Global Equity Outlook

Prepared for
Success North Dallas
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Prepared by
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www.manning-napier.com

Please see last page for disclosures.

Firm Profile

- Founded in 1970 in Rochester, NY
- $47.8 billion in assets under management
- More than 80 Economists, Strategists, Analysts, Associates, and Assistants
- Senior Research Group oversees the management of all products; members have an average tenure of approximately 18 years
- U.S. and non-U.S. equity, fixed income, and multi-asset class strategies
- Proven approach to active management through multiple market cycles
- Regional, national, and global service coverage
- Publicly traded (NYSE: MN)* majority employee-owned firm

Data as of 12/31/2014. Unless otherwise noted, all figures are based in USD.
*Manning & Napier, Inc. (MN) is publicly traded under MN.

Current Market Overview

Global Economic and Market Outlook

- Modest growth outlook for developed markets, with U.S. in better position than other economies
- Equities remain attractive versus fixed income but are closer to fairly valued on absolute metrics

Investment Opportunities in the Current Environment

- Important to identify themes that are tied less to economic growth and more to secular drivers
- Disruption and innovation will be the key drivers of growth

Keys to Investing in Equities

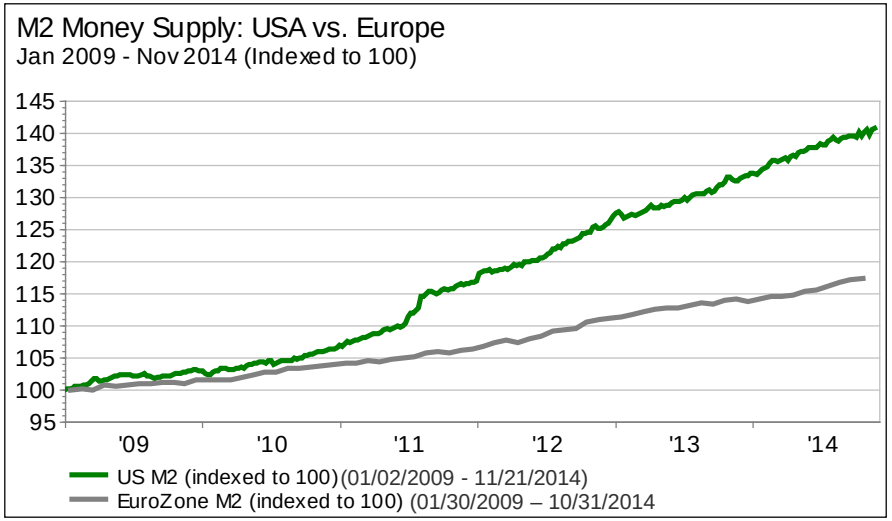
- Look for companies that can increase market share in a slow growth environment
- Focus on **STRONG** fundamentals at **REASONABLE** valuations

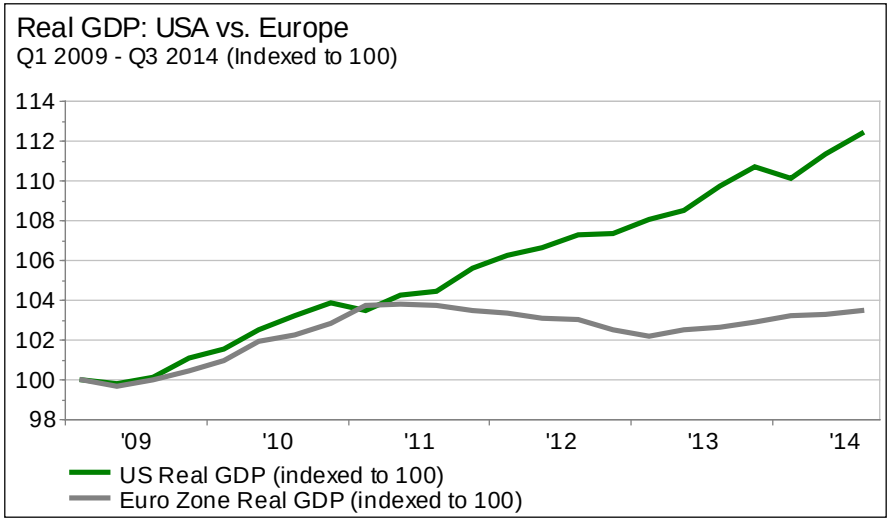
"Our industry does not respect tradition — it only respects innovation"
– Satya Nadella, Microsoft CEO

An Aggressive Fed Has Had its Benefits...

Question: Why has the U.S. managed 5+ years of modest growth while most of the rest of the world has struggled?

Answer: While not the only factor, we believe the ultra-accommodative policies of the Fed have played an important role in the U.S. recovery.

