

MARCELLO RICHARD C

Form 4

February 10, 2009

FORM 4**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Check this box
if no longer
subject to
Section 16.
Form 4 or
Form 5
obligations
may continue.
See Instruction
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
MARCELLO RICHARD C

(Last) (First) (Middle)

UNISYS WAY

(Street)

BLUE BELL, PA 19424-0001

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading
Symbol
UNISYS CORP [UIS]

3. Date of Earliest Transaction
(Month/Day/Year)
02/07/2009

4. If Amendment, Date Original
Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

____ Director ____ 10% Owner
X Officer (give title below) ____ Other (specify
below)

Senior Vice President

6. Individual or Joint/Group Filing(Check
Applicable Line)
X Form filed by One Reporting Person
____ Form filed by More than One Reporting
Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
Common Stock	02/07/2009		M	11,631	A \$ 0	33,105	D
Common Stock	02/07/2009		F	4,379	D \$ 0.85	28,726	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Restricted Stock Units 08	(1)	02/07/2009		M	11,631	(2)	(2)	Common Stock	11,631

Reporting Owners

Reporting Owner Name / Address	Relationships
	Director 10% Owner Officer Other
MARCELLO RICHARD C UNISYS WAY BLUE BELL, PA 19424-0001	Senior Vice President

Signatures

By: Susan T. Keene, attorney-in-fact For: Richard C.
Marcello 02/10/2009

Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Each restricted stock unit represents a contingent right to receive one share of Unisys Corporation common stock.

(2) Time-based restricted stock units granted under the terms and provisions of the Unisys Corporation 2007 Long-Term Incentive and Equity Compensation Plan. The restricted stock units vest in three annual installments beginning February 7, 2009.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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Direct Channel

64
%

Reporting Owners

28
%

8
%

100
%

Intermediary Channel

74
%

22
%

4
%

100
%

Platform/Sub-advisor Channel

1
%

99
%

—
%

100
%

Our separate accounts contributed 47% of our total gross client inflows for the three months ended March 31, 2018 and represented 68% of our total AUM as of March 31, 2018.

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 67% of the total gross client inflows for our separate account business for the three months ended March 31, 2018 and represented 75% of our total separate account AUM as of March 31, 2018. 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 three months ended March 31, 2018, blended asset portfolios represented 61% of the separate account gross client inflows from the Direct Channel, while equity and fixed income portfolios represented 11% and 28%, respectively. As of March 31, 2018, blended asset and equity portfolios represented 64% and 28%, respectively, of total Direct Channel separate account AUM, while our fixed income portfolios were 8%. 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. Our relationships with larger institutions may also be a driver of growth in separately managed account equity strategies, though many of these larger institutions may seek exposure to non-U.S. equity strategies through commingled

vehicles rather than separately managed accounts to limit related custody expenses.

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 three months ended March 31, 2018, 19% of the total gross client inflows for separate accounts came from financial advisor representatives (Intermediary Channel), and an additional 14% came from registered investment advisor platforms (Platform/Sub-advisor Channel). The Intermediary and Platform/Sub-advisor Channels represented 25% of our total separate account AUM as of March 31, 2018.

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 three months ended March 31, 2018, blended asset and equity portfolios represented 65%

Table of Contents

and 35%, respectively, of the separate account gross client inflows from the Intermediary Channel. As of March 31, 2018, 74% of our separate account AUM derived from financial advisors was allocated to blended asset portfolios, with 22% allocated to equity and 4% allocated to fixed income. We expect that equity and fixed income portfolios may see additional interest from financial advisors over time as more advisors structure a multi-strategy portfolio for their clients.

During the three months ended March 31, 2018, 100% of our separate account gross client inflows from the Platform/Sub-advisory Channel were into equity portfolios. 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.

Our annualized separate account retention rate across all channels was 80% during the three months ended March 31, 2018, consistent with 80% for the rolling 12 months ended March 31, 2018.

Mutual Funds and Collective Investment Trusts

The composition of our mutual fund and collective investment trust AUM as of March 31, 2018, by portfolio, is set forth in the table below:

	March 31, 2018			
	Blended Asset	Equity	Fixed Income	Total
	(in millions)			
Mutual fund and collective investment trust AUM	\$4,878.0	\$2,480.2	\$ 115.2	\$7,473.4

Our mutual funds and collective investment trusts contributed 53% of our total gross client inflows for the three months ended March 31, 2018 and represented 32% of our total AUM as of March 31, 2018. As of March 31, 2018, our mutual fund and collective investment trust AUM consisted of 65% from blended asset portfolios, 33% from equity portfolios and 2% from fixed income portfolios compared to 70% and 29% for blended asset and equity portfolios as of March 31, 2017. During the three months ended March 31, 2018, 59%, 36%, and 5% of the gross client inflows were attributable to blended asset, equity and fixed income portfolios, respectively.

Our mutual fund and collective investment trust business is driven by financial intermediaries and 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 focused on distributing both our blended asset life cycle fund vehicles and our single asset class fund vehicles to advisors who work with retail and retirement plan clients. Our blended asset portfolios are used by advisors seeking a multi-asset class solution for their clients while our equity and fixed income portfolios are used by intermediaries wishing to use our funds as a component of a larger portfolio or retirement plan menu design.

We also have relationships with consultants and manager research teams at platforms in order to distribute our funds within advisory programs, or through placement on platforms' approved lists of funds. To facilitate our relationships with intermediaries, we currently have approximately 290 dealer relationships. These relationships are important to our retail business as well as our 401(k) life cycle and institutional business.

