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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended September 30, 2021  
OR

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

For the transition period from            to

Commission file number: 001-35355

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**MANNING & NAPIER, INC.**  
(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**290 Woodcliff Drive**  
**Fairport, New York**  
(Address of principal executive offices)

**45-2609100**  
(I.R.S. Employer  
Identification No.)

**14450**  
(Zip Code)

**(585) 325-6880**

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A common stock, \$0.01 par value per share	MN	New York Stock Exchange

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at November 9, 2021</u>
Class A common stock, \$0.01 par value per share	18,465,554

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In this Quarterly Report on Form 10-Q, “we”, “our”, “us”, the “Company”, “Manning & Napier” and the “Registrant” refers to Manning & Napier, Inc. and, unless the context otherwise requires, its consolidated direct and indirect subsidiaries and predecessors.

## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements

**Manning & Napier, Inc.**  
**Consolidated Statements of Financial Condition**  
(U.S. dollars in thousands, except share data)

	September 30, 2021 (unaudited)	December 31, 2020
<b>Assets</b>		
Cash and cash equivalents	\$ 64,567	\$ 57,635
Accounts receivable	11,101	11,915
Investment securities	25,091	23,497
Prepaid expenses and other assets	14,686	15,711
Total current assets	<u>115,445</u>	<u>108,758</u>
Property and equipment, net	2,475	3,075
Operating lease right-of-use assets	15,017	16,405
Net deferred tax assets, non-current	20,231	19,645
Goodwill	4,829	4,829
Other long-term assets	3,154	3,373
Total assets	<u>\$ 161,151</u>	<u>\$ 156,085</u>
<b>Liabilities</b>		
Accounts payable	\$ 2,221	\$ 1,787
Accrued expenses and other liabilities	29,157	36,439
Deferred revenue	13,152	11,476
Total current liabilities	<u>44,530</u>	<u>49,702</u>
Operating lease liabilities, non-current	14,931	16,646
Amounts payable under tax receivable agreement, non-current	15,598	13,759
Other long-term liabilities	182	221
Total liabilities	<u>75,241</u>	<u>80,328</u>
Commitments and contingencies (Note 9)		
<b>Shareholders' equity</b>		
Class A common stock, \$0.01 par value; 300,000,000 shares authorized; 19,214,559 and 18,465,554 shares issued and outstanding at September 30, 2021, 16,989,943 shares issued and outstanding at December 31, 2020	192	170
Treasury stock, at cost, 749,005 and zero shares at September 30, 2021 and December 31, 2020, respectively	(5,666)	—
Additional paid-in capital	104,954	111,848
Retained deficit	(12,082)	(28,826)
Accumulated other comprehensive loss	(315)	(235)
Total shareholders' equity	<u>87,083</u>	<u>82,957</u>
Noncontrolling interests	(1,173)	(7,200)
Total shareholders' equity and noncontrolling interests	<u>85,910</u>	<u>75,757</u>
Total liabilities, shareholders' equity and noncontrolling interests	<u>\$ 161,151</u>	<u>\$ 156,085</u>

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

**Manning & Napier, Inc.**  
**Consolidated Statements of Operations**  
(U.S. dollars in thousands, except share data)  
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>Revenues</b>				
<b>Management Fees</b>				
Wealth Management	\$ 16,366	\$ 13,743	\$ 47,825	\$ 41,335
Institutional and Intermediary	16,209	13,534	45,678	38,255
Distribution and shareholder servicing	2,278	2,424	6,667	7,117
Custodial services	1,759	1,577	5,125	4,639
Other revenue	925	789	2,470	2,176
Total revenue	<u>37,537</u>	<u>32,067</u>	<u>107,765</u>	<u>93,522</u>
<b>Expenses</b>				
Compensation and related costs	18,749	18,605	55,970	55,247
Distribution, servicing and custody expenses	2,512	2,596	7,367	7,834
Other operating costs	6,970	6,611	21,143	21,197
Total operating expenses	<u>28,231</u>	<u>27,812</u>	<u>84,480</u>	<u>84,278</u>
Operating income	<u>9,306</u>	<u>4,255</u>	<u>23,285</u>	<u>9,244</u>
<b>Non-operating income (loss)</b>				
Interest expense	(1)	—	(4)	(5)
Interest and dividend income	(13)	115	218	835
Change in liability under tax receivable agreement	—	24	(228)	(1,912)
Net gains (losses) on investments	(59)	411	655	(5)
Total non-operating income (loss)	<u>(73)</u>	<u>550</u>	<u>641</u>	<u>(1,087)</u>
Income before provision for (benefit from) income taxes	9,233	4,805	23,926	8,157
Provision for (benefit from) income taxes	2,523	1,738	4,511	(28)
Net income attributable to controlling and noncontrolling interests	6,710	3,067	19,415	8,185
Less: net income attributable to noncontrolling interests	207	560	1,747	3,274
Net income attributable to Manning & Napier, Inc.	<u>\$ 6,503</u>	<u>\$ 2,507</u>	<u>\$ 17,668</u>	<u>\$ 4,911</u>
Net income per share available to Class A common stock				
Basic	<u>\$ 0.35</u>	<u>\$ 0.15</u>	<u>\$ 1.01</u>	<u>\$ 0.30</u>
Diluted	<u>\$ 0.29</u>	<u>\$ 0.13</u>	<u>\$ 0.85</u>	<u>\$ 0.15</u>
Weighted average shares of Class A common stock outstanding				
Basic	<u>18,481,147</u>	<u>16,176,280</u>	<u>17,493,299</u>	<u>16,041,128</u>
Diluted	<u>22,226,455</u>	<u>18,928,954</u>	<u>20,843,170</u>	<u>48,339,759</u>

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

**Manning & Napier, Inc.**  
**Consolidated Statements of Comprehensive Income**  
**(U.S. dollars in thousands)**  
**(Unaudited)**

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net income attributable to controlling and noncontrolling interests	\$ 6,710	\$ 3,067	\$ 19,415	\$ 8,185
Net unrealized holding gains (losses) on investment securities, net of tax	(34)	6	(87)	(243)
Reclassification adjustment for net realized gains on investment securities included in net income	(75)	—	(1)	(174)
Comprehensive income	\$ 6,601	\$ 3,073	\$ 19,327	\$ 7,768
Less: Comprehensive income attributable to noncontrolling interests	130	639	1,739	2,992
Comprehensive income attributable to Manning & Napier, Inc.	\$ 6,471	\$ 2,434	\$ 17,588	\$ 4,776

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

**Manning & Napier, Inc.**  
**Consolidated Statements of Shareholders' Equity**  
(U.S. dollars in thousands, except share data)  
(Unaudited)

	Common Stock – Class A		Treasury Stock		Additional Paid in Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Non Controlling Interests	Total
	Shares	Amount	Shares	Amount					
<b>Three months ended September 30, 2021</b>									
Balance—June 30, 2021	18,493,570	\$ 192	713,665	\$ (5,337)	\$ 104,402	\$(17,661)	\$ (284)	\$ (1,301)	\$ 80,011
Net income	—	—	—	—	—	6,503	—	207	6,710
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(81)	(81)
Net changes in unrealized investment securities gains or losses	—	—	—	—	—	—	(31)	(3)	(34)
Common stock issued under equity compensation plan, net of forfeitures	7,324	—	—	—	—	—	—	—	—
Shares withheld to satisfy tax withholding requirements related to equity awards	—	—	—	—	35	—	—	(77)	(42)
Equity-based compensation	—	—	—	—	558	—	—	82	640
Dividends declared on Class A common stock - \$0.05 per share	—	—	—	—	—	(924)	—	—	(924)
Purchases of treasury stock	(35,340)	—	35,340	(329)	—	—	—	—	(329)
Cost of issuing common stock	—	—	—	—	(41)	—	—	—	(41)
Balance—September 30, 2021	<u>18,465,554</u>	<u>\$ 192</u>	<u>749,005</u>	<u>\$ (5,666)</u>	<u>\$ 104,954</u>	<u>\$(12,082)</u>	<u>\$ (315)</u>	<u>\$ (1,173)</u>	<u>\$ 85,910</u>
<b>Nine months ended September 30, 2021</b>									
Balance—December 31, 2020	16,989,943	\$ 170	—	\$ —	\$ 111,848	\$(28,826)	\$ (235)	\$ (7,200)	\$ 75,757
Net income	—	—	—	—	—	17,668	—	1,747	19,415
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(652)	(652)
Net changes in unrealized investment securities gains or losses	—	—	—	—	—	—	(80)	(7)	(87)
Common stock issued under equity compensation plan, net of forfeitures	631,647	6	—	—	(6)	—	—	—	—
Shares withheld to satisfy tax withholding requirements related to equity awards	—	—	—	—	(4,779)	—	—	(419)	(5,198)
Equity-based compensation	—	—	—	—	2,521	—	—	221	2,742
Dividends declared on Class A common stock - \$0.05 per share	—	—	—	—	—	(924)	—	—	(924)
Cost of issuing common stock	—	—	—	—	(97)	—	—	—	(97)
Purchases of treasury stock	(749,005)	—	749,005	(5,666)	—	—	—	—	(5,666)
Impact of changes in ownership of Manning & Napier Group, LLC (Note 4)	1,592,969	16	—	—	(5,153)	—	—	5,137	—
Deferred tax impacts from transactions with shareholders (Note 4)	—	—	—	—	620	—	—	—	620
Balance—September 30, 2021	<u>18,465,554</u>	<u>\$ 192</u>	<u>749,005</u>	<u>\$ (5,666)</u>	<u>\$ 104,954</u>	<u>\$(12,082)</u>	<u>\$ (315)</u>	<u>\$ (1,173)</u>	<u>\$ 85,910</u>

	Common Stock – Class A		Treasury Stock		Additional Paid in Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Non Controlling Interests	Total
	Shares	Amount	Shares	Amount					
<b>Three months ended September 30, 2020</b>									
Balance—June 30, 2020	16,275,359	\$ 163	\$ —	\$ —	\$ 112,300	\$(36,407)	\$ (112)	\$ (6,852)	\$ 69,092
Net income	—	—	—	—	—	2,507	—	560	3,067
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(177)	(177)
Net changes in unrealized investment securities gains or losses	—	—	—	—	—	—	(73)	79	6
Common stock issued under equity compensation plan, net of forfeitures	215,473	2	—	—	(2)	—	—	—	—
Shares withheld to satisfy tax withholding requirements related to equity awards	—	—	—	—	(565)	—	—	(455)	(1,020)
Equity-based compensation	—	—	—	—	1,108	—	—	(278)	830
Balance—September 30, 2020	<u>16,490,832</u>	<u>\$ 165</u>	<u>—</u>	<u>—</u>	<u>\$ 112,841</u>	<u>\$(33,900)</u>	<u>\$ (185)</u>	<u>\$ (7,123)</u>	<u>\$ 71,798</u>
<b>Nine months ended September 30, 2020</b>									
Balance—December 31, 2019	15,956,526	\$ 160	\$ —	\$ —	\$ 198,516	\$(38,478)	\$ (50)	\$ (10,527)	\$ 149,621
Net income	—	—	—	—	—	4,911	—	3,274	8,185
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(177)	(177)
Net changes in unrealized investment securities gains or losses	—	—	—	—	—	—	(135)	(108)	(243)
Common stock issued under equity compensation plan, net of forfeitures	534,306	5	—	—	(5)	—	—	—	—
Shares withheld to satisfy tax withholding requirements related to equity awards	—	—	—	—	(565)	—	—	(457)	(1,022)
Equity-based compensation	—	—	—	—	1,630	—	—	1,315	2,945
Dividends declared on Class A common stock - \$0.02 per share	—	—	—	—	—	(333)	—	—	(333)
Impact of changes in ownership of Manning & Napier Group, LLC	—	—	—	—	(90,341)	—	—	(443)	(90,784)
Deferred tax impacts from transactions with shareholders	—	—	—	—	3,606	—	—	—	3,606
Balance—September 30, 2020	<u>16,490,832</u>	<u>\$ 165</u>	<u>—</u>	<u>—</u>	<u>\$ 112,841</u>	<u>\$(33,900)</u>	<u>\$ (185)</u>	<u>\$ (7,123)</u>	<u>\$ 71,798</u>

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



**Manning & Napier, Inc.**  
**Consolidated Statements of Cash Flows**  
**(U.S. dollars in thousands)**  
**(Unaudited)**

	Nine months ended September 30,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net income attributable to controlling and noncontrolling interests	\$ 19,415	\$ 8,185
Adjustment to reconcile net income to net cash provided by operating activities:		
Equity-based compensation	2,742	2,945
Depreciation and amortization	1,472	1,147
Change in amounts payable under tax receivable agreement	228	1,912
Impairment of long-lived assets	—	663
Gain on sale of intangible assets	—	(21)
Net losses (gains) on investment securities	(655)	5
Deferred income taxes	1,644	(789)
(Increase) decrease in operating assets and increase (decrease) in operating liabilities:		
Accounts receivable	979	(683)
Prepaid expenses and other assets	386	(3,429)
Other long-term assets	1,894	2,450
Accounts payable	434	1,112
Accrued expenses and other liabilities	(6,667)	(165)
Deferred revenue	1,676	699
Other long-term liabilities	(2,374)	(2,832)
Net cash provided by operating activities	21,175	11,199
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(222)	(204)
Sale of investments	6,190	71,310
Purchase of investments	(10,565)	(23,250)
Sale of intangible assets	—	21
Proceeds from maturity of investments	3,350	18,720
Net cash (used in) provided by investing activities	(1,246)	66,597
<b>Cash flows from financing activities:</b>		
Distributions to noncontrolling interests	(652)	(177)
Dividends paid on Class A common stock	(924)	(645)
Payment of shares withheld to satisfy withholding requirements	(5,644)	(1,022)
Purchases of treasury stock	(5,666)	—
Payment of capital lease obligations	(54)	(81)
Payment of issuing common stock costs	(56)	—
Purchase of Class A units of Manning & Napier Group, LLC	—	(90,784)
Net cash used in financing activities	(12,997)	(92,709)
Net increase (decrease) in cash and cash equivalents	6,932	(14,913)
<b>Cash and cash equivalents:</b>		
Beginning of period	57,635	67,088
End of period	\$ 64,567	\$ 52,175

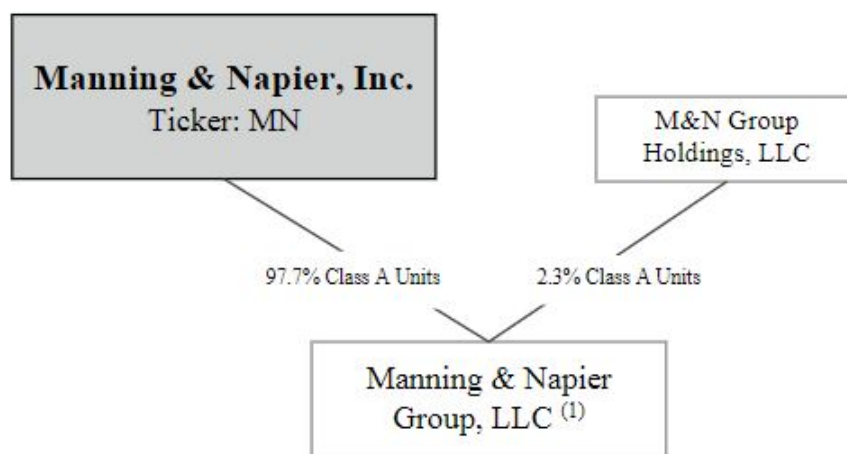
The accompanying notes are an integral part of these consolidated financial statements.

**Manning & Napier, Inc.**  
**Notes to Consolidated Financial Statements**

**Note 1—Organization and Nature of the Business**

Manning & Napier, Inc. ("Manning & Napier" or the "Company") is an independent investment management firm that provides our clients with a broad range of financial solutions and investment strategies. Founded in 1970 and headquartered in Fairport, NY, the Company serves a diversified client base of high-net-worth individuals and institutions, including 401(k) plans, pension plans, Taft-Hartley plans, endowments and foundations. The Company's investment strategies offer equity, fixed income and a range of blended asset portfolios, including life cycle funds.

The Company was incorporated in 2011 as a Delaware corporation, and is the sole managing member of Manning & Napier Group, LLC and its subsidiaries ("Manning & Napier Group"), a holding company for the investment management businesses conducted by its operating subsidiaries. The Company completed the exchange of 1,562,959 Class A units held by M&N Group Holdings, LLC ("M&N Group Holdings") and 30,010 Class A units held by Manning & Napier Capital Company, LLC ("MNCC"), the entirety of its ownership in Manning & Napier Group, on June 30, 2021 through the issuance of 1,592,969 shares of unregistered Class A Common Stock of the Company. As a result, Manning & Napier acquired an equivalent number of Class A units of Manning & Napier Group and its ownership of Manning & Napier Group increased from approximately 89.0% to 97.7% (Refer to Note 4 for further discussion). The diagram below depicts the Company's organizational structure as of September 30, 2021.



(1) The consolidated operating subsidiaries of Manning & Napier Group include Manning & Napier Advisors, LLC ("MNA"), Manning & Napier Investor Services, Inc., Exeter Trust Company and Rainier Investment Management, LLC ("Rainier").

