



HOW MUCH IS ACTIVE MANAGEMENT WORTH?

/Meet The Speaker

DARIN LEONE

Darin Leone, CFA

Darin Leone is a Portfolio Strategist at Manning & Napier. With over 15 years of experience in the investment industry, Darin is responsible for communicating the Firm's economic overview, investment processes, and portfolio positioning to financial advisors, registered investment advisors, and clients. Darin's experience has spanned portfolio analysis, manager research, and high-net-worth client management. Before joining Manning & Napier in 2009, Darin held previous positions at U.S. Trust, Bank of America Private Wealth Management, and Raymond James Financial.



/Active Management

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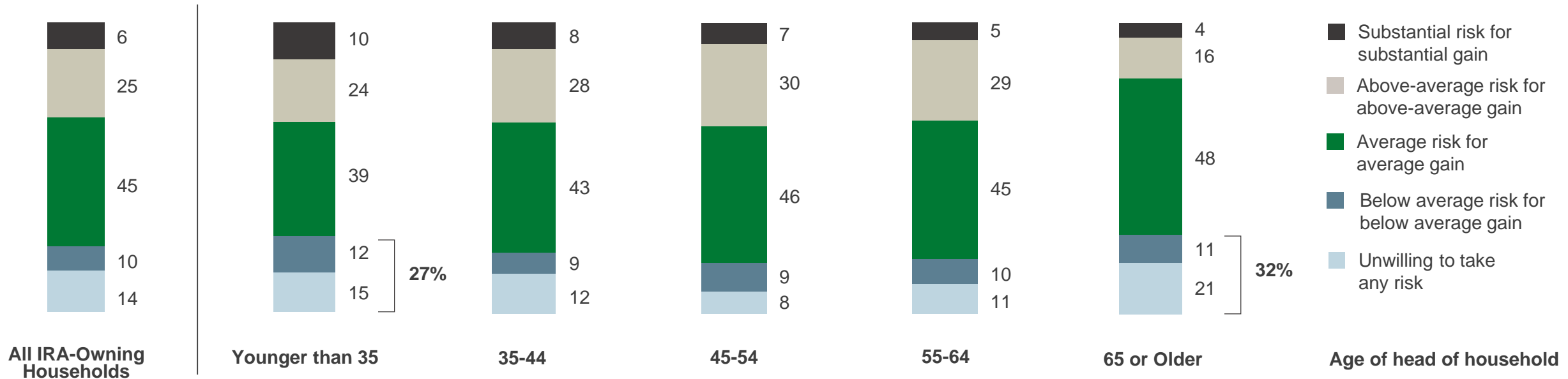


