

Manning & Napier, Inc.  
 Form 10-Q  
 August 07, 2015  
Table of Contents

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

---

FORM 10-Q

---

(Mark One)

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

For the quarterly period ended June 30, 2015

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

---

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

Delaware	45-2609100
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

290 Woodcliff Drive	14450
Fairport, New York	(Zip Code)
(Address of principal executive offices)	

Registrant's telephone number, including area code:  
 (585) 325-6880

---

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
-------------------------	--------------------------	-------------------	-------------------------------------

Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
-----------------------	--------------------------	---	---------------------------	--------------------------

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

Edgar Filing: Manning & Napier, Inc. - Form 10-Q

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

Class	Outstanding at August 4, 2015
Class A common stock, \$0.01 par value per share	14,775,130
Class B common stock, \$0.01 par value per share	1,000

---

## TABLE OF CONTENTS

	Page
Part I	<u>Financial Information</u>
Item 1.	<u>Financial Statements (unaudited)</u>
	<u>Consolidated Statements of Financial Condition as of June 30, 2015 and December 31, 2014</u> 1
	<u>Consolidated Statements of Operations for the three and six months ended June 30, 2015 and 2014</u> 2
	<u>Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2015 and 2014</u> 3
	<u>Consolidated Statements of Shareholders' Equity for the six months ended June 30, 2015 and 2014</u> 4
	<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014</u> 5
	<u>Notes to Consolidated Financial Statements</u> 6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 18
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 38
Item 4.	<u>Controls and Procedures</u> 39
Part II	<u>Other Information</u>
Item 1A.	<u>Risk Factors</u> 40
Item 6.	<u>Exhibits</u> 40

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.

Table of Contents

## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements

Manning &amp; Napier, Inc.

Consolidated Statements of Financial Condition

(In thousands, except share data)

	June 30, 2015 (unaudited)	December 31, 2014
<b>Assets</b>		
Cash and cash equivalents	\$94,600	\$124,992
Accounts receivable	19,942	23,704
Accounts receivable—Manning & Napier Fund, Inc.	11,998	15,579
Due from broker	4,678	5,391
Due from broker - consolidated funds	4,388	—
Investment securities	24,598	26,915
Investment securities - consolidated funds	975	—
Prepaid expenses and other assets	7,933	9,321
Total current assets	169,112	205,902
Property and equipment, net	6,994	7,456
Net deferred tax assets, non-current	41,267	42,581
Other long-term assets	1,417	1,534
Total assets	\$218,790	\$257,473
<b>Liabilities</b>		
Accounts payable	\$1,159	\$2,906
Accrued expenses and other liabilities	40,665	50,779
Deferred revenue	12,361	12,812
Total current liabilities	54,185	66,497
Other long-term liabilities	3,088	3,116
Amounts payable under tax receivable agreement, non-current	39,166	39,149
Total liabilities	96,439	108,762
<b>Commitments and contingencies (Note 9)</b>		
<b>Shareholders' equity</b>		
Class A common stock, \$0.01 par value; 300,000,000 shares authorized; 14,785,130 and 13,713,540 issued and outstanding at June 30, 2015 and December 31, 2014, respectively	148	137
Class B common stock, \$0.01 par value; 2,000 shares authorized, 1,000 shares issued and outstanding at June 30, 2015 and December 31, 2014	—	—
Additional paid-in capital	205,271	209,284
Retained deficit	(38,834	) (41,087
Accumulated other comprehensive income	(1	) —
Total shareholders' equity	166,584	168,334
Noncontrolling interests	(44,233	) (19,623
Total shareholders' equity and noncontrolling interests	122,351	148,711
Total liabilities, shareholders' equity and noncontrolling interests	\$218,790	\$257,473
The accompanying notes are an integral part of these consolidated financial statements.		



Table of Contents

Manning & Napier, Inc.  
 Consolidated Statements of Operations  
 (In thousands, except share data)  
 (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Revenues				
Investment management services revenue	\$86,973	\$103,864	\$177,399	\$202,334
Expenses				
Compensation and related costs	28,309	56,148	55,127	107,958
Distribution, servicing and custody expenses	15,840	19,964	32,672	38,404
Other operating costs	9,036	8,565	17,978	16,502
Total operating expenses	53,185	84,677	105,777	162,864
Operating income	33,788	19,187	71,622	39,470
Non-operating income (loss)				
Interest expense	(81	) (4	) (84	) (7
Interest and dividend income	158	195	321	409
Change in liability under tax receivable agreement	—	—	(17	) 2,110
Net gains (losses) on investments	(1,576	) 717	(963	) 833
Total non-operating income (loss)	(1,499	) 908	(743	) 3,345
Income before provision for income taxes	32,289	20,095	70,879	42,815
Provision for income taxes	2,081	2,360	4,560	7,436
Net income attributable to controlling and noncontrolling interests	30,208	17,735	66,319	35,379
Less: net income attributable to noncontrolling interests	26,705	17,036	59,507	34,599
Net income attributable to Manning & Napier, Inc.	\$3,503	\$699	\$6,812	\$780
Net income per share available to Class A common stock				
Basic	\$0.24	\$0.05	\$0.48	\$0.06
Diluted	\$0.23	\$0.05	\$0.47	\$0.06
Weighted average shares of Class A common stock outstanding				
Basic	13,739,923	13,667,861	13,726,804	13,651,223
Diluted	14,002,133	13,820,309	13,965,655	13,788,381
Cash dividends declared per share of Class A common stock	\$0.16	\$0.16	\$0.32	\$0.32

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

Table of Contents

Manning & Napier, Inc.  
 Consolidated Statements of Comprehensive Income  
 (In thousands)  
 (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net income attributable to controlling and noncontrolling interests	\$30,208	\$17,735	\$66,319	\$35,379
Net unrealized holding loss on investment securities, net of tax	—	—	(1	) —
Reclassification adjustment for realized losses on investment securities included in net income	—	—	—	1
Comprehensive income	\$30,208	\$17,735	\$66,318	\$35,380
Less: Comprehensive income attributable to noncontrolling interests	26,705	17,036	\$59,506	\$34,600
Comprehensive income attributable to Manning & Napier, Inc.	\$3,503	\$699	\$6,812	\$780

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

Table of Contents

Manning & Napier, Inc.  
 Consolidated Statements of Shareholders' Equity  
 (In thousands, except share data)  
 (Unaudited)

	Common Stock – class A		Common Stock – class B Additional Paid in Capital			Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Non Controlling Interests	Total
	Shares	Amount	Shares	Amount	Capital				
Balance—December 31, 2013	13,634,246	\$ 136	1,000	\$ —	\$ 208,988	\$(40,544)	\$ (1 )	\$(22,790)	\$ 145,789
Net income	—	—	—	—	—	780	—	34,599	35,379
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(53,809 )	(53,809 )
Net changes in unrealized investment securities gains or losses	—	—	—	—	—	—	1	—	1
Common stock issued under equity compensation plan	69,923	1	—	—	—	—	—	—	1
Equity-based compensation	—	—	—	—	6,577	—	—	39,846	46,423
Dividends declared on Class A common stock - \$0.32 per share	—	—	—	—	—	(4,377 )	—	—	(4,377 )
Purchase of Class A units of Manning & Napier Group, LLC held by noncontrolling interests	—	—	—	—	(5,653 )	—	—	(26,530 )	(32,183 )
Balance—June 30, 2014	13,704,169	\$ 137	1,000	\$ —	\$ 209,912	\$(44,141)	\$ —	\$(28,684)	\$ 137,224
Balance—December 31, 2014	13,713,540	\$ 137	1,000	\$ —	\$ 209,284	\$(41,087)	\$ —	\$(19,623)	\$ 148,711
Net income	—	—	—	—	—	6,812	—	59,507	66,319
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(52,908 )	(52,908 )
Net changes in unrealized investment securities gains or losses	—	—	—	—	—	—	(1 )	—	(1 )
	1,071,590	11	—	—	(11 )	—	—	—	—



Edgar Filing: Manning & Napier, Inc. - Form 10-Q

Common stock issued under equity compensation plan									
Equity-based compensation	—	—	—	—	392	—	—	2,117	2,509
Dividends declared on Class A common stock - \$0.32 per share	—	—	—	—	—	(4,559 )	—	—	(4,559 )
Purchase of Class A units of Manning & Napier Group, LLC held by noncontrolling interests (Note 3)	—	—	—	—	(4,394 )	—	—	(33,326 )	(37,720 )
Balance—June 30, 2015	14,785,130	\$148	1,000	\$ —	\$205,271	\$(38,834)	\$(1 )	\$(44,233)	\$122,351

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

Table of Contents

Manning & Napier, Inc.  
Consolidated Statements of Cash Flows  
(In thousands)  
(Unaudited)

	Six months ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net income	\$66,319	\$35,379
Adjustment to reconcile net income to net cash provided by operating activities:		
Equity-based compensation	2,509	46,423
Depreciation and amortization	1,255	1,007
Change in amounts payable under tax receivable agreement	17	(2,110)
Net losses (gains) on investment securities	963	(833)
Deferred income taxes	1,300	3,975
Amortization of debt issuance costs	26	—
(Increase) decrease in operating assets and increase (decrease) in operating liabilities:		
Accounts receivable	3,762	(2,880)
Accounts receivable—Manning & Napier Fund, Inc.	3,581	(336)
Due from broker - consolidated funds	(5,000)	)
Investment securities - consolidated funds	(1,000)	)
Prepaid expenses and other assets	2,037	(257)
Accounts payable	(1,747)	(312)
Accrued expenses and other liabilities	(8,186)	) 2,925
Deferred revenue	(451)	) 906
Other long-term liabilities	(122)	) 942
Net cash provided by operating activities	65,263	84,829
Cash flows from investing activities:		
Purchase of property and equipment	(450)	) (1,477)
Sale of investments	6,645	5,036
Purchase of investments	(4,967)	) (7,792)
Acquisitions, net of cash received	—	(2,068)
Proceeds from maturity of investments	—	100
Net cash provided by (used in) investing activities	1,228	(6,201)
Cash flows from financing activities:		
Distributions to noncontrolling interests	(52,908)	) (53,809)
Dividends paid on Class A common stock	(5,485)	) (5,456)
Payment of shares withheld to satisfy withholding requirements	(64)	)
Payment of capital lease obligations	(94)	) (138)
Purchase of Class A units of Manning & Napier Group, LLC	(37,720)	) (32,401)
Payment of debt issuance costs	(612)	)
Net cash used in financing activities	(96,883)	) (91,804)
Net decrease in cash and cash equivalents	(30,392)	) (13,176)
Cash and cash equivalents:		
Beginning of period	124,992	125,250
End of period	\$94,600	\$112,074

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



Table of Contents

Manning & Napier, Inc.

Notes to Consolidated Financial Statements

Note 1—Organization and Nature of the Business

Manning & Napier, Inc. ("Manning & Napier", or the "Company") provides a broad range of investment solutions through separately managed accounts, mutual funds, and collective investment trusts, as well as a variety of consultative services that complement its investment process. Founded in 1970, the Company offers equity, fixed income and alternative strategies, as well as a range of blended asset portfolios, such as life cycle funds.

Headquartered in Fairport, New York, 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 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 diagram below depicts the Company's organization structure as of June 30, 2015.

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

Note 2—Summary of Significant Accounting Policies

Critical Accounting Policies

There have been no significant changes in our critical accounting policies and estimates from those that were disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

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 our Annual Report on Form 10-K for the year ended December 31, 2014. The financial data for the interim periods may not necessarily be indicative of results for future interim periods or for the full year.

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

**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**

As of June 30, 2015, Manning & Napier holds an approximately 16.7% economic interest in Manning & Napier Group but, 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 Manning & Napier Group Holdings, LLC ("M&N Group Holdings") and Manning & Napier Capital Company, LLC ("MNCC").

All material intercompany transactions have been eliminated in consolidation.

In accordance with Accounting Standards Codification ("ASU") 2009-17, Consolidation (Topic 810) – Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, 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"). In January 2010, the FASB deferred portions of ASU 2009-17 that relate to certain investment companies. The Company determined that certain entities for which it is the investment manager and/or general partner, qualify for the scope deferral and will continue to be assessed for consolidation under prior accounting guidance for consolidation of VIEs.

The Company provides seed capital to its investment teams to develop new products and services for its clients. The original seed investment typically represents all or a majority of the equity investment in the new product. Pursuant to U.S. GAAP, the Company evaluates its seed investments on a regular basis and consolidates such investments for which it holds a controlling financial interest.

The Company serves as the investment adviser for Manning & Napier Fund, Inc. series of mutual funds (the "Fund") and the Exeter Trust Company Collective Investment Trusts ("CIT"). The Fund and CIT 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 voting interest entity ("VOE"). While the Company holds, in limited cases, direct investments in a fund (which are made on the same terms as are available to other investors and do not represent a majority voting interest in any fund), the Company does not have a controlling financial interest or a majority voting interest and, as such, does not consolidate these entities.

The Company is the General Partner of the MN Xenon Managed Futures Fund LP ("LP Fund"). The Company has determined that the LP Fund is not a VIE as (a) the entity has enough equity to finance its activities without additional financial support and (b) the limited partners, as a group, have the ability to remove the general partner ("kick-out rights") with a majority vote of partnership percentage. Under the voting interest model, the Company does not consolidate VOEs in which the presumption of control by the general partner is overcome by kick-out rights.

