

## TIP SHEET

### Seix's Keegan Plays Safe When Others Dabble In Risks

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NEW YORK -- Even as signs of a strengthening economic recovery lead some investors to dabble in riskier assets, Jim Keegan, chief investment officer at Seix Investment Advisors, is playing it relatively safe.

Keegan, co-manager of the \$742.6 million RidgeWorth Total Return Bond Fund (SAMFX), focuses on buying high-quality corporate bonds. They provide relatively higher yields compared to safe-haven U.S. Treasuries, but are safer than other higher-yielding, higher-risk fixed-income assets.

"People still need income," Keegan said. "There is strong demand for good quality corporate bond issues in this zero-rate environment."

The fund has lost 0.42% this year through Monday, but that's less than the loss of 0.72% on the benchmark Barclays Capital Aggregate Bond Index, according to data from Morningstar. Over the past three years, the fund has had a return of 6.63%, beating the 5.38% return from the benchmark.

Keegan said he is overweight corporate bonds, meaning he holds more of those securities compared with the benchmark index. He said beneficiaries in the low-rate environment include investment-grade corporate bonds and potentially some high-quality segments of high-yield, high-risk corporate debt, as well as dividend-paying stocks from companies with strong balance sheets.

Tom Roseen, an analyst with fund tracker Lipper, said RidgeWorth has about 73% in triple-A-rated securities in its recent quarterly reports, which he said is "very, very safe."

Roseen cautioned the fund may underperform its peers because many people are now "turning their eyes" toward riskier assets, which provide higher yields amid signs of an economic recovery.

Keegan said the U.S. economy is getting a short-term boost thanks to fiscal and monetary stimulus. The Fed has held its key policy rate between zero and 0.25% since December 2008. President Barack Obama approved a bill in December to extend some of Bush-era tax cuts, which pushed many economists on Wall Street to raise their forecasts for U.S. economic growth in 2011.

"The economy is likely to be similar to what we saw last year: a pop in the first quarter and then weaker in the second and the third quarters," Keegan said.

Keegan sees several structural problems in the economy. One is the ongoing process of deleveraging in U.S. households as they pay down debt and reduce borrowing. He also noted the housing market is still very weak.

Adding to the list, Keegan said, is a still-elevated unemployment rate, even though it unexpectedly fell to 9% in January from 9.4% in December. The rise in energy prices could dent consumer spending in coming months, he said.

Given these issues, Keegan said the benchmark 10-year Treasury yield is unlikely to rise to 5% any time soon. Instead, he expects the yield, which moves inversely to its price, to trade between 2% and 4%, where it's mostly been trading since 2008.

The 10-year note's yield traded at 3.621% on Monday. It touched 3.77% on Wednesday, the highest level since April.