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. Our Direct Sales Representatives also distribute our equity portfolios to large institutional clients with which we have direct relationships and often, the client's consultant. We expect this channel to focus on distributing blended asset and equity portfolio funds in the future.

Results of Operations

Below is a discussion of our consolidated results of operations for the three months ended March 31, 2018 and 2017.

Components of Results of Operations

Overview

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

Table of Contents

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.

Assets Under Management and Investment Performance

The following table reflects the indicated components of our AUM for our investment vehicles for the three months ended March 31, 2018 and 2017:

	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, 2017	\$ 16,856.6	\$ 8,256.6	\$ 25,113.2	67	%	33	%	100 %
Gross client inflows ⁽¹⁾	418.6	481.3	899.9					
Gross client outflows ⁽¹⁾	(1,325.8)	(1,031.0)	(2,356.8)					
Acquired/(disposed) assets	—	(251.6)	(251.6)					
Market appreciation/(depreciation) & other ⁽²⁾	10.7	18.1	28.8					
As of March 31, 2018	\$ 15,960.1	\$ 7,473.4	\$ 23,433.5	68	%	32	%	100 %
Average AUM for period	\$ 16,453.9	\$ 7,873.3	\$ 24,327.2					
As of December 31, 2016	\$ 18,801.9	\$ 12,881.1	\$ 31,683.0	59	%	41	%	100 %
Gross client inflows ⁽¹⁾	355.9	711.0	1,066.9					
Gross client outflows ⁽¹⁾	(1,522.9)	(1,504.4)	(3,027.3)					
Market appreciation/(depreciation) & other ⁽²⁾	1,127.9	778.9	1,906.8					
As of March 31, 2017	\$ 18,762.8	\$ 12,866.6	\$ 31,629.4	59	%	41	%	100 %
Average AUM for period	\$ 18,982.4	\$ 12,859.6	\$ 31,842.0					

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

Market appreciation/(depreciation) and other includes investment gains/(losses) on assets under management, the

(2) impact of changes in foreign exchange rates and net flows from non-sales related activities including net reinvested dividends.

Table of Contents

The following table reflects the indicated components of our AUM for our portfolios for the three months ended March 31, 2018 and 2017:

	Blended Asset	Equity (in millions)	Fixed Income	Total	Blended Asset	Equity	Fixed Income	Total
As of December 31, 2017	\$15,666.6	\$8,120.6	\$1,326.0	\$25,113.2	63 %	32 %	5 %	100 %
Gross client inflows ⁽¹⁾	459.2	355.5	85.2	899.9				
Gross client outflows ⁽¹⁾	(1,102.7)	(1,066.5)	(187.6)	(2,356.8)				
Acquired/(disposed) assets	—	(251.6)	—	(251.6)				
Market appreciation/(depreciation) & other ⁽²⁾	(24.7)	56.2	(2.7)	28.8				
As of March 31, 2018	\$14,998.4	\$7,214.2	\$1,220.9	\$23,433.5	64 %	31 %	5 %	100 %
Average AUM for period	\$15,431.9	\$7,607.3	\$1,288.0	\$24,327.2				
As of December 31, 2016	\$19,909.4	\$10,463.9	\$1,309.7	\$31,683.0	63 %	33 %	4 %	100 %
Gross client inflows ⁽¹⁾	705.2	318.1	43.6	1,066.9				
Gross client outflows ⁽¹⁾	(1,876.6)	(1,053.2)	(97.5)	(3,027.3)				
Market appreciation/(depreciation) & other ⁽²⁾	1,113.8	767.6	25.4	1,906.8				
As of March 31, 2017	\$19,851.8	\$10,496.4	\$1,281.2	\$31,629.4	63 %	33 %	4 %	100 %
Average AUM for period	\$19,931.3	\$10,626.9	\$1,283.8	\$31,842.0				

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

Market appreciation/(depreciation) and other includes investment gains/(losses) on assets under management, the

(2) impact of changes in foreign exchange rates and net flows from non-sales related activities including net reinvested dividends.

Table of Contents

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 and over long-term periods, 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 March 31, 2018.

