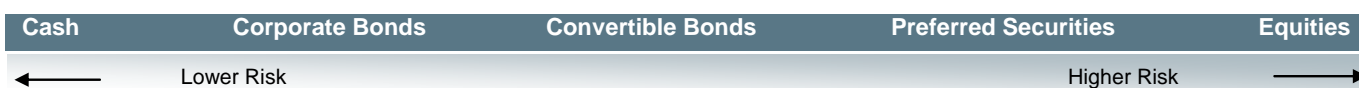


## From Equities to Convertibles



### Equity Investing

**Definition:** A type of security that signifies an ownership position in a corporation and represents a claim on its proportional share in the corporation's assets and earnings.

**Investment Goals:** Growth

**Moderate to High Risk:** Equities are generally considered riskier than both bonds and cash

**Benefits:**

- Historical returns have been higher than bonds
- Equities perform best when economy is growing
- Equities perform better when inflation is low to moderate

**Costs:**

- 100% of underlying stock depreciation potential
- Individual company risk, political risk and greater market risk
- Rising inflation diminishes future cash flows of Equities

### Outright Convertible Investing

**Definition:** A bond that can be exchanged for a predetermined amount of the company's equity. Essentially, a convertible has a value-added component built into it— a stock option hidden inside. Like any other corporate bond, convertibles promise to repay principal and pay a fixed return. Convertibles have the added benefit of unlimited potential gain.

**Investment Goals:** Growth plus Income

**Moderate Risk:** Fixed-income component offsets risk of declining equity prices

**Benefits:**

- Promise to repay principal
- Historically captures 2/3 of stock appreciation
- Coupon payment provides income stream of a bond

**Costs:**

- In down markets, may capture 1/3 of stock depreciation
- Exposure to some credit risks

### Hedged Convertible Investing

**Definition:** An investment strategy that holds a long position in a convertible security and a short position in the underlying common stock.

**Investment Goals:** Income Plus

**Low to Moderate Risk:** Short position acts as hedge to mitigate equity risk

**Benefits:**

- Ability to produce positive returns in both advancing and declining market scenarios
- Predictable and consistent source of income
- Benefits from rising inflation

