the development of a new software product, substantial consideration must be given by management to determine whether costs incurred are research and development costs, or internal software development costs eligible for capitalization. Management must consider a number of different factors during their evaluation of each computer software development project that

includes estimates and assumptions. Costs considered to be research and development are expensed as incurred. After meeting specific requirements, internal software development costs are capitalized as incurred. The capitalization and ongoing assessment of recoverability of software development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life. Amortization of capitalized software development costs begins when the product is ready for its intended use. Capitalized software development costs are amortized on a project basis using the straight-line method over the estimated economic life of the product or enhancement.

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

**Income Tax Accounting:**

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

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

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

**Stock-Based Compensation:**

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

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

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

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



Item 8. Financial Statements and Supplementary Data.

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Schedule II - Valuation and Qualifying Accounts and Reserves — For the years ended December 31, 2015, 2014 and 2013	<u>68</u>
All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.	

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

SEI Investments Company:

We have audited the accompanying consolidated balance sheets of SEI Investments Company and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2015. In connection with our audits of the consolidated financial statements, we also have audited financial statement Schedule II referred to in Item 15(2) in this Form 10-K for each of the years in the two-year period ended December 31, 2015. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SEI Investments Company and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule for each of the years in the two-year period ended December 31, 2015, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), SEI Investments Company's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 22, 2016 expressed an unqualified opinion on the effectiveness of SEI Investments Company's internal control over financial reporting.

/s/ KPMG LLP

Philadelphia, Pennsylvania

February 22, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

SEI Investments Company:

We have audited SEI Investments Company's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). SEI Investments Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting (Item 9A). Our responsibility is to express an opinion on SEI Investments Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, SEI Investments Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of SEI Investments Company and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2015, and our report dated February 22, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Philadelphia, Pennsylvania

February 22, 2016

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders  
of SEI Investments Company:

In our opinion, the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the year ended December 31, 2013, present fairly, in all material respects, the results of operations and cash flows of SEI Investments Company and its subsidiaries for the year ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for the year ended December 31, 2013 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Philadelphia, PA  
February 27, 2014



Consolidated Balance Sheets (In thousands)		SEI Investments Company and Subsidiaries	
		2015	2014
Assets	December 31,		
	Current Assets:		
	Cash and cash equivalents	\$679,661	\$667,446
	Restricted cash	5,500	5,801
	Receivables from regulated investment companies	48,098	48,393
	Receivables, net of allowance for doubtful accounts of \$649 and \$784	223,023	194,419
	Securities owned	21,235	21,175
	Other current assets	26,207	18,193
	Total Current Assets	1,003,724	955,427
	Property and Equipment, net of accumulated depreciation of \$259,501 and \$241,295	143,977	125,535
	Capitalized Software, net of accumulated amortization of \$259,358 and \$218,514	290,522	309,040
	Investments Available for Sale	81,294	77,609
	Investments in Affiliated Funds, at fair value	4,039	4,523
	Investment in Unconsolidated Affiliates	49,580	54,290
	Other Assets, net	15,492	16,451
	Total Assets	\$1,588,628	\$1,542,875
Liabilities and Equity	Current Liabilities:		
	Accounts payable	\$4,511	\$10,588
	Accrued liabilities	217,587	207,429
	Deferred revenue	2,385	1,749
	Total Current Liabilities	224,483	219,766
	Deferred Income Taxes	63,028	65,169
	Other Long-term Liabilities	11,397	10,327
	Total Liabilities	298,908	295,262
	Commitments and Contingencies		
	Shareholders' Equity:		
	Series Preferred stock, \$.05 par value, 50 shares authorized; no shares issued and outstanding	—	—
	Common stock, \$.01 par value, 750,000 shares authorized; 163,733 and 166,688 shares issued and outstanding	1,637	1,667
	Capital in excess of par value	910,513	834,615
	Retained earnings	402,860	420,226
	Accumulated other comprehensive loss, net	(25,290)	(8,895)
	Total Shareholders' Equity	1,289,720	1,247,613
	Total Liabilities and Equity	\$1,588,628	\$1,542,875

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

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

SEI Investments Company  
and Subsidiaries

Year Ended December 31,	2015	2014	2013
Revenues:			
Asset management, administration and distribution fees	\$1,010,511	\$948,932	\$831,720
Information processing and software servicing fees	290,893	285,463	261,691
Transaction-based and trade execution fees	32,804	31,610	32,721
Total revenues	1,334,208	1,266,005	1,126,132
Expenses:			
Subadvisory, distribution and other asset management costs	160,062	149,791	121,989
Software royalties and other information processing costs	31,497	33,522	31,255
Brokerage commissions	24,388	23,002	24,649
Compensation, benefits and other personnel	395,774	376,873	357,453
Stock-based compensation	17,312	13,463	37,865
Consulting, outsourcing and professional fees	146,436	136,818	131,399
Data processing and computer related	58,884	52,512	51,401
Facilities, supplies and other costs	74,968	66,113	64,613
Amortization	42,630	38,679	34,602
Depreciation	24,044	22,448	22,497
Total expenses	975,995	913,221	877,723
Income from operations	358,213	352,784	248,409
Net (loss) gain from investments	(456	) 614	659
Interest and dividend income	3,358	3,354	3,248
Interest expense	(483	) (458	) (535
Equity in earnings of unconsolidated affiliates	137,057	127,786	118,076
Gain on sale of subsidiary	2,791	5,582	22,112
Other income	—	—	43,429
Income before income taxes	500,480	489,662	435,398
Income taxes	168,825	170,949	146,924
Net income	\$331,655	\$318,713	\$288,474
Less: Net income attributable to the noncontrolling interest	—	—	(350
Net income attributable to SEI Investments Company	\$331,655	\$318,713	\$288,124
Basic earnings per common share	\$2.00	\$1.89	\$1.68
Shares used to compute basic earnings per share	165,725	168,246	171,561
Diluted earnings per common share	\$1.96	\$1.85	\$1.64
Shares used to compute diluted earnings per share	169,598	172,565	175,718
Dividends declared per common share	\$0.50	\$0.46	\$0.42

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

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

Year Ended December 31,	2015	2014	2013
Net income	\$331,655	\$318,713	\$288,474
Other comprehensive loss, net of tax:			
Foreign currency translation adjustments	(14,900 )	(10,189 )	(3,760 )
Unrealized holding (loss) gain on investments:			
Unrealized holding (losses) gains during the period, net of income taxes of \$822, \$(592) and \$(954)	(1,659 )	441	(1,149 )
Less: reclassification adjustment for losses (gains) realized in net income, net of income taxes of \$(76), \$319 and \$170	164	(634 )	(294 )
Total other comprehensive loss, net of taxes	(16,395 )	(10,382 )	(5,203 )
Comprehensive income	315,260	308,331	283,271
Less: Comprehensive loss attributable to noncontrolling interest	—	—	101
Comprehensive income attributable to SEI Investments	\$315,260	\$308,331	\$283,372

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

Consolidated Statements of Changes in Equity  
(In thousands, except per-share data)SEI Investments Company  
and Subsidiaries

Year Ended December 31, Shares of Common Stock	2015	2014	2013
Beginning balance	166,688	169,242	172,220
Purchase and retirement of common stock	(5,951	) (7,888	) (6,789
Issuance of common stock under the employee stock purchase plan	69	73	78
Issuance of common stock upon exercise of stock options	2,927	5,261	3,733
Ending balance	163,733	166,688	169,242
<b>Common Stock</b>			
Beginning balance	\$1,667	\$1,692	\$1,722
Purchase and retirement of common stock	(60	) (79	) (68
Issuance of common stock under the employee stock purchase plan	1	1	1
Issuance of common stock upon exercise of stock options	29	53	37
Ending balance	\$1,637	\$1,667	\$1,692
<b>Capital In Excess of Par Value</b>			
Beginning balance	\$834,615	\$721,219	\$624,305
Purchase and retirement of common stock	(22,984	) (25,345	) (19,105
Issuance of common stock under the employee stock purchase plan	2,798	2,197	1,950
Issuance of common stock upon exercise of stock options	62,716	102,646	64,379
Stock-based compensation	17,312	13,463	37,865
Tax benefit on stock options exercised	16,056	20,435	11,825
Ending balance	\$910,513	\$834,615	\$721,219
<b>Retained Earnings</b>			
Beginning balance	\$420,226	\$431,604	\$405,914
Net income attributable to SEI Investments Company	331,655	318,713	288,124
Purchase and retirement of common stock	(266,543	) (252,933	) (190,769
Dividends declared (\$0.50, \$0.46 and \$0.42 per share)	(82,478	) (77,158	) (71,665
Ending balance	\$402,860	\$420,226	\$431,604
<b>Accumulated Other Comprehensive (Loss) Income</b>			
Beginning balance	\$(8,895	) \$1,487	\$6,239
Other comprehensive loss	(16,395	) (10,382	) (4,752
Ending balance	\$(25,290	) \$(8,895	) \$1,487
<b>Total Equity</b>	<b>\$1,289,720</b>	<b>\$1,247,613</b>	<b>\$1,156,002</b>

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

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

Year Ended December 31,	2015	2014	2013
Cash flows from operating activities:			
Net income	\$331,655	\$318,713	\$288,474
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	24,044	22,448	22,497
Amortization	42,630	38,679	34,602
Equity in earnings of unconsolidated affiliates	(137,057	) (127,786	) (118,076
Distributions received from unconsolidated affiliate	141,767	137,866	137,104
Stock-based compensation	17,312	13,463	37,865
Provision for losses on receivables	(135	) 133	(154
Deferred income tax expense	(1,394	) (3,330	) (22,825
Gain from sale of SEI AK	(2,791	) (5,582	) (22,112
Net realized loss (gain) from investments	456	(614	) (659
Change in other long-term liabilities	1,070	1,720	1,575
Change in other assets	783	(5,886	) 600
Write off of capitalized and purchased software	6,055	—	—
Other	(2,440	) (2,439	) (3,972
Change in current assets and liabilities:			
Decrease (increase) in:			
Restricted cash for broker-dealer operations	—	—	500
Receivables from regulated investment companies	295	(9,029	) (8,280
Receivables	(28,469	) (7,888	) (17,513
Other current assets	(8,014	) (2,027	) 1,971
(Decrease) increase in:			
Accounts payable	(5,441	) (6,283	) 5,000
Accrued liabilities	10,498	12,873	15,102
Deferred revenue	636	(228	) (475
Total adjustments	59,805	56,090	62,750
Net cash provided by operating activities	\$391,460	\$374,803	\$351,224