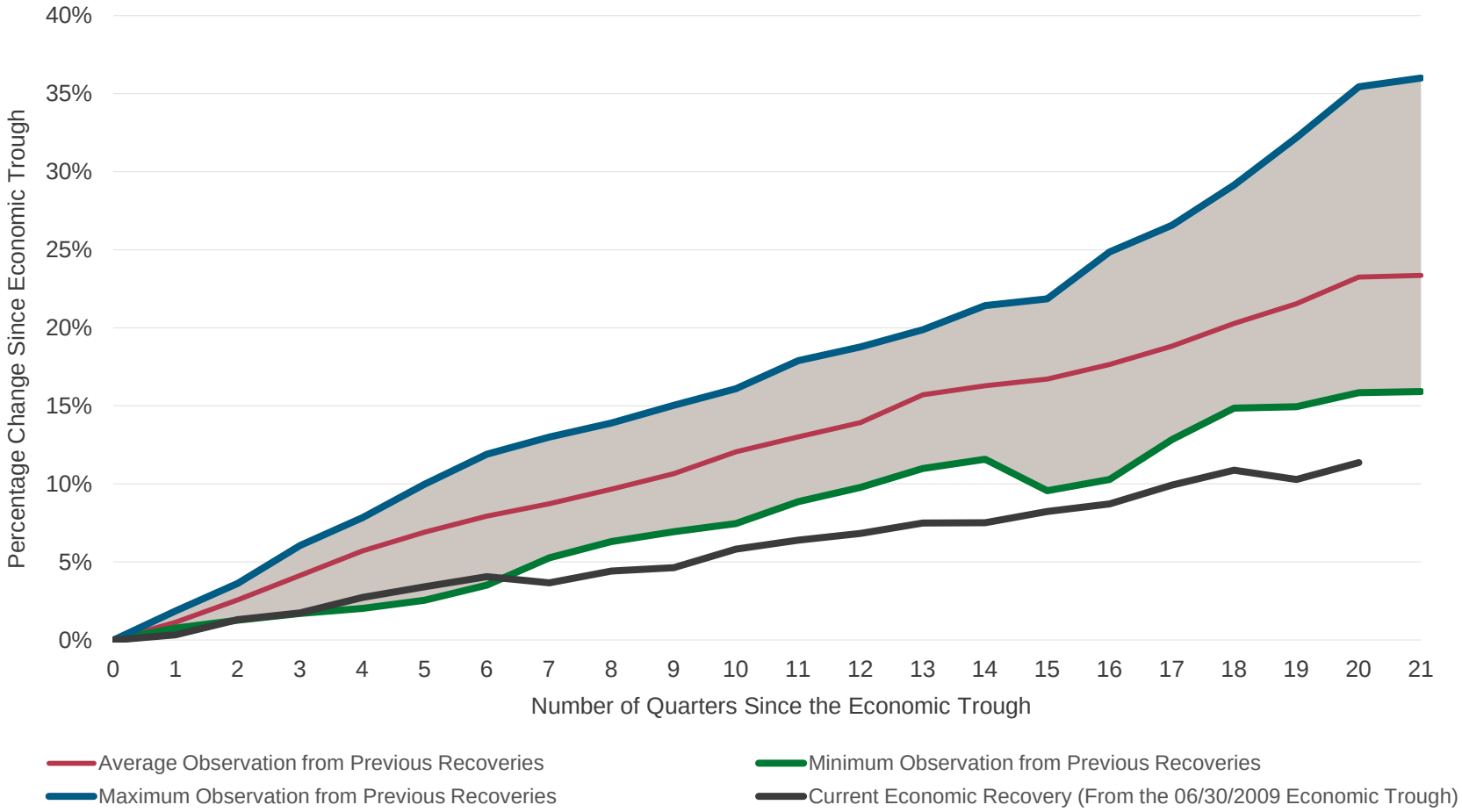




Source: FactSet.

While in Recovery, Growth has Been Slow

U.S. Real GDP (June 30, 1954 – June 30, 2014)

