

REVIEW OF FIRST QUARTER 2016



Collective Strength. Individual Insight.

ABOUT THE BOUTIQUE SEIX INVESTMENT ADVISORS LLC



Seix Investment Advisors LLC (Seix) is a fundamental, credit-driven fixed income boutique specializing in both investment grade bond and high yield bond/leveraged loan management. Seix has applied its bottom-up, research-oriented approach to fixed income management for more than 20 years. The firm's success can be attributed to a deep and talented group of veteran investment professionals, a clearly defined investment approach and a performance-oriented culture that is focused on delivering superior, risk-adjusted investment performance for our clients.



JAMES F. KEEGAN
Chairman and
Chief Investment Officer

Jim is Chairman and Chief Investment Officer of Seix. Prior to joining the firm in 2008, Jim was Head of Investment Grade Corporate & High Yield Bond Management for American Century Investments. Jim's investment grade team subadvises several of the RidgeWorth Funds. He has appeared on CNBC and Bloomberg television, and has been quoted in a range of national publications. Jim has more than 30 years of investment management experience.



PERRY TROISI
Senior Portfolio Manager
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Perry is a seasoned Senior Portfolio Manager focused on the government-related and securitized asset classes and a member of the Seix Investment Policy Group. Before joining Seix in 1999, he was a portfolio manager at GRE Insurance Group, where he was responsible for all North American fixed income assets within the group. Perry has more than 25 years of experience in the investment management industry.

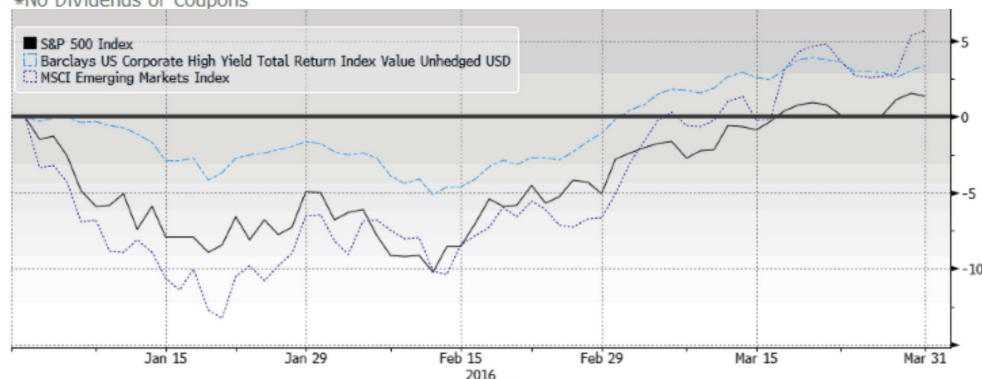
A TALE OF TWO MARKETS—NOTHING AS IT SEEMS

A long list of superlatives just doesn't suffice when trying to describe the performance of financial risk assets in the first quarter of 2016. In reality, the quarter was essentially two very distinct and separate periods. Sentiment and performance over the first six weeks were abysmal and can best be described in terms similar to that popular 1980's REM song, "It's The End Of The World As We Know It" but absent any "and I feel fine" sentiment. By March, however, risk markets in general were again "feeling fine" as a massive risk reversal took place in mid-February. The fury of the sell-off and the fury of the recovery are hard to delineate in a way that resonates. The most popular reference, thanks to CNBC, is that the Dow Jones Industrial Average experienced its greatest intra-quarter reversal since 1933. Not limited to stocks, reversals were witnessed across the risk spectrum, in both high grade and high yield corporate bonds, in commodities and in currencies. Apparently, the monetary policy divergence that permeated the landscape coming into the new calendar year was too much for the markets to handle. The prospect of additional tightening from the Federal Reserve Bank (Fed) amidst additional easing measures from the Bank of Japan (BOJ) and the European Central Bank (ECB) drove expectations for additional U.S. dollar strength, imparting a strong downward bias on commodity prices early in the quarter. The commodity complex became the driving force for "risk off" as the price of oil and stock markets across the globe exhibited a strong positive correlation, which consequently imparted a magnified degree of pain across emerging markets. The China slowdown story, that being a slowdown greater than that put forth by the Chinese government-sponsored soft landing of 6.5% growth, was also putting additional pressure on emerging markets (EM), as many EMs are highly dependent on exporting into China. January total returns were troubling: S&P 500 -4.96%, Barclays High Yield Bond Index -1.61%, MSCI Emerging Market Stock Index -9.03%, and Barclays Long U.S. Treasury Index +5.02%. The negative momentum only gathered steam in early February and Exhibit 1 below depicts the lows in returns witnessed around the early to middle part of the quarter.