**Note 2—Summary of Significant Accounting Policies****Critical Accounting Policies**

The Company's critical accounting policies and estimates are disclosed in its Annual Report on Form 10-K for the year ended December 31, 2020. The Company believes that the disclosures herein are adequate so that the information presented is not misleading; however, these financial statements should be read in conjunction with the financial statements and the notes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. The financial data for the interim periods may not necessarily be indicative of results for future interim periods or for the full year.

**Basis of Presentation**

The accompanying unaudited consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and related rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for interim financial reporting and include all adjustments, consisting only of normal recurring adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim period.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates or assumptions that affect the reported amounts and disclosures in the consolidated financial statements. Actual results could differ from these estimates or assumptions.

***Principles of Consolidation***

The Company consolidates all majority-owned subsidiaries. As of September 30, 2021, Manning & Napier holds an economic interest of approximately 97.7% in Manning & Napier Group and, as managing member, controls all of the business and affairs of Manning & Napier Group. As a result, the Company consolidates the financial results of Manning & Napier Group and records a noncontrolling interest on its consolidated statements of financial condition with respect to the remaining economic interest in Manning & Napier Group held by M&N Group Holdings.

All material intercompany transactions have been eliminated in consolidation.

In accordance with Accounting Standards Update ("ASU") 2015-02, *Consolidation (Topic 810) – Amendments to the Consolidation Analysis*, 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 potentially be significant to the entity. The standard also requires ongoing assessments of whether a company is the primary beneficiary of a variable interest entity ("VIE"). When utilizing the voting interest entity ("VOE") model, controlling financial interest is generally defined as majority ownership of voting interests.

The Company provides seed capital to its investment teams to develop new strategies and services for its clients. The original seed investment may be held in a separately managed account, comprised solely of the Company's investments or within a mutual fund, where the Company's investments may represent all or only a portion of the total equity investment in the mutual fund. Pursuant to U.S. GAAP, the Company evaluates its investments in mutual funds on a regular basis and consolidates such mutual funds for which it holds a controlling financial interest. When no longer deemed to hold a controlling financial interest, the Company would deconsolidate the fund and classify the remaining investment as either an equity method investment, equity investments, at fair value, or as trading securities, as applicable. As of September 30, 2021 and December 31, 2020, the Company did not have investments classified as an equity method investment.

The Company serves as the investment adviser for Manning & Napier Fund, Inc. series of mutual funds (the "Fund"), Exeter Trust Company Collective Investment Trusts ("CIT") and Rainier Multiple Investment Trust. The Fund, CIT and Rainier Multiple Investment Trust are legal entities, the business and affairs of which are managed by their respective boards of directors. As a result, each of these entities is a VOE. The Company holds, in limited cases, direct investments in a mutual fund (which are made on the same terms as are available to other investors) and consolidates each of these entities where it has a controlling financial interest or a majority voting interest. The Company's investments in the Fund amounted to approximately \$2.0 million as of September 30, 2021 and \$1.0 million as of December 31, 2020. As of September 30, 2021 and December 31, 2020, the Company did not have a controlling financial interest in any mutual fund.

***Revenue***

*Investment Management:* Investment management fees are computed as a percentage of assets under management ("AUM"). The Company's performance obligation is a series of services that form part of a single performance obligation satisfied over time.

Separately managed accounts are paid in advance, typically for a semi-annual or quarterly period, or in arrears, typically for a monthly or quarterly period. When investment management fees are paid in advance, the Company defers the revenue as a contract liability and recognizes it over the applicable period. When investment management fees are paid in arrears, the Company estimates revenue and records a contract asset (accrued accounts receivable) based on AUM as of the most recent month end date.

Mutual funds and collective investment trust investment management revenue is calculated and earned daily based on AUM. Revenue is presented net of cash rebates and fees waived pursuant to contractual expense limitations of the funds. The Company also has agreements with third parties who provide recordkeeping and administrative services for employee benefit plans participating in the collective investment trusts. The Company is acting as an agent on behalf of the employee benefit plan sponsors, therefore, investment management revenue is recorded net of fees paid to third party service providers.

*Distribution and shareholder servicing:* The Company receives distribution and servicing fees for providing services to its affiliated mutual funds. Revenue is computed and earned daily based on a percentage of AUM. The performance obligation is a series of services that form part of a single performance obligation satisfied over time. The Company has agreements with third parties who provide distribution and administrative services for its mutual funds. The agreements are evaluated to determine whether revenue should be reported gross or net of payments to third-party service providers. The Company controls the services provided and acts as a principal in the relationship. Therefore, distribution and shareholder servicing revenue is recorded gross of fees paid to third parties.

*Custodial services:* Custodial service fees are calculated as a percentage of the client's market value with additional fees charged for certain transactions. For the safeguarding and administrative services that are subject to a percentage of market

value fee, the Company's performance obligation is a series of services that form part of a single performance obligation satisfied over time. Revenue for transactions assigned a stand-alone selling price is recognized in the period in which the transaction is executed. Custodial service fees are billed monthly in arrears. The Company has agreements with third parties who provide safeguarding, recordkeeping and administrative services for their clients. The Company controls the services provided and acts as a principal in the relationship. Therefore, custodial service revenue is recorded gross of fees paid to third parties.

#### ***Cash and Cash Equivalents***

The Company generally considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents are primarily held in operating accounts at major financial institutions and also in money market securities. Cash equivalents are stated at cost, which approximates market value due to the short-term maturity of these investments. The fair value of cash equivalents has been classified as Level 1 in accordance with the fair value hierarchy.

#### ***Investment Securities***

Investment securities are classified as either equity investments, trading, equity method investments or available-for-sale and are carried at fair value. Fair value is determined based on quoted market prices in active markets for identical or similar instruments.

Investment securities classified as equity investments, at fair value consist of equity securities and investments in mutual funds for which the Company provides advisory services. Realized and unrealized gains and losses on equity investments, at fair value or trading securities, as applicable, are recorded in net gains (losses) on investments in the consolidated statements of operations.

Investment securities classified as available-for-sale consist of U.S. Treasury notes and corporate bonds. Unrealized gains and losses on available-for-sale securities are excluded from earnings and are reported, net of deferred income tax, as a separate component of accumulated other comprehensive income in shareholders' equity until realized. The Company periodically reviews each individual security position that has an unrealized loss, or impairment, to determine if that impairment is other-than-temporary. If impairment is determined to be other-than-temporary, the carrying value of the security will be written down to fair value and the loss will be recognized in earnings. Realized gains and losses on sales of available-for-sale securities are computed on a specific identification basis and are recorded in net gains (losses) on investments in the consolidated statements of operations.

#### ***Property, Equipment, Software and Depreciation***

Property and equipment is presented net of accumulated depreciation of approximately \$12.0 million and \$12.6 million as of September 30, 2021 and December 31, 2020, respectively.

Capitalized implementation costs for hosting arrangements are included within prepaid expenses and other assets on the Company's statements of financial condition and totaled approximately \$6.7 million and \$5.3 million, net of accumulated amortization, as of September 30, 2021 and December 31, 2020, respectively.

#### ***Goodwill and Intangible Assets***

Goodwill represents the excess cost over the fair value of the identifiable net assets of acquired companies. Identifiable intangible assets generally represent the cost of client relationships and investment management agreements acquired as well as trademarks. Goodwill and indefinite-lived assets are tested for impairment annually or more frequently if events or circumstances indicate that the carrying value may not be recoverable. Intangible assets subject to amortization are tested for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. Goodwill and intangible assets require significant management estimate and judgment, including the valuation and expected life determination in connection with the initial purchase price allocation and the ongoing evaluation for impairment.

#### ***Leases***

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, accrued expenses and other liabilities and operating lease liabilities, non-current on its consolidated statements of financial condition. Finance leases are included in other long-term assets, accrued expenses and other liabilities, and other long-term liabilities on its consolidated statements of financial condition.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The incremental borrowing rate, for each identified lease, is the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term. The

**Manning & Napier, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

operating lease ROU asset is reduced for any lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease and non-lease components, which are combined for all classes of underlying assets.

**Treasury Stock**

On February 3, 2021, the Board of Directors approved a share repurchase program authorizing the Company to purchase up to \$10.0 million of Manning & Napier Inc. Class A common shares through December 31, 2021. As of September 30, 2021, the Company had purchased 749,005 shares of Class A common stock for an aggregate price of approximately \$5.7 million.

Treasury stock is accounted for under the cost method and is included as a deduction from equity in the Shareholders' Equity section of the consolidated statements of financial condition. Upon any subsequent retirement or resale, the treasury stock account is reduced by the cost of such stock.

**Operating Segments**

The Company operates in one segment, the investment management industry.

**Recent Accounting Pronouncements**

In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects of the income tax accounting guidance, including interim-period accounting for enacted changes in the tax law. ASU 2019-12 is effective for public business entities for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years, and early adoption is permitted. The adoption of this ASU as of January 1, 2021 did not have a material impact on the Company's consolidated financial statements.

**Note 3—Revenue**

**Disaggregated Revenue**

The following table represents the Company's wealth management and institutional and intermediary investment management revenue by investment portfolio during the three and nine months ended September 30, 2021 and 2020:

	Three months ended September 30, 2021			Three months ended September 30, 2020		
	Wealth Management	Institutional and Intermediary	Total	Wealth Management	Institutional and Intermediary	Total
	(in thousands)					
Blended Asset	\$ 14,865	\$ 8,689	\$ 23,554	\$ 12,117	\$ 8,261	\$ 20,378
Equity	1,394	7,071	8,465	1,450	4,892	6,342
Fixed Income	107	449	556	176	381	557
Total	\$ 16,366	\$ 16,209	\$ 32,575	\$ 13,743	\$ 13,534	\$ 27,277
	Nine months ended September 30, 2021			Nine months ended September 30, 2020		
	Wealth Management	Institutional and Intermediary	Total	Wealth Management	Institutional and Intermediary	Total
	(in thousands)					
Blended Asset	\$ 42,714	\$ 25,103	\$ 67,817	\$ 36,044	\$ 24,096	\$ 60,140
Equity	4,786	19,310	24,096	4,800	13,141	17,941
Fixed Income	325	1,265	1,590	491	1,018	1,509
Total	\$ 47,825	\$ 45,678	\$ 93,503	\$ 41,335	\$ 38,255	\$ 79,590

**Accounts Receivable**

Accounts receivable as of September 30, 2021 and December 31, 2020 consisted of the following:

	September 30, 2021	December 31, 2020
	(in thousands)	
Accounts receivable - third parties	\$ 6,212	\$ 7,315
Accounts receivable - affiliated mutual funds and collective investment trusts	4,889	4,600
<b>Total accounts receivable</b>	<b>\$ 11,101</b>	<b>\$ 11,915</b>

Accounts receivable represents the Company's unconditional rights to consideration arising from its performance under separately managed account, mutual fund and collective investment trust, distribution and shareholder servicing, and custodial service contracts. Accounts receivable balances do not include an allowance for doubtful accounts nor has any significant bad debt expense attributable to accounts receivable been recorded during the three and nine months ended September 30, 2021 or 2020.

**Advisory and Distribution Agreements**

The Company earns investment advisory fees, distribution fees and administrative service fees under agreements with affiliated mutual funds and collective investment trusts. Fees earned for advisory and distribution services provided were approximately \$11.1 million and \$31.6 million for the three and nine months ended September 30, 2021, respectively, and approximately \$9.3 million and \$26.7 million for the three and nine months ended September 30, 2020, respectively, which represents greater than 25% of revenue in each period. The following provides amounts due from affiliated mutual funds and collective investment trusts reported within accounts receivable in the consolidated statements of financial condition as of September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
	(in thousands)	
Affiliated mutual funds	\$ 3,492	\$ 3,275
Affiliated collective investment trusts	1,397	1,325
<b>Accounts receivable - affiliated mutual funds and collective investment trusts</b>	<b>\$ 4,889</b>	<b>\$ 4,600</b>

**Contract assets and liabilities**

*Accrued accounts receivable:* Accrued accounts receivable represents the Company's contract asset for revenue that has been recognized in advance of billing separately managed account contracts. Consideration for the period billed in arrears is dependent on the client's AUM on a future billing date and therefore conditional as of the reporting period end. During the nine months ended September 30, 2021, revenue was increased by less than \$0.1 million for changes in transaction price. Accrued accounts receivable of approximately \$0.3 million is reported within prepaid expenses and other assets in the consolidated statements of financial condition for both September 30, 2021 and December 31, 2020.

*Deferred revenue:* Deferred revenue is recorded when consideration is received or unconditionally due in advance of providing services to the Company's customer. Revenue recognized during the nine months ended September 30, 2021 that was included in deferred revenue at the beginning of the period was approximately \$11.3 million.

*Costs to obtain a contract:* Under compensation plans in effect for periods prior to January 1, 2020, certain incremental first year commissions directly associated with new customer contracts were capitalized and amortized on a straight-line basis over an estimated customer contract period of 3 to 7 years. The total net asset as of September 30, 2021 and December 31, 2020 was approximately \$0.5 million and \$0.7 million, respectively. The related amortization expense, which is included in compensation and related costs, totaled approximately \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2021 and \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2020. An impairment loss is recorded for contract acquisition costs related to client contracts that cancel during the period. These impairment losses totaled less than \$0.1 million for both the three and nine months ended September 30, 2021 and September 30, 2020.

**Manning & Napier, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 4—Noncontrolling Interests**

Manning & Napier holds an economic interest of approximately 97.7% in Manning & Napier Group, and as managing member controls all of the business and affairs of Manning & Napier Group. As a result, the Company consolidates the financial results of Manning & Napier Group and records a noncontrolling interest on its consolidated statements of financial condition with respect to the remaining approximately 2.3% economic interest in Manning & Napier Group held by M&N Group Holdings. Net income attributable to noncontrolling interests on the statements of operations represents the portion of earnings attributable to the economic interest in Manning & Napier Group held by the noncontrolling interests.

The following table provides a reconciliation from “Income before provision for (benefit from) income taxes” to “Net income attributable to Manning & Napier, Inc.”:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in thousands)			
Income before provision for (benefit from) income taxes	\$ 9,233	\$ 4,805	\$ 23,926	\$ 8,157
Less: income (loss) before provision for (benefit from) income taxes of Manning & Napier, Inc. <sup>(1)</sup>	(24)	14	(234)	(1,950)
Income before provision for income taxes, as adjusted	9,257	4,791	24,160	10,107
Controlling interest percentage <sup>(2)</sup>	97.7 %	88.2 %	92.7 %	64.0 %
Net income attributable to controlling interest	9,042	4,225	22,388	6,471
Plus: income (loss) before provision for (benefit from) income taxes of Manning & Napier, Inc. <sup>(1)</sup>	(24)	14	(234)	(1,950)
Income (loss) before provision for (benefit from) income taxes attributable to Manning & Napier, Inc.	9,018	4,239	22,154	4,521
Less: provision for (benefit from) income taxes of Manning & Napier, Inc. <sup>(3)</sup>	2,515	1,732	4,486	(390)
Net income attributable to Manning & Napier, Inc.	<u>\$ 6,503</u>	<u>\$ 2,507</u>	<u>\$ 17,668</u>	<u>\$ 4,911</u>

- (1) Manning & Napier, Inc. incurs certain income or expenses that are only attributable to it and are therefore excluded from the net income attributable to noncontrolling interests.
- (2) Income before provision for (benefit from) income taxes is allocated to the controlling interest based on the percentage of units of Manning & Napier Group held by Manning & Napier, Inc. The amount represents the Company's weighted ownership of Manning & Napier Group's income for the respective periods.
- (3) The consolidated provision for (benefit from) income taxes is equal to the sum of (i) the provision for (benefit from) income taxes for entities other than Manning & Napier, Inc. and (ii) the provision for (benefit from) income taxes of Manning & Napier, Inc. which includes all U.S. federal and state income taxes. The consolidated provision for (benefit from) income taxes was a provision of \$2.5 million and \$1.7 million for the three months ended September 30, 2021 and 2020, respectively, and a provision of \$4.5 million and benefit of less than \$0.1 million for the nine months ended September 30, 2021 and 2020, respectively.

As of September 30, 2021, a total of 428,812 units of Manning & Napier Group were held by the noncontrolling interests. Pursuant to the terms of the exchange agreement entered into at the time of the Company's initial public offering ("Exchange Agreement"), such units may be tendered for exchange or redemption. For any units exchanged, the Company may (i) pay an amount of cash equal to the number of tendered units multiplied by the value of one share of the Company's Class A common stock less a market discount and expected expenses, or, at the Company's election, (ii) issue shares of the Company's Class A common stock on a one-for-one basis, subject to customary adjustments. As the Company receives units of Manning & Napier Group that are exchanged, the Company's ownership of Manning & Napier Group will increase.

On March 15, 2021, the Company received notice that 1,592,969 of Class A units of Manning & Napier Group were tendered for redemption or exchange. The independent directors, on behalf of the Company, decided that such exchange would be settled in 1,592,969 shares of unregistered Class A common stock of the Company. The Company completed the exchange on June 30, 2021 and as a result, Manning & Napier acquired an equivalent number of Class A units of Manning & Napier Group and its ownership of Manning & Napier Group increased from 89.0% to 97.7%.

**Manning & Napier, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

During the nine months ended September 30, 2021, Class A common stock was issued under the Company's 2011 Equity Compensation Plan (the "Equity Plan") for which Manning & Napier, Inc. acquired an equivalent number of Class A units of Manning & Napier Group.