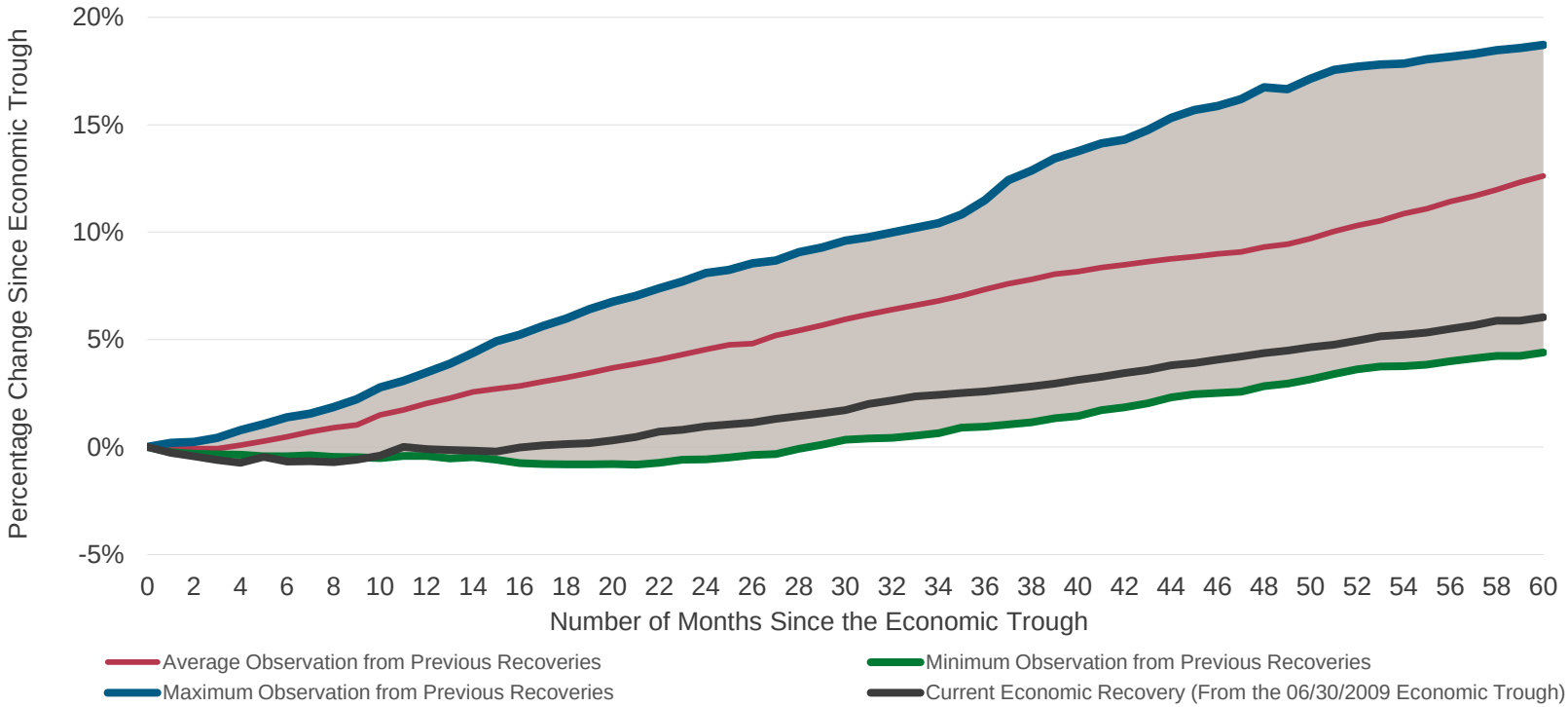


Source: FactSet.

Slow Growth Creates Uncertainty

U.S. Total Nonfarm Payrolls (Seasonally Adjusted)

(May 31, 1954 – June 30, 2014)



Persistently weak economic growth means there is less need to expand the workforce in order to meet demand, or to refresh aging equipment. Business' willingness to spend and invest is impaired.

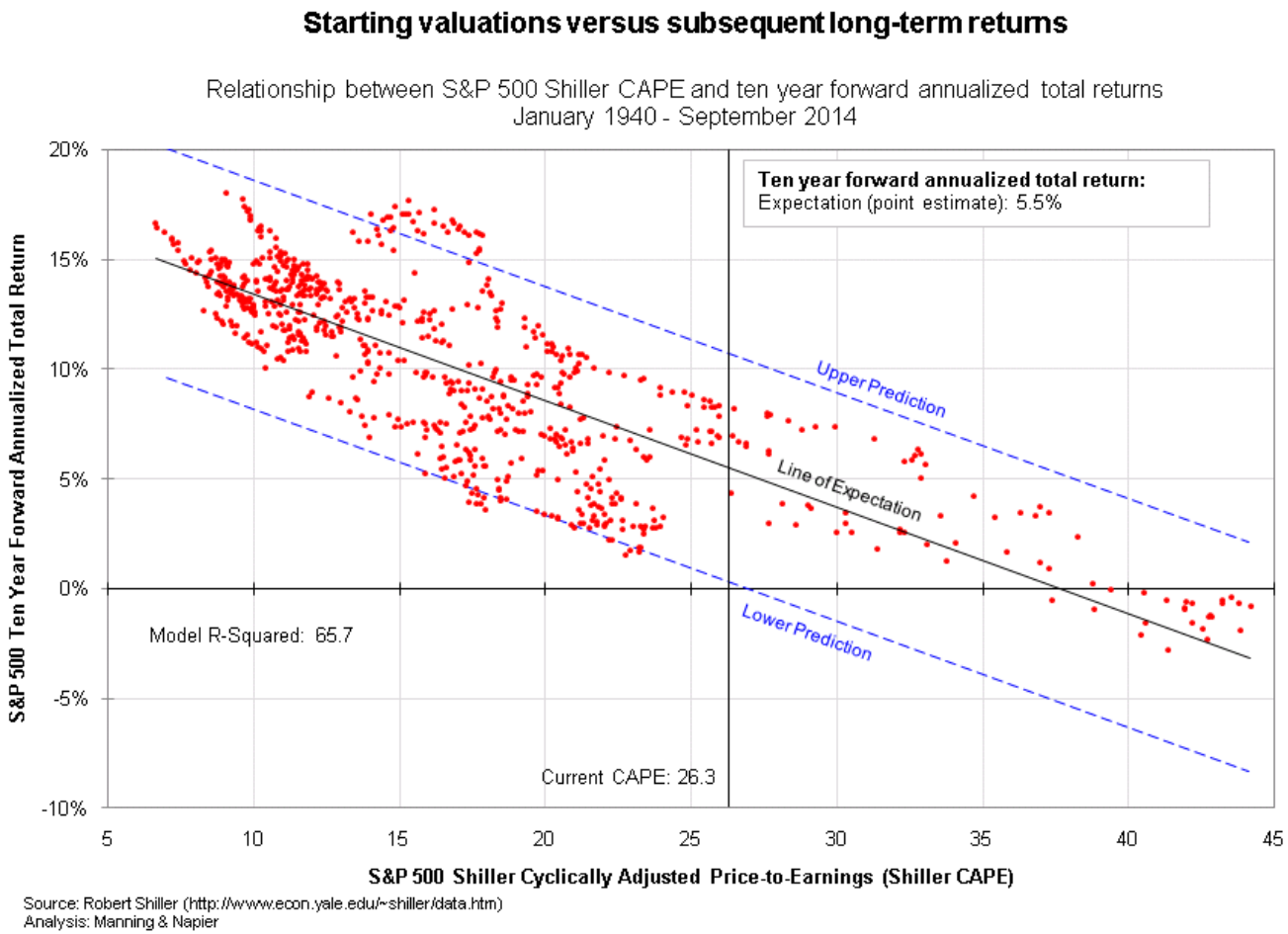
Source: FactSet.