**Cash and Cash Equivalents**

The Company 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 have been classified as Level 1 in

accordance with the fair value hierarchy.

Due from broker

The Company and its consolidated funds conducts business with brokers for certain of its investment activities. The due from broker balances on the consolidated statements of financial condition represents cash held by brokers as collateral for managed futures.

7

---

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

#### Investment Securities

Investment securities are classified as either trading 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 trading consist of equity securities, fixed income securities, and investments in mutual funds and hedge funds for which the Company provides advisory services. Realized and unrealized gains and losses on trading securities are recorded in net gains (losses) on investments in the consolidated statements of operations. At June 30, 2015, trading securities consist solely of investments held by the Company to provide initial cash seeding for product development purposes.

#### Operating Segments

The Company operates in one segment, the investment management industry. The Company primarily provides investment management services to separately managed accounts, mutual funds and collective investment trust funds. Management assesses the financial performance of these vehicles on a combined basis.

#### Revenue

The majority of the Company's revenues are based on fees charged to manage customers' portfolios. Investment management fees are generally computed as a percentage of assets under management ("AUM") and recognized as earned. Fees for providing investment advisory services are computed and billed in accordance with the provisions of the applicable investment management agreements. For the Company's separately managed accounts, clients either pay investment management fees 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 and recognizes it over the applicable period. When investment management fees are paid in arrears, the Company estimates revenues based on AUM market values as of the most recent month end date, and adjusts to actual when billed. For mutual funds and collective investment trust vehicles, the Company's fees are calculated and earned daily based on AUM.

Certain investment advisory contracts provide for a performance-based fee, in addition to a base investment management fee, which is calculated as a percentage of cumulative profits over and above the aggregate of previous period cumulative profits. Performance-based fees are recorded as a component of revenue at the end of each contract's measurement period, when all contingencies are resolved, typically on a quarterly basis. For the three and six months ended June 30, 2015, the Company recognized less than \$0.1 million and approximately \$0.1 million, respectively, in performance fee income.

The Company has agreements with third parties who provide distribution and administrative services for its mutual funds, collective investment trusts and certain separately managed accounts. Third party agreements are evaluated against Financial Accounting Standards Board ("FASB") ASC 605-45 Revenue Recognition - Principal Agent Considerations to determine whether revenue should be reported gross or net of payments to third-party service providers. In management's judgment there are various indicators that support gross revenue reporting, the most notable being the Company acts as primary obligor and therefore principal service provider. Based on this evaluation, investment management service revenue is recorded gross of distribution and administrative fees paid to third parties.

#### Advisory Agreements

The Company derives significant revenue from its role as advisor to the Fund and the CIT.

The Company's investments in the Fund amounted to approximately \$1.1 million as of June 30, 2015 and \$0.2 million as of December 31, 2014.

Fees earned for advisory related services provided to the Fund and CIT investment vehicles were approximately \$42.2 million and \$87.4 million for the three and six months ended June 30, 2015, respectively, and \$55.9 million and \$108.0 million for the three and six months ended June 30, 2014, respectively. These amounts represent greater than 10% of the Company's revenue in each respective period.

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

Recent Accounting Pronouncements

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The ASU modifies existing consolidation guidance for determining whether certain legal entities should be consolidated. The new guidance will be effective on January 1, 2016, and requires either a retrospective or a modified retrospective approach to adoption. Early adoption is permitted. The Company is currently evaluating the potential impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes existing accounting standards for revenue recognition and creates a single framework. The new guidance will be effective on January 1, 2018 and requires either a retrospective or a modified retrospective approach to adoption. Early application is permitted. The Company is currently evaluating its transition method and the potential impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs (Topic 835). The ASU requires that debt issuance costs related to a recognized liability be presented in the balance sheet as a direct deduction from that debt liability. The new guidance will be effective on January 1, 2016. Early adoption is permitted. The Company is currently evaluating its transition method and the potential impact on its consolidated financial statements.

Note 3—Noncontrolling Interests

Manning & Napier holds an approximately 16.7% economic interest in Manning & Napier Group, but 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 statement of financial condition with respect to the remaining approximately 83.3% aggregate economic interest in Manning & Napier Group held by M&N Group Holdings and MNCC. Net income attributable to noncontrolling interests on the statements of operations represents the portion of earnings or loss attributable to the economic interest in Manning & Napier Group held by the noncontrolling interests.

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

	Three months ended June 30,		Six months ended June 30,		
	2015	2014	2015	2014	
	(in thousands)				
Income before provision for income taxes	\$32,289	\$20,095	\$70,879	\$42,815	
Less: (loss) gain before provision for income taxes of Manning & Napier, Inc. (a)	(6)	(4)	(24)	2,101	
Income before provision for income taxes, as adjusted	32,295	20,099	70,903	40,714	
Controlling interest percentage (b)	16.7	% 14.4	% 15.6	% 14.2	%
Net income attributable to controlling interest	5,454	2,892	11,068	5,769	
Plus: (loss) gain before provision for income taxes of Manning & Napier, Inc. (a)	(6)	(4)	(24)	2,101	
Income before income taxes attributable to Manning & Napier, Inc.	5,448	2,888	11,044	7,870	
Less: provision for income taxes of Manning & Napier, Inc. (c)	1,945	2,189	4,232	7,090	
Net income attributable to Manning & Napier, Inc.	\$3,503	\$699	\$6,812	\$780	

a) Manning & Napier, Inc. incurs certain gains or expenses that are only attributable to it and are therefore excluded from the net income attributable to noncontrolling interests.



Edgar Filing: Manning & Napier, Inc. - Form 10-Q

Income before provision for income taxes is allocated to the controlling interest based on the percentage of units of  
b) Manning & Napier Group held by Manning & Napier, Inc. The amount represents the Company's weighted ownership of Manning & Napier Group for the respective periods.

The consolidated provision for income taxes is equal to the sum of (i) the provision for income taxes for entities  
c) other than Manning & Napier, Inc. and (ii) the provision for income taxes of Manning & Napier, Inc. which includes all U.S. federal and state income taxes. The consolidated provision for income taxes totaled approximately \$2.1 million

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

and \$4.6 million for the three and six months ended June 30, 2015, respectively, and approximately \$2.4 million and \$7.4 million for the three and six months ended June 30, 2014, respectively.

On March 31, 2015, M&N Group Holdings and MNCC exchanged a total of 3,161,502 Class A units of Manning & Napier Group for approximately \$36.3 million in cash. Subsequent to the exchange, the Class A units were retired. On March 31, 2015, the Company also purchased and retired 2,516,352 unvested Class A units of Manning & Napier Group held by M&N Group Holdings and MNCC at a predetermined cost basis for approximately \$1.4 million in cash. These units were subject to performance-based vesting criteria in connection with the 2011 reorganization transactions and did not vest. In addition, on April 16, 2015, the Company granted approximately 1.1 million of Class A common stock awards under the 2011 Equity Compensation Plan (the "Equity Plan") (Note 11) for which Manning & Napier, Inc. acquired an equivalent number of Class A units of Manning & Napier Group. These acquisitions of additional operating membership interests were treated as reorganizations of entities under common control as required by ASC 805 "Business Combinations".

As a result of the aforementioned transactions, the Company's economic ownership interest in Manning & Napier Group increased to 16.7%. As of June 30, 2015, M&N Group Holdings and MNCC may exchange an aggregate of 67,896,484 units of Manning & Napier Group for shares of the Company's Class A common stock pursuant to the terms of the exchange agreement entered into at the time of the Company's 2011 IPO.

At June 30, 2015 and December 31, 2014, the Company had recorded a liability of \$41.3 million and \$41.2 million, respectively, representing the estimated payments due to the selling unit holders under the tax receivable agreement ("TRA") entered into between Manning & Napier and the holders of Manning & Group. Of these amounts, \$2.1 million were included in accrued expenses and other liabilities at June 30, 2015 and December 31, 2014, respectively. The Company made no payments pursuant to the TRA during the six months ended June 30, 2015 and 2014. 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.

During the six months ended June 30, 2015 and 2014, the Company distributed approximately \$52.9 million and \$53.8 million, respectively, to noncontrolling interests. None of these distributions are payments pursuant to the TRA.  
Note 4—Investment Securities

The following represents the Company's investment securities holdings as of June 30, 2015 and December 31, 2014:

	June 30, 2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
Available-for-sale securities				
U.S. Treasury notes (0.25%, 10/31/2015)	\$2,107	\$—	\$(1	) \$2,106
Trading securities				
Equity securities				10,390
Fixed income securities				8,670
Mutual funds				121
Mutual funds - consolidated funds				975
Hedge funds				3,311
				23,467
Total investment securities				\$25,573

Edgar Filing: Manning & Napier, Inc. - Form 10-Q

Manning & Napier, Inc.

Notes to Consolidated Financial Statements (Continued)

	December 31, 2014			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
Available-for-sale securities				
U.S. Treasury notes (0.25%, 10/31/2015)	\$2,107	\$—	\$—	\$2,107
Trading securities				
Equity securities				12,048
Fixed income securities				9,366
Mutual funds				168
Hedge funds				3,226
				24,808
Total investment securities				\$26,915

Investment securities are classified as either trading 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 trading consist of equity securities, fixed income securities and investments in mutual funds and hedge funds for which the Company provides advisory services. At June 30, 2015 and December 31, 2014, trading securities consist solely of investments held by the Company to provide initial cash seeding for product development purposes. The Company recognized approximately \$0.4 million of net unrealized losses and \$0.3 million of net unrealized gains related to investments classified as trading during the six months ended June 30, 2015 and 2014, respectively.

Investment securities classified as available-for-sale consist of U.S. Treasury notes for compliance with certain regulatory requirements. As of June 30, 2015 and December 31, 2014, \$0.6 million of these securities is 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 six months ended June 30, 2015 and 2014.

Note 5—Derivative Instruments

The Company enters into futures contracts for product development purposes. Futures are commitments either to purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Upon entering into a futures contract, the Company is required to pledge to the broker an amount of cash, which is reported in due from broker within the consolidated statements of financial condition. Futures contracts have little credit risk because the counterparties are futures exchanges. The Company does not hold any derivatives in a formal hedge relationship under ASC 815-10, Derivatives and Hedging.

The following tables present the notional value and fair value as of June 30, 2015 and December 31, 2014 for derivative instruments not designated as hedging instruments:

	June 30, 2015		
	Notional Value	Fair Value Asset Derivative	Liability Derivative
	(in thousands)		
Interest rate futures	\$220,377	\$248	\$(202)
Index futures	2,015	4	(18)
Commodity futures	3,765	78	(63)
Currency futures	10,996	71	(12)
Total derivatives	\$237,153	\$401	\$(295)



Edgar Filing: Manning & Napier, Inc. - Form 10-Q

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

	December 31, 2014		
	Notional Value	Fair Value Asset Derivative	Liability Derivative
	(in thousands)		
Interest rate futures	\$ 106,932	\$ 162	\$(60 )
Index futures	2,032	51	(16 )
Commodity futures	3,506	41	(76 )
Currency futures	10,017	162	(17 )
Total derivatives	\$ 122,487	\$ 416	\$(169 )

As of June 30, 2015 and December 31, 2014, the derivative assets and liabilities are measured at fair value and are included in due from broker in the consolidated statements of financial condition, with changes in the fair value reported in net gains (losses) on investments in the consolidated statements of operations. For the six months ended June 30, 2015, the average volume of derivative activity (measured in terms of notional value) was approximately \$233.1 million. The following table presents the gains (losses) recognized in net gains (losses) on investments in the consolidated statements of operations for the three and six months ended June 30, 2015 and 2014:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Interest rate futures	\$(661 )	\$(191 )	\$(543 )	\$(556 )
Index futures	19	69	90	69
Commodity futures	3	(60 )	23	(60 )
Currency futures	(236 )	35	59	35
Balance as of end of period	\$(875 )	\$(147 )	\$(371 )	\$(512 )

The Company discloses information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position in accordance with ASU 2011-11, Disclosures about Offsetting Assets and Liabilities. The derivatives instruments are subject to a master netting agreement allowing for the netting of assets and liabilities on the consolidated statements of financial position.

The following table presents the offsetting of managed futures as of June 30, 2015 and December 31, 2014:

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets (Liabilities) Presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Received (Pledged)	Net Amount
	(in thousands)					
June 30, 2015	\$(295 )	\$ 401	\$ 106	\$—	\$—	\$ 106
December 31, 2014	\$(169 )	\$ 416	\$ 247	\$—	\$—	\$ 247

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 provided 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).

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).

