FOUNDATIONS

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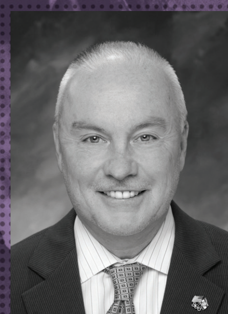

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Securing a Future for the Members We Serve

Aaron T. McGreevy, CRPS®, AAMS®
Managing Director, Taft-Hartley Services

One of the best parts of my job is helping workers build wealth for retirement. I feel a real sense of pride knowing that our firm is contributing to a secure future for the members we serve.

Everyone deserves to retire with dignity, but in today's world that is often easier said than done.

Did you know that:

- 24% of all workers have less than $1,000 saved for retirement
- According to the Social Security Administration, about one out of every four 65-year olds will live past age 90, and one in ten will live past 95
- Fidelity estimates that more than half of Americans are in danger of not even covering essential expense like housing, health care, and food in retirement
- A recent Gallup survey concluded that "many working Americans simply can't afford to retire"

Being in a union increases your chances of achieving the retirement dream. Union members are much more likely than non-union members to have access to quality retirement benefits. And because union members are paid more than their peers (27% more, to be exact), they earn larger pensions and have greater means to save for retirement.

This is a major recruitment tool for unions. Retirement age may seem far away to younger workers, which is exactly why retirement saving is often procrastinated. Union membership helps to keep this key financial goal on track.

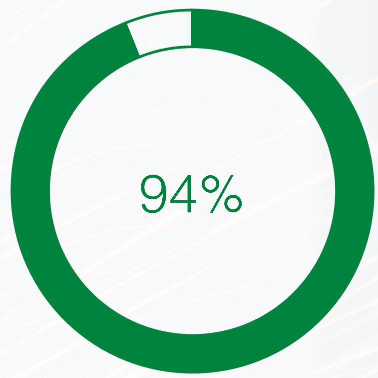
Retirement security should be of particular importance to millennials, who tend to value experiences over things, and had a tough start to their working years due to the Great Recession. This could help explain why millennials are more supportive of labor unions than their older counterparts – 66% of people ages 18 to 34 approve of labor unions, compared to 60% of people ages 35 to 54.

At Manning & Napier, we are proud to support the many benefits unions offer to their members. This publication is designed to be another tool to promote financial well-being among the working men and women that we serve. We hope you enjoy our latest edition of *Foundations*.

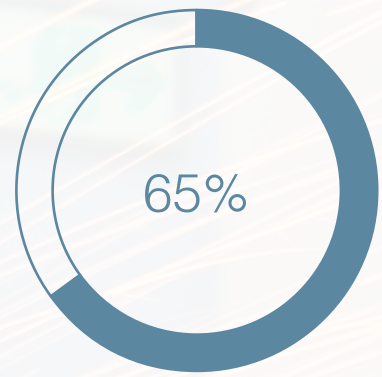
Sources: Motley Fool, Fidelity, The Securities and Exchange Commission, Rewire.

