

# Manning & Napier

Earnings Release Supplement

*For the period ended September 30, 2018*

[www.manning-napier.com](http://www.manning-napier.com)



# Forward Looking Statements

This presentation contains “forward-looking statements.” Such statements can be identified by the use of forward-looking terminology such as “believes,” “expects,” “may,” “estimates,” “will,” “should,” “intends,” “plans” or “anticipates” or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. You are cautioned that any such forward-looking statements are not guarantees of future performance and may involve significant risks and uncertainties, and that actual results may vary materially from those in the forward-looking statements as a result of various factors. Prospective investors are cautioned not to place undue reliance on forward-looking statements. All written and oral forward-looking statements attributable to us or persons acting on our behalf are qualified in their entirety by those cautionary statements. Any forward-looking statements which we make in this presentation speak only as of the dates of such statements, and we undertake no obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained in this presentation to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

# Office of the Chief Executive Officer

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**Charles H. Stamey**

*Co-Chief Executive Officer  
Executive Vice President  
Managing Director of Sales*

Charles Stamey is Co-Chief Executive Officer, Executive Vice President, and Managing Director of Sales at Manning & Napier. As Managing Director of Sales, Charles is responsible for the management of the sales, marketing, and client services teams. Charles has been with the Firm since 1993 and has over 30 years of business experience.

Charles received his BS in Business Administration from Mt. Vernon College and his MBA from The Ohio State University.

**Jeffrey S. Coons, PhD, CFA**

*Co-Chief Executive Officer  
President*

Jeffrey S. Coons is a Co-Chief Executive Officer and President of Manning & Napier. As President, Dr. Coons' responsibilities include working on strategic initiatives for the Firm, as well as having direct oversight of several areas within the Firm, such as our Operations, Portfolio Strategies, and Client Analytics Departments.

Dr. Coons began his career at Manning & Napier in 1985 and served the Firm as an Equity Analyst and coordinator of the equity investment process. In 1990, he began his doctoral studies in Economics at Temple University. His doctoral thesis examined a microeconomic model of returns and risk in financial markets. While completing his doctoral studies, Dr. Coons was a Fixed Income Portfolio Manager for Turner Investment Partners in Philadelphia, PA. In 1993, Dr. Coons returned to Manning & Napier to provide advanced quantitative tools to the risk management area of the Firm.

Dr. Coons graduated with distinction from the University of Rochester with a BA in Economics and is a CFA charterholder.

**Richard Goldberg**

*Co-Chief Executive Officer  
Director of Manning & Napier, Inc.*

Richard Goldberg is Co-Chief Executive Officer and a member of the board of directors of Manning & Napier, Inc. Richard has been an investment banker focusing on the financial institution sector for more than 30 years and an advisor to Manning & Napier for 20 years. His financial industry career includes positions at Lehman Brothers, Lazard, and Wasserstein Perella as head of the North American Financial Institutions Advisory Practice. Currently, Richard is a member of the faculty and Advisory Board of Columbia University's School of International and Public Affairs.

Richard received his MBA from University of Pennsylvania's Wharton Business School.

# For More Than 45 Years, Our Investment Approach has Been Rooted in the Following Core Beliefs

## Team-Based Research Means Stability of Process Over Time

- Top-down and bottom-up research for more than 45 years
- Focus on process rather than personalities
- Leads to repeatable strategies and protects clients from staff turnover

## A Focus on Absolute Returns Means Our Goals are the Same as Yours

- We acknowledge the difference between permanent loss and day-to-day volatility
- Research compensation structure rewards positive/above benchmark returns and penalizes negative/below benchmark returns; negative bonuses can be carried forward
- Additionally, a focus on price can help investors avoid permanent loss of capital and is aimed at maximizing absolute returns over the long-term

## Being Flexible Means We Can Manage Risk as Environments Change

- We are objectives-driven, not benchmark-driven
- We can avoid the herd mentality that often leads to boom and bust cycles
- We are selective about opportunities and can adjust the portfolio in an effort to avoid areas of risk