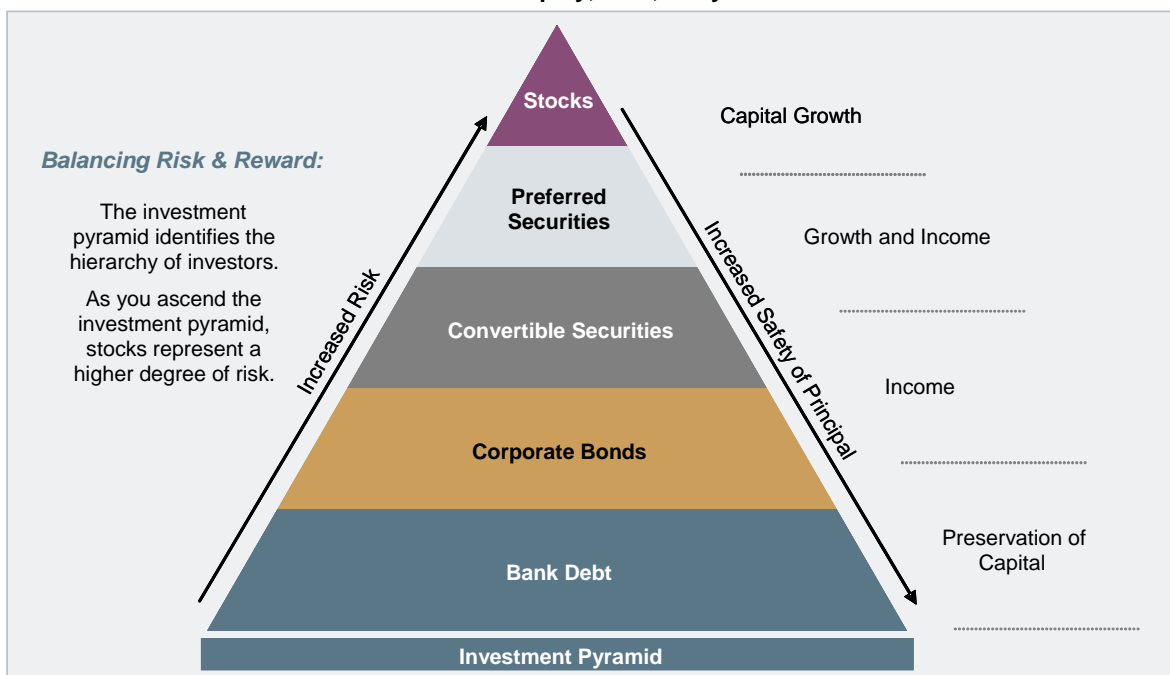
**Costs:**

- Captures only some equity market appreciation
- Exposure to some credit risks

# From Equities to Convertibles

## Understanding a Company's Capital Structure

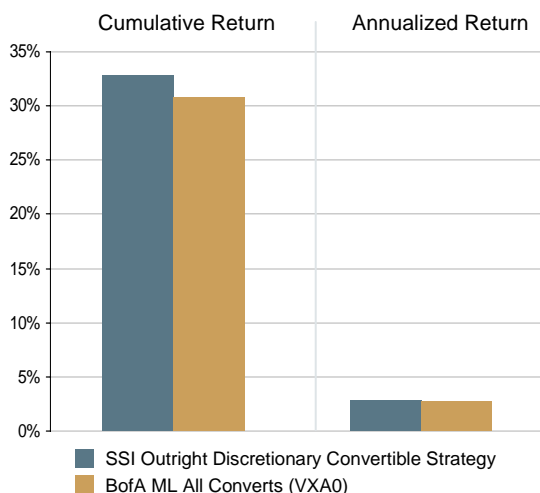
A company's capital structure refers to the way a corporation finances its assets through some combination of equity, debt, or hybrid securities.



## Performance

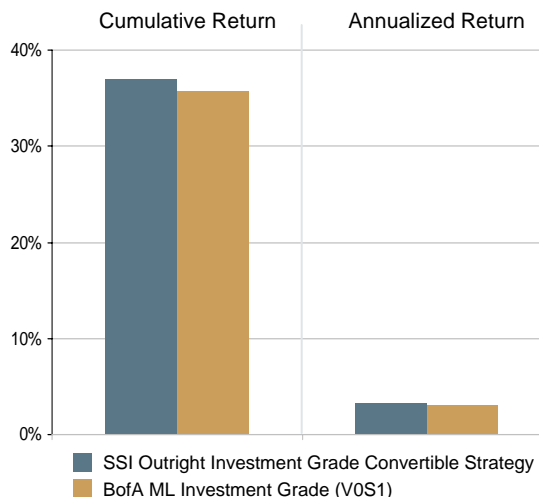
**SSI's Outright Discretionary Convertible Strategy**  
Ten Years Trailing (as of July 31, 2010)

	Cumulative Return	Annualized Return
<b>Total SSI Gain (Net):</b>	<b>32.80%</b>	<b>2.88%</b>
BofA ML All Converts (VXA0)	30.77%	2.72%
<b>SSI Value Added (Alpha):</b>	<b>2.03%</b>	<b>0.16%</b>



**SSI's Outright Investment Grade Convertible Strategy**  
Ten Years Trailing (as of July 31, 2010)

	Cumulative Return	Annualized Return
<b>Total SSI Gain (Net):</b>	<b>37.03%</b>	<b>3.20%</b>
BofA ML Inv Grade (V0S1)	35.78%	3.11%
<b>SSI Value Added (Alpha):</b>	<b>1.25%</b>	<b>0.09%</b>



Please see disclosure on final page for further information.



## From Equities to Convertibles

### About SSI

Founded in Los Angeles, California in 1973, SSI Investment Management Inc. is a Registered Investment Advisor specializing in alpha generating investment strategies. SSI is recognized as an innovator in the development of fundamental and quantitative, multifactor stock selection models and one of the first investment firms to combine quantitative and fundamental analysis in the investment process. SSI considers itself to be the pioneer of market-neutral investing, having managed market-neutral portfolios for over 35 years.

In early 2009, SSI acquired the fully resourced Investment Team of Frole, Revy Investment Co., Inc. (Frole, Revy) to meet ongoing demand for alpha-generating investment products. SSI has an extensive track record in convertible investing dating back to 1975; this represents one of the most successful and longest continuous outright convertible track records.

SSI is 100% employee-owned and many of the professionals who were instrumental in the founding and subsequent growth of SSI are still active in its management today. SSI manages investments for private funds, pensions, profit sharing plans, corporations, and family offices utilizing separate accounts in addition to institutional commingled vehicles.