The Numbers Don't Lie

Access to a Retirement Plan

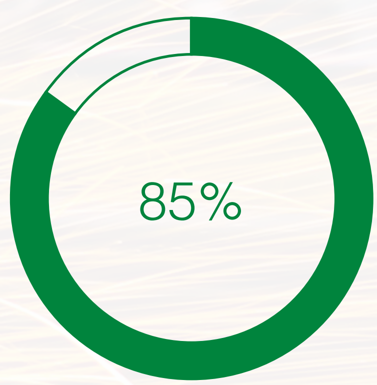


Union Members

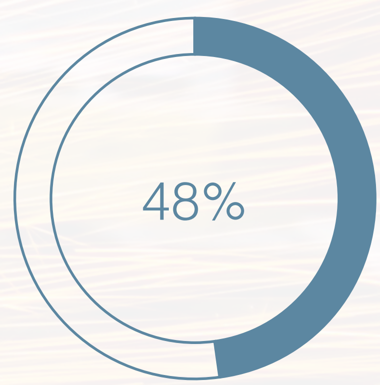


Non-Union Members

Participates in Retirement Plan



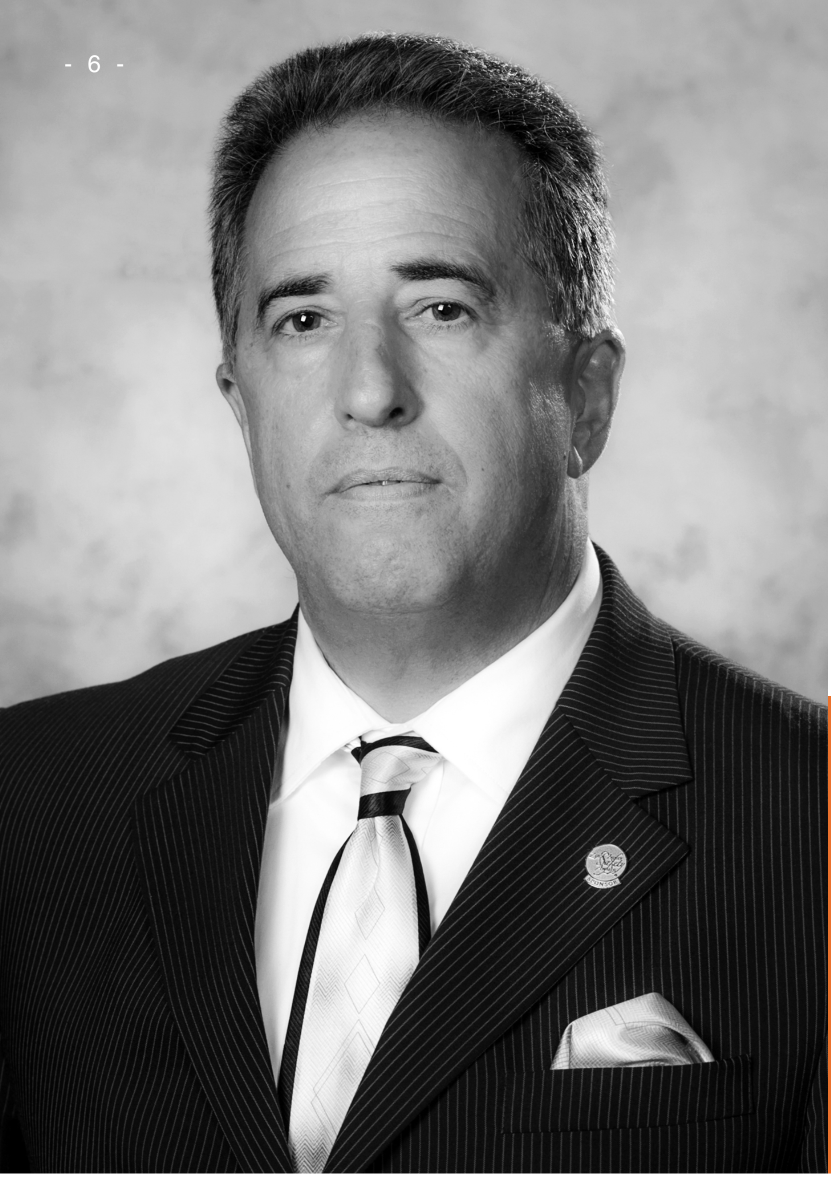
Union Members



Non-Union Members

Union employers spend an average of 56% more on retirement for their employees than comparable non-union employers

Sources: DPEAFLCIO.



A TALK WITH

Steve Lindauer

We had the opportunity to chat with Steve Lindauer, CEO of The Association of Union Constructors (TAUC) in September, just before their 2nd Annual Industrial Grade Innovation Conference and Expo (IGI). In our wide-ranging discussion, we talked about the impact of technology on the construction industry, the opioid crisis, TAUC's new involvement in government relations, and more.

Your second IGI Conference and Expo is happening this month. What inspired you to start hosting this conference last year?

It's our sense that our industry has been slow to adopt technology. This is unfortunate because technology can help us become more productive and ultimately create better results on our own jobsites.