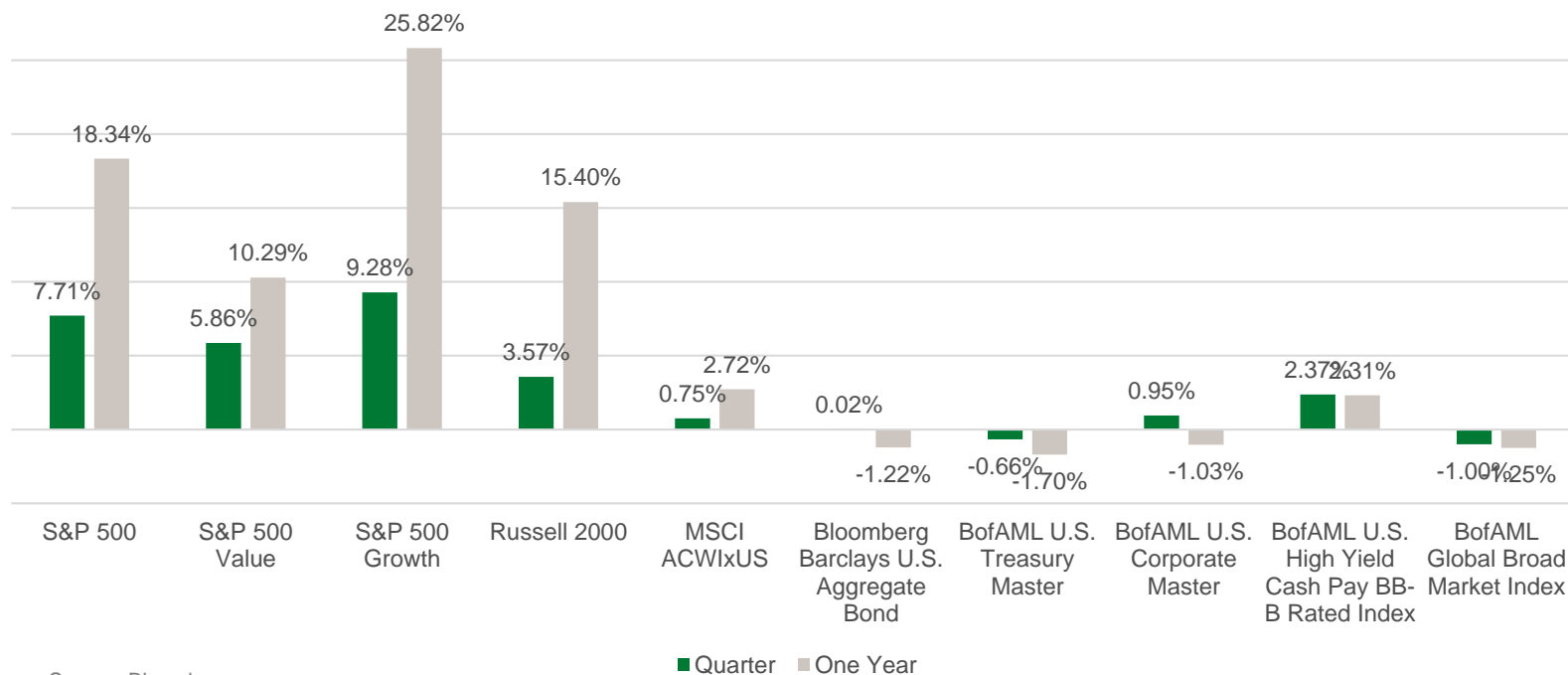
## Performance Highlights

Strategy	MN Year to date Performance	Benchmark Year to date Performance	MN 3 Year Annualized Performance	Benchmark 3 Year Annualized Performance
Rainier International Small Cap	0.7%	-4.4%	11.4%	11.2%
Disciplined Value - Unrestricted	7.7%	3.9%	16.5%	13.6%
High Yield Bond Series	2.6%	1.9%	7.6%	7.4%
Pro-Blend Maximum Term	7.0%	5.9%	13.3%	13.3%

## Distribution & Product Update

- Rainier International Discovery has been the strongest source of MF/CIT net flows – net inflows of \$460 million year-to-date, with total AUM of over \$930 million as of September 30, 2018.
- Our Disciplined Value strategy is over \$1.1 billion in AUM as of September 30th with a strong pipeline of opportunities.
- We continue to enhance and promote our consultative services to provide a complete investment solution for our clients. As of September 30<sup>th</sup> we have approximately \$500 million of AUM utilizing our custom solutions offering.

# Financial Market Performance (as of 09/30/2018)

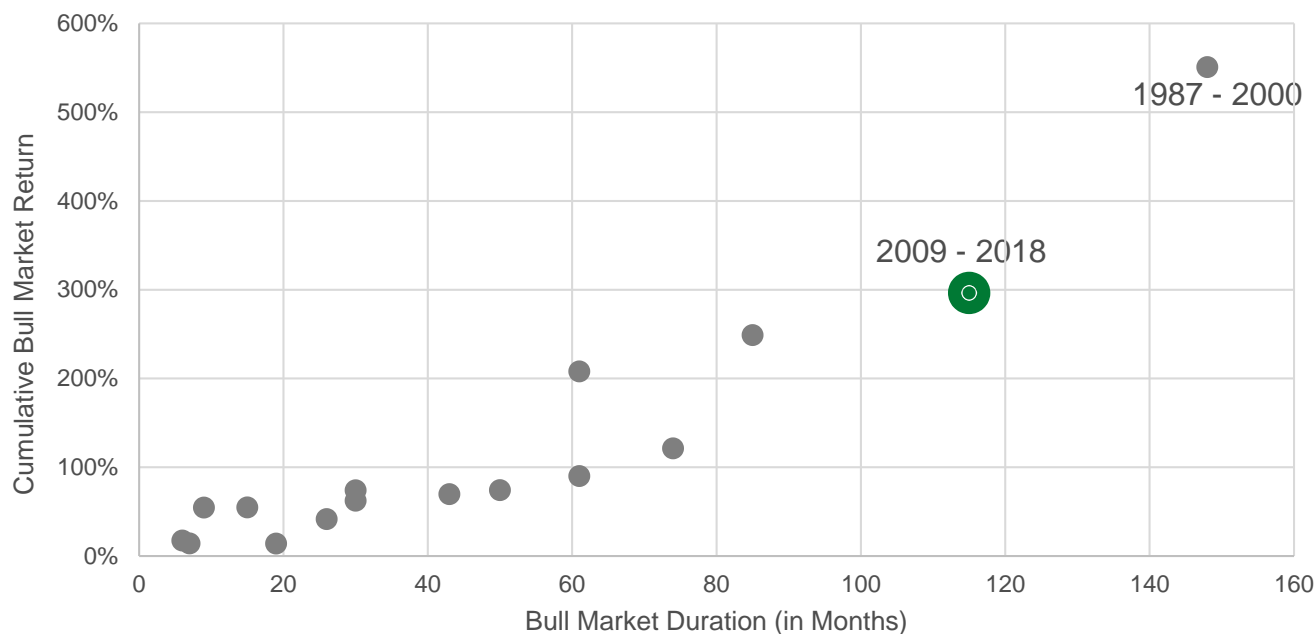


## Key Takeaways:

- US equity markets delivered strong returns during the third quarter while international equity returns were modestly positive. US growth stocks continued to outperform value stocks for the period, extending their relative performance gap over the trailing year. US small cap underperformed US large cap, and they are now underperforming over the trailing year
- US fixed income performance was generally flat for the quarter, outperforming a modest decline in global fixed income returns. Corporate spreads tightened over the period, resulting in corporate bonds outperforming government bonds, and in high yield corporate bonds outperforming investment grade

