SEI Strikes Second Big Win

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MFS Investment Management has outsourced its separately managed account operations to SEI Investments. The deal is the second big win for SEI in recent weeks.

The Oaks, Pa.-based outsourcing vendor also recently signed a deal with TCW Investment Management according to industry sources and reported in FundFire last week. SEI now has five contracts of varying sizes.

John Alshefski, head of new business development for SEI's Investment Manager Services, declines to comment on the TCW deal. He says that the decision to sign the deal with MFS was strategic. "We're looking for firms that are market leaders to be in our client base."

Though outsourcing in the separately managed account space has been slow, with only intermittent deals divided among eight outsourcing vendors, industry officials see SEI suddenly taking the lead. In addition to the deals with TCW and MFS and two firms Alshefski declines to disclose, SEI signed on with Transamerica Investment Management last year.

"We'll let the market ultimately decide what it means, but we like the position we're in," says Alshefski. "We're pleased with the market acceptance and validation of our solution." He declines to disclose the number of assets currently in the outsourcing program but says SEI is now "most likely the largest in the space."

An MFS spokesman did not return a call for comment. Bill Taylor, managing director and senior v.p. of the MFS Private Portfolio Services Group, says in a press release that the firm decided to outsource in order to allow it profitably to scale its separate account business, which he says is growing and expanding. It chose SEI because "we felt they had the best technology to support us from an operating standpoint."

Alshefski says that SEI's solution provides an operating environment that is fully integrated and can bring on new products while responding to changes in the separate account business.

Dan Seivert, managing director of Los Angeles-based investment bank and consulting firm 3C Financial Partners, agrees that SEI's solution is the reason it has won what he estimates are three of the last six contests in the space. "Their platform is being recognized in the marketplace for the potency of the workflow solution and for the complementarity it has with CheckFree's APL." He counts the total number of deals in the space at 16 and points out that most, if not all, have been divvied up by Mellon, Bank of New York, State Street Corp., PFPC and SEI, all of which use APL.

"SEI is really competing mostly against the other four firms using APL and the competition comes down to how clean of a workflow solution each firm provides," Seivert says. At the same time, he warns not to oversimplify the outsourcing decision. While workflow is important, he says, there are approximately 15 other very important variables out there such as how the managers' employees are treated in the transition, how the conversion of accounts are handled and how the vendor prices their services.

Industry officials point out that success such as SEI has had recently can have its challenges, such as being able to handle the increase in assets and accounts. But Alshefski says that SEI is prepared. "We have the scale and resources to handle this. We're experienced. This is what we do," he says, declining to specify if SEI will have to add staff.

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