

July 2008

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Does Manning & Napier Advisory Advantage Corporation offer any quantitatively managed products?

Yes we do. If you are not familiar with the Manning Yield® Dividend-Focus portfolio ("Manning Yield"), you should ask your regional representative about it.

Manning Yield utilizes a quantitative approach, in that the securities in the portfolio must meet three screening criteria:

- (1) Free Cash Flow – simply put, this is the amount of cash that remains after deducting the company's expenses. Less susceptible to manipulation and creative accounting, looking at this figure can be a better indicator of financial strength.
- (2) Dividend Yield – selected stocks have a higher dividend yield than a broad market index*.
- (3) High Altman's-Z" score – this is a forward-looking indicator encompassing four key financial ratios used to assess the financial stability in a company over the next one or two years. This is a widely recognized test for potential bankruptcy.

This quantitative nature is different than the highly qualitative approach that Manning & Napier employs in our traditional investment management offerings. However, our screening criteria focuses on fundamental value, which is similar to our traditional approach and gives this investment solution an advantage over typical index strategies.

We believe that the applications of this investment approach include:

- Individual investors in search of a tax friendly, high quality, high dividend yield portfolio
- Investors seeking exposure to meaningful growth potential as reflected by high free cash flow yields

Manning Yield Dividend-Focus is available to investors with a minimum account size of \$1,000,000.

Do you have a question that you would like to see answered in a future edition of Navigator? Feel free to send your questions or topics to service@advisoryadvantage.com. Thanks for reading and have a great summer!

Justin Goldman
Manager, New Business Development

**In an effort to minimize commission costs and realized capital gains, the Advisor may use its discretion when applying the screening filters in connection with the annual rebalancing of the portfolio.*



Market Update

Written by Susan Halpern



The second quarter of 2008 began with a rally. Halfway through the quarter, the Dow Jones Industrials Index was up almost 9% from the end of March. It would not last, however, and by June the Dow had lost 7.4%. The S&P 500 Index ended the quarter down 3.2% and the NASDAQ Composite was up a very small 0.6%. This was the third straight quarterly decline for the Dow.

With continued gloomy news regarding the Financial Services sector, it should not come as a surprise that among the weakest industries in the quarter were full line insurance and mortgage finance. Home construction was another weak industry as new housing starts continued to decline. Strength was seen in the industrial areas such as coal, oil equipment and services, and iron and steel, which were the leaders for the quarter.

The market pain continued around the globe as the Chinese and Indian markets, which had some of the greatest gains in 2007, were down double-digits this quarter. The Shanghai Index was down 21% for the second quarter and 48% year-to-date. The Nifty Fifty Index in India was down 14% for the quarter and 34% year-to-date. Most of this can be attributed to the increasing price of commodities that these two countries import heavily. The flip side to this is that the exporters of raw material commodities, such as Russia and Brazil, are essentially flat for the quarter rather than negative. Some of the global winners for the quarter are Canada (+8.4%), Japan (+7.6%), and Brazil (+6.6%).

The Dollar was higher at the end of the quarter from where it began. The Dollar was up 6.5% versus the Yen and 0.3% relative to the Euro.

Inflation was the driving force behind U.S. monetary policy in the second quarter, with the Fed concentrating on rising food and energy costs. At the end of April, the Fed made its most recent of seven cuts since September 2007, lowering the Federal Funds Rate to 2.00% from 2.25%. Also in response to inflation concerns, the yield on the two-year note increased from 1.60% at the beginning of the quarter to 2.63% at the end. The 10-year note yield increased from 3.40% to 3.97% from the beginning to end of the quarter while the 30-year yield rose from 4.30% to 4.50% during the same time period.

While markets continue to be turbulent, we remain focused on valuations and long-term fundamental value. Recent broad market declines have presented yet another opportunity to seek out attractively valued companies with growth drivers that should withstand slowing growth and the interim volatility. As a result, we have concentrated equity investments in areas such as Information Technology, Consumer Discretionary, and Health Care. In this manner, we continue to actively manage your clients' investment portfolios to accommodate their long-term goals and objectives. ♡

*Sources: The Wall Street Journal, Bloomberg, Standard & Poor's, The New York Times
Analysis: Manning & Napier*

News

New Cash Delivery Instructions: Please remember that Exeter Trust Company has new delivery instructions as of May 2008. These updated instructions are available on the secure portion of our website at www.advisoryadvantage.com.

Investport Password Resets: Effective May 1st, when a user is prompted to change his or her Investport password, the new password will be in place for an unlimited period of time. Password changes are no longer required every 30 days. A user can change a password at any time. If a user forgets his or her password and needs assistance to reset it, their new password will also be in place for an unlimited period of time. The user can call the State Street Bank help desk at 1-800-453-2287 if they need assistance with their Investport password.

Cost Basis: Cost Basis information must be provided at the time of transfer for assets transferring in-kind. To ensure that the appropriate cost basis information is updated in client accounts, please submit the most recent version of the client's statement from their previous custodian with the transfer forms. 🌿

Upcoming Quarterly Conference Calls at 12:00 PM EST:

Thursday, July 17, 2008

Thursday, October 16, 2008

To access the conference call, please follow the steps below:

1. Dial 1-887-326-2337

2. At the prompt enter Conference ID# 7189308

Reminder:

Please notify us promptly if you are going to be changing broker/dealer affiliations or will have any other changes that may affect your quarterly billing of advisory services.



Financial Planner Interview

Philip Spillane

Bell Wealth Management
Cambridge Investment Research, Inc.
South Burlington, VT

Edited by Katherine Wolf



Please tell us a little bit about yourself.

I am from Vermont originally; however, I moved back to Vermont just eight years ago to buy Bell Financial Services, which is now Bell Wealth Management.

I received my undergraduate degree in Business from The University of Vermont and my MBA from Suffolk University in Boston. I also hold the CFP® designation.

I will be celebrating 20 years of marriage in October of this year. We have a daughter who will be a senior and a son who will be a sophomore in high school this fall.

We enjoy skiing, snowshoeing, and spending time at our cottage near Cape Cod.

How long have you been working with Manning & Napier Advisory Advantage Corporation?

I believe I began working with Manning & Napier Advisory Advantage Corporation in early 2005.

You are located in what could be considered a rural, but burgeoning area. What is your approach to growing your business and locating viable prospects in this type of locale?

I believe in the “Macy’s” approach... Do what’s right for the client, which is to say that if I can help them I will, but if what I offer is not a fit for the client then I let them know that they should look elsewhere. I believe my business continues to grow because I listen to what prospect and client goals and dreams are and then develop a strategy to help them towards those dreams. I try to educate using layman’s terminology so that people are not intimidated to ask questions. I believe we deliver the best service model in our market and I try to treat every one of my clients as family, often laughing and sometimes sharing somber moments together.

When you first meet with a client, how do you determine if Manning & Napier Advisory Advantage Corporation’s management style would be a good fit for them?

I think that Manning & Napier Advisory Advantage Corporation’s process/style can “fit” everyone, assuming they have the necessary asset minimums.

Which of Manning & Napier Advisory Advantage Corporation’s investment strategies (Objectives-Based, Integrated Advisors Portfolio, Fixed Income, Non-U.S. Equity) do you use most often and why?

I most often use the Objectives-Based strategies.

Which, if any, of Manning & Napier Advisory Advantage Corporation’s tools do you find most helpful in closing a prospect?

I generally request the year-by-year average asset allocations and portfolio performance to be included for the strategy to be presented, because it makes it easy for the client to see how the manager reacted, usually favorably, to economic conditions. ♡

The views represented in this article are the opinions of Philip Spillane.



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