# US Equities are in a Historically Strong Bull Market

S&P 500 Price Returns  
1938 - 2018



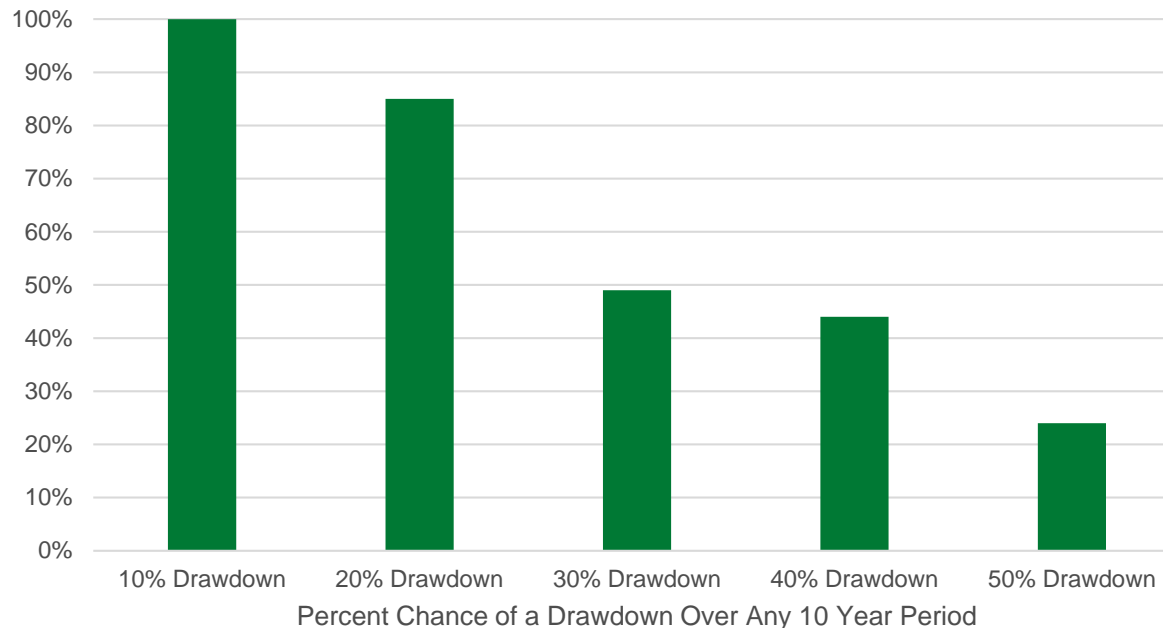
Source: FactSet. Data is through 09/30/2018.

## Key Takeaways:

- Outside of the late 1990s, the current bull run is the longest and strongest in modern US history. Consumer confidence surged to fresh highs during the quarter, and both consumers and investors alike are now overconfident and complacent
- The extreme bullish sentiment is being reflected in stretched valuations across most global asset classes

# Significant Market Drawdowns Should Be Expected

S&P 500 Price Return  
1926 - 2017



Source: FactSet.

## Key Takeaways:

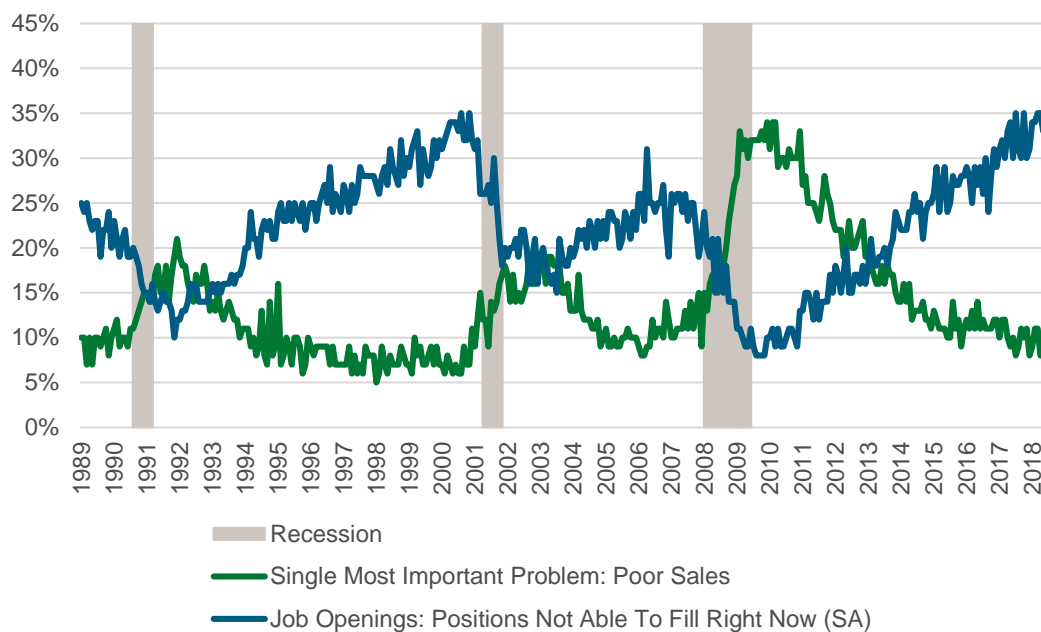
- Our investment disciplines focus on risk management and long-term performance. Over any long-term time period, defined in the above as a ten year period, significant market drawdowns should be expected. Our clients expect us to prepare for these moments of market volatility, and their long-term goals will continue to drive out investment decisions
- We believe global financial markets are entering a higher risk regime for risk assets (stocks and bonds) over the next 12 months