Key Strategies	AUM as of March 31, 2018 (in millions)	Inception Date	Annualized Returns as of March 31, 2018 (1)						Market Cycle (2)	Inception
			One Year	Three Year	Five Year	Ten Year				
Long-Term Growth (30%-80% Equity Exposure)	\$ 6,833.0	1/1/1973	7.7%	4.5%	5.9%	5.7%	6.4%		9.5%	
Blended Benchmark: 55% S&P 500 Total Return / 45% Bloomberg Barclays Government/Credit Bond Core Non-U.S. Equity	\$ 3,240.3	10/1/1996	8.2%	6.5%	8.1%	7.2%	5.4%		9.2%	
Benchmark: ACWIXUS Index			15.4%	5.5%	4.3%	2.4%	5.9%		7.7%	
Growth with Reduced Volatility (20%-60% Equity Exposure)	\$ 3,044.3	1/1/1973	16.5%	6.2%	5.9%	2.7%	3.9%		5.4%	
Blended Benchmark: 40% S&P 500 Total Return / 60% Bloomberg Barclays Government/Credit Bond Equity-Oriented (70%-100% Equity Exposure)	\$ 1,421.1	1/1/1993	5.7%	3.4%	4.5%	4.9%	5.8%		8.7%	
Blended Benchmark: 65% Russell 3000® / 20% ACWIXUS / 15% Bloomberg Barclays U.S. Aggregate Bond			6.4%	5.1%	6.4%	6.3%	5.4%		8.7%	
Equity-Focused Blend (50%-90% Equity Exposure)	\$ 1,040.4	4/1/2000	15.4%	7.2%	8.6%	6.9%	7.1%		10.0%	
Blended Benchmark: 53% Russell 3000/ 17% ACWIXUS/ 30% Bloomberg Barclays U.S. Aggregate Bond			12.4%	8.1%	10.0%	7.5%	5.3%		8.6%	
Core Equity-Unrestricted (90%-100% Equity Exposure)	\$ 942.6	1/1/1995	9.2%	5.2%	6.9%	6.2%	7.0%		7.0%	
Blended Benchmark: 53% Russell 3000/ 17% ACWIXUS/ 30% Bloomberg Barclays U.S. Aggregate Bond			10.4%	6.9%	8.5%	7.0%	5.4%		5.4%	
Conservative Growth (5%-35% Equity Exposure)	\$ 520.4	4/1/1992	16.9%	8.5%	10.3%	8.2%	7.9%		11.2%	
Blended Benchmark: 80% Russell 3000® / 20% ACWIXUS			14.4%	9.5%	11.6%	8.3%	5.3%		9.2%	
Blended Benchmark: 15% Russell 3000/ 5% ACWIXUS/ 80% Bloomberg Barclays U.S. Intermediate Aggregate Bond			3.1%	2.1%	2.7%	3.8%	5.0%		5.9%	
Core U.S. Equity	\$ 444.6	7/1/2000	3.2%	2.7%	3.4%	4.3%	4.9%		6.1%	
Benchmark: Russell 3000® Index			17.5%	9.7%	11.6%	8.8%	N/A ⁽³⁾		7.8%	
Disciplined Value Unrestricted	\$ 427.3	11/1/2003	13.8%	10.2%	13.0%	9.6%	N/A ⁽³⁾		5.8%	
Benchmark: Russell 1000 Value			14.3%	10.6%	11.3%	9.7%	N/A ⁽³⁾		10.9%	
Aggregate Fixed Income	\$ 386.3	1/1/1984	7.0%	7.9%	10.8%	7.8%	N/A ⁽³⁾		8.3%	
			0.7%	1.3%	1.5%	3.6%	4.7%		7.2%	
			1.2%	1.2%	1.8%	3.6%	4.9%		7.1%	

Explanation of Responses:

Benchmark: Bloomberg Barclays U.S.
Aggregate Bond

Rainier International Small Cap	\$ 765.0	3/28/2012	34.6%	12.9%	13.2%	N/A (3)	N/A (3)	15.7%
Benchmark: MSCI ACWIxUS Small Cap Index			20.6%	10.4%	8.6%	N/A (3)	N/A (3)	6.2%

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- (1) Key investment strategy returns are presented net of fees. Benchmark returns do not reflect any fees or expenses. Market cycle performance is calculated from April 1, 2000 to March 31, 2018. We believe that a full market cycle time period should contain a wide range of market conditions and usually consists of a bear market, recovery and bull market stage. Our definition of the current market cycle includes the bear market that began with an abrupt decline in the technology sector (4/1/2000 - 9/30/2002), the subsequent failed recovery (10/1/2002 - 10/31/2007), the financial crisis bear market (11/1/2007 - 2/28/2009), and the current bull market (3/1/2009 - current). The period utilized in our current market cycle may differ from periods used by other investment managers.
- (2)
- (3) Performance not available given the product's inception date.

Table of Contents

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.

The Company serves as the investment adviser for Manning & Napier Fund, Inc., Exeter Trust Company Collective Investment Trusts and Rainier Multiple Investment Trust. The mutual funds are open-end mutual funds designed to meet the needs of a range of institutional and other investors. Exeter Trust Company, an affiliated New Hampshire-chartered trust company and Rainier Multiple Investment Trust sponsor collective investment trusts for qualified retirement plans, including 401(k) plans. These mutual funds and collective investment trusts comprised \$7.5 billion, or 32%, of our AUM as of March 31, 2018. MNA and Rainier also serve as the investment advisor to all of our separately managed accounts, managing \$16.0 billion, or 68%, of our AUM as of March 31, 2018, including assets managed as a sub-advisor to pooled investment vehicles. For the period ended March 31, 2018 approximately 98% of our revenue was earned from clients located in the United States.

The Company earns distribution and servicing fees for providing services to its affiliated mutual funds. Revenue is computed and earned daily based on a percentage of AUM.

The Company earns custodial service fees for administrative and safeguarding services performed by Exeter Trust Company, our New Hampshire-chartered trust company. Fees are calculated as a percentage of the client's market value with additional fees for certain transactions.

In response to industry trends and increasing fee pressure from passive strategies offered by our competitors as well as the anticipated impact of regulatory changes, management is in the midst of an effort to restructure fees across our fund product set. The financial impacts, including reduced management fees and distribution and servicing charges, will occur throughout 2018. The impact on our overall revenue margins will vary depending on the business mix at the time of the fee change. Given the overall pressure on fees that all active managers are facing, we believe that bringing our fund fees to a more competitive level will enhance our ability to attract additional assets in the future.

Operating Expenses

Our largest operating expenses are employee compensation and distribution, servicing and custody expenses, discussed further below. A significant portion of these expenses vary 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.