Most industries don't look like they did 50 years ago. It's amazing to walk into an auto plant and see how few people are actually on the floor. Still, technology doesn't have to eliminate jobs – it can help workers operate more efficiently in the construction and maintenance industry.

In addition to efficiency, technology also provides more safety to a potentially unsafe industry. As an organization we have a commitment to safety.

Finally, unions are now incorporating new technology into many of the apprentice training programs. A number of contractors have full-time technology experts on staff. Your value proposition as a union member will increase if you understand how to use the latest technology, and we want to make sure we are doing all we can to support that goal.

What are some of the most exciting technological advancements on the horizon?

Within two to three years, you won't see any more tools with cords on a job site. It is a simple but impactful safety concern – if something is plugged in, it's a potential tripping hazard. With cordless tools, you can be 19 stories up and only have to worry about bringing along a spare battery.

There is other tech being unveiled [at the conference] that allows workers to upload drawings for project managers in the field onto a mobile device. Instead of having to walk 20 or 30 minutes to and from a trailer to reference blueprints should questions arise, these will be available at their fingertips. This will increase productivity, and productivity is everything.

How has the opioid crisis affected the construction industry, and what are some potential measures to help address this dire situation?

It is absolutely a crisis, which is why we highlighted it on the cover of last year's spring issue of our magazine [The Construction User]. Sadly it is reality, and it has affected construction more than any other industry.

These drugs are killers. In addition to the devastating personal consequences, there has been a major impact on employers and our industry as a whole.

Each untreated addicted employee costs an employer $6,800 a year in healthcare expenses, compared to an average of $4,400 if the employee can go into recovery. These numbers add up – last year among construction workers in the Midwest alone, this epidemic cost a staggering $5.2 billion.

It also couldn't be happening at a worse time for our industry, as we work to build the next generation of craftworkers. In our world, workers are drug-tested at virtually every job site, but many of these drugs are able to fly under the radar.

The good news is the word is out. I personally have made presentations about this issue, and some unions are going after the doctors through the legal system for overprescribing these dangerous drugs. We are trying to piece together the best way to get help for these addicted individuals. We care, and there is so much at stake. I don't know where this is going, but the fight is on.

In 2018 TAUC created a political action committee, or PAC, to advocate for the construction industry on Capitol Hill. Why did you feel this step was necessary?

TAUC had not been actively involved in government relations in the past, but after we hired a full-time lobbyist, starting a PAC was the next logical step to get in the game. This isn't just a job, it's a way of life, and it is important that we are advocating for the industry and making our voice heard.

There's strength in numbers, and if labor and management are able to agree on something, it's more likely to happen. For example, there have been attempts to repeal Davis Bacon, but it's been struck down through our joint efforts. Although it's easy to paint with a broad brush, that hasn't passed because there were 58 Republicans against it [in addition to numerous Democrats]. Our goal has been to work both sides of the aisle.

Many people believe you need millions of dollars to have a PAC, but in reality most are small. For us, we have ten times the amount of money we had before starting the PAC, so it's a start.

On June 25th, the Department of Labor (DOL) unveiled a new apprenticeship rule. While it stated it would not "initially" impact the construction industry, TAUC has concerns moving forward. Can you explain why?

The new rule is seeking to establish industry-recognized apprenticeship programs (IRAPs) across a variety of sectors. Many industries could benefit from this opportunity, but not ours, because we have been the leader for almost 100 years. The proposed rule exempts construction and military, and we are looking to make that exemption permanent.

Today 58% of all registered apprenticeship programs are in the construction industry, and the creation of construction IRAPs would jeopardize our existing education system and lower the bar for all concerned. Our programs are registered with the DOL and often the state as well.

The introduction of new, potentially second-rate programs would remove the standardization we have worked hard to create and lower safety standards across the industry. It would lead to confusion among owners, general contractors, and the government; ultimately diluting the value of the education union members have worked hard to get.

The comment period is now closed, but the proposed rule has received more than 200,000 comments – more than any other in history. It's unfortunately a numbers game, so we are hopeful.

What are some of the key advantages of joining a union?

Our apprenticeship programs are what make us the best. Unions help give people the chance to make a great living, regardless of race, sex, whatever. It's not an entitlement – it's about equal opportunity. If you fail once you're there, it's on you, but we exist to give everyone a fair chance.