UNDERSTANDING INVESTORS' NEEDS

/Understanding Investors' Needs

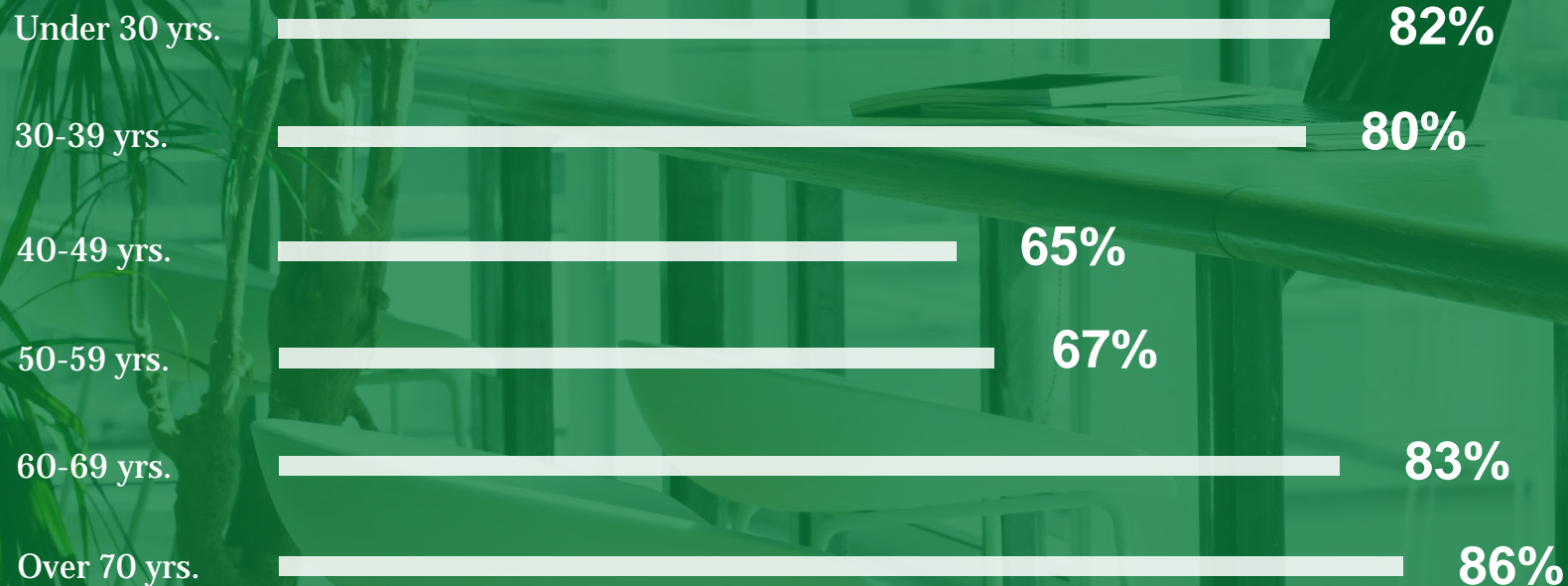
ALL AGES ARE RISK-AVERSE

24% of IRA owning households report below-average risk tolerance or unwillingness to take any risk, with 27% of youngest investors and 32% of oldest investors most likely to avoid risk.



INVESTORS WANT PROTECTION

77% of investors said they support managers' protecting their portfolios from losses, even if it results in periods of underperformance. People across all age groups shared that sentiment, but it was especially true among the oldest and youngest respondents.



/Understanding Investors' Needs

THE IMPACT OF THE 2008 FINANCIAL CRISIS

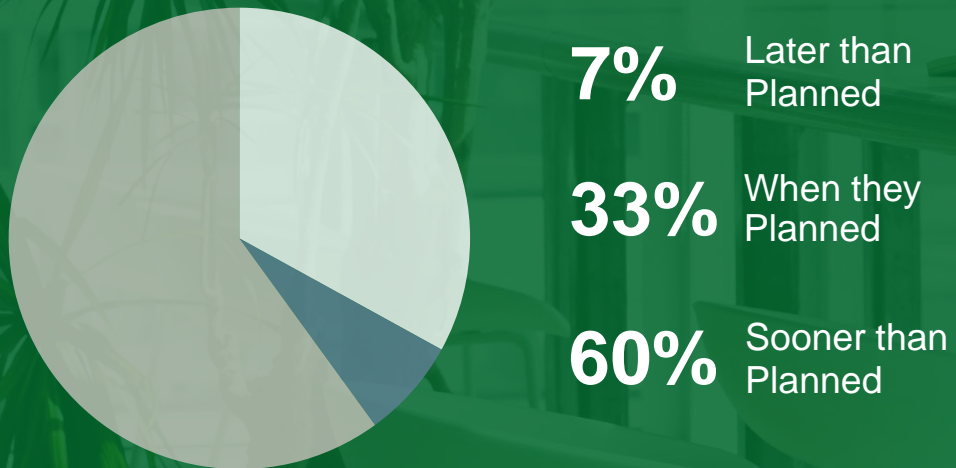


42%

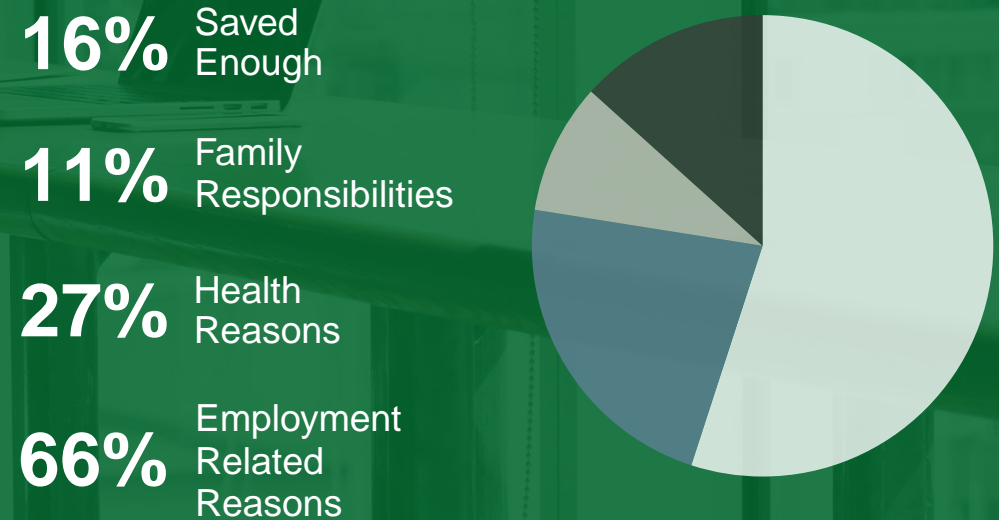
Of people say they now avoid the market

EARLY RETIREMENT IS A REALITY

When People Retire



Among those who retired early:



/Understanding Investors' Needs

INVESTORS SURROUNDED BY WARNINGS OF HIGH FEES

“1% versus 0.5% may not feel like much over the course of a year, but when saving for retirement, it could mean the difference between retiring at age 70 versus retiring at 73.”