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

The following provides the hierarchy of inputs used to derive the fair value of the Company's financial instruments as of June 30, 2015 and December 31, 2014:

	June 30, 2015			
	Level 1	Level 2	Level 3	Totals
	(in thousands)			
Equity securities	\$10,390	\$—	\$—	\$10,390
Fixed income securities	1,093	7,577	—	8,670
Mutual funds	121	—	—	121
Mutual funds - consolidated funds	975	—	—	975
Hedge funds	—	3,311	—	3,311
U.S. Treasury notes	—	2,106	—	2,106
Derivatives	401	—	—	401
Total assets at fair value	\$12,980	\$12,994	\$—	\$25,974
Derivatives	\$295	\$—	\$—	\$295
Total liabilities at fair value	\$295	\$—	\$—	\$295
	December 31, 2014			
	Level 1	Level 2	Level 3	Totals
	(in thousands)			
Equity securities	\$12,048	\$—	\$—	\$12,048
Fixed income securities	1,154	8,212	—	9,366
Mutual funds	168	—	—	168
Hedge funds	—	3,226	—	3,226
U.S. Treasury notes	—	2,107	—	2,107
Derivatives	416	—	—	416
Total assets at fair value	\$13,786	\$13,545	\$—	\$27,331
Securities sold, not yet purchased	\$964	\$—	\$—	\$964
Derivatives	169	—	—	169
Total liabilities at fair value	\$1,133	\$—	\$—	\$1,133

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 relies on the net asset value of certain hedge fund investments as their fair value. The net asset values have been derived from the fair values of underlying futures contracts as of the respective reporting dates.

Redemptions may occur monthly at the net asset value and are therefore categorized as Level 2 in the hierarchy.

There were no Level 3 securities held by the Company at June 30, 2015 or December 31, 2014.

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 Level 1 and Level 2 securities during the six months ended June 30, 2015.

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

Note 7—Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities as of June 30, 2015 and December 31, 2014 consisted of the following:

	June 30, 2015	December 31, 2014
	(in thousands)	
Accrued bonus and sales commissions	\$22,388	\$28,801
Accrued payroll and benefits	2,879	3,424
Accrued sub-transfer agent fees	6,608	8,108
Dividends payable	2,364	3,291
Amounts payable under tax receivable agreement	2,100	2,100
Securities sold, not yet purchased	—	964
Other accruals and liabilities	4,326	4,091
	\$40,665	\$50,779

Note 8—Borrowings

Revolving Credit Facility

On April 23, 2015, Manning & Napier, Inc., Manning & Napier Group and MNA (collectively, the "Borrowers") entered into an unsecured revolving credit agreement (the "Credit Agreement") with Wells Fargo Bank, National Association, as administrative agent, lender, swingline lender and issuing bank, Manufacturers and Traders Trust Company, as syndication agent and lender, and First Niagara Bank, The Bank of New York Mellon, and The Huntington National Bank, as lenders (collectively, the "Lenders") that has a four-year term (until April 23, 2019) and provides borrowing capacity of up to \$100.0 million, with a feature providing for an increase in the line to \$150.0 million on approval by the lending group. The Credit Agreement also provides for a \$5.0 million sub-limit for the issuance of standby letters of credit and a \$5.0 million swingline facility. At June 30, 2015, there were no amounts outstanding under the Credit Agreement and the Company had the capacity to draw on the entire \$100.0 million under the Credit Agreement. The Company incurred approximately \$0.6 million of issuance costs to enter this facility. These costs are being amortized to interest expense over the contractual term of the Credit Agreement.

Amounts outstanding under the Credit Agreement bear interest at an annual rate equal to, at the Company's option, either LIBOR (adjusted for reserves and not below 0.0%) for interest periods of one, two, three or six months or a base rate (as defined in the Credit Agreement), plus, in each case, an applicable margin. The applicable margins range from 1.50% to 2.50% in the case of LIBOR-based loans, and 0.50% to 1.50% in the case of base rate loans. Under the terms of the Credit Agreement, the Company is also required to pay certain fees, including among other things a one-time initial commitment fee, and a quarterly fee based on the average unused amount of the facility ranging from 0.25% to 0.45%.

The Credit Agreement contains customary covenants, including covenants that restrict (subject in certain instances to minimum thresholds or exceptions) the ability of the Company and certain of its subsidiaries to incur additional indebtedness, create liens, merge, dispose of assets, and make distributions, dividends, investments or capital expenditures, among other things. In addition, the Credit Agreement contains certain financial covenants, including: (i) a minimum interest coverage ratio (generally, adjusted EBITDA to interest expense as defined in and for the period specified in the Credit Agreement) of at least 4.00:1.00 and (ii) a leverage ratio (generally, total debt as of any date to adjusted EBITDA as defined in and for the period specified in the Credit Agreement) of no greater than 2.75:1.00. For purposes of the Credit Agreement, adjusted EBITDA generally means, for any period, net income of the Company before interest expense, income taxes, depreciation and amortization expense, non-cash stock-based compensation expense, and certain non-cash nonrecurring gains and losses as described in and specified under the Credit Agreement. At June 30, 2015, the Company was in compliance with all financial covenants under the Credit Agreement.

The Credit Agreement also contains customary provisions regarding events of default which could result in an acceleration of amounts due under the facility. Such events of default include the Company's failure to pay principal or interest when due, the Company's failure to satisfy or comply with covenants and a change of control.

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 of one or more of the Manning & Napier Group entities. 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.

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

### 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, Financial Industry Regulatory Authority, Inc., National Futures Association and U.S. Commodity Futures Trading Commission. From time to time, the Company may also be subject to claims, be involved in various legal proceedings arising in the ordinary course of its business and be subject to 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 June 30, 2015 and December 31, 2014, 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 by dividing net income attributable to common stockholders by the weighted average number of shares outstanding during the reporting period. The Company's unvested restricted Class A common shares granted under the 2011 Equity Compensation Plan (the “Equity Plan”) have non-forfeitable dividend rights and are therefore considered participating securities under GAAP. As such, these shares are included in the computation of basic earnings per share using the two-class method.

Under the two-class method, basic earnings per share is calculated by dividing net income for basic earnings per share by the weighted average number of common shares outstanding during the period. 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 net income for basic earnings per share is reduced by the amount allocated to participating unvested restricted Class A common stock which participate for purposes of calculating earnings per share. Diluted earnings per share (“diluted EPS”) gives effect during the reporting period to other potentially dilutive shares outstanding.

The following is a reconciliation of the income and share data used in the basic and diluted earnings per share computations for the three and six months ended June 30, 2015 and 2014 under the two-class method:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands, except share data)			
Net income attributable to controlling and noncontrolling interests	\$30,208	\$17,735	\$66,319	\$35,379
Less: net income attributable to noncontrolling interests	26,705	17,036	59,507	34,599
Net income attributable to Manning & Napier, Inc.	\$3,503	\$699	\$6,812	\$780
Less: allocation to participating securities	234	—	236	—
Net income available to Class A common stock	\$3,269	\$699	\$6,576	\$780
Weighted average shares of Class A common stock outstanding - basic	13,739,923	13,667,861	13,726,804	13,651,223
Dilutive effect from unvested equity awards	262,210	152,448	238,851	137,158
Weighted average shares of Class A common stock outstanding - diluted	14,002,133	13,820,309	13,965,655	13,788,381
Net income available to Class A common stock per share - basic	\$0.24	\$0.05	\$0.48	\$0.06
Net income available to Class A common stock per share - diluted	\$0.23	\$0.05	\$0.47	\$0.06

For the three and six months ended June 30, 2015 and 2014, 163,632 and 181,378 restricted stock units were excluded from the calculation of diluted earnings per common share because the performance conditions had not yet been

satisfied.

For the three and six months ended June 30, 2015, 1,040,000 unvested restricted Class A common shares were excluded from the calculation of diluted earnings per common share because the effect would have been anti-dilutive. At June 30, 2015 and June 30, 2014 there were 67,896,484 and 73,574,338, respectively, Class A Units of Manning & Napier Group outstanding which, subject to certain restrictions, may be exchangeable for up to 67,896,484 and 73,574,338, respectively, shares of the Company's Class A common stock. The restrictions set forth in the exchange agreement were in

15

---

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

place at the end of each respective reporting period. These units were not included in the calculation of diluted earnings per common share for the three and six months ended June 30, 2015 and 2014, respectively, because the effect would have been anti-dilutive.

The Company's Class B common stock represent voting interests and do not participate in the earnings of the Company. Accordingly, there is no basic or diluted EPS related to the Company's Class B common stock.

Note 11—Equity Based Compensation

The Equity Plan was adopted by the Company's board of directors and approved by the Company's stockholders prior to the consummation of the IPO. A total of 13,142,813 equity interests are authorized for issuance. The equity interests may be issued in the form of the Company's Class A common stock, restricted stock units, units of Manning & Napier Group, or certain classes of membership interests in the Company which may convert into units of Manning & Napier Group.

During the six months ended June 30, 2015, 1,436,947 equity awards were granted under the Equity Plan. The awards consist of 31,590 shares of Class A common stock, 1,150,000 restricted stock awards and 255,357 restricted stock units. The Class A common stock awards vested immediately, and the restricted share-based awards are subject to service-based vesting over a period ranging from 2 to 6 years.

The following table summarizes the equity award activity for the six months ended June 30, 2015 under the Company's Equity Plan:

	Restricted Stock Awards	Weighted Average Grant Date Fair Value
Stock awards outstanding at January 1, 2015	855,009	\$ 15.32
Granted	1,436,947	\$ 11.89
Vested	(31,590	) \$ 12.20
Forfeited	(142,303	) \$ 12.93
Stock awards outstanding at June 30, 2015	2,118,063	\$ 13.20

The weighted average grant date fair value of Equity Plan awards granted during the six months ended June 30, 2015 and 2014 was \$11.89 and \$15.29, respectively, based on the closing sale price of Manning & Napier Inc.'s Class A common stock as reported on the New York Stock Exchange on the date of grant, and, where applicable, reduced by the present value of the dividends expected to be paid on the underlying shares during the requisite service period. Restricted stock unit awards are not entitled to dividends declared on the underlying shares of Class A common stock until the awards vest.

For the three and six months ended June 30, 2015, the Company recorded approximately \$1.9 million and \$2.5 million, respectively, of compensation expense related to awards under the Equity Plan. For the three and six months ended June 30, 2014, the Company recorded approximately \$0.5 million and \$1.3 million, respectively, of compensation expense related to awards under the Equity Plan.

For the three and six months ended June 30, 2014, the Company recognized approximately \$23.2 million and \$45.1 million, respectively, of compensation expense related to the vesting terms of ownership interests in connection with the 2011 reorganization transactions.

As of June 30, 2015, there was unrecognized compensation expense related to Equity Plan awards of approximately \$18.9 million, which the Company expects to recognize over a weighted average period of approximately 4.4 years.

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 LLC's 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.

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



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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands)			
Earnings from continuing operations before income taxes	\$32,289	\$20,095	\$70,879	\$42,815
Effective tax rate	6.4	% 11.7	% 6.4	% 17.4
Provision for income taxes	2,081	2,360	4,560	7,436
Provision for income taxes @ 35%	11,301	7,033	24,808	14,985
Difference between tax at effective vs. statutory rate	\$(9,220 )	\$(4,673 )	\$(20,248 )	\$(7,549 )

For the three and six months ended June 30, 2015 and 2014, the difference between the Company's recorded provision and the provision that would result from applying the U.S. statutory rate of 35% is primarily attributable to the benefit resulting from the fact that a significant portion of 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. For the six months ended June 30, 2014, the benefit is partially offset by a \$2.2 million impact from enacted changes in tax laws that lowered the Company's expectation of the future tax benefits under the tax receivable agreement.

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, including William Manning. Pursuant to the respective investment management agreements, in some instances the Company waives or reduces its regular advisory fees for these accounts and personal funds utilized to incubate products. The aggregate value of the fees earned was approximately \$0.1 million and fees waived was less than \$0.1 million for the six months ended June 30, 2015.

Affiliate transactions - Manning & Napier Fund, Inc.

The Company has agreements to serve as the investment manager of Manning & Napier Fund, Inc., with which certain of its officers are affiliated. Under the terms of these agreements, which are generally reviewed and continued by the board of directors of Manning & Napier Fund, Inc. annually, the Company receives a fee based on an annual percentage of the average daily net assets of each series within the Manning & Napier Fund, Inc. The Company has contractually agreed to limit its fees and reimburse expenses to limit operating expenses incurred by certain of Manning & Napier Fund, Inc. series.

Note 14—Subsequent Events

Distributions and dividends

On August 6, 2015, the Board of Directors approved a distribution from Manning & Napier Group to Manning & Napier and the noncontrolling interests of Manning & Napier Group. The amount of the distribution to the members of Manning & Napier Group is approximately \$31.3 million, of which approximately \$26.1 million is expected to be payable to the noncontrolling interests. Concurrently, the Board of Directors declared a \$0.16 per share dividend to the holders of Class A common stock. The dividend is payable on or about November 2, 2015 to shareholders of record as of October 15, 2015.

Table of Contents

## 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 and Section 21E of the Securities Exchange Act of 1934, which reflect our views with respect to, among other things, our operations and financial performance. Words like "believes," "expects," "may," "estimates," "will," "should," "could," "intends," "likely," "plans," 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; a decline in the performance of our products; client sales and redemption activity; 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

## Business

We are an independent investment management firm that provides a broad range of investment solutions, as well as a variety of consultative services that complement our investment process. Founded in 1970, we offer equity, fixed income, and alternative strategies, as well as a range of blended asset portfolios, such as life cycle funds. 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 operations are based principally in the United States, with our headquarters located in Fairport, New York.