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

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

Year Ended December 31,	2015	2014	2013
Cash flows from investing activities:			
Decrease (increase) in restricted cash	301	(301	) —
Additions to property and equipment	(44,465	) (28,469	) (16,351
Additions to capitalized software	(29,416	) (34,877	) (39,500
Purchases of marketable securities	(52,538	) (56,754	) (57,560
Prepayments and maturities of marketable securities	38,551	38,973	40,257
Sales of marketable securities	7,761	24,461	7,317
Purchases of other investments	(1,000	) (2,000	) (2,604
Sale of subsidiary, net of cash transferred	2,791	5,582	6,028
Net cash used in investing activities	(78,015	) (53,385	) (62,413
Cash flows from financing activities:			
Purchase and retirement of common stock	(291,374	) (275,788	) (206,577
Proceeds from issuance of common stock	65,543	104,897	66,367
Tax benefit on stock options exercised	16,056	20,435	11,825
Payment of dividends	(80,030	) (74,294	) (34,400
Net cash used in financing activities	(289,805	) (224,750	) (162,785
Effect of exchange rate changes on cash and cash equivalents	(11,425	) (7,495	) —
Net increase in cash and cash equivalents	12,215	89,173	126,026
Cash and cash equivalents, beginning of year	667,446	578,273	452,247
Cash and cash equivalents, end of year	\$679,661	\$667,446	\$578,273
Interest paid	\$460	\$458	\$458
Income taxes paid	\$159,605	\$151,250	\$163,834
Non-cash financing activities			
Dividends declared but not paid	\$42,625	\$40,178	\$37,314

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

Notes to Consolidated Financial Statements  
(all figures are in thousands except share and per-share data)

SEI Investments Company  
and Subsidiaries

#### Note 1 – Summary of Significant Accounting Policies

##### Nature of Operations

SEI Investments Company (the Company), a Pennsylvania corporation, provides investment processing, investment management, and investment operations solutions to financial institutions, financial advisors, institutional investors, investment managers and ultra-high-net-worth families in the United States, Canada, the United Kingdom, continental Europe and other various locations throughout the world. Investment processing solutions consist of application and business process outsourcing services, professional services and transaction-based services. Revenues from investment processing solutions are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations, except for fees earned associated with trade execution services. Investment management programs consist of mutual funds, alternative investments and separate accounts. These include a series of money market, equity, fixed-income and alternative investment portfolios, primarily in the form of registered investment companies. The Company serves as the administrator and investment advisor for many of these products. Revenues from investment management programs are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

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

##### Principles of Consolidation

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

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

##### Variable Interest Entities

The Company has involvement with various variable interest entities (VIE or VIEs). These VIEs consist of LSV Employee Group III, LLC (LSV Employee Group III) and investment products established for clients created in the form of various types of legal entity structures. According to the most recent accounting guidance issued by the Financial Accounting Standards Board (FASB), the determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design, a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance, and whether a company is obligated to absorb losses or receive benefits that could be potentially significant to the entity. The guidance requires ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE and requires disclosures about an

enterprises involvement in VIEs.

The FASB deferred the accounting guidance for certain types of investment entities. The deferral allows asset managers that have no obligation to fund potentially significant losses of an investment entity to continue to apply the previous guidance to investment entities that have attributes of entities defined in the “Investment Company Guide.” The deferral applies to many mutual funds, hedge funds, private equity funds, venture capital and certain other types of entities. Also, money market funds subject to rule 2a-7 of the Investment Company Act of 1940 qualify for deferral. However, the deferral does not apply to the new disclosure requirements. All of the Company’s investment products where the Company is the sponsor and/or investment



manager that are VIEs qualify for the deferral; therefore, the Company will continue to apply the previous guidance for the consolidation of VIEs (See Note 3).

On February 18, 2015, the FASB issued Accounting Standards Update No. 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis (ASU 2015-02). The new guidance applies to entities in all industries and provides a new scope exception to registered money market funds and similar unregistered money market funds. It makes targeted amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying the VIE guidance. ASU 2015-02 became effective for the Company during the first quarter 2016. The Company has completed its evaluation of ASU 2015-02 and has determined that the standard will not have any effect on its consolidated financial statements.

#### Management's Use of Estimates

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

#### Revenue Recognition

The Company's principal sources of revenues are: (1) asset management, administration and distribution fees earned based upon a contractual percentage of net assets under management or administration; (2) information processing and software servicing fees that are either recurring and primarily earned based upon the number of trust accounts being serviced or non-recurring and based upon project-oriented contractual agreements related to client implementations; and (3) transaction-based fees for providing trade-execution services.

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

#### Cash and Cash Equivalents

The Company considers investment instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include \$448,957 and \$435,268 at December 31, 2015 and 2014, respectively, primarily invested in SEI-sponsored open-ended money market mutual funds. The SEI-sponsored mutual funds are considered Level 1 assets.

#### Restricted Cash

Restricted cash includes \$5,000 at December 31, 2015 and 2014 segregated for regulatory purposes related to trade-execution services conducted by SIEL. Restricted cash also includes \$500 at December 31, 2015 and 2014 segregated in special reserve accounts for the benefit of SIDCO customers in accordance with certain rules established by the Securities and Exchange Commission for broker-dealers.

#### Allowances for Doubtful Accounts

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

#### Concentration of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of cash equivalents and trade receivables. Cash equivalents are principally invested in short-term money market funds or placed with major banks and high-credit qualified financial institutions. Cash deposits maintained with institutions are in excess of federally insured limits. Concentrations of credit risk with respect to our receivables are limited due to the large number of clients and

their dispersion across geographic areas. No single group or customer represents greater than ten percent of total accounts receivable.

#### Property and Equipment

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

#### Marketable Securities

The classification of investments in marketable securities is determined at the time of purchase and reevaluated at each balance sheet date. Debt and equity securities classified as available-for-sale are reported at fair value as determined by the most recently traded price of each security at the balance sheet date. Unrealized gains and losses, net of income taxes, are reported as a separate component of comprehensive income. SIDCO, the Company's broker-dealer subsidiary, reports changes in fair value of marketable securities through current period earnings due to specialized accounting practices related to investments by broker-dealers. The Company records its investments in funds sponsored by LSV on the accompanying Consolidated Balance Sheets at fair value. Unrealized gains and losses from the change in fair value of these securities are recognized in current period earnings. The specific identification method is used to compute the realized gains and losses on all of the Company's marketable securities (See Note 6). The Company evaluates the realizable value of its marketable securities on a quarterly basis. In the event that the carrying value of an investment exceeds its fair value and the decline in value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis for the investment is established. Some of the factors considered in determining other-than-temporary impairment for equity securities include, but are not limited to, significant or prolonged declines in the fair value of the investments, the Company's ability and intent to retain the investment for a period sufficient to allow the value to recover, and the financial condition of the investment. Some of the factors considered in determining other-than-temporary impairment for debt securities include, but are not limited to, the intent of management to sell the security, the likelihood that the Company will be required to sell the security before recovering its cost, and management's expectation to recover the entire amortized cost basis of the security even if there is no intent to sell the security.

#### Fair Value of Financial Instruments

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

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

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

investments in FHLB and other U.S. government agency short-term notes and investment grade commercial paper were purchased as part of a cash management program requiring only short term, top-tier investment grade government and corporate securities. The investment funds sponsored by LSV primarily invest in equity securities of non-U.S. developed nations which are traded in active markets.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing

models, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment by management. The Company had no Level 3 financial assets at December 31, 2015 or 2014.

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

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

#### Capitalized Software

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

The Company capitalized \$29,416, \$34,877 and \$39,500 of software development costs during 2015, 2014 and 2013, respectively. The Company's capitalized software development costs primarily relate to the further development of the SEI Wealth Platform<sup>SM</sup> (the Platform). The Company capitalized \$24,515, \$34,877 and \$39,500 of software development costs for significant enhancements to the Platform during 2015, 2014 and 2013, respectively. Included in the amount for 2013 is a one-time contractual payment of \$8,812 to exercise a conversion option in lieu of periodic fee payments pertaining to a software license for functionality utilized by the Platform. The remaining amount of the Company's software development costs capitalized during 2015 is related to a project within the Investment Managers segment.

As of December 31, 2015, the net book value of the Platform was \$285,621. The Platform has an estimated useful life of 15 years and a weighted average remaining life of 6.5 years. Amortization expense for the Platform was \$42,401, \$38,357 and \$34,045 in 2015, 2014 and 2013, respectively, and is included in Amortization expense on the accompanying Consolidated Statements of Operations.

The Company evaluates the carrying value of capitalized software development costs when circumstances indicate the carrying value may not be recoverable. The review of capitalized software development costs for impairment requires significant assumptions about operating strategies, underlying technologies utilized, and external market factors. External market factors include, but are not limited to, expected levels of competition, barriers to entry by potential competitors, stability in the target market and governmental regulations. During 2015, the Company determined that specific functionality within the Platform is no longer in use and wrote off \$5,533 of previously capitalized software development costs reported under the Private Banks and Investment Advisors business segments. The expense associated with the write off is included in Facilities, supplies and other costs on the accompanying Consolidated Statement of Operations. The Company did not recognize any impairment charges related to its capitalized software development costs in 2014 or 2013.

#### Income Taxes

The Company applies the asset and liability approach to account for income taxes whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company has adopted the amendments contained in Accounting Standards Update No. 2015-17, Balance Sheet Classification of Deferred Taxes (ASU 2015-17) for the fiscal year ended December 31, 2015. ASU 2015-17 requires entities with a classified balance sheet to present all

deferred tax assets and liabilities as noncurrent. The Company has elected retrospective application of ASU 2015-17 for all periods presented. As a result of the retrospective application of ASU 2015-17, the Company reclassified \$1,414 from Current liabilities to Long-term liabilities on the accompanying Consolidated Balance Sheet as of December 31, 2014.

Foreign Currency Translation

The assets and liabilities and results of operations of the Company's foreign subsidiaries are measured using the foreign subsidiary's local currency as the functional currency. Assets and liabilities have been translated into U.S. dollars using the rates of exchange at the balance sheet dates. The results of operations have been translated into U.S. dollars at average

exchange rates prevailing during the period. The resulting translation gain and loss adjustments are recorded as a separate component of comprehensive income.

Transaction gains and losses from exchange rate fluctuations are included in the results of operations in the periods in which they occur. There were no material gains or losses from exchange rate fluctuations in 2015, 2014 or 2013.