– Kyle Ramsay, Head of Investing and Retirement at NerdWallet

1% = 73 yrs.

0.5% = 70 yrs.

/Understanding Investor's Needs

MESSAGE FUELS TREND TO PASSIVE

Wall Street Journal

*93% of flows to passive within last year:
Passively managed mutual funds and ETFs
took in \$726 billion in the year ended Jan.
31 compared with \$52.6 billion for active
funds, Morningstar data shows.*

\$52.6 Billion
Active Funds

\$726 Billion
Passive Funds
and ETFs



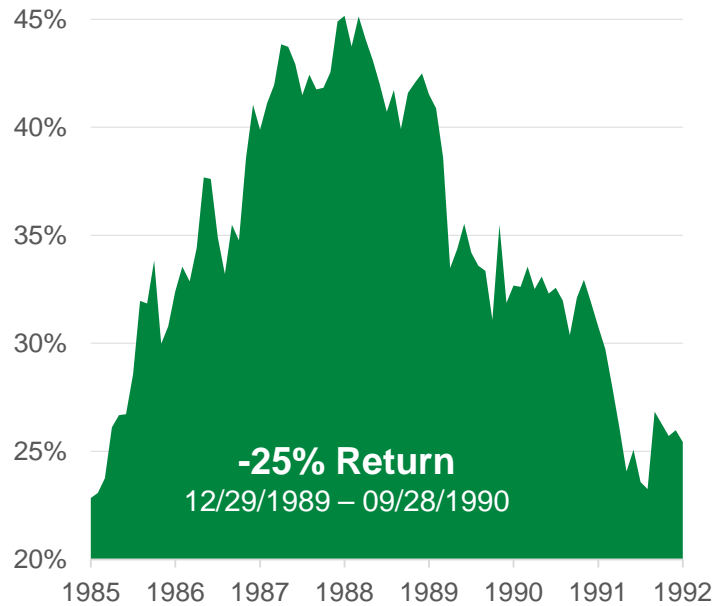


THE DOWNSIDE OF PASSIVE

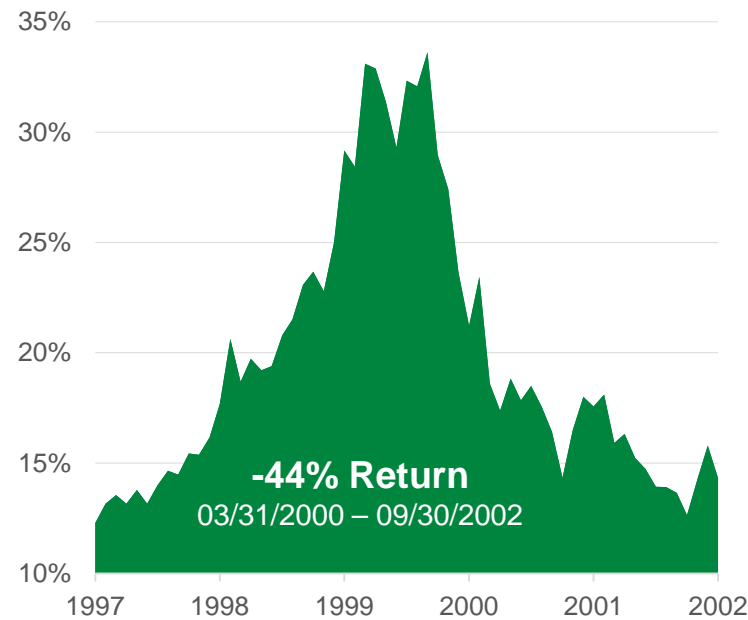
/The Downside of Passive

RISKS OF INDEXING

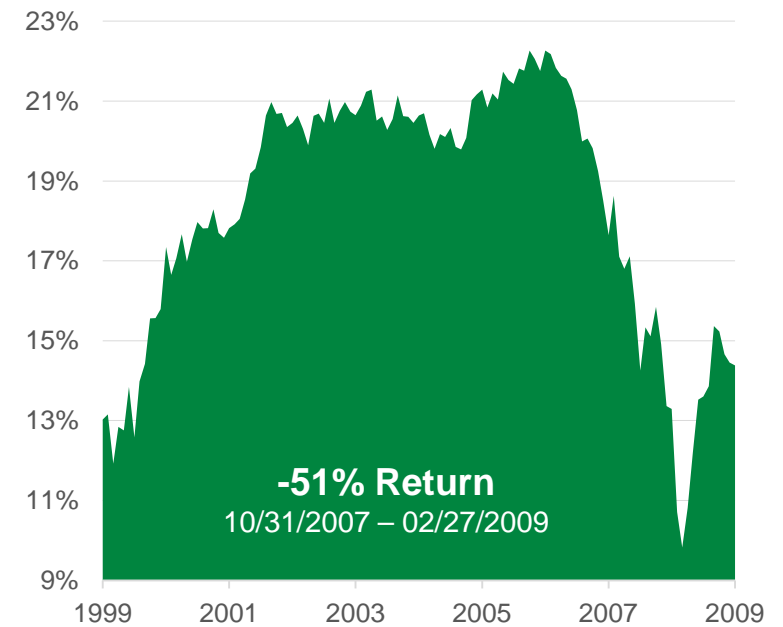
Japan Weighting: FTSE World



Information Technology Weighting: S&P 500



Financials Weighting: S&P 500



Source of Charts: FactSet. See last page for additional disclosures

Past performance does not guarantee future results. For illustrative purposes only. The line graph illustrates the weight of the particular sector or country within the specified index. Total returns provided are the cumulative returns of the indexes over the specified time periods and were calculated in U.S. dollars on the last business day of the month.

HISTORY OF EQUITY MARKET DECLINES

Bull Market Dates	# of Years	Percent Gain	Subsequent Decline
09/30/1974 – 08/31/1987	12.9	845.2%	-29.6%
11/30/1987 – 08/31/2000	12.8	816.5%	-44.7%
02/28/2009 – current*	8.8	338.5%	??
06/30/1962 – 011/30/1968	6.4	143.7%	-29.3%
09/30/2002 – 10/31/2007	5.1	108.4%	-50.9%
06/30/1970 – 12/31/1972	2.5	75.6%	-42.6%
Average Bull Market Gain		388.0%	
Average Subsequent Bear Market Decline		-39.5%	

Source: Morningstar. Analysis: Manning & Napier. Based on the S&P 500. See last page for additional disclosures.

*Current data is through 12/31/2017.



