

The Bull Market Glide Trap

Evaluating Target Date Funds in Today's Environment

Prepared for
Name
Month 2018

Presented by
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Sales Rep Title

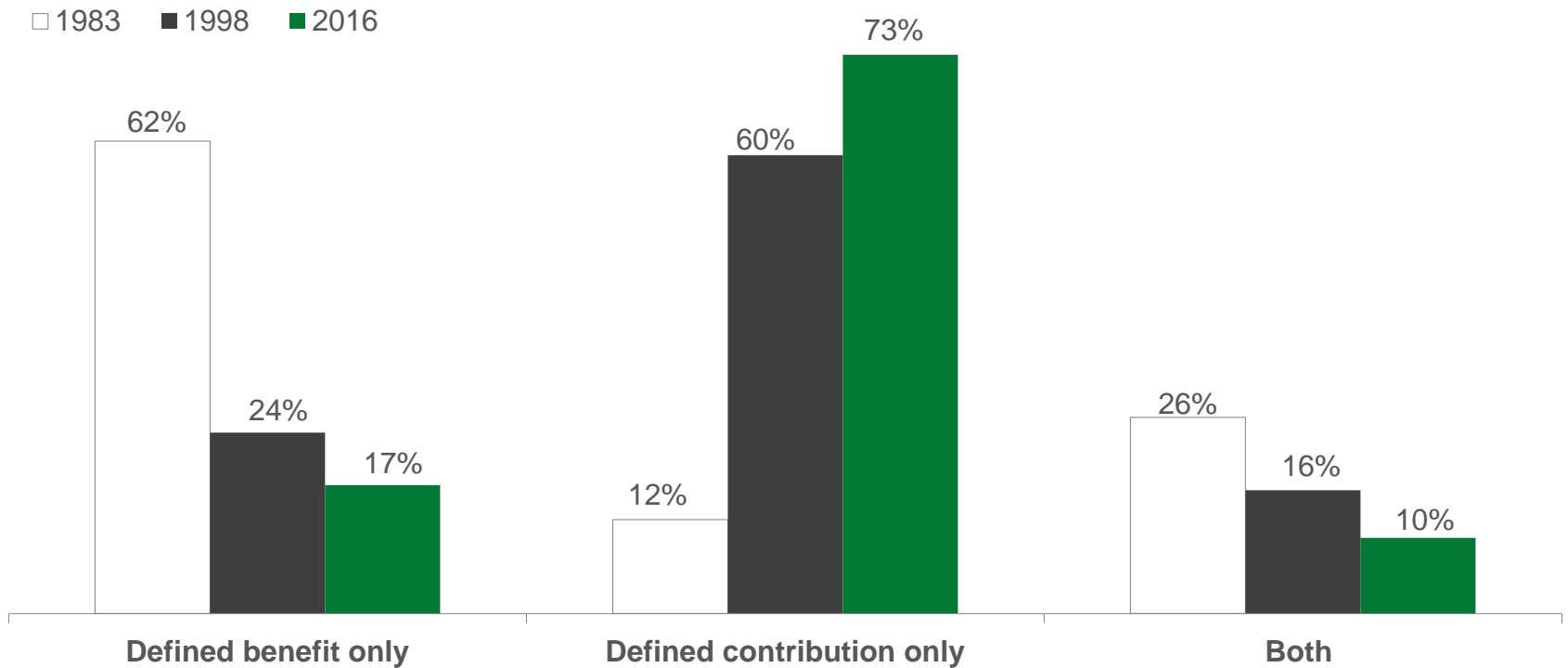
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Shift in Retirement Responsibility

Workers with Plan Coverage by Type of Plan (1983, 1998, and 2016)



Growth of Auto-Features



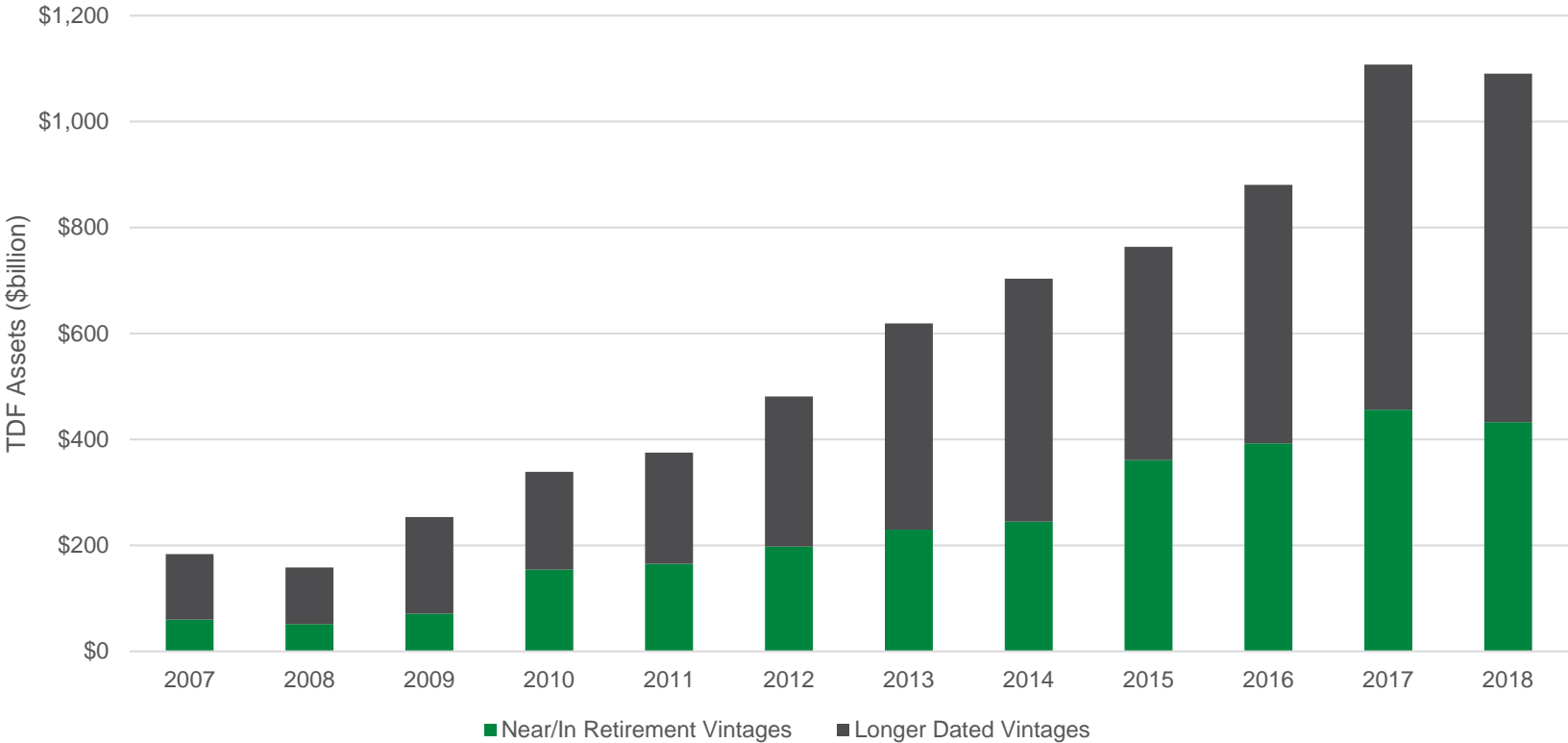
Percentage of Plans That...

