

# Convertible Investment Strategy

Inception: January 1, 1983



## Non-Core Fixed Income/Low Vol Equity

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

### Benefits

- Depth and continuity of the Investment Team
- 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 All Convertibles Index (VXA0)

### Risk Controls

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

### About SSI

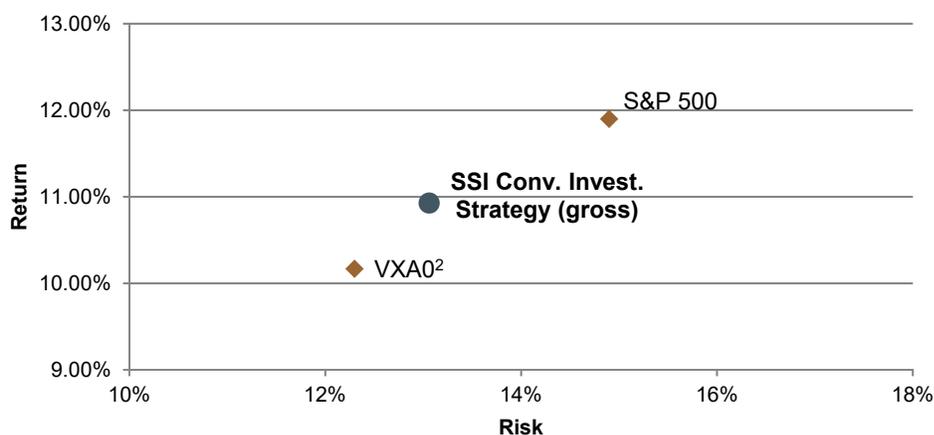
- Headquartered in Los Angeles, California
- Founded in 1973
- Registered Investment Advisor
- \$2.5 Billion AUM
- 30 Employees
- 12 Investment Professionals

## Developments

Equity markets rebounded in March, with the S&P 500 posting a gain of 3.71%. Although elevated inflation, an increasingly hawkish Fed and the Russian invasion of Ukraine continue to concern investors, much uncertainty was priced into equities when the markets corrected earlier in the quarter. Commodity prices rose early in the month, with Brent Crude oil spiking to over \$130/barrel before pulling back to finish the quarter at \$108. Volatility also declined from elevated levels, as the VIX index finished the month down almost 10 points to 20.6. With the Fed raising rates and becoming more hawkish during the month, the yield on the 2 -Year US Treasury jumped 0.87% to 2.32% and the 10-Year rose 0.50% to 2.33%. This resulted in a decline of 2.78% in the Bloomberg U.S. Aggregate Bond Index.

Against this mixed backdrop, SSI's Convertible Investment Strategy generated a gain of approximately 1.47% (gross of fee) and outperformed the ICE BofA All US Convertible Index (VXA0), which rose 1.20%. Gains in the Convertible Market were widespread, with nine of the twelve sectors posting positive results. The portfolio was helped by an overweight in Materials and Energy, the two best performing sectors in the Convertible Market, while an underweight in Utilities detracted from relative returns. The Strategy continues to be significantly overweight balanced convertibles, which offer an attractive risk / return profile. March new issuance was \$2.2 Billion, which brings the year-to-date total to \$5.9 Billion.

**SSI Convertible Investment Strategy**  
Risk vs. Return Since Inception (1/1/1983)



	Preliminary Performance as of 3/31/2022		Annualized Performance				
	MAR 2022	YTD 2022	1YR	3YRS	5YRS	10YRS	Annualized SI (1/1/1983)
	%	%	%	%	%	%	%
Convertible Invest. (Gross)	1.47	-5.53	-3.99	18.40	14.43	11.91	10.93
Convertible Invest. (Net)	1.43	-5.65	-4.49	17.75	13.81	11.36	10.47
VXA0 Index <sup>2</sup>	1.20	-5.41	-2.21	18.00	14.39	12.16	10.17