The following is the impact to the Company's equity ownership interest in Manning & Napier Group for the nine months ended September 30, 2021:

	Manning & Napier Group Class A Units Held			Manning & Napier Ownership %
	Manning & Napier	Noncontrolling Interests	Total	
<b>As of December 31, 2020</b>	15,783,638	2,021,781	17,805,419	88.6%
Class A Units issued	624,323	—	624,323	0.4%
Class A Units exchanged	1,592,969	(1,592,969)	—	8.7%
<b>As of September 30, 2021</b>	18,000,930	428,812	18,429,742	97.7%

Manning & Napier Inc., as managing member, controls all of the business and affairs of Manning & Napier Group. Since the Company continues to have a controlling interest in Manning & Napier Group, the aforementioned changes in ownership of Manning & Napier Group were accounted for as equity transactions under ASC Topic 810, *Consolidation*. Additional paid-in capital and noncontrolling interests in the consolidated statements of financial position are adjusted to reallocate the Company's historical equity to reflect the change in ownership of Manning & Napier Group.

As a result of the completion of the exchange on June 30, 2021 and Manning & Napier Group's election under Section 754 of the Internal Revenue Code ("IRC"), the Company expects to benefit from future depreciation and amortization deductions resulting from increases in the tax basis of tangible and intangible assets of Manning & Napier Group. Those deductions allocated to the Company will be taken into account in reporting the Company's taxable income resulting in the recognition of a deferred tax asset.

Manning & Napier and the holders of Manning & Napier Group are party to a tax receivable agreement ("TRA"), pursuant to which Manning & Napier is required to pay to such holders 85% of the applicable cash savings, if any, in U.S. federal, state, local and foreign income tax that Manning & Napier actually realizes, or is deemed to realize in certain circumstances, as a result of (i) certain tax attributes of their units sold to Manning & Napier or exchanged (for shares of Class A common stock) and that are created as a result of the sales or exchanges and payments under the TRA and (ii) tax benefits related to imputed interest.

Accordingly, as a result of the completion of the exchange on June 30, 2021, deferred tax assets, amounts payable under the tax receivable agreement and additional paid-in capital increased by approximately \$1.9 million, \$1.6 million and \$0.3 million respectively, within the Company's consolidated statements of financial condition. In addition, the Company recognized a deferred tax asset of approximately \$0.3 million, resulting from an increased share of Manning & Napier Group's existing deferred tax assets.

At September 30, 2021 and December 31, 2020, the Company had recorded a liability of \$18.8 million and \$19.0 million, respectively, representing the estimated payments due to the selling unit holders under the TRA entered into between Manning & Napier and the other holders of Class A Units of Manning & Napier Group. Of these amounts, approximately \$3.2 million and \$5.2 million were included in accrued expenses and other liabilities at September 30, 2021 and December 31, 2020, respectively. The Company made payments of approximately \$2.1 million during the nine months ended September 30, 2021 and made no payments pursuant to the TRA during the nine months ended September 30, 2020.

Obligations pursuant to the TRA are obligations of Manning & Napier. They do not impact the noncontrolling interests. These obligations are not income tax obligations. Furthermore, the TRA has no impact on the allocation of the provision for income taxes to the Company's net income.



**Note 5—Investment Securities**

The following represents the Company's investment securities holdings as of September 30, 2021 and December 31, 2020:

	September 30, 2021			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
<b>Available-for-sale securities</b>				
U.S. Treasury notes	\$ 10,100	\$ —	\$ (159)	\$ 9,941
Fixed income securities	7,408	—	(109)	7,299
				<u>17,240</u>
<b>Equity investments, at fair value</b>				
Equity securities				5,831
Mutual funds				2,020
				<u>7,851</u>
<b>Total investment securities</b>				<u>\$ 25,091</u>
	December 31, 2020			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
<b>Available-for-sale securities</b>				
U.S. Treasury notes	\$ 10,587	\$ —	\$ (89)	\$ 10,498
Fixed income securities	6,497	—	(94)	6,403
				<u>16,901</u>
<b>Equity investments, at fair value</b>				
Equity securities				5,592
Mutual funds				1,004
				<u>6,596</u>
<b>Total investment securities</b>				<u>\$ 23,497</u>

Investment securities are classified as either equity investments or available-for-sale and are carried at fair value. Fair value is determined based on quoted market prices in active markets for identical or similar instruments.

Investment securities classified as equity investments, at fair value consist of equity securities and investments in mutual funds for which the Company provides advisory services. At September 30, 2021 and December 31, 2020, equity investments, at fair value consist of investments held by the Company to provide initial cash seeding for product development purposes and investments in mutual funds to hedge economic exposure to market movements on its deferred compensation plan. The Company recognized approximately \$0.1 million of net unrealized gains and \$0.1 million of net unrealized losses related to investments classified as equity investments, at fair value during the nine months ended September 30, 2021 and 2020, respectively.

Investment securities classified as available-for-sale consist of U.S. Treasury notes and corporate bonds to optimize cash management opportunities and for compliance with certain regulatory requirements. As of September 30, 2021 and December 31, 2020, approximately \$0.6 million of these securities was considered restricted. The Company periodically reviews each individual security position that has an unrealized loss, or impairment, to determine if that impairment is other-than-temporary. No other-than-temporary impairment charges have been recognized by the Company during the nine months ended September 30, 2021 and 2020.

**Note 6—Fair Value Measurements**

Fair value is defined as the price that the Company would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. A fair value hierarchy is applied that gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

**Manning & Napier, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

The following three-tier fair value hierarchy prioritizes the inputs used in measuring fair value:

- Level 1—observable inputs such as quoted prices in active markets for identical securities;
- Level 2—other significant observable inputs (including but not limited to quoted prices for similar securities, interest rates, prepayment rates, credit risk, etc.); and
- Level 3—significant unobservable inputs (including the Company’s own assumptions in determining the fair value of investments).

The following table summarizes the hierarchy of inputs used to derive the fair value of the Company’s assets as of September 30, 2021 and December 31, 2020:

	September 30, 2021			
	Level 1	Level 2	Level 3	Totals
	(in thousands)			
Equity securities	\$ 5,831	\$ —	\$ —	\$ 5,831
Fixed income securities	—	7,299	—	7,299
Mutual funds	2,020	—	—	2,020
U.S. Treasury notes	—	9,941	—	9,941
<b>Total assets at fair value</b>	<b>\$ 7,851</b>	<b>\$ 17,240</b>	<b>\$ —</b>	<b>\$ 25,091</b>

	December 31, 2020			
	Level 1	Level 2	Level 3	Totals
	(in thousands)			
Equity securities	\$ 5,592	\$ —	\$ —	\$ 5,592
Fixed income securities	—	6,403	—	6,403
Mutual funds	1,004	—	—	1,004
U.S. Treasury notes	—	10,498	—	10,498
<b>Total assets at fair value</b>	<b>\$ 6,596</b>	<b>\$ 16,901</b>	<b>\$ —</b>	<b>\$ 23,497</b>

Valuations of investments in fixed income securities and U.S. Treasury notes can generally be obtained through independent pricing services. For most bond types, the pricing service utilizes matrix pricing, which considers one or more of the following factors: yield or price of bonds of comparable quality, coupon, maturity, current cash flows, type and current day trade information, as well as dealer supplied prices. These valuations are categorized as Level 2 in the hierarchy.

The Company’s policy is to recognize transfers in and transfers out of the valuation levels as of the beginning of the reporting period. There were no transfers between valuation levels during the nine months ended September 30, 2021.

**Note 7—Accrued Expenses and Other Liabilities**

Accrued expenses and other liabilities as of September 30, 2021 and December 31, 2020 consisted of the following:

	September 30, 2021	December 31, 2020
	(in thousands)	
Accrued bonus and sales commissions	\$ 16,554	\$ 19,999
Accrued payroll and benefits	3,248	4,629
Accrued sub-transfer agent fees	469	437
Amounts payable under tax receivable agreement	3,159	5,220
Short-term operating lease liabilities	2,661	2,854
Other accruals and liabilities	3,066	3,300
<b>Total accrued expenses and other liabilities</b>	<b>\$ 29,157</b>	<b>\$ 36,439</b>

**Manning & Napier, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 8—Leases**

The Company has operating and finance leases for office space and certain equipment. For these leases, the office space or equipment is an explicitly identified asset within the contract. The Company has determined that it has obtained substantially all of the economic benefits from the use of the underlying asset and directs how and for what purpose the asset is used during the term of the contract.

Certain of the Company's operating leases have been subleased for which the Company will receive cash totaling approximately \$3.7 million over the remaining term of such leases. The lease terms for the four subleased operating leases end ranging from 2025 to 2028.

The components of lease expense for the three and nine months ended September 30, 2021 and 2020 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in thousands)			
Finance lease expense				
Amortization of right-of-use assets	\$ 14	\$ 9	\$ 50	\$ 57
Interest on lease liabilities	1	1	4	5
Operating lease expense	768	931	2,413	3,151
Short-term lease expense	—	—	—	3
Variable lease expense	38	31	177	178
Sublease income	(179)	(136)	(523)	(463)
<b>Total lease expense</b>	<b>\$ 642</b>	<b>\$ 836</b>	<b>\$ 2,121</b>	<b>\$ 2,931</b>

Supplemental cash flow information related to leases for the three and nine months ended September 30, 2021 and 2020 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in thousands)			
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from finance leases	\$ 1	\$ 2	\$ 4	\$ 6
Finance cash flows from finance leases	17	24	49	76
Operating cash flows from operating leases	1,200	941	3,090	2,601
Right-of-use assets obtained in exchange for new lease obligations:				
Finance leases	\$ —	\$ —	\$ —	\$ —
Operating leases	441	678	479	814

**Manning & Napier, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

Supplemental balance sheet information related to leases as of September 30, 2021 was as follows:

(in thousands, except lease term and discount rate)	September 30, 2021	
<b>Finance Leases</b>		
Finance lease right-of-use assets <sup>(1)</sup>	\$	99
Accrued expenses and other liabilities	\$	59
Other long-term liabilities		47
Total finance lease liabilities	\$	106
<b>Operating Leases</b>		
Operating lease right-of-use assets	\$	15,017
Accrued expenses and other liabilities	\$	2,661
Operating lease liabilities, non-current		14,931
Total operating lease liabilities	\$	17,592
<b>Weighted average remaining lease term</b>		
Finance leases		1.88 years
Operating leases		5.94 years
<b>Weighted average discount rate</b>		
Finance leases		4.35 %
Operating leases		5.11 %

(1) Amounts included in other long-term assets within the consolidated statements of financial condition.

Maturities of lease liabilities were as follows:

Twelve month period ending September 30,	Finance Leases		Operating Leases	
	(in thousands)			
2022	\$	62	\$	3,483
2023		41		3,525
2024		7		3,484
2025		—		3,196
2026		—		3,119
Thereafter		—		3,572
Total lease payments		110		20,379
Less imputed interest		(4)		(2,787)
Total lease liabilities	\$	106	\$	17,592

**Note 9—Commitments and Contingencies**

The Company may from time to time enter into agreements that contain certain representations and warranties and which provide general indemnifications. The Company may also serve as a guarantor of such obligations. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. The Company expects any risk of liability associated with such guarantees to be remote.

**Regulation**

As an investment adviser to a variety of investment products, the Company and its affiliated broker-dealer are subject to routine reviews and inspections by the SEC and the Financial Industry Regulatory Authority, Inc. From time to time the Company may also be subject to claims, or be involved in various legal proceedings, arising in the ordinary course of its business and other contingencies. The Company does not believe that the outcome of any of these reviews, inspections or other legal proceedings will have a material impact on its consolidated financial statements; however, litigation is subject to many uncertainties, and the outcome of individual litigated matters is difficult to predict. The Company will establish accruals for matters that are probable, can be reasonably estimated, and may take into account any related insurance recoveries to the extent of such recoveries. As of September 30, 2021 and December 31, 2020, the Company has not accrued for any such claims, legal proceedings, or other contingencies.

**Note 10—Earnings per Common Share**

Basic earnings per share (“basic EPS”) is computed using the two-class method to determine net income available to Class A common stock. The two-class method includes an earnings allocation formula that determines earnings per share for each participating security according to dividends declared and undistributed earnings for the period. The Company’s restricted Class A common shares granted under the Equity Plan have non-forfeitable dividend rights during their vesting period and are therefore considered participating securities under the two-class method. Under the two-class method, the Company’s net income available to Class A common stock is reduced by the amount allocated to the unvested restricted Class A common stock. Basic EPS is calculated by dividing net income available to Class A common stock by the weighted average number of common shares outstanding during the period.

Diluted earnings per share (“diluted EPS”) is computed under the more dilutive of either the treasury method or the two-class method. For the diluted calculation, the weighted average number of common shares outstanding during the period is increased by the assumed conversion into Class A common stock of unvested restricted stock units, unvested restricted stock awards, and outstanding stock options (collectively, “outstanding equity awards”), as well as the exchangeable Class A units of Manning & Napier Group, to the extent that such conversion would dilute earnings per share.

Net income attributable to noncontrolling interests on the statements of operations represents the portion of earnings attributable to the economic interest of Manning & Napier Group held by the noncontrolling interests (Note 4). For periods in which the outstanding Class A Units of Manning & Napier Group are dilutive to the Company’s earnings per share, the calculation of diluted earnings per share also takes into account the incremental net income that would be available to Class A common stock upon the conversion of Class A Units into Class A common stock.

**Manning & Napier, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

The following is a reconciliation of the income and share data used in the basic and diluted EPS computations for the three and nine months ended September 30, 2021 and 2020 under the two-class method:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in thousands, except share data)			
<b>Numerator:</b>				
Net income attributable to controlling and noncontrolling interests	\$ 6,710	\$ 3,067	\$ 19,415	\$ 8,185
Less: net income attributable to noncontrolling interests	207	560	1,747	3,274
Net income attributable to Manning & Napier, Inc.	\$ 6,503	\$ 2,507	\$ 17,668	\$ 4,911
Less: allocation to participating securities	—	20	45	52
Net income available to Class A common stock for basic EPS	\$ 6,503	\$ 2,487	\$ 17,623	\$ 4,859
Plus: reallocation of net income attributable to participating securities	—	3	8	4
Plus: incremental net income as a result of conversion of Class A Units of Manning & Napier Group to Class A common stock	(60)	—	—	2,279
Net income available to Class A common stock for diluted EPS	\$ 6,443	\$ 2,490	\$ 17,631	\$ 7,142
<b>Denominator:</b>				
Weighted average shares of Class A common stock outstanding - basic	18,481,147	16,176,280	17,493,299	16,041,128
Dilutive effect of outstanding equity awards	3,316,496	2,752,674	3,349,871	1,584,781
Dilutive effect of exchangeable Class A Units	428,812	—	—	30,713,850
Weighted average shares of Class A common stock outstanding - diluted	22,226,455	18,928,954	20,843,170	48,339,759
Net income available to Class A common stock per share - basic	\$ 0.35	\$ 0.15	\$ 1.01	\$ 0.30
Net income available to Class A common stock per share - diluted	\$ 0.29	\$ 0.13	\$ 0.85	\$ 0.15

Performance-based stock options are excluded from the calculation of diluted EPS for periods in which the associated market condition has not yet been achieved. As such, for the three and nine months ended September 30, 2021, no unvested performance-based stock options were excluded, and for the three and nine months ended September 30, 2020, 2,022,000 unvested performance-based stock options were excluded from the calculation of diluted EPS.

For each of the three and nine months ended September 30, 2021, no unvested equity awards were excluded from the calculation of diluted EPS. For the three and nine months ended September 30, 2020, 64,530 and 164,696, respectively, unvested equity awards were excluded from the calculation of diluted EPS because the effect would have been anti-dilutive.

At September 30, 2021, there were 428,812 Class A Units of Manning & Napier Group outstanding, which, subject to certain restrictions, may be exchangeable for up to an equivalent number of shares of the Company's Class A common stock. These units were not included in the calculation of diluted earnings per common share for the nine months ended September 30, 2021 because the effect would have been anti-dilutive.

**Note 11—Equity-Based Compensation**

The Equity Plan was adopted by the Company's board of directors and approved by shareholders prior to the consummation of the Company's 2011 initial public offering. Under the Equity Plan, a total of 13,142,813 equity interests are authorized for issuance, and may be issued in the form of Class A common stock, restricted stock units, stock options, units of Manning & Napier Group, or certain classes of membership interests in the Company which may convert into units of Manning & Napier Group. At September 30, 2021, a total of 2,154,456 equity interests were available for issuance pursuant to the Equity Plan.

**Manning & Napier, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

The following table summarizes activity related to awards of restricted stock and restricted stock units (collectively, "stock awards") under the Equity Plan for the nine months ended September 30, 2021:

	Stock Awards	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2021	3,044,981	\$ 2.03
Granted	1,152,369	\$ 6.04
Vested	(201,778)	\$ 9.70
Forfeited	(182,405)	\$ 2.16
Outstanding at September 30, 2021	<u>3,813,167</u>	<u>\$ 2.83</u>

The weighted average fair value of stock awards granted during the nine months ended September 30, 2021 was \$6.04, based on the closing sale price of the Company's Class A common stock as reported on the New York Stock Exchange on the date of grant, and, if not entitled to dividends or dividend equivalents during the vesting period, reduced by the present value of such amounts expected to be paid on the underlying shares during the requisite service period.