	2007	2016	% Change
Auto-enroll participants	36%	60%	+24%
Auto-enroll at a contribution rate greater than 3%	27%	54%	+27%
Auto-escalate contribution rates	50%	73%	+23%
Select a TDF as the QDIA	49%	78%	+29%

Has Lead to Strong TDF Asset Growth



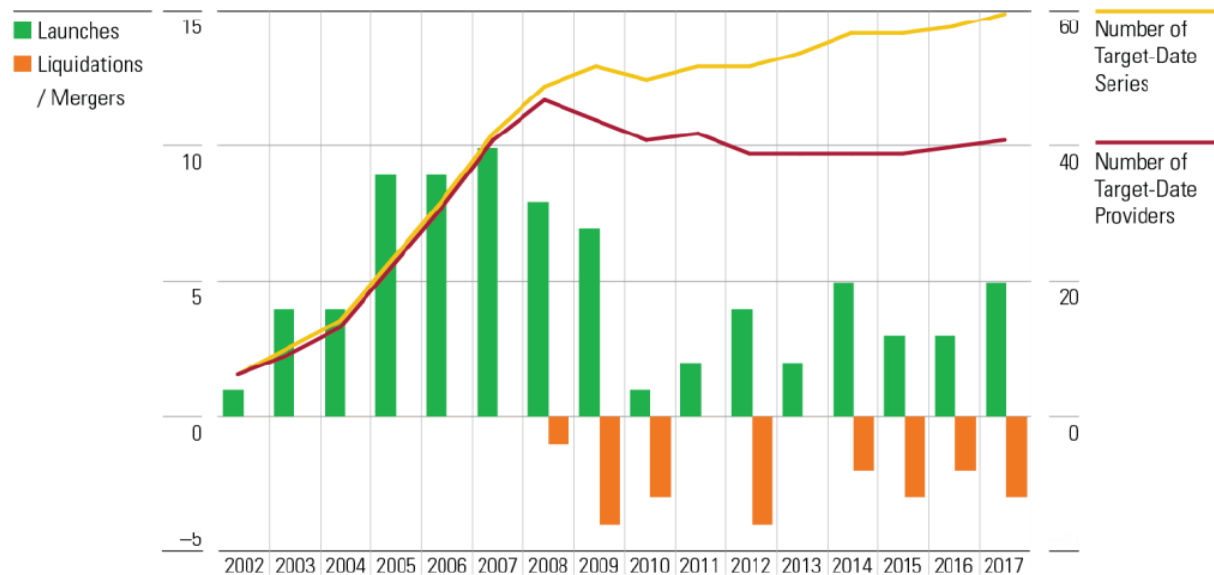
Target Date Fund Asset Growth



Source: Morningstar, Inc.

Expansive TDF Choice

Growing Number of TDF Solutions...

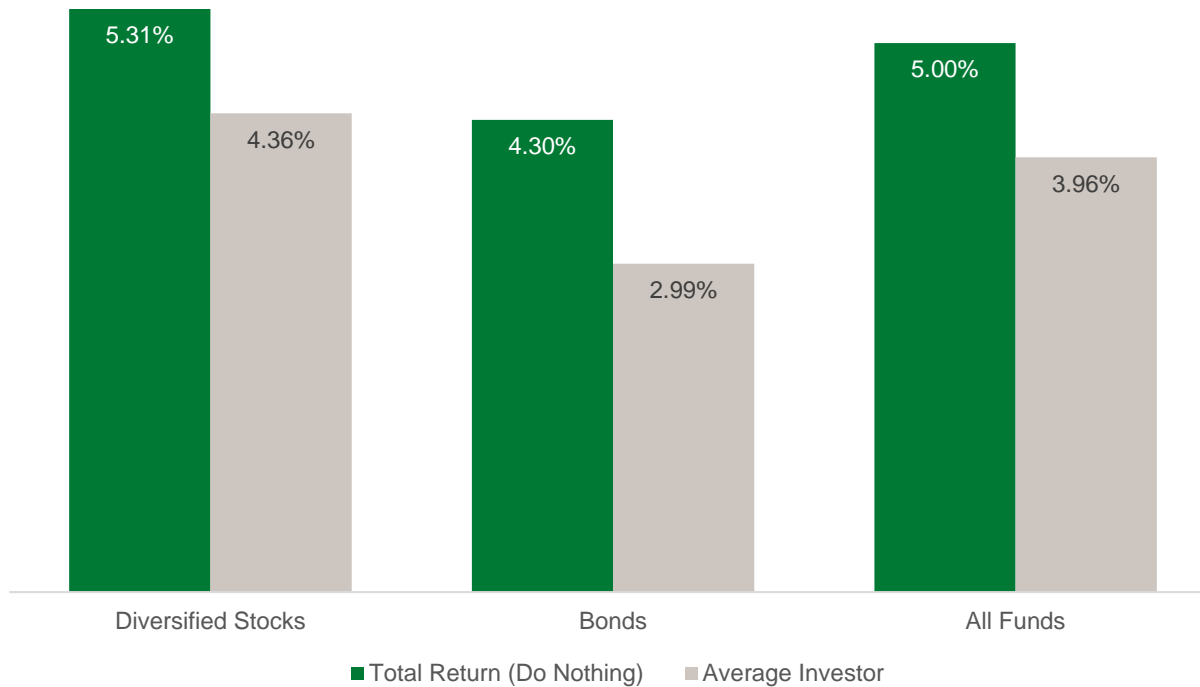


The DOL’s 2013 “Tips for ERISA Plan Fiduciaries” encourages fiduciaries to engage in an **“objective process to obtain information that will enable them to evaluate the prudence of any investment option made available under the plan.”**

Source: Morningstar, Inc. Data as of 12/31/17.

Well Documented Behavior Gap

10 Year Investor Returns in the U.S.



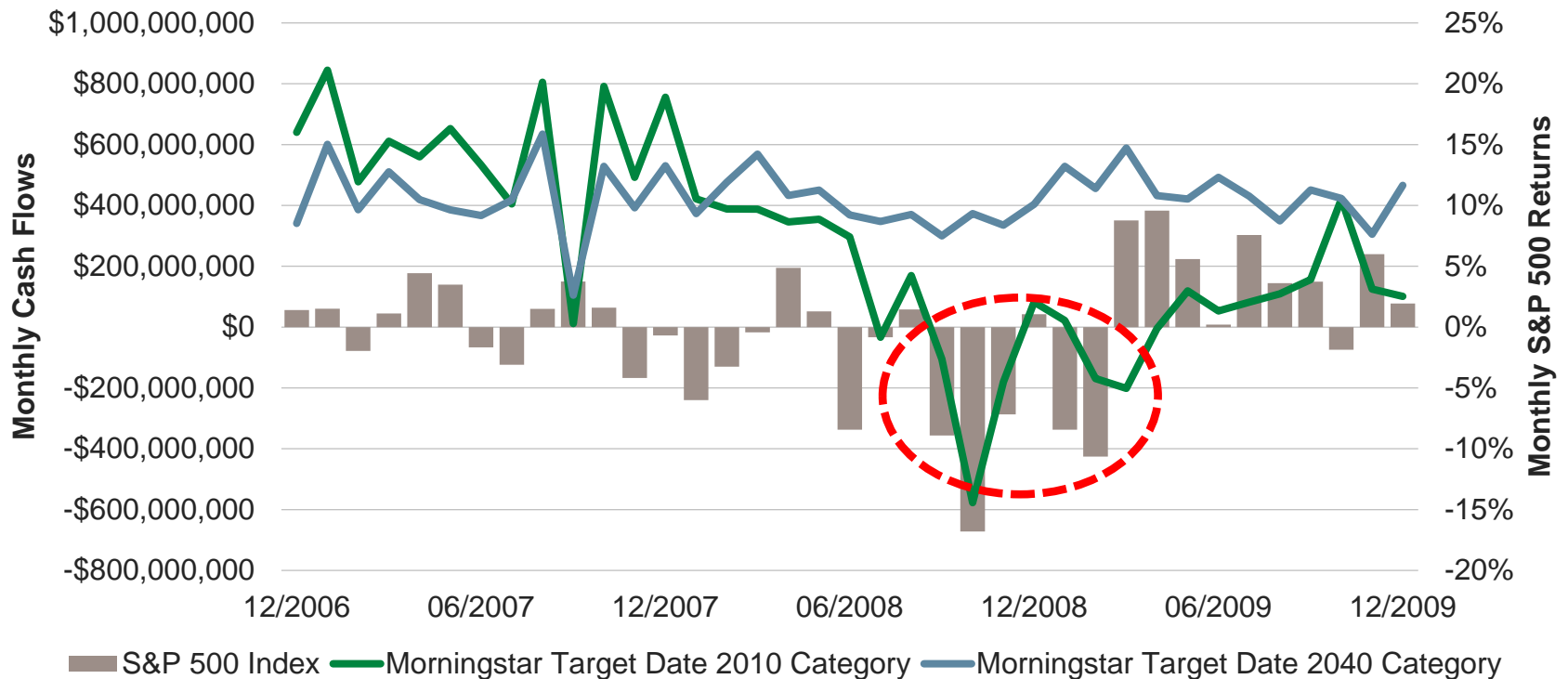
- Remain focused on your long-term goals
- Resist being reactive to market news