<sup>1</sup> Source: SSI internal research. Based off of quarterly gross of fee returns (1/1/1983-3/31/2022). Net Up/Down capture ratio vs. S&P 500: 1.13

<sup>2</sup> ICE BofA All Convertibles Index (VXA0)



Ravi Malik, CFA  
Portfolio Manager  
28 Yrs. Experience



Florian Eitner, CFA  
Portfolio Manager  
25 Yrs. Experience



Michael Opre, CFA  
Portfolio Manager  
34 Yrs. Experience



Steve Wachtel, CFA  
Portfolio Manager  
22 Yrs. Experience

## Investment Professionals

- Four Portfolio Managers on the Convertible Investment Strategy team with an average of 27 years of industry experience and 21 years of managing the Strategy at SSI
- 12 Investment professionals who have been with SSI for an average of 19 years
- 25 Years average experience for investment professionals

### Compliance Statement

SSI Investment Management LLC ("SSI") claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

### 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 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, a limited partnership, and acts as sub-advisor to mutual funds and an ETF. Effective June 1, 2019, Resolute Investment Managers, Inc. has a majority interest in SSI, however, SSI continues to operate independently. SSI does not have any subsidiaries. SSI acquired the assets of Froy, Revy Investment Co., Inc. ("Froy, Revy") and its composites as of March 1, 2009.

### Policies

SSI's policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request.

### The Composite & Benchmark (Description & Material Risks)

The Convertible Investment Strategy (composite inception date January 1, 1983; composite created January 1983) invests 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 All Convertibles Index (the "VXA0") is appropriate (as of January 1, 2005). 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. Prior to 2005 the Credit Suisse First Boston ("CSFB") Convertible Bond Index was used. As of December 31, 2004, CSFB discontinued their index and the VXA0 was used. 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.

### Use of Leverage, Derivatives, and Shorts

The strategy may invest in synthetic convertible bonds and convertible preferred securities. Synthetic convertible securities are generally issued through an investment bank and may provide exposure to the credit of the bank while being linked to the equity upside of an entity we select, that is generally not connected with the bank. The synthetic convertible securities we employ do not generally involve the use of leverage and generally do not provide leveraged exposure.

### 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, investment guideline 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, asset-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, limited distribution pooled funds (LDPFs) and/or GIPS reports are available upon request. Please contact helenm@ssi-invest.com.

### Additional Disclosure

- Benchmark - 1/1/2005 to present: ICE BofA All US Convertible Bond Index (VXA0). Prior to 2005 the Credit Suisse First Boston ("CSFB") Convertible Bond Index was used as CSFB discontinued their index 12/31/2004.
- SSI operated under the name of SSI Investment Management, Inc. (1/1/1973-4/30/2019) and as of 5/1/2019 operates as SSI Investment Management LLC.
- 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.
- Performance prior to January 1, 2000 does not comply with the GIPS standards.
- SSI acquired Froy, Revy and its composites as of March 1, 2009. Prior to the acquisition, Froy, Revy claimed GIPS compliance for the periods of 1983-2008 and was independently verified by Ashland Partners.

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. Changes in any assumptions may have a material impact on the results. Due to various risks and uncertainties, actual events or projected results may differ materially from those reflected in the document.

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 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 AND WAS NOT COMPILED, REVIEWED OR AUDITED BY AN INDEPENDENT ACCOUNTANT. BEING REGISTERED AS A REGISTERED INVESTMENT ADVISOR DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING. ANY INVESTMENT IS SUBJECT TO RISK OF LOSS. ANY USE OF LEVERAGE INCREASES THE INVESTMENT GAIN OR LOSS IN DIRECT PROPORTION TO THE DEGREE OF LEVERAGE USED.

