

## RIDGEWORTH INSIGHTS: VALUE EQUITY



*Collective Strength. Individual Insight.*

### CEREDEX VALUE ADVISORS®



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#### RIDGEWORTH FUNDS

RidgeWorth Large Cap Value Equity Fund  
RidgeWorth Mid-Cap Value Equity Fund  
RidgeWorth Small Cap Value Equity Fund

#### EXECUTIVE SUMMARY

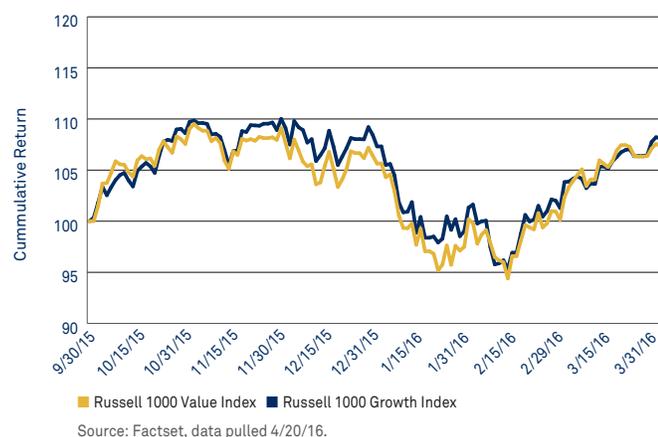
- Stocks recovered from mid-quarter lows after a weak start to 2016.
- Defensive stocks outperformed cyclical stocks.
- Value outperformed growth.

U.S. stocks rose modestly for the first quarter of 2016, and value stocks outperformed growth stocks. The Russell 1000 Value Index returned 1.64%, compared to a 1.35% return for the S&P 500 Index and a 0.74% gain for the Russell 1000 Growth Index. The margin of outperformance was larger for small cap stocks, with the Russell 2000 Value Index gaining 1.70% while the Russell 2000 Growth Index posted a loss of 4.68%.

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The quarter began with a sharp selloff. Investor sentiment turned fearful due to concerns about China's slowing economy, additional weakness in energy prices and uncertainty surrounding Federal Reserve Bank (Fed) interest rate policy. During the downturn, cyclical stocks fell more than defensive stocks and small cap stocks fell more than large cap shares.

**Exhibit 1: Russell 1000 Value Index vs. Russell 1000 Growth Index (past six months)**



Investors regained their appetite for risk midway through the quarter after China expressed a desire for a more controlled change in its currency, oil prices rebounded and the Fed communicated its intention to be cautious with any future rate increases. Meanwhile positive economic indicators related to housing, manufacturing and employment helped improve investor sentiment. Most stocks recovered and posted modest gains for the period. Telecommunications and Utilities stocks posted

the strongest gains for the quarter, while the Financial and Health Care sectors ended the period at a loss.

**Exhibit 2: Price of Oil (past 12 months)**



Source: FactSet, data pulled 4/20/16.

**DEFENSIVE STOCKS LED THE WAY**

Defensive shares led the market during the first quarter, outperforming cyclical stocks during the downturn and participating in the market rebound. The Telecommunications and Utilities sectors posted double-digit gains for the three-month period. Utilities stocks continued to benefit from low interest rates, which led investors to prize the sector's yields despite its historically high valuations.

Health care, also typically considered a defensive sector, fared less well. Campaign rhetoric about drug pricing led investors to worry about the ways policy changes could affect profits in the sector.



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Financials also struggled. A cautious tone from the Fed helped buoy the market as a whole, but exacerbated concerns about bank profits. Investors also took note of increasing default risk on loans to small energy companies, many of which are struggling to remain solvent amid low oil prices.

Although the Energy sector continues to struggle, it managed to post a gain for the quarter thanks to a modest recovery in oil prices. Challenges remain for the sector as a whole, particularly given the murky oil-price outlook. Opportunities can be found—for example, among certain mid-cap oil services stocks—but the sector is likely to remain volatile.