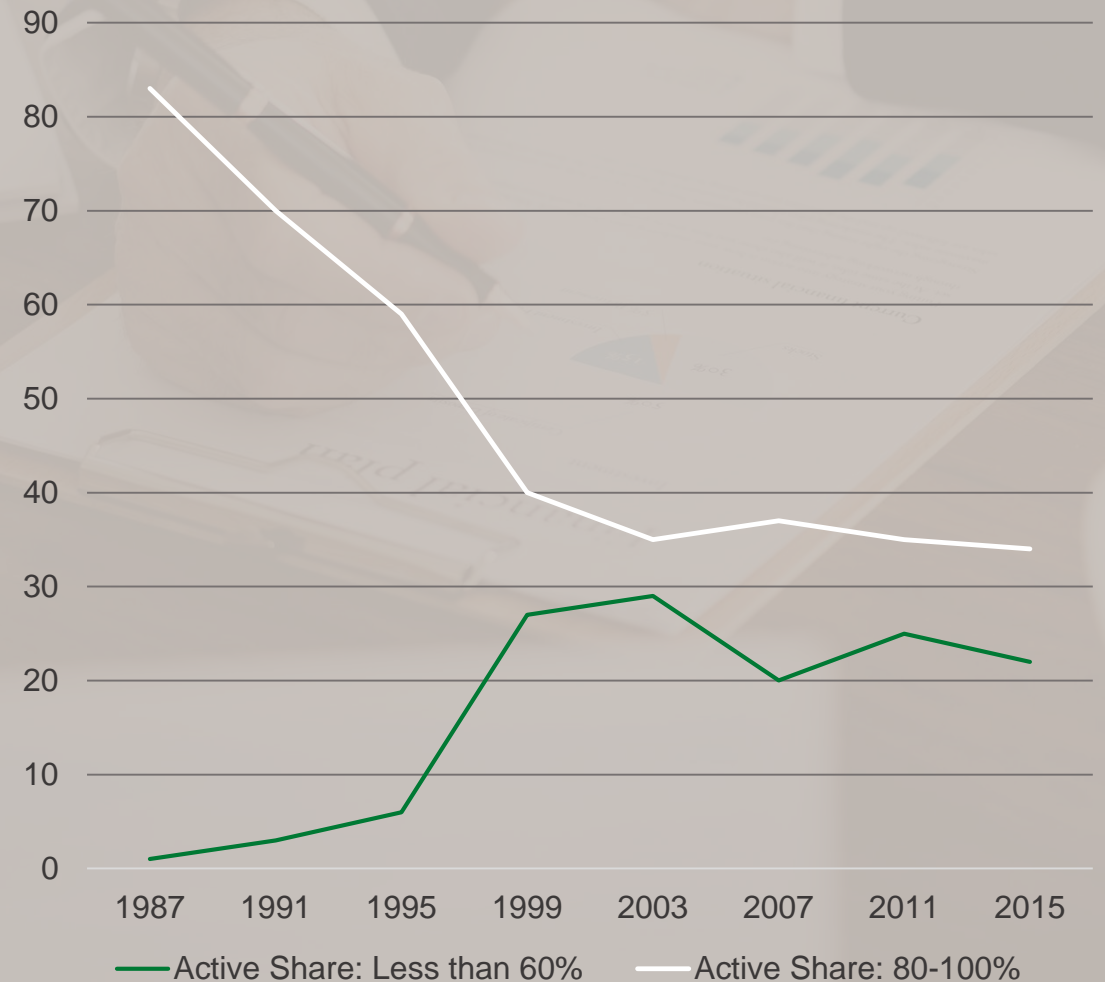
EVALUATING ACTIVE MANAGEMENT

/Evaluating Active Management

IS YOUR MANAGER TRULY ACTIVE?

A surprising number of asset managers say they are truly active, but are they?

An Increasing Number of Managers are Not Truly Active



Source: Morningstar. This figure shows the fraction of assets in US all equity mutual funds by Active Share score. Active share can range from 0% to 100%. A high active share indicates that a portfolio's equity investments significantly differ from the benchmark, while the investments of a portfolio with a low active share largely mirror the benchmark index.

