June 2009

Convertible Arbitrage Investment Opportunity

Q & A with Alex Volz, Co-Portfolio Manager, Convertible Arbitrage Strategies

Highlights

Performance Leader:

Top performer in 2008 despite difficult market environment

Off to a Good Start in 2009:

Above trend performance for SSI's Convertible Arbitrage products for the first 5 months of the year

New Issuance Strong in 2009:

Profiting from New Issuance; A key indicator of improving market conditions

Positioning and Outlook:

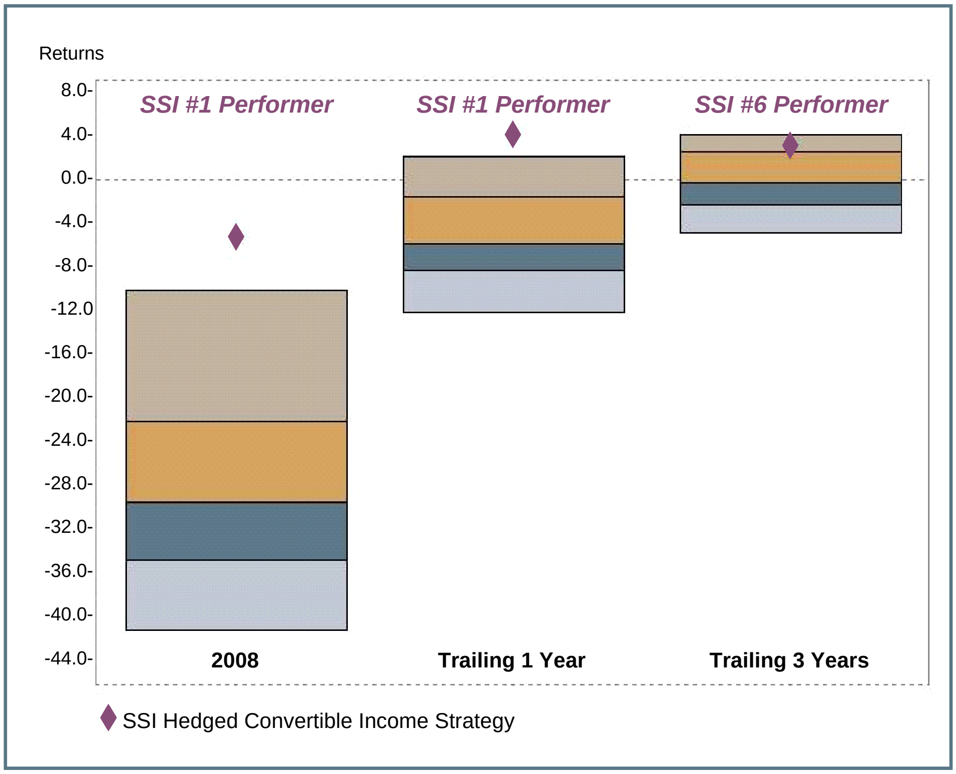
Convertible securities continue to look attractive

Performance Leader

SSI Outperforms Competition

SSI vs. eVestment Alliance

Convertible Universe of 30 Convertible Products



Source: eVestment Alliance *As of March 31, 2009*

Q. SSI's unlevered Convertible Arbitrage strategy outperformed its peer group in 2008. How did SSI accomplish this despite a difficult market environment?

A. SSI achieved this performance by managing the cycle. We started to raise cash in our convertible arbitrage funds in June 2008. Our cash position in the unlevered fund peaked at around 60% in late October. Having significant cash positioned us well for when the market began to stabilize towards the end of the 4th quarter. We were then able to deploy our capital reserves when the market was most deeply undervalued.

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Q. Convertible Arbitrage strategies have outperformed for the first 5 months of 2009. What contributed to this outperformance?

A. The convertible market has made a strong rebound from the depths of 2008. The asset class was hit hard by a confluence of events during the second half of last year. The Lehman Brothers bankruptcy, government bailouts of AIG, Fannie and Freddie, a temporary ban on short selling of financial shares, fund redemptions and forced deleveraging all led to severe valuation contractions in the convertible market.

We began 2009 with the average mid-cap issuer trading 15% to 20% cheap to theoretical value. The convertible universe as a whole had an average yield-to-best of 13%. To put these numbers in perspective, mid-cap issuers have typically traded closer to 2 to 4% cheap over the past several years, while the yield-to-best on the universe has averaged around 5.3% since 2003. As the distressed selling from last year eased and the credit markets began to recover, a mix of traditional convertible, high yield and equity investors all began to take advantage of the extraordinary values in the convertible market.

Q. How important is New Issuance to Convertible Arbitrage strategies?

A. New issuance is very important to the convertible market.

The new issue calendar was brought to a standstill following the Lehman bankruptcy last year. The calendar resumed towards the end of Q1 2009, when 11 deals worth $3.2 billion came to market. The pace of new issuance continues to improve, with 9 issues worth $3.6 billion in April and 20 deals worth $5.9 billion issued in May. Almost all of these deals were oversubscribed by buyers and traded higher in the secondary market.

This is an indicator that we are returning to more normal market conditions for the convertible market.

Pictured above is Alex Volz, Co-Portfolio Manager, Convertible Arbitrage Strategies.

SSI's Hedged Convertible Investment Strategy

SSI's Hedged Convertible Market-Neutral strategy seeks absolute returns significantly greater than prevailing short-term interest rates, with moderate volatility and minimal correlation to major capital markets. Utilizing both quantitative and fundamental analysis to determine the best portfolio candidates, SSI's portfolio team constructs a diversified portfolio of convertible bonds and preferred stocks that have been evaluated on relative valuation and risk attributes. The portfolio is hedged at the position level through the short-sale of the underlying common stock. Treasury bond futures and credit default swaps may be utilized on a tactical basis for risk management. The Firm's proprietary models offer proven, systematic and low volatility portfolios for its institutional clients.