# Main Risks Include a Late Cycle US Economy

## NFIB Small Business Survey: Economic Trends

1989 - 2018

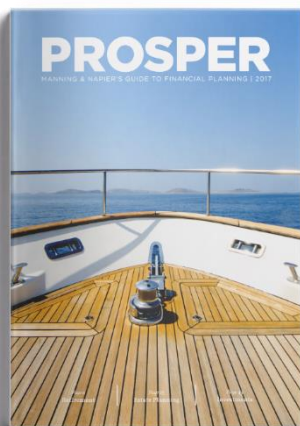


Source: FactSet. Data is through 08/31/2018.

### Key Takeaways:

- Global risks have been rising through 2018. Most notably, we view the US economy as approaching peak growth and moving in late cycle territory. As the economy nears the end of the cycle, we can also expect peak profits and margin pressures as cost inflation becomes an earnings headwind
- Additional risks include rising interest rates, a hawkish Fed, escalating trade tensions, the Chinese economy slowing down more than expected, and ongoing geopolitical uncertainty

# Content Marketing Used to Enhance Distribution



Publications available in print and digital mediums to be used to service existing relationships and identify new prospect opportunities

*Prosper:*

- An annual financial planning publication for high-net-worth individuals
- Demonstrates Manning & Napier's advisory service capabilities

*Foundations:*

- A semi-annual Taft-Hartley focused publication
- Produced multiple speaking opportunities year-to-date

*Semi-Annual Outlook:*

- A semi-annual communication on investment opportunities
- Generated noteworthy attendance on inaugural webinar held in July

# Performance Summary 9/30/18



Portfolio Teams - Notable Strategies	AUM (\$M)	Year to date	One-Year	Three-Year	Five-Year	Ten-Year
<b>International Series</b>	\$ 156.9	-6.0%	-2.5%	9.0%	3.5%	5.6%
<i>MSCI All Country World ex US</i>		-3.1%	1.8%	10.0%	4.1%	5.2%
Relative Performance		-2.9%	-4.3%	-1.0%	-0.6%	0.4%
<b>Disciplined Value - Unrestricted</b>	\$ 463.4	7.7%	15.4%	16.5%	11.9%	11.2%
<i>Russell 1000 Value</i>		3.9%	9.5%	13.6%	10.7%	9.8%
Relative Performance		3.8%	5.9%	2.9%	1.2%	1.4%
<b>Disciplined Value - U.S.</b>	\$ 636.8	7.4%	16.8%	17.5%	13.5%	--
<i>Russell 1000 Value</i>		3.9%	9.5%	13.6%	10.7%	--
Relative Performance		3.5%	7.3%	3.9%	2.8%	--
<b>Real Estate Series</b>	\$ 102.0	0.9%	3.0%	8.7%	9.7%	--
<i>MSCI US REIT</i>		1.3%	2.4%	6.3%	7.8%	--
Relative Performance		-0.4%	0.6%	2.4%	1.9%	--
<b>Rainier International Small Cap</b>	\$ 933.4	0.7%	7.0%	11.4%	10.5%	--
<i>MSCI ACWIxUS Small Cap Index</i>		-4.4%	1.9%	11.2%	6.1%	--
Relative Performance		5.1%	5.1%	0.2%	4.4%	--
<b>Managed ETF Portfolio - Long-Term Growth</b>	\$ 221.1	3.0%	6.1%	7.9%	5.8%	--
<i>40% Russell 3000, 15% MSCI ACWXUS, 45% BC US Agg Bond</i>		3.0%	6.5%	8.9%	7.0%	--
Relative Performance		0.0%	-0.4%	-1.0%	-1.2%	--
Multi Asset Class - Notable Strategies	AUM (\$M)	Year to date	One-Year	Three-Year	Five-Year	Ten-Year
<b>Long-Term Growth 30%-80% Equity Exposure</b>	\$ 6,776.9	3.8%	5.6%	8.2%	5.8%	6.7%
<i>40/15/45 Rusl 3000/MSCI ACWXU/BB Agg Cumulative</i>		3.0%	6.5%	8.9%	7.0%	7.6%
Relative Performance		0.8%	-0.9%	-0.7%	-1.2%	-0.9%
<b>Growth with Reduced Volatility 20%-60% Equity Exposure</b>	\$ 3,024.5	2.6%	4.0%	6.2%	4.4%	5.7%
<i>30/10/60 Rusl 3000/MSCI ACWXU/BB Agg Cumulative</i>		1.9%	4.5%	6.8%	5.8%	6.7%
Relative Performance		0.7%	-0.5%	-0.6%	-1.4%	-1.0%
<b>Equity-Oriented 70%-100% Equity Exposure</b>	\$ 1,471.6	7.9%	13.4%	13.4%	8.4%	8.3%
<i>65% Russell 3000 / 20% ACWIxUS/ 15% US BC Agg Bond</i>		5.9%	11.4%	13.3%	9.9%	9.6%
Relative Performance		2.0%	2.0%	0.1%	-1.5%	-1.3%
<b>Strategic Income (Moderate)</b>	\$ 232.9	2.3%	5.5%	7.9%	5.9%	--
<i>32% Russell 3000, 8% MSCI World, 10% MSCI US REIT, 50% BC US Agg Bond</i>		0.5%	2.8%	6.5%	5.7%	--
Relative Performance		1.8%	2.7%	1.4%	0.2%	--

NOTES:

"--" Denotes the fact that performance not available given the product's inception date  
Investment strategy returns are presented net of fees. Benchmark returns do not reflect any fees or expenses.