For the three and nine months ended September 30, 2021, the Company recorded approximately \$0.6 million and \$2.6 million, respectively, of compensation expense related to stock awards under the Equity Plan. For the three and nine months ended September 30, 2020, the Company recorded approximately \$0.7 million and \$2.5 million, respectively, of compensation expense related to stock awards under the Equity Plan. The aggregate intrinsic value of stock awards that vested during each of the nine months ended September 30, 2021 and 2020 was approximately \$1.5 million and \$0.9 million, respectively. As of September 30, 2021, there was unrecognized compensation expense of approximately \$8.2 million related to stock awards, which the Company expects to recognize over a weighted average period of approximately 3.9 years.

A summary of activity under the Equity Plan related to stock option awards during the nine months ended September 30, 2021 is presented below:

	Stock Option Awards	Weighted Average Exercise Price	Weighted Average Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2021	2,250,000	\$ 2.01		
Granted	—	\$ —		
Exercised	(1,750,000)	\$ 2.01		
Forfeited	—	\$ —		
Outstanding at September 30, 2021	<u>500,000</u>	<u>\$ 2.01</u>	3.8	\$ 3,560
Exercisable at September 30, 2021	<u>333,332</u>	<u>\$ 2.01</u>	3.6	\$ 2,373

For the three and nine months ended September 30, 2021, the Company recorded approximately less than \$0.1 million and \$0.2 million, respectively, of compensation expense related to stock options under the Equity Plan. For the three and nine months ended September 30, 2020, the Company recorded approximately \$0.1 million and \$0.4 million, respectively, of compensation expense related to stock options under the Equity Plan. As of September 30, 2021, there was unrecognized compensation expense of less than \$0.1 million related to stock options, which the Company expects to recognize over a weighted average period of approximately 0.4 years.

In connection with the vesting of restricted stock units and exercise of stock options during the nine months ended September 30, 2021, the Company withheld a total of 710,019 shares of Class A common stock to satisfy approximately \$5.2 million of employee income tax withholding requirements. These net share settlements had the effect of shares repurchased and retired by the Company, as they reduced the total number of Class A common shares outstanding.

**Note 12—Income Taxes**

The Company is comprised of entities that have elected to be treated as either a limited liability company ("LLC") or a "C-Corporation". As such, the entities functioning as LLCs are not liable for or able to benefit from U.S. federal and most state income taxes on their earnings, and earnings (losses) will be included in the personal income tax returns of each entity's unit holders. The entities functioning as C-Corporations are liable for or able to benefit from U.S. federal and state and local income taxes on their earnings and losses, respectively.

**Manning & Napier, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

In calculating the provision for income taxes, the Company uses an estimate of the annual effective tax rate based upon the facts and circumstances at each interim period. On a quarterly basis, the estimated annual effective tax rate is adjusted, as appropriate, based upon changes in facts and circumstances, if any, as compared to those forecasted at the beginning of the fiscal year and at each interim period thereafter.

The Company's income tax provision (benefit) and effective tax rate were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in thousands)			
Income before provision for (benefit from) income taxes	\$ 9,233	\$ 4,805	\$ 23,926	\$ 8,157
Effective tax rate	27.3 %	36.2 %	18.9 %	(0.3)%
Provision for (benefit from) income taxes	2,523	1,738	4,511	(28)
Provision for (benefit from) income taxes at statutory rate	1,939	1,009	5,024	1,713
Difference between tax at effective vs. statutory rate	\$ 584	\$ 729	\$ (513)	\$ (1,741)

The provision for (benefit from) income taxes includes a benefit attributable to the fact that the Company's operations include a series of flow-through entities which are generally not subject to federal and most state income taxes. Accordingly, a portion of the Company's earnings are not subject to corporate level taxes. The Company recognized a reduced benefit from flow-through entities during the nine months ended September 30, 2021 compared to September 30, 2020 due to a higher portion of Manning & Napier Group's earnings subject to taxation at the C-Corporation level attributed to Manning & Napier Inc.'s increased ownership of Manning & Napier Group as of September 30, 2021 compared to September 30, 2020.

In addition, the effective rate during the nine months ended September 30, 2021 is lower than the statutory rate of 21% due to the incremental tax benefits realized from the exercise of stock option awards during the first and second quarters of 2021, partially offset by the impacts from permanent differences between book and tax income, including but not limited to Section 162(m) of the IRC which limits the annual amount of deductible compensation.

During the three months ended September 30, 2021, the Company reached a settlement with a certain state related to the Company's 2016, 2017 and 2018 corporate income tax returns. As a result, the Company recognized approximately \$0.3 million within its provision for income taxes during the three months ended September 30, 2021.

For the nine months ended September 30, 2020, the income tax benefit also includes the impact from the enactment of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") on March 27, 2020 which includes, among other things, the ability to carryback net operating losses from 2018, 2019 and 2020 when the federal tax rate was 34% compared to the current statutory rate of 21%. As a result, the Company recognized an income tax benefit related to the favorable rate applied to its net operating losses.

**Note 13—Related Party Transactions**

***Transactions with noncontrolling members***

From time to time, the Company may be asked to provide certain services, including accounting, legal and other administrative functions for the noncontrolling members of Manning & Napier Group. While immaterial, the Company has not received any reimbursement for such services.

The Company manages the personal funds of certain of the Company's executive officers and directors and/or their affiliated entities. Pursuant to the respective investment management agreements, in some instances the Company may waive or reduce its regular advisory fees for these accounts. The aggregate value of the fees earned was less than \$0.1 million for each of the nine months ended September 30, 2021 and 2020. No fees were waived for the nine months ended September 30, 2021 and the aggregate value of the fees waived was less than \$0.1 million for the nine months ended September 30, 2020.

***Affiliated fund transactions***

The Company earns investment advisory fees, distribution fees and administrative service fees under agreements with affiliated mutual funds and collective investment trusts. Fees earned for advisory and distribution services provided were approximately \$11.1 million and \$31.6 million for the three and nine months ended September 30, 2021, respectively, and \$9.3 million and \$26.7 million for the three and nine months ended September 30, 2020, respectively. Fees earned for administrative services provided were approximately \$0.3 million and \$0.8 million for the three and nine months ended September 30, 2021, respectively, and \$0.4 million and \$1.2 million for the three and nine months ended September 30, 2020, respectively. See Note 3 for disclosure of amounts due from affiliated mutual funds and collective investment trusts.



**Manning & Napier, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

The Company incurs certain expenses on behalf of the collective investment trusts and has contractually agreed to limit its fees and reimburse expenses to limit operating expenses incurred by certain affiliated fund series. The aggregate value of fees waived and expenses reimbursed to, or incurred for, affiliated mutual funds and collective investment trusts were approximately \$0.5 million and \$1.6 million for the three and nine months ended September 30, 2021, and \$1.3 million and \$3.7 million for the three and nine months ended September 30, 2020.

**Note 14—Subsequent Events**

***Dividend on Class A common stock***

On October 22, 2021, the Company's Board of Directors declared a \$0.05 per share dividend to the holders of Class A common stock. The dividend is payable on or about November 22, 2021 to shareholders of record as of November 8, 2021.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This report contains forward-looking statements within the meaning of section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which reflect the views of Manning & Napier, Inc. ("we," "our," or "us") with respect to, among other things, our future operations and financial performance. Words like "believes," "expects," "may," "estimates," "will," "should," "could," "intends," "likely," "plans," "outlook," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, are used to identify forward-looking statements, although not all forward-looking statements contain these words.

Although we believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know about our business and operations, there can be no assurance that our actual results will not differ materially from what we expect or believe. Some of the factors that could cause our actual results to differ materially from our expectations or beliefs are disclosed in the "Risk Factors" section, as well as other sections, of our Annual Report on Form 10-K which include, without limitation: changes in securities or financial markets or general economic conditions; the impact of the COVID-19 pandemic and related recovery efforts on the U.S. and global economy; a decline in the performance of our products; client sales and redemption activity; any loss of an executive officer or key personnel; changes in our business related to strategic acquisitions and other transactions; and changes of government policy or regulations. All forward-looking statements speak only as of the date on which they are made and we undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **Overview**

#### ***Our Business***

Manning & Napier, Inc. is an independent investment management firm that provides our clients with a broad range of financial solutions and investment strategies. Founded in 1970 and headquartered in Fairport, New York, we serve a diversified client base of high-net-worth individuals and institutions, including 401(k) plans, pension plans, Taft-Hartley plans, endowments and foundations. Our investment strategies offer equity, fixed income and a range of blended asset portfolios, including life cycle funds.

#### ***Impact of COVID-19***

We are continuing to address the challenges of COVID-19 by protecting the health and well-being of our employees, while servicing our clients and leveraging technology to fully support our business needs in a primarily digital manner.

We are closely monitoring the impact related to the COVID-19 pandemic on our investment performance, financial statements, capital and liquidity, and our business operations. Our financial condition is stable, which we believe will allow us to effectively manage the financial impacts of COVID-19. We believe our balance sheet should provide us with more than sufficient resources and flexibility to meet our present and future cash needs, as well as to continue investing in key strategic initiatives.

For further discussion regarding the potential future impacts of COVID-19 and related economic conditions on the Company's financial statements, capital and liquidity, and business operations, see the "Risk Factors" section of our Annual Report on Form 10-K.

#### ***Market Developments***

U.S. equity and fixed income market performance was flat during the third quarter as strong economic growth was met with rising investor consternation over a variety of issues, including the state of the economic cycle. The strength of the economic recovery has sustained for so long that many indicators now appear to be showing an economy that is already in the middle phase of the economic cycle. This is indicative of an evolving economic environment, one where growth is likely to slow from here, and pockets of systematic risk are starting to build.

In addition, inflation has returned, although we believe this is will be largely transitory as supply chain constraints, commodity price increases, and government stimuli wear off. Nevertheless, wage pressures must be closely monitored going forward, particularly as we move later into the cycle, a time when the labor market will further tighten.

Along with economic concerns, markets are also wrestling with the removal of the twin tailwinds of fiscal and monetary policy. As these programs swing from easing to neutral, and eventually, to tightening, the immense amount of global liquidity may reverse, providing a headwind for financial assets. Market valuations across equities and fixed income have held in place or mildly contracted throughout the year, giving fundamentals some opportunity to 'grow into' to what had been particularly elevated valuations. Given our outlook, and considering the state of market valuations today, we believe investors should be judicious, and avoid reaching for yield or taking on excess risk.

### ***Other Business Updates***

On February 3, 2021, the Board of Directors approved a share repurchase program authorizing the purchase of up to \$10.0 million of Manning & Napier Inc. Class A common shares. Given the strength of our balance sheet and cash position, the Company planned to use the approved share repurchase program to help offset dilution created from the awards issued under the Company's long-term incentive plan to our employees during the first quarter of 2021. These equity awards were valued at approximately \$6.0 million and will vest over the next 5 years. The authority to repurchase shares will be exercised from time to time as market conditions warrant, is subject to regulatory considerations and will expire on December 31, 2021. The timing, amount, and other terms and conditions of any repurchases will be determined by management at its discretion based on a variety of factors, including the market price of shares, general market and economic conditions, and legal requirements. The repurchase program may be modified, discontinued or suspended at any time. We have funded the program through cash on hand and cash flow. During the nine months ended September 30, 2021, we purchased a total of 749,005 Class A common shares using approximately \$5.7 million in cash.

On March 15, 2021, the Company received notice that 1,592,969 of Class A units of Manning & Napier Group, LLC ("Manning & Napier Group") were tendered for redemption or exchange. The independent directors, on behalf of the Company, decided that such exchange would be settled in 1,592,969 shares of unregistered Class A Common Stock of the Company. The Company completed the exchange on June 30, 2021 and as a result, Manning & Napier acquired an equivalent number of Class A units of Manning & Napier Group and its ownership of Manning & Napier Group increased from 89.0% to 97.7%.

### ***Our Solutions***

We derive substantially all of our revenues from investment management fees earned from providing advisory services to separately managed accounts and to mutual funds and collective investment trusts—including those offered by Manning & Napier Advisors, LLC ("MNA"), the Manning & Napier Fund, Inc. (the "Fund"), Exeter Trust Company, and Rainier Investment Management, LLC ("Rainier").

Our separate accounts are primarily distributed through our wealth management sales channel, where our financial consultants form relationships with high-net-worth individuals, endowments, foundations, and retirement plans. To a lesser extent, we also obtain a portion of our separate account distribution via third parties, either through our intermediary sales channel, where national brokerage firm representatives or independent financial advisors select our separate account strategies for their clients, or through our platform/sub-advisor relationships, where unaffiliated registered investment advisors approve our strategies for their product platforms. Our separate account strategies are a primary driver of our blended asset portfolios for high-net-worth, middle market institutional clients and financial intermediaries. In contrast, larger institutions and unaffiliated registered investment advisor platforms are a driver of our separate account equity portfolios.

Our mutual funds and collective investment trusts are distributed primarily through financial intermediaries, including brokers, financial advisors, retirement plan advisors and platform relationships. We also distribute our mutual fund and collective investment trusts through our institutional representatives, particularly within the defined contribution, Taft-Hartley, and institutional marketplace. Our mutual fund and collective investment trust strategies are an important driver of our blended asset class and single asset class portfolios.

## Assets Under Management

Our sales efforts distinctly separate the Wealth Management clients to which we deliver holistic solutions, including high-net-worth families, endowments and foundations, and small and mid-sized business, from our Institutional and Intermediary clients, including third party advisors, platforms and consultants, as well as larger institutions and Taft-Hartley clients. The table below reflects the estimated composition of our assets under management ("AUM") as of September 30, 2021, by sales channel and investment portfolio:

	September 30, 2021			
	Blended Asset	Equity	Fixed Income	Total
	(dollars in millions)			
<b>Total AUM</b>				
Wealth Management	\$ 8,254.2	\$ 982.6	\$ 243.5	\$ 9,480.3
Institutional and Intermediary	6,420.6	5,247.1	828.2	12,495.9
<b>Total</b>	<b>\$ 14,674.8</b>	<b>\$ 6,229.7</b>	<b>\$ 1,071.7</b>	<b>\$ 21,976.2</b>
<b>Percentage of AUM</b>				
Wealth Management	38 %	4 %	1 %	43 %
Institutional and Intermediary	29 %	24 %	4 %	57 %
<b>Total</b>	<b>67 %</b>	<b>28 %</b>	<b>5 %</b>	<b>100 %</b>
<b>Percentage of portfolio by channel</b>				
Wealth Management	56 %	16 %	23 %	43 %
Institutional and Intermediary	44 %	84 %	77 %	57 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>
<b>Percentage of channel by portfolio</b>				
Wealth Management	87 %	10 %	3 %	100 %
Institutional and Intermediary	51 %	42 %	7 %	100 %

Our wealth management channel represented 43% of our total AUM as of September 30, 2021. Blended portfolios are the most significant portion of wealth management assets, representing 87%, while equity and fixed income portfolios represent 10% and 3%, respectively.

Our institutional and intermediary channel represented 57% of our total AUM as of September 30, 2021. Blended portfolios are also the largest portion of institutional and intermediary assets at 51% of AUM, followed by equity and fixed income portfolios at 42% and 7%, respectively.

As of September 30, 2021, blended portfolios account for 67% of our total AUM at \$14.7 billion, a 1% decrease from June 30, 2021 when blended assets were \$14.9 billion. Blended portfolio AUM is split across distribution channels, with 56% in wealth management and 44% in institutional and intermediary. Equity portfolios account for 28% of our total AUM, at \$6.2 billion, a 2% decrease from June 30, 2021 when equity portfolios were at \$6.3 billion. Of equity portfolio AUM, 84% is in the institutional and intermediary channel, and 16% is in the wealth management channel. Fixed income portfolios account for 5% of total AUM at \$1.1 billion, a 1% increase from June 30, 2021. The majority of fixed income assets come through the institutional and intermediary channel at 77%, and 23% in the wealth management channel.

During the nine months ended September 30, 2021, our wealth management sales channel contributed 32% of our total gross client inflows, while our institutional and intermediary channel contributed 68%. Of the \$2.0 billion in gross client inflows, blended asset portfolios represented 67%, while equity and fixed income portfolios represented 24% and 9%, respectively.

## **Results of Operations**

Below is a discussion of our consolidated results of operations for the three and nine months ended September 30, 2021 and 2020.

### ***Components of Results of Operations***

#### *Overview*

One of the most significant factors influencing net flows and AUM is the investment performance of our various strategies. As an active manager, it is typical for our investment strategies to exhibit portfolio positioning that is notably divergent from benchmarks and common market indices. We believe this is a strength of our investment approach, although it can cause substantial performance deviations, both positive and negative, versus common benchmarks. In general, our investment processes have a preference for risk management, focusing heavily on fundamentals and valuations. Historically, we have tended to provide a degree of downside protection in adverse markets, while having participated somewhat less than fully in bull markets. Broadly speaking, we expect our investment approach to reduce volatility and create a smoother performance pattern over time, and we believe these characteristics are desirable and an attractive differentiator in our industry. As a result, the overall performance of our suite of investment strategies often differs from many others in the industry, potentially causing the results of our operations to, at times, also diverge.