## Our Products

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

Our separate accounts are primarily distributed through our Direct Channel, where our representatives form relationships with high net worth individuals, middle market institutions or large institutions that are working with a consultant. To a lesser extent, we also obtain a portion of our separate account distribution via third parties, either through our Intermediary Channel, where national brokerage firm representatives or independent financial advisors select our separate account strategies for their clients, or through our Platform/Sub-Advisory Channel, where unaffiliated registered investment advisors approve our strategies for their product platforms. Our separate account products are a primary driver of our blended asset portfolios for high net worth and 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 primarily distributed through financial intermediaries, including brokers, financial advisors, retirement plan advisors and platform relationships. We also obtain a portion of our mutual fund and collective investment trust distribution through our direct sales representatives, in particular within the defined contribution and institutional marketplace. Our mutual fund and collective investment trust products are an important driver of our blended asset class portfolios, in particular with 401(k) plan sponsors, advisors and recordkeepers that select our funds as default options for participants. In addition, financial intermediaries, mutual fund advisory programs and retail platforms are a driver of mutual fund equity portfolios.

Our assets under management ("AUM") was \$43.1 billion as of June 30, 2015. The composition of our AUM by vehicle and portfolio is illustrated in the table below.

AUM - by investment vehicle and portfolio	June 30, 2015			Total
	Blended Asset	Equity	Fixed Income	
	(in millions)			

Edgar Filing: Manning & Napier, Inc. - Form 10-Q

Separately managed accounts	\$13,272.7	\$9,822.2	\$1,110.3	\$24,205.2
Mutual funds and collective investment trusts	11,627.6	7,225.5	47.8	18,900.9
Total	\$24,900.3	\$17,047.7	\$1,158.1	\$43,106.1

18

---



Table of Contents

The composition of our separately managed accounts as of June 30, 2015, by channel and portfolio, is set forth in the table below.

	June 30, 2015				
	Blended Asset	Equity	Fixed Income	Total	
	(dollars in millions)				
Separate account AUM					
Direct Channel	\$9,546.0	\$7,304.2	\$960.3	\$17,810.5	
Intermediary Channel	3,723.3	813.3	150.0	4,686.6	
Platform/Sub-advisor Channel	3.4	1,704.7	—	1,708.1	
Total	\$13,272.7	\$9,822.2	\$1,110.3	\$24,205.2	
Percentage of separate account AUM					
Direct Channel	40	% 30	% 4	% 74	%
Intermediary Channel	15	% 3	% 1	% 19	%
Platform/Sub-advisor Channel	—	% 7	% —	% 7	%
Total	55	% 40	% 5	% 100	%
Percentage of portfolio by channel					
Direct Channel	72	% 75	% 86	% 74	%
Intermediary Channel	28	% 8	% 14	% 19	%
Platform/Sub-advisor Channel	—	% 17	% —	% 7	%
Total	100	% 100	% 100	% 100	%
Percentage of channel by portfolio					
Direct Channel	54	% 41	% 5	% 100	%
Intermediary Channel	80	% 17	% 3	% 100	%
Platform/Sub-advisor Channel	—	% 100	% —	% 100	%

Our separate accounts contributed 36% of our total gross client inflows for the six months ended June 30, 2015 and represented 56% of our total AUM as of June 30, 2015.

Our separate account business has historically been driven primarily by our Direct Channel, where sales representatives form a relationship with high net worth investors, middle market institutions, and large institutional clients working in conjunction with a consultant. The Direct Channel contributed 64% of the total gross client inflows for our separate account business for the six months ended June 30, 2015 and represented 74% of our total separate account AUM as of June 30, 2015. We anticipate the Direct Channel to continue to be the largest driver of new separate account business going forward, given the Direct Channel's high net worth and middle market institutional client-type focus.

During the six months ended June 30, 2015, blended asset and equity portfolios represented 70% and 21%, respectively, of the separate account gross client inflows from the Direct Channel, while fixed income portfolios accounted for 9%. As of June 30, 2015, blended asset and equity portfolios represented 54% and 41%, respectively, of total Direct Channel separate account AUM, while our fixed income portfolios were 5%. We expect our focus on individuals and middle market institutions to continue to drive interest in our blended asset class portfolios, where we provide a comprehensive portfolio of stocks and bonds managed to a client's specific investment objectives. Historically, relationships with larger institutions have been a driver of growth in separately managed account equity strategies. Going forward, we expect many of these larger institutions may seek exposure to non-U.S. equity strategies through commingled vehicles to limit related custody expenses rather than separately managed accounts, and our U.S.-based equity strategies may continue to be attractive to large institutions in a separate account format. To a lesser extent, we also obtain separate account business from third parties, including financial advisors or unaffiliated registered investment advisor programs or platforms. During the six months ended June 30, 2015, 15% of the total gross client inflows for separate accounts came from financial advisor representatives (Intermediary Channel), and an additional 21% came from registered investment advisor platforms (Platform/Sub-advisor Channel). The Intermediary and Platform/Sub-advisor Channels represented 26% of our total separate account AUM as of

June 30, 2015.

New separate account business through the Intermediary Channel flowed into both our blended asset and equity portfolios, driven by advisors' needs to identify either a one-stop solution (blended asset portfolio) or to fill a mandate within a multi-strategy portfolio. During the six months ended June 30, 2015, blended asset and equity portfolios represented 84% and

19

---

Table of Contents

15%, respectively, of the separate account gross client inflows from the Intermediary Channel, while fixed income portfolios represented 1%. As of June 30, 2015, 80% of our separate account AUM derived from financial advisors was allocated to blended asset portfolios, with 17% allocated to equity and 3% allocated to fixed income. We expect that equity and fixed income portfolios may see additional interest from financial advisors over time as more and more advisors structure a multi-strategy portfolio for their clients.

In contrast, gross client inflows through the Platform/Sub-advisor Channel are primarily directed to our equity strategies, where we are filling a specific mandate within the investment program or platform product. During the six months ended June 30, 2015, 100% of our separate account gross client inflows from the Platform/Sub-advisory Channel were into equity portfolios.

Our annualized separate account retention rate across all channels is approximately 92% during the six months ended June 30, 2015, representing the strong relationship focus that is inherent in our direct sales model, which is the primary driver of our separate account business.

During the six months ended June 30, 2015, market appreciation for our separate account AUM was 1.5%, including 0.8% in our blended assets, 2.4% in equity portfolios and 0.4% in our fixed income portfolios.

The composition of our mutual fund and collective investment trust AUM as of June 30, 2015, by portfolio, is set forth in the table below.

	June 30, 2015			
	Blended Asset (in millions)	Equity	Fixed Income	Total
Mutual fund and collective investment trust AUM	\$11,627.6	\$7,225.5	\$47.8	\$18,900.9

Our mutual funds and collective investment trusts contributed 64% of our total gross client inflows for the six months ended June 30, 2015 and represented 44% of our total AUM as of June 30, 2015. As of June 30, 2015, our mutual fund and collective investment trust AUM consisted of 62% from blended asset portfolios and 38% from equity portfolios. During the six months ended June 30, 2015, 71% and 28% of the gross client inflows were attributable to blended assets and equity portfolios, respectively. For the six months ended June 30, 2015, market appreciation for our mutual fund and collective investment trust AUM was 1.6%, including 0.4% in our blended assets and 3.0% in our equity portfolios, offset by market depreciation of 11.0% in our fixed income portfolios.

Our mutual fund and collective investment trust business is driven by financial intermediaries and to a lesser extent, our direct sales representatives. Intermediary distribution of our mutual fund and collective investment trust vehicles is achieved via financial advisors, brokers and retirement plan advisors. Through our Intermediary Channel, we are increasingly focused on our blended asset life cycle fund vehicles given our emphasis on advisors that work with retirement plans. Our blended asset portfolios are also used by advisors seeking a multi-asset class solution for their retail clients. In addition, our allocation to equity portfolios within the Intermediary Channel is anticipated to increase due to national brokerage firm representatives who wish to use our mutual funds as a component of a larger portfolio. Through our Platform/Sub-advisor Channel, we have relationships with consultants and advisors at platforms. We derive equity portfolio assets in this channel through the selection of our funds within advisory programs where our mutual funds are used within a multi-strategy portfolio, or through placement on platforms' approved lists of funds. To facilitate our relationships with intermediaries, we currently have more than 290 dealer relationships. These relationships are important to the expansion of our retail business as well as our 401(k) life cycle and institutional business.

Our Direct Sales Representatives distribute our equity portfolios, in particular our non-U.S. portfolios, to large institutional clients with which we have direct relationships, and often the client's consultant. Through the Direct Channel, we also form relationships with middle market and large market defined contribution plan sponsors seeking to use our life cycle mutual funds and collective investment trusts as default options on their investment menu. We expect this channel to be focused on distributing blended asset and equity portfolio funds, particularly as the breadth of our mutual fund and collective investment trust offerings expands.

Results of Operations

Edgar Filing: Manning & Napier, Inc. - Form 10-Q

Below is a discussion of our consolidated results of operations for the three and six months ended June 30, 2015 and 2014.

20

---

Table of Contents

Key Components of Results of Operations

Overview

Changes to our operating results over time are largely driven by net client asset flows and changes to the market value of our AUM. The line item "market appreciation/(depreciation) and other" within our AUM tables throughout "Management's Discussion and Analysis of Financial Condition and Results of Operations" includes investment gains/(losses) on assets under management and net flows from non-sales related activities including asset acquisitions and net reinvested dividends.

An important factor influencing inflows and outflows of our AUM is the investment performance of our various investment approaches. Our variety of stock selection strategies, absolute pricing discipline and active asset allocation management approach generally results in specific absolute and relative return characteristics in different market environments. For example, during a fundamental-driven bull market when prices are rising alongside improving fundamentals, we are likely to experience positive absolute returns and competitive relative returns. However, in a more momentum-driven bull market, when prices become disconnected from underlying fundamentals, or narrow market environment where a small handful of stocks outperform the average stock, we are likely to experience positive absolute returns but lagging relative returns. Similarly, during a valuation-driven bear market, when markets experience a period of price correction following a momentum-driven bull market, we are likely to experience negative absolute returns but strong relative returns. However, in a momentum-driven bear market, which is typically characterized by broad price declines in a highly correlated market, we are likely to experience negative absolute returns and potentially lagging relative returns. Essentially, our approach is likely to do well when markets are driven by fundamentals, but lag when markets are driven primarily by momentum.

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.

Table of Contents

## Assets Under Management and Investment Performance

The following tables reflect the indicated components of our AUM for our investment vehicles for the three and six months ended June 30, 2015 and 2014.

	Separately managed accounts	Mutual funds and collective investment trusts (in millions)	Total	Separately managed accounts	Mutual funds and collective investment trusts	Total		
As of March 31, 2015	\$25,151.6	\$ 20,469.4	\$45,621.0	55	% 45	% 100	%	%
Gross client inflows	560.3	993.7	1,554.0					
Gross client outflows	(1,687.9 )	(2,688.3 )	(4,376.2 )					
Market appreciation/(depreciation) & other	181.2	126.1	307.3					
As of June 30, 2015	\$24,205.2	\$ 18,900.9	\$43,106.1	56	% 44	% 100	%	%
Average AUM for period	\$24,965.0	\$ 20,300.7	\$45,265.7					
As of March 31, 2014	\$27,217.5	\$ 24,973.9	\$52,191.4	52	% 48	% 100	%	%
Gross client inflows	935.0	1,605.7	2,540.7					
Gross client outflows	(1,761.7 )	(1,134.5 )	(2,896.2 )					
Market appreciation/(depreciation) & other	1,230.8	1,011.9	2,242.7					
As of June 30, 2014	\$27,621.6	\$ 26,457.0	\$54,078.6	51	% 49	% 100	%	%
Average AUM for period	\$27,413.4	\$ 25,709.2	\$53,122.6					
	Separately managed accounts	Mutual funds and collective investment trusts (in millions)	Total	Separately managed accounts	Mutual funds and collective investment trusts	Total		
As of December 31, 2014	\$25,408.7	\$ 22,392.9	\$47,801.6	53	% 47	% 100	%	%
Gross client inflows	1,251.7	2,269.6	3,521.3					
Gross client outflows	(2,828.3 )	(6,123.0 )	(8,951.3 )					
Market appreciation/(depreciation) & other	373.1	361.4	734.5					
As of June 30, 2015	\$24,205.2	\$ 18,900.9	\$43,106.1	56	% 44	% 100	%	%
Average AUM for period	\$25,204.0	\$ 20,988.3	\$46,192.3					
As of December 31, 2013	\$26,835.0	\$ 23,991.2	\$50,826.2	53	% 47	% 100	%	%
Gross client inflows	1,651.3	3,295.4	4,946.7					
Gross client outflows	(2,837.7 )	(2,383.0 )	(5,220.7 )					
Market appreciation/(depreciation) & other	1,973.0	1,553.4	3,526.4					
As of June 30, 2014	\$27,621.6	\$ 26,457.0	\$54,078.6	51	% 49	% 100	%	%
Average AUM for period	\$27,148.2	\$ 24,948.6	\$52,096.8					

Table of Contents

The following tables reflect the indicated components of our AUM for our portfolios for the three and six months ended June 30, 2015 and 2014.