# Performance Summary 9/30/18 – Continued



Core Equity - Notable Strategies		AUM (\$M)	Year to date	One-Year	Three-Year	Five-Year	Ten-Year
<b>Core Equity (Unrestricted) 90-100% Equity Exposure</b>		\$ 976.4	11.3%	17.8%	16.0%	10.3%	9.9%
<i>80% Russell 3000/ 20% ACWIxUS</i>			7.8%	14.3%	15.7%	11.6%	10.7%
Relative Performance			3.5%	3.5%	0.3%	-1.3%	-0.8%
<b>Core Non-U.S. Equity</b>		\$ 2,551.5	-1.7%	1.0%	9.2%	2.2%	3.9%
<i>ACWIxUS</i>			-3.1%	1.8%	10.0%	4.1%	5.2%
Relative Performance			1.4%	-0.8%	-0.8%	-1.9%	-1.3%
<b>Core U.S. Equity</b>		\$ 487.1	12.6%	20.2%	17.7%	12.1%	10.6%
<i>Russell 3000</i>			10.6%	17.6%	17.1%	13.5%	12.0%
Relative Performance			2.0%	2.6%	0.6%	-1.4%	-1.4%
Fixed Income - Notable Strategies		AUM (\$M)	Year to date	One-Year	Three-Year	Five-Year	Ten-Year
<b>Unconstrained Bond Series</b>		\$ 47.5	0.3%	0.6%	2.4%	2.2%	5.5%
<i>Citigroup US Domestic 3 Mo T-Bill</i>			1.3%	1.6%	0.8%	0.5%	0.3%
Relative Performance			-1.0%	-1.0%	1.6%	1.7%	5.2%
<b>High Yield Bond Series</b>		\$ 35.7	2.6%	3.7%	7.6%	5.3%	--
<i>ML High Yield Cash Pay BB-B Rated Index</i>			1.9%	2.3%	7.4%	5.4%	--
Relative Performance			0.7%	1.4%	0.2%	-0.1%	--
<b>Aggregate Fixed Income</b>		\$ 387.6	-1.2%	-1.1%	1.3%	1.8%	3.8%
<i>Bloomberg Barclays U.S. Agg Bond</i>			-1.6%	-1.2%	1.3%	2.2%	3.8%
Relative Performance			0.4%	0.1%	0.0%	-0.4%	0.0%

NOTES:

“--” Denotes the fact that performance not available given the product’s inception date

Investment strategy returns are presented net of fees. Benchmark returns do not reflect any fees or expenses.

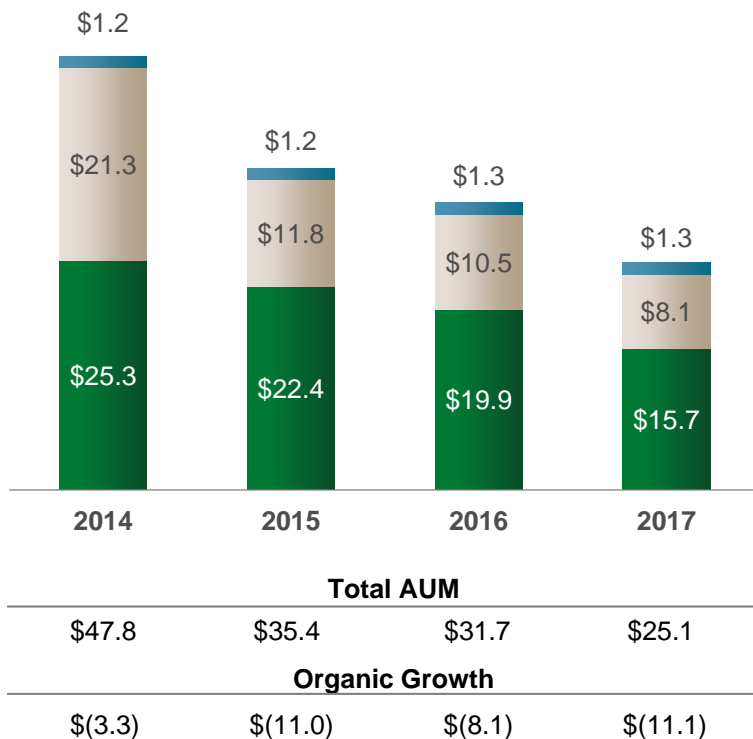
# Financial Update

# Historical AUM by Portfolio

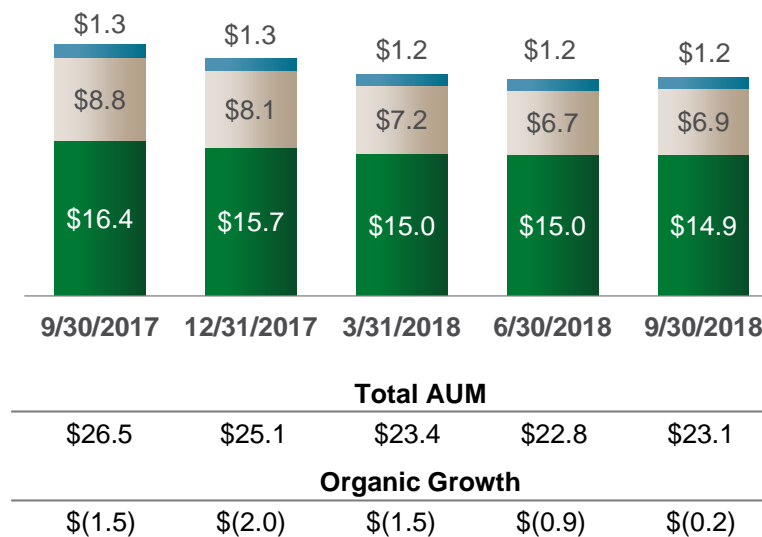
(\$ in billions)

