



MarketWatch  
**Retirement Weekly**

Meet your savings and  
investment goals.

Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit [www.djreprints.com](http://www.djreprints.com)

[See a sample reprint in PDF format.](#)

[Order a reprint of this article now](#)

**THE WALL STREET JOURNAL.**

WSJ.com

JANUARY 4, 2009, 9:28 P.M. ET

## Fund Vs. Index: A 10-Year Streak

*Little-known Manning & Napier fund has beaten the S&P 500 each year for a decade*

By KAREN DAMATO

Heading into 2008, 14 stock and balanced mutual funds had beaten the Standard & Poor's 500-stock index for nine years in a row and had a shot at extending their streaks to a full decade.

Now, just one of those funds has stayed ahead of that widely watched U.S.-stock benchmark. It's Manning & Napier Pro-Blend Maximum Term Series -- a relatively small fund that researcher Morningstar Inc. has called "one of the best funds most people have never heard of."

To be sure, investors in this \$318 million fund are more likely to be bemoaning their losses for 2008 than toasting the fund's benchmark-beating record. Manning & Napier Pro-Blend Maximum handed investors a negative 35.4% return for the year. While that's better than the S&P 500's negative 37% return (including reinvestment of dividends), "we are not happy at all to be down over 30%," says Patrick Cunningham, a managing director of Manning & Napier Advisors Inc., the fund's management firm, headquartered near Rochester, N.Y.

Still, looking at the past decade as a whole, the fund delivered positive returns for investors while the S&P 500 was in the red. The fund returned an average of 5.4% a year, while the S&P was down more than 1% a year. That performance ranks Manning & Napier Pro-Blend Maximum in the top 2% of Morningstar's "large blend" category over the 10-year period.

### *Different Approach*

Manning & Napier, an employee-owned firm that primarily manages money for institutions, is different from many other management firms in a couple of ways. For one thing, "we do not have portfolio managers per se," Mr. Cunningham says. Analysts recommend individual securities for purchase, and the decisions about which securities to add to portfolios are made by committee.

And while the firm, which was founded in 1970, is happy to highlight its success versus the S&P, its portfolio-building approach is "benchmark agnostic," the Manning & Napier executive says. That means there's no attempt to have the same industry weightings as the S&P 500 or any other index -- and also no concerted effort to beat a chosen index by overweighting and underweighting sectors or individual stocks in the benchmark.

Mr. Cunningham believes not being tied to a benchmark actually helped Pro-Blend Maximum beat the S&P 500, the most widely used benchmark for U.S.-stock

## It's Down to One

Of 14 funds that beat the Standard & Poor's 500-stock index for nine consecutive years through 2007, only one continued that feat last year.



Source: Morningstar

funds: "The key, I think, to beating it in bull markets, bear markets and sideways markets is the flexibility to move where the opportunities are," he says.

Manning & Napier manages a total of about \$16 billion, with a little more than a quarter of that in 25 mutual funds. Pro-Blend Maximum is the most aggressive of a series of four "lifestyle" funds that hold a mix of stocks and bonds and are mostly marketed as offerings for 401(k) plans. The fund typically keeps 70% to 95% of its assets in a widely diversified portfolio of stocks; that figure was 91% as of Sept. 30.

### Reducing Risk

Manning & Napier aims to buy the shares of attractive businesses when the stock-market value of such a company is no more than 70% or 80% of what a rational buyer would pay for the whole operation.

About 30 "bottom up" stock analysts search for companies (from large companies to small, and around the globe) that fit the firm's criteria. They get input from 10 "top down" economists and analysts who study, for instance, which countries are most promising. Separately, a half-dozen fixed-income analysts research individual bonds.

The stock and bond analysts present their buy recommendations to a senior research group made up of five bottom-up and two top-down staffers, which decides on the securities that go into the firm's portfolios.

"If you buy a good business and you buy it when it is undervalued, you have taken out the majority of the risk of owning that stock," Mr. Cunningham says. "That is, assuming you don't have a credit crisis," he adds with a rueful chuckle.

—Ms. Damato is a news editor for The Wall Street Journal in South Brunswick, N.J.

**Write to** Karen Damato at [karen.damato@wsj.com](mailto:karen.damato@wsj.com)

Copyright 2008 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit [www.djreprints.com](http://www.djreprints.com)