	Blended Asset	Equity  (in millions)	Fixed Income	Total	Blended Asset	Equity	Fixed Income	Total
As of March 31, 2015	\$25,413.4	\$18,957.4	\$1,250.2	\$45,621.0	55 %	42 %	3 %	100 %
Gross client inflows	1,014.8	485.8	53.4	1,554.0				
Gross client outflows	(1,551.4 )	(2,688.1 )	(136.7 )	(4,376.2 )				
Market appreciation/(depreciation) & other	23.5	292.6	(8.8 )	307.3				
As of June 30, 2015	\$24,900.3	\$17,047.7	\$1,158.1	\$43,106.1	57 %	40 %	3 %	100 %
Average AUM for period	\$25,376.3	\$18,708.2	\$1,181.2	\$45,265.7				
As of March 31, 2014	\$24,513.3	\$26,539.9	\$1,138.2	\$52,191.4	47 %	51 %	2 %	100 %
Gross client inflows	1,190.0	1,292.3	58.4	2,540.7				
Gross client outflows	(877.1 )	(1,962.8 )	(56.3 )	(2,896.2 )				
Market appreciation/(depreciation) & other	1,065.4	1,098.6	78.7	2,242.7				
As of June 30, 2014	\$25,891.6	\$26,968.0	\$1,219.0	\$54,078.6	48 %	50 %	2 %	100 %
Average AUM for period	\$25,167.0	\$26,766.6	\$1,189.0	\$53,122.6				
	Blended Asset	Equity  (in millions)	Fixed Income	Total	Blended Asset	Equity	Fixed Income	Total
As of December 31, 2014	\$25,279.0	\$21,284.1	\$1,238.5	\$47,801.6	53 %	44 %	3 %	100 %
Gross client inflows	2,323.4	1,091.9	106.0	3,521.3				
Gross client outflows	(2,863.6 )	(5,901.3 )	(186.4 )	(8,951.3 )				
Market appreciation/(depreciation) & other	161.5	573.0	—	734.5				
As of June 30, 2015	\$24,900.3	\$17,047.7	\$1,158.1	\$43,106.1	57 %	40 %	3 %	100 %
Average AUM for period	\$25,379.5	\$19,602.2	\$1,210.6	\$46,192.3				
As of December 31, 2013	\$23,710.2	\$25,977.0	\$1,139.0	\$50,826.2	47 %	51 %	2 %	100 %
Gross client inflows	2,327.5	2,494.0	125.2	4,946.7				
Gross client outflows	(1,820.0 )	(3,261.9 )	(138.8 )	(5,220.7 )				
Market appreciation/(depreciation) & other	1,673.9	1,758.9	93.6	3,526.4				
As of June 30, 2014	\$25,891.6	\$26,968.0	\$1,219.0	\$54,078.6	48 %	50 %	2 %	100 %
Average AUM for period	\$24,575.9	\$26,356.4	\$1,164.5	\$52,096.8				

The following table summarizes the annualized returns for our key investment strategies and the relative performance of the industry benchmark over the periods indicated. Since inception these strategies have earned attractive returns on both an absolute and relative basis. These strategies are used across separate account, mutual fund and collective investment trust vehicles, and represent approximately 81% of our AUM as of June 30, 2015.





Table of Contents

Key Strategies	AUM as of June 30, 2015 (in millions)	Inception Date	Annualized Returns as of June 30, 2015 (3)					
			Inception	Market Cycle (1)	Ten Year	Five Year	Three Year	One Year
Long-Term Growth 30%-80% Equity Exposure	\$ 11,263.5	1/1/1973	9.8%	6.7%	6.6%	10.1%	10.0%	(1.1)%
Blended Benchmark: 55% S&P 500 Total Return / 45% Barclays Government/Credit Bond			9.4%	5.1%	6.6%	11.2%	10.2%	4.9%
Growth with Reduced Volatility 20%-60% Equity Exposure	\$ 5,118.4	1/1/1973	9.1%	6.2%	5.9%	8.2%	7.8%	(0.9)%
Blended Benchmark: 40% S&P 500 Total Return / 60% Barclays Government/Credit Bond			8.9%	5.3%	6.1%	9.1%	7.9%	4.1%
Aggregate Fixed Income	\$ 457.8	1/1/1984	7.6%	5.2%	4.6%	3.3%	1.9%	1.3%
Benchmark: Barclays U.S. Aggregate Bond			7.6%	5.5%	4.4%	3.4%	1.8%	1.9%
Equity-Oriented	\$ 3,251.2	1/1/1993	10.3%	6.9%	7.0%	12.2%	13.6%	(1.8)%
Blended Benchmark: 65% Russell 3000® / 20% ACWIXUS / 15% Barclays U.S. Aggregate Bond			8.6%	4.7%	7.3%	13.5%	13.6%	4.0%
Core Equity (Unrestricted) 90%-100% Equity Exposure	\$ 1,634.1	1/1/1995	11.5%	7.7%	8.0%	14.2%	16.4%	(1.9)%
Blended Benchmark: 80% Russell 3000® / 20% ACWIXUS			9.0%	4.4%	7.7%	15.6%	16.1%	4.7%
Core Non-U.S. Equity	\$ 10,510.9	10/1/1996	8.0%	6.0%	5.9%	6.9%	8.4%	(10.4)%
Benchmark: ACWIXUS Index			5.3%	3.5%	5.5%	7.8%	9.4%	(5.3)%
Core U.S. Equity	\$ 2,877.7	7/1/2000	7.3%	N/A (2)	8.0%	14.5%	16.7%	(0.7)%
Benchmark: Russell 3000® Index			4.9%	4.6%	8.2%	17.5%	17.7%	7.3%

(1) The Market Cycle performance numbers are calculated from April 1, 2000 to June 30, 2015.

(2) Market Cycle performance not available given the product's July 1, 2000 inception date.

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

## 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.

Manning & Napier Advisors, LLC ("MNA"), a subsidiary of Manning & Napier Group, serves as the investment advisor to the Fund and Exeter Trust Company. The Fund is a family of open-end mutual funds that offer no-load share classes designed to meet the needs of a range of institutional and other investors. Exeter Trust Company is an affiliated New Hampshire-chartered trust company that sponsors a family of collective investment trusts for qualified retirement plans, including 401(k) plans. These mutual funds and collective investment trusts comprised \$18.9 billion, or 44%, of our AUM as of June 30, 2015, and investment management fees from these mutual funds and collective investment trusts were \$42.2 million, or 49% of our revenues for the three months ended June 30, 2015. MNA also serves as the investment advisor to all of our separately managed accounts, managing \$24.2 billion, or 56%, of our AUM as of June 30, 2015, including assets managed as a sub-advisor to pooled investment vehicles and assets in

client accounts invested in the Fund.

#### Operating Expenses

Our largest operating expenses are employee compensation and 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, we are generally willing to make expenditures as necessary even when faced with declining rates of growth in revenues in order to support our investment products, our client service levels, strategic initiatives and our long-term value.

## Table of Contents

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 and equity-based compensation issued under our equity compensation plan. These costs are affected by changes in the employee headcount, the mix of existing job descriptions, competitive factors, the addition of new skill sets, variations in the level of our AUM and revenues, changes in our stock price reflected in share-based compensation and/or the number of awards issued. In addition, incentive compensation for our research team considers the cumulative impact of both absolute and relative investment performance over the trailing one-, two- and three-year time periods, with more weight placed on the recent periods. As such, incentive compensation paid to our research team will vary based on absolute and relative investment performance.

Distribution, servicing and custody expenses. Distribution, servicing and custody expense represent amounts paid to various platforms that distribute our mutual funds and collective trust funds, as well as costs for custodial services and 12b-1 distribution. 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 expenses. Other operating expenses include fund fee waiver and/or expense reimbursement, professional fees, including accounting and legal 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 and gains (losses) related to investment securities sales and changes in values of those investment securities designated as trading. Interest expense primarily relates to unused commitment fees and amortization of debt issuance costs. 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 as well as the timing and amounts (if any) outstanding under the revolving credit agreement.

### 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 LLC's 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 approximately 16.7% economic interest in Manning & Napier Group as of June 30, 2015 but, 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

There have been no significant changes in our critical accounting policies and estimates from those that were disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

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, 2014 together with the consolidated financial statements and related notes and the other financial information that appear elsewhere in this report.

### Revenue Recognition

Because the majority of our revenues are earned based on AUM that has been determined using fair value methods and since market appreciation/depreciation has a significant impact on our revenue, we have presented our AUM using the U.S. GAAP ("GAAP")) framework for measuring fair value. A fair value hierarchy is provided that gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the

lowest priority to unobservable inputs (Level 3). 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;

25

---

Table of Contents

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 table below summarizes the approximate amount of AUM for the periods indicated for which fair value is measured based on Level 1, Level 2 and Level 3.

	Level 1 (in millions)	Level 2	Level 3	Total
June 30, 2015	\$25,886	\$17,220	\$—	\$43,106
December 31, 2014	\$28,641	\$19,161	\$—	\$47,802

As substantially all our AUM is valued by independent pricing services based upon observable market prices or inputs, we believe market risk is the most significant risk underlying valuation of our AUM, as discussed in this Form 10-Q under “Item 3. Quantitative and Qualitative Disclosures About Market Risk” and in “Part II. Item 1A. Risk Factors” of our Form 10-K for the year ended December 31, 2014.

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 Form 10-Q for additional information.

Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

Assets Under Management

The following table reflects changes in our AUM for the three months ended June 30, 2015 and 2014:

	Three months ended June 30,		Period-to-Period	
	2015	2014	\$	%
	(in millions)			
<u>Separately managed accounts</u>				
Beginning assets under management	\$25,151.6	\$27,217.5	\$(2,065.9)	(8)%
Gross client inflows	560.3	935.0	(374.7)	(40)%
Gross client outflows	(1,687.9)	(1,761.7)	73.8	(4)%
Market appreciation (depreciation) & other	181.2	1,230.8	(1,049.6)	(85)%
Ending assets under management	\$24,205.2	\$27,621.6	\$(3,416.4)	(12)%
<u>Mutual funds and collective investment trusts</u>				
Beginning assets under management	\$20,469.4	\$24,973.9	\$(4,504.5)	(18)%
Gross client inflows	993.7	1,605.7	(612.0)	(38)%
Gross client outflows	(2,688.3)	(1,134.5)	(1,553.8)	137%
Market appreciation (depreciation) & other	126.1	1,011.9	(885.8)	(88)%
Ending assets under management	\$18,900.9	\$26,457.0	\$(7,556.1)	(29)%
<u>Total assets under management</u>				
Beginning assets under management	\$45,621.0	\$52,191.4	\$(6,570.4)	(13)%
Gross client inflows	1,554.0	2,540.7	(986.7)	(39)%
Gross client outflows	(4,376.2)	(2,896.2)	(1,480.0)	51%
Market appreciation (depreciation) & other	307.3	2,242.7	(1,935.4)	(86)%
Ending assets under management	\$43,106.1	\$54,078.6	\$(10,972.5)	(20)%

Our total AUM decreased by \$11.0 billion, or 20%, to \$43.1 billion as of June 30, 2015 from \$54.1 billion as of June 30, 2014. The \$11.0 billion decrease in AUM from June 30, 2014 to June 30, 2015 was attributable to net client outflows of \$8.4

Table of Contents

billion and market depreciation of \$2.5 billion. The net client outflows of \$8.4 billion consisted of \$2.7 billion of net outflows for separate accounts and \$5.7 billion for mutual funds and collective investment trusts.

For the three months ended June 30, 2015, our AUM decreased by \$2.5 billion as compared to an increase of \$1.9 billion for the three months ended June 30, 2014. For the three months ended June 30, 2015, gross client inflows decreased by \$1.0 billion as compared to the three months ended June 30, 2014, while gross client outflows increased by \$1.5 billion for the same period. Our net client flows are likely to remain under pressure over the near term due to recent investment performance. We experienced market appreciation and other AUM changes of \$0.3 billion for the three months ended June 30, 2015 compared to \$2.2 billion for the three months ended June 30, 2014.

The total AUM decrease of \$2.5 billion, or 5.5%, to \$43.1 billion at June 30, 2015 from \$45.6 billion at March 31, 2015 was attributable net client cash outflows of \$2.8 billion offset by market appreciation of \$0.3 billion. Our net client flows were comprised of separate accounts net client outflows of approximately \$1.1 billion and net client outflows from our mutual funds and collective investment trusts of approximately \$1.7 billion.

With regard to our separate accounts, gross client inflows of \$0.6 billion were offset by gross client outflows of \$1.7 billion. Gross client outflows were primarily from our equity portfolio, which represented \$1.1 billion, or 64% of total separately managed account gross client outflows during the three months ended June 30, 2015. Specifically, three equity portfolio cancellations account for \$0.3 billion of gross client outflows during three months ended June 30, 2015, while withdrawals from two ongoing equity portfolio relationships account for an additional \$0.4 billion of gross client outflows during the period. For the three months ended June 30, 2015, our blended asset and equity portfolios experienced net client outflows of \$0.2 billion and \$0.8 billion, respectively. In light of challenging relative returns during the latter half of 2014 and first quarter of 2015, our separate account clients redeemed assets at a rate of 15% in the quarter, compared to a 12% redemption rate over the trailing 12 months ended June 30, 2015, and our annualized separate account retention rate was 88% for the three months ended June 30, 2015, a decrease from 92% for the full year 2014.