#### Earnings Per Common Share

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

The calculations of basic and diluted earnings per share for 2015, 2014 and 2013 are:

	For the Year Ended December 31, 2015		
	Net income attributable to SEI (Numerator)	Shares (Denominator)	Per-Share Amount
Basic earnings per common share	\$331,655	165,725,000	\$2.00
Dilutive effect of stock options	—	3,873,000	
Diluted earnings per common share	\$331,655	169,598,000	\$1.96

	For the Year Ended December 31, 2014		
	Net income attributable to SEI (Numerator)	Shares (Denominator)	Per-Share Amount
Basic earnings per common share	\$318,713	168,246,000	\$1.89
Dilutive effect of stock options	—	4,319,000	
Diluted earnings per common share	\$318,713	172,565,000	\$1.85

	For the Year Ended December 31, 2013		
	Net income attributable to SEI (Numerator)	Shares (Denominator)	Per-Share Amount
Basic earnings per common share	\$288,124	171,561,000	\$1.68
Dilutive effect of stock options	—	4,157,000	
Diluted earnings per common share	\$288,124	175,718,000	\$1.64

Employee stock options to purchase approximately 10,730,000, 10,166,000 and 7,736,000 shares of common stock, with an average exercise price per share of \$33.99, \$30.00 and \$30.54, were outstanding during 2015, 2014 and 2013, respectively, but not included in the computation of diluted earnings per common share because either the performance conditions have not been satisfied or would have been satisfied if the reporting date was the end of the contingency period or the option's exercise price was greater than the average market price of the Company's common stock and the effect on diluted earnings per common share would have been anti-dilutive (See Note 8).

#### Stock-Based Compensation

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

inaccurate, the remaining amount of stock-based compensation expense could be accelerated, spread out over a longer period, or reversed (See Note 8).

**New Accounting Pronouncements**

On May 28, 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of



promised goods or services to customers. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The updated standard permits the use of either the retrospective or cumulative effect transition method. ASU 2014-09 currently becomes effective for the Company during the first quarter 2018. The Company is currently evaluating the transition method that will be elected and the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In April 2015, the FASB issued Accounting Standards Update No. 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement (ASU 2015-05), which provides explicit guidance to help companies evaluate the accounting for fees paid by a customer in a cloud computing arrangement. The new guidance clarifies that if a cloud computing arrangement includes a software license, the customer should account for the license consistent with its accounting for other software licenses. If the arrangement does not include a software license, the customer should account for the arrangement as a service contract. ASU 2015-05 became effective for the Company during the first quarter 2016. The Company is currently evaluating the guidance in ASU 2015-05 but does not believe it will have a material impact on its consolidated financial statements.

In May 2015, the FASB issued new guidance that eliminates the current requirement to categorize within the fair value hierarchy investments with fair values measured at NAV using the practical expedient in Accounting Standards Codification 820, Fair Value Measurement (ASC 820). The new guidance will require entities to disclose the fair values of such investments as a reconciling item between the amounts reported on the balance sheets and the amounts reported in the fair value hierarchy table. Entities will be required to continue to disclose information describing the nature and risks of the investments measured using the NAV practical expedient. The new disclosures become effective for the Company during the first quarter 2016. Early adoption is permitted. The new guidance only impacts footnote disclosures and will have no impact on the Company's financial statements.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01) that will significantly change the income statement impact of equity investments held by an entity, and the recognition of changes in fair value of financial liabilities when the fair value option is elected. ASU 2016-01 becomes effective for the Company during the first quarter 2018. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

#### Reclassifications

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

#### Note 2 – Investment in Unconsolidated Affiliates

##### LSV Asset Management

The Company has an investment in the general partnership LSV Asset Management (LSV), a registered investment advisor that provides investment advisory services primarily to institutions, including pension plans and investment companies. LSV is currently an investment sub-advisor for a limited number of SEI-sponsored mutual funds. As of December 31, 2015, the Company's total partnership interest in LSV was approximately 39.2 percent. The Company accounts for its interest in LSV using the equity method because of its less than 50 percent ownership. The Company's interest in the net assets of LSV is reflected in Investment in unconsolidated affiliates on the accompanying Consolidated Balance Sheets and its interest in the earnings of LSV is reflected in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statements of Operations.

At December 31, 2015, the Company's total investment in LSV was \$49,580. The Company's proportionate share in the earnings of LSV was \$138,407, \$140,211 and \$118,983 in 2015, 2014 and 2013, respectively. The Company receives partnership distributions from LSV on a quarterly basis. The Company received partnership distribution payments from LSV of \$141,767, \$137,866 and \$137,104 in 2015, 2014 and 2013, respectively. The Company received an additional partnership distribution payment from LSV during 2013 due to a change in the payment schedule.

These tables contain condensed financial information of LSV:

Condensed Statement of Operations	2015	2014	2013
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Year ended December 31,			
Revenues	\$427,653	\$422,064	\$354,094
Net income	\$352,845	\$356,824	\$302,316

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Condensed Balance Sheets	2015	2014
December 31,		
Current assets	\$ 127,225	\$ 133,657
Non-current assets	2,375	2,269
Total assets	\$ 129,600	\$ 135,926
Current liabilities	\$ 40,876	\$ 35,208
Partners' capital	88,724	100,718
Total liabilities and partners' capital	\$ 129,600	\$ 135,926

#### Guaranty Agreement with LSV Employee Group III

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

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

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

As of January 29, 2016, the remaining unpaid principal balances of the term loan guaranteed by the Company was \$21,468. The Company, in its capacity as guarantor, currently has no obligation of payment relating to the term loan of LSV Employee Group III and, furthermore, fully expects that LSV Employee Group III will meet all of their future obligations regarding the term loan.

#### Investment in Gao Fu Limited

The Company had an investment in Gao Fu, a wealth services firm based in Shanghai, China. The Company accounted for its interest in Gao Fu using the equity method. The Company's interest in the losses of Gao Fu is reflected in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statements of Operations. The Company's interest in the net assets of Gao Fu as of December 31, 2014 is reflected in Investment in unconsolidated affiliates on the accompanying Consolidated Balance Sheet.

The Company's proportionate share in the losses of Gao Fu was \$1,350, \$1,159 and \$907 in 2015, 2014 and 2013, respectively. The Company's investment in Gao Fu resulted from a series of cash purchases of common stock between 2011 and 2013 which, in total, amounted to \$13,000. In June and December of 2014, the Company funded an aggregate of \$3,000 of convertible loans to Gao Fu. The June 2014 convertible loan agreement contains specific revenue and net income targets for Gao Fu to achieve by December 31, 2014. In December 2014, the Company conducted a review of the financial statements of Gao Fu and determined that the achievement of such performance targets as stipulated in the June 2014 convertible loan agreement was unlikely. As a result, the Company wrote down its investment in Gao Fu to its net realizable value based on its ownership percentage of the remaining net assets of the firm and recognized an impairment charge of \$11,266 during the three months ended December 31, 2014. The impairment charge is reflected in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statements of Operations. During the three months ended June 30, 2015, the Company wrote off the remaining carrying value of its investment and currently has no remaining interest in Gao Fu.

Note 3 – Variable Interest Entities – Investment Products

The Company has created numerous investment products for its clients in various types of legal entity structures. The Company serves as the Manager, Administrator and Distributor for these investment products and may also serve as the Trustee for some of the investment products. Clients are the equity investors and participate in proportion to their ownership percentage

in the net income or loss and net capital gains or losses of the products, and, on liquidation, will participate in proportion to their ownership percentage in the remaining net assets of the products after satisfaction of outstanding liabilities.

An entity that lacks decision-making rights is a VIE. In some circumstances, the Manager or Trustee of the Company's investment products controls the governing decisions about the investment activities with respect to the ongoing operations of the investment products without the equity investors possessing the right to remove the Manager or Trustee. Therefore, the equity investors, as a group, do not have the ability to make decisions that have an impact on the ongoing activities of such investment products. Consequently, some of the Company's investment products have been determined to be VIEs at inception.

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

The Company does not have a significant equity investment in any of the VIEs and does not have an obligation to enter into any guarantee agreements with the VIEs. The fees paid to the decision maker of a VIE are considered to be variable interests if the decision maker is not subject to substantive kick-out rights. The fees paid to the Company represent a variable interest when the decision maker is not subject to substantive kick-out rights.

The Company is not the primary beneficiary of the VIEs because the expected fees and the expected return on any investment into the VIE by the Company relative to the expected returns of the VIE to the equity investor holders does not approach 50 percent of the expected losses or gains of the VIEs. Therefore, the Company is not required to consolidate any investment products that are VIEs into its financial statements. The Company's variable interest in the VIEs, which consists of management fees and in some situations, seed capital, would not be considered a significant variable interest.

The risks to the Company associated with its involvement with any of the investment products that are VIEs are limited to the cash flows received from the revenue generated for asset management, administration and distribution services and any equity investments in the VIEs. Both of these items are immaterial. The Company has no other financial obligation to the VIEs.

Amounts relating to fees due from the VIEs included in Receivables and amounts relating to equity investments in the VIEs included in Investments Available for Sale on the Company's Consolidated Balance Sheets are immaterial to the total current assets of the Company.

Note 4 – Composition of Certain Financial Statement Captions

Receivables

Receivables on the accompanying Consolidated Balance Sheets consist of:

	2015	2014
Trade receivables	\$47,179	\$48,394
Fees earned, not billed	154,919	139,038
Other receivables	21,574	7,771
	223,672	195,203
Less: Allowance for doubtful accounts	(649	) (784
Receivables, net	\$223,023	\$194,419

Fees earned, not billed represents receivables earned but unbilled and results from timing differences between services provided and contractual billing schedules. These billing schedules generally provide for fees to be billed on a quarterly basis.

Property and Equipment

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

	2015	2014
Buildings	\$ 151,604	\$ 149,890
Equipment	86,941	78,266
Land	10,003	9,997
Purchased software	122,433	104,964
Furniture and fixtures	16,143	16,944
Leasehold improvements	15,393	5,675
Construction in progress	961	1,094
	403,478	366,830
Less: Accumulated depreciation	(259,501	) (241,295
Property and Equipment, net	\$ 143,977	\$ 125,535

Depreciation expense related to property and equipment for 2015, 2014 and 2013 was \$24,044, \$22,448 and \$22,497, respectively.

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

Other Assets

Other assets consist of long-term prepaid expenses, deposits, other investments at cost and various other assets.

Amortization expense for certain other assets for 2015 was \$229 and for 2014 and 2013 was \$227.