While AUM continues to decline, gross client outflows have slowed as a result of our servicing efforts and competitive near-term performance. Gross client inflows have also slowed – due to smaller new business wins (i.e. no institutional closes), our continued MN headwinds, and passive trends.

## For the year ended December 31,



## For the quarter ended



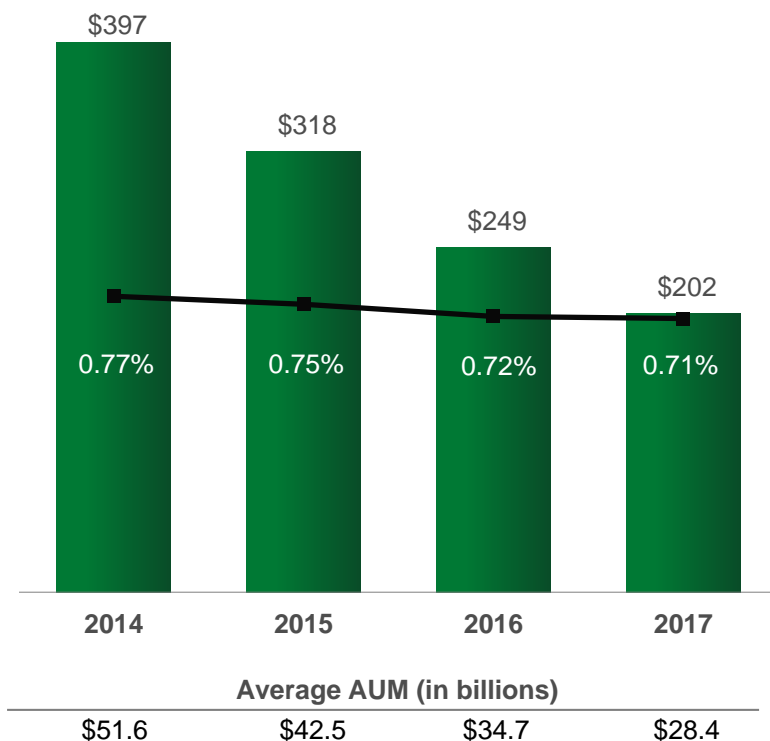
■ Blended Asset ■ Equity ■ Fixed Income

# Historical Revenue & Revenue Rates

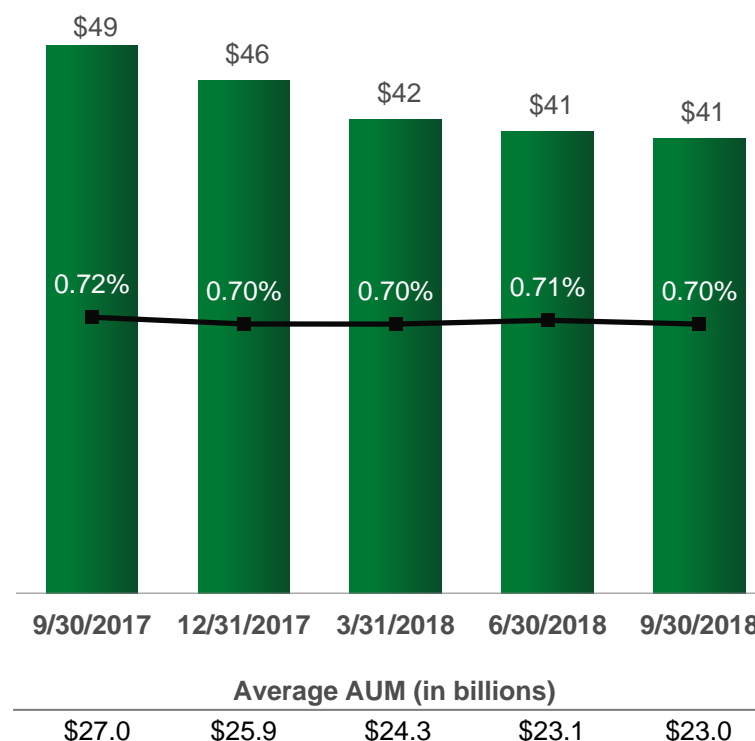
(\$ in millions)

The slight decrease in our historical revenue rates has been the result of a change in our business mix. As we look forward, we could see continued changes due to further changes in business mix and/or fee pressures.