Past performance does not guarantee future results.

Source: "Mind the Gap: Global Investor Returns Show the Costs of Bad Timing Around the World", Morningstar Manager Research, May 30, 2017. Data as of 12/31/2016.

Global Financial Crisis Experience

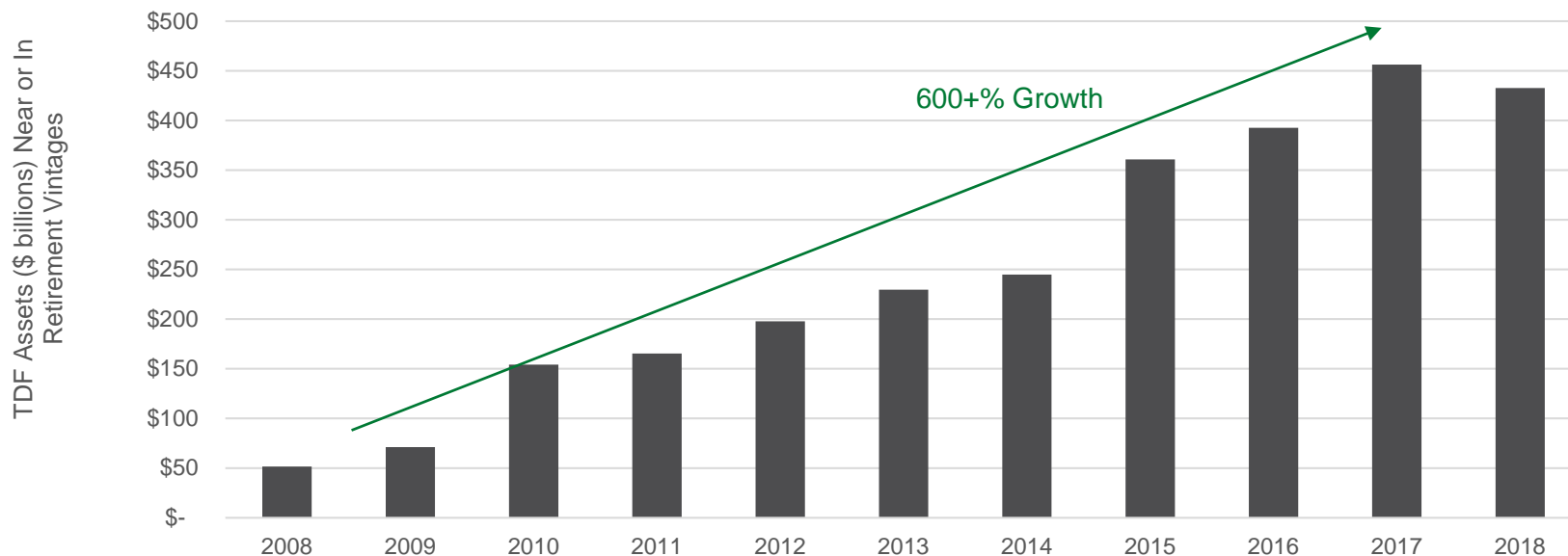
There were signs of loss aversion during the infancy of target date funds as well.



Near Retirement Vintage Assets Have Swelled



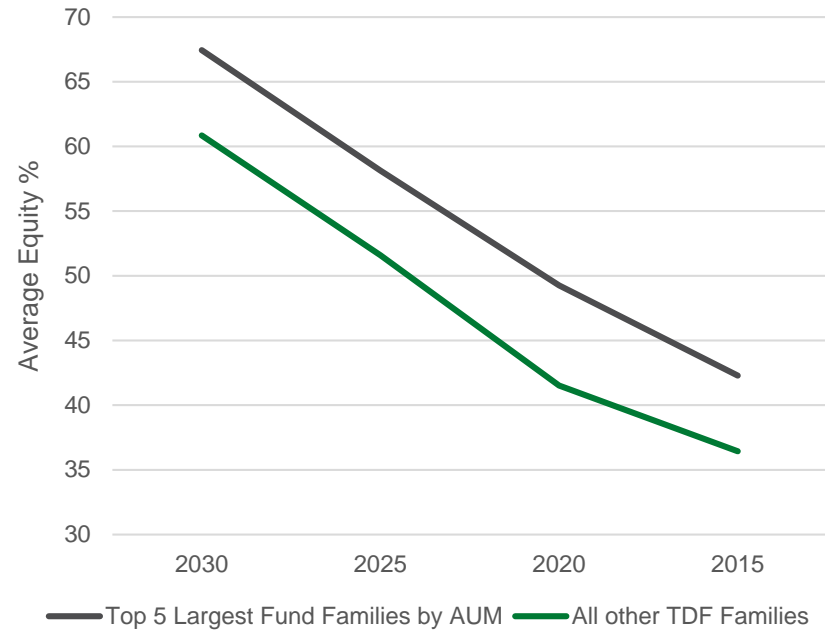
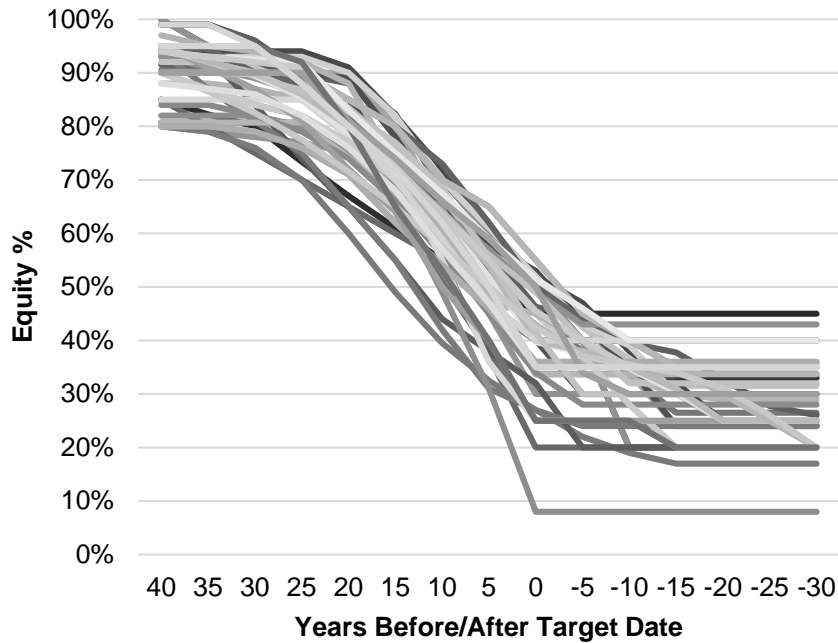
Explosive Growth in Near Retiree Assets



	Year-End 2007	Year-End 2018
Overall TDF Assets	\$184B	\$1.09T
TDF Assets Near/In Retirement Vintages*	\$60B	\$433B
% of Overall Assets in Near/In Retirement Vintages*	30%	40%

Analysis: Manning & Napier. For illustrative purposes only. Source: Morningstar, Inc. The TDF Universe includes all mutual funds categorized as target date funds by Morningstar.
 *Defined as vintages within 10 years of their identified target date.