Other components impacting our operating results include:

- asset-based fee rates and changes in those rates;
- the composition of our AUM among various portfolios, vehicles and client types;
- changes in our variable costs, including incentive compensation and distribution, servicing and custody expenses, which are affected by our investment performance, level of our AUM and revenue; and
- fixed costs, including changes to base compensation, vendor-related costs and investment spending on new products.

### Assets Under Management and Investment Performance

The following table reflects the indicated components of our AUM for our sales channels for the three and nine months ended September 30, 2021 and 2020:

	Sales Channel <sup>(4)</sup>					
	Wealth Management	Institutional and Intermediary	Total	Wealth Management	Institutional and Intermediary	Total
	(in millions)					
<b>As of June 30, 2021</b>	\$ 9,613.5	\$ 12,648.0	\$ 22,261.5	43 %	57 %	100 %
Gross client inflows <sup>(1)</sup>	211.0	401.8	612.8			
Gross client outflows <sup>(1)</sup>	(237.2)	(532.5)	(769.7)			
Market appreciation/(depreciation) & other <sup>(2)</sup>	(107.0)	(21.4)	(128.4)			
<b>As of September 30, 2021</b>	\$ 9,480.3	\$ 12,495.9	\$ 21,976.2	43 %	57 %	100 %
Average AUM for period	\$ 9,629.3	\$ 12,732.2	\$ 22,361.5			
<b>As of June 30, 2020</b>	\$ 8,334.4	\$ 10,305.9	\$ 18,640.3	45 %	55 %	100 %
Gross client inflows <sup>(1)</sup>	250.7	343.7	594.4			
Gross client outflows <sup>(1)</sup>	(304.9)	(674.8)	(979.7)			
AUM Reclassification <sup>(5)</sup>	(266.8)	266.8	—			
Market appreciation/(depreciation) & other <sup>(2)</sup>	89.2	900.9	990.1			
<b>As of September 30, 2020</b>	\$ 8,102.6	\$ 11,142.5	\$ 19,245.1	42 %	58 %	100 %
Average AUM for period	\$ 8,093.3	\$ 11,129.6	\$ 19,222.9			
	(in millions)					
<b>As of December 31, 2020</b>	\$ 8,906.4	\$ 11,213.0	\$ 20,119.4	44 %	56 %	100 %
Gross client inflows <sup>(1)</sup>	652.4	1,374.1	2,026.5			
Gross client outflows <sup>(1)</sup>	(837.7)	(1,539.8)	(2,377.5)			
Market appreciation/(depreciation) & other <sup>(2)(3)</sup>	759.2	1,448.6	2,207.8			
<b>As of September 30, 2021</b>	\$ 9,480.3	\$ 12,495.9	\$ 21,976.2	43 %	57 %	100 %
Average AUM for period	\$ 9,352.7	\$ 12,178.9	\$ 21,531.6			
<b>As of December 31, 2019</b>	\$ 8,716.4	\$ 10,763.7	\$ 19,480.1	45 %	55 %	100 %
Gross client inflows <sup>(1)</sup>	646.1	1,169.9	1,816.0			
Gross client outflows <sup>(1)</sup>	(1,040.9)	(2,279.6)	(3,320.5)			
Market appreciation/(depreciation) & other <sup>(2)</sup>	(219.0)	1,488.5	1,269.5			
<b>As of September 30, 2020</b>	\$ 8,102.6	\$ 11,142.5	\$ 19,245.1	42 %	58 %	100 %
Average AUM for period	\$ 7,903.8	\$ 10,869.2	\$ 18,773.0			

(1) Transfers of client assets between portfolios are included in gross client inflows and gross client outflows.

(2) Market appreciation/(depreciation) and other includes investment gains/(losses) on assets under management, the impact of changes in foreign exchange rates and net flows from non-sales related activities including net reinvested dividends.

(3) Beginning in March 2021, AUM includes assets associated with our model-delivery business, previously classified as assets under advisement. These assets totaled \$429.9 million at December 31, 2020, comprised of \$62.5 million in our wealth management channel and \$367.4 million in our institutional and intermediary channel. These amounts are included above in market appreciation (depreciation) and other for the nine months ended September 30, 2021.

- (4) AUM and gross client flows between sales channels have been estimated based upon preliminary data. For a limited portion of our mutual fund AUM, reporting by sales channel is not available at the time of this report. Such estimates have no impact on total AUM, total cash flows, or AUM by investment portfolio reported in the table above.
- (5) During the third quarter of 2020, the Company identified certain Institutional and Intermediary assets that were incorrectly allocated to the Wealth Management Sales Channel as of June 30, 2020. The difference had no impact to total AUM or AUM by Portfolio as of June 30, 2020 and were reclassified to the appropriate Sales Channel during the third quarter of 2020.

The following table reflects the indicated components of our AUM for our portfolios for the three and nine months ended September 30, 2021 and 2020:

	Blended Asset	Equity	Fixed Income	Total	Blended Asset	Equity	Fixed Income	Total
	(in millions)							
<b>As of June 30, 2021</b>	<b>\$ 14,868.6</b>	<b>\$ 6,333.9</b>	<b>\$ 1,059.0</b>	<b>\$ 22,261.5</b>	67 %	28 %	5 %	100 %
Gross client inflows <sup>(1)</sup>	437.9	116.5	58.4	612.8				
Gross client outflows <sup>(1)</sup>	(528.4)	(189.8)	(51.5)	(769.7)				
Market appreciation/(depreciation) & other <sup>(2)</sup>	(103.3)	(30.9)	5.8	(128.4)				
<b>As of September 30, 2021</b>	<b>\$ 14,674.8</b>	<b>\$ 6,229.7</b>	<b>\$ 1,071.7</b>	<b>\$ 21,976.2</b>	67 %	28 %	5 %	100 %
Average AUM for period	\$ 14,908.6	\$ 6,381.1	\$ 1,071.8	\$ 22,361.5				
<b>As of June 30, 2020</b>	<b>\$ 13,075.3</b>	<b>\$ 4,561.7</b>	<b>\$ 1,003.3</b>	<b>\$ 18,640.3</b>	71 %	23 %	6 %	100 %
Gross client inflows <sup>(1)</sup>	461.3	104.2	28.9	594.4				
Gross client outflows <sup>(1)</sup>	(756.6)	(191.4)	(31.7)	(979.7)				
Market appreciation/(depreciation) & other <sup>(2)</sup>	587.7	398.1	4.3	990.1				
<b>As of September 30, 2020</b>	<b>\$ 13,367.7</b>	<b>\$ 4,872.6</b>	<b>\$ 1,004.8</b>	<b>\$ 19,245.1</b>	69 %	26 %	5 %	100 %
Average AUM for period	\$ 13,432.5	\$ 4,785.3	\$ 1,005.1	\$ 19,222.9				
	(in millions)							
<b>As of December 31, 2020</b>	<b>\$ 13,558.8</b>	<b>\$ 5,545.3</b>	<b>\$ 1,015.3</b>	<b>\$ 20,119.4</b>	67 %	28 %	5 %	100 %
Gross client inflows (1)	1,361.4	487.3	177.8	2,026.5				
Gross client outflows (1)	(1,602.1)	(632.6)	(142.8)	(2,377.5)				
Market appreciation/(depreciation) & other <sup>(2)(3)</sup>	1,356.7	829.7	21.4	2,207.8				
<b>As of September 30, 2021</b>	<b>\$ 14,674.8</b>	<b>\$ 6,229.7</b>	<b>\$ 1,071.7</b>	<b>\$ 21,976.2</b>	67 %	28 %	5 %	100 %
Average AUM for period	\$ 14,388.1	\$ 6,096.2	\$ 1,047.3	\$ 21,531.6				
<b>As of December 31, 2019</b>	<b>\$ 13,473.3</b>	<b>\$ 4,988.8</b>	<b>\$ 1,018.0</b>	<b>\$ 19,480.1</b>	69 %	26 %	5 %	100 %
Gross client inflows <sup>(1)</sup>	1,256.0	440.8	119.2	1,816.0				
Gross client outflows <sup>(1)</sup>	(2,424.8)	(715.6)	(180.1)	(3,320.5)				
Market appreciation/(depreciation) & other <sup>(2)</sup>	1,063.2	158.6	47.7	1,269.5				
<b>As of September 30, 2020</b>	<b>\$ 13,367.7</b>	<b>\$ 4,872.6</b>	<b>\$ 1,004.8</b>	<b>\$ 19,245.1</b>	69 %	26 %	5 %	100 %
Average AUM for period	\$ 13,124.9	\$ 4,635.3	\$ 1,012.8	\$ 18,773.0				

(1) Transfers of client assets between portfolios are included in gross client inflows and gross client outflows.

- (2) Market appreciation/(depreciation) and other includes investment gains/(losses) on assets under management, the impact of changes in foreign exchange rates and net flows from non-sales related activities including net reinvested dividends.
- (3) Beginning in March 2021, AUM includes assets associated with our model-delivery business, previously classified as assets under advisement. These assets totaled \$429.9 million at December 31, 2020. These amounts are included above in market appreciation (depreciation) and other for the nine months ended September 30, 2021.



The following table summarizes the annualized returns for several of our key investment strategies and relative benchmarks. Since inception and over long-term periods, we believe these strategies have earned attractive returns on both an absolute and relative basis. We recognize, however that some key strategies have mixed track records over the past several years. These strategies are used across separate account, mutual fund and collective investment trust vehicles, and represent approximately 78% of our AUM as of September 30, 2021.

Key Strategies	AUM as of September 30, 2021 (in millions)	Inception Date	Annualized Returns as of September 30, 2021 (2)				
			One Year	Three Year	Five Year	Ten Year	Inception
Long-Term Growth (30%-80% Equity Exposure)	\$ 6,015.7	1/1/1973	16.4%	12.3%	10.2%	9.6%	9.7%
<i>Blended Index (3)</i>			15.2%	10.4%	9.6%	9.2%	8.9%
Core Non-U.S. Equity	\$ 807.5	10/1/1996	30.5%	15.2%	12.0%	9.1%	8.3%
<i>Benchmark: ACWIxUS Index</i>			23.9%	8.0%	8.9%	7.5%	5.6%
Growth with Reduced Volatility (20%-60% Equity Exposure)	\$ 2,974.1	1/1/1973	12.4%	10.6%	8.4%	7.8%	8.8%
<i>Blended Index (4)</i>			10.9%	8.9%	7.7%	7.5%	8.4%
Equity-Oriented (70%-100% Equity Exposure)	\$ 1,564.5	1/1/1993	26.1%	15.8%	14.7%	13.1%	10.7%
<i>Blended Benchmark: 65% Russell 3000 / 20% ACWIxUS / 15% Bloomberg U.S. Aggregate Bond</i>			25.0%	13.0%	13.3%	12.8%	9.2%
Equity-Focused Blend (50%-90% Equity Exposure)	\$ 1,217.5	4/1/2000	19.7%	13.8%	11.8%	11.0%	8.0%
<i>Blended Benchmark: 53% Russell 3000 / 17% ACWIxUS / 30% Bloomberg U.S. Aggregate Bond</i>			20.1%	11.8%	11.5%	11.1%	6.4%
Core Equity-Unrestricted (90%-100% Equity Exposure)	\$ 710.1	1/1/1995	28.9%	16.4%	16.4%	14.9%	11.9%
<i>Blended Benchmark: 80% Russell 3000 / 20% ACWIxUS</i>			30.3%	14.4%	15.3%	14.8%	9.9%
Core U.S. Equity	\$ 303.6	7/1/2000	29.7%	18.1%	18.1%	16.1%	9.5%
<i>Benchmark: Russell 3000</i>			31.9%	16.0%	16.9%	16.6%	7.6%
Conservative Growth (5%-35% Equity Exposure)	\$ 610.4	4/1/1992	6.1%	7.2%	5.4%	5.0%	6.0%
<i>Blended Benchmark: 15% Russell 3000 / 5% ACWIxUS / 80% Bloomberg U.S. Intermediate Aggregate Bond</i>			5.2%	6.6%	5.1%	4.9%	6.1%
Aggregate Fixed Income	\$ 211.7	1/1/1984	(0.4)%	5.7%	3.2%	3.1%	6.9%
<i>Benchmark: Bloomberg U.S. Aggregate Bond</i>			(0.9)%	5.4%	2.9%	3.0%	6.9%
Rainier International Small Cap	\$ 1,224.1	3/28/2012	27.7%	15.9%	15.1%	N/A <sup>(1)</sup>	14.4%
<i>Benchmark: MSCI ACWIxUS Small Cap Index</i>			33.1%	10.3%	10.3%	N/A <sup>(1)</sup>	8.4%
Disciplined Value US	\$ 1,448.2	1/1/2013	28.4%	9.0%	12.1%	N/A <sup>(1)</sup>	13.7%
<i>Benchmark: Russell 1000 Value</i>			35.0%	10.1%	10.9%	N/A <sup>(1)</sup>	13.5%

(1) Performance not available given the product's inception date.

(2) Key investment strategy returns are presented net of fees. Benchmark returns do not reflect any fees or expenses.

(3) Benchmark shown uses the 55/45 Blended Index from 01/01/1973-12/31/1987 and the 40/15/45 Blended Index from 01/01/1988- 9/30/2021. The 55/45 Blended Index is represented by 55% S&P 500 Total Return Index ("S&P 500") and 45% Bloomberg U.S. Government/Credit Bond Index ("BGCB"). The 40/15/45 Blended Index is 40% Russell 3000 Index ("Russell 3000"), 15% MSCI ACWI ex USA Index ("ACWxUS"), and 45% Bloomberg U.S. Aggregate Bond Index ("BAB").

(4) Benchmark shown uses the 40/60 Blended Index from 01/01/1973-12/31/1987, the 30/10/60 Blended Index from 01/01/1988-12/31/2019, and the 30/10/30/30 Blended Index from 01/01/2020 to 9/30/2021. The 40/60 Blended Index is represented by 40% S&P 500 and 60% BGCB. The 30/10/60 Blended Index is represented by 30% Russell 3000, 10% ACWxUS, and 60% BAB. The 30/10/30/30 Blended Index is represented by 30% Russell 3000, 10% ACWxUS, 30% BAB, and 30% Intermediate Aggregate Bond Index.

## Revenue

Our revenues primarily consist of investment management fees earned from managing our clients' AUM. We earn our investment management fees as a percentage of our clients' AUM either as of a specified date or on a daily basis. Our investment management fees can fluctuate based on the average fee rate for our investment management products, which are affected by the composition of our AUM among various portfolios and investment vehicles.

We serve as the investment adviser for Manning & Napier Fund, Inc., Exeter Trust Company Collective Investment Trusts and Rainier Multiple Investment Trust. The mutual funds are open-end mutual funds that primarily offer no-load share classes designed to meet the needs of a range of institutional and other investors. Exeter Trust Company, an affiliated New Hampshire-chartered trust company and Rainier Multiple Investment Trust sponsor collective investment trusts for qualified retirement plans, including 401(k) plans. These mutual funds and collective investment trusts comprised \$6.1 billion, or 28%, of our AUM as of September 30, 2021. MNA and Rainier also serve as the investment advisor to all of our separately managed accounts, managing \$15.9 billion, or 72%, of our AUM as of September 30, 2021, including assets managed as a sub-advisor to pooled investment vehicles. For the period ended September 30, 2021 approximately 98% of our revenue was earned from clients located in the United States.

We earn distribution and servicing fees for providing services to our affiliated mutual funds. Revenue is computed and earned daily based on a percentage of AUM.

We earn custodial service fees for administrative and safeguarding services performed by Exeter Trust Company. Fees are calculated as a percentage of the client's market value with additional fees for certain transactions.

## Operating Expenses

Our largest operating expenses are employee compensation and related costs, and to a lesser degree, distribution, servicing and custody expenses, discussed further below, with a significant portion of these expenses varying in a direct relationship to our absolute and relative investment management performance, as well as AUM and revenues. We review our operating expenses in relation to the investment market environment and changes in our revenues. However, the strength of our balance sheet has historically provided us the flexibility to make the expenditures necessary to support our investment products, our client service levels, strategic initiatives and our long-term value.

- *Compensation and related costs.* Employee compensation and related costs represent our largest expense, including employee salaries and benefits, incentive compensation to investment and sales professionals, compensation issued under our long-term incentive plan as well as equity compensation. These costs are affected by changes in the employee headcount, the mix of existing job descriptions, competitive factors, the addition of new skill sets and variations in the level of our AUM and revenues. In addition, these costs are impacted by the amount of compensation granted under our equity plan and the amount of deferred cash awards granted under our long-term incentive plan. Incentive compensation for our research team considers the cumulative impact of both absolute and relative investment performance over historical time periods, with more weight placed on the recent periods. As such, incentive compensation paid to our research team will vary, in part, based on absolute and relative investment performance.
- *Distribution, servicing and custody expenses.* Distribution, servicing and custody expenses represent amounts paid to various intermediaries for distribution, shareholder servicing, administrative servicing and custodial services. These expenses generally increase or decrease in line with changes in our mutual fund and collective investment trust AUM or services performed by these intermediaries.
- *Other operating costs.* Other operating costs include technology costs, accounting, legal and other professional service fees, occupancy and facility costs, travel and entertainment expenses, insurance, market data service expenses and all other miscellaneous costs associated with managing the day-to-day operations of our business.