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Q. What is your positioning and outlook for the Convertible Market?

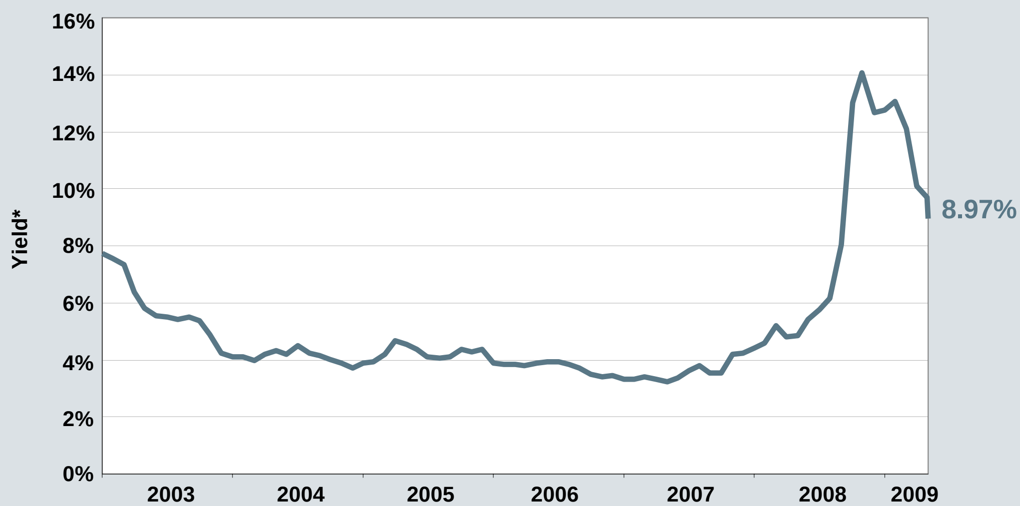
A. We are very bullish on the outlook for convertible arbitrage for the second half of 2009 for several reasons.

Convertibles continue to offer attractive yields, with a weighted yield-to-best of 8.97% for the universe at the end of May. They are also trading at cheap levels relative to their theoretical value, with an average discount of 5 to 8% for convertibles of mid-cap issuers. Furthermore, we believe that credit spreads still have room to tighten. High yield spreads peaked late last year at almost 2200 over, and have been contracting since. Although they have narrowed to around 1200 over (as of mid-June), this is still about 600 wider than their 10 year average.

The current mix of buyers/holders of convertible securities is another positive factor for the asset class. Ownership profiles of convertibles have changed dramatically from dominance by hedge funds to dominance by institutional outright investors (confirmed by 13F filings). The structural risk characteristics of the convertible market have changed accordingly, as outright investors tend to stay fully invested.

Yield-to-Best Index Average U.S. Convertible Universe

as of May 31, 2009



*Yield: highest of yield-to-put, yield-to-maturity or current yield

Q. How long do you expect the recent positive trends to continue in the Convertible Market?

A. While investors remain divided as to whether the market is in recovery, Convertibles continue to display attractive risk/return profiles.

Given the extreme oversold conditions coming out of last year, the changing mix of investors in the convertible market and considering the current stage of the economic cycle, we believe the positive trends could continue, at least, through next year.

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About SSI

SSI Investment Management is a Registered Investment Advisor specializing in the creation of alpha-generating investment solutions for clients. Founded in 1973, SSI is recognized as an innovator in systematic investment strategies and the integration of a disciplined quantitative process with fundamental analysis. SSI's expertise in Market-Neutral strategies and short selling has been honed by the Firm's 36 years of experience. The Firm has 37 employees, including 17 investment professionals. SSI's Senior Investment Team has worked together for more than 15 years with no turnover. Based in Los Angeles, California, SSI is 100% employee-owned.

Recognizing ongoing client demand for alpha-generating investment products, SSI, in early 2009, acquired the prestigious Froley Revy Investment Group. Froley Revy was founded in 1975 and has built one of the most successful records in the management of both investment grade and non-investment grade convertibles. The Long Convertible Team is comprised of 6 Investment professionals. The Senior Members of the SSI and members of Froley Revy Teams are stakeholders in SSI Investment Management. SSI and Froley Revy investment teams will benefit from the combined credit and equity research capabilities of the two firms.

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Performance Disclosure

Hedged Convertible Performance Disclosure:

The SSI Hedged Convertible Market-Neutral strategy uses both long and short positions to attempt to achieve an absolute return. The composite contains fully discretionary accounts including those no longer with the firm. With interest rebates on short sales and coupon interest on convertible bonds comprising a consistent and important component of the return of the Hedged Convertible Market-Neutral strategy, SSI believes a performance comparison versus 90-Day Treasury bills is appropriate. However, the volatility of this strategy is expected to be greater then the volatility of the 90-Day Treasury Bill due to the inclusion of convertible and equity positions. The return, if any, above 90-Day Treasury bills is dependent upon higher interest income available in the convertible market and 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. 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 unlevered Hedged Convertible Market-Neutral portfolios, dollar-weighted, including adjustments for unrealized gains and losses, the reinvestment of dividends and other earnings, the deduction of costs, except for SSI's management fee, time-weighted to adjust for additions and withdrawals.

A client's actual return will be reduced by the advisory fees and any other expenses which may be incurred in the management of an investment advisory account. See SSI's Form ADV, Part II 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).

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