

Managers Fremont Bond MBDFX

Analyst Report

by Paul Herbert, CFA

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Managers Fremont Bond's managers are getting some well-deserved recognition.

Bill Gross and the team at PIMCO, this fund's subadvisor, are our Fixed-Income Fund Managers of the Year for 2007. Since 1987, we have selected top managers for the award on the basis of criteria such as strong short- and long-term performance, good stewardship, and making lots of money for investors. With this selection, Gross and his team are the only group to have been recognized as our top managers on three occasions. (Bob Rodriguez of First Pacific Advisors is the only other boss who has received this honor more than once.)

PIMCO had a great year. For some time, Gross and crew had been calling for a downturn in the U.S. housing market that would roil financial markets as well as the broader economy and lead the Federal Reserve to cut short-term rates. As such, they moved into higher-quality bonds (and away from corporate fare) and took on more interest-rate sensitivity. This positioning weighed on the results of this fund and other PIMCO-led offerings during the first half of the year. Deep cracks in housing's facade began appearing during the summer, though, resulting in a sharp sell-off for bonds, and eventual moves by the Fed to try to restore order. Thanks to its bets, the fund has looked like a champ since mid-year. Its 8.9% return for 2007 ranks in the intermediate-bond category's top 1%.

Gross and PIMCO have been working to sustain the fund's winning ways. They expect the Fed to keep cutting rates, so they continue to posture the fund to benefit from declining short-term yields. And, as in 2007, they are favoring non-dollar and emerging-markets bonds (to limited degrees). Finally, because high-quality fare—such as Agency-backed mortgages and tax-free bonds—has been battered, PIMCO has been looking to add.

This fund remains a very strong option for those seeking a cheap, no-load version of PIMCO Total Return PTTRX.

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Year	Total Return (%)	+/-Category
YTD	1.44	1.77
2007	8.84	4.14
2006	3.45	-0.70
2005	2.98	1.18
2004	5.33	1.42

Data through 06-30-2008

Morningstar Rating

★★★★★

Kudos

Great long-term record.

Managed by Bill Gross, named Morningstar's Fixed-Income Fund Manager of the Year three times.

Reasonable expenses.

Risks

Fund made somewhat more aggressive bets over the past few years that could presage more short-term volatility.

Strategy

This fund typically makes a series of bets against its benchmark, the Lehman Brothers Aggregate Index. Bill Gross relies on macro-economic analysis to determine the fund's interest-rate sensitivity (duration usually stays within 20% of the index) and sector weightings, which can include high-yield, foreign bonds, and currency exposure.

Management

Bill Gross and his extensive team of analysts and traders at PIMCO are considered some of the best in the business. Gross has led this fund since its 1993 inception.

Inside Scoop

Few bond funds stand out from the crowd, but this one does. It has posted strong results in different market environments, mainly as a result of manager Bill Gross' sector and rate bets. It makes an excellent choice for those in search of a somewhat aggressive core bond portfolio.

Role in Portfolio

Core

Average Annual Total Returns (%)
(Period Ending 06/30/2008)

	1 Year	5 Years	10 Years
Fremont Bond	9.49	4.37	6.32
Lehman Brothers Aggregate Bond Index	7.12	3.85	5.68

Expense Ratio (Gross/Net): 0.79% / 0.60%

Annual net expense ratio as of the current prospectus dated 03/01/2008 adjusted for the reduction in custodial fees, which took effect on 07/01/2007. Effective 06/09/08, the Investment Manager has contractually agreed, through at least March 1, 2009, to limit Total Annual Fund Operating Expenses (exclusive of taxes, interest, brokerage commissions, acquired fund expenses, and extraordinary items) to 0.58% of the Fund's average daily net assets.

Performance data quoted represents past performance. Past performance is not a guarantee of future results. Current performance of the Fund may be lower or higher than the performance quoted. The investment return and 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. Performance data current to the most recent month end may be obtained by calling 800.656.3017 or by visiting 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 download a free prospectus. Read it carefully before investing or sending money.

For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three-, five-, and ten-year (if applicable) Morningstar Rating metrics. Managers Fremont Bond Fund was rated against the following numbers of U.S. domiciled Intermediate-Term Bond funds over the following time periods: 990 funds in the last three years, 831 funds in the last five years, and 438 funds in the last ten years. With respect to these Intermediate-Term Bond Funds, Managers Fremont Bond Fund received a Morningstar rating of 5 stars, 5 stars, and 5 stars for the three-, five-, and ten-year periods, respectively, in the quarter ending 06/30/08. Past performance is no guarantee of future results.

Fixed-Income funds are subject to the risks associated with investments in debt securities, such as default risk, fluctuations in debtor's perceived ability to pay its creditors, and changing interest rate risk. An increase in interest rates typically causes the value of bonds and other fixed-income securities to fall.

The Fund may use derivative instruments for hedging purposes or as part of its investment strategy. There is a risk that a derivative intended as a hedge may not perform as expected. The main risk with derivatives is that some types can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative; or that the counterparty may fail to honor its contract terms, causing a loss for the Fund. Use of these instruments may also involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk, and the risk that a fund could not close out a position when it would be most advantageous to do so.

Many bonds have a call provisions which allow the debtors to pay them back before maturity. This is especially true with mortgage securities, which can be paid back anytime. Typically debtors prepay their debt when it is to their advantage (when interest rates drop making a new loan at current rates more attractive), and thus likely to disadvantage of bondholders, who may have to reinvest prepayment proceeds in securities with lower yields. Prepayment risk will vary depending on the provisions of the security and current interest rates relative to the interest rate of the debt.

Investments in international securities are subject to certain risks of overseas investing including currency fluctuations and changes in political and economic conditions, which could result in significant market fluctuations. These risks are magnified in emerging markets.

The Lehman Brothers Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds. Unlike the Fund, the Lehman Brothers Aggregate Bond Index is unmanaged, is not available for investment and does not incur expenses.

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