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 our 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 historical 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 intermediaries for distribution, shareholder servicing, administrative servicing and custodial services. These expenses generally increase or decrease in line with changes in our mutual fund and collective investment trust AUM or services performed by these intermediaries. We are working to restructure fees across our mutual fund product set in 2018 resulting in reduced investment management revenue and distribution and servicing expenses. The impact on margins will depend on the business mix at the time of the fee restructuring.

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Explanation of Responses:

Other operating costs. Other operating costs include accounting, legal and other professional service fees, occupancy and facility costs, travel and entertainment expenses, insurance, market data service expenses and all other miscellaneous costs associated with managing the day-to-day operations of our business.

Table of Contents

Non-Operating Income (Loss)

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

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

Provision for Income Taxes

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

Noncontrolling Interests

Manning & Napier, Inc. holds an economic interest of approximately 18.2% in Manning & Napier Group as of March 31, 2018 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

Our critical accounting policies and estimates are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017. Changes to our accounting policies as a result of adopting Topic 606 are discussed under "Revenue" and "Costs to Obtain a Contract" of Note 2, "Summary of Significant Accounting Policies" and under "Adoption of ASU 2014-09, Revenue from contracts with customers (Topic 606)" of Note 3, "Revenue, Contract Assets and Contract Liabilities" to the Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q.

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, 2017 together with the consolidated financial statements and related notes and the other financial information that appear elsewhere in this report.

Recent Accounting Pronouncements

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

Table of Contents

Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017

Assets Under Management

The following table reflects changes in our AUM for the three months ended March 31, 2018 and 2017:

	Three months ended March 31,		Period-to-Period	
	2018	2017	\$	%
	(in millions)			
Separately managed accounts				
Beginning assets under management	\$16,856.6	\$18,801.9	\$(1,945.3)	(10)%
Gross client inflows ⁽¹⁾	418.6	355.9	62.7	18 %
Gross client outflows ⁽¹⁾	(1,325.8)	(1,522.9)	197.1	(13)%
Market appreciation (depreciation) & other ⁽²⁾	10.7	1,127.9	(1,117.2)	(99)%
Ending assets under management	\$15,960.1	\$18,762.8	\$(2,802.7)	(15)%
Average AUM for period	\$16,453.9	\$18,982.4	\$(2,528.5)	(13)%
Mutual funds and collective investment trusts				
Beginning assets under management	\$8,256.6	\$12,881.1	\$(4,624.5)	(36)%
Gross client inflows ⁽¹⁾	481.3	711.0	(229.7)	(32)%
Gross client outflows ⁽¹⁾	(1,031.0)	(1,504.4)	473.4	(31)%
Acquired/(disposed) assets	(251.6)	—	(251.6)	(100)%
Market appreciation (depreciation) & other ⁽²⁾	18.1	778.9	(760.8)	(98)%
Ending assets under management	\$7,473.4	\$12,866.6	\$(5,393.2)	(42)%
Average AUM for period	\$7,873.3	\$12,859.6	\$(4,986.3)	(39)%
Total assets under management				
Beginning assets under management	\$25,113.2	\$31,683.0	\$(6,569.8)	(21)%
Gross client inflows ⁽¹⁾	899.9	1,066.9	(167.0)	(16)%
Gross client outflows ⁽¹⁾	(2,356.8)	(3,027.3)	670.5	(22)%
Acquired/(disposed) assets	(251.6)	—	(251.6)	(100)%
Market appreciation (depreciation) & other ⁽²⁾	28.8	1,906.8	(1,878.0)	(98)%
Ending assets under management	\$23,433.5	\$31,629.4	\$(8,195.9)	(26)%
Average AUM for period	\$24,327.2	\$31,842.0	\$(7,514.8)	(24)%

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

Market appreciation/(depreciation) and other includes investment gains/(losses) on assets under management, the

(2) impact of changes in foreign exchange rates and net flows from non-sales related activities including net reinvested dividends.

Our total AUM decreased by \$8.2 billion from \$31.6 billion at March 31, 2017 to \$23.4 billion at March 31, 2018.

The decrease was attributable to net client outflows of \$10.6 billion and disposed assets of \$0.4 billion, partially offset by market appreciation of \$2.8 billion. Net client outflows consisted of approximately \$4.5 billion of net outflows for separate accounts and \$6.1 billion for mutual funds and collective investment trusts. By portfolio, the rates of change in AUM from March 31, 2017 to March 31, 2018 consisted of a \$4.9 billion, or 24% decrease in our blended asset portfolio, a \$3.3 billion, or 31% decrease in our equity portfolio, and a decrease of \$60.3 million, or 5% in our fixed income portfolio.

While many of our key strategies report favorable one year and long term annualized returns, we attribute our net cash outflows to challenging three and five year annualized returns where our key investment strategies have trailed their related benchmarks. In addition, we face increased competition from lower fee passive investment products. Our ability to improve cash flows going forward will depend on our ability to sustain the improved investment

performance we achieved over the past year and execute on our strategic initiatives focused on gathering and retaining client assets.

Table of Contents

The total AUM decrease of \$1.7 billion, to \$23.4 billion at March 31, 2018 from \$25.1 billion at December 31, 2017 was attributable to net client cash outflows of \$1.5 billion and disposed assets of \$0.3 billion partially offset by market appreciation of \$0.03 billion. Our separate accounts and mutual fund and collective investment trust vehicles had net client outflows of approximately \$0.9 billion and \$0.5 billion, respectively. The blended investment gain was flat in both separately managed accounts and mutual funds and collective investment trusts. By portfolio, our AUM decreased by \$0.7 billion in our blended asset portfolio and \$0.9 billion in our equity portfolio, and increased by \$0.1 billion in our fixed income portfolio.