EXHIBIT 1: SELECT RETURNS INTRA-QUARTER

SPX Index		97 Settings	Page 1/6 Comparative Returns		
Range	12/31/2015 - 03/31/2016	Period	Daily	No. of Period	91 Day(s)
Security	Currency	Price Change	Total Return	Difference	Annual Eq
1) SPX Index	USD	.77%	1.35%	-2.01%	5.52%
2) LF98TRUU Index	USD	3.35%	3.35% *		14.14%
3) MEXF Index	USD	5.37%	5.69%	2.34%	24.85%

*No Dividends or Coupons



*As of 3/31/2016 Source: Barclays, Bloomberg, data pulled 5/3/2016

Past performance is not indicative of future results.

As to not distort the graph too much, a commodity price proxy was excluded from this exhibit; however, intra-quarter, the return on the front month contract for West Texas Intermediate Crude Oil reached -29.2% (February 11th) before staging a massive recovery to end the quarter, +3.51%. Call it coincidence, but the lows for risk assets attained on and around February 11th also coincided with Fed Chair Yellen's semi-annual testimony before congress, where another dose of central bank "dovishness" marked a bottom and turn for risk assets generically, reaffirming the co-dependency between risk markets and central bankers. Risk markets have rallied for seven-plus years on the coat tails of aggressive central banks that are willing to pour endless and unprecedented liquidity into the market in the name of achieving their mandate, be it a dual mandate (Fed) or a single inflation mandate (most other global central banks).

Having begun the process of trying to wean the market off this addiction last December with its first tightening since 2006, the Fed triggered another spell of market withdrawal symptoms. Risk markets became unhinged at the prospect of this policy divergence initiated by the Fed. However, like every past episode, when faced with declining asset prices, central bankers blink and acquiesce to the financial markets. As quickly as the Fed had embarked on a tightening cycle, barely two months later it was forced to essentially backtrack and give the market a wink and a nod that it will stand down in the face of such financial market volatility. The ratification of this backtracking came on March 16th with a very “dovish” Federal Open Market Committee (FOMC) statement and post-meeting press conference and a refreshed “dot chart” depicting the median FOMC expectation of four rate hikes in 2016 being reduced to only two was a notable update. This essentially moved the median closer to the market’s formal pricing of expected rate hikes, until of course the market quickly moved to only one tightening. This market versus FOMC “dot chart” dynamic has persisted for many years, but a slow and measured convergence has been achieved via multiple FOMC capitulations in recent years. For good measure, Chair Yellen delivered a speech to the Economic Club of New York on March 29th where she again struck a decidedly “dovish” bent with regard to future monetary policy shifts. Fed funds futures at year-end saw a 51% chance of a rate

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hike in March and 75% likelihood by June; however, as the quarter came to a close, the likelihood of a hike exceeding 50% had been pushed out to December (54%).

Ignoring the volatility and bi-polar behavior of risk assets in the first quarter, Exhibit 2 below

summarizes a period of solid total returns and muted excess returns. Ignore the intra-quarter activity at your own risk.