Slow Growth Has Kept Bond Yields at a Level that is Unsustainable

U.S. Ten Year Treasury Bond Yield (April 1953 – September 2014)

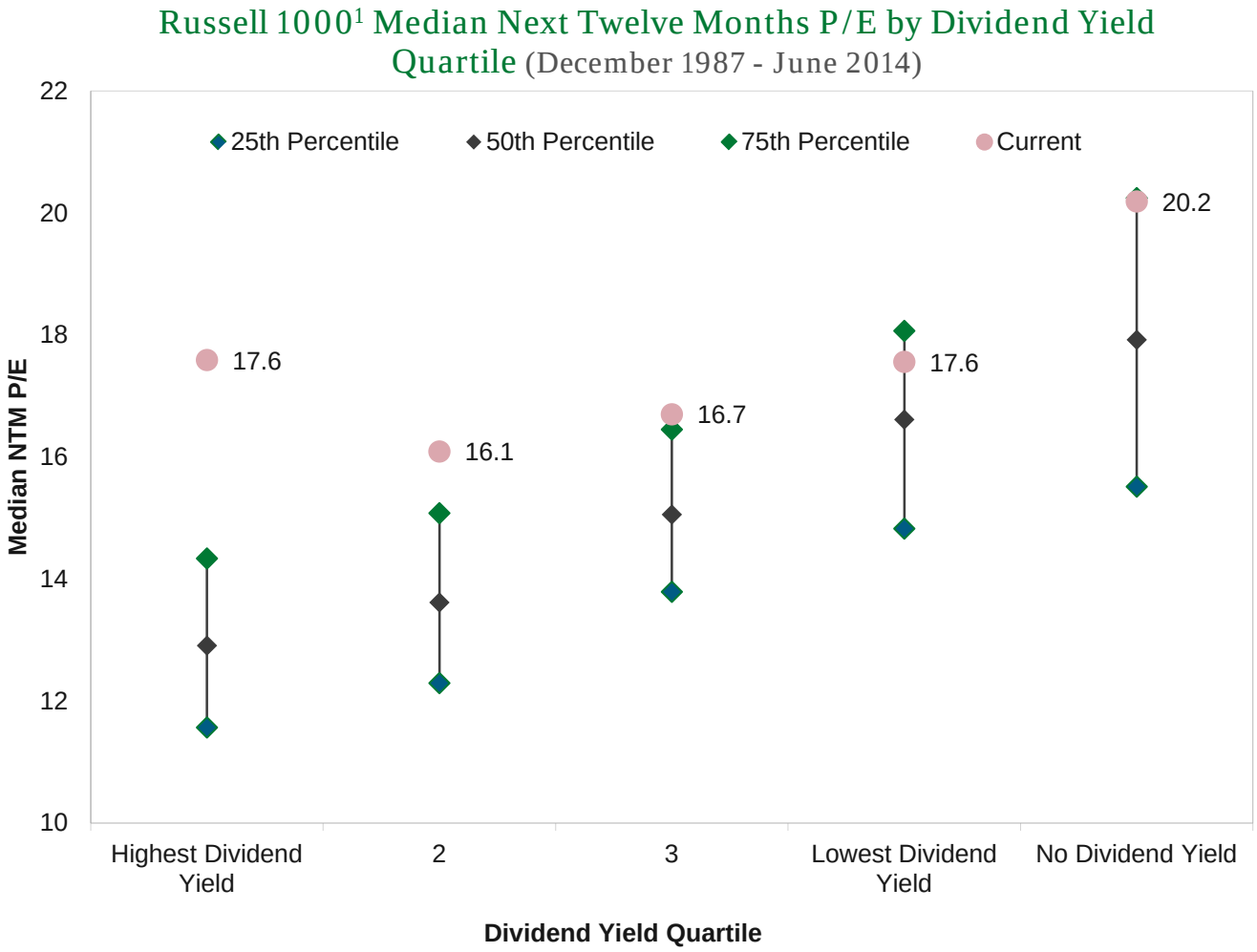
Source: FactSet.

Valuations Matter



Starting valuations today suggest that the market is unlikely to meet most investors' objectives over the long run.