## For the year ended December 31,



## For the quarter ended

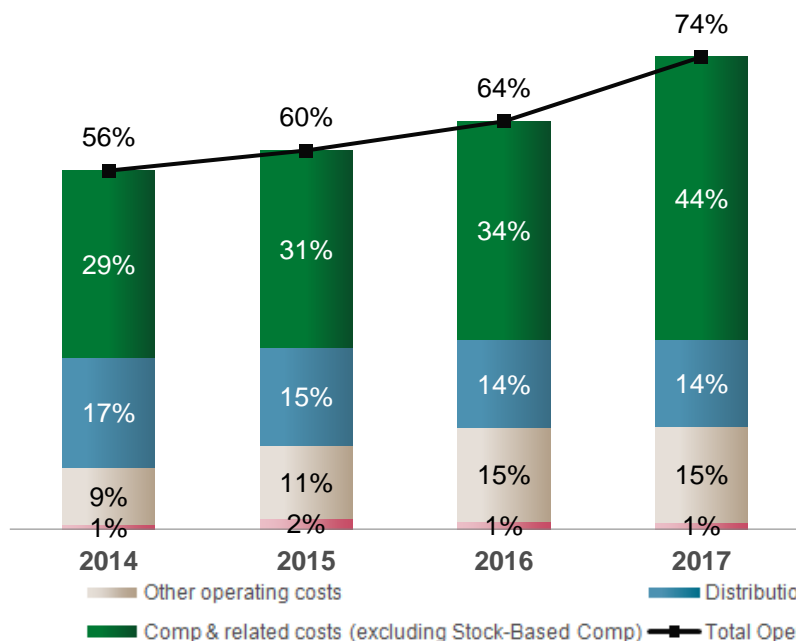


■ Revenue    —■ Revenue Rates

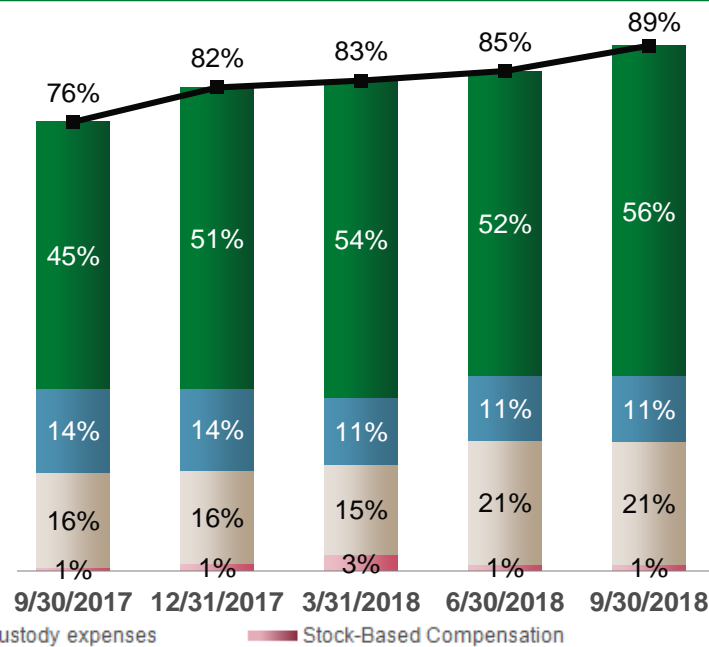
# Operating Expense, as adjusted, as a Percentage of Total Revenue

- Compensation and related costs, including fixed costs, variable incentives and stock-based compensation have decreased by over \$30 million from peak levels in 2013-2014, but have increased as a percentage of revenue due to lower AUM levels over the same period.
- Distribution, servicing and custody expenses, including revenue share expenses paid to third party mutual fund platforms, have remained relatively consistent as a percentage of MF/CIT AUM and Revenue.
- Other operating expenses have increased as a percentage of revenue as a result of costs to support existing strategic initiatives and infrastructure. Total other operating expenses remain in line with historical annual averages of \$30-\$35 million annually.

## For the year ended December 31,



## For the quarter ended



(1) Operating expense and compensation and related costs as a percentage of revenue excludes non-cash reorganization-related share-based compensation for periods prior to March 31, 2015. For further information and reconciliation between GAAP and our Non-GAAP financial measures, see the appendix as well as previously filed Form 10-Ks, 10-Qs and 8-Ks.

