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RIDGEWORTH INSIGHTS: VALUE EQUITY

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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

- Despite substantial late-quarter volatility caused by the Brexit vote, stocks gained for the quarter.
- Investors prioritized defensive safe havens in the wake of volatility.
- Value stocks led growth for the quarter.

While the United Kingdom (UK) vote to leave the European Union (EU) prompted a major sell-off at the end of the second quarter, U.S. stocks gained for the period as a whole, and value stocks continued to lead growth stocks. The Russell 1000 Value Index returned 4.58%, compared to a 2.46% gain for the S&P 500 Index and a 0.61% return for the Russell 1000 Growth Index for the second quarter. Small cap value stocks also outperformed their growth-oriented peers during the quarter. The Russell 2000 Value Index gained 4.31%, outperforming the Russell 2000 Growth Index, which returned 3.24%.

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Investors sought safe haven securities during a quarter characterized by volatility and concerns about global growth. That tendency strengthened dramatically following the unexpected outcome of the Brexit vote, which led investors to embrace defensive sectors even further and influenced the Federal Reserve Board's decision to maintain the federal funds target rate at 0.25% to 0.50%. Small cap stocks outperformed large caps during the period, and defensive stocks generally outperformed cyclicals.

Macroeconomic indicators were mixed during the period. Among the positives: Surveys of corporate purchasing managers indicated that the global economic recovery is broadening, U.S. wage gains were encouraging and inflation ticked up slightly. However, U.S. employment figures were weaker than expected. Meanwhile, oil prices rose beyond investor expectations as demand outpaced supply. Interest rates remained at dramatically low levels in major economies, with negative rates in parts of Europe and in Japan. On the whole, investors remained anxious about the economy, and it was unclear what it would take to assuage their concerns.

A BOON FOR DEFENSIVE STOCKS

In this environment, defensive sectors benefited as investors looked for safe havens. Among large cap stocks, Energy, Telecommunications, Utilities and Healthcare stocks produced the quarter's strongest gains. Energy shares, in particular, were buoyed by supply-and-demand dynamics: Global demand for oil is increasing as supply continues to diminish, driven in part by dramatic decreases in U.S. production. The increase in oil prices also supported financial stocks, as concerns eased about energy companies' ability to gain financing. Expectations that interest rates would rise also helped financials during the quarter.

Meanwhile, Healthcare shares benefited from investors' search for safety in what they perceived to be an uncertain economy. Investors favored managed care stocks; they also generally avoided shares of large healthcare firms planning mergers and acquisitions (M&A) in an effort to minimize exposure to deal risk.

Large cap Consumer Discretionary shares—and retailers in particular—struggled during the quarter, as traditional retailers continued to face challenges from both e-commerce and omnichannel competitors.

MID- AND SMALL CAPS FOLLOW SUIT

Like their large cap counterparts, mid-cap stocks were especially volatile following the Brexit vote. In our view, some stable companies with solid earnings and reasonable valuations were unfairly tarred with the same brush as firms that are likely to be affected by the U.K.'s eventual exit from the EU. Consider the fate of an American asset management and M&A consulting firm that boasts a strong balance sheet and dividend yield as well as a compelling valuation: Its share price dropped 23% at the end of June—a figure likely more appropriate for European banks than for this firm.

In keeping with the quarter's theme, defensive stocks—including Consumer Staples, Telecommunications Services and Utilities shares—led the way among small caps. The Materials sector also generated substantial returns as rebounding commodity prices pushed shares of metals and mining companies higher. Consumer Discretionary shares lagged, as small cap retailers faced the same challenges from online competition as their large cap counterparts.

MARKET OUTLOOK

The current environment, in which growth is scarce, is challenging for stock picking. That said, we expect that global economic growth will continue to broaden, and that earnings will improve throughout the rest of the calendar year. Over the next 12 to 18 months, we expect commodity prices, and oil in particular, to move higher, which may cause inflation to rise as well. Interest rates are unlikely to rise dramatically in the near term. Value stocks should fare well in this scenario.

Among large cap value stocks, we continue to see opportunity in the Information Technology sector, in part due to increased demand from China. We also like Industrials, where high barriers to entry create compelling investments in well-managed companies. We

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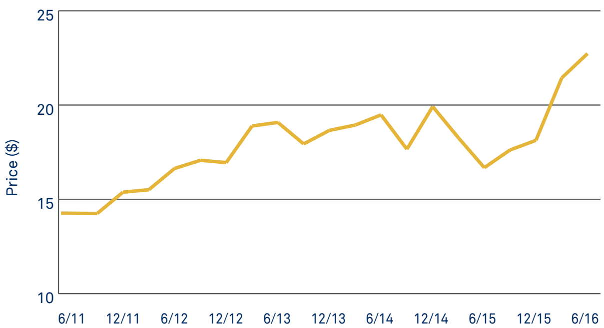
continue to monitor large cap Consumer Discretionary shares, where we see selected opportunities. Within large caps, we are avoiding Consumer Staples, Utilities, Telecommunications and real estate investment trusts (REITs). In these sectors, we feel investor anxiety, rather than fundamentals, is driving current valuations. In fact, we may look for opportunities to take profits in those utilities and REITs that have particularly benefited from investors' fears.

Exhibit 1: Utilities Sector Valuations (5 years ending 6/30/16)



Russell 3000 Value Index – Utilities Sector; Source: FactSet; Date pulled: 7/18/16.

Within mid-caps, we see opportunities in regional banks, which we believe were unfairly tarnished in the wake of the Brexit vote. These banks have opportunities to grow loans and manage expenses. What's more, their dividend yields are comparable to those of utilities, though the regional banks are trading at much lower valuations. Likewise, we see opportunities in managed care, where select companies with strong top-line revenues can manage costs efficiently.

Among both large and mid-cap stocks, we believe that the rush to defensive stocks overlooks the very real possibilities that the U.S. employment and wage growth pictures could continue to improve, that gross domestic product growth may pick up and that Brexit may prove less damaging to the global economy than anticipated. In such a scenario, REITs, Utilities and other defensive sectors would potentially underperform dramatically. Although this is a contrarian view, we find it a compelling one.

Within small cap shares, we see opportunities for Energy, though it is challenging to find dividend-paying companies within the limited small cap energy universe, and for Industrials. For example, attractive valuations recently led us to repurchase shares of a commercial modular carpet maker. We continue to avoid small cap banks, REITs and utilities.

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 lessthan- 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.

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Investors cannot invest directly in an index.

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.

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.

Effective 4/20/12, the Small Cap Value Equity Fund is closed to new investors.

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 $37.0 billion in assets under management as of June 30, 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**.

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**.

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