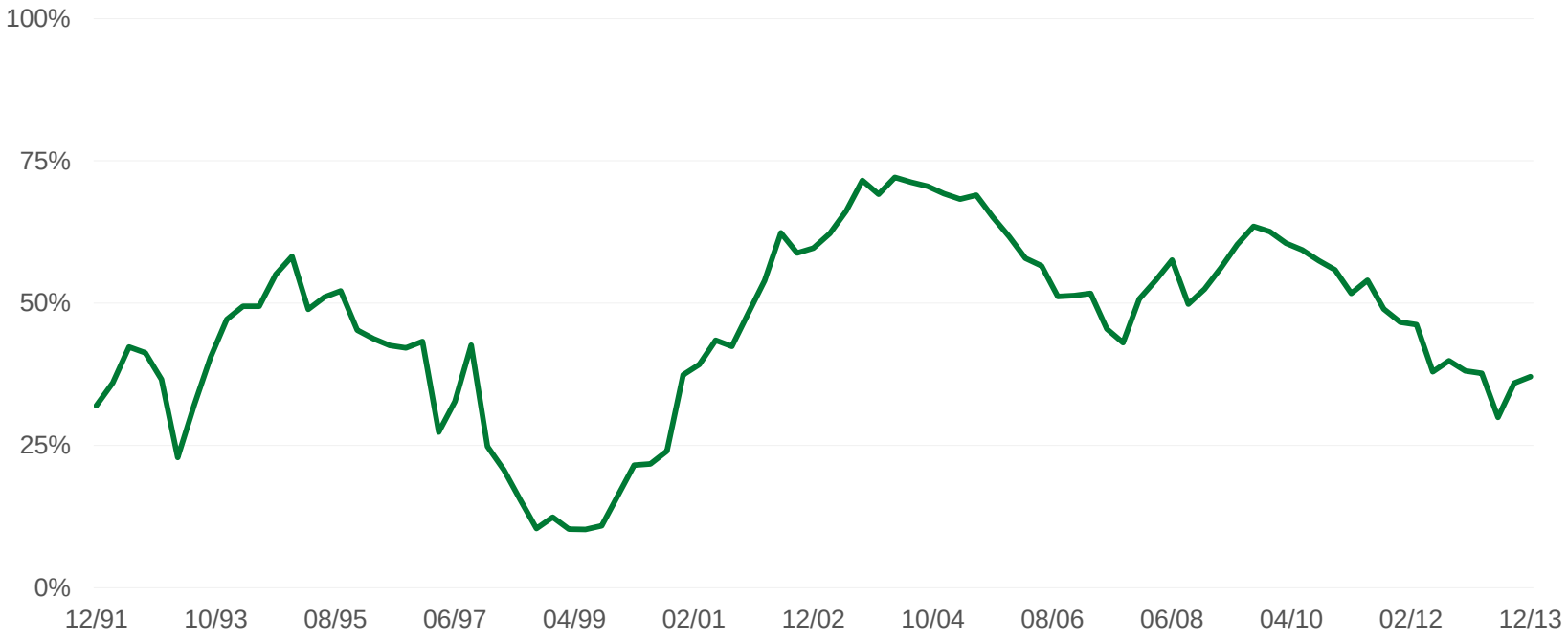
Valuations are Rising Across the U.S. Stock Market



Source: FactSet.

Active vs. Passive: Is One Better Suited to Handle a Slow Growth Environment?

Percent of Managers Outperforming S&P 500[2] Over Five Year Trailing Periods*
(December 1991 - December 2013)

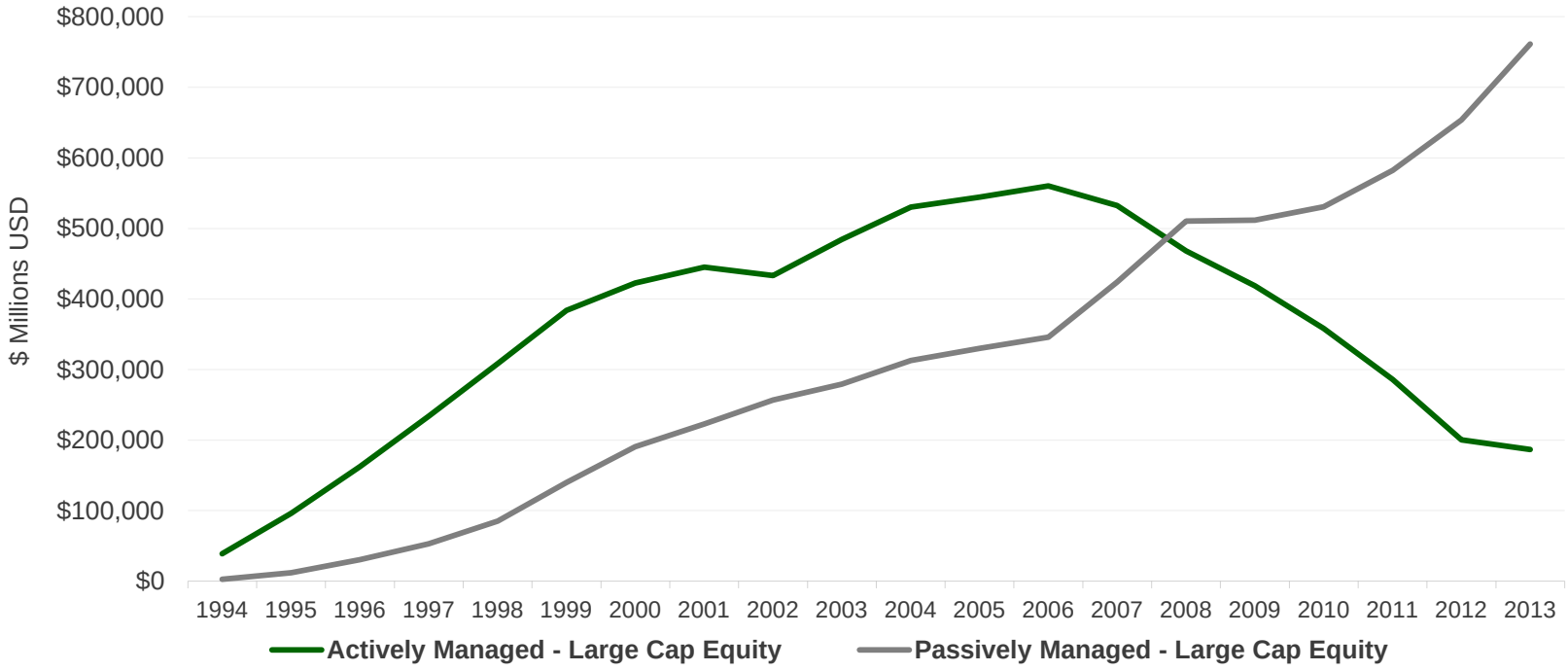


Over any given five year period since December 1991, on average on 46% of active U.S. large cap core funds outperformed the S&P 500 Index[2]

Source: Morningstar, Inc.
*Universe includes all U.S. domiciled open end mutual funds with a Morningstar Institutional Category of All-Cap Core, Giant Core, Large Core, Large Valuation-Sensitive Growth, or Large Relative Value. The oldest available share class of each fund was used

Active vs. Passive: Is One Better Suited to Handle a Slow Growth Environment?