Russell 1000 Growth Index offers investors access to the large-cap growth segment of the U.S. equity universe. The index measures the performance of those Russell 1000 companies with higher than average price-to-book ratios and higher than average forecasted growth values.

Russell 1000 Value Index is composed of the securities in the Russell 1000 Index with a less-than-average growth orientation. Companies in this index generally have low price-to-book and price-to-earnings ratios, higher dividend yields, and lower forecasted growth values.

Russell 2000 Value Index is an unmanaged index which is composed of the securities in the Russell 2000 Index with a less-than-average growth orientation. Companies in this index generally have low price-to-book and price-to-earnings ratios.

Russell 2000 Growth Index is composed of the securities found in the Russell 2000 Index with a greater-than-average growth orientation. Companies in this index tend to exhibit higher price-to-book and price-to-earnings ratios.

Standard & Poor's 500 (S&P 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.

Investors cannot invest directly in an index.

#### Investment Risks:

Equity securities (stocks) may be more volatile and carry more risk than other forms of investments, including investments in high grade fixed income securities. The net asset value per share of a fund will fluctuate as the value of the securities in the portfolio changes. Value-based investments are subject to the risk that the broad market may not recognize their intrinsic value. Mid- and small capitalization funds typically carry additional risks since smaller companies generally have a higher risk of failure. Dividends reflect past performance and there is no guarantee they will continue to be paid or that this strategy will be successful.

## MARKET OUTLOOK

A high level of uncertainty is likely to keep markets volatile for the near future. The Fed has signaled its intention to delay its next interest rate increase until later this year, but other question marks remain, including the U.K.'s potential exit from the European Union, the health of the Chinese economy and the direction of oil prices. The domestic economy continues to show signs of improvement, however, most notably in manufacturing and employment. As markets react to global developments—punishing entire sectors in the process—value opportunities are likely to emerge.

The views expressed herein are as of the quarter-end specified. This information is general in nature, provided as general guidance on the subject covered, and is not intended to be authoritative. It is subject to change without notice as market conditions change, and is not intended to predict the performance of any individual security, market sector, or RidgeWorth Fund. All information contained herein is believed to be correct, but accuracy cannot be guaranteed. Investors are advised to consult with their investment professional about their specific financial needs and goals before making any investment decision.

***Before investing, investors should carefully read the prospectus or summary prospectus and consider the fund's investment objectives, risks, charges and expenses. Please call 888.784.3863 or visit ridgeworth.com to obtain a prospectus or summary prospectus, which contains this and other information about the funds.***

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## ABOUT RIDGEWORTH INVESTMENTS

RidgeWorth Investments—a global investment management firm headquartered in Atlanta, Georgia with approximately \$37.9 billion in assets under management as of March 31, 2016—offers investors access to a select group of boutique investment managers and subadvisers. RidgeWorth wholly owns three boutiques: Ceredex Value Advisors LLC, Seix Investment Advisors LLC and Silvant Capital Management LLC, and holds a minority ownership in Zevenbergen Capital Investments LLC. WCM Investment Management and Capital Innovations, LLC serve as subadvisers to the RidgeWorth Funds. Through these six investment managers, RidgeWorth offers a wide variety of fixed income and equity disciplines, providing investment management services to a growing client base that includes institutional, individual and high net worth investors.

For more information about RidgeWorth, its boutiques and its subadvisers, visit [ridgeworth.com](http://ridgeworth.com).



## ABOUT CEREDEX VALUE ADVISORS LLC

As RidgeWorth's value equity boutique, Ceredex Value Advisors has managed money for institutions, endowments, foundations and high-net-worth investors since 1995. Portfolio managers and analysts collaborate to execute on bottom-up, company-by-company research, seeking to identify catalysts in undervalued, dividend-paying stocks when constructing value-oriented portfolios.

For more information about Ceredex, visit [ceredexvalue.com](http://ceredexvalue.com).