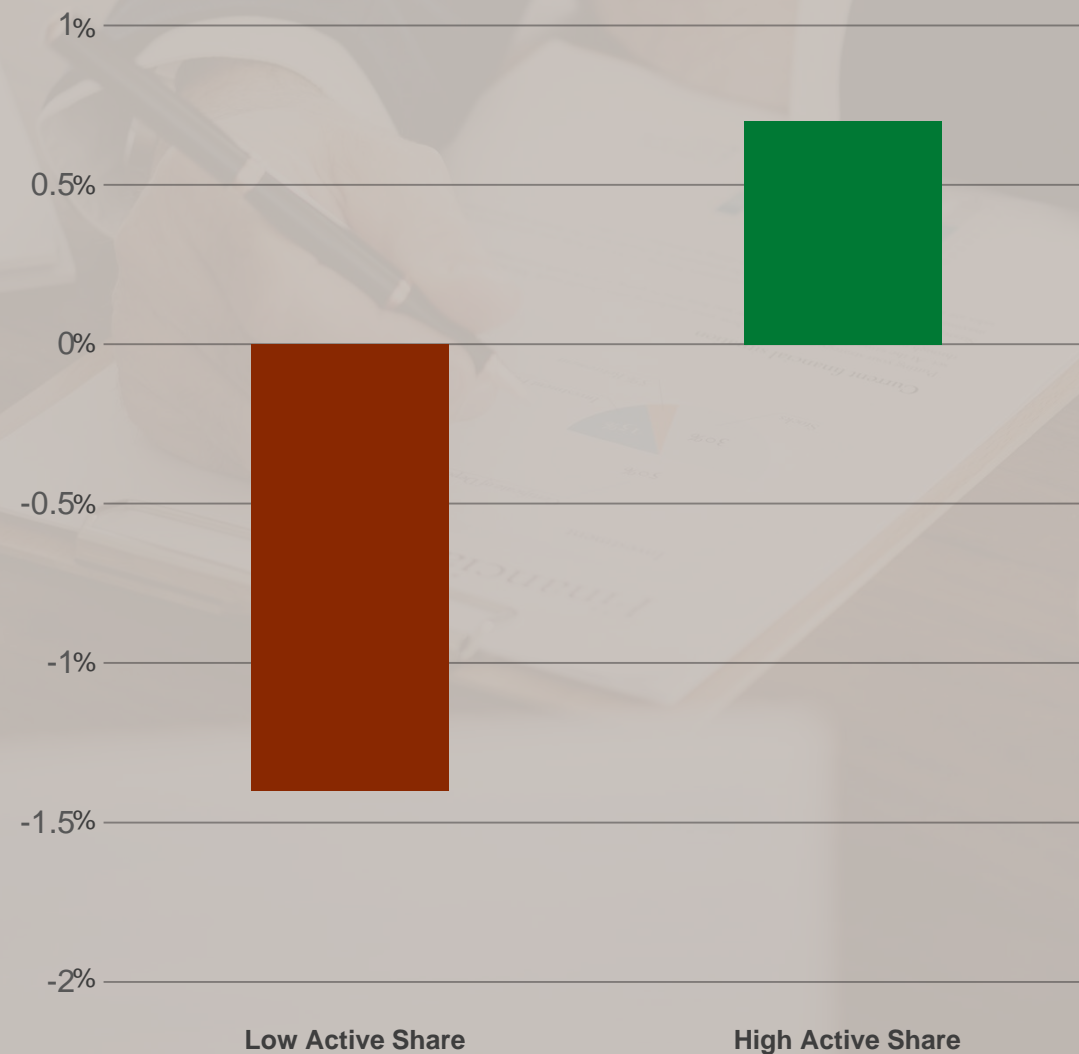
/Evaluating Active Management

HIGH ACTIVE SHARE HAS HISTORICALLY RESULTED IN OUTPERFORMANCE

*The only way to beat the benchmark is to
be different than the benchmark*

Source: Financial Analysts Journal. Excess fund return is measured by alpha. Low Active Share funds represented by bottom quintile of Active Share score. High Active Share funds represented by top quintile of Active Share score. Universe includes US retail mutual funds with at least \$10 million in assets under management.

Low vs High Active Share Excess Fund Return



/Evaluating Active Management

HIGH ACTIVE SHARE IS NOT THE ONLY MEASURE OF SUCCESS

Active share measures a manager's willingness to be different than the benchmark

Investors must also assess an active manager's skill at deviating from the benchmark