Mutual Funds and Exchange-Traded Funds: Cumulative U.S. Large Cap Equity* Net Flows (Active vs. Passive) (1994 - 2013)



There is a clear preference for passive strategies since the end of the financial crisis

Source: Morningstar, Inc.
*U.S. Large Cap Equity Universe contains all large cap value, blend, and growth U.S. Equity mutual funds and exchange-traded funds (ETFs).

The Importance of Active Share

- Active Share was developed by professors at the Yale School of Management and is presented in a study originally published in 2006; most recently updated in 2013*
- In general, Active Share measures the difference between an investment manager's portfolio and the benchmark on a holdings basis
- A portfolio's active share will range between 0% and 100%, with 0% signifying that the portfolio is identical to the benchmark, and 100% signifying that the portfolio and benchmark have no common holdings
- A higher active share may signify a greater level of active management.
- The Yale study classifies active managers to have an active share of 60% or higher
- Manning & Napier defines top quartile active share managers as managers that have an active share of approximately 88% or above, and below median active share managers as managers that have an active share of approximately 77% or below

*Active Share and Mutual Fund Performance. Antti Petajisto. January 15, 2013.

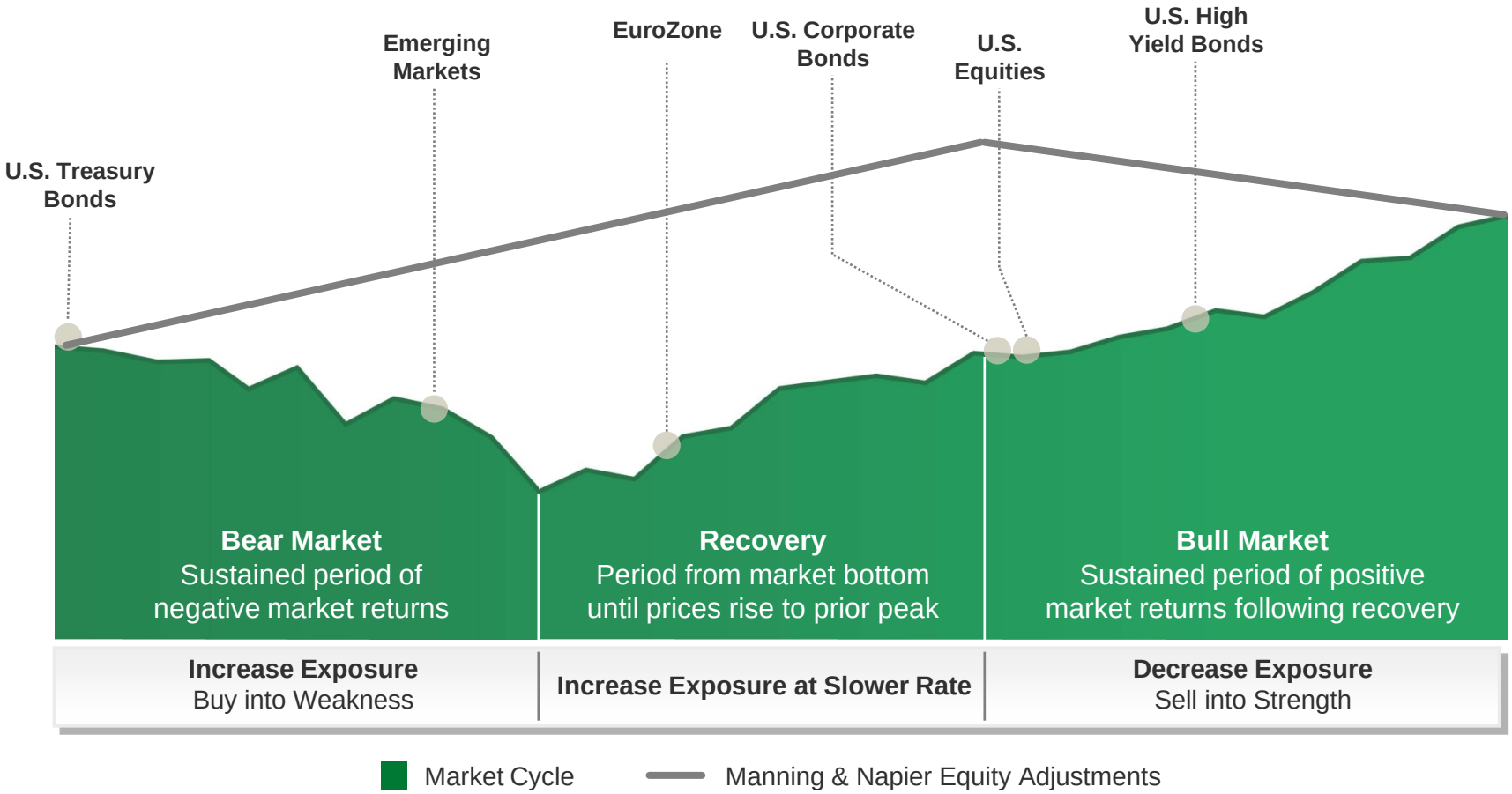
Truly Active Managers Show Consistent Value Added Despite Changing Market Environments