Net client outflows of \$1.7 billion from our mutual fund and collective investment trusts included gross client inflows of \$1.0 billion offset by gross client outflows of \$2.7 billion. Gross client inflows were primarily from our blended asset portfolios, which represented \$0.7 billion or 74% of total mutual fund and collective trust fund gross client inflows during the three months ended June 30, 2015. With regard to gross client outflows, \$1.6 billion or 59% of mutual fund and collective investment trust gross client outflows were from equity portfolios, including withdrawals from certain ongoing platform relationships and institutional client cancellations during the second quarter. Approximately \$0.7 billion of net client outflows occurred in our World Opportunities Series, \$0.3 billion in our Overseas Series and \$0.2 billion in our Equity Series during the three months ended June 30, 2015. The outflows were largely attributable to challenging relative underperformance.

Total AUM decreased by 5.5% during the three months ended June 30, 2015 as a result of net client outflows, partially offset by market appreciation. The investment gain was 0.7% in separately managed accounts and 0.6% in mutual funds and collective investment trusts.

The rate of change in AUM during the three months ended June 30, 2015 was most significant in our equity portfolio with a decrease of \$1.9 billion, or 10%. Our blended asset portfolio and our fixed income portfolio each decreased 2% and 7%, respectively. The rates of change in AUM was most significant in our equity portfolios from June 30, 2014 to June 30, 2015, with a decrease of \$9.9 billion, or 37%, over this period, while our blended asset portfolio and fixed income portfolios decreased by 4% and 5%, respectively.

As of June 30, 2015, the composition of our AUM was 44% in mutual funds and collective investment trusts and 56% in separate accounts, compared to 49% in mutual funds and collective investment trusts and 51% in separate accounts at June 30, 2014. The composition of our AUM across portfolios at June 30, 2015 was 57% in blended assets, 40% in equity, and 3% in fixed income, compared to 48% in blended assets, 50% in equity, and 2% in fixed income at June 30, 2014.

Table of Contents

The following table sets forth our results of operations and related data for the three months ended June 30, 2015 and 2014:

	Three months ended June 30,		Period-to-Period		
	2015	2014	\$	%	
	(in thousands, except share data)				
Revenues					
Investment management services revenue	\$86,973	\$103,864	\$(16,891)	(16)	)%
Expenses					
Compensation and related costs	28,309	56,148	(27,839)	(50)	)%
Distribution, servicing and custody expenses	15,840	19,964	(4,124)	(21)	)%
Other operating costs	9,036	8,565	471	5	%
Total operating expenses	53,185	84,677	(31,492)	(37)	)%
Operating income	33,788	19,187	14,601	76	%
Non-operating income (loss)					
Non-operating income (loss), net	(1,499)	) 908	(2,407)	) *	
Income before provision for income taxes	32,289	20,095	12,194	61	%
Provision for income taxes	2,081	2,360	(279)	(12)	)%
Net income attributable to controlling and noncontrolling interests	30,208	17,735	12,473	70	%
Less: net income attributable to noncontrolling interests	26,705	17,036	9,669	57	%
Net income attributable to Manning & Napier, Inc.	\$3,503	\$699	\$2,804	*	
Per Share Data					
Net income per share available to Class A common stock					
Basic	\$0.24	\$0.05			
Diluted	\$0.23	\$0.05			
Weighted average shares of Class A common stock outstanding					
Basic	13,739,923	13,667,861			
Diluted	14,002,133	13,820,309			
Cash dividends declared per share of Class A common stock	\$0.16	\$0.16			
Other financial and operating data					
Economic income <sup>(1)</sup>	\$32,289	\$43,362	\$(11,073)	(26)	)%
Economic net income <sup>(1)</sup>	\$20,342	\$26,776	\$(6,434)	(24)	)%
Economic net income per adjusted share <sup>(1)</sup>	\$0.24	\$0.30			
Weighted average adjusted Class A common stock outstanding <sup>(1)</sup>	83,547,494	87,872,909			

For the period ending June 30, 2015, economic income, a non-GAAP measure, is equivalent to income before provision for income taxes. See “Management’s Discussion and Analysis of Financial Condition and Results of (1)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.

(\*)Percentage change not meaningful

## Revenues

Our investment management services revenue decreased by \$16.9 million, or 16%, to \$87.0 million for the three months ended June 30, 2015 from \$103.9 million for the three months ended June 30, 2014. This decrease is driven primarily by a \$7.9 billion, or 15%, decrease in our average AUM to \$45.3 billion for the three months ended June 30,

2015 from \$53.1 billion for the three months ended June 30, 2014.

28

---



Table of Contents

Our average separately managed account fee increased slightly to 63 basis points for the three months ended June 30, 2015 compared to 62 basis points for the three months ended June 30, 2014. For the three months ended June 30, 2015 and 2014, separately managed account standard fees ranged from 15 basis points to 125 basis points depending on investment objective and account size. As of June 30, 2015, the concentration of assets in our separately managed accounts was 55% blended assets, 40% equity and 5% fixed income, compared to 50% blended assets, 46% equity and 4% fixed income as of June 30, 2014.

Our average fee on mutual fund and collective investment trust products decreased to 83 basis points for the three months ended June 30, 2015 compared to 87 basis points for the three months ended June 30, 2014. This decrease was primarily due to a shift in the mix of our AUM from higher fee mutual funds and collective investment trusts to those with lower fees. The management fees earned on our mutual fund and collective investment trust management fees ranged from 24 basis points to 100 basis points, depending on investment strategy, for the three months ended June 30, 2015 and 2014. As of June 30, 2015 the concentration of assets in our mutual fund and collective investment trusts was 62% blended assets and 38% equity, compared to 46% blended assets and 54% equity of June 30, 2014.

Operating Expenses

Our operating expenses decreased by \$31.5 million, or 37%, to \$53.2 million for the three months ended June 30, 2015 from \$84.7 million for the three months ended June 30, 2014.

Compensation and related costs decreased by \$27.8 million, or 50%, to \$28.3 million for the three months ended June 30, 2015 from \$56.1 million for the three months ended June 30, 2014. This change was driven primarily by the completion of the vesting of pre-IPO ownership interests in 2014 and as such, we no longer record non-cash reorganization-related share based compensation. Included within compensation and related costs for the three months ended June 30, 2014 was approximately \$23.3 million of non-cash reorganization-related share based compensation.

The remaining decrease of \$4.6 million was driven by lower incentive compensation costs for our investment team and sales professionals resulting from investment performance and net client outflows during the respective periods. Included within compensation and related costs was \$1.9 million and \$0.5 million of equity-based compensation charges under our 2011 long-term incentive plan for the three months ended June 30, 2015 and 2014, respectively.

The increase in share-based compensation expense is primarily due to the 2015 purchase of unvested pre-IPO ownership interests that were subsequently re-issued as Class A common stock during the second quarter of 2015 with a six-year service vesting period. When considered as a percentage of revenue, compensation and related costs for the three months ended June 30, 2015 was 33% compared to 32% for the three months ended June 30, 2014 when excluding non-cash reorganization-related share-based compensation charges.

Distribution, servicing and custody expenses decreased by \$4.1 million, or 21%, to \$15.8 million for the three months ended June 30, 2015 from \$20.0 million for the three months ended June 30, 2014. The decrease was generally driven by a 21% decrease in mutual funds and collective investment trusts average AUM for the three months ended June 30, 2015 compared to the three months ended June 30, 2014. As a percentage of mutual fund and collective investment trust revenue, distribution, servicing and custody expense was 38% for the three months ended June 30, 2015, compared to 36% for the three months ended June 30, 2014.

Other operating costs increased by \$0.5 million, or 5%, to \$9.0 million for the three months ended June 30, 2015 from \$8.6 million for the three months ended June 30, 2014. As a percentage of revenue, other operating costs for the three months ended June 30, 2015 was 10% compared to 8% for 2014.

Non-Operating Income (Loss)

Non-operating loss for the three months ended June 30, 2015 was \$1.5 million, compared to non-operating income of \$0.9 million for the three months ended June 30, 2014. This change in non-operating income is primarily due to the performance on investments held by the Company to provide initial cash seeding for product development purposes, coupled with an increase in interest expense of approximately \$0.1 million during the three months ended June 30, 2015 as compared to 2014 related to the credit facility entered into in 2015.

Provision for Income Taxes

The Company's tax provision decreased by \$0.3 million, or 12%, to \$2.1 million for the three months ended June 30, 2015 from \$2.4 million for the three months ended June 30, 2014. The decrease is primarily driven by a decrease in taxable earnings as compared to the prior year.



Table of Contents

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

## Assets Under Management

The following table reflects changes in our AUM for the six months ended June 30, 2015 and 2014:

	Six months ended June 30,		Period-to-Period		
	2015	2014	\$	%	
	(in millions)				
Separately managed accounts					
Beginning assets under management	\$25,408.7	\$26,835.0	\$(1,426.3)	(5)	)%
Gross client inflows	1,251.7	1,651.3	(399.6)	(24)	)%
Gross client outflows	(2,828.3)	(2,837.7)	9.4	—	)%
Market appreciation (depreciation) & other	373.1	1,973.0	(1,599.9)	(81)	)%
Ending assets under management	\$24,205.2	\$27,621.6	\$(3,416.4)	(12)	)%
Mutual funds and collective investment trusts					
Beginning assets under management	\$22,392.9	\$23,991.2	\$(1,598.3)	(7)	)%
Gross client inflows	2,269.6	3,295.4	(1,025.8)	(31)	)%
Gross client outflows	(6,123.0)	(2,383.0)	(3,740.0)	157	)%
Market appreciation (depreciation) & other	361.4	1,553.4	(1,192.0)	(77)	)%
Ending assets under management	\$18,900.9	\$26,457.0	\$(7,556.1)	(29)	)%
Total assets under management					
Beginning assets under management	\$47,801.6	\$50,826.2	\$(3,024.6)	(6)	)%
Gross client inflows	3,521.3	4,946.7	(1,425.4)	(29)	)%
Gross client outflows	(8,951.3)	(5,220.7)	(3,730.6)	71	)%
Market appreciation (depreciation) & other	734.5	3,526.4	(2,791.9)	(79)	)%
Ending assets under management	\$43,106.1	\$54,078.6	\$(10,972.5)	(20)	)%

Our total AUM decreased by \$11.0 billion, or 20%, to \$43.1 billion as of June 30, 2015 from \$54.1 billion as of June 30, 2014. For the six months ended June 30, 2015, gross client inflows decreased by \$1.4 billion as compared to the six months ended June 30, 2014, while gross client outflows increased by \$3.7 billion for the same periods.

Additionally, we experienced market appreciation and other AUM increase of \$0.7 billion for the six months ended June 30, 2015 compared to \$3.5 billion for the six months ended June 30, 2014.

The total AUM decrease of \$4.7 billion, or 10%, to \$43.1 billion at June 30, 2015 from \$47.8 billion at December 31, 2014 was a result net client outflows of \$5.4 billion offset by market appreciation and other changes of \$0.7 billion.

For the six months ended June 30, 2015, net client outflows from our mutual funds and collective investment trusts were \$3.9 billion and \$1.6 billion from our separate accounts. Our net client flows are likely to remain under pressure over the near term due to recent investment performance.

Our separate account products gathered \$1.3 billion of gross client inflows during the six months ended June 30, 2015, compared to \$1.7 billion in separate account gross client inflows during the first six months of 2014. The \$1.3 billion of gross client inflows included \$0.7 billion into our blended asset portfolio and \$0.5 billion into our equity portfolio. For the period ended June 30, 2015, 64% of our separate account gross client inflows were derived from our Direct Channel with 26% representing new client relationships. Gross client inflows were offset by \$2.8 billion in gross client outflows during the six months ended June 30, 2015. With regard to gross client outflows, \$1.8 billion, or 62%, of outflows, resulted from withdrawals from existing accounts, particularly accounts invested in our equity portfolio. Specifically, two equity portfolio relationships accounted for \$0.6 billion of the withdrawals during the period ended June 30, 2015. Our blended asset and equity portfolios experienced net client outflows of \$0.1 billion and \$1.4 billion, respectively, over the six months ended June 30, 2015. The annualized separate account retention rate was 92% during the six months ended June 30, 2015, compared to 91% as of June 30, 2014.

Net client outflows of \$3.8 billion from our mutual fund and collective investment trusts included gross client inflows of \$2.3 billion offset by gross client outflows of \$6.1 billion. Gross client inflows were primarily from our blended asset portfolios, which represented \$1.6 billion, or 71%, of mutual fund and collective trust fund gross client inflows during the six months ended June 30, 2015. With regard to gross client outflows, \$4.1 billion, or 66%, of mutual fund

and collective investment trust gross client outflows were from equity portfolios, including certain platform relationship cancellations,

30

---

Table of Contents

withdrawals from ongoing platform relationships and institutional client cancellations. Net client outflows by fund were concentrated in our World Opportunities, Equity and Overseas series where outflows were \$2.4 billion, \$0.4 billion and \$0.4 billion, respectively, during the six months ended June 30, 2015. The outflows were largely attributable to challenging relative underperformance. In addition, approximately \$0.4 billion of net client outflows were from our Life Cycle mutual fund and collective trust products, which includes both risk based and target date strategies.