# Investment Grade Convertible Strategy

Inception: January 1, 1999



## Investment Grade Non-Core Fixed Income

SSI Investment Grade Convertible Strategy is a diversified portfolio of Investment Grade and near Investment Grade convertible securities, seeking enhanced income and equity upside participation while establishing a soft floor that limits downside risk through its debt component.

### Benefits

- Depth and continuity of the Investment Team
- Participation in the appreciation of common stocks
- Less volatility than common stock
- Higher quality bonds less susceptible to economic downturns
- Debt component provides downside protection and the ability to collect interest and principal
- 1.78 up/down capture ratio vs S&P 500 since inception date<sup>1</sup>

### Strategy Description

- Diversified portfolio of higher quality convertible securities

### Securities Utilized

- Investment Grade and near Investment Grade convertible securities

### Return Expectation

- Participate in 60% - 70% of the upside returns generated by the S&P 500
- Limit participation to 50% - 60% of the downside returns generated by the S&P 500
- Outperform the ICE BofA Investment Grade Convertible Bond Index (VOS1)<sup>2</sup>

### About SSI

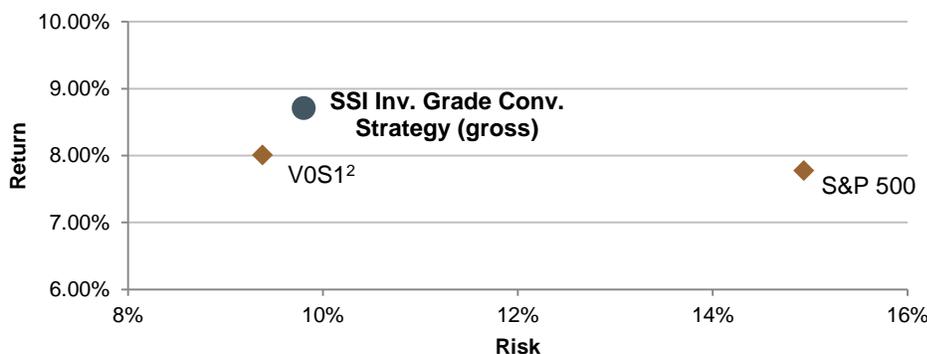
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- Founded in 1973
- Registered Investment Advisor
- \$2.5 Billion AUM
- 30 Employees
- 12 Investment Professionals

## Developments

Equity markets rebounded in March, with the S&P 500 posting a gain of 3.71%. Although elevated inflation, an increasingly hawkish Fed and the Russian invasion of Ukraine continue to concern investors, much uncertainty was priced into equities when the markets corrected earlier in the quarter. Commodity prices rose early in the month, with Brent Crude oil spiking to over \$130/barrel before pulling back to finish the quarter at \$108. Volatility also declined from elevated levels, as the VIX index finished the month down almost 10 points to 20.6. With the Fed raising rates and becoming more hawkish during the month, the yield on the 2 -Year US Treasury jumped 0.87% to 2.32% and the 10-Year rose 0.50% to 2.33%. This resulted in a decline of 2.78% in the Bloomberg U.S. Aggregate Bond Index.

Against this mixed backdrop, SSI's Investment Grade Convertible Strategy generated a gain of approximately 2.17% (gross of fee), outperforming the ICE BofA Investment Grade US Convertible Bond ex-Mandatory & Preferred Index (VOS1), which rose 2.07%. The best performing sectors in the portfolio were Media and Healthcare, while Consumer Staples and Consumer Discretionary were the weakest. The Strategy continues to be significantly overweight balanced convertibles, which offer an attractive risk / return profile. March new issuance was \$2.2 Billion, which brings the year-to-date total to \$5.9 Billion.

**SSI Investment Grade Convertible Strategy**  
Risk vs. Return Since Inception (1/1/1999)



Preliminary Performance as of 3/31/2022

	Annualized Performance						
	MAR 2022	YTD 2022	1 YR	3YRS	5YRS	10YRS	Annualized SI (1/1/1999)
	%	%	%