Comments have been edited for length and clarity.

How to Handle the Next Market Downturn

When times are good, investors tend to think the golden ages will go on forever; and when times are bad, it can feel like the pain will never end.

More than ten years after the financial crisis, investors are enjoying one of the longest bull markets on record. US stocks are up over 4x from their 2009 lows, and as the market gains steam, some investors may be tempted to think 'this time is different.'

Believing that the market will endlessly rise is a sure sign that investors have forgotten what a true market selloff feels like. After a decade-long economic expansion, the hard-earned lessons of the past are still as important as ever.

For many, these financial market realities may need a refresh, and the best way to jog memories is to take a closer look at the past.

Market Downturns Do Happen

No matter how hard policymakers try to stop them, market panics still happen. They are inherent to our economic system and are rooted in basic human nature.

The longer times are good, the more likely people are to forget about what caused the bad times, building more risk in the system. This cycle has played out time and again. Throughout financial history, the US stock market has experienced a number of these moments when instability struck and financial markets paid a price.

We also suspect that the typical market selloff might be worse than many remember. It is easy to see market cycles in hindsight, but in real time, it is extraordinarily difficult to predict the exact moment when markets hit highs and lows.

Looking back to the Global Financial Crisis, the market selloff actually included several periods of temporary strength on the way from top to bottom. False rallies in the spring and summer of 2008 may have led some investors to buy into the market too early. Those investors caught a so-called 'falling knife' and paid dearly in their attempt to time the market.

Over the 11 market selloffs we identified, at right, the median time 'underwater' (from high to low, and then back to the original high) was a lengthy three years.

A three-year bear market would seriously challenge any investor. Forced selling, legally required or otherwise, at below fair value prices can significantly damage long-term financial progress.

What You Can Do

The previous section highlights the difficulty in timing exact market highs and lows, and it explains why we believe the best time to prepare your finances for future volatility is when times are good.

It is both advisable and easier for investors to make significant portfolio adjustments when markets are healthy. That's why it's critical to avoid chasing returns.

Clearly defined savings goals should drive your investment mix and can help maintain discipline. A proper investment framework will help outline risk parameters for various asset classes (e.g., stocks, bonds, etc.). It is critical to have a partner that understands risk management, whether that is your employer or a financial advisor, to help you avoid the mistake of chasing market returns in the heat of a bull run.