## Non-Operating Income (Loss)

Non-operating income (loss) includes interest expense, interest and dividend income, changes in liability under the tax receivable agreement ("TRA") entered into between Manning & Napier and the other holders of Class A units of Manning & Napier Group, LLC ("Manning & Napier Group"), gains (losses) related to investment securities sales as well as changes in values of those investment securities designated as equity securities, at fair value.

We expect the interest and investment components of non-operating income (loss) to fluctuate based on market conditions, the performance of our investments and the overall amount of our investments held by the Company to provide initial cash seeding for product development purposes and short-term investment for cash management opportunities.

### *Provision for Income Taxes*

The Company is comprised of entities that have elected to be treated as either a limited liability company ("LLC") or a "C-Corporation". As such, the entities functioning as LLCs are not liable for or able to benefit from U.S. federal or most state and local income taxes on their earnings, and their earnings (losses) will be included in the personal income tax returns of each entity's unit holders. The entities functioning as C-Corporations are liable for or able to benefit from U.S. federal and state and local income taxes on their earnings and losses, respectively.

### *Noncontrolling Interests*

Manning & Napier, Inc. holds an economic interest of approximately 97.7% in Manning & Napier Group as of September 30, 2021 and, as managing member, controls all of the business and affairs of Manning & Napier Group. As a result, the Company consolidates the financial results of Manning & Napier Group and records a noncontrolling interest in our consolidated financial statements. Net income attributable to noncontrolling interests on the consolidated statements of operations represents the portion of earnings attributable to the economic interest in Manning & Napier Group held by the noncontrolling interests.

### *Critical Accounting Policies and Estimates*

Our critical accounting policies and estimates are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

This management's discussion and analysis should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2020 together with the consolidated financial statements and related notes and the other financial information that appear elsewhere in this report.

### *Recent Accounting Pronouncements*

See Note 2, "Summary of Significant Accounting Policies - Recent Accounting Pronouncements" to the Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q for additional information.

**Three Months Ended September 30, 2021 Compared to Three Months Ended September 30, 2020**
**Assets Under Management**

The following table reflects changes in our AUM for the three months ended September 30, 2021 and 2020:

	Three months ended September 30,		Period-to-Period	
	2021	2020	\$	%
	(in millions)			
<b>Wealth Management <sup>(3)</sup></b>				
Beginning assets under management	\$ 9,613.5	\$ 8,334.4	\$ 1,279.1	15 %
Gross client inflows <sup>(1)</sup>	211.0	250.7	(39.7)	(16)%
Gross client outflows <sup>(1)</sup>	(237.2)	(304.9)	67.7	(22)%
AUM Reclassification <sup>(4)</sup>	—	(266.8)	266.8	NM
Market appreciation (depreciation) & other <sup>(2)</sup>	(107.0)	89.2	(196.2)	(220)%
Ending assets under management	<u>\$ 9,480.3</u>	<u>\$ 8,102.6</u>	<u>\$ 1,377.7</u>	17 %
Average AUM for period	\$ 9,629.3	\$ 8,093.3		
<b>Institutional and Intermediary <sup>(3)</sup></b>				
Beginning assets under management	\$ 12,648.0	\$ 10,305.9	\$ 2,342.1	23 %
Gross client inflows <sup>(1)</sup>	401.8	343.7	58.1	17 %
Gross client outflows <sup>(1)</sup>	(532.5)	(674.8)	142.3	(21)%
AUM Reclassification <sup>(4)</sup>	—	266.8	(266.8)	NM
Market appreciation (depreciation) & other <sup>(2)</sup>	(21.4)	900.9	(922.3)	(102)%
Ending assets under management	<u>\$ 12,495.9</u>	<u>\$ 11,142.5</u>	<u>\$ 1,353.4</u>	12 %
Average AUM for period	\$ 12,732.2	\$ 11,129.6		
<b>Total assets under management</b>				
Beginning assets under management	\$ 22,261.5	\$ 18,640.3	\$ 3,621.2	19 %
Gross client inflows <sup>(1)</sup>	612.8	594.4	18.4	3 %
Gross client outflows <sup>(1)</sup>	(769.7)	(979.7)	210.0	(21)%
AUM Reclassification <sup>(4)</sup>	—	—	—	— %
Market appreciation (depreciation) & other <sup>(2)</sup>	(128.4)	990.1	(1,118.5)	(113)%
Ending assets under management	<u>\$ 21,976.2</u>	<u>\$ 19,245.1</u>	<u>\$ 2,731.1</u>	14 %
Average AUM for period	\$ 22,361.5	\$ 19,222.9		

NM - Percentage change not meaningful

(1) Transfers of client assets between portfolios are included in gross client inflows and gross client outflows.

(2) Market appreciation/(depreciation) and other includes investment gains/(losses) on assets under management, the impact of changes in foreign exchange rates and net flows from non-sales related activities including net reinvested dividends.

(3) AUM and gross client flows between sales channels have been estimated based upon preliminary data. For a limited portion of our mutual fund AUM, reporting by sales channel is not available at the time of this report. Such estimates have no impact on total AUM, total cash flows, or AUM by investment portfolio reported in the table above.

(4) During the third quarter of 2020, the Company identified certain Institutional and Intermediary assets that were incorrectly allocated to the Wealth Management Sales Channel as of June 30, 2020. The difference had no impact to total AUM or AUM by Portfolio as of June 30, 2020 and were reclassified to the appropriate Sales Channel during the third quarter of 2020.

Our total AUM increased by \$2.7 billion from \$19.2 billion at September 30, 2020 to \$22.0 billion at September 30, 2021. The increase was attributable to market appreciation of \$3.9 billion, partially offset by net client outflows of \$1.2 billion. Net client outflows consisted of approximately \$0.3 billion of net outflows for wealth management and \$0.8 billion for institutional and intermediary. By portfolio, the rates of change in AUM from September 30, 2020 to September 30,

2021 consisted of a \$1.4 billion, or 28% increase in our equity portfolio, a \$1.3 billion, or 10% increase in our blended asset portfolio, and an increase of approximately \$66.9 million, or 7% in our fixed income portfolio.

We have experienced a decrease in the overall rate of outflows with gross outflows of approximately \$0.8 billion during the quarter ended September 30, 2021, a 21% decrease from the quarter ended September 30, 2020. Gross outflows annualized as a percentage of our AUM, or turnover rate, for the three months ended September 30, 2021 was 14%. We believe outflows have improved as a result of our client service efforts and excellent performance, particularly regarding our ability to retain AUM in the most performance sensitive areas of our business, such as our Institutional and Intermediary channel, coupled with the lack of COVID-driven market volatility during the 2021 period as compared to 2020.

The rate of gross client inflows was approximately \$0.6 billion during the three months ended September 30, 2021, a 3% increase from the quarter ended September 30, 2020. The 2020 period reflects impacts from COVID related travel restrictions, while 2021 changes in our organization and national recognition awards boosted our presence within intermediated channels. We believe that by continuing to demonstrate stability in client AUM and modernizing our platform, we will provide a foundation from which we can continue to grow.

The total AUM decrease of approximately \$0.3 billion, to \$22.0 billion at September 30, 2021 from \$22.3 billion at June 30, 2021 was attributable to market depreciation of \$0.1 billion, and net client outflows of approximately \$0.2 billion. Net client outflows consisted of \$26.2 million for wealth management while net client inflows in institutional and intermediary were \$130.7 million. The blended investment loss was 1.1% in wealth management accounts and 0.2% in institutional and intermediary. By portfolio in the period, our AUM decreased by \$0.2 billion in our blended asset portfolio and \$0.1 billion in our equity portfolio, and increased \$12.7 million in our fixed income portfolio.

As of September 30, 2021, the composition of our AUM was 43% in wealth management and 57% in institutional and intermediary, compared to 42% in wealth management and 58% in institutional and intermediary at September 30, 2020. The composition of our AUM across portfolios at September 30, 2021 was 67% in blended assets, 28% in equity, and 5% in fixed income, compared to 69% in blended assets, 26% in equity, 5% in fixed income at September 30, 2020.

For our wealth management channel, gross client inflows of \$0.2 billion were offset by \$0.2 billion of gross client outflows during the three months ended September 30, 2021. Gross client inflows include approximately \$0.2 billion into our blended asset portfolio and less than \$0.1 billion into both our equity and fixed income portfolios. Outflows during the quarter were \$0.2 billion, or 87% from blended portfolios, less than \$0.1 billion, or 9% from equity, and less than \$0.1 billion, or 4% from fixed income portfolios, respectively.

Gross client inflows of \$0.4 billion were offset entirely by gross client outflows of \$0.5 billion within our institutional and intermediary channel during the three months ended September 30, 2021. Gross client inflows include approximately \$0.3 billion into our blended asset portfolios, and less than \$0.1 billion into both our equity and fixed income portfolios. With regard to gross client outflows, \$0.3 billion, or 60% was from our blended asset portfolios, \$0.2 billion or 32% was from our equity portfolios, and less than \$0.1 billion, or 8% was from our fixed income portfolios.

The following table sets forth our results of operations and related data for the three months ended September 30, 2021 and 2020:

	Three months ended September 30,		Period-to-Period	
	2021	2020	\$	%
(in thousands, except share data)				
<b>Revenues</b>				
<b>Management Fees</b>				
Wealth management	\$ 16,366	\$ 13,743	\$ 2,623	19 %
Institutional and intermediary	16,209	13,534	2,675	20 %
Distribution and shareholder servicing	2,278	2,424	(146)	(6)%
Custodial services	1,759	1,577	182	12 %
Other revenue	925	789	136	17 %
Total revenue	<u>37,537</u>	<u>32,067</u>	<u>5,470</u>	<u>17 %</u>
<b>Expenses</b>				
Compensation and related costs	18,749	18,605	144	1 %
Distribution, servicing and custody expenses	2,512	2,596	(84)	(3)%
Other operating costs	6,970	6,611	359	5 %
Total operating expenses	<u>28,231</u>	<u>27,812</u>	<u>419</u>	<u>2 %</u>
Operating income	9,306	4,255	5,051	119 %
<b>Non-operating income (loss)</b>				
Non-operating income (loss), net	(73)	550	(623)	(113)%
Income before provision for income taxes	9,233	4,805	4,428	92 %
Provision for income taxes	2,523	1,738	785	45 %
Net income attributable to controlling and noncontrolling interests	6,710	3,067	3,643	119 %
Less: net income attributable to noncontrolling interests	207	560	(353)	(63)%
Net income attributable to Manning & Napier, Inc.	<u>\$ 6,503</u>	<u>\$ 2,507</u>	<u>\$ 3,996</u>	<u>159 %</u>
<b>Per Share Data</b>				
Net income per share available to Class A common stock				
Basic	<u>\$ 0.35</u>	<u>\$ 0.15</u>		
Diluted	<u>\$ 0.29</u>	<u>\$ 0.13</u>		
Weighted average shares of Class A common stock outstanding				
Basic	<u>18,481,147</u>	<u>16,176,280</u>		
Diluted	<u>22,226,455</u>	<u>18,928,954</u>		
<b>Other financial and operating data</b>				
Economic income <sup>(1)</sup>	\$ 9,793	\$ 5,219	\$ 4,574	88 %
Economic net income <sup>(1)</sup>	\$ 6,872	\$ 3,170	\$ 3,702	117 %
Economic net income per adjusted share <sup>(1)</sup>	\$ 0.30	\$ 0.14		
Weighted average adjusted Class A common stock outstanding <sup>(1)</sup>	23,133,382	22,395,521		

(1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Supplemental Non-GAAP Financial Information" for Manning & Napier's reasons for including these measures not calculated in accordance with accounting principles generally accepted in the United States of America ("GAAP") in this report in addition to a reconciliation of non-GAAP financial measures to GAAP measures for the periods indicated.

### *Revenues*

Wealth management revenue increased by \$2.6 million, or 19%, to \$16.4 million for the three months ended September 30, 2021 from \$13.7 million for the three months ended September 30, 2020. This increase is driven primarily by a 19%, or \$1.5 billion, increase in our average wealth management AUM for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. At September 30, 2021 the concentration of investments in our wealth management assets were 87% blended assets, 10% equity and 3% fixed income, compared to 91% blended assets, 6% equity, and 3% fixed income as of September 30, 2020.

Institutional and intermediary revenue increased by \$2.7 million, or 20%, to \$16.2 million for the three months ended September 30, 2021 from \$13.5 million for the three months ended September 30, 2020. This increase is driven primarily by a 14%, or \$1.6 billion, increase in our average institutional and intermediary AUM for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. As of September 30, 2021, the concentration of assets in our institutional and intermediary channel was 51% blended assets, 42% equity and 7% fixed income, compared to 54% blended assets, 39% equity and 7% fixed income as of September 30, 2020.

Distribution and shareholder servicing revenue decreased by \$0.1 million, or 6%, to \$2.3 million for the three months ended September 30, 2021 from \$2.4 million for the three months ended September 30, 2020. This decrease was driven by a change in business mix within our mutual funds.

Custodial services increased by \$0.2 million, or 12%, to \$1.8 million for the three months ended September 30, 2021 from \$1.6 million for the three months ended September 30, 2020, in line with changes in our collective investment trust AUM for each period.

### *Operating Expenses*

Our operating expenses increased by \$0.4 million, or 2%, to \$28.2 million for the three months ended September 30, 2021 from \$27.8 million for the three months ended September 30, 2020.

Compensation and related costs increased by \$0.1 million, or 1%, to \$18.7 million for the three months ended September 30, 2021 from \$18.6 million for the three months ended September 30, 2020. This increase in the current quarter compared to the third quarter of 2020 was driven by increases in our sales incentive accruals as well as one time severance costs, partially offset by the impacts of the implementation of a deferred compensation plan during the first quarter of 2021, whereby a fraction of incentive compensation for our most highly compensated employees will be invested in our investment products and vested over a multi-year period. When considered as a percentage of revenue, compensation and related costs was 50% for the three months ended September 30, 2021 and 58% for the three months ended September 30, 2020.

Distribution, servicing and custody expenses decreased by \$0.1 million, or 3%, to \$2.5 million for the three months ended September 30, 2021 from \$2.6 million for the three months ended September 30, 2020. As a percentage of mutual fund and collective investment trust average AUM, distribution, servicing and custody expense was 0.16% for the three months ended September 30, 2021, compared to 0.18% for the three months ended September 30, 2020.

Other operating costs for the three months ended September 30, 2021 were \$7.0 million, an increase of approximately \$0.4 million, or 5%, compared to the three months ended September 30, 2020. As a percentage of revenue, other operating costs were 19% for the three months ended September 30, 2021 and 21% for the three months ended September 30, 2020. The increase during the current quarter as compared to the third quarter of 2020 was driven by a \$1.2 million gain recognized in the 2020 period related to a reimbursement of expenses paid previously on behalf of the Company's affiliated mutual funds and collective investment trusts.

### Non-Operating Income (Loss)

Non-operating loss for the three months ended September 30, 2021 was less than \$0.1 million, a decrease of \$0.6 million, from non-operating income of \$0.6 million for the three months ended September 30, 2020. The following table reflects the components of non-operating income (loss) for the three months ended September 30, 2021 and 2020:

	Three months ended September 30,		Period-to-Period	
	2021	2020	\$	%
	(in thousands)			
<b>Non-operating income (loss)</b>				
Interest expense	\$ (1)	\$ —	\$ (1)	NM
Interest and dividend income	(13)	115	(128)	(111)%
Change in liability under tax receivable agreement	—	24	(24)	(100)%
Net gains (losses) on investments <sup>(1)</sup>	(59)	411	(470)	(114)%
<b>Total non-operating income (loss)</b>	<b>\$ (73)</b>	<b>\$ 550</b>	<b>\$ (623)</b>	<b>(113)%</b>

NM - Percentage change not meaningful

- (1) The amount of net gain (loss) on investments held by us, to provide initial cash seeding for product development purposes and to hedge economic exposure to market movements on our deferred compensation plan, will vary depending on the performance and overall amount of our investments.

### Provision for Income Taxes

Our provision for income taxes was \$2.5 million for the three months ended September 30, 2021, compared to a provision of \$1.7 million for the three months ended September 30, 2020. This increase is attributed to an increase in earnings, coupled with a higher portion of Manning & Napier Group's earnings subject to taxation at the C-Corporation level during the three months ended September 30, 2021 compared to the same period in 2020. Manning & Napier Inc.'s weighted ownership of Manning & Napier Group was 97.7% for the three months ended September 30, 2021 compared to 88.2% for the same period in 2020. This increase in weighted ownership is primarily the result of the annual exchange process between the Company and the holders of its non-controlling interests. In addition, during the three months ended September 30, 2021, we reached a settlement with a certain state related to our 2016, 2017 and 2018 corporate income tax returns. As a result, we recognized approximately \$0.3 million within the provision for income taxes during the three months ended September 30, 2021.



**Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020**
**Assets Under Management**

The following table reflects changes in our AUM for the nine months ended September 30, 2021 and 2020:

	Nine months ended September 30,		Period-to-Period	
	2021	2020	\$	%
	(in millions)			
<b>Wealth Management <sup>(4)</sup></b>				
Beginning assets under management	\$ 8,906.4	\$ 8,716.4	\$ 190.0	2 %
Gross client inflows <sup>(1)</sup>	652.4	646.1	6.3	1 %
Gross client outflows <sup>(1)</sup>	(837.7)	(1,040.9)	203.2	(20)%
Market appreciation (depreciation) & other <sup>(2) (3)</sup>	759.2	(219.0)	978.2	(447)%
Ending assets under management	<u>\$ 9,480.3</u>	<u>\$ 8,102.6</u>	<u>\$ 1,377.7</u>	17 %
Average AUM for period	\$ 9,352.7	\$ 7,903.8		
<b>Institutional and Intermediary <sup>(4)</sup></b>				
Beginning assets under management	\$ 11,213.0	\$ 10,763.7	\$ 449.3	4 %
Gross client inflows <sup>(1)</sup>	1,374.1	1,169.9	204.2	17 %
Gross client outflows <sup>(1)</sup>	(1,539.8)	(2,279.6)	739.8	(32)%
Market appreciation (depreciation) & other <sup>(2) (3)</sup>	1,448.6	1,488.5	(39.9)	(3)%
Ending assets under management	<u>\$ 12,495.9</u>	<u>\$ 11,142.5</u>	<u>\$ 1,353.4</u>	12 %
Average AUM for period	\$ 12,178.9	\$ 10,869.2		
<b>Total assets under management</b>				
Beginning assets under management	\$ 20,119.4	\$ 19,480.1	\$ 639.3	3 %
Gross client inflows <sup>(1)</sup>	2,026.5	1,816.0	210.5	12 %
Gross client outflows <sup>(1)</sup>	(2,377.5)	(3,320.5)	943.0	(28)%
Market appreciation (depreciation) & other <sup>(2) (3)</sup>	2,207.8	1,269.5	938.3	74 %
Ending assets under management	<u>\$ 21,976.2</u>	<u>\$ 19,245.1</u>	<u>\$ 2,731.1</u>	14 %
Average AUM for period	\$ 21,531.6	\$ 18,773.0		

(1) Transfers of client assets between portfolios are included in gross client inflows and gross client outflows.

(2) Market appreciation/(depreciation) and other includes investment gains/(losses) on assets under management, the impact of changes in foreign exchange rates and net flows from non-sales related activities including net reinvested dividends.

(3) Beginning in March 2021, AUM includes assets associated with our model-delivery business, previously classified as assets under advisement. These assets totaled \$429.9 million at December 31, 2020, comprised of \$62.5 million in our wealth management channel and \$367.4 million in our institutional and intermediary channel. These amounts are included above in market appreciation (depreciation) and other for the nine months ended September 30, 2021.

(4) AUM and gross client flows between sales channels have been estimated based upon preliminary data. For a limited portion of our mutual fund AUM, reporting by sales channel is not available at the time of this report. Such estimates have no impact on total AUM, total cash flows, or AUM by investment portfolio reported in the table above.

Our total AUM increased by \$2.7 billion from \$19.2 billion at September 30, 2020 to \$22.0 billion at September 30, 2021. The increase was attributable to market appreciation of \$3.9 billion, partially offset by net client outflows of \$1.2 billion. Net client outflows consisted of approximately \$0.3 billion of net outflows for wealth management and \$0.8 billion for institutional and intermediary. By portfolio, the rates of change in AUM from September 30, 2020 to September 30, 2021 consisted of a \$1.4 billion, or 28% increase in our equity portfolio, a \$1.3 billion, or 10% increase in our blended asset portfolio, and an increase of \$66.9 million, or 7% in our fixed income portfolio.

We have experienced a decrease in the overall rate of outflows with gross outflows of approximately \$2.4 billion during the nine months ended September 30, 2021, a 28% improvement from the same period through September 30, 2020. Gross

client inflows were approximately \$2.0 billion during the nine months ended September 30, 2021, a 12% increase compared to the same period in 2020. We believe that by demonstrating stability in client AUM and in our organization, along with continuing to improve long-term track records and modernizing our platform, we will provide a foundation from which we can grow.

The total AUM increase of \$1.9 billion, or 9%, to \$22.0 billion at September 30, 2021 from \$20.1 billion at December 31, 2020 was attributable to market appreciation of \$2.2 billion, offset by net client cash outflows of \$0.4 billion. Included in net client flows during the nine months ended September 30, 2021 were net client outflows in wealth management of approximately \$0.2 billion. The blended investment appreciation was 8.5% in wealth management and 12.9% in institutional and intermediary. By portfolio, our \$1.9 billion AUM increase was derived from increases of \$0.7 billion, or 12%, in our equity portfolio, \$1.1 billion, or 8%, in our blended asset portfolio and \$56.4 million, or 6%, in our fixed income portfolio.

As of September 30, 2021, the composition of our AUM was 43% in wealth management and 57% in institutional and intermediary, compared to 42% in wealth management and 58% in institutional and intermediary at September 30, 2020. The composition of our AUM across portfolios at September 30, 2021 was 67% in blended assets, 28% in equity, and 5% in fixed income, compared to 69% in blended assets, 26% in equity, and 5% in fixed income as of September 30, 2020.

With regard to our wealth management channel, gross client inflows of \$0.7 billion were offset by approximately \$0.8 billion of gross client outflows during the nine months ended September 30, 2021. Gross client inflows included \$0.6 billion into our blended asset portfolios, and less than \$0.1 billion into both our equity portfolios and fixed income portfolios. Outflows during the nine months ended September 30, 2021 were \$0.8 billion, with 87% from blended portfolios, 9% from equity, and 4% from fixed income portfolios, respectively. The annualized separate account retention rate was 98% for the nine months ended September 30, 2021, consistent with the rolling twelve months ended September 30, 2021.

Net client flows from our institutional and intermediary channel were relatively stable and included gross client inflows of \$1.4 billion, offset by gross client outflows of \$1.5 billion during the nine months ended September 30, 2021. Gross client inflows included \$0.8 billion, or 57% into our blended asset portfolios, \$0.4 billion or 31% into our equity portfolios and \$0.2 billion or 12% into our fixed income portfolios during the nine months ended September 30, 2021. With regard to institutional and intermediary client outflows, \$0.9 billion, or 57%, were from blended asset portfolios, \$0.6 billion or 36% were from our equity portfolios and \$0.1 billion, or 7%, was from our fixed income portfolios during the nine months ended September 30, 2021.

The following table sets forth our results of operations and other data for the nine months ended September 30, 2021 and 2020:

	Nine months ended September 30,		Period-to-Period	
	2021	2020	\$	%
(in thousands, except share data)				
<b>Revenues</b>				
<b>Management Fees</b>				
Wealth management	\$ 47,825	\$ 41,335	\$ 6,490	16 %
Institutional and intermediary	45,678	38,255	7,423	19 %
Distribution and shareholder servicing	6,667	7,117	(450)	(6)%
Custodial services	5,125	4,639	486	10 %
Other revenue	2,470	2,176	294	14 %
Total revenue	<u>107,765</u>	<u>93,522</u>	<u>14,243</u>	<u>15 %</u>
<b>Expenses</b>				
Compensation and related costs	55,970	55,247	723	1 %
Distribution, servicing and custody expenses	7,367	7,834	(467)	(6)%
Other operating costs	21,143	21,197	(54)	— %
Total operating expenses	<u>84,480</u>	<u>84,278</u>	<u>202</u>	<u>— %</u>
Operating income	<u>23,285</u>	<u>9,244</u>	<u>14,041</u>	<u>152 %</u>
<b>Non-operating income (loss)</b>				
Non-operating income (loss), net	641	(1,087)	1,728	(159)%
Income before provision for income taxes	23,926	8,157	15,769	193 %
Provision for (benefit from) income taxes	4,511	(28)	4,539	(16,211)%
Net income attributable to controlling and noncontrolling interests	19,415	8,185	11,230	137 %
Less: net income attributable to noncontrolling interests	1,747	3,274	(1,527)	(47)%
Net income attributable to Manning & Napier, Inc.	<u>\$ 17,668</u>	<u>\$ 4,911</u>	<u>\$ 12,757</u>	<u>260 %</u>
<b>Per Share Data</b>				
Net income per share available to Class A common stock				
Basic	<u>\$ 1.01</u>	<u>\$ 0.30</u>		
Diluted	<u>\$ 0.85</u>	<u>\$ 0.15</u>		
Weighted average shares of Class A common stock outstanding				
Basic	<u>17,493,299</u>	<u>16,041,128</u>		
Diluted	<u>20,843,170</u>	<u>48,339,759</u>		
<b>Other financial and operating data</b>				
Economic income <sup>(1)</sup>	\$ 26,202	\$ 10,248	\$ 15,954	156 %
Economic net income <sup>(1)</sup>	\$ 20,959	\$ 8,707	\$ 12,252	141 %
Economic net income per adjusted share <sup>(1)</sup>	\$ 0.90	\$ 0.17		
Weighted average adjusted Class A common stock outstanding <sup>(1)</sup>	23,333,816	50,460,114		

(1) See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Supplemental Non-GAAP Financial Information” for Manning & Napier’s reasons for including these non-GAAP measures in this report in addition to a reconciliation of non-GAAP financial measures to GAAP measures for the periods indicated.

#### Revenues

Wealth management revenue increased by \$6.5 million, or 16%, to \$47.8 million for the nine months ended September 30, 2021 from \$41.3 million for the nine months ended September 30, 2020. This increase is driven primarily by an 18% increase in our average wealth management AUM for the nine months ended September 30, 2021 compared to the nine

months ended September 30, 2020. As of September 30, 2021, the concentration of assets in our wealth management channel was 87% blended assets, 10% equity and 3% fixed income, compared to 91% blended assets, 6% equity and 3% fixed income at September 30, 2020.

Institutional and intermediary revenue increased by \$7.4 million, or 19%, to \$45.7 million for the nine months ended September 30, 2021 from \$38.3 million for the nine months ended September 30, 2020. This increase is driven primarily by a 12%, or \$1.3 billion, increase in average institutional and intermediary AUM for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. As of September 30, 2021 the concentration of assets in our institutional and intermediary channel was 51% blended assets, 42% equity and 7% fixed income, compared to 54% blended assets, 39% equity and 7% fixed income as of September 30, 2020.

Distribution and shareholder servicing revenue decreased by \$0.5 million, or 6%, to \$6.7 million for the nine months ended September 30, 2021 from \$7.1 million for the nine months ended September 30, 2020. This decrease was driven by a change in business mix within our mutual funds.

Custodial services revenue increased by \$0.5 million, or 10%, to \$5.1 million for the nine months ended September 30, 2021 from \$4.6 million for the nine months ended September 30, 2020. The increase primarily relates to a corresponding increase in our collective investment trust AUM for each period.

#### *Operating Expenses*

Our operating expenses increased by \$0.2 million to \$84.5 million for the nine months ended September 30, 2021 from \$84.3 million for the nine months ended September 30, 2020.

Compensation and related costs increased by \$0.7 million, or 1%, to \$56.0 million for the nine months ended September 30, 2021 from \$55.2 million for the nine months ended September 30, 2020. This change was driven by higher incentive compensation accruals based on increases in both sales and year to date performance in 2021, partially offset by a decrease in our workforce and the impacts from the newly implemented deferred compensation plan in 2021. When considered as a percentage of revenue, compensation and related costs was 52% for the nine months ended September 30, 2021 and 59% for the nine months ended September 30, 2020.

Distribution, servicing and custody expenses decreased by \$0.5 million, or 6%, to \$7.4 million for the nine months ended September 30, 2021 from \$7.8 million for the nine months ended September 30, 2020. The expense decreased despite a 6% increase in mutual fund and collective investment trust average AUM for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. AUM increases were concentrated in fund share classes where the company does not incur distribution and servicing fees. As a percentage of mutual fund and collective investment trust average AUM, distribution, servicing and custody expense was 0.17% for the nine months ended September 30, 2021, compared to 0.19% for the nine months ended September 30, 2020.

Other operating costs decreased by \$0.1 million to \$21.1 million for the nine months ended September 30, 2021 from \$21.2 million for the nine months ended September 30, 2020. As a percentage of revenue, other operating costs for the nine months ended September 30, 2021 was 20% compared to 23% for nine months ended September 30, 2020.

### Non-Operating Income (Loss)

Non-operating income for the nine months ended September 30, 2021 was \$0.6 million, an increase of \$1.7 million, from non-operating loss of \$1.1 million for the nine months ended September 30, 2020. The following table reflects the components of non-operating income (loss) for the nine months ended September 30, 2021 and 2020:

	Nine months ended September 30,		Period-to-Period	
	2021	2020	\$	%
	(in thousands)			
<b>Non-operating income (loss)</b>				
Interest expense	\$ (4)	\$ (5)	\$ 1	20 %
Interest and dividend income <sup>(1)</sup>	218	835	(617)	(74)%
Change in liability under tax receivable agreement <sup>(2)</sup>	(228)	(1,912)	1,684	88 %
Net gains (losses) on investments <sup>(3)</sup>	655	(5)	660	13,200 %
<b>Total non-operating income (loss)</b>	<b>\$ 641</b>	<b>\$ (1,087)</b>	<b>\$ 1,728</b>	<b>159 %</b>

- (1) The decrease in interest and dividend income for the nine months ended September 30, 2021 compared to 2020 is attributable to a decrease in investments, including U.S. Treasury notes and bills, corporate bonds and other short-term investments to optimize cash management opportunities, coupled with a decrease in interest rates.
- (2) The change in the liability under the tax receivable agreement for the nine months ended September 30, 2021 is driven by an increase in the Company's expected tax benefits under the tax receivable agreement with the other holders of units of Manning & Napier Group and the corresponding changes in the payment of such benefits. The change during the nine months ended September 30, 2020 is driven by the tax benefits realized with the enactment of the CARES Act.
- (3) The amount of net gain (loss) on investments held by us, to provide initial cash seeding for product development purposes and to hedge economic exposure to market movements on our deferred compensation plan, will vary depending on the performance and overall amount of our investments.

### Provision for Income Taxes

Our provision for income taxes was \$4.5 million for the nine months ended September 30, 2021, compared to a benefit of less than \$0.1 million for the nine months ended September 30, 2020. The expense increase is attributed primarily to the 2020 enactment of the CARES Act which includes, among other things, the elimination of certain restrictions on recognizing net operating losses. As a result, during the nine months ended September 30, 2020, we recognized an income tax benefit related to the favorable rate applied to our net operating losses. Further, for the nine months ended September 30, 2021, a higher portion of Manning & Napier Group's earnings is subject to taxation at the C-Corporation level when compared to the same period in 2020. Manning & Napier Inc.'s weighted ownership of Manning & Napier Group was 92.7% for the nine months ended September 30, 2021, compared to 64.0% during the same period of 2020. This increase is primarily the result of the annual exchange process between the Company and the holders of its non-controlling interests. In addition, during the nine months ended September 30, 2021, we reached a settlement with a certain state related to our 2016, 2017 and 2018 corporate income tax returns. As a result, we recognized approximately \$0.3 million within the provision for income taxes during the nine months ended September 30, 2021.

### Supplemental Non-GAAP Financial Information

Management uses economic income, economic net income and economic net income per adjusted share as financial measures to evaluate the profitability and efficiency of our business as a whole in the ordinary, ongoing and customary course of its operations. Economic income, economic net income and economic net income per adjusted share are not presented in accordance with GAAP.

Economic income presents a non-GAAP financial measure of the controlling and non-controlling interests of Manning & Napier Group and excludes from income before provision for income taxes strategic restructuring and transaction costs, net. We define strategic restructuring and transaction costs, net, as items related to our ongoing strategic review focused on the evolution of our distribution strategy and technology initiatives. These costs include severance-related costs, certain consulting and other professional service fees, lease and other contract termination costs, and gain or loss on sale of a business.

Economic net income is a non-GAAP measure of after-tax operating performance and equals the Company's income before provision for income taxes less adjusted income taxes. Adjusted income taxes are estimated assuming the exchange of all outstanding units of Manning & Napier Group into Class A common stock on a one-to-one basis. Therefore, all income of Manning & Napier Group allocated to the units of Manning & Napier Group is treated as if it were allocated to us and represents an estimate of income tax expense at an effective rate of 29.8% and 39.3% for the three months ended September 30, 2021 and 2020, respectively, and of 20.0% and 15.0% for the nine months ended September 30, 2021 and 2020, respectively, reflecting assumed federal, state and local income taxes.

Economic net income per adjusted share is a non-GAAP measure and is equal to economic net income divided by the weighted average adjusted Class A common shares outstanding. The number of weighted average adjusted Class A common shares outstanding for all periods presented is determined by assuming the weighted average exchangeable units of Manning & Napier Group, weighted average unvested stock units, weighted average unvested restricted stock awards, and weighted average vested stock options are converted into our outstanding Class A common stock as of the respective reporting date, on a one-to-one basis. Our management uses economic net income, among other financial data, to determine the earnings available to distribute as dividends to holders of its Class A common stock and to the holders of the units of Manning & Napier Group.

Non-GAAP measures are not a substitute for financial measures prepared in accordance with GAAP and therefore should not be used in isolation of, but in conjunction with, GAAP measures. Additionally, our non-GAAP measures may differ from similar measures used by other companies, even if similar terms are used to identify such measures.

