

Managers Bond MGFIX

Morningstar's Take | 05-22-09 | by Miriam Sjoblom

If you've caught the corporate-bond bug, you may want to give Managers Bond a look.

This fund's manager, Dan Fuss, may be better known for his swashbuckling charge Loomis Sayles Bond LSBRX (an Analyst Pick in the multisector-bond category), but this slightly milder version shares many of that offering's advantages. For starters, Fuss and his colleagues have a lengthy track record of success hunting among out-of-favor corporate bonds, and they boast the support of Loomis Sayles' skilled research team. This fund's ability to venture into nondollar bonds is more constrained (capped at no more than 10% of assets), so it offers purer exposure to Fuss and team's corporate expertise.

Although this fund's non-investment-grade stake is limited to 10% of assets (where the Loomis Sayles fund can go as high as 35%), there's still plenty of risk to consider. Given Fuss' penchant for cheap, unloved names, the majority of assets often occupy the low end of the investment-grade spectrum: Roughly 60% of the portfolio is currently rated BBB. That profile damps default risk, yet Fuss is willing to see his positions through temporary setbacks as long as their long-term cases remain intact. For example, one of the fund's top holdings is small-business lender CIT Group CIT, a so-called "fallen angel" (recently downgraded below investment grade). While investors with high-quality mandates have shunned the firm, the team thinks it's a survivor.

If you don't mind a little controversy and can take a long-term view, we've seen enough evidence from Fuss to feel confident that you'll be rewarded here. Last year's jaw-dropping sell-off for corporate bonds created rare opportunities, and we can think of few teams better equipped to take advantage of that. We're less enthusiastic about this fund's 1% annual price tag, however, which costs more than most no-load corporate-bond funds. It's even a smidge pricier than Loomis Sayles Bond, which includes distribution charges that aren't on this fund's tab.

Miriam Sjoblom is a mutual fund analyst at Morningstar.

Morningstar Rating

★★

Kudos

- Topnotch manager.
- Solid long-term record.
- Industry-leading career corporate research staff.

Risks

- Takes more risk than many intermediate bond funds in the form of mid- and lower-quality corporates and some nondollar exposure.
- The fund's bold makeup and management's contrarian-tinged moves court volatility.

Strategy

This fund is a milder version of the more adventurous Loomis Sayles Bond. Its limit on non-investment-grade fare is 10% compared with 35% for the Loomis Sayles offering, and it has less flexibility to invest overseas. Otherwise, the approach here is similar in its emphasis on midquality corporates. Fuss' strategy resembles that of a value-biased stock manager, and he'll often load up on bonds in out-of-favor sectors.

Management

This fund is subadvised by legendary bond investor Dan Fuss at Loomis Sayles since its inception in 1984. He also gets help from his comanagers on Loomis Sayles Bond: Kathleen Gaffney, Matt Eagan, and Elaine Stokes, who have been with the firm for more than a decade. The team is supported by 20 senior corporate research analysts with an average of 17 years experience between them.

Inside Scoop

Call this bridled version of Dan Fuss' aggressive charge Loomis Sayles Bond (an Analyst Pick in the multisector-bond category), "Fuss-lite." Although a taste for midgrade corporates and modest nondollar stakes can make for a bumpy ride, it's a good way for less-adventurous investors to dip their toes into this skilled team's worthwhile process.

Role in Portfolio

Supporting Player. The managers' emphasis on midquality corporates and nondollar bonds can court volatility, which means the fund should be limited to a supporting role in long-term investors' portfolios.

Managers Bond MGFIX

Year	Total Return (%)	+/-Category
YTD	11.40	7.00
2009	—	—
2008	-16.31	-11.61
2007	7.06	2.36
2006	7.84	3.69

Data through 05-31-09

The performance data shown represents past performance. Past performance is not a guarantee of future results. Current performance may be lower or higher than the performance data quoted. The investment return and the principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. For performance information through the most recent month end please call (800) 835-3879 or visit our Web site at www.managersinvest.com.

Investors should carefully consider the Fund's investment objectives, risks, charges and expenses before investing. For this and other information, please call 800.835.3879 or visit www.managersinvest.com for a free prospectus. Read it carefully before investing or sending money.

Funds are distributed by Managers Distributors, Inc., a member of FINRA.