As of March 31, 2018, the composition of our AUM was 68% in separate accounts and 32% in mutual funds and collective investment trusts, compared to 59% in separate accounts and 41% in mutual funds and collective investment trusts at March 31, 2017. The composition of our AUM across portfolios at March 31, 2018 was 64% in blended assets, 31% in equity, and 5% in fixed income, compared to 63% in blended assets, 33% in equity, and 4% in fixed income at March 31, 2017.

With regard to our separate accounts, gross client inflows of \$0.4 billion were offset by approximately \$1.3 billion of gross client outflows during the three months ended March 31, 2018. The \$0.4 billion gross client inflows include approximately \$0.2 billion into our blended asset portfolio and \$0.2 billion into our equity portfolio. During the three months ended March 31, 2018, 67% of our separate account gross client inflows were derived from our Direct Channel. With regard to gross client outflows, cancellations were approximately \$0.9 billion with the most notable being a sub-advisory cancellation of \$0.3 billion from our Global Quality strategy. Withdrawals from existing accounts were approximately \$0.4 billion. Outflows during the first quarter 2018 were 40%, 48% and 12% from blended, equity and fixed income portfolios, respectively. Our separate account clients redeemed assets at a rate of 32% during the quarter, compared to a 35% redemption rate over the trailing twelve months ended March 31, 2018. Our annualized separate account retention rate across all channels was 80% during the three months ended March 31, 2018, consistent with 80% for the rolling 12 months ended March 31, 2018.

Net client outflows of \$0.5 billion from our mutual fund and collective investment trusts included gross client inflows of \$0.5 billion, offset by gross client outflows of \$1.0 billion during the three months ended March 31, 2018. Gross client inflows into our blended asset life cycle vehicles, including both risk based and target date strategies, represented \$0.3 billion, or 59%, of mutual fund and collective trust fund gross client inflows during the three months ended March 31, 2018. With regard to gross client outflows, \$0.6 billion, or 56%, of mutual fund and collective investment trust gross client outflows were from blended asset mutual fund and collective trust products.

Table of Contents

The following table sets forth our results of operations and related data for the three months ended March 31, 2018 and 2017:

	Three months ended March 31,		Period-to-Period	
	2018	2017	\$	%
	(in thousands, except share data)			
Revenues				
Management Fees				
Separately managed accounts	\$25,355	\$ 29,939	\$(4,584)	(15)%
Mutual funds and collective investment trusts	10,980	19,285	(8,305)	(43)%
Distribution and shareholder servicing	3,178	3,040	138	5 %
Custodial services	1,922	2,345	(423)	(18)%
Other revenue	789	876	(87)	(10)%
Total revenue	42,224	55,485	(13,261)	(24)%
Expenses				
Compensation and related costs	23,773	23,381	392	2 %
Distribution, servicing and custody expenses	4,781	7,411	(2,630)	(35)%
Other operating costs	6,454	7,978	(1,524)	(19)%
Total operating expenses	35,008	38,770	(3,762)	(10)%
Operating income	7,216	16,715	(9,499)	(57)%
Non-operating income (loss)				
Non-operating income (loss), net	535	1,142	(607)	(53)%
Income before provision for income taxes	7,751	17,857	(10,106)	(57)%
Provision for income taxes	478	1,343	(865)	(64)%
Net income attributable to controlling and noncontrolling interests	7,273	16,514	(9,241)	(56)%
Less: net income attributable to noncontrolling interests	6,059	14,617	(8,558)	(59)%
Net income attributable to Manning & Napier, Inc.	\$ 1,214	\$ 1,897	\$(683)	(36)%
Per Share Data				
Net income per share available to Class A common stock				
Basic	\$0.08	\$ 0.13		
Diluted	\$0.07	\$ 0.13		
Weighted average shares of Class A common stock outstanding				
Basic	14,313,549	14,042,880		
Diluted	78,283,583	84,216,988		
Cash dividends declared per share of Class A common stock	\$0.08	\$ 0.08		
Other financial and operating data				
Economic net income ⁽¹⁾	\$5,619	\$ 10,893	\$(5,274)	(48)%
Economic net income per adjusted share ⁽¹⁾	\$0.07	\$ 0.13		
Weighted average adjusted Class A common stock outstanding ⁽¹⁾	79,105,231	81,014,764		

(*)Percentage change not meaningful

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Supplemental (1)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.

Table of Contents**Revenues**

Separately managed account revenue decreased by \$4.6 million, or 15%, to \$25.4 million for the three months ended March 31, 2018 from \$29.9 million for the three months ended March 31, 2017. This decrease is driven primarily by a 13% decrease in our average separately managed account AUM for the three months ended March 31, 2018 compared to the three months ended March 31, 2017. Our average separately managed account fee for the three months ended March 31, 2018 remained consistent at 0.62% when compared to the three months ended March 31, 2017. For both periods our separately managed account standard fees ranged from 0.15% to 1.25% depending on investment objective and account size. As of March 31, 2018, the concentration of investments in our separately managed account assets was 63% blended assets, 30% equity and 7% fixed income, compared to 58% blended assets, 36% equity and 6% fixed income as of March 31, 2017.