EXHIBIT 2: RETURNS MASK INTRA-QUARTER VOLATILITY IN Q1

	Q1 TOTAL RETURN	Q1 EXCESS RETURN	1-YEAR TOTAL RETURN	1-YEAR EXCESS RETURN*
Aggregate	3.03	-0.04	1.96	-0.49
Treasury	3.20	n/a	2.39	n/a
Agency	2.43	0.23	0.83	-1.09
RMBS	1.98	-0.38	2.43	0.08
ABS	1.36	0.16	1.71	0.46
CMBS	3.61	0.58	2.80	-0.08
Corporate	3.97	0.16	0.92	-1.75
High Yield	3.35	0.77	-3.69	-6.14
HY – Ba/B	3.21	0.56	-2.26	-4.76
HY – Ba	3.86	1.10	0.13	-2.38
HY – B	2.46	-0.07	-4.88	-7.37
HY – Caa	3.76	1.59	-10.60	-12.78
HY – Ca-D	4.68	3.33	-52.76	-54.19
HY – Loans	1.79	n/a	-1.33	n/a
S&P 500 Index	1.35	n/a	1.77	n/a

*As of 3/31/16

Sources: Barclays, Bloomberg, data pulled 4/4/16

Past performance is not indicative of future results.

Despite the revival in risk assets over the second half of the quarter, the rally in Treasuries largely held through the end of March. The yield curve saw a move to lower yields with the five-year and 10-year Treasury note yields outperforming and falling by 56 and 50 basis points, respectively. For perspective, the 10-year Treasury reached its intra-quarter low yield on February 11th (as risk assets were bottoming) at 1.66%. Despite the massive recovery in risk asset performance the 10-year Treasury still ended the quarter at 1.77%, a relatively muted retracement amidst the greatest intra-quarter rebound in the Dow Jones Industrial Average since 1933. Not part of the above exhibit, but worth mentioning, is that the aforementioned Barclays Long U.S. Treasury Index that was up 5% in January ultimately recorded 8.15% in total return for the quarter. In a similar vein, gold also benefited in the first quarter as the adoption of more extreme monetary policy fuels the belief of many that central banks are out of effective ammunition, impotent and losing credibility. Gold is viewed by many as an alternative currency/store of value that performs well in volatile environments like the first quarter. The shiny yellow metal advanced 16.1% while the ECB and BOJ continued to do even more (of the same) extreme unconventional policy while expecting a different outcome (higher growth and inflation). As for the underperformance in excess return terms for the residential mortgage-backed market (RMBS), the rally in Treasuries led to fears of a pickup in prepayments, leaving the sector unable to keep pace given the tightness in spreads (compliments of the Fed). The sector has benefited tremendously from the Fed’s price insensitive support for a long time, but during the first quarter the sector’s negative convexity still overwhelmed the influence of this massive non-economic buyer.

HELICOPTER MONEY THE NEXT EXPERIMENT?

In our last [Perspective](#), we took the time to review some of the surreal market conditions that persist long after the financial crisis, due in large part to central bank experiments that continue to distort and deform conventional market relationships and long standing financial metrics. Negative interest rates (NIRP) were a particular focus as Japan joined the ranks of developed market economies engaged in such absurd policy. While the results from negative rates, or lack thereof, should speak for themselves, moves to even more negative rates are being debated. A move further negative was announced by the ECB in March, and despite the unintended consequence of a stronger Yen following the BOJ’s implementation of negative rates, talk of moving deeper into negative territory is pervasive in Japanese policy circles. As has been the case throughout this cycle, central bankers only respond to failure with more of the same prescription. Good thing the doctors of economics are not subject to malpractice suits like medical doctors, as there would be malpractice class action suits filtering through the court system on a daily basis.

While negative rates have never been used until recently in this cycle, it appears from the limited history that NIRP is not very effective (stimulating growth, raising inflation and weakening the currency) in achieving the objectives of the ECB and BOJ. Given this recent experience, the Fed has likely downgraded negative interest rates as a policy tool for now. In doing so, the concept of “Helicopter Money” is rising to the surface as potentially the next unconventional policy tool that will be contemplated in the U.S. “Helicopter Money” is a topic we’ve mentioned briefly before, and in our [Q3 2015 Perspective](#), we provided a link to a 2002 speech given by former Fed Chair Ben Bernanke that reintroduced the concept to the monetary policy community, thereby earning himself the nickname “Helicopter Ben.” The modern day concept dates back to 1969 and its original proponent was Milton Friedman, who discussed it in a set of essays entitled “[The Optimum Quantity of Money](#).”