And Are Invested In Higher Equity Glide Paths

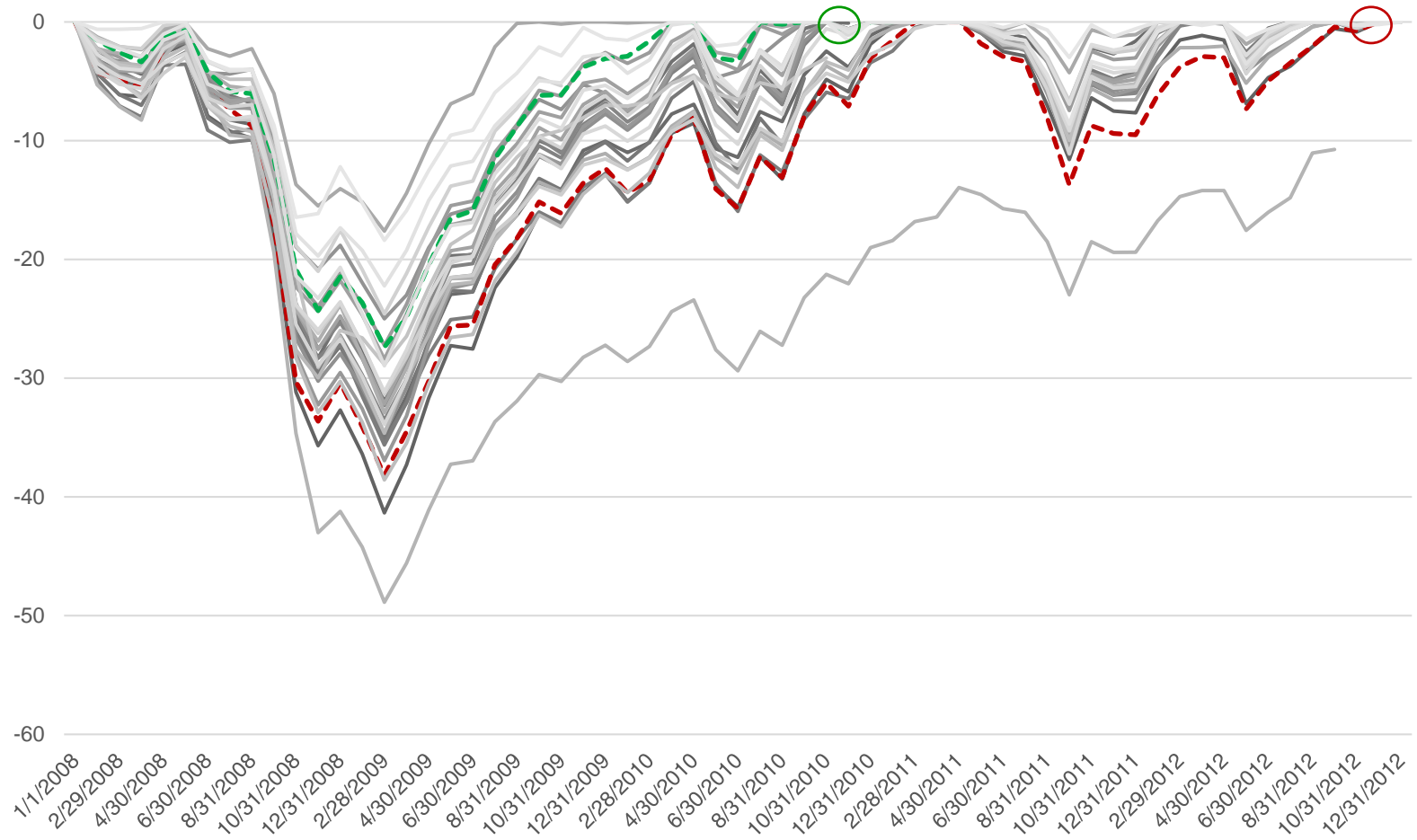


	TDF Universe Market Share	Average 5-Yr Annualized Return
Five Largest Fund Families by Assets	78%	4.68%
All Other Fund Families	22%	4.03%

Data as of 12/31/2018

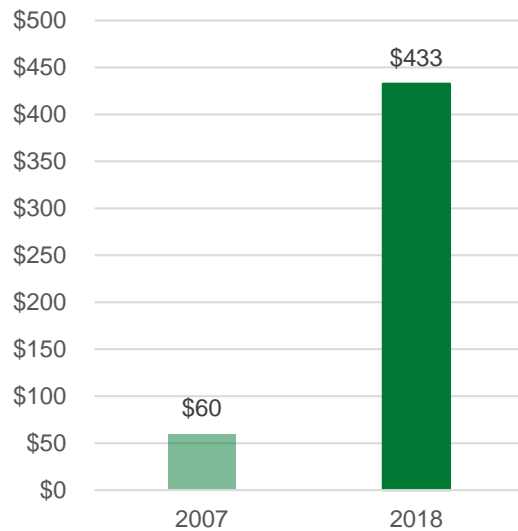
Target Date Turmoil A Decade Ago

Maximum Drawdown: 2010 Funds



Near Retirement Assets: Then vs. Now

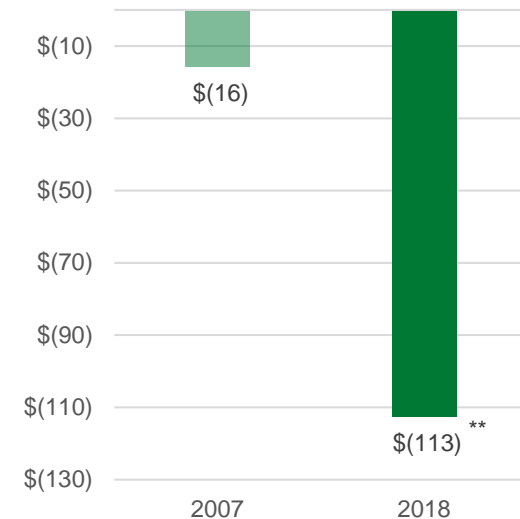
Near Retirement Assets (\$B)*



Average Loss in 2007-09 Global Financial Crisis*



Resulting Impact in Dollars (\$B)



Analysis: Manning & Napier. For illustrative purposes only.

Source: Morningstar, Inc. The TDF Universe includes all mutual funds categorized as target date funds by Morningstar.