Measures of Manager Skill:

Alpha

Standard Deviation

Sharpe Ratio

Info Ratio

Tracking Error

Excess return

Up/Down Capture

Experience



WHERE CAN ACTIVE MANAGEMENT ADD VALUE?

/Where Can Active Management Add Value?

ACTIVE ASSET ALLOCATION

No such thing as an “average return” for a balanced investment portfolio

Trailing Annualized 10-Year Return for a 60/40 Portfolio



/Where Can Active Management Add Value?

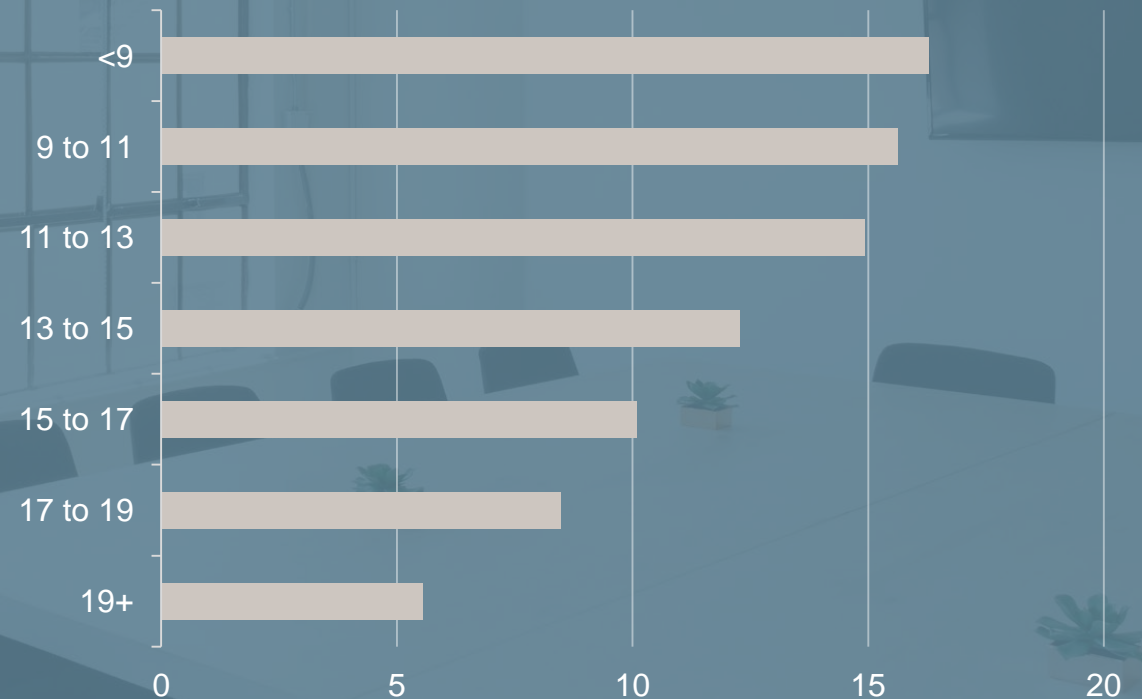
ACTIVE ASSET ALLOCATION

The prevailing market environment is a potential indicator of future investment returns

Equity returns driven by valuation

Fixed income returns driven by starting yield

P/E's Impact Future Returns



S&P 500 Median Ten Year Future Return (01/01/1926-12/31/2017)

/Where Can Active Management Add Value?