No, a summary of Professor Friedman's paper is NOT forthcoming, nor is one regarding Bernanke's modern day invocation of the concept. In short, "Helicopter Money" according to Wikipedia is a central bank making direct transfers to the private sector financed with base money, without the direct involvement of fiscal authorities. Similar to the financing used by the Fed to conduct its quantitative easing (QE) efforts, essentially a "printing press" or more succinctly electronic credits directly into reserve accounts of banks is what "finances" these efforts. The nuanced difference between QE and "Helicopter Money" is that the banking system that serves as the transmission mechanism for QE is bypassed such that money, created out of thin air, is distributed to people directly with the hope that consumption soon follows. Given the lack of efficacy of prior QE exercises, which largely produced only asset inflation without a corresponding wealth effect that generates consumption, the helicopter operation seemingly solves the transmission mechanism problem. With money put directly in the hands of consumers, they are likely to do what the Fed wants them to do, namely consume.

We find it very interesting that there is not universal acceptance of the idea of "Helicopter Money" even within the confines of the central banking community. Consider first that the ECB's President, Mario Draghi, has called it a "very interesting concept" while the Bank of England's Governor, Mark Carney, compared it to "a compound ponzi scheme." Carney went on to explain:

"I am not a believer in helicopter money. In effect, a central bank cancels debt that is purchased (from government), it puts a hole in its balance sheet. Government never has to recapitalize the bank. We create a fundamental problem with reserves on which we have to pay interest, which is not a problem when rates are low, but becomes one when we take away stimulus. We do not have an asset on the other side, you end up with a compounded Ponzi scheme."

We have become accustomed to central bankers speaking from the same sales and marketing pitch regarding significant shifts in policy like this, but the apparent disagreement over "Helicopter Money" perhaps speaks to the varying degree of frustration and outright distress that is unique to each central bank's circumstances.

The domestic conversation around "Helicopter Money" seems like just another effort in the campaign to put "Humpty Dumpty" back together

The recent deleveraging has paused but it still has a considerable way to go and most consumers have come to realize they have inadequate savings for retirement.

again by trying to reinvigorate the consumption based growth model that we so eagerly embraced leading up to the global financial crisis. Much to the chagrin of policymakers, the American consumer has proven a bit more complicated than their economic models forecasted in the post Great Recession era. While the

early years of the recovery were decidedly a deleveraging cycle, the prevalence of absurdly low interest rates have at best put a brake on the deleveraging, but broadly speaking, the borrow-and-spend mentality has not taken hold again due to demographics and still high debt levels in our view. In fact, a modestly higher savings rate is often referenced in market commentaries as an unnecessary drag on the recovery, and this is with a savings rate in the low- to mid-5% range. Remember, savings used to be much higher, as in the 6.7% average rate witnessed during the 1990s or the 9+% average rate back in the 1980s. The recent deleveraging has paused but it still has a considerable way to go, and

most consumers have come to realize they have inadequate savings for retirement. As such, the savings rate is likely to continue to rise, creating a more permanent headwind to the consumption based economic model that policymakers are still banking on for growth. As the balance sheet repair process continues, we can look forward to our economy having a larger savings pool to deploy in more useful and beneficial investment opportunities thereby leading to a more desirable and sustainable virtuous circle of investment-led economic gains. This more balanced economic model can foster employment and income gains for many, all while offering an attractive investment return that rewards savers instead of punishing them with seven-plus years of a zero or near zero interest-rate policy regime. This investment-led economic model is also built on a sturdier foundation than the debt financed consumption model that brought the economy to the brink in 2008.