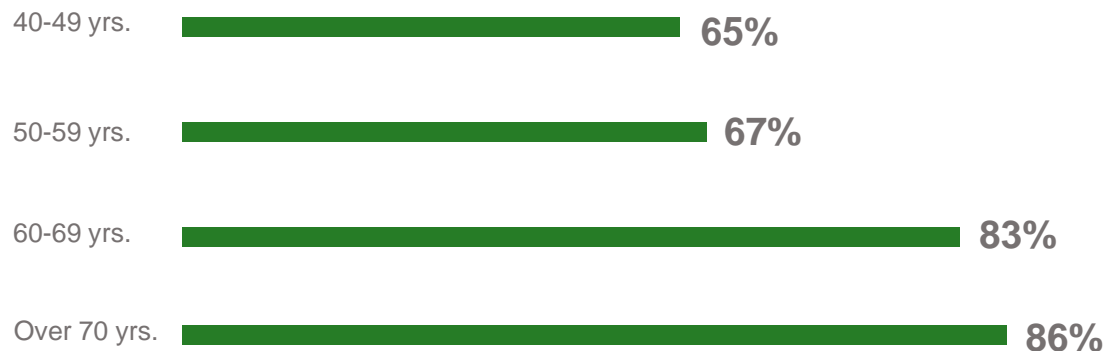
*Defined as vintages within 10 years of their identified target date.

**Assumes the same -26% that was experienced during the global financial crisis period encompassing 11/01/2007-02/28/2009.

Investors Want Protection

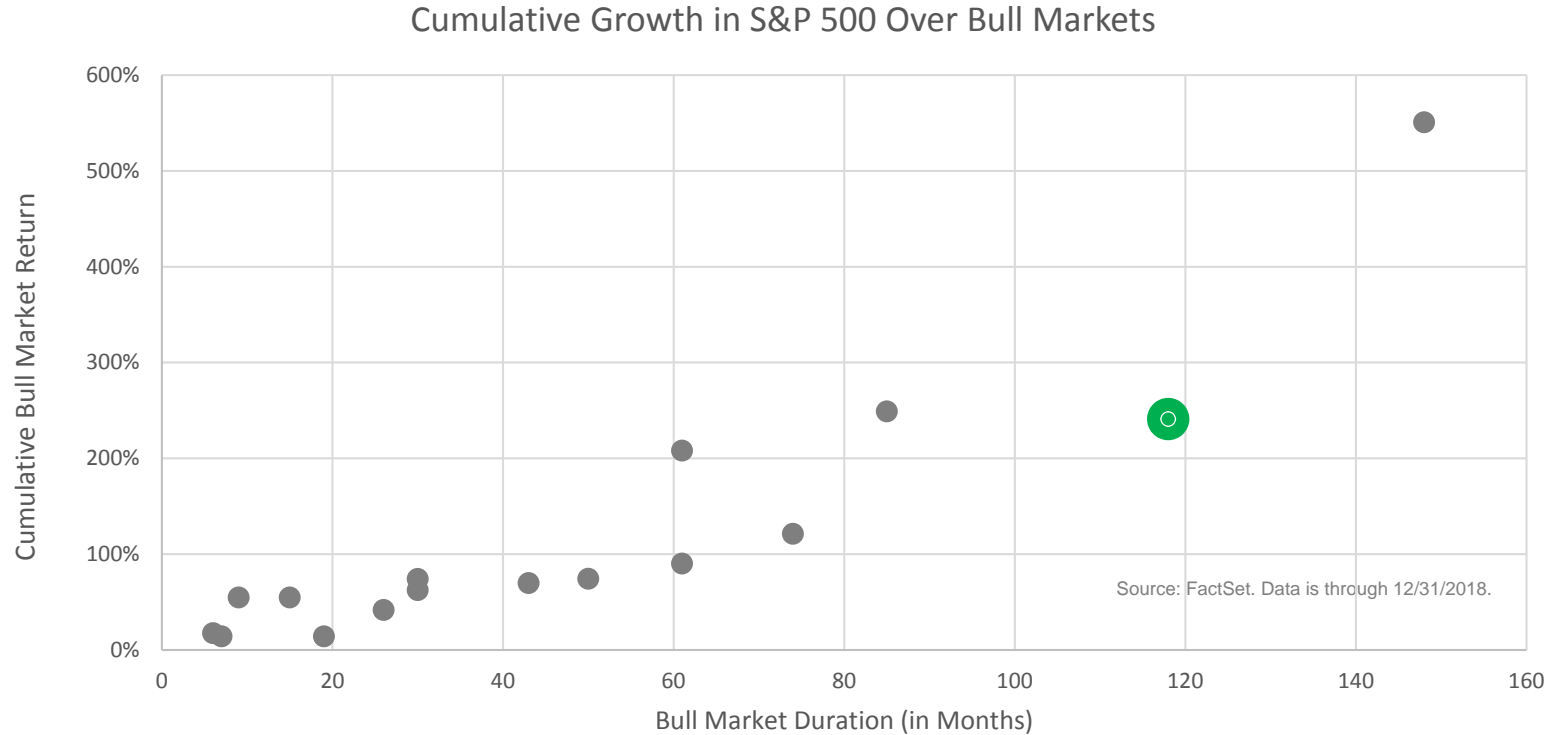
77% of investors said they support managers' protecting their portfolios from losses, even if it results in periods of underperformance.

People across all age groups shared that sentiment, but it was especially true among the oldest respondents.



One of the Longest and Strongest Bull Markets Ever

S&P 500 Price Returns (1938 – 2018)



Key Takeaways:

- This chart illustrates the progress of every bull market since the late 1940s from the bottom to the top
- Outside of the late 1990s, the current bull run is the longest and strongest in modern US history
- It has been a great time to be an investor

Starting Points Matter for Returns

S&P 500

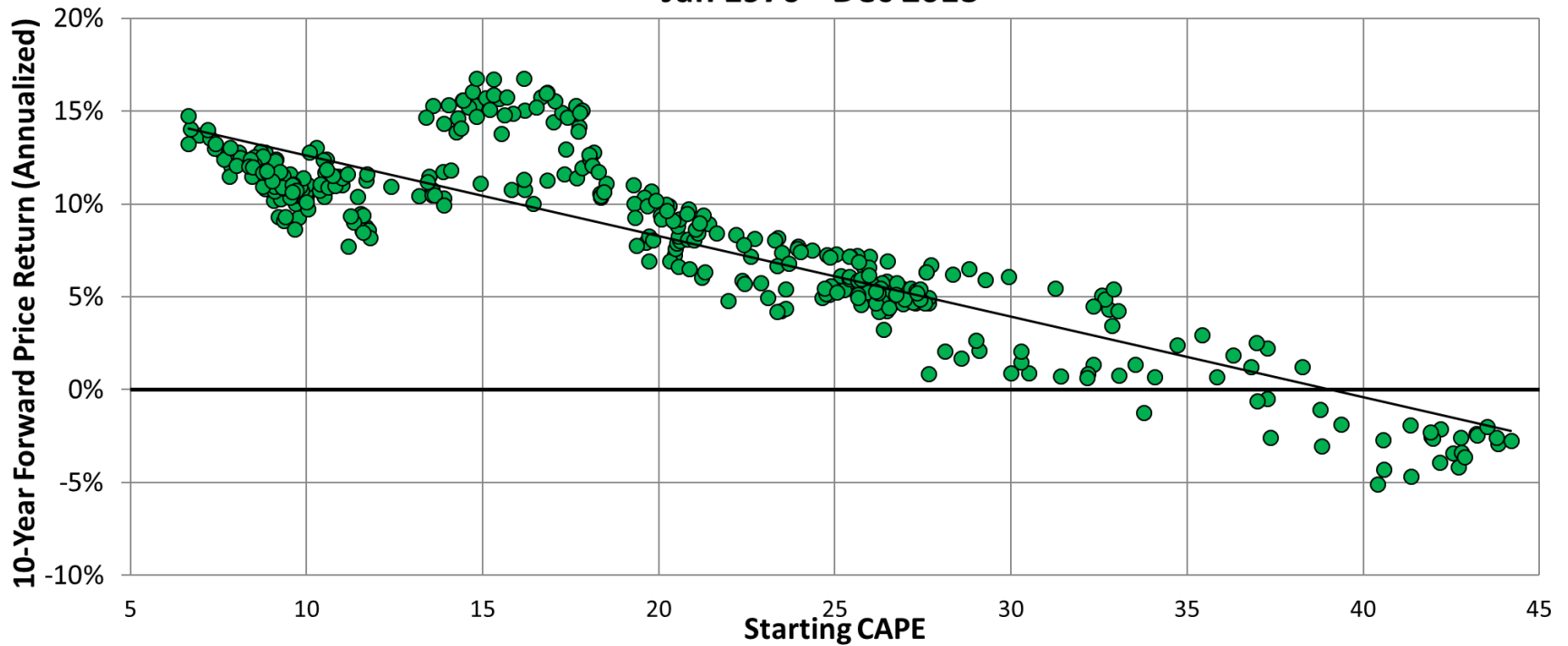
Date	Cyclically Adjusted P/E (CAPE)	NTM P/E	Price to Sales	Price to Book	10 Year Annualized Total Return
12/31/2008	15.4	11.5	0.8	1.7	13.1%
12/31/2018	29.0	15.9	1.9	2.9	????