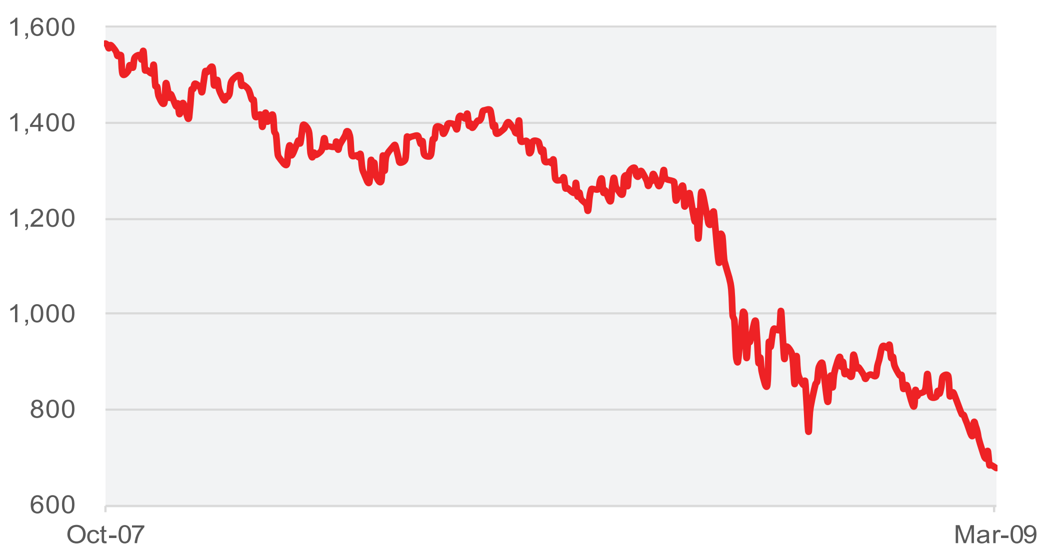
Eleven Downturns Over the Past 80 Years

	Months of Selloff	Percent Decline	Months to Recover
Pre-WWII (1938-1942)	41	40%	73
Post-WWII (1946-1949)	36	25%	48
Recession of 1958 (1956-1957)	17	17%	25
Cold War Crises (1961-1962)	5	22%	20
Baby Bear (1966)	9	17%	19
Political Turmoil (1968-1970)	17	29%	39
OPEC Embargo (1973-1974)	23	43%	90
Volcker Recession (1980-1982)	20	19%	24
Black Monday (1987)	4	27%	23
Dot Com Bubble Bursts (2000-2003)	29	44%	81
Global Financial Crisis (2007-2009)	17	51%	65

Source: FactSet
(data as of September 30, 2019)

Markets Do Not Fall In Straight Lines

— S&P 500 Index (10/09/2007 - 03/09/2009)



Source: Bloomberg
(data as of September 30, 2019)

CANNABIS IS FLYING High

Is the latest investing trend a once-in-a-lifetime opportunity, or just smoke and mirrors? One thing's for sure – cannabis seems to be on every investor's mind. There is palpable excitement in the emerging sector.

An Evolving Environment

A loosening legal and regulatory environment has contributed to cannabis stocks' rapid rise. Medical marijuana is now legal for medicinal purposes in 33 states and Washington, DC.

In addition to its medicinal usage, public sentiment toward recreational marijuana has softened and legislation has followed.

Last October, Canada became the first industrialized country in the world to permit the sale of adult-use cannabis. In the US, Colorado and Washington were the first states to legalize recreational pot in 2012, and nine more states plus DC have since followed suit.

The Hemp Farming Act lifted the century-old ban on hemp farming in December 2018, paving the way for the increased acceptance of CBD (a prevalent ingredient in cannabis) products in the US. CBD suppliers are starting to ship more and more to major retailers like Walmart, CVS, and Target.

High Times, Low Times

As regulations have changed, the money has quickly followed.

Global spending on legal cannabis is projected to be $31.3 billion by 2022, vs. just $9.5 billion in 2017. That's a growth of 230% over just five years.

Still, the extreme volatility of the sector would be difficult for even the most experienced investor to stomach. The ETFMG Alternative Harvest fund (MJ), an ETF that tracks the marijuana industry, has experienced swings of around 45% in the last year.

As always, selectivity in exactly which stocks you invest in remains crucial. The nascent cannabis sector is already littered with stock casualties. As investors learned the hard way during the tech bubble when every "dot com" stock was hot, a rising tide will not necessarily lift all ships.