ACTIVE ASSET ALLOCATION

Starting yield is a strong indicator of future return

Bond Valuations vs. Bloomberg Barclays U.S. Aggregate Bond
10-Year Forward Total Return (January 1976 - December 2016)



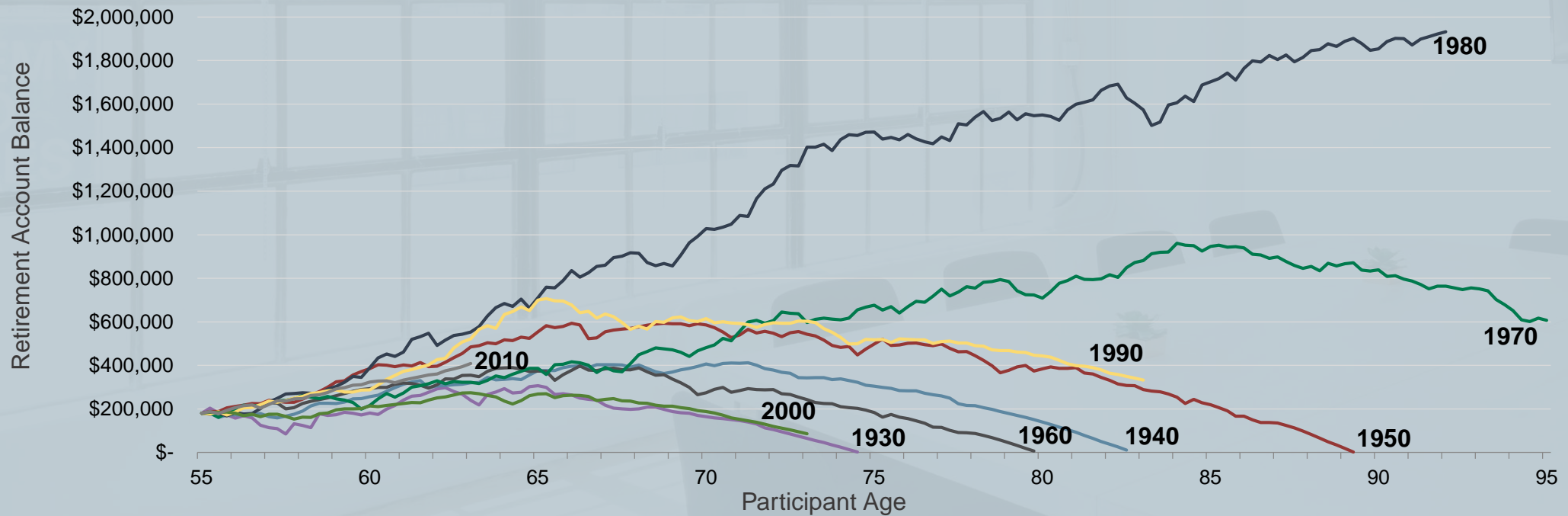
Source: FactSet.

*Analysis of 10-Year Forward Total Return based on Starting Yield to Worst based on data from January 1976 through December 2016.

/Where Can Active Management Add Value?

ACTIVE ASSET ALLOCATION

The Retirement Path Experience of a Participant Investor with \$200,000 that Turned 55 at the Start of Each Decade



/Where Can Active Management Add Value?

BETTER INVESTOR EXPERIENCE

There are solutions that better match both investor risk tolerances and behavior

	RUSSELL 1000 VALUE	SAMPLE STRATEGY
Up Capture Ratio	100%	90%
Down Capture Ratio	100%	70%
Standard Deviation	14.1%	11.5%
Sharpe Ratio	0.5	1.0
Total Return	8.6%	12.7%

/Where Can Active Management Add Value?

MARKETS WHERE ACTIVE CAN EXCEL

*Effective indexing is more challenging
when the underlying market is large and
dynamic*

	MSCI USA	MSCI ACWI ex US Small Cap	MSCI Emerging Markets
Number of Constituents	632	4,349	846
Top 10 Weighting	19.40%	1.93%	25.03%
Largest Position Size	3.78%	0.22%	5.61%
Turnover	2.85%	10.93%	3.64%

/Where Can Active Management Add Value?

MANNING & NAPIER ACTIVE MANAGEMENT SOLUTIONS

*Learn more about some of our actively
managed solutions:*

go.manning-napier.com/ActiveAndDiversified

go.manning-napier.com/OpportunitiesAbroad





THANK YOU

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/How Much is Active Management Worth

Disclosures

Past performance does not guarantee future results.