Given this backdrop, it is just as likely that even "Helicopter Money" will just be saved rather than spent. Policymakers are aware of this potential outcome and various "fixes" are under consideration, like spending credits that have an expiration date, such that if they are not used (spent), they expire worthless. As crazy as it sounds, this is being debated seriously in economic policy circles around the world. With the American economy far less sick than either the Japanese or European economies, these potential experiments are likely to take place overseas first. Japan is probably on the brink of introducing some form of "Helicopter Money" in the near future, as it has embarked on QE in a magnitude greater than anywhere else, with little success to show for it. Given that the BOJ's most recent effort (NIRP) has failed so dramatically with the Japanese Yen actually strengthening despite the egregious monetary easing being employed, the path to some "Helicopter Money"-like strategy seems all but certain since "Abenomics" has been a failure thus far. Desperation is the operative word in our view, but sadly, it's hard to envision any halt to this madness, especially from the BOJ.

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In Europe, the ECB is not as far along as the BOJ and hence ECB officials proclaim that no serious discussion of "Helicopter Money" has taken place at the Governing Council level. Despite these rather dubious denials, we remain of the opinion that the planning phase is well underway in Europe as well. Clearly there are many differing opinions on the legality of such radical policy and whether central banks can engage in such unchecked money creation. Domestically, when such money creation was used to help finance deficits, which is essentially what QE did while the Fed bought all those trillions of Treasuries, it enabled Washington to continue to engage in its own irresponsible borrow-and-spend binge that has led to a doubling of our national debt to over \$19 trillion. Hence, there was no challenge from Congress or the Executive Branch. What Washington might do when faced with a "Helicopter" strategy remains a wildcard, but given the greater codependency of monetary and fiscal policy in both Europe and Japan, the likelihood that such a policy overseas would be challenged seems low. Sadly, even the hard money adherents at the Bundesbank will likely be silenced by the ECB, Mario Draghi and the political elite that have dictated the terms of all policy responses within the Eurozone since the crisis rolled into Europe.

WHAT MATTERS NOW

The macro issues that will continue to impact risk appetites and central bank policy going forward include:

- Global financial and economic developments
- China growth, credit/lending
- Divergent central bank policy
- Italy's banking sector concerns
- Greece's ongoing bailout
- Excess global supply/capacity
- Excessive debt/leverage levels
- Aging global demographics
- Weak productivity growth
- Currency policies (wars)

It appears with perfect hindsight that global policymakers reversed policy course during the first quarter as equities, credit assets, commodities and currencies all came under pressure following the Fed's first rate hike in December. In our view, China will continue to dictate global growth trends and commodity prices, while Fed policy will drive the Dollar and dictate major currency trends.

Despite claims of rebalancing its economy, China engaged in old-fashioned credit expansion on a grand scale in the first quarter. Credit expanded at an unsustainable 40% annualized rate relative to gross domestic product (GDP), offering stimulus to the economy to dispel the talk of any hard landing. Assuming that the government restrains credit growth going forward now that the market perceives more stabilized conditions in China, the implications of less credit are slower growth for China as well as the emerging markets that are so dependent on the Chinese economy.

We are assuming that China will opt for a continued gradual depreciation of its currency, a sub-optimal outcome as capital flight risk increases as long as the currency remains overvalued.

Commodity prices will likely stop increasing and will be vulnerable to decline as the largest consumer of commodities buys less as it resumes a rebalancing of its economy toward domestic consumption and services. The Chinese Yuan will be prone to weaken as the economy weakens, and capital outflows could

accelerate as a result. A major devaluation would reduce this capital flight risk, but at the risk of more currency wars, as Asian trading competitors respond in kind. From a global risk management perspective, we are assuming that China will opt for a continued gradual depreciation of its currency, a sub-optimal outcome as capital flight risk increases as long as the currency remains overvalued.

The other major macro factor will be Fed policy, particularly as the BOJ and the ECB continue to go further down the rabbit hole of unconventional, experimental policy. Should the Fed opt to resume its tightening campaign, the markets will have to again grapple with policy divergence and tighter financial conditions that presented such a challenge in the beginning of the year. With a stronger Dollar leading the way, the commodity complex will be under immense pressure; potentially compounding weak conditions already alluded to as a result of slower China growth. The pressure will quickly carry over to the emerging markets and risk assets in general, spawning the very same spillover policy makers confronted before back pedaling in February. It is for this reason that the Fed may have to remain on hold in our view, as it has become subservient to the financial markets, and as such it is too risky for the Fed to follow through with another hike. As long as the markets price out any definitive rate hikes, the Fed will be less likely to raise rates due

to the negative reaction function of the financial markets. At some point, the Fed will have to risk the wrath of the markets if it wants to take back control of monetary policy. Unfortunately, given the age of the economic cycle, the weak state of global growth and an unwillingness to allow asset markets to clear absent intervention, it is difficult to forecast anything but a repeat of what we witnessed in the first quarter. This illustrates the major dilemma the Fed now faces, constrained by a policy box of its own creation, incapable of following through on a tightening cycle that is years too late.