Accrued Liabilities

Accrued Liabilities on the accompanying Consolidated Balance Sheets consist of:

	2015	2014
Accrued employee compensation	\$ 74,687	\$ 73,269
Accrued consulting, outsourcing and professional fees	21,575	18,915
Accrued sub-advisory, distribution and other asset management fees	32,674	31,913
Accrued dividend payable	42,625	40,178
Other accrued liabilities	46,026	43,154
Accrued liabilities	\$ 217,587	\$ 207,429

Note 5 – Fair Value Measurements

The fair value of the Company's financial assets and liabilities is determined in accordance with the fair value hierarchy. The fair value of the Company's Level 1 financial assets consist mainly of investments in open-ended mutual funds that are quoted daily. The fair value of the Company's Level 2 financial assets consist of GNMA mortgage-backed securities held by SPTC, FHLB and other U.S. government agency short-term notes and investment grade commercial paper held by SIDCO, and investment funds sponsored by LSV. The financial assets held by SIDCO were purchased as part of a cash management program requiring only short term, top-tier investment grade government and corporate securities. The financial assets held by SPTC are debt securities issued by GNMA and are backed by the full faith and credit of the U.S. government. These securities were purchased for the sole purpose of satisfying applicable regulatory requirements as a limited-purpose federal thrift subsidiary and have maturity dates which range from 2020 to 2041.

The valuation of the Company's Level 2 financial assets held by SIDCO and SPTC are based upon securities pricing policies and procedures utilized by third-party pricing vendors. As a practical expedient, the Company relies on the net asset values (NAVs) of the investment funds sponsored by LSV as the fair value. The NAVs of the funds are calculated by the funds' independent custodian and are derived from the fair values of the underlying investments as of the reporting date. The Company had no Level 3 financial assets or liabilities at December 31, 2015 or 2014.



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

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

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

December 31, 2015

Fair Value Measurements at Reporting Date Using

Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
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## Assets

Equity available-for-sale securities	\$10,657	\$10,657	\$—
Fixed-income available-for-sale securities	70,637	—	70,637
Fixed income securities owned	21,235	—	21,235
Investment funds sponsored by LSV	4,039	—	4,039
	\$106,568	\$10,657	\$95,911

December 31, 2014

Fair Value Measurements at Reporting Date Using

Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
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## Assets

Equity available-for-sale securities	\$11,588	\$11,588	\$—
Fixed-income available-for-sale securities	66,021	—	66,021
Fixed income securities owned	21,175	—	21,175
Investment funds sponsored by LSV	4,523	—	4,523
	\$103,307	\$11,588	\$91,719





## Note 6 – Marketable Securities

## Investments Available For Sale

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

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

  

	At December 31, 2014			
	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
SEI-sponsored mutual funds	\$8,685	\$134	\$(95	) \$8,724
Equities and other mutual funds	2,695	169	—	2,864
Debt securities	64,333	1,688	—	66,021
	\$75,713	\$1,991	\$(95	) \$77,609

Net unrealized holding losses at December 31, 2015 were \$302 (net of income tax benefit of \$43) and net unrealized holding gains as December 31, 2014 were \$1,193 (net of income tax expense of \$703). These net unrealized gains and losses are reported as a separate component of Accumulated other comprehensive loss on the accompanying Consolidated Balance Sheets.

There were gross realized gains of \$489 and gross realized losses of \$729 from available-for-sale securities during 2015. In 2014, there were gross realized gains of \$1,401 and gross realized losses of \$448 from available-for-sale securities. There were gross realized gains of \$1,236 and gross realized losses of \$772 from available-for-sale securities during 2013. Gains and losses from available-for-sale securities, including amounts reclassified from accumulated comprehensive income (loss), are reflected in Net (loss) gain from investments on the accompanying Consolidated Statements of Operations.

## Investments in Affiliated Funds

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

The investment primarily consists of U.S. dollar denominated funds that invests in equity securities of Canadian, Australian and Japanese companies. The underlying securities held by the funds are translated into U.S. dollars within the funds. The funds had a fair value of \$4,039 and \$4,523 at December 31, 2015 and 2014, respectively. The Company recognized losses of \$389 and \$326 and gains of \$143 from the change in fair value of the funds during 2015, 2014 and 2013, respectively.

## Securities Owned

The Company's broker-dealer subsidiary, SIDCO, has investments in U.S. government agency and commercial paper securities with maturity dates less than one year. These investments are reflected as Securities owned on the accompanying Consolidated Balance Sheets. Due to specialized accounting practices applicable to investments by broker-dealers, the securities are reported at fair value and changes in fair value are recorded in current period earnings. The securities had a fair value of \$21,235 and \$21,175 at December 31, 2015 and 2014, respectively. There were no material net gains or losses from the change in fair value of the securities during 2015, 2014 and 2013.

## Note 7 – Line of Credit

On February 2, 2012, the Company entered into a five-year \$300,000 Credit Agreement (the Credit Facility) with Wells Fargo Bank, National Association, and a syndicate of other lenders. The Credit Facility is scheduled to expire in February 2017, at which time any aggregate principal amount of loans outstanding becomes payable in full. Any borrowings made under the Credit Facility will accrue interest at 1.25 percent above the London Interbank Offer Rate (LIBOR). There is also a commitment fee equal to 0.15 percent per annum on the daily unused portion of the facility. The aggregate amount of the Credit Facility may be increased by an additional \$100,000 under certain conditions set forth in the agreement. The Credit Facility

contains covenants that restrict the ability of the Company to engage in mergers, consolidations, asset sales, investments, transactions with affiliates, or to incur liens, as defined in the agreement. In the event of a default under the Credit Facility, the Company would also be restricted from paying dividends on, or repurchasing, its common stock without the approval of the lenders. None of the covenants of the Credit Facility negatively affect the Company's liquidity or capital resources. Both the interest rate and commitment fee prices may increase if the Company's leverage ratio reaches certain levels. Upon the occurrence of certain financial or economic events, significant corporate events, or certain other events of default constituting an event of default under the Credit Facility, all loans outstanding may be declared immediately due and payable and all commitments under the Credit Facility may be terminated. The Company had no borrowings through the Credit Facility at December 31, 2015 or 2014. The Company was in compliance with all covenants of the Credit Facility during 2015.

The Company incurred \$483 during 2015 and \$458 during 2014 and 2013 in commitment fees related to the Credit Facility which are reflected in Interest expense on the accompanying Consolidated Statements of Operations.

Note 8 – Shareholders' Equity

Stock-Based Compensation

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

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

All outstanding stock options have performance-based vesting provisions that tie the vesting of stock options to the Company's financial performance. The Company's stock options vest at a rate of 50 percent when a specified diluted earnings per share target is achieved, and the remaining 50 percent when a second, higher-specified diluted earnings per share target is achieved. Options do not vest due to the passage of time but solely as a result of achievement of the financial vesting targets. Earnings per share targets are calculated exclusive of stock-based compensation expense, net of tax. The diluted earnings per share targets are established at time of grant and are measured annually on December 31. The amount of stock-based compensation expense is based upon management's estimate of when the earnings per share targets may be achieved. If management's estimate of the attainment of the earnings per share targets proves to be inaccurate, the remaining amount of stock-based compensation expense could be accelerated, spread out over a longer period, or reversed. This may cause volatility in the recognition of stock-based compensation expense in future periods and could materially affect the Company's net income and net income per share.

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

The weighted average fair value of the Company's stock options granted during 2015, 2014 and 2013 were \$12.16, \$10.88 and \$10.45, respectively, using the following assumptions:

	2015	2014	2013	
Expected term (in years)	5.58	6.79	6.92	
Expected volatility	23.86	% 26.98	% 31.46	%

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Expected dividend yield	1.00	% 1.15	% 1.21	%
Risk-free interest rate	1.90	% 2.04	% 2.12	%

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The Company recognized stock-based compensation expense in its Consolidated Financial Statements in 2015, 2014 and 2013 as follows:

	2015	2014	2013
Stock-based compensation expense	\$17,312	\$13,463	\$37,865
Less: Deferred tax benefit	(6,107)	) (4,704	) (13,823
Stock-based compensation expense, net of tax	\$11,205	\$8,759	\$24,042

During 2015 and 2013, the Company revised its estimate of when some vesting targets were expected to be achieved. These changes in management's estimates resulted in an increase of \$1,360 and \$19,637 in stock-based compensation expense in 2015 and 2013, respectively.

As of December 31, 2015, there was approximately \$51,693 of unrecognized compensation cost, adjusted for estimated forfeitures, related to unvested employee stock options that the Company expects will vest and be expensed through 2020 with a weighted average period of 2.1 years.

This table presents certain information relating to the Company's stock option plans for 2015, 2014 and 2013:

	Number of Shares	Weighted Avg. Price
Balance as of December 31, 2012	25,610,000	\$20.81
Granted	2,281,000	33.67
Exercised	(3,733,000	) 17.26
Expired or canceled	(521,000	) 22.25
Balance as of December 31, 2013	23,637,000	\$22.58
Granted	2,293,000	40.05
Exercised	(5,261,000	) 19.52
Expired or canceled	(208,000	) 28.83
Balance as of December 31, 2014	20,461,000	\$25.26
Granted	2,005,000	53.34
Exercised	(2,927,000	) 21.44
Expired or canceled	(302,000	) 28.97
Balance as of December 31, 2015	19,237,000	\$28.71
Exercisable as of December 31, 2015	8,508,000	\$22.04
Available for future grant as of December 31, 2015	26,890,000	

As of December 31, 2014 and 2013, there were 10,295,000 and 14,601,000 shares exercisable, respectively. The expiration dates for options outstanding at December 31, 2015 range from December 8, 2016 to December 8, 2025 with a weighted average remaining contractual life of 5.7 years.

Upon exercise of stock options, the Company will issue new shares of its common shares. The Company does not hold any shares in treasury. The total intrinsic value of options exercised during 2015 and 2014 was \$76,676 and \$83,196, respectively. The total options exercisable as of December 31, 2015 had an intrinsic value of \$258,270. The total options outstanding as of December 31, 2015 had an intrinsic value of \$455,766. The total intrinsic value for options outstanding and options exercisable is calculated as the difference between the market value of the Company's common stock as of December 31, 2015 and the exercise price of the shares. The market value of the Company's common stock as of December 31, 2015 was \$52.40 as reported by the Nasdaq Stock Market, LLC.

This table summarizes information relating to all options outstanding and exercisable at December 31, 2015:

Range of Exercise Prices (Per Share)	Options Outstanding at December 31, 2015			Options Exercisable at December 31, 2015		
	Number of Shares	Weighted Average Exercise Price (Per Share)	Weighted Average Remaining Contractual Life (Years)	Number of Shares	Weighted Average Exercise Price (Per Share)	Weighted Average Remaining Contractual Life (Years)
\$ 14.62 - 16.48	3,513,000	\$ 15.23	4.58	2,396,000	\$ 14.97	3.92
17.65 - 21.05	2,100,000	17.67	4.03	2,085,000	17.65	4.00
22.45 - 23.86	4,028,000	23.20	5.93	1,678,000	23.20	5.93
27.03 - 36.16	5,515,000	32.08	4.23	2,349,000	32.32	4.68
40.64 - 53.34	4,081,000	46.88	9.49	—	—	—
	19,237,000			8,508,000		

#### Employee Stock Purchase Plan

The Company has an employee stock purchase plan that provides for offerings of common stock to eligible employees at a price equal to 85 percent of the fair market value of the stock at the end of the stock purchase period, as defined. The Company has reserved 15,600,000 shares for issuance under this plan. At December 31, 2015, 11,801,000 cumulative shares have been issued. There were no material costs incurred by the Company related to the employee stock purchase plan in 2015, 2014 and 2013.