Relative Annualized Performance in Various Market Environments

Time Period	S&P 500[2] Return	Excess Performance: Top Quartile Active Share Manager*	Excess Performance: Below Median Active Share Manager*
1987 Bear Market (09/01/1987 - 11/30/1987)	-29.58%	5.07%	1.30%
90s Bull Market (12/01/1987 - 03/31/2000)	19.51%	-2.36%	-1.61%
Tech Bubble Drawdown (04/01/2000 - 09/30/2002)	-20.56%	12.33%	1.48%
Failed Recovery (10/01/2002 - 10/31/2007)	15.54%	0.75%	-0.88%
Credit Crisis Drawdown (11/01/2007 - 02/28/2009)	-41.39%	0.62%	0.92%
Current Bull Market (03/01/2009 - 12/31/2013)	23.64%	-1.18%	-1.27%
Current U.S. Stock Market Cycle (04/01/2000 - 12/31/2013)	3.49%	3.41%	-0.12%

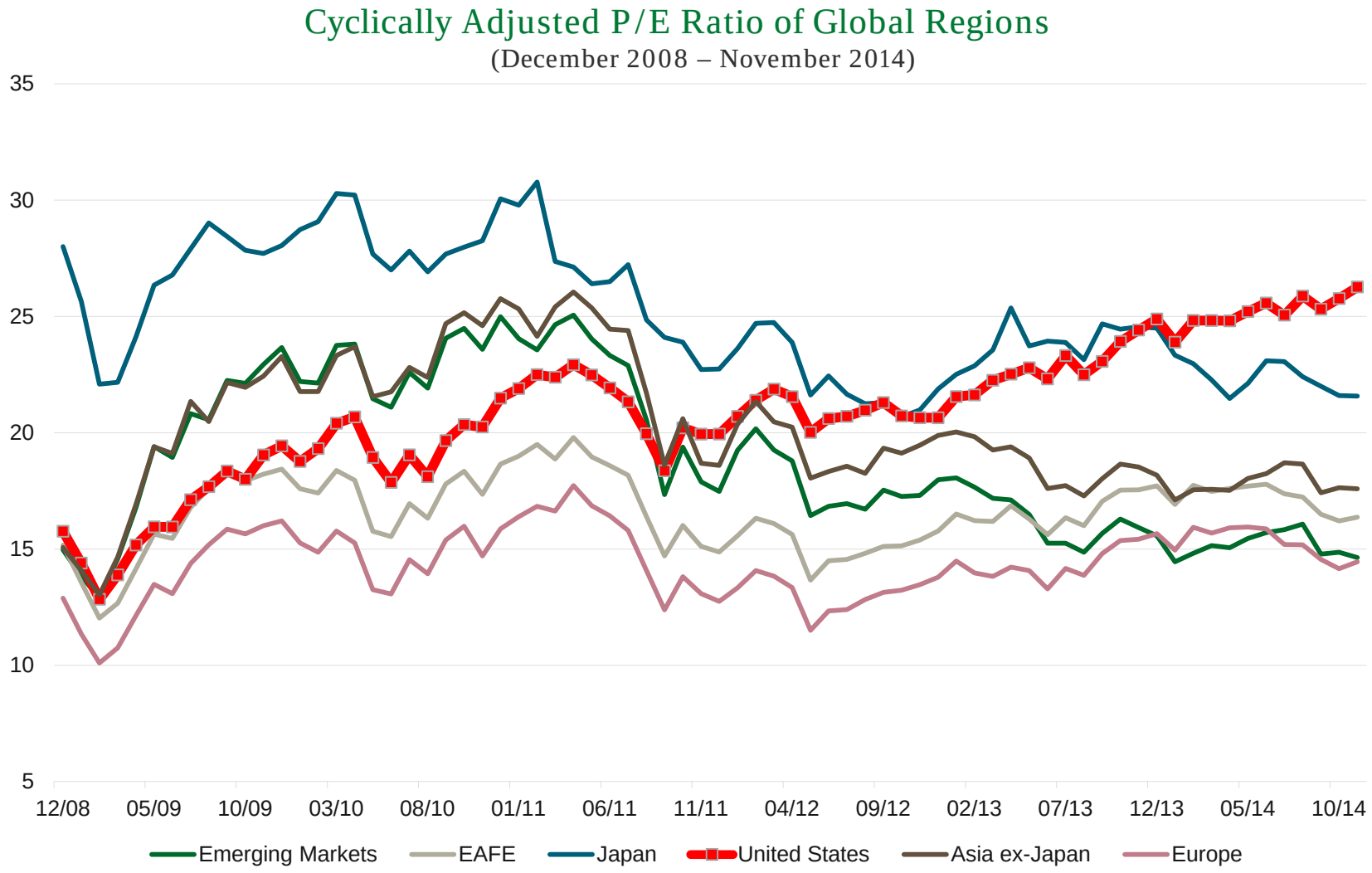
Source: Morningstar, Inc
Universe includes all U.S. domiciled open end mutual funds with a Morningstar Institutional Category of All-Cap Core, Giant Core, Large Core, Large Valuation-Sensitive Growth, or Large Relative Value.
The oldest available share class of each fund was used.
*Manning & Napier defines top quartile active share managers as managers that have an active share of approximately 88% or above, and below median active share managers as managers that have an active share of approximately 77% or below.