Mutual fund and collective investment trust revenue decreased by \$8.3 million, or 43%, to \$11.0 million for the three months ended March 31, 2018 from \$19.3 million for the three months ended March 31, 2017. This decrease is driven primarily by a 39% or \$5.0 billion decrease in our average mutual fund and collective investment trust AUM for the three months ended March 31, 2018 compared to the three months ended March 31, 2017. Our average fee on mutual fund and collective investment trust products increased to 0.73% for the three months ended March 31, 2018 from 0.70% for the three months ended March 31, 2017. The decrease in AUM and increase in average fee is primarily due to a single retirement plan relationship which redeemed approximately \$2.5 billion from our collective investment trust vehicle during the second quarter of 2017. Fees for this relationship were lower than those associated with the remaining population of AUM. Management fees earned on our mutual fund and collective investment trust management fees ranged from 0.14% to 1.00%, depending on investment strategy, for the three months ended March 31, 2018 and 2017. As of March 31, 2018, the concentration of assets in our mutual fund and collective investment trusts was 65% blended assets, 33% equity and 2% fixed income, compared to 70% blended assets, 29% equity and 1% fixed income as of March 31, 2017.

Custodial services revenue decreased by \$0.4 million, or 18%, to \$1.9 million for the three months ended March 31, 2018 from \$2.3 million for the three months ended March 31, 2017. A significant component of custodial services revenue is earned on our collective investment trust AUM which decreased by 62% from March 31, 2017.

In response to industry trends and increasing fee pressure from passive strategies offered by our competitors as well as the anticipated impact of regulatory changes, management is in the midst of an effort to restructure fees across our fund product set. The financial impacts, including reduced management fees and distribution and servicing charges, will occur throughout 2018. The impact on our overall revenue margins will vary depending on the business mix at the time of the fee change. Given the overall pressure on fees that all active managers are facing, we believe that bringing our fund fees to a more competitive level will enhance our ability to attract additional assets in the future.

Operating Expenses

Our operating expenses decreased by \$3.8 million, or 10%, to \$35.0 million for the three months ended March 31, 2018 from \$38.8 million for the three months ended March 31, 2017.

Compensation and related costs increased by \$0.4 million, or 2%, to \$23.8 million for the three months ended March 31, 2018 from \$23.4 million for the three months ended March 31, 2017. This increase was driven by higher incentive compensation accruals for our investment team resulting from investment performance, share-based compensation due to the timing of equity awards and changes in our executive team compensation, partially offset by a reduction in our average overall workforce of 9% compared to the three months ended March 31, 2017. When considered as a percentage of revenue, compensation and related costs for the three months ended March 31, 2018 was 56% compared to 42% for the three months ended March 31, 2017. We anticipate that our compensation ratio as a percentage of revenue will remain elevated in the near term compared to prior periods.

Distribution, servicing and custody expenses decreased by \$2.6 million, or 35%, to \$4.8 million for the three months ended March 31, 2018 from \$7.4 million for the three months ended March 31, 2017. The decrease was generally driven by a 39% decrease in mutual fund and collective investment trust average AUM for the three months ended March 31, 2018 compared to the three months ended March 31, 2017. In addition, approximately \$0.7 million of the decrease in expense is a result of the adoption of Topic 606 whereby fees paid to third parties who provide record-keeping and administrative services for employee benefit plans participating in our collective investment trusts

were reported as expense prior to January 1, 2018 at which time the Company began reporting the fees as a reduction of revenue. The percentage decrease in AUM exceeds the percentage decrease in expense since redemptions have been concentrated in those assets where we do not have distribution and servicing obligations. As a percentage of mutual fund and collective investment trust average AUM, distribution, servicing and custody expense was 0.25% for the three months ended March 31, 2018, compared to 0.23% for the three months ended March 31, 2017.

Other operating costs for the three months ended March 31, 2018 was \$6.5 million, compared to \$8.0 million for the three months ended March 31, 2017. This decrease was driven by the \$2.1 million operating gain recorded during the three months

Table of Contents

ended March 31, 2018, related to our sale of the Rainier U.S. mutual fund. As a percentage of revenue, other operating costs was 15% for the three months ended March 31, 2018 and 14% for the three months ended March 31, 2017.

Non-Operating Income (Loss)

Non-operating income for the three months ended March 31, 2018 was \$0.5 million, a decrease of \$0.6 million, from non-operating income of \$1.1 million for the three months ended March 31, 2017. The following table reflects the components of non-operating income (loss) for the three months ended March 31, 2018 and 2017:

	Three months ended March 31, 2018 2017		Period-to-Period \$ %	
	(in thousands)			
Non-operating income (loss)				
Interest expense	\$(9)	\$(10)	\$ 1	(10)%
Interest and dividend income ⁽¹⁾	502	180	322	179 %
Change in liability under tax receivable agreement ⁽²⁾	291	—	291	100 %
Net gains (losses) on investments ⁽³⁾	(249)	972	(1,221)	*
Total non-operating income (loss)	\$535	\$1,142	\$(607)	(53)%

(*) Percentage change not meaningful

The increase in interest and dividend income for the three months ended March 31, 2018 compared to 2017 is (1) attributable to an increase in investments, including U.S. Treasury notes, corporate bonds and other short-term investments to optimize cash management opportunities.

(2) The change in the liability under the tax receivable agreement for the three months ended March 31, 2018 is attributed to a reduction in our effective tax rate and a corresponding decrease in the payment of the tax benefit.