#### Common Stock Buyback

The Board of Directors, under multiple authorizations, has authorized the purchase of the Company's common stock on the open market or through private transactions. As of December 31, 2015, the Company had approximately \$113,126 of authorization remaining for the purchase of common stock. The following table provides the total number of shares repurchased and the related total costs in 2015, 2014 and 2013:

Year	Total Number of Shares Repurchased	Total Cost
2015	5,951,000	\$289,587
2014	7,888,000	278,357
2013	6,789,000	209,942

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

#### Rights Agreement

In December 2008, the Company's Board of Directors declared a dividend distribution pursuant to a Rights Agreement (the Rights Agreement) which became effective on January 6, 2009. The purpose of the Rights Agreement is to deter coercive or unfair takeover tactics and to prevent a person or group (an Acquiring Person) from acquiring control of the Company without offering a fair price to all shareholders. Under the Rights Agreement, all common shareholders receive one Right for each common share outstanding. Each Right entitles the registered holder to purchase from the Company a unit consisting of one twenty-thousandths of a share of Series A Junior Participating Preferred Shares, \$0.05 par value per share, or a combination of securities and assets of equivalent value, at a purchase price of \$150.00 per unit, subject to adjustment. The Rights will become exercisable and trade separately from the common stock ten days following a public announcement that an Acquiring Person has beneficial ownership of more than 20 percent of the outstanding common stock of the Company or the commencement of a tender or exchange offer that would result in an Acquiring Person owning 20 percent or more of the outstanding common stock of the Company. Upon exercise, holders, other than an Acquiring Person, will have the right to purchase the common stock of the Company equal to twice the value of the exercise price of the Rights. In lieu of requiring payment of the purchase price upon exercise of the Rights following certain events, the Company may permit the holders simply to surrender the Rights, in which event they will be entitled to receive common shares and other property, as the case may be, with

a value of 50 percent of what could be purchased by payment of the full purchase price. The Rights, which do not have voting rights, will expire on January 6, 2019, and may be redeemed by the Company any time until ten days following the announcement of an Acquiring Person at a price of \$0.01 per Right.



## Cash Dividends

On May 27, 2015, the Board of Directors declared a cash dividend of \$0.24 per share on the Company's common stock, which was paid on June 24, 2015, to shareholders of record on June 16, 2015. On December 8, 2015, the Board of Directors declared a cash dividend of \$0.26 per share on the Company's common stock, which was paid on January 5, 2016, to shareholders of record on December 21, 2015.

The cash dividends declared in 2015, 2014 and 2013 were \$82,478, \$77,158 and \$71,665, respectively. The Board of Directors has indicated its intention to declare future cash dividends on a semiannual basis.

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

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

	Foreign Currency Translation Adjustments	Unrealized Holding Gains (Losses) on Investments	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2013	\$3,410	\$2,829	\$6,239
Other comprehensive loss before reclassifications	(3,309)	(1,149)	(4,458)
Amounts reclassified from accumulated other comprehensive income	—	(294)	(294)
Net current-period other comprehensive loss	(3,309)	(1,443)	(4,752)
Balance, December 31, 2013	\$101	\$1,386	\$1,487
Other comprehensive loss before reclassifications	(10,189)	441	(9,748)
Amounts reclassified from accumulated other comprehensive income	—	(634)	(634)
Net current-period other comprehensive loss	(10,189)	(193)	(10,382)
Balance, December 31, 2014	\$(10,088)	\$1,193	\$(8,895)
Other comprehensive loss before reclassifications	(14,900)	(1,659)	(16,559)
Amounts reclassified from accumulated other comprehensive loss	—	164	164
Net current-period other comprehensive loss	(14,900)	(1,495)	(16,395)
Balance, December 31, 2015	\$(24,988)	\$(302)	\$(25,290)

## Note 10 – Employee Benefit Plan

The Company has a tax-qualified defined contribution plan (the Plan). The Plan provides retirement benefits, including provisions for early retirement and disability benefits, as well as a tax-deferred savings feature. After satisfying certain requirements, participants are vested in employer contributions at the time the contributions are made. All Company contributions are discretionary and are made from available profits. The Company contributed \$9,162, \$6,157 and \$5,664 to the Plan in 2015, 2014 and 2013, respectively.

## Note 11 – Commitments and Contingencies

The Company leases certain of its facilities, data processing equipment, and software under non-cancelable operating leases, some which contain escalation clauses for increased taxes and operating expenses. The Company has entered into maintenance agreements primarily for its data processing equipment. Rent expense was \$25,074, \$23,011 and \$21,519 in 2015, 2014 and 2013, respectively.

The aggregate noncancellable minimum commitments at December 31, 2015 are:

2016	\$4,397
2017	5,578
2018	8,436
2019	7,354
2020 and thereafter	37,414
	\$63,179

In the ordinary course of business, the Company from time to time enters into contracts containing indemnification obligations of the Company. These obligations may require the Company to make payments to another party upon the occurrence of certain events including the failure by the Company to meet its performance obligations under the contract. These contractual indemnification provisions are often standard contractual terms of the nature customarily found in the type of contracts entered into by the Company. In many cases, there are no stated or notional amounts included in the indemnification provisions. There are no amounts reflected on the Consolidated Balance Sheets as of December 31, 2015 and 2014 related to these indemnifications.

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

SEI has been named in six lawsuits filed in Louisiana. Five lawsuits were filed in the 19th Judicial District Court for the Parish of East Baton Rouge. One of the five actions purports to set forth claims on behalf of a class and also names SPTC as a defendant. Two of the other actions also name SPTC as a defendant. All five actions name various defendants in addition to SEI, and, in all five actions, the plaintiffs purport to bring a cause of action against SEI and/or SPTC under the Louisiana Securities Act. Two of the five actions include claims for violations of the Louisiana Racketeering Act and possibly conspiracy. In addition, another group of plaintiffs filed a lawsuit in the 23rd Judicial District Court for the Parish of Ascension against SEI and SPTC and other defendants, asserting claims of negligence, breach of contract, breach of fiduciary duty, violations of the uniform fiduciaries law, negligent misrepresentation, detrimental reliance, violations of the Louisiana Securities Act and Louisiana Racketeering Act, and conspiracy. The underlying allegations in all actions relate to the purported role of SPTC in providing back-office services to Stanford Trust Company. The petitions allege that SEI and SPTC aided and abetted or otherwise participated in the sale of "certificates of deposit" issued by Stanford International Bank.

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

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

In a third East Baton Rouge action, brought as a class action, SEI and SPTC filed exceptions, which the Court granted in part, dismissing the claims under the Louisiana Unfair Trade Practices Act. Plaintiffs then filed a motion for class certification, and SEI and SPTC also filed a motion for summary judgment. The Court deferred the motion for summary judgment, stating that the motion would not be set for hearing until after the hearing on class certification. After the Court held a hearing on class certification, it certified a class composed of persons who purchased or renewed any Stanford International Bank certificates of deposit (SIB CDs) in Louisiana between January 1, 2007 and February 13, 2009 or any person for whom the Stanford Trust Company purchased SIB CDs in Louisiana between January 1, 2007 and February 13, 2009. SEI and SPTC filed motions for appeal from the class certification judgments. On February 1, 2013, plaintiffs filed a motion for Leave to File a First Amended and Restated Class Action Petition in which they asked the Court to allow them to amend the petition and add claims against certain of SEI's insurance carriers. On February 5, 2013, the Court granted two of the motions for appeal and the motion for leave to amend. On February 28, 2013, SEI responded to the First Amended and Restated Class Action Petition by seeking dismissal of the action. On March 11, 2013, the newly-added insurance carrier defendants removed the case to the Middle District of Louisiana. SEI notified the Judicial Panel on Multidistrict Litigation (MDL) of this case as a potential tag-along action. Plaintiffs filed a motion to remand the action to state court. On March 25, 2013, SEI filed a motion requesting that the federal court decline to adopt the state court's order regarding class certification, which the court dismissed without prejudice to renew upon a determination of the jurisdictional issue. On August 7, 2013, the MDL Panel

transferred the matter against SEI to the Northern District of Texas. On October 1, 2014, SEI filed a renewed motion to dismiss in the Northern District of Texas, and on October 6, 2014, the District Court denied plaintiffs' motion to remand. On June 17, 2015, the Court denied the motion to dismiss, and on June 24, 2015 set a briefing schedule for SEI and SPTC's motion challenging the Louisiana court's decision to certify a class, which motion was filed on July 15, 2015. SEI and SPTC filed their answer on July 1, 2015, and this case is now pending in the Northern District of Texas. On July 15, 2015, SEI and SPTC also filed motions seeking reconsideration of the District Court's June 17 denial of the motion to dismiss or, in the alternative, seeking leave to pursue an interlocutory appeal

of certain elements of the denial, as well as a motion seeking partial judgment on the pleadings pursuant to Federal Rule of Civil Procedure 12(c) with respect to claims brought under Section 712(D) of the Louisiana Securities Law. On September 22, 2015, the District Court granted SEI and SPTC's motion for reconsideration of the June 17 denial of the motion to dismiss and dismissed plaintiffs' claims under Section 714(A) of the Louisiana Securities Law, but declined to dismiss, or certify for interlocutory appeal, plaintiffs' claims under Section 714(B) of the Louisiana Securities Law. On November 4, 2015, the District Court granted SEI and SPTC's motion to dismiss plaintiff's claims under Section 712(D) of the Louisiana Securities Law. Consequently, the only claims of plaintiffs still pending before the District Court are plaintiff's claims for secondary liability against SEI and SPTC under Section 714(B) of the Louisiana Securities Law.

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

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

A lawsuit entitled *Steven Curd and Rebel Curd v. SEI Investments Management Corporation* was filed against SIMC in the United States District Court for the Eastern District of Pennsylvania on December 11, 2013. On August 28, 2014, the Court granted SIMC's motion to dismiss the initial complaint in the lawsuit, but also granted plaintiffs leave to amend the complaint.