Finding Opportunity in Today's Environment



Global equity and fixed income markets are in various stages of bull or bear markets in the current environment. Our investment approach leads us to buy into areas of market weakness and sell into areas of strength so as to avoid overly expensive markets that are poised for a bear market.

Valuations Outside of the U.S.



Source: FactSet.

Investment Opportunities

In a Growth Constrained World:

- Winners will be those that take market share from competitors
- Disruption and innovation will be the key drivers of growth

Industries Where Disruptive Change is Occurring:

- Technology
- Electronic Payments
- Life Sciences
- Energy

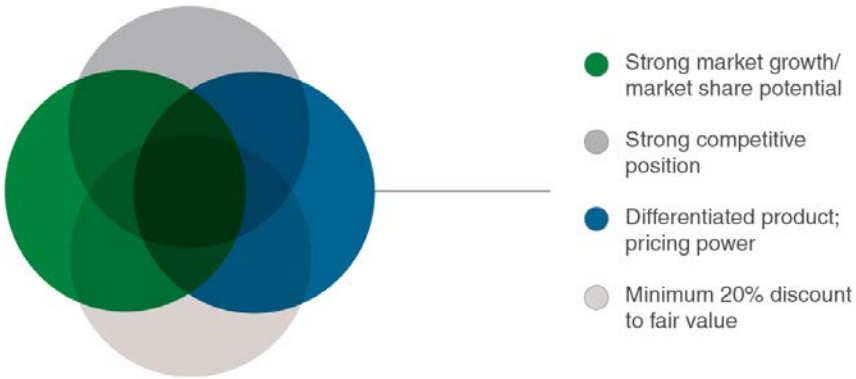
To Address These Challenges We will Need to Have the Investment Flexibility to:

- Target companies with strong growth prospects
- **STRONG** fundamentals at **REASONABLE** valuations

Bottom-Up Stock Selection Strategies

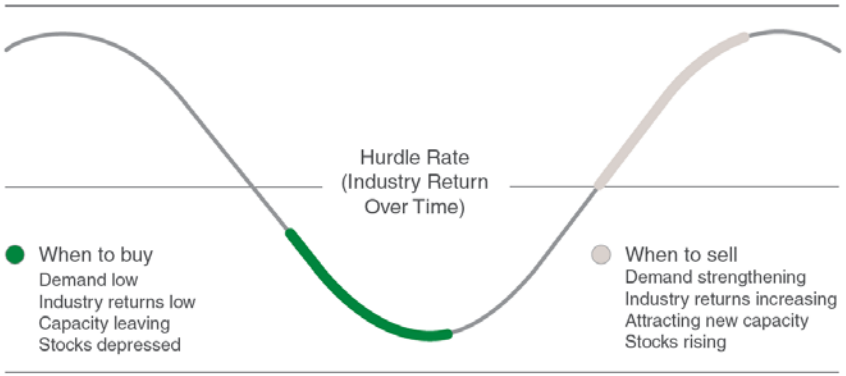
Strategic Profile

Uncovers sustainable competitive advantages



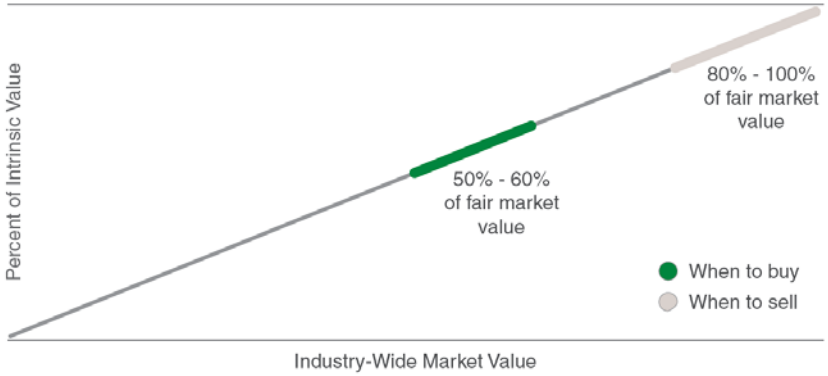
Hurdle Rate

Identifies survivors in cyclical industries that are currently depressed



Bankable Deal

Acknowledges under-valued assets with catalysts to unlock them



Conclusion

U.S. Economic and Market Outlook

- Modest growth outlook remains intact
- Winners will largely succeed at the expense of losers

Investment Opportunities in the Current Environment

Disruption and Innovation will be the key drivers of growth

- Technology
- Electronic Payments
- Life Sciences
- Energy

Keys to Investing in Equities

- Important to identify themes that are tied less to economic growth and more to secular drivers
- **STRONG** fundamentals at **REASONABLE** valuations

Biography

Jeffrey S. Coons, PhD, CFA®
President, Co-Director of Research

Jeffrey S. Coons is the President and a Co-Director of Research at Manning & Napier, with broad responsibility for the management of the firm's Research Department as well as oversight of other operational and analytical departments. Dr. Coons is also a member of the Senior Research Group which establishes and monitors portfolio investment decisions, secular investment trends, macroeconomic overviews, and the investment disciplines of the firm.

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

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[1]The Russell 1000® Index is an unmanaged index that consists of 1,000 large-capitalization U.S. 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.

[2]The S&P 500 Total Return (S&P 500) Index is an unmanaged, capitalization-weighted measure of 500 widely held common stocks listed on the New York Stock Exchange, American Stock Exchange, and the Over-the-Counter market. The Index returns assume daily reinvestment of dividends and do not reflect any fees or expenses. 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 © 2015by 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.