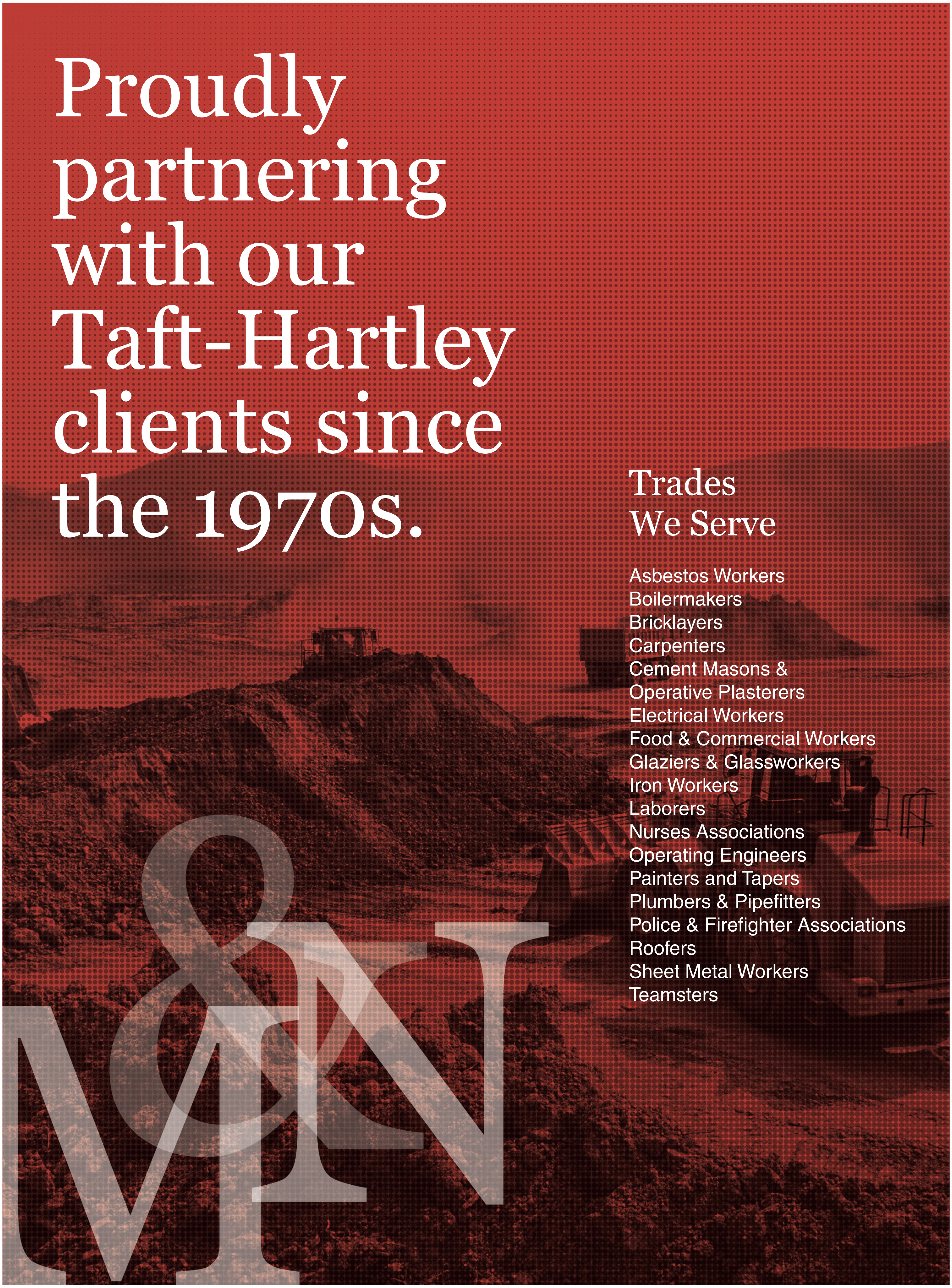
Playing with Fire?

Although the cannabis sector is growing quickly, it has also become flooded with speculators. Investing in a new industry can sometimes feel like the Wild West. Many investors appear to be more concerned with not missing out on what could be the next big thing, rather than taking the time to understand underlying stock fundamentals.

In September 2018, for example, cannabis company Tilray was at one point trading at a valuation ratio of 680x its estimated annual sales. To put that in perspective, even the hottest tech stocks don't typically trade at multiples beyond 20-30x sales. When share prices are bid up by emotion rather than reason, bubbles form and investors get hurt.

Despite the growth potential, the marijuana industry has yet to demonstrate an ability to generate consistent profits, and it is probably best avoided for all but the most risk-tolerant investors. With shares trading at speculative levels, we believe it is wise to proceed with caution.

Sources: ProCon, Investopedia, and Seeking Alpha. The ETFMS Alternative Harvest Fund is not managed by Manning & Napier and is included above for informational purposes only.



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Bricklayers
Carpenters
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Electrical Workers
Food & Commercial Workers
Glaziers & Glassworkers
Iron Workers
Laborers
Nurses Associations
Operating Engineers
Painters and Tapers
Plumbers & Pipefitters
Police & Firefighter Associations
Roofers
Sheet Metal Workers
Teamsters

What Falling Interest Rates Mean to You

Our Managing Director of Fixed Income, Marc Bushallow, shares his thoughts on falling interest rates and what it means for the average investor.