On October 2, 2014, plaintiffs filed an amended complaint. In the amended complaint, SEI Investments Global Funds Services (SGFS) was added as a defendant. The plaintiffs bring the case as a shareholder derivative action against SIMC and SGFS on behalf of certain SEI funds. The claims are based on Section 36(b) of the Investment Company Act of 1940, as amended, which allows shareholders of a mutual fund to sue the investment adviser of the fund or its affiliates for an alleged breach of fiduciary duty with respect to compensation received by the adviser or its affiliates. The plaintiffs have brought the suit against SIMC and SGFS with respect to five specific SEI Funds: the High Yield Bond, Tax-Managed Large Cap, and Tax-Managed Small/Mid Cap Funds, each of which is a series of the SEI Institutional Managed Trust, the Intermediate Term Municipal Fund, which is a series of the SEI Tax Exempt Trust, and the International Equity Fund, which is a series of the SEI Institutional International Trust (the SEI Funds). The plaintiffs seek: (1) damages for the SEI Funds in the amount of the alleged "excessive" fees earned by SIMC and SGFS beginning from the one year period prior to the filing of the lawsuit, plus interest, costs, and fees; (2) orders declaring that SIMC and SGFS allegedly violated Section 36(b) and enjoining SIMC and SGFS from further alleged violations; and (3) rescission of SIMC's and SGFS's contracts with the funds, and restitution of all allegedly excessive fees paid beginning from the one year period prior to the filing of the lawsuit, plus interest, costs, and fees. On November 24, 2014, SIMC and SGFS filed a motion to dismiss the amended complaint. On July 13, 2015, the Court denied the motion to dismiss with respect to SIMC, and granted the motion to dismiss with respect to SGFS. On September 18, 2015, plaintiffs filed a second amended complaint reinstating SGFS as a defendant in the case. The parties are currently engaged in discovery, which is expected to be completed in the fall of 2017. While the outcome of this litigation is uncertain given its early phase, SIMC and SGFS believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuit vigorously, and SIMC and SGFS are not reasonably able to provide an estimate of the ultimate loss, if any, with respect to this lawsuit.

On November 26, 2014, a Writ of Summons was issued to two of our subsidiaries, SEI Investments - Global Fund Services Limited (GFSL) and SEI Investments - Trustee & Custodial Services (Ireland) Limited (T&C), to appear

before the Court of First Instance Antwerp, Belgium. The plaintiffs in this case allege that through their initial investments in collective investment funds domiciled in Netherlands and subsequent transfer of claim rights to a Belgium domiciled partnership, they are beneficial owners of a portfolio of life settlement policies (the Portfolio) which lapsed due to a failure to make premium payments. The plaintiffs seek to recover jointly and severally from nine defendants including GFSL and T&C, damages of approximately \$84 million. GFSL and T&C's involvement in the litigation appears to arise out of their historical provision of administration and custody services, respectively, to the Strategic Life Settlement Fund PLC, who, together with its managers, appear to be the principal defendants in this claim. On December 4, 2015, the Belgium Court dismissed plaintiff's claims for a lack of jurisdiction. On December 22, 2015, the plaintiffs appealed the dismissal.

While the outcome of this action is uncertain given its early phase and the lack of specific theories of liability asserted against GFSL and T&C, each of GFSL and T&C believe that they have valid defenses to plaintiffs' claims and intend to defend

the lawsuit vigorously, and GFSL and T&C are not reasonably able to provide an estimate of the ultimate loss, if any, with respect to this lawsuit.

#### Note 12 – Income Taxes

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

Year Ended December 31,	2015	2014	2013	
Current				
Federal	\$ 159,774	\$ 155,273	\$ 153,856	
State	7,756	8,744	11,542	
Foreign	5,224	5,254	4,727	
	172,754	169,271	170,125	
Deferred, including current deferred				
Federal	(5,343	) 1,667	(2,214	)
State	1,414	11	(16,264	)
Foreign	—	—	(4,814	)
	(3,929	) 1,678	(23,292	)
Income taxes attributable to the noncontrolling interest	—	—	91	
Total income taxes	\$ 168,825	\$ 170,949	\$ 146,924	

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

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

Year Ended December 31,	2015	2014	2013
Domestic	\$472,384	\$475,175	\$427,915
Foreign	28,096	14,487	7,042
	\$500,480	\$489,662	\$434,957

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

Year Ended December 31,	2015	2014	2013	
Statutory rate	35.0	% 35.0	% 35.0	%
State taxes, net of federal tax benefit	1.6	1.2	1.5	
Foreign tax expense and tax rate differential	(1.2	) (0.7	) 0.5	
Research and development tax credit	(0.6	) (0.4	) (0.8	)
Domestic Production Activities Deduction	(0.6	) (0.4	) (0.5	)
PA Tax Law changes and change in valuation allowance on loss carryforwards	—	—	(2.4	)
Net change in uncertain tax positions	—	0.3	0.1	
Settlement of state tax petition	(0.8	) —	—	
Other, net	0.3	(0.1	) 0.3	
	33.7	% 34.9	% 33.7	%

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

In 2014, the Company completed international tax planning which reduced the effective income tax rate for international operations. Additionally, there was an increase in the pre-tax income in certain foreign jurisdictions which were taxed at a lower rate or was offset by foreign tax credit.

The impact on the Company's effective income tax rate from the net change in uncertain tax positions in 2014 relates to federal issues mainly associated with the compilation of foreign tax credits and state tax issues. For 2013, the impact from the net change in uncertain tax positions relates to federal and state tax issues and foreign tax issues.





Undistributed earnings of the Company's foreign subsidiaries amounted to approximately \$84,620 at December 31, 2015. Those earnings are considered to be indefinitely reinvested and, accordingly, no U.S. federal and state income taxes have been provided thereon. Upon distribution of those earnings, in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes, subject to an adjustment for foreign tax credits, and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculation, including the availability, or lack thereof, of foreign tax credits to reduce a portion of the U.S. liability.

Deferred income taxes for 2015, 2014 and 2013 reflect the impact of temporary differences between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. In 2013, the Company's deferred income tax net liability decreased significantly due to the following: (1) Pennsylvania Tax Law changes enacted on July 18, 2013 which became effective on January 1, 2014. These changes reduced the deferred tax liability which had accumulated during prior years. In accordance with the tax accounting rules, the effect of the law change is recorded in the year in which the law was signed. The primary change that affects the Company results from the reduction of net income apportioned to the State of Pennsylvania. The bill adopts "market-based" sourcing for apportionment. This method apportions sales to the state where the benefits are being derived by the customer. The method prior to 2014 apportions sales of services to the state where the cost was incurred to perform those services; (2) the Company's current payable decreased as a result of the sale of SEI AK.

The net deferred income tax liability is comprised of:

Year Ended December 31,	2015	2014
Deferred income taxes:		
Gross assets	70,106	69,287
Gross liabilities	(118,586)	(117,947)
	(48,480)	(48,660)
Valuation allowance	(14,548)	(16,509)
Net deferred income tax liability	\$(63,028)	\$(65,169)

The valuation allowances against deferred tax assets at December 31, 2015 and 2014 are related to state net operating losses from certain domestic subsidiaries. Certain state tax statutes significantly limit the utilization of net operating losses for domestic subsidiaries. Furthermore, these net operating losses cannot be used to offset the net income of other subsidiaries. In 2014, the valuation also includes valuation of foreign tax credit.

The tax effect of significant temporary differences representing deferred tax liabilities is:

Year Ended December 31,	2015	2014
Difference in financial reporting and income tax depreciation methods	\$(2,695)	\$(3,637)
Reserves not currently deductible	245	209
Capitalized software currently deductible for tax purposes, net of amortization	(111,174)	(118,841)
State deferred income taxes	1,444	(420)
Revenue and expense recognized in different periods for financial reporting and income tax purposes	5,534	6,212
Unrealized holding loss (gain) on investments	772	(475)
Stock-based compensation expense	34,739	38,989
State net operating loss carryforward	19,580	24,150
Valuation allowance on deferred tax assets	(14,548)	(16,509)
Federal benefit of state tax deduction for uncertain tax positions	3,014	2,913
Foreign tax credit	—	2,327
Foreign deferred	61	(87)
Net deferred income tax liability	\$(63,028)	\$(65,169)

The Company recognizes uncertain tax positions in accordance with the applicable accounting guidance and adjusts these liabilities when management's judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is

materially different from our current estimate of the tax liabilities. The Company's total unrecognized tax benefit, not including interest and penalties, as of December 31, 2015 was \$14,517, of which \$12,898 would affect the effective tax rate if the Company were to recognize the tax benefit. The gross amount of uncertain tax liability of \$4,512 which is expected to be paid within one year is

netted against the current payable account while the remaining amount of \$11,397 is included in Other long-term liabilities on the accompanying Consolidated Balance Sheets. During the year ended December 31, 2015, the Company recognized \$1,752 of previously unrecognized tax benefits relating to the lapse of the statute of limitation. The Company files a consolidated federal income tax return and separate income tax returns with various states. Certain subsidiaries of the Company file tax returns in foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examination for years before 2012 and is no longer subject to state, local or foreign income tax examinations by authorities for years before 2008.

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

	2015	2014	2013
Balance as of January 1	\$ 14,018	\$ 12,028	\$ 11,553
Tax positions related to current year:			
Gross additions	1,954	1,957	1,834
Gross reductions	—	—	—
	1,954	1,957	1,834
Tax positions related to prior years:			
Gross additions	297	1,369	3,435
Gross reductions	—	—	—
	297	1,369	3,435
Settlements	—	—	(3,772 )
Lapses on statute of limitations	(1,752 )	(1,336 )	(1,022 )
Balance as of December 31	\$ 14,517	\$ 14,018	\$ 12,028

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

The Company classifies all interest and penalties as income tax expense. The Company has recorded \$1,391, \$1,066 and \$754 in liabilities for tax related interest and penalties in 2015, 2014 and 2013, respectively.

The Company estimates it will recognize \$4,512 of unrecognized tax benefits within the next twelve months due to lapses on the statute of limitation.

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

#### Note 13 – Business Segment Information

The Company's reportable business segments are:

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

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

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

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

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

In 2015, 2014 and 2013, no single customer accounted for more than ten percent of revenues in any business segment.