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Beverly Hills, CA 90210

### Performance Disclosure

SSI Investment Management, Inc. acquired the assets of Frole Revy Investment Co., Inc and its composites as of March 1st, 2009. SSI is not and does not claim to be GIPS compliant. However, from January 1, 1983 through December 31, 2008, Frole, Revy claimed GIPS compliance and was verified by Ashland Partners & Company, LLP.

The Outright Discretionary Convertible strategy is invested in convertible bonds and convertible preferred stocks, and do not have credit quality restrictions. This composite was created in January 1983. The composite contains fully discretionary accounts including those no longer with the firm. SSI believes a performance comparison versus the Merrill Lynch All Convertibles (VXA0) index is appropriate. However, the volatility of this strategy is expected to be greater than the volatility of the Merrill Lynch All Convertibles index as the strategy holds a smaller number of positions as the index. The return, if any, above the Merrill Lynch All Convertibles index is dependent upon SSI's discretionary management. The other indices shown, if any, are not necessarily comparable to SSI's strategy. These are widely recognized market indices that are shown for informational purposes only.

The Outright Investment Grade strategy is invested in investment grade convertible securities. This composite was created in January 1999. The composite contains fully discretionary accounts including those no longer with the firm. The composite did not include investment grade convertible preferred shares prior January 1, 2010. Effective January 1, 2010, the composite may include accounts invested in investment grade convertible preferred shares up to generally 20% of the portfolio. SSI believes a performance comparison versus the Merrill Lynch Investment Grade Convertible Bonds (V0S1) index is appropriate. However, the volatility of this strategy is expected to be greater than the volatility of the Merrill Lynch Investment Grade Convertible Bonds index as the strategy holds a smaller number of positions as the index and may include investment grade convertible preferred securities. The return, if any, above the Merrill Lynch Investment Grade Convertible Bonds index is dependent upon SSI's discretionary management. The other indices shown, if any, are not necessarily comparable to SSI's strategy. These are widely recognized market indices that are shown for informational purposes only.

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. The annual composite dispersion presented is an asset-weighted standard deviation calculated for accounts in the composite the entire year.

All returns are based in U.S. dollars and reflect, on a percentage basis for each of the periods indicated: (a) the net increase (decrease) of all Outright Discretionary Convertible portfolios, dollar-weighted, including adjustments for unrealized gains and losses, the reinvestment of dividends and other earnings, the deduction of costs, except for any separate custodial fees, time-weighted to adjust for additions and withdrawals.

THIS MATERIAL IS INTENDED ONLY FOR QUALIFIED INVESTORS. IT DOES NOT CONSTITUTE AN OFFER TO PURCHASE AN INTEREST IN ANY PRIVATELY OFFERED FUND MANAGED BY SSI. SSI INVESTMENT MANAGEMENT INC. BELIEVES THAT RESULTS WERE GENERATED WITH AN INVESTMENT PHILOSOPHY AND METHODOLOGY SIMILAR TO THAT DESCRIBED HEREIN. FURTHERMORE, THE PERFORMANCE DISCUSSED HEREIN REFLECTS INVESTMENT OF LIMITED FUNDS FOR A LIMITED PERIOD OF TIME AND DOES NOT REFLECT PERFORMANCE IN DIFFERENT ECONOMIC OR MARKET CYCLES. FUTURE INVESTMENTS, HOWEVER, WILL BE MADE UNDER DIFFERENT ECONOMIC CONDITIONS, IN DIFFERENT SECURITIES AND USING DIFFERENT INVESTMENT STRATEGIES. IT SHOULD NOT BE ASSUMED THAT FUTURE INVESTORS WILL EXPERIENCE RETURNS, IF ANY, COMPARABLE TO THOSE DISCLOSED HEREIN. THE INFORMATION GIVEN IS HISTORIC AND SHOULD NOT BE TAKEN AS ANY INDICATION OF FUTURE PERFORMANCE. THE PERFORMANCE DATA WAS PREPARED BY SSI INVESTMENT MANAGEMENT INC. AND WAS NOT COMPILED, REVIEWED OR AUDITED BY AN INDEPENDENT ACCOUNTANT. ANY INVESTMENT IS SUBJECT TO RISK OF LOSS. THE USE OF LEVERAGE INCREASES THE INVESTMENT GAIN OR LOSS IN DIRECT PROPORTION TO THE DEGREE OF LEVERAGE USED.