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The FTSE World Index is a market-capitalization weighted index representing the performance of the large and mid cap stocks from the Developed and Advanced Emerging segments of the FTSE Global Equity Index Series and covers 90-95% of the investable market capitalization. Data provided by FactSet.

Key Assumptions on page 25: Hypothetical participant age 55 profile includes \$200,000 retirement account balance, annual salary of \$50,000, salary inflation of 3% annually, combined participant and employer matching contribution rate of 10%. Distributions begin at age 65 and amount to 50% of the hypothetical participant's age 65 annual salary (income replacement ratio). Subsequent distributions are inflation adjusted annually at a 3% rate. The analysis is based on 205 observations representing rolling 40-year time periods from 1926 to 1977, and 159 observations of rolling periods less than 40 years between 1977-2016. The glide path followed is represented by the most recent target equity and fixed income allocations of S&P's suite of Target Date Indices. Equity returns are represented by the Ibbotson S&P 500 Index and Fixed Income returns are represented by the Ibbotson U.S. Intermediate-Term Government Bond Index. All data is believed, but in no way guaranteed, to be accurate. The glide paths included in this analysis are not managed by Manning & Napier. Asset allocations should become progressively more conservative over time.

The S&P 500 Index is an unmanaged, capitalization-weighted measure comprised of 500 leading U.S. companies to gauge U.S. large cap equities. The Index returns do not reflect any fees or expenses. The Index includes dividends, but not the reinvestment of dividends. S&P Dow Jones Indices LLC, a subsidiary of the McGraw Hill Financial, Inc., is the publisher of various index based data products and services and has licensed certain of its products and services for use by Manning & Napier. All such content Copyright © 2018 by S&P Dow Jones Indices LLC and/or its affiliates. All rights reserved. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and none of these parties shall have any liability for any errors, omissions, or interruptions of any index or the data included therein. The S&P 500 Financial Services Index, a sub-index of the S&P 500 Total Return Index, includes the stocks of companies involved in the business of financial services. The S&P 500 Information Technology Index, a sub-index of the S&P 500 Total Return Index, includes the stocks of companies involved in the business of information technology.

Ibbotson Associates SBBI U.S. Intermediate-Term Government Bond Index (Intermediate-Term U.S. Gov't Bonds) is an unmanaged index representing the U.S. intermediate-term government bond market. The index is constructed as a one bond portfolio consisting of the shortest-term non-callable government bond with not less than 5 years to maturity.

Ibbotson Associates SBBI U.S. 30 Day Treasury Bill Index (30-Day U.S. Treasury Bills) is an unmanaged index representing the U.S. Treasury Bill Market. The index is constructed as a one-bill portfolio containing the shortest-term bill having not less than one month to maturity.

Due to the active allocation process, actual allocations may vary from benchmarks. These are unmanaged mixed-asset class benchmarks. Benchmarks shown are a weighted blend of the respective indices. The 60/40 Blended Index is 60% S&P 500 Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index. Returns provided are calculated monthly using a blended allocation.

Disclosures

The Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged, market-value weighted index of U.S. domestic investment-grade debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of one year or more. Index returns do not reflect any fees or expenses.

The Russell 1000[®] Value Index is an unmanaged, market capitalization-weighted index consisting of those Russell 1000[®] Index companies with lower price-to-book ratios and lower forecasted growth values. The Index returns are based on a market capitalization-weighted average of relative price changes of the component stocks plus dividends whose reinvestments are compounded daily. The Index returns do not reflect any fees or expenses.

The MSCI ACWI ex USA Small Cap Index is designed to measure a small cap representation across 22 of 23 Developed Markets countries (excluding the U.S.) and 24 Emerging Markets countries. The Index returns do not reflect any fees, expenses, or reinvestment of dividends. The Index is denominated in U.S. dollars.

The MSCI ACWI ex USA Large Cap Index is a free float-adjusted market capitalization weighted index designed to measure large-cap representation across 22 of 23 Developed Markets countries (excluding the U.S.) and 24 Emerging Markets countries. The Index returns do not reflect any fees or expenses. The Index is denominated in U.S. dollars. The Index returns are net of withholding taxes. They assume daily reinvestment of net dividends thus accounting for any applicable dividend taxation.

The Russell 2000[®] Index is an unmanaged index that consists of 2,000 U.S. small-capitalization stocks. The Index returns are based on a market capitalization-weighted average of relative price changes of the component stocks plus dividends whose reinvestments are compounded daily. The Index returns do not reflect any fees or expenses.

The MSCI ACWI Index is designed to measure large and mid-cap representation across 23 Developed Markets and 24 Emerging Markets countries. The Index returns do not reflect any fees or expenses. The Index is denominated in U.S. dollars. The Index returns are net of withholding taxes. They assume daily reinvestment of net dividends thus accounting for any applicable dividend taxation.