Amounts represent net income on investments we held to provide initial cash seeding for product development (3) purposes. The amount varies depending on the performance of our investments and the overall amount of our investments in seeded products.

Provision for Income Taxes

Our tax provision decreased by \$0.9 million to \$0.5 million for the three months ended March 31, 2018 from \$1.3 million for the three months ended March 31, 2017. The change was primarily driven by the enactment of the Tax Cuts and Jobs Act ("U.S. tax reform") in 2017. The U.S. tax reform reduced the federal corporate income tax rate from 35% to 21%, among other things. The remaining decrease is driven by a decrease in taxable earnings compared to the prior year.

Supplemental Non-GAAP Financial Information

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 uses economic net income and economic net income per adjusted share as financial measures to evaluate the profitability and efficiency of its business. Economic net income and economic net income per adjusted share are not presented in accordance with GAAP.

Table of Contents

Economic net income is a non-GAAP measure of after-tax operating performance and equals our income before provision for income taxes less adjusted income taxes. Adjusted income taxes are estimated assuming the exchange of all outstanding units of Manning & Napier Group into Class A common stock on a one-to-one basis. Therefore, all income of Manning & Napier Group allocated to the units of Manning & Napier Group is treated as if it were allocated to us and represents an estimate of income tax expense at an effective rate of 27.5% and 39.0% for the three months ended March 31, 2018 and 2017, respectively, 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. Our management uses economic net income, among other financial data, to determine the earnings available to distribute as dividends to holders of its Class A common stock and to the holders of the units of Manning & Napier Group.

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

The following table sets forth our other financial and operating data for the three months ended March 31, 2018 and 2017:

	Three months ended March 31, 2018 2017 (in thousands, except share data)	
Income before provision for income taxes	\$7,751	\$ 17,857
Economic net income (Non-GAAP)	\$5,619	\$ 10,893
Economic net income per adjusted share (Non-GAAP)	\$0.07	\$ 0.13
Weighted average adjusted Class A common stock outstanding (Non-GAAP)	79,105,231	81,014,764

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

	Three months ended March 31, 2018 2017 (in thousands, except share data)	
Net income attributable to Manning & Napier, Inc.	\$ 1,214	\$ 1,897
Add back: Net income attributable to noncontrolling interests	6,059	14,617
Add back: Provision for income taxes	478	1,343
Income before provision for income taxes	7,751	17,857
Adjusted income taxes (Non-GAAP)	2,132	6,964
Economic net income (Non-GAAP)	\$ 5,619	\$ 10,893
Weighted average shares of Class A common stock outstanding - Basic	14,313,549	14,042,880
Assumed vesting, conversion or exchange of:		
Weighted average Manning & Napier Group, LLC units outstanding (noncontrolling interest)	63,918,146	65,764,096
Weighted average unvested restricted share-based awards	873,536	1,207,788
Weighted average adjusted shares (Non-GAAP)	79,105,231	81,014,764
Economic net income per adjusted share (Non-GAAP)	\$ 0.07	\$ 0.13

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 and investment securities held by us for the purpose of optimizing short-term cash management and providing initial cash seeding for product development purposes.

The following table sets forth certain key financial data relating to our liquidity and capital resources as of March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
	(in thousands)	
Cash and cash equivalents	\$69,455	\$ 78,262
Accounts receivable	\$13,521	\$ 15,337
Investment securities	\$69,103	\$ 70,404
Amounts payable under tax receivable agreement ⁽¹⁾	\$21,536	\$ 21,827
Contingent consideration liability ⁽²⁾	\$—	\$ —

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 March 31, 2018 and December 31, 2017, including our ability to realize the expected tax benefits. Actual payments may significantly differ from estimated payments.

(2) Represents the fair value of additional cash payments related to our acquisition of Rainier of up to \$32.5 million over the period ending December 31, 2019, contingent upon Rainier's achievement of certain financial targets.

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.

We believe that cash on hand and 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, including short-term investments and cash generated by operations will be sufficient to meet our liquidity needs for the foreseeable future.

Cash Flows

The following table sets forth our cash flows for the three months ended March 31, 2018 and 2017. Operating activities consist primarily of net income subject to adjustments for changes in operating assets and liabilities, equity-based compensation expense, changes in the liability under the TRA, deferred income tax expense and depreciation and amortization. Investing activities consist primarily of the purchase and sale of investments for the purpose of providing initial cash seeding for product development and for cash management purposes, and purchases of property and equipment. Financing activities consist primarily of distributions to noncontrolling interests, dividends paid on our Class A common stock, and purchases of Class A units held by noncontrolling interests of Manning & Napier Group.

	Three months ended March 31, 2018 2017	
	(in thousands)	
Net cash (used in) provided by operating activities	\$(3,716)	\$7,570
Net cash provided by (used in) investing activities	2,971	(5,375)
Net cash used in financing activities	(8,062)	(2,446)
Net (decrease) increase in cash and cash equivalents	\$(8,807)	\$(251)

Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017

Operating Activities**Explanation of Responses:**

Operating activities used \$3.7 million and provided \$7.6 million of net cash for the three months ended March 31, 2018 and 2017, respectively. The overall \$11.3 million decrease in net cash provided by operating activities for the three months ended March 31, 2018 compared to 2017 was due to a decrease in net income after adjustment for non-cash items of

Table of Contents

approximately \$10.8 million driven by lower revenues resulting primarily from changes in our average AUM, and by a decrease of approximately \$0.5 million in operating assets and liabilities.