U.S. High Yield Bonds

Date	Yield to Worst	Spread vs. Treasuries	# Distressed Bonds Traded	Trailing 1-Yr HY Bond Issuance	10 Year Annualized Total Return
12/31/2008	19.5%	1,669 bps	1,548	\$41.9bn	11.1%
12/31/2018	8.0%	526 bps	260	\$172.4bn*	????

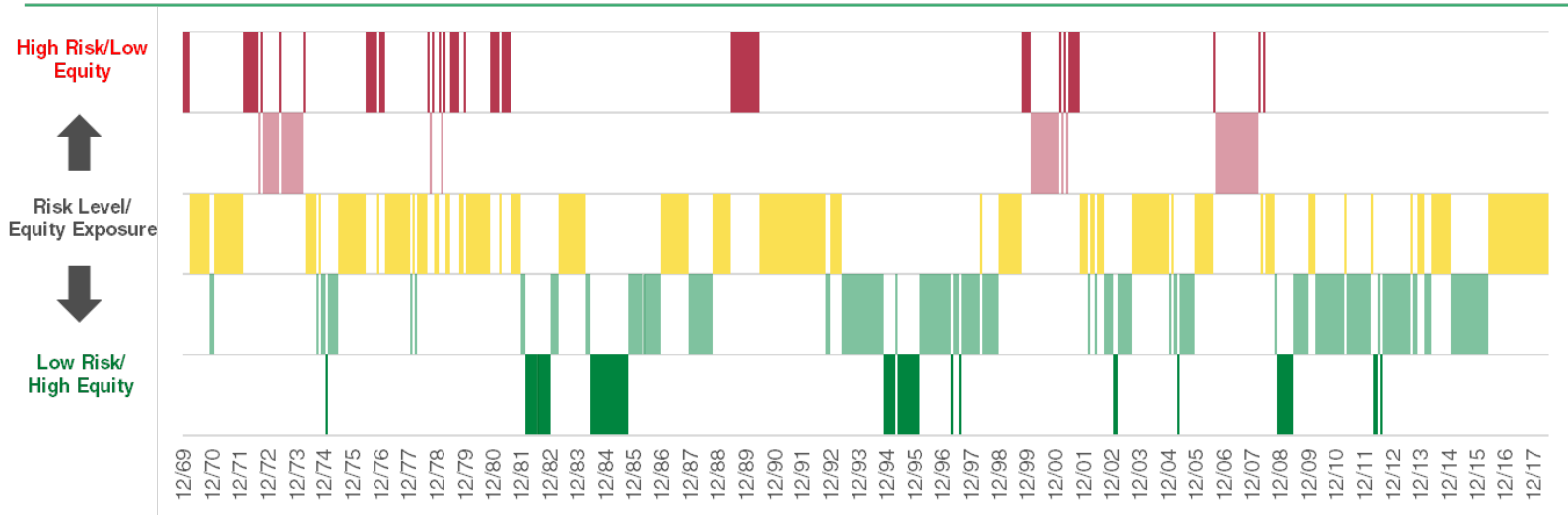
Valuations are Long-Term Headwind


CAPE vs. S&P 500 10-Year Forward Return
Jan 1976 - Dec 2018



Later Cycle Risks Building

Overall Risk Assessment

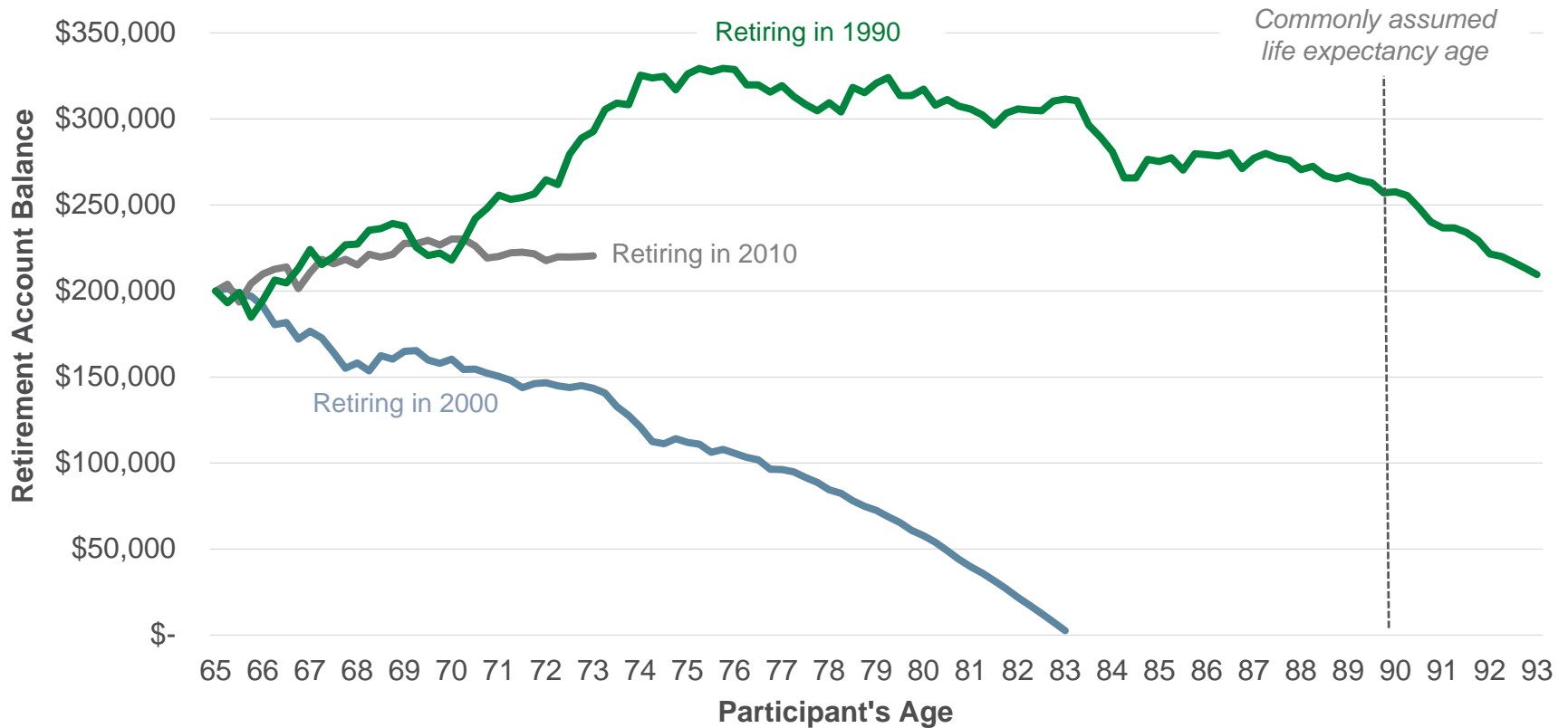


 In aggregate, our risk indicators signal that a neutral to slightly underweight allocation to equities is appropriate in today's environment.