Interest rates are fundamental to investing. The income you earn in a savings account, the interest you pay on your mortgage, and the yield you earn on a bond are all determined by underlying interest rates in the economy. Over the past six months, those rates have fallen significantly, impacting borrowers and savers alike.

Interest Rates Are Falling Again

One of the most fundamental interest rates in the economy is the policy rate set by the Federal Reserve (Fed). As the economy gradually recovered from the financial crisis, the Fed began raising this interest rate to what they considered to be a more normal level. Their goal was to prevent the economy from overheating, as well as to prevent any potential uptick in inflation.

After raising rates over the course of several years, the Fed has changed course. A weaker than expected global economy and limited inflation pressures—as well as a sharp jump in stock market volatility—caught Fed policymakers off guard. They have since shifted gears and are attempting to undo some of what they've done by bringing rates back down.

The Impact of Low Rates

Lower interest rates impact borrowers, savers, and investors in three main ways. First, lower interest rates help borrowers. They make it cheaper to take out a loan, whether that is a mortgage to buy a house, a loan to buy a car, or a line of credit to buy equipment for a business. A lower interest rate encourages borrowers to draw on their credit, in turn, stimulating the economy.

Second, lower interest rates challenge savers. Those who are in retirement, or have otherwise already accumulated a large sum of wealth, stand to face certain adverse consequences from falling interest rates. Many savers are looking to generate yield from their savings, and declining interest rates lessens that rate of yield, ultimately reducing income.

Finally, investors sometimes view lower interest rates as a bad sign for the economy. Interest rates and economic growth are closely related, so higher levels of economic growth and higher interest rates often go hand-in-hand. Conversely, if interest rates are falling, investors may interpret that as a sign that economic growth is also slowing, potentially sparking market volatility.

Understanding Negative Rates

Negative interest rates have become normal in the post-financial crisis world. Approximately 25% of government debt, or over $15 trillion worth, now has a negative yield. So, while many believe interest rates can't go lower than zero, the reality is that they can, and already have in Japan and some countries in Europe.

Investors looking to generate income through negative yielding government bonds may be shocked when they realize what a negative rate means: investors lend money and get less in return. The implications of this upside-down world are staggering. For example, some homeowners in Denmark hold mortgages that pay them, as in principal minus interest as opposed to principal plus interest. Negative rates are strange indeed.

While negative yields generate many headlines, they aren't telling the whole story. Interest rates are exceptionally low across all of fixed income, not just in government bonds, and they have been for most of the post-financial crisis period. Whether more of the bond market will soon experience negative interest rates, or simply lower rates, will depend on a few factors.

10-Year Government Bond Yield

France	-0.37%
Germany	-0.67%
Japan	-0.23%
Switzerland	-1.01%
United Kingdom	0.48%
United States	1.48%

Source Bloomberg.
Data as of 08/23/2019.

Factors Driving Bond Yields

Two of the most significant factors impacting the level of interest rates are market forces and central banks. The way those two forces impact specific bond yields depends on the type of security.

For example, longer maturity bonds, such as the 30-Year US Treasury bond, have a yield that is heavily influenced by market forces. Fixed income investors consider economic growth, inflation, and other macroeconomic factors when determining whether it makes sense to 'lock in' a yield for a longer period of time. Weakness in US growth during the first half of 2019, as well as ongoing geopolitical uncertainty, have played key roles in driving long-term interest rates lower.

On the other hand, shorter maturity bonds are more heavily impacted by central banks. In July, for the first time since the financial crisis, the Fed reduced its policy interest rate, resulting in a sharp drop in short-term rates. As a result of both central bank policy and market forces, interest rates have fallen, creating a challenging environment for fixed income investors.

What Investors Can Do

Even though much of fixed income is not as attractive as it once was decades ago, it is still an important part of most investors' portfolios, especially for those who have lower risk tolerance or are closer to retirement.

There remains a number of avenues investors can explore to look for yield. Corporate debt (e.g., investment grade and high yield), as well as securitized credit (e.g., mortgages, auto loans, etc.), can provide a meaningful yield uptick. In each area, however, investors should be sure to employ a selective approach.

The data presented is for informational purposes only. It is not to be considered a specific stock recommendation.

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