Investing Activities

Investing activities provided \$3.0 million and used \$5.4 million of net cash for the three months ended March 31, 2018 and 2017, respectively. This change was primarily driven by changes in investing activities of \$6.1 million due to our funding of and timing of activity within our investment securities and by \$2.1 million of proceeds received for the sale of a Rainier U.S. mutual fund during the first quarter of 2018. During the three months ended March 31, 2018, total net investment activity received approximately \$1.0 million of cash compared to \$5.2 million used for the three months ended March 31, 2017. In 2018, we used approximately \$0.1 million, net, to purchase short-term investments for cash management purposes, partially offset by approximately \$1.2 million of proceeds received from the redemption of certain seeded portfolios. Our purchases of property and equipment were approximately \$0.3 million and \$0.2 million during the three months ended March 31, 2018 and 2017, respectively.

Financing Activities

Financing activities used \$8.1 million and \$2.4 million of net cash for the three months ended March 31, 2018 and 2017, respectively. This overall \$5.6 million increase in cash used in the first quarter of 2018 was driven primarily by an increase in distributions to noncontrolling interests of \$4.9 million and in cash used for the purchase of Class A Units of Manning & Napier Group pursuant to the exchange agreement entered into at the time of our IPO of \$1.9 million, both due to the timing of these transactions as compared to 2017, when each occurred during the second quarter. This increase in cash used for financing activities for the three months ended March 31, 2018 was partially offset by a decrease in dividends paid on Class A common stock of \$1.2 million driven by lower income after adjustment for non-cash items in 2018 compared to 2017.

Dividends

On October 24, 2017, the Board of Directors declared a \$0.08 per share dividend to the holders of Class A common stock. The dividend was paid on February 1, 2018 to shareholders of record as of January 15, 2018.

On March 6, 2018, the Board of Directors declared an \$0.08 per share dividend to the holders of Class A common stock. The dividend was paid on May 1, 2018 to shareholders of record as of April 13, 2018.

On April 24, 2018, the Board of Directors declared an \$0.08 per share dividend to the holders of Class A common stock. The dividend is payable on or about August 1, 2018 to shareholders of record as of July 13, 2018.

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.

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 TRA;
- 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

36

Table of Contents

As of December 31, 2017, our contractual obligation for our primary office facility was approximately \$14.5 million, or \$2.9 million annually, under an operating lease expiring on December 31, 2022. Subsequent to December 31, 2017, we entered into an amended lease agreement for these facilities, expiring on January 31, 2028. As of March 31, 2018, our contractual obligation related to these facilities was approximately \$25.5 million, or \$2.6 million annually. There have been no other material changes in our contractual obligations as set forth in our Annual Report on Form 10-K for the year ended December 31, 2017.

Off Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of March 31, 2018.

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 \$23.4 billion as of March 31, 2018. 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 approximately \$2.3 billion, which would cause an annualized increase or decrease in revenues of approximately \$16.4 million at our current weighted average fee rate of 0.70%.

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 short-term investment for cash management purposes. The value of these investments was \$69.1 million as of March 31, 2018 of which approximately \$4.9 million is investment securities classified as trading and \$64.2 million is investment securities classified as available-for-sale. 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 \$6.9 million at March 31, 2018. 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 \$23.4 billion as of March 31, 2018. As of March 31, 2018, approximately 17% 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 17% 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 \$0.4 billion, which would cause an annualized increase or decrease in revenues of approximately \$2.8 million at our current weighted average fee rate of 0.70%.

Interest Rate Risk

We are 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 and short-term investments. 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

37

Table of Contents

was no material impact as of March 31, 2018. Additionally, given the current level of income we earn from our cash and cash equivalent balances and short-term investments, interest rate changes would not have a material impact on us.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, including our Chief Executive Officers and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2018 pursuant to Rule 13a-15 under the Exchange Act. Based on that evaluation, our Chief Executive Officers and Chief Financial Officer have concluded that, as of March 31, 2018, 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 Officers 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 March 31, 2018 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, 2017 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, 2017.

Item 6. Exhibits

Exhibit No. Description

10.1	<u>Form of Redemption Agreement between M&N Group Holdings, LLC and Manning & Napier Group, LLC, dated March 30, 2018 is incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 2, 2018</u>
10.2	<u>Form of Redemption Agreement between Manning & Napier Capital Company, L.L.C. and Manning & Napier Group, LLC, dated March 30, 2018 is incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 2, 2018</u>
31.1 (a)	<u>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</u>
31.1 (b)	<u>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</u>
31.1 (c)	<u>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</u>
31.2	<u>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</u>
32.1 (a)	<u>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</u>
32.1 (b)	<u>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</u>
32.1 (c)	<u>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</u>
32.2	<u>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</u>
101	Materials from the Manning & Napier, Inc. Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, 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.

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.

Dated: May 10, 2018

MANNING & NAPIER, INC.

By: /s/ Jeffrey S. Coons

Name: Jeffrey S. Coons

Title: President and Co-Chief Executive Officer
(principal executive officer)

By: /s/ Charles H. Stamey

Name: Charles H. Stamey

Title: Executive Vice President and Co-Chief Executive Officer
(principal executive officer)

By: /s/ Richard Goldberg

Name: Richard Goldberg

Title: Director and Co-Chief Executive Officer
(principal executive officer)

By: /s/ Paul J. Battaglia

Name: Paul J. Battaglia

Title: Chief Financial Officer
(principal financial officer)