Indicator Risk Summary

Economic	Valuation	Liquidity & Sentiment
<p>Our indicators suggest the U.S. economy is later cycle but are not showing many signs of excesses that would suggest the economy is at risk of collapsing under its own weight.</p>	<p>The majority of our indicators suggest limited long-term upside to equities from here. The price-to-sales indicator remains in the most unattractive regime.</p>	<p>Complacency remains a concern, for example, the Investor Intelligence Survey is generating a high risk signal. However, overall, the indicators are not signaling a notably elevated risk of a bear market.</p>

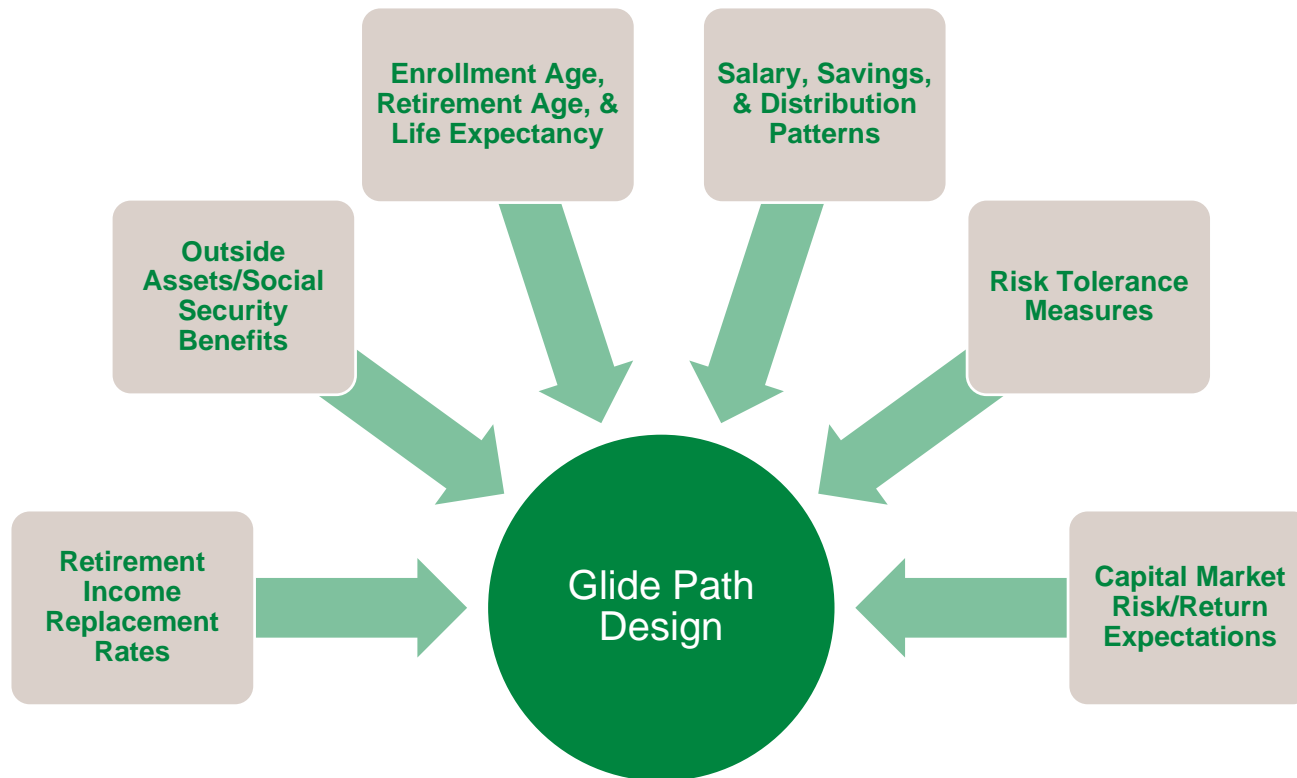
Starting Points Matter for Participants Too



Source: Morningstar, Inc. Analysis by Manning & Napier. For illustrative purposes only. See last page for additional disclosures and Key Assumptions used within the illustration. Stocks are represented by the S&P 500 Index and Bonds are represented by the Ibbotson U.S. Intermediate-Term Government Bond Index. The glide path followed is represented by the most recent equity and fixed income allocations of S&P's suite of Target Date Indices.

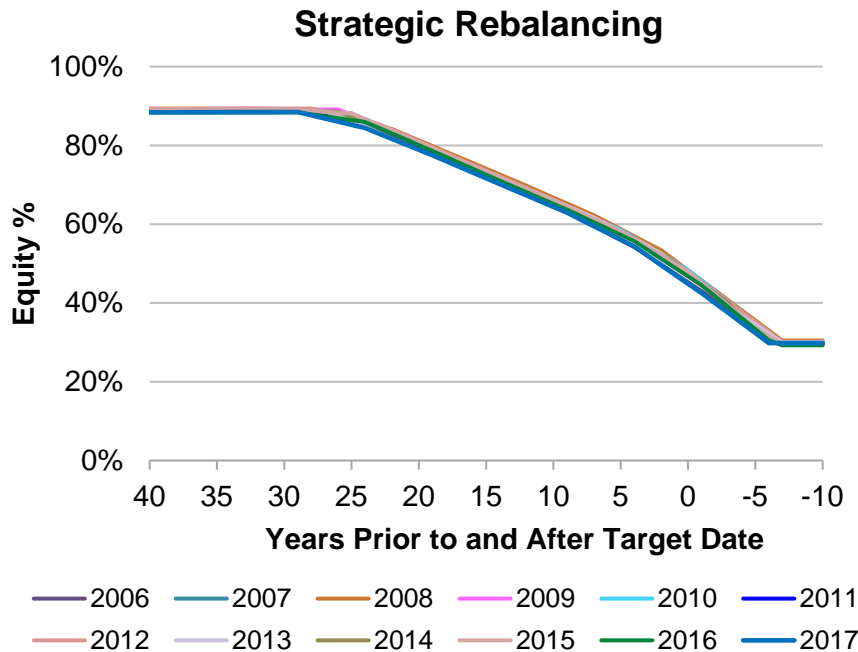
Demographic Considerations

Evaluating target date fund solutions in light of a plan's unique demographics can help plan fiduciaries fully understand the participants' glide path needs and ultimately act in their best interest.

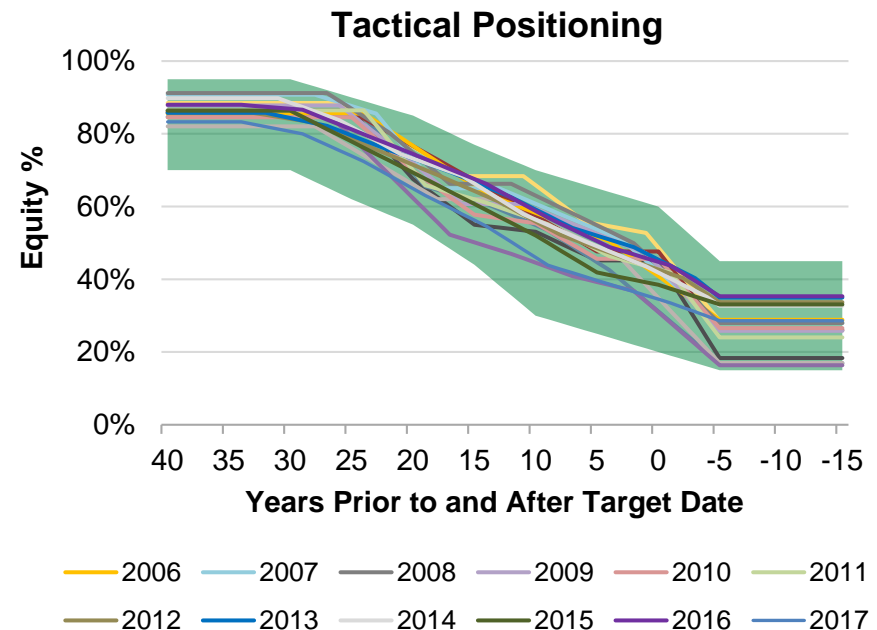


Manager Evaluation Considerations

1 Asset Allocation Flexibility



Systematic rebalancing to target allocations regardless of today's market environment.