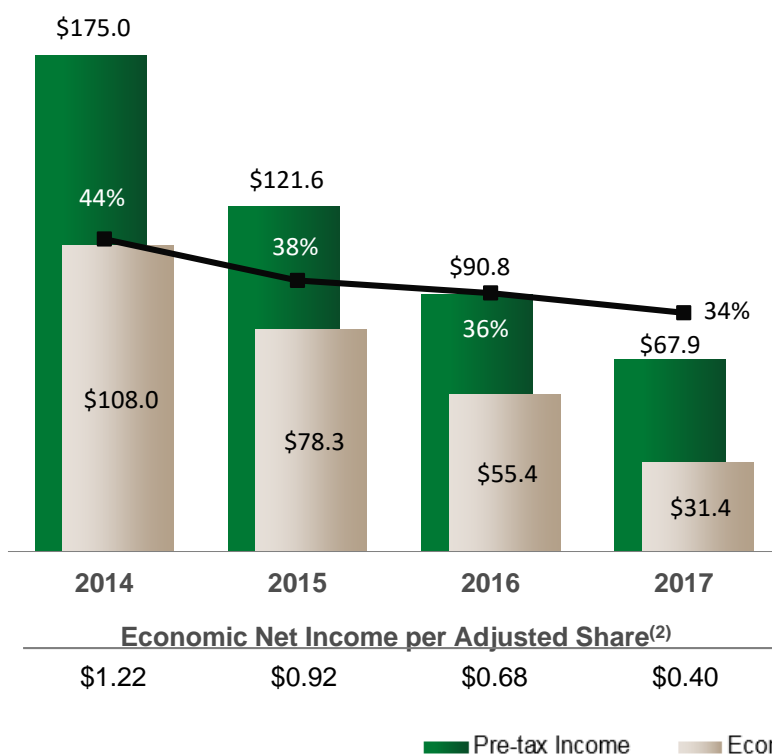


# Pre-Tax Income, Economic Net Income & Economic Income Margins<sup>(1)</sup>

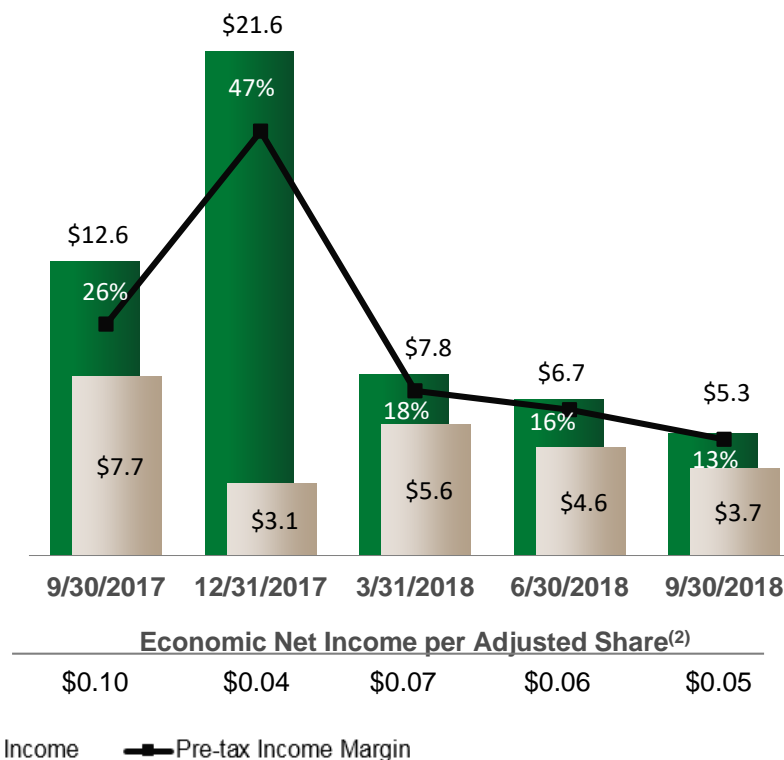
(\$ in millions)

While our variable expense structure has historically provided us the flexibility to maintain competitive margins in different market environments, we have also demonstrated a willingness to reinvest in our business to support the development of new product solutions for our clients and new business opportunities.

## For the year ended December 31,



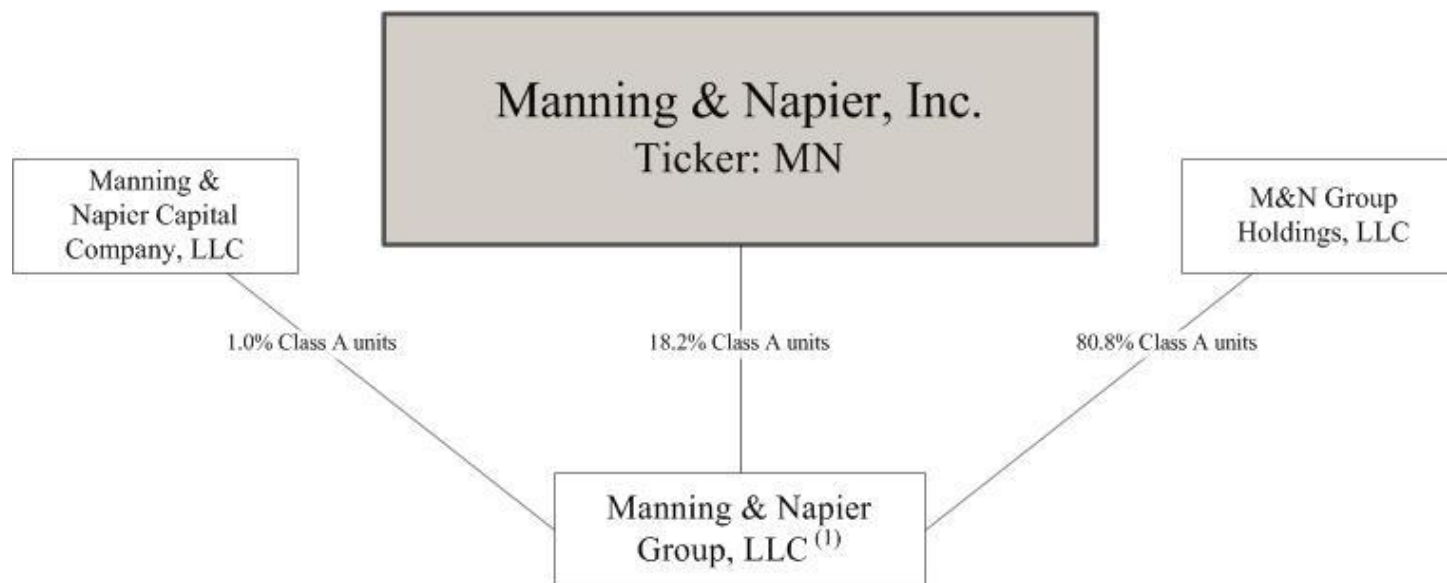
## For the quarter ended



(1) For the year ended December 31, 2014, Pre-Tax Income excludes non-cash reorganization-related share-based compensation. For further information and reconciliation between GAAP and our Non-GAAP financial measures, see the appendix as well as previously filed Form 10-Ks, 10-Qs and 8-Ks.

(2) Assumes the weighted average exchangeable units of Manning & Napier Group, LLC and unvested equity awards are converted into the Company's Class A common stock as of the respective reporting date, on a one-to-one basis

# MN Organizational Structure



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