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The following tables highlight certain financial information about each of the Company's business segments for the years ended December 31, 2015, 2014 and 2013:

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
For the Year Ended December 31, 2015						
Revenues	\$456,516	\$306,620	\$297,568	\$267,963	\$5,541	\$1,334,208
Expenses	410,975	171,968	145,851	172,094	20,656	921,544
Operating profit (loss)	\$45,541	\$134,652	\$151,717	\$95,869	\$(15,115)	\$412,664
Gain on sale of subsidiary	2,791	—	—	—	—	2,791
Total profit (loss)	\$48,332	\$134,652	\$151,717	\$95,869	\$(15,115)	\$415,455
	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
For the Year Ended December 31, 2014						
Revenues	\$441,467	\$283,811	\$284,677	\$251,310	\$4,740	\$1,266,005
Expenses	399,620	146,500	140,659	159,176	18,377	864,332
Operating profit (loss)	\$41,847	\$137,311	\$144,018	\$92,134	\$(13,637)	\$401,673
Gain on sale of subsidiary	5,582	—	—	—	—	5,582
Total profit (loss)	\$47,429	\$137,311	\$144,018	\$92,134	\$(13,637)	\$407,255
	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
For the Year Ended December 31, 2013						
Revenues	\$397,138	\$241,252	\$257,658	\$226,081	\$4,003	\$1,126,132
Expenses	392,399	133,962	133,218	148,977	15,723	824,279
Operating profit (loss)	\$4,739	\$107,290	\$124,440	\$77,104	\$(11,720)	\$301,853
Gain on sale of subsidiary	22,112	—	—	—	—	22,112
Total profit (loss)	\$26,851	\$107,290	\$124,440	\$77,104	\$(11,720)	\$323,965

A reconciliation of the total reported for the business segments to income from operations in the Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013 is as follows:

Year Ended December 31,	2015	2014	2013
Total operating profit from segments above	\$412,664	\$401,673	\$301,853
Corporate overhead expenses	(54,451)	(48,889)	(53,733)
Noncontrolling interest reflected in segments	—	—	289
Income from operations	\$358,213	\$352,784	\$248,409

The following tables provide additional information for the years ended December 31, 2015, 2014 and 2013 pertaining to our business segments:

Year Ended December 31,	Capital Expenditures (1)			Depreciation		
	2015	2014	2013	2015	2014	2013
Private Banks	\$41,972	\$30,883	\$34,258	\$12,348	\$13,393	\$15,506
Investment Advisors	13,206	13,783	12,611	3,410	2,507	2,091
Institutional Investors	5,301	4,575	2,712	1,200	1,041	893
Investment Managers	10,119	9,505	4,871	4,040	2,917	1,970
Investments in New Businesses	736	2,547	639	2,278	1,983	1,589
Total from business segments	\$71,334	\$61,293	\$55,091	\$23,276	\$21,841	\$22,049
Corporate Overhead	2,547	2,053	760	768	607	448
	\$73,881	\$63,346	\$55,851	\$24,044	\$22,448	\$22,497

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



Year Ended December 31,	Amortization		
	2015	2014	2013
Private Banks	\$29,819	\$24,993	\$22,379
Investment Advisors	9,880	9,228	8,234
Institutional Investors	1,558	1,430	1,274
Investment Managers	1,029	954	851
Investments in New Businesses	116	1,846	1,636
Total from business segments	\$42,402	\$38,451	\$34,374
Corporate Overhead	228	228	228
	\$42,630	\$38,679	\$34,602

	Total Assets	
	2015	2014
Private Banks	\$451,079	\$417,890
Investment Advisors	138,459	134,371
Institutional Investors	105,443	118,397
Investment Managers	154,432	134,614
Investments in New Businesses	5,355	21,830
Total from business segments	\$854,768	\$827,102
Corporate Overhead (2)	733,860	715,773
	\$1,588,628	\$1,542,875

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

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

For the Year Ended December 31,	2015	2014	2013
United States	\$1,123,165	\$1,063,223	\$962,266
International operations	211,043	202,782	163,866
	\$1,334,208	\$1,266,005	\$1,126,132

The following table presents assets based on their location:

	2015	2014
United States	\$1,330,738	\$1,315,036
International operations	257,890	227,839
	\$1,588,628	\$1,542,875

#### Note 14 – Related Party Transactions

The Company, either by itself or through its wholly-owned subsidiaries, serves as the sponsor, administrator, investment advisor, distributor and shareholder servicer for SEI-sponsored investment products. These investment products are offered to clients of the Company and its subsidiaries. Fees earned by the Company for the related services are recognized pursuant to the provisions of investment advisory, fund administration, distribution, and shareholder services agreements directly with the investment products. These fees totaled \$426,301, \$411,206 and \$470,813 in 2015, 2014 and 2013, respectively, and are reflected in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations. The Company also serves as an introducing broker-dealer for securities transactions of SEI-sponsored investment products. The Company recognized \$365, \$2,332 and \$620 in commissions during 2015, 2014 and 2013, respectively. These fees are reflected in Transaction-based and trade execution fees on the accompanying Consolidated Statements of Operations. Receivables from regulated investment companies (RICs) on the accompanying Consolidated Balance Sheets primarily represent fees receivable for distribution, investment advisory, and administration services to various RICs sponsored by SEI.

## Note 15 – Sale of SEI Asset Korea

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

On March 28, 2013, all conditions subject to closing the transaction were satisfied and all ownership interests in SEI AK were transferred to Barings. The net working capital of SEI AK at closing in excess of required regulatory capital, and subject to certain other adjustments, was distributed to the Company, MetLife and IFC in accordance with the ownership interests. The Company recognized a pre-tax gain of \$22,112, or \$0.08 diluted earnings per share, during 2013. Under the terms of the agreement, a portion of the purchase price was paid upon closing with up to an additional \$11,220 payable to the Company as a contingent purchase price with respect to three one-year periods ending on December 31, 2013, 2014 and 2015 depending upon whether SEI AK achieves specified revenue measures during such periods. The Company recognized a pre-tax gain of \$5,582, or \$0.02 diluted earnings per share, during 2014 and a pre-tax gain of \$2,791, or \$0.01 diluted earnings per share, during 2015. The Company's gains from the sale of SEI AK are included in Gain on sale of subsidiary on the accompanying Consolidated Statement of Operations.

The operating results of SEI AK were included in the Private Banks business segment. SEI AK revenues and net income included in the Company's Consolidated Statement of Operations were as follows:

	For the Period January 1, 2013 through March 28, 2013
Revenues	\$2,889
Net income	\$796
Less: Income attributable to the noncontrolling interests	(350 )
Net income attributable to SEI AK	\$446

## Note 16 – Settlement Agreement

On April 24, 2013, the Company entered into a Settlement Agreement with respect to litigation captioned Abu Dhabi Commercial Bank, et. al. v. Morgan Stanley & Co., Incorporated, et. al., brought by a group of plaintiffs, including the Company, related to the purchase of securities by the Company and others of Cheyne Finance LLC, a SIV security. In accordance with the Settlement Agreement, the Company received a cash settlement payment of \$43,429 after fees and expenses during the three months ended June 30, 2013. The income related to the cash settlement payment is reflected in Other income on the accompanying Consolidated Statements of Operations.

## Note 17 – Quarterly Financial Data (Unaudited)

2015	For the Three Months Ended				
	March 31	June 30	September 30	December 31	
Revenues	\$325,444	\$337,745	\$335,622	\$335,397	
Income before income taxes	\$131,000	\$133,810	\$120,588	\$115,082	
Net income attributable to SEI	\$84,611	\$86,240	\$79,425	\$81,379	
Basic earnings per share	\$0.51	\$0.52	\$0.48	\$0.49	
Diluted earnings per share	\$0.50	\$0.51	\$0.47	\$0.48	
Effective income tax rate	35.4	% 35.6	% 34.1	% 29.3	%
Gain on sale of subsidiary (Note 15)	\$2,791	\$—	\$—	\$—	
Diluted earnings per share (1)	\$0.01	\$—	\$—	\$—	

(1) Attributable to gain on sale of subsidiary.





2014	For the Three Months Ended				
	March 31	June 30	September 30	December 31	
Revenues	\$302,386	\$318,815	\$322,047	\$322,757	
Income before income taxes	\$116,665	\$128,854	\$128,618	\$115,525	
Net income attributable to SEI	\$74,820	\$82,813	\$83,983	\$77,097	
Basic earnings per share	\$0.44	\$0.49	\$0.50	\$0.46	
Diluted earnings per share	\$0.43	\$0.48	\$0.49	\$0.45	
Effective income tax rate	35.9	% 35.7	% 34.7	% 33.3	%
Gain on sale of subsidiary (Note 15)	\$5,582	\$—	\$—	\$—	
Diluted earnings per share (2)	\$0.02	\$—	\$—	\$—	
Loss from impairment charge (Note 2)	\$—	\$—	\$—	\$11,266	
Diluted earnings per share (3)	\$—	\$—	\$—	\$0.06	

(2) Attributable to gain on sale of subsidiary.

(3) Attributable to loss from impairment charge related to investment in Gao Fu Limited.

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

SEI Investments Company  
and Subsidiaries

Year Ended December 31, Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Charged to Other Accounts	(Deductions)	Balance at End of Year
Allowance for doubtful accounts:					
2015	\$784	\$—	\$—	\$(135)	) \$649
2014	651	133	—	—	) 784
2013	805	—	—	(154)	) 651
Deferred income tax valuation allowance:					
2015	\$16,509	\$(1,142)	) \$(819)	) \$—	\$14,548
2014	14,738	—	1,771	—	16,509
2013	6,879	(485)	) 8,344	—	14,738

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

None.

Item 9A. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of the end of the period covered by this annual report to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control – Integrated Framework (2013), our management concluded that our internal control over financial reporting was effective as of December 31, 2015.

The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

### PART III

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

##### Identification of Directors

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

##### Identification of Executive Officers

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

ALFRED P. WEST, JR., 73, has been the Chairman of the Board of Directors and Chief Executive Officer of the Company since its inception in 1968. Mr. West was President from June 1979 to August 1990.

KEVIN P. BARR, 50, has been an employee of the Company since May 2000. Mr. Barr has been an Executive Vice President since May 2008.

ROBERT F. CRUDUP, 68, has been an employee of the Company since 1987. Mr. Crudup has been an Executive Vice President since January 2001.

KATHY C. HEILIG, 57, has been an employee of the Company since November 1987. Ms. Heilig has been Chief Accounting Officer and Controller since May 1999. Ms. Heilig was Treasurer from May 1997 to May 2005.

N. JEFFREY KLAUDER, 63, has been Executive Vice President and General Counsel of the Company since August 2004. Prior to August 2004, Mr. Klauder was a partner of Morgan Lewis & Bockius, LLP, a law firm.

PAUL F. KLAUDER, 48, has been an employee of the Company since May 1993. Mr. Klauder has been an Executive Vice President since February 2016 and a Senior Vice President since May 2004.

DENNIS J. MCGONIGLE, 55, has been an employee of the Company since August 1985. Mr. McGonigle has been the Chief Financial Officer since December 2002 and an Executive Vice President since July 1996 and a Senior Vice President since May 1995.

STEPHEN G. MEYER, 51, has been an employee of the Company since November 1992. Mr. Meyer has been an Executive Vice President since December 2006 and a Senior Vice President since December 2005.