Allows for deviation from target weights based on attractiveness of asset classes as environments change.

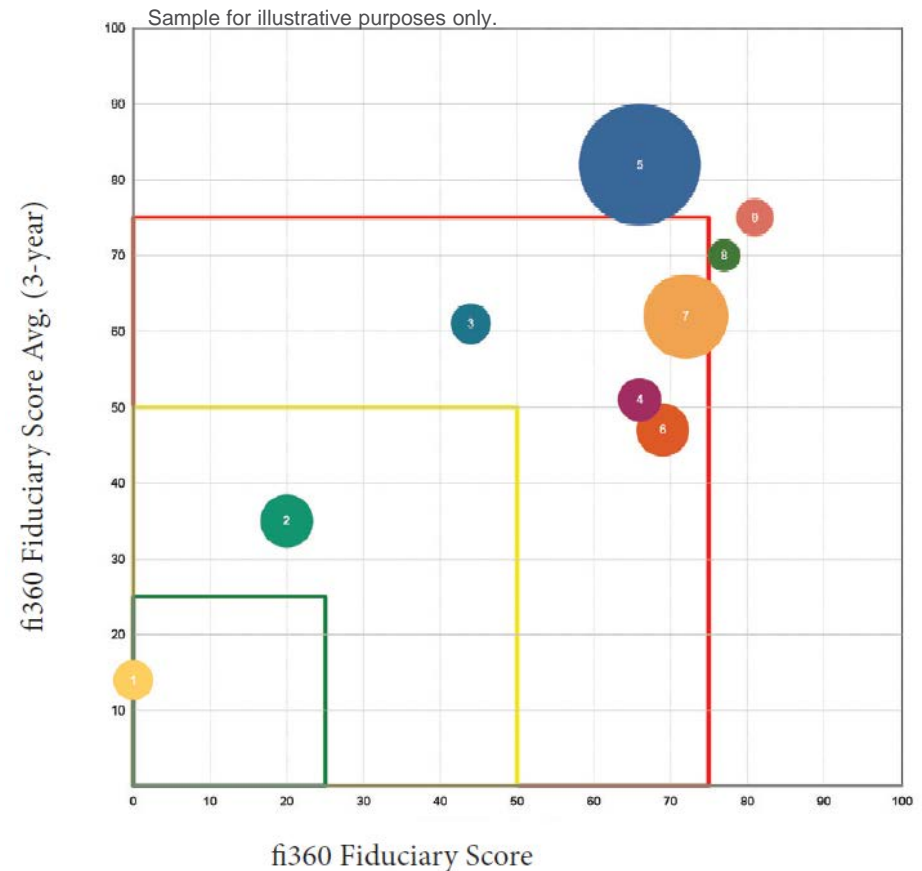
Manager Evaluation Considerations

2 Underlying Manager Selection

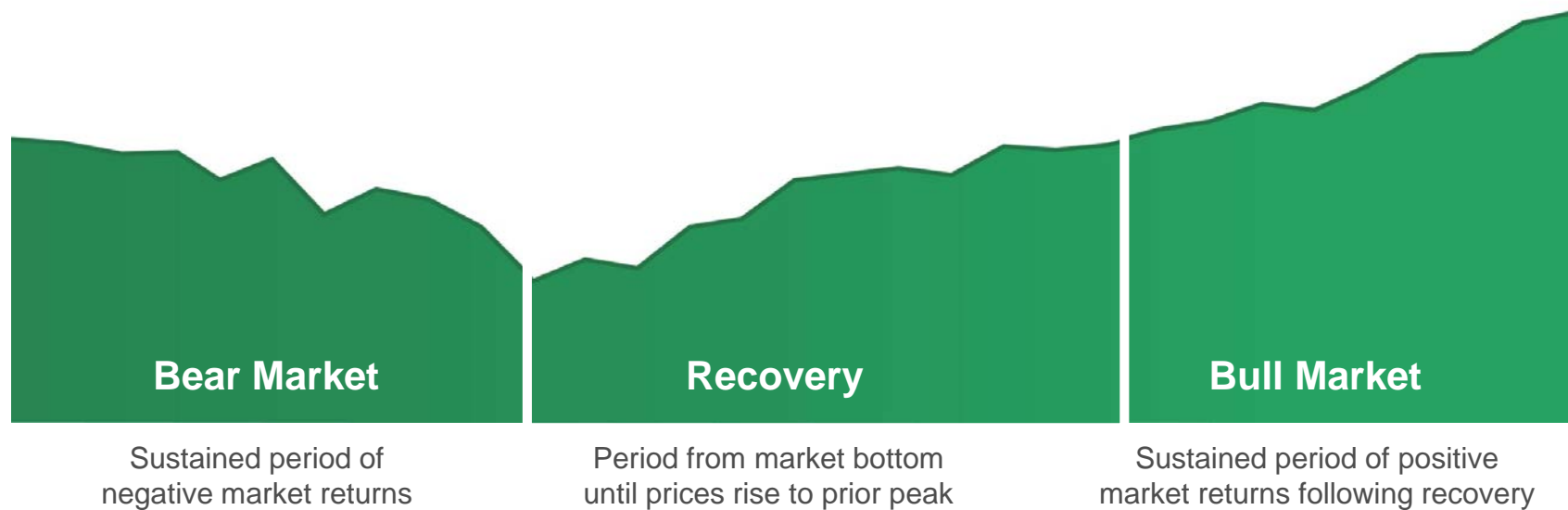
Fi360 Fund of Fund Due Diligence Guidance

“If the Plan uses an investment option that invests in other pooled investment vehicles, i.e., a fund of funds, the Investment Manager will also monitor the underlying holdings of each such fund for compliance with the stated Watch List Criteria.”

Source: Fi360 Investment Policy Statement



Peer Performance Measurement is Most Meaningful Over Full Market Cycles



A Full Market Cycle Will Contain a Wide Variety of Market Environments

- Provides more holistic view of manager performance
- Levels the performance playing field among managers

Questions?

Past Performance does not guarantee future results.

Manning & Napier uses proprietary screening in its ETF selection process, which now incorporates the fi360 Fiduciary Score® as one component. The fi360 Fiduciary Score is a peer percentile ranking of an investment against a set of quantitative due diligence criteria selected to reflect prudent fiduciary management. The fi360 Fiduciary Score should not be used as the sole source of information in an investment decision.

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The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

U.S. Intermediate Government Bond data is reflective of the Ibbotson Associates SBBI U.S. Intermediate-Term Government Bond Index, which is an unmanaged index representing the U.S. intermediate-term government bond market. The index is constructed as a one bond portfolio consisting of the shortest-term non-callable government bond with no less than 5 years to maturity. The Index returns do not reflect any fees or expenses. Index returns provided by Morningstar.