Market appreciation during the six months ended June 30, 2015 constituted a 1.5% rate of increase in our total AUM. The investment gain was 1.5% in separately managed accounts and 1.6% in mutual funds and collective investment trusts.

The rates of change in AUM during the six months ended June 30, 2015 were comprised of decreases of 1.5%, 19.9% and 6.5% in our blended, equity and fixed income portfolios, respectively. The rates of change in AUM from June 30, 2014 to June 30, 2015 were comprised of decreases in our blended asset, equity and fixed income portfolios of 4%, 37%, and 5%, respectively.

As of June 30, 2015, the composition of our AUM was 44% in mutual funds and collective investment trusts and 56% in separate accounts, compared to 47% in mutual funds and collective investment trusts and 53% in separate accounts at December 31, 2014 and 49% in mutual funds and collective investment trusts and 51% in separate accounts at June 30, 2014. The composition of our AUM across portfolios at June 30, 2015 was 57% in blended assets, 40% in equity, and 3% in fixed income, compared to 53% in blended assets, 44% in equity, and 3% in fixed income at December 31, 2014, and 48% in blended assets, 50% in equity, and 2% in fixed income at June 30, 2014.

Table of Contents

The following table sets forth our results of operations and other data for the six months ended June 30, 2015 and 2014:

	Six months ended June 30,		Period-to-Period		
	2015	2014	\$	%	
	(in thousands, except share data)				
Revenues					
Investment management services revenue	\$177,399	\$202,334	\$(24,935)	(12)	)%
Expenses					
Compensation and related costs	55,127	107,958	(52,831)	(49)	)%
Distribution, servicing and custody expenses	32,672	38,404	(5,732)	(15)	)%
Other operating costs	17,978	16,502	1,476	9	%
Total operating expenses	105,777	162,864	(57,087)	(35)	)%
Operating income	71,622	39,470	32,152	81	%
Non-operating income (loss)					
Non-operating income (loss), net	(743)	) 3,345	(4,088)	*	
Income before provision for income taxes	70,879	42,815	28,064	66	%
Provision for income taxes	4,560	7,436	(2,876)	(39)	)%
Net income attributable to controlling and noncontrolling interests	66,319	35,379	30,940	87	%
Less: net income attributable to noncontrolling interests	59,507	34,599	24,908	72	%
Net income attributable to Manning & Napier, Inc.	\$6,812	\$780	\$6,032	*	
Per Share Data					
Net income per share available to Class A common stock					
Basic	\$0.48	\$0.06			
Diluted	\$0.47	\$0.06			
Weighted average shares of Class A common stock outstanding					
Basic	13,726,804	13,651,223			
Diluted	13,965,655	13,788,381			
Cash dividends declared per share of Class A common stock	\$0.32	\$0.32			
Other financial and operating data					
Economic income <sup>(1)</sup>	\$70,879	\$88,023	\$(17,144)	(19)	)%
Economic net income <sup>(1)</sup>	\$44,654	\$54,354	\$(9,700)	(18)	)%
Economic net income per adjusted share <sup>(1)</sup>	\$0.52	\$0.61			
Weighted average adjusted Class A common stock outstanding <sup>(1)</sup>	85,800,632	88,875,395			

For the period ending June 30, 2015, economic income, a non-GAAP measure, is equivalent to income before provision for income taxes. See “Management’s Discussion and Analysis of Financial Condition and Results of (1)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.

(\*)Percentage change not meaningful

## Revenues

Our investment management services revenue decreased by \$24.9 million, or 12%, to \$177.4 million for the six months ended June 30, 2015 from \$202.3 million for the six months ended June 30, 2014. This decrease was driven primarily by a \$5.9 billion, or 11%, decrease in our average AUM to \$46.2 billion for the six months ended June 30,

2015 from \$52.1 billion for the six months ended June 30, 2014.

Our average separately managed account fee is 63 basis points for the six months ended June 30, 2015 which is slightly higher than six months ended June 30, 2014 account fee of 62 basis points. For both the six months ended June 30, 2015 and

32

---

Table of Contents

2014, separately managed account management fees ranged from 15 basis points to 125 basis points, depending on investment objective and account size. As of June 30, 2015, the concentration of assets in our separately managed accounts was 55% blended assets, 40% equity and 5% fixed income, compared to 50% blended assets, 46% equity and 4% fixed income as of June 30, 2014.

Our average fee on mutual fund and collective investment trust products was 84 basis points for the six months ended June 30, 2015, a decrease when compared to 87 basis points for the six months ended June 30, 2014. This decrease was primarily due to a shift in the mix of our AUM from higher fee mutual funds and collective investment trusts to those with lower fees. For both the six months ended June 30, 2015 and 2014, mutual fund and collective investment trust management fees ranged from 24 basis points to 100 basis points, depending on investment strategy. As of June 30, 2015 the concentration of assets in our mutual fund and collective investment trusts was 62% blended assets and 38% equity, compared to 46% blended assets and 54% equity of June 30, 2014.

Operating Expenses

Our operating expenses decreased by \$57.1 million, or 35%, to \$105.8 million for the six months ended June 30, 2015 from \$162.9 million for the six months ended June 30, 2014.

Compensation and related costs decreased by \$52.8 million, or 49%, to \$55.1 million for the six months ended June 30, 2015 from \$108.0 million for the six months ended June 30, 2014. This change was driven primarily by the completion of the vesting of pre-IPO ownership interests in 2014 and as such, we no longer record non-cash reorganization-related share based compensation. Included within compensation and related costs for the six months ended June 30, 2014 was approximately \$45.2 million of non-cash reorganization-related share based compensation. The remaining decrease of \$7.6 million was primarily due to lower incentive compensation costs for our investment team and sales professionals resulting from investment performance and net client outflows during the respective periods. Included within compensation and related costs is \$2.5 million and \$1.3 million of equity-based compensation charges under our 2011 long-term incentive plan for the six months ended June 30, 2015 and 2014, respectively. The increase in share-based compensation expense is primarily due to the purchase of unvested pre-IPO ownership interests that were subsequently re-issued as Class A common stock with a six-year service vesting period during three months ended June 30, 2015 as well as the 2015 expense recognized for equity awards granted during the three months ended June 30, 2014. When considered as a percentage of revenue, compensation and related costs for the six months ended June 30, 2015 was 31% compared to 31% in 2014, when excluding non-cash reorganization-related share-based compensation.

Distribution, servicing and custody expenses decreased by \$5.7 million, or 15%, to \$32.7 million for the six months ended June 30, 2015 from \$38.4 million for the six months ended June 30, 2014. The decrease was generally attributable to a 16% decrease in mutual funds and collective investment trusts average AUM for the six months ended June 30, 2015 compared to the six months ended June 30, 2014. As a percentage of mutual fund and collective investment trust revenue, distribution, servicing and custody expenses was 37% for the six months ended June 30, 2015, compared to 36% for the six months ended June 30, 2014.

Other operating costs increased by \$1.5 million, or 9%, to \$18.0 million for the six months ended June 30, 2015 from \$16.5 million for the six months ended June 30, 2014. As a percentage of revenue, other operating costs for the six months ended June 30, 2015 was 10% compared to 8% for 2014.

Non-Operating Income (Loss)

Non-operating loss for the six months ended June 30, 2015 was \$0.7 million, compared to non-operating income of \$3.3 million for the six months ended June 30, 2014. Non-operating income for the six months ended June 30, 2014 included \$2.1 million of income resulting from a decrease in the amounts payable under the tax receivable agreement driven by enacted changes in tax laws during 2014, which reduced expected tax benefits and subsequent payment of such benefits under the agreement. The remaining decrease in non-operating income is primarily due to the performance on investments held by the Company to provide initial cash seeding for product development purposes, coupled with an increase of approximately \$0.1 million in interest expense related to the credit facility entered into in 2015.

Provision for Income Taxes



## Edgar Filing: Manning & Napier, Inc. - Form 10-Q

The Company's tax provision decreased by \$2.9 million, or 39%, to \$4.6 million for the six months ended June 30, 2015 from \$7.4 million for the six months ended June 30, 2014. The decrease was primarily the result of a \$2.2 million impact from enacted changes in tax laws in 2014 that lowered the Company's expectation of the future tax benefits under the tax receivable agreement. The remaining decrease is driven by a decrease in expected taxable earnings as compared to the prior year.

### Supplemental Non-GAAP Financial Information

33

---

Table of Contents

To provide investors with greater insight, promote transparency and allow for a more comprehensive understanding of the information used by management in its financial and operational decision-making, we supplement our consolidated statements of operations presented on a GAAP basis with non-GAAP financial measures of earnings. Management used economic income and continues to use economic net income, and economic net income per adjusted share as financial measures to evaluate the profitability and efficiency of its business.

Economic income and economic net income are not presented in accordance with GAAP. Economic income for periods prior to 2015 excluded from income before provision for income taxes the reorganization-related share-based compensation, which resulted in non-cash compensation expense reported over the vesting period. Upon the consummation of our initial public offering, the vesting terms related to the ownership by our employees, other than William Manning, were modified such that 85% of their pre-initial public offering ownership interests were subject to service and performance-based vesting through 2014. Such new vesting terms did not result in an increase to the number of outstanding shares of the Company's Class A common stock or the adjusted share count. As a result of such vesting requirements, the Company recognized non-cash compensation charges through 2014. For periods beginning in 2015, economic income is equivalent to income before provision for income taxes.

Economic net income is a non-GAAP measure of after-tax operating performance and equals the Company's economic income 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 the Company and represents an estimate of income tax expense at an effective rate of 37% on income before taxes for the periods beginning on January 1, 2015 and 38.25% on economic income for prior periods, reflecting assumed federal, state and local income taxes. Economic net income per adjusted share 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 and unvested equity awards are converted into our outstanding Class A common stock as of the respective reporting date, on a one-to-one basis. The Company's 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. Additionally, the Company's 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 our other financial and operating data for the three and six months ended June 30, 2015 and 2014:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands, except share data)			
Economic income	\$32,289	\$43,362	\$70,879	\$88,023
Economic net income	\$20,342	\$26,776	\$44,654	\$54,354
Economic net income per adjusted share	\$0.24	\$0.30	\$0.52	\$0.61
Weighted average adjusted Class A common stock outstanding	83,547,494	87,872,909	85,800,632	88,875,395

Table of Contents

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(in thousands, except share data)			
Net income attributable to Manning & Napier, Inc.	\$3,503	\$699	\$6,812	\$780
Plus: net income attributable to noncontrolling interests	26,705	17,036	59,507	34,599
Net income attributable to controlling and noncontrolling interests	30,208	17,735	66,319	35,379
Provision for income taxes	2,081	2,360	4,560	7,436
Income before provision for income taxes	32,289	20,095	70,879	42,815
Reorganization-related share-based compensation	—	23,267	—	45,208
Economic income	32,289	43,362	70,879	88,023
Adjusted income taxes	11,947	16,586	26,225	33,669
Economic net income	\$20,342	\$26,776	\$44,654	\$54,354
Net income available to Class A common stock per basic share	\$0.24	\$0.05	\$0.48	\$0.06
Plus: net income attributable to noncontrolling interests per basic share	1.96	1.25	4.35	2.53
Net income attributable to controlling and noncontrolling interests per basic share	2.20	1.30	4.83	2.59
Provision for income taxes per basic share	0.15	0.17	0.33	0.54
Income before provision for income taxes per basic share	2.35	1.47	5.16	3.13
Reorganization-related share-based compensation per basic share	—	1.70	—	3.32
Economic income per basic share	2.35	3.17	5.16	6.45
Adjusted income taxes per basic share	0.87	1.21	1.91	2.47
Economic net income per basic share	1.48	1.96	3.25	3.98
Less: impact of Manning & Napier Group, LLC units and unvested restricted stock units converted to Class A common stock	(1.24 )	(1.66 )	(2.73 )	(3.37 )
Economic net income per adjusted share	\$0.24	\$0.30	\$0.52	\$0.61
Weighted average shares of Class A common stock outstanding - Basic	13,739,923	13,667,861	13,726,804	13,651,223
Weighted average exchangeable units of Manning & Napier Group, LLC	67,896,484	73,696,130	70,688,357	74,761,000
Weighted average unvested equity awards	1,911,087	508,918	1,385,471	463,172
Weighted average adjusted Class A common stock outstanding	83,547,494	87,872,909	85,800,632	88,875,395

Table of Contents

## Liquidity and Capital Resources

Historically, our cash and liquidity needs have been met primarily through cash generated by our operations. Our current financial condition is highly liquid, with a significant amount of our assets comprised of cash and cash equivalents, accounts receivable, amounts due from broker and investment securities held by us for the purpose of 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 June 30, 2015 and December 31, 2014.

	June 30, 2015	December 31, 2014
	(in thousands)	
Cash and cash equivalents	\$94,600	\$124,992
Accounts receivable	\$31,940	\$39,283
Due from broker	\$4,678	\$5,391
Due from broker - consolidated funds	\$4,388	\$—
Investment securities	\$24,598	\$26,915
Investment securities - consolidated funds	\$975	\$—
Amounts payable under tax receivable agreement <sup>(1)</sup>	\$41,266	\$41,249

In light of numerous factors affecting our obligation to make such payments, the timing and amounts of any such (1) actual payments are based on our best estimate as of June 30, 2015 and December 31, 2014, including our ability to realize the expected tax benefits. Actual payments may significantly differ from estimated payments.