The following table sets forth, for the periods indicated, our other financial and operating data:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in thousands, except share data)			
Economic income (Non-GAAP)	\$ 9,793	\$ 5,219	\$ 26,202	\$ 10,248
Economic net income (Non-GAAP)	\$ 6,872	\$ 3,170	\$ 20,959	\$ 8,707
Economic net income per adjusted share (Non-GAAP)	\$ 0.30	\$ 0.14	\$ 0.90	\$ 0.17
Weighted average adjusted Class A common stock outstanding (Non-GAAP)	23,133,382	22,395,521	23,333,816	50,460,114

The following table sets forth, for the periods indicated, a reconciliation of non-GAAP financial measures to GAAP measures:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in thousands, except share data)			
<b>Net income attributable to Manning &amp; Napier, Inc.</b>	<b>\$ 6,503</b>	<b>\$ 2,507</b>	<b>\$ 17,668</b>	<b>\$ 4,911</b>
Add back: Net income attributable to noncontrolling interests	207	560	1,747	3,274
Add back: Provision for (benefit from) income taxes	2,523	1,738	4,511	(28)
<b>Income before provision for (benefit from) income taxes</b>	<b>\$ 9,233</b>	<b>\$ 4,805</b>	<b>\$ 23,926</b>	<b>\$ 8,157</b>
Add back: Strategic restructuring and transaction costs, net <sup>(1)</sup>	560	414	2,276	2,091
<b>Economic income (Non-GAAP)</b>	<b>\$ 9,793</b>	<b>\$ 5,219</b>	<b>\$ 26,202</b>	<b>\$ 10,248</b>
Adjusted income taxes (Non-GAAP)	2,921	2,049	5,243	1,541
<b>Economic net income (Non-GAAP)</b>	<b>\$ 6,872</b>	<b>\$ 3,170</b>	<b>\$ 20,959</b>	<b>\$ 8,707</b>
<b>Weighted average shares of Class A common stock outstanding - Basic</b>	<b>18,481,147</b>	<b>16,176,280</b>	<b>17,493,299</b>	<b>16,041,128</b>
Assumed vesting, conversion or exchange of:				
Weighted average Manning & Napier Group, LLC units outstanding (noncontrolling interest)	428,812	2,021,781	1,479,121	30,713,850
Weighted average unvested restricted stock units and share awards	3,890,091	3,562,979	3,885,833	3,306,941
Weighted average vested stock options	333,332	634,481	475,563	398,195
<b>Weighted average adjusted shares (Non-GAAP)</b>	<b>23,133,382</b>	<b>22,395,521</b>	<b>23,333,816</b>	<b>50,460,114</b>
<b>Economic net income per adjusted share (Non-GAAP)</b>	<b>\$ 0.30</b>	<b>\$ 0.14</b>	<b>\$ 0.90</b>	<b>\$ 0.17</b>

<sup>(1)</sup> Strategic restructuring and transaction costs, net, are included in the following financial statement line items of our Consolidated Statements of Operations:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	(in thousands)			
Compensation and related costs	\$ 532	\$ 63	\$ 1,172	\$ 903
Other operating costs	28	351	1,104	1,188
<b>Total strategic restructuring and transaction costs, net</b>	<b>\$ 560</b>	<b>\$ 414</b>	<b>\$ 2,276</b>	<b>\$ 2,091</b>

## Liquidity and Capital Resources

Historically, our cash and liquidity needs have been met primarily through cash generated by our operations and cash and cash equivalents on hand. Our financial condition at September 30, 2021 was highly liquid, with a significant amount of our assets comprised of cash and cash equivalents, accounts receivable and investment securities held by us for the purpose of optimizing short-term cash management and providing initial cash seeding for product development purposes.

The following table sets forth certain key financial data relating to our liquidity and capital resources as of September 30, 2021 and December 31, 2020:

	September 30, 2021	(in thousands)		December 31, 2020
Cash and cash equivalents	\$	64,567	\$	57,635
Accounts receivable		11,101		11,915
Investment securities		25,091		23,497
Amounts payable under tax receivable agreement <sup>(1)</sup>	\$	18,757	\$	18,979

- (1) In light of numerous factors affecting our obligation to make such payments, the timing and amounts of any such actual payments are based on our best estimate as of September 30, 2021 and December 31, 2020, including our ability to realize the expected tax benefits. Actual payments may significantly differ from estimated payments.

We have no material assets other than our ownership of Class A units of Manning & Napier Group and, accordingly, will depend on distributions from Manning & Napier Group to pay taxes and operating expenses, as well as any dividends we may pay. As managing member of Manning & Napier Group, we will determine the timing and amount of any distributions to be paid to its members. We intend to cause Manning & Napier Group to distribute cash to its members, including us, in an amount sufficient to cover taxes and operating expenses, including dividends, if any, declared by us. If we do cause Manning & Napier Group to make such distributions, Manning & Napier Group Holdings, LLC ("M&N Group Holdings") and any other holders of units of Manning & Napier Group will be entitled to receive equivalent distributions on a pari-passu basis.

In determining the sufficiency of liquidity and capital resources to fund our business, we regularly monitor our liquidity position, including among other things, cash, working capital, long-term liabilities, lease commitments and operating company distributions.

On February 3, 2021, the Board of Directors approved a share repurchase program authorizing the purchase of up to \$10.0 million of Manning & Napier Inc. Class A common shares. Given the strength of our balance sheet and cash position, the Company intended to use the approved share repurchase program to help offset dilution created from the awards issued under the Company's long-term incentive plan to our employees during the first quarter of 2021. These equity awards were valued at approximately \$6.0 million and will vest over the next 5 years. The authority to repurchase shares, which will be exercised from time to time as market conditions warrant, is subject to regulatory considerations and will expire on December 31, 2021. The timing, amount, and other terms and conditions of any repurchases will be determined by management at its discretion based on a variety of factors, including the market price of shares, general market and economic conditions, and legal requirements. The repurchase program may be modified, discontinued or suspended at any time. We have funded the program through cash on hand and cash flow. During the nine months ended September 30, 2021, Manning & Napier Inc. purchased a total of 749,005 Class A common shares using approximately \$5.7 million in cash.

Given the continued strength of our balance sheet during the six months ended June 30, 2021, along with the renewed stability of our earnings, our Board of Directors reinstated the cash dividends on our Class A common stock while continuing our share repurchase program. As such, on July 20, 2021, the Board of Directors declared a \$0.05 per share dividend to the holders of Class A common stock. The dividend was paid on August 16, 2021 to shareholders of record as of August 2, 2021. In addition, on October 22, 2021, the Board of Directors declared a \$0.05 per share dividend to the holders of Class A common stock. The dividend is payable on or about November 22, 2021 to shareholders of record as of November 8, 2021. These cash dividends on our Class A common stock were, and any future dividends would be, funded from our portion of distributions made by Manning & Napier Group, from its available cash generated from operations.

As of September 30, 2021, a total of 428,812 units of Manning & Napier Group were held by the noncontrolling interests, including M&N Group Holdings. Pursuant to the terms of the annual exchange process, such units may be tendered for exchange or redemption. On March 15, 2021, the Company received notice that 1,592,969 of Class A units of Manning & Napier Group were tendered for redemption or exchange. The independent directors, on behalf of the Company, decided that such exchange would be settled in 1,592,969 shares of unregistered Class A Common Stock of the Company. The Company



completed the exchange on June 30, 2021 and as a result, Manning & Napier acquired an equivalent number of Class A units of Manning & Napier Group and its ownership of Manning & Napier Group increased from 89.0% to 97.7%.

With approximately \$89.7 million in cash and investment securities on hand as of September 30, 2021, we expect that we have sufficient liquidity available to meet our needs for the foreseeable future. We believe cash on hand and cash generated from operations will be sufficient over the next twelve months to meet our working capital requirements.

### Cash Flows

The following table sets forth our cash flows for the nine months ended September 30, 2021 and 2020. Operating activities consist primarily of net income subject to adjustments for changes in operating assets and liabilities, equity-based compensation expense, changes in the liability under the TRA, deferred income tax expense and depreciation and amortization. Investing activities consist primarily of the purchase and sale of investments for the purpose of providing initial cash seeding for product development and cash management purposes and purchases of property and equipment. Financing activities consist primarily of distributions to noncontrolling interests, purchases of treasury stock, dividends paid on our Class A common stock, payment of shares withheld to satisfy withholding requirements and purchases of Class A units held by noncontrolling interests of Manning & Napier Group.

	Nine months ended September 30,	
	2021	2020
	(in thousands)	
Net cash provided by operating activities	\$ 21,175	\$ 11,199
Net cash (used in) provided by investing activities	(1,246)	66,597
Net cash used in financing activities	(12,997)	(92,709)
Net change in cash and cash equivalents	\$ 6,932	\$ (14,913)

### Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020

#### Operating Activities

Operating activities provided \$21.2 million and \$11.2 million of net cash for the nine months ended September 30, 2021 and 2020, respectively. This overall \$10.0 million increase in net cash provided by operating activities for the nine months ended September 30, 2021 compared to 2020 was attributed to an increase in net income after adjustment for non-cash items of approximately \$10.8 million during the nine months ended September 30, 2021 compared to the same period of 2020. The increase in net income after adjustment for non-cash items of \$24.8 million during the nine months ended September 30, 2021 compared to \$14.0 million during the same period in 2020 was driven by higher revenues resulting from an increase in our average AUM. This increase in net cash was partially offset by changes in operating assets and operating liabilities of approximately \$0.8 million, driven by the timing and amount of payments of accrued incentive compensation and an increase in payments pursuant to the TRA with \$2.1 million paid during the nine months ended September 30, 2021 as a result of the receipt of a \$2.4 million income tax refund during the second quarter of 2021.

#### Investing Activities

Investing activities used \$1.2 million and provided \$66.6 million of net cash for the nine months ended September 30, 2021 and 2020, respectively. This change was driven by a decrease in cash from investing activities of \$67.8 million due to our funding of and timing of activity within our investment securities. During the nine months ended September 30, 2021, we received approximately \$1.0 million, net, from the purchase, sale and maturity of investment securities compared to receiving \$66.8 million in the same period of 2020, primarily related to the sale of investment securities in order help fund the redemption of Class A units during the six months ended June 30, 2020. We used approximately \$0.2 million of cash for the purchases of property and equipment during both the nine months ended September 30, 2021 and 2020.

#### Financing Activities

Financing activities used \$13.0 million and \$92.7 million of net cash for the nine months ended September 30, 2021 and 2020, respectively. This overall \$79.7 million decrease in net cash used in financing activities was primarily the result of cash used for the redemption of Class A units of Manning & Napier Group pursuant to the annual exchange process, existing since the time of our IPO, of \$90.8 million in 2020, whereas the Company settled the exchange in 2021 utilizing 1,592,969 shares of unregistered Class A Common Stock of the Company. This decrease in cash used was partially offset by an increase in cash used for the payment of shares withheld to satisfy withholding requirements in connection with the vesting of restricted stock units and exercise of stock options and the purchase of treasury shares during the nine months ended September 30, 2021. The increase in cash used for the payment of shares withheld to satisfy withholding requirements on equity awards of \$4.6 million

compared to 2020 is attributed to the timing and amount of stock options exercised during the nine months ended September 30, 2021. In addition, during the nine months ended September 30, 2021 we used cash of \$5.7 million for the purchase of treasury shares under the share repurchase program of up to \$10.0 million of Manning & Napier Inc. Class A common shares approved on February 3, 2021. We used cash of approximately \$0.9 million and \$0.6 million during the nine months ended September 30, 2021 and 2020, respectively, for dividends paid on Class A common stock.

### **Dividends**

We have funded our historical quarterly cash dividends on our Class A common stock, and we believe any future dividends would be funded from our portion of distributions made by Manning & Napier Group, from its available cash generated from operations. Due to the market volatility and corresponding earnings volatility that could occur stemming from the COVID-19 pandemic, the Board of Directors did not approve any cash dividends on our Class A common stock after the dividend paid on May 1, 2020 until July 2021. Given the continued strength of our balance sheet, along with the renewed stability of our earnings, our Board of Directors reinstated the cash dividends on our Class A common stock while continuing our share repurchase program.

On July 20, 2021, the Board of Directors declared a \$0.05 per share dividend to the holders of Class A common stock. The dividend was paid on August 16, 2021 to shareholders of record as of August 2, 2021.

On October 22, 2021, the Board of Directors declared a \$0.05 per share dividend to the holders of Class A common stock. The dividend is payable on or about November 22, 2021 to shareholders of record as of November 8, 2021.

The declaration and payment of all future dividends, if any, will be at the sole discretion of our Board of Directors. In determining the amount of any future dividends, our Board of Directors will take into account:

- the financial results of Manning & Napier Group;
- our available cash, as well as anticipated cash requirements, including any debt servicing and payments required under the tax receivable agreement or the Exchange Agreement;
- our capital requirements and the capital requirements of our subsidiaries, including Manning & Napier Group;
- contractual, legal, tax and regulatory restrictions on, and implications of, the payment of dividends by us to our shareholders or distributions by Manning & Napier Group to us, including the obligation of Manning & Napier Group to make tax distributions to its unitholders, including us;
- general economic and business conditions, including the impact of the COVID-19 pandemic; and
- any other factors that our Board of Directors may deem relevant.

We have no material assets other than our ownership of Class A units of Manning & Napier Group and, accordingly, will depend on distributions from Manning & Napier Group to fund any dividends we may pay. As managing member of Manning & Napier Group, we will determine the timing and amount of any distributions to be paid to its members, other than mandatory tax distributions required under Manning & Napier Group's operating agreement. We intend to cause Manning & Napier Group to distribute cash to its members, including us, in an amount sufficient to cover dividends, if any, declared by us. If we do cause Manning & Napier Group to make such distributions, M&N Group Holdings and any other holders of units of Manning & Napier Group will be entitled to receive equivalent distributions on a pari passu basis.

On March 2, 2021, the Board of Directors approved a \$2.5 million distribution from Manning & Napier Group to Manning & Napier and the noncontrolling interests of Manning & Napier Group, of which approximately \$0.3 million was paid to the noncontrolling members of Manning & Napier Group.

On April 19, 2021, the Board of Directors approved a \$2.5 million distribution from Manning & Napier Group to Manning & Napier and the noncontrolling interests of Manning & Napier Group, of which approximately \$0.3 million was paid to the noncontrolling members of Manning & Napier Group.

On July 20, 2021, the Board of Directors approved a \$3.5 million distribution from Manning & Napier Group to Manning & Napier and the noncontrolling interests of Manning & Napier Group, of which approximately \$0.1 million was paid to the noncontrolling members of Manning & Napier Group.

### **Off Balance Sheet Arrangements**

We did not have any off-balance sheet arrangements as of September 30, 2021.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

As a "smaller reporting company," we are not required to provide this information.

## **Item 4. Controls and Procedures**

### **Disclosure Controls and Procedures**

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2021 pursuant to Rule 13a-15 under the Exchange Act. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2021, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II—OTHER INFORMATION****Item 1A. Risk Factors**

We have set forth in Item 1A to our Annual Report on Form 10-K for the year ended December 31, 2020 risk factors relating to our business, our industry, our structure and our Class A common stock. Readers of this Quarterly Report on Form 10-Q are referred to such Item 1A for a more complete understanding of risks concerning our company. There have been no material changes in our risk factors since those published in such Form 10-K for the year ended December 31, 2020.

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

Pursuant to the share repurchase program approved by our Board of Directors in February 2021 for up to \$10.0 million of our Class A common shares, during the three months ended September 30, 2021, we repurchased Class A common shares as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share (in dollars)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1 - 31, 2021	186	\$ 8.42	186	\$ 4,661,689
August 1 - 31, 2021	35,154	\$ 9.33	35,154	\$ 4,333,708
September 1 - 30, 2021	—	\$ —	—	\$ 4,333,708
Total	<u>35,340</u>	\$ —	<u>35,340</u>	\$ 4,333,708

The repurchase program will expire on December 31, 2021.

**Item 6. Exhibits**

Exhibit No.	Description
31.1	<a href="#">Certification of the Company's Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification of the Company's Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	<a href="#">Certification of the Company's Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2	<a href="#">Certification of the Company's Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101	Materials from the Manning & Napier, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Financial Condition, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) related Notes to the Unaudited Consolidated Financial Statements.
104	Cover Page Interactive Data File (included in Exhibit 101)

**SIGNATURES**

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

MANNING & NAPIER, INC.

Dated: November 12, 2021

By: /s/ Marc Mayer  
Marc Mayer  
Chief Executive Officer  
(principal executive officer)

/s/ Paul J. Battaglia  
Paul J. Battaglia  
Chief Financial Officer  
(principal financial and accounting officer)

**Certification**  
**Pursuant to Section 302**  
**of the Sarbanes-Oxley Act of 2002**

I, Marc Mayer, certify that:

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

/s/ Marc Mayer

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Marc Mayer  
Chief Executive Officer  
(principal executive officer)

Date: November 12, 2021

**Certification**  
**Pursuant to Section 302**  
**of the Sarbanes-Oxley Act of 2002**

I, Paul J. Battaglia, certify that:

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

/s/ Paul J. Battaglia

Paul J. Battaglia

Chief Financial Officer

(principal financial and accounting officer)

Date: November 12, 2021

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

I, Marc Mayer, the Chief Executive Officer of Manning & Napier, Inc. (the “Company”), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Marc Mayer

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Marc Mayer  
Chief Executive Officer  
(principal executive officer)

Date: November 12, 2021



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

I, Paul J. Battaglia, the Chief Financial Officer of Manning & Napier, Inc. (the “Company”), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Paul J. Battaglia

Paul J. Battaglia

Chief Financial Officer

(principal financial and accounting officer)

Date: November 12, 2021