OUTLOOK & PORTFOLIO POSITIONING

Portfolio sector weightings were little changed in the first quarter with exposure to the primary spread sectors (RMBS and corporate bonds) still very close to their respective index weightings. Amidst the volatility in the corporate bond market during the quarter, we took the opportunity to increase the beta of the portfolio by adding exposure to particular energy credits that have the financial wherewithal to survive this cycle even if oil prices remain under pressure. This shift has already paid dividends in March and April as the risk asset recovery accompanied by a rebounding and more stable oil price backdrop allowed the Energy sector to outperform. While overall market valuations were little changed from year-end (2015) to quarter-end (3/31/16), the broader fundamental backdrop has weakened and the business cycle further extended. The narrative seems to change often, wandering back and forth between concern for domestic conditions and fear of a global slowdown. As quickly as the China slowdown story gains traction, massive credit creation produces a "sugar high"-like rebound that assuages such fears in the short run. Domestically, we have become accustomed to weak economic performance in the first quarter, with adverse winter weather the typical excuse. The first quarter was certainly weak again this year, but an exceptionally mild winter this year is challenging that conventional excuse, and a second quarter rebound similar to last year (GDP of 3.7%) is difficult to envision at this point. As such, we remain cautious and will be patient before deploying any additional capital in the corporate bond sector, absent a real catalyst or valuations that offer an upside surprise. Within the corporate sector, valuations are most compelling in Transportation, Cyclical (Autos) and Energy while Electric Utilities, Consumer Non-Cyclical and Insurance offer the least value.

The first quarter was certainly weak again this year, but an exceptionally mild winter this year is challenging that conventional excuse, and a second quarter rebound similar to last year (GDP of 3.7%) is difficult to envision at this point.

The securitized sectors (residential, commercial and asset-backed) experienced another mixed performance in the first quarter as the commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS) sectors both outperformed, while the RMBS sector underperformed. Given the Treasury rally to lower yields, prepayment fears clearly dominated the RMBS sector such that it was unable to keep pace with Treasuries. Lower supply amidst the volatility of the first half of the quarter provided a solid technical backdrop to both the CMBS and ABS sectors, thus offering support to these generally higher quality spread sectors. Given that our residential mortgage strategy utilizes exposure to Agency CMBS risk held in lieu of current coupon pass-through holdings, our overall performance was not hurt by the RMBS underperformance. We remain modestly overweight in private CMBS and ABS, a continuation of our safe income at a reasonable price strategy in

the short-to-intermediate parts of the yield curve. A Government-Related sector underweight persists as the spread offered on a significant portion of this sector fails to compensate for the underlying risk.

While our house view stands at one tightening for 2016, we would not be surprised if the FOMC paused for the full year.

Our core plus portfolios remain void of any strategic non-investment grade exposure. Given the large sell-off and corresponding rebound in high yield over the first quarter, an opportunity to add alpha for our

core-plus clients was missed. The violent shift of capital into and out of the sector promises to keep returns fairly volatile, and given the less-than-constructive economic backdrop and a credit cycle which has peaked and rolled over, we remain content with keeping our exposure in the short run limited to selective fallen angel and tactical crossover risk that are specific credit stories, rather than a strategic bet on the broader high yield market. Similar to the investment grade market, valuations did a complete round trip intra-quarter and as such still fail to offer the relative value that warrants a higher allocation. As valuations become more attractive over time, we will continue to add selectively to our crossover/credit specific exposure as our first significant add to the high yield sector since the credit cycle peaked.

