

# SSI Investment Management Convertible Investment Strategy

Inception: January 1, 1983

MARCH 2019



## Conservative Equity Alternative with Enhanced Income

SSI Convertible Investment Strategy is designed to capture broad equity market upside while establishing a soft floor that limits downside risk through its debt component. The Strategy is a diversified portfolio of convertible securities.

### Benefits

- Investment Team displays exemplary depth, continuity and capacity
- Participation in the appreciation of common stocks
- Less volatility than common stocks
- Typically higher current income than corresponding common stocks
- Debt component provides downside protection and the ability to collect interest and principal
- 1.13 up/down capture ratio vs. S&P 500 since inception<sup>1</sup>

### Securities Utilized

- Convertible bonds
- Convertible preferreds

### Return Expectation

- Participate in 70%-80% of the upside returns generated by the S&P 500
- Limit participation to 60%-70% of the downside returns generated by the S&P 500
- Outperform the ICE BofA ML All Convertibles Index (VXA0)

### Risk Controls

- Emphasize the convex zone
- Manage credit quality
- Manage duration
- Maintain diversification

### About SSI

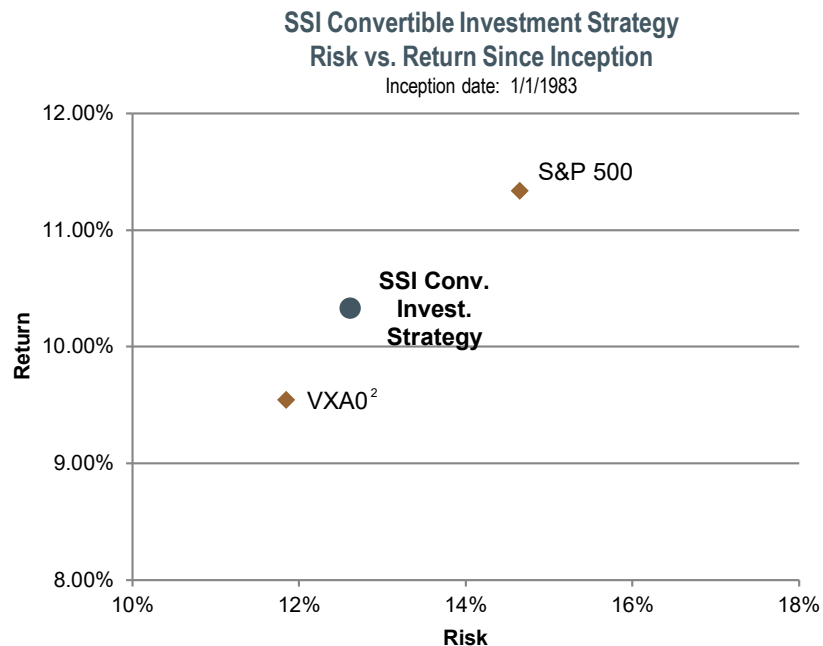
- Headquartered in Los Angeles, California
- Founded in 1973
- Registered Investment Advisor
- \$1.9 Billion AUM
- 35 Employees
- 13 Investment Professionals

## Developments

March was a mixed month for the financial markets as the S&P 500 rose 1.94%, while mid and small cap equity indices declined. Interest rates declined significantly as the Fed became more dovish and global economic data weakened. This resulted in a small inversion of the 3-month to 10-year US Treasury yield curve. Credit spreads were relatively steady and volatility moved lower.

Against this backdrop, SSI's Convertible Investment Strategy had a minimal decline, and slightly trailed the ICE BofA ML All US Convertible Index (VXA0). Unlike the equity market where they underperformed, small caps outperformed in the Convertible Market. Bond substitutes outperformed more equity sensitive convertibles. Industrials and Utilities were the best performing sectors in the portfolio, while Technology, the largest sector, had a slight decline. New issuance of \$5.5 Billion was healthy during March, continuing the positive trend from February. SSI's Convertible Investment Strategy had a strong first quarter, generating sizable gains and capturing a large portion of the equity market gains.

## Performance (Preliminary performance as of March 31, 2019)



	Annualized Performance						Annualized Since Inception (1/1/1983)
	MAR 2019	YTD 2019	1YR	3YRS	5YRS	10YRS	
<b>SSI Convertible Invest. Strategy (Gross)</b>	-0.07%	10.05%	6.51%	10.37%	7.26%	12.49%	10.33%
<b>SSI Convertible Invest. Strategy (Net)</b>	-0.11%	9.90%	5.93%	9.82%	6.74%	11.98%	9.88%
VXA0 Index <sup>2</sup>	0.00%	10.26%	7.84%	12.09%	7.13%	13.00%	9.54%

<sup>1</sup>Source: Zephyr StyleADVISOR. Based off of quarterly gross of fee returns (1/1983-3/2019). Net Up/Down capture ratio vs. S&P 500: 1.08  
<sup>2</sup>ICE BofA ML All Convertibles Index (VXA0)



**Ravi Malik, CFA**  
Portfolio Manager  
24 Yrs. Experience



**Michael Opre, CFA**  
Portfolio Manager  
31 Yrs. Experience



**Florian Eitner, CFA**  
Portfolio Manager  
22 Yrs. Experience



**Ethan Ganz**  
Portfolio Manager  
16 Yrs. Experience

### Investment Professionals

- Three senior Portfolio Managers with an average of 26 years of industry experience and 16 years of managing the strategy at SSI
- Nine investment professionals dedicated to convertible securities
- Six additional professionals with an average of 21 years of industry experience and 16 years at SSI

#### Compliance Statement

SSI Investment Management, Inc. ("SSI") claims compliance with the Global Investment Performance Standards (GIPS®).