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 April 23, 2015, we entered into a \$100.0 million revolving credit agreement and also terminated our previously existing and unused \$10.0 million line of credit. See Note 8, "Borrowings" to the Consolidated Financial Statements included in Item 1 of this Form 10-Q for additional information.

Our revolving credit agreement has a four-year term expiring in April 2019 and provides borrowing capacity of up to \$100.0 million, with a feature providing for an increase in the line to \$150.0 million on approval by the lending group. The Credit Agreement also provides for a \$5.0 million sub-limit for the issuance of standby letters of credit and a \$5.0 million swingline facility. At June 30, 2015, there were no amounts outstanding under the revolving credit agreement and the Company had the capacity to draw on the entire \$100.0 million.

Amounts outstanding under the revolving credit agreement bear interest at an annual rate equal to, at our option, either LIBOR (adjusted for reserves and not below 0.0%) for interest periods of one, two, three or six months or a base rate (as defined in the agreement), plus, in each case, an applicable margin. The applicable margins range from 1.50% to 2.50% in the case of LIBOR-based loans, and 0.50% to 1.50% in the case of base rate loans. Under the terms of the revolving credit agreement, we are also required to pay certain fees including a quarterly fee based on the average unused amount of the facility ranging from 0.25% to 0.45%.

The revolving credit agreement contains customary covenants, including covenants that restrict (subject in certain instances to minimum thresholds or exceptions) the ability of us to incur additional indebtedness, create liens, merge, sell or dispose of assets, and make distributions, dividends, investments or capital expenditures, among other things. In addition, we are required to maintain compliance with certain financial covenants, including: (i) a minimum interest coverage ratio (generally, adjusted EBITDA to interest expense as defined in and for the period specified in the revolving credit agreement) of at least 4.00:1.00 and (ii) a leverage ratio (generally, total debt as of any date to adjusted EBITDA as defined in and for the period specified in the revolving credit agreement) of no greater than 2.75:1.00. For purposes of the revolving credit agreement, adjusted EBITDA generally means, for any period, net income before interest expense, income taxes, depreciation and amortization expense, non-cash stock-based compensation expense, and certain non-cash nonrecurring gains and losses as described in and specified under the revolving credit agreement. At June 30, 2015, the Company was in compliance with all financial covenants.

The revolving credit agreement also contains customary provisions regarding events of default which could result in an acceleration of amounts due under the facility. Such events of default include our failure to pay principal or interest when due, our failure to satisfy or comply with covenants and a change of control.



Table of Contents

Our failure to comply with any of the covenants or restrictions described above could result in an event of default under the revolving credit agreement, giving our lenders the ability to accelerate repayment of our obligations. We believe cash generated from operations will be sufficient over the next twelve months to meet our working capital requirements. Further, we expect that cash on hand, cash generated by operations and availability under our revolving credit agreement will be sufficient to meet our liquidity needs for the foreseeable future.

**Cash Flows**

The following table sets forth our cash flows for the six months ended June 30, 2015 and 2014. 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 tax receivable agreement, 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 purposes, as well as purchases of property and equipment. Financing activities consist primarily of distributions to noncontrolling interests, dividends paid on our Class A common stock, purchases of Class A units held by noncontrolling interests of Manning & Napier Group and payment of debt issuance costs.

	Six months ended June 30,	
	2015	2014
	(in thousands)	
Net cash provided by operating activities	\$65,263	\$84,829
Net cash provided by (used in) investing activities	1,228	(6,201)
Net cash used in financing activities	(96,883)	(91,804)
Net change in cash and cash equivalents	\$(30,392)	\$(13,176)

Six months ended June 30, 2015 Compared to Six months ended June 30, 2014

**Operating Activities**

Operating activities provided \$65.3 million and \$84.8 million of net cash for the six months ended June 30, 2015 and 2014, respectively. This overall \$19.6 million decrease in net cash provided by operating activities for the six months ended June 30, 2015 compared to 2014 was due to a decrease in net income after adjustment for non-cash items of approximately \$11.5 million driven by decreased revenues resulting primarily from changes in our average AUM. The decrease was also due to \$6.0 million of cash used by consolidated funds as trading activity, as well as a decrease of \$2.1 million in operating assets and liabilities.

**Investing Activities**

Investing activities provided \$1.2 million and used \$6.2 million of net cash for the six months ended June 30, 2015 and 2014, respectively. The increase in cash provided by investing activities was primarily driven by changes in investing activities of \$4.3 million due to the Company's funding of and timing of activity within our investment securities designated as trading for the seeding of new products. In addition, the company utilized \$2.1 million for acquisitions during the six months ended June 30, 2014 and property and equipment purchases decreased by \$1.0 million for the six months ended June 30, 2015 compared to 2014.

**Financing Activities**

Financing activities used \$96.9 million and \$91.8 million of net cash for the six months ended June 30, 2015 and 2014, respectively. This overall \$5.1 million increase in net cash used in financing activities was primarily the result of an additional \$5.3 million of cash related to the purchase of Class A units of Manning & Napier Group pursuant to the exchange agreement entered into at the time of the Company's initial public offering of \$37.7 million in 2015, compared to \$32.4 million in 2014. This increase in cash used was due to a larger number of units exchanged in 2015. In addition, the Company incurred approximately \$0.6 million of payment of debt issuance costs during the six months ended June 30, 2015 to enter into the revolving credit agreement. This increase in cash used in financing activities was partially offset by a decrease in distributions to noncontrolling interests of \$0.9 million for the six months ended June 30, 2015 compared to 2014.

## Table of Contents

### Dividends

On October 29, 2014, the Board of Directors declared a \$0.24 per share dividend to the holders of Class A common stock. The dividend was paid on February 2, 2015 to shareholders of record as of January 15, 2015.

On March 6, 2015, the Board of Directors declared a \$0.16 per share dividend to the holders of Class A common stock. The dividend was paid on May 1, 2015 to shareholders of record as of April 15, 2015.

On May 6, 2015, the Board of Directors declared a \$0.16 per share dividend to the holders of Class A common stock. The dividend was paid on August 3, 2015 to shareholders of record as of July 15, 2015.

On August 6, 2015, the Board of Directors declared a \$0.16 per share dividend to the holders of Class A common stock. The dividend is payable on or about November 2, 2015 to shareholders of record as of October 15, 2015.

We currently intend to pay quarterly cash dividends on our Class A common stock. We intend to fund such dividends from our portion of distributions made by Manning & Napier Group, from its available cash generated from operations. William Manning, as the holder of our Class B common stock, will not be entitled to any cash dividends in his capacity as a Class B stockholder, but will, in his capacity as an indirect holder of Class A units of Manning & Napier Group, generally participate on a pro rata basis in distributions by Manning & Napier Group.

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;
- 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 stockholders 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; 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, MNCC and any other holders of units of Manning & Napier Group will be entitled to receive equivalent distributions on a pari passu basis.

### Contractual Obligations

There have been no material changes in our contractual obligations as set forth in our Annual Report on Form 10-K for the year ended December 31, 2014.

### Off Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of June 30, 2015.

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

### Market Risk

Our exposure to market risk is directly related to the role of our operating company as an investment advisor for the mutual funds and separate accounts it manages. Substantially all of our revenues are derived from investment management agreements with these funds and accounts. Under these agreements, the investment management fees we receive are based on the value of our AUM and our fee rates. Accordingly, our revenues and net income may decline as a result of our AUM decreasing due to depreciation of our investment portfolios. In addition, such a decline could cause our clients to withdraw their funds in favor of investments offering higher returns or lower risk, which would cause our revenues to decline further.

The value of our AUM was \$43.1 billion as of June 30, 2015. Assuming a 10% increase or decrease in the value of our AUM and the change being proportionally distributed over all our products, the value would increase or decrease

by

38

---



## Table of Contents

approximately \$4.3 billion, which would cause an annualized increase or decrease in revenues of approximately \$33.2 million at our current weighted average fee rate of 0.77%.

We have not adopted a corporate-level risk management policy regarding client assets, nor have we attempted to hedge at the corporate level the market risks that would affect the value of our overall AUM and related revenues. Some of these risks (e.g., sector risks and currency risks) are inherent in certain strategies, and clients may invest in particular strategies to gain exposure to these risks.

We also are subject to market risk from a decline in the prices of investment securities that we own. These securities consist primarily of equity securities, fixed-income securities, investments in mutual funds, including the Fund for which MNA provides advisory services and cash held by brokers as collateral for managed futures. The value of these investments was \$34.6 million as of June 30, 2015 of which \$23.5 million is investment securities classified as trading, \$2.1 million is investment securities classified as available-for-sale and \$9.1 million is included in due from broker. Management regularly monitors the value of these investments; however, given their nature and relative size, we have not adopted a specific risk management policy to manage the associated market risk. Assuming a 10% increase or decrease in the values of these investment securities, the fair value would increase or decrease by approximately \$3.5 million at June 30, 2015. Due to the nature of our business, we believe that we do not face any material risk from inflation.

### Exchange Rate Risk

A substantial portion of the accounts that we advise, or sub-advise, hold investments that are denominated in currencies other than the U.S. dollar. Movements in the rate of exchange between the U.S. dollar and the underlying foreign currency affect the values of assets held in accounts we manage, thereby affecting the amount of revenues we earn. The value of the assets we manage was \$43.1 billion as of June 30, 2015. As of June 30, 2015, approximately 21% of our AUM across our investment strategies was invested in securities denominated in currencies other than the U.S. dollar. To the extent our AUM are denominated in currencies other than the U.S. dollar, the value of those AUM would decrease, with an increase in the value of the U.S. dollar, or increase, with a decrease in the value of the U.S. dollar.

We monitor our exposure to exchange rate risk and make decisions on how to manage such risk accordingly; however, we have not adopted a corporate-level risk management policy to manage exchange rate risk. Assuming that 21% of our AUM is invested in securities denominated in currencies other than the U.S. dollar and excluding the impact of any hedging arrangements, a 10% increase or decrease in the value of the U.S. dollar would increase or decrease the fair value of our AUM by approximately \$0.9 billion, which would cause an annualized increase or decrease in revenues of approximately \$7.0 million at our current weighted average fee rate of 0.77%.

### Interest Rate Risk

At June 30, 2015, the Company was exposed to interest-rate risk primarily due to our AUM that is invested in debt securities, as well as corporate assets that are invested in debt securities. Management considered a hypothetical 100 basis point fluctuation in interest rates and estimated the impact of such a fluctuation on these investments. Management determined there was no material impact as of June 30, 2015. Additionally, given the current level of income we earn from our cash and cash equivalent balances, interest rate changes would not have a material impact on us.

Borrowing under our revolving credit agreement bears interest as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources". Interest rate changes may affect the amount of our interest payments in connection with our revolving credit agreement, and thereby affect future earnings and cash flows. At June 30, 2015, there were no borrowings outstanding under the revolving credit agreement.

## 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 June 30, 2015 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 June 30, 2015, 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 June 30, 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

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, 2014 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, 2014.

Item 6. Exhibits

Exhibit No.	Description
10.1	Credit Agreement, dated April 23, 2015, among Manning & Napier, Inc. and Manning & Napier Group, LLC and Manning & Napier Advisors, LLC, as borrowers, and Wells Fargo Bank, National Association, as administrative agent, lender, swingline lender and issuing bank, Manufacturers and Traders Trust Company, as syndication agent and lender, and First Niagara Bank, The Bank of New York Mellon, and The Huntington National Bank, as lenders. (1)
10.2	Guaranty, dated April 23, 2015, of the obligations of the Borrowers under the Credit Agreement, given to the Lenders by Manning & Napier, Inc. and the following direct or indirect subsidiaries of Manning & Napier Group, LLC: Manning & Napier Alternative Opportunities, LLC, Manning & Napier Information Services, LLC, Perspective Partners, LLC, Manning & Napier Benefits, LLC, M&N Alternatives Management, LLC, and M&N Xenon Partners Holdings, LLC. (2)
10.3	Form of Redemption Agreement between M&N Group Holdings, LLC and Manning & Napier Group, LLC, dated March 31, 2015 (3)
10.4	Form of Redemption Agreement between Manning & Napier Capital Company and Manning & Napier Group, LLC, dated March 31, 2015 (4)
31.1	Certification of the Company's Chief 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
31.2	Certification of the Company's Chief 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
32.1	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Materials from the Manning & Napier, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, 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 Statement of Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) related Notes to the Unaudited Consolidated Financial Statements.

---

(1)

Edgar Filing: Manning & Napier, Inc. - Form 10-Q

- Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 24, 2015
- (2) Incorporated by reference to exhibit 10.2 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 24, 2015
- (3) Incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 30, 2015
- (4) Incorporated by reference to exhibit 10.2 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 30, 2015

Table of Contents

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: August 7, 2015

By: /s/ PATRICK CUNNINGHAM  
Patrick Cunningham  
Chief Executive Officer  
(principal executive officer)

/s/ JAMES MIKOLAICHIK  
James Mikolaichik  
Chief Financial Officer  
(principal financial and accounting officer)