The Fed remains data dependent, but the data that matters most to the FOMC is financial market data (aka financial conditions) rather than the fundamental economic data. A decidedly “dovish” turn in the first quarter has seen expectations for the next rate hike get pushed out considerably such that as of this writing, the odds of any additional rate hikes are considerably lower than at the start of the year. While our house view stands at one tightening for 2016, we would not be surprised if the FOMC paused for the full year. The central bank policy divergence of early 2016 was too much for the market to bear (pun intended) and any acceleration of the tightening cycle again would likely elicit a similar reaction and create market conditions that will force the Fed to stand down once again. The Fed remains in a box of its own creation, a slave to financial conditions, both domestically and globally, with little hope that conditions can materially change such that it will be able to extricate itself absent considerable volatility. In Fed speak, it’s called “a conundrum of epic proportions.”

Alpha is a measure of performance on a risk-adjusted basis.

Asset-Backed Security (ABS) is a financial security backed by a loan, lease or receivables against assets other than real estate and mortgage-backed securities. For investors, asset-backed securities are an alternative to investing in corporate debt.

A Basis Point is equal to 0.01%.

Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

Barclays Long U.S. Treasury Index is an unmanaged index that includes all publicly issued U.S. Treasury securities that have a remaining maturity of 10 or more years, are rated investment grade, and have \$250 million or more of outstanding face value.

Barclays High Yield Municipal Bond Index is an unmanaged index considered representative of noninvestment-grade bonds.

Commercial Mortgage-Backed Securities (CMBS) are a type of mortgage-backed security that is secured by the loan on a commercial property. A CMBS can provide liquidity to real estate investors and to commercial lenders.

Convexity is a measure of the curvature in the relationship between bond prices and bond yields that demonstrates how the duration of a bond changes as the interest rate changes.

Coupon is the interest rate stated on a bond when it's issued.

Dow Jones Industrial Average is a price-weighted index of the 30 largest, most widely held stocks traded on the New York Stock Exchange.

Federal Open Market Committee (FOMC) is the Federal Reserve Board that determines the direction of monetary policy.

Gross Domestic Product (GDP) refers to the market value of all final goods and services produced within a country in a given period. GDP per capita is often considered an indicator of a country's standard of living.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets

Negative Interest Rate Policy (NIRP) is an unconventional monetary policy tool whereby nominal target interest rates are set with a negative value, below the theoretical lower bound of zero percent.

Quantitative Easing (QE) is an unconventional monetary policy used by some central banks to stimulate their economies when conventional monetary policy has become ineffective.

Residential Mortgage-Backed Security (RMBS) is a type of security whose cash flows come from residential debt such as mortgages, home-equity loans and subprime mortgages. This is a type of mortgage-backed security that focuses on residential instead of commercial debt.

Standard & Poor's 500 Index is an unmanaged index of 500 selected common large capitalization stocks (most of which are listed on the New York Stock Exchange) that is often used as a measure of the U.S. stock market.

West Texas Intermediate (WTI) is a grade of crude oil used as a benchmark in oil pricing.

Yield Curve is a curve that shows the relationship between yields and maturity dates for a set of similar bonds, usually Treasuries, at any given point in time.

Zero Interest-Rate Policy (ZIRP) is a method of stimulating growth while keeping interest rates close to zero.

Investors cannot invest directly in an index.

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All investments involve risk. Debt securities (bonds) offer a relatively stable level of income, although bond prices will fluctuate providing the potential for principal gain or loss. Intermediate term, higher quality bonds generally offer less risk than longer-term bonds and a lower rate of return. Generally, a fund's fixed income securities will decrease in value if interest rates rise and vice versa. There is no guarantee a specific investment strategy will be successful.

Past performance is not indicative of future results. An investor should consider a fund's investment objectives, risks, and charges and expenses carefully before investing or sending money. This and other important information about the RidgeWorth Funds can be found in a fund's prospectus. To obtain a prospectus, please call 1-888-784-3863 or visit www.ridgeworth.com. Please read the prospectus carefully before investing.

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