JOSEPH P. UJOBAL, 54, has been an employee of the Company since May 1998. Mr. Ujobal has been an Executive Vice President since May 2003 and a Senior Vice President since January 2001.

WAYNE M. WITHROW, 60, has been an employee of the Company since January 1990. Mr. Withrow has been an Executive Vice President since March 2000 and a Senior Vice President since January 1994. Mr. Withrow was Chief Information Officer from March 2000 to May 2002.

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

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

##### Code of Conduct

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

#### Item 11. Executive Compensation.

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

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. Information required by this item is set forth under the caption “Ownership of Shares” in the Company’s definitive proxy statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

The following table provides information regarding the aggregate number of securities to be issued under all of our equity compensation plans upon exercise of outstanding options, warrants, and other rights and their weighted-average exercise price as of December 31, 2015. Material features of each of the plans reflected in the table are described below.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted –average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	19,237,482	\$28.71	26,889,646
Equity compensation plans not approved by security holders	—	—	—
Total	19,237,482	\$28.71	26,889,646

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

The 2014 Omnibus Equity Compensation Plan:

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

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

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

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

service to the Company unless the Committee provides for a period after such employment or service in which the option may be exercised. The Committee may only grant incentive stock options to employees of the Company or its subsidiaries.

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

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

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

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

The Committee may grant stock awards to anyone eligible to participate in the 2014 Plan. A stock award is a grant of shares of the Company's common stock, which may be subject to restrictions. The Committee will determine whether a stock award will be granted, the number of shares that will be subject to such award, when and how restrictions, if any, will lapse, and whether a purchase price must be paid for the shares subject to the award. The Committee will determine the period and conditions when stock awards vest. The Committee will determine in the grant agreement under what circumstances a participant may retain stock awards if after employment or service with the Company prior to the vesting of any stock awards and the circumstances under which a participant will forfeit stock awards. For each share of common stock that is actually issued or transferred pursuant to a grant, other than a stock option or SAR, and which is settled by the issuance of common stock, will count as three shares against the share limits. Each share of common stock that is actually issued or transferred pursuant to a stock option or SAR will count as one share against the share limits. If and to the extent grants under the 2014 Plan (including stock options granted under the 2007 Plan) terminate, expire, or are canceled, forfeited, exchanged, or surrendered without having been exercised, the shares subject to such grants will again be available for purposes of the 2014 Plan, taking into account the ratios described above.

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

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

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



As of December 31, 2015, options to acquire 17,509,047 shares were outstanding under the 2014 Plan, out of a total of 46,934,334 shares of common stock reserved for issuance under the 2014 Plan. The 2014 Plan authorizes the issuance of an additional 30,000,000 new shares of common stock. This is in addition to 16,235,712 shares of common stock which were subject to outstanding grants under the 2007 Plan as of the Effective Date and 698,622 shares of common stock which remained available for issuance or transfer under the 2007 Plan but not subject to previously exercised, vested or paid grants as of the Effective Date. A total of 26,889,646 shares of common stock remain available for issuance under the 2014 Plan for future grants.

The 2007 Equity Compensation Plan:

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

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

The 1998 Equity Compensation Plan:

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

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

As of December 31, 2015, options to acquire 1,728,435 shares were outstanding under the 1998 Plan, out of a total of 40,444,000 shares of common stock reserved for issuance under the 1998 Plan.

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

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

Item 14. Principal Accounting Fees and Services.

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



PART IV

Item 15. Exhibits, Financial Statement Schedules.

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

Reports of Independent Registered Public Accounting Firms  
Consolidated Balance Sheets — December 31, 2015 and 2014  
Consolidated Statements of Operations — For the years ended December 31, 2015, 2014 and 2013  
Consolidated Statements of Comprehensive Income — For the years ended December 31, 2015, 2014 and 2013  
Consolidated Statements of Changes in Equity — For the years ended December 31, 2015, 2014 and 2013  
Consolidated Statements of Cash Flows — For the years ended December 31, 2015, 2014 and 2013  
Notes to Consolidated Financial Statements  
Schedule II - Valuation and Qualifying Accounts and Reserves — For the years ended December 31, 2015,  
2014 and 2013

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

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEI INVESTMENTS COMPANY

Date: February 22, 2016

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

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

Date: February 22, 2016

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

Date: February 22, 2016

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

Date: February 22, 2016

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

Date: February 22, 2016

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

Date: February 22, 2016

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

Date: February 22, 2016

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

EXHIBIT INDEX

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

- 3.1 Articles of Incorporation of the Registrant as amended on January 21, 1983. (Incorporated by reference to exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1982.)
- 3.1.2 Amendment to Articles of Incorporation of the Registrant, dated May 21, 1992. (Incorporated by reference to exhibit 3.1.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.)
- 3.1.3 Amendment to Articles of Incorporation of the Registrant, dated May 26, 1994. (Incorporated by reference to exhibit 3.1.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- 3.1.4 Amendment to Articles of Incorporation of the Registrant, dated November 21, 1996. (Incorporated by reference to exhibit 3.1.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
- 3.1.5 Amendment to Articles of Incorporation of the Registrant, dated February 14, 2001. (Incorporated by reference to exhibit 3.1.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.)
- 3.2 Amended and Restated By-Laws. (Incorporated by reference to exhibit 3.2 to the Registrant's Current Report on Form 8-K dated January 6, 2009.)
- 3.2.1 Amendment of Section 3.02 of the Amended and Restated Bylaws. (Incorporated by reference to exhibit 3.2.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.)
- 4.1 Rights Agreement dated January 6, 2009. (Incorporated by reference to exhibit 4.1 to the Registrant's Current Report on Form 8-K dated January 6, 2009.)
- 4.2 Statement with Respect to Shares of a Domestic Corporation amending the designations of Series A Junior Participating Preferred Shares as a series of the Series Preferred Stock of the Company, dated January 6, 2009. (Incorporated by reference to exhibit 4.1 to the Registrant's Current Report on Form 8-K dated January 6, 2009.)

Note: Exhibits 10.4 through 10.11 constitute the management contracts and executive compensatory plans or arrangements in which certain of the directors and executive officers of the Registrant participate.

- 10.4 1998 Equity Compensation Plan, Amended and Restated as of April 8, 2003. (Incorporated by reference to exhibit 99.1 to the Registrant's Registration Statement on Form S-8 (No. 333-111224) filed December 16, 2003.)
- 10.4.1 Amendment 2006-1 to the 1998 Equity Compensation Plan, Amended and Restated as of April 8, 2003. (Incorporated by reference to exhibit 10.4.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.)
- 10.5 Employee Stock Purchase Plan as Amended and Restated on May 20, 2008. (Incorporated by reference to the Registrant's Current Report on Form 8-K dated May 20, 2008.)
- 10.6 SEI Capital Accumulation Plan. (Incorporated by reference to exhibit 99(e) to the Registrant's Registration Statement on Form S-8 (No. 333-41343) filed December 2, 1997.)
- 10.9 Employment Agreement, dated June 25, 2004, between N. Jeffrey Klauder and the Registrant. (Incorporated by reference to exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.)
- 10.10 2007 Equity Compensation Plan. (Incorporated by reference to exhibit 10.10 to the Registrant's Current Report on Form 8-K dated April 11, 2007.)

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- 10.11 2014 Omnibus Equity Compensation Plan. (Incorporated by reference to exhibit 10.11 to the Registrant's Current Report on Form 8-K dated May 21, 2014.)
- 10.22 Credit Facility, dated January 14, 2003 between Royal Bank of Canada and SEI Investments Canada Company, a subsidiary of SEI Investments Company. (Incorporated by reference to exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.)
- 10.22.1 First Amendment, dated June 15, 2005 to Credit Facility, dated January 14, 2003 between Royal Bank of Canada and SEI Investments Canada Company, a subsidiary of SEI Investments Company. (Incorporated by reference to exhibit 10.22.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.)

10.22.2		Second Amendment, dated February 20, 2006 to Credit Facility, dated January 14, 2003 between Royal Bank of Canada and SEI Investments Canada Company, a subsidiary of SEI Investments Company. (Incorporated by reference to exhibit 10.22.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.)
10.24		\$300,000 Credit Agreement, dated February 2, 2012, among SEI Investments Company, the Lenders Party thereto, U.S. Bank National Association, as Syndication Agent, Citizens Bank of Pennsylvania and Manufacturers and Traders Trust Company, each as Documentation Agent, and Wells Fargo Bank, National Association, as Administrative Agent (Incorporated by reference to exhibit 10.24 to the Registrant's Current Report on Form 8-K/A dated February 2, 2012.)
10.25		Guaranty and Collateral Agreement dated as of October 1, 2012 among SEI Investments Company, LSV Employee Group III, LLC, and The PrivateBank and Trust Company. (Incorporated by reference to exhibit 10.25 to the Registrant's Current Report on Form 8-K dated October 1, 2012.)
14		Code of Ethics for Senior Financial Officers. (Incorporated by reference to exhibit 14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.)
21	*	Subsidiaries of the Registrant.
23.1	*	Consent of KPMG LLP.
23.2	*	Consent of KPMG LLP relating to the financial statements of LSV Asset Management.
23.3	*	Consent of PricewaterhouseCoopers LLP.
23.4	*	Consent of PricewaterhouseCoopers LLP relating to the financial statements of LSV Asset Management.
31.1	*	Rule 13a-15(e)/15d-15(e) Certification of Chief Executive Officer.
31.2	*	Rule 13a-15(e)/15d-15(e) Certification of Chief Financial Officer.
32	*	Section 1350 Certifications.
99.1		Financial Statements of LSV Asset Management dated December 31, 2010 and 2009. (Incorporated by reference to exhibit 99.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.)
99.2		Financial Statements of LSV Asset Management dated December 31, 2011 and 2010. (Incorporated by reference to exhibit 99.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.)
99.3		Financial Statements of LSV Asset Management dated December 31, 2012 and 2011. (Incorporated by reference to exhibit 99.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.)
99.4		Financial Statements of LSV Asset Management dated December 31, 2013 and 2012. (Incorporated by reference to exhibit 99.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.)
99.5		Financial Statements of LSV Asset Management dated December 31, 2014 and 2013. (Incorporated by reference to exhibit 99.5 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.)
99.6	*	Financial Statements of LSV Asset Management dated December 31, 2015 and 2014.
101.INS	*	XBRL Instance Document
101.SCH	*	XBRL Taxonomy Extension Schema Document
101.CAL	*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	*	XBRL Taxonomy Extension Definition Linkbase Document
*		Filed herewith as an exhibit to this Annual Report on Form 10-K.