#### Definition of the Firm

SSI was established in 1973 and is a Registered Investment Advisor based in Los Angeles, CA. SSI manages assets in domestic and global capital markets. SSI acquired the assets of Frolely, Revy Investment Co., Inc. ("Frolely Revy") and its composites as of March 1, 2009. SSI is 100% employee owned and is not affiliated with any parent organization nor does SSI have any subsidiaries. SSI applies quantitative disciplines and fundamental research in its management of alternative and traditional portfolios for institutional and high net-worth investors. SSI manages separate accounts, limited partnerships and acts as sub-advisor to mutual funds.

#### Policies

SSI's policies for valuing portfolios, calculating performance, and preparing compliant presentations is available upon request.

#### The Composite & Benchmark

The Convertible Investment Strategy (composite created January 1983) is invested in convertible bonds and convertible preferred stocks, and do not have credit quality restrictions. The Strategy may hold 144A securities. The composite contains fully discretionary accounts including those no longer with the firm. SSI believes a performance comparison versus the ICE BofA Merrill Lynch All Convertibles Index (the "VXA0") is appropriate. The VXA0 measures the return of all U.S. convertibles. SSI does not hold all convertibles in the VXA0 and may also hold convertibles that are not included in the VXA0. The Strategy is less diversified than the VXA0. The volatility of this strategy may be greater than the volatility of the VXA0 as the strategy holds a smaller number of positions than the Index. The return, if any, above the VXA0 is dependent upon SSI's discretionary management. Any other indices shown are not necessarily comparable to SSI's Convertible Investment Strategy. These are widely recognized market indices that are shown for informational purposes only. The composite name was formally known as SSI Outright Discretionary Convertible Strategy from 1/1/1983 – 3/31/2016 and on 4/1/2016 the new composite name became the SSI Convertible Investment Strategy.

#### Investment Management Fees

Returns are presented gross and net of management fee. Actual results of an individual account may be materially different from the performance shown herein because of differences in inception date, transaction and related costs, restrictions, fees and other factors. All performance is based in U.S. dollars and reflect, on a percentage basis for each of the periods indicated: (a) the net increase (decrease) of all SSI Convertible Investment Strategy portfolios, dollar-weighted, including adjustments for unrealized gains and losses, the reinvestment of dividends and other earnings, the deduction of investment costs except any separate custodial or related fees, time-weighted to adjust for additions and withdrawals, and (b) the net increase (decrease) of the VXA0.

Net performance is reduced by SSI's actual investment management fees. Gross performance does not include deduction of SSI's investment management fees.

If performance is gross of management fees, client's actual return will be reduced by the management fees and any other expenses which may be incurred in the management of an investment advisory account. See SSI's Form ADV, Part 2A for a complete description of the investment advisory fees customarily charged by SSI. As an example, an account with an initial \$1,000,000 investment on January 1, 2003, earning a recurring 5% semi-annual gross return (10.25% annualized), and paying a .5% semi-annual management fee (1% annual fee) would have grown to \$1,340,096 on a gross of fees basis and \$1,300,392 on a net of fees basis by December 31, 2005 (3 years).

#### List of Composites

A list of the Firm's composite descriptions and/or compliant presentations are available upon request. Please contact [juliea@ssi-invest.com](mailto:juliea@ssi-invest.com).

#### Additional Disclosure

When representative portfolio information is shown the representative portfolio is selected by comparing any one (but not limited to) the following criteria: most in line with composite investment objectives /consistency of investment strategy, investment restrictions, fee structure, time frame managed, type of client, size of account.

SSI acquired Frolely Revy and its composites as of March 1, 2009. Prior to the acquisition, Frolely Revy claimed GIPS compliance for the periods of 1983-2008 and was independently verified by Ashland Partners & Co.

Investors must assess the suitability of any particular investment opportunity and carry out any due diligence that they require in relation to the strategy or investments or individual holdings of the strategies that SSI manages. In doing this, investors should seek separate advice. It should not be assumed that recommendations made will be profitable and any investment is at risk of loss. This summary represents the views of the portfolio managers as of the date noted at the beginning of this document. Any holdings mentioned in the accompanying summary are from its stated strategy. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities. The information in this article is not intended to be personalized recommendations to buy, hold or sell investments. The information, statements, views and opinions included in this article are based on sources (both internal and external sources) considered to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. Such information, statements, views and opinions are expressed as of the date of this article, are subject to change without further notice and do not constitute a solicitation for the purchase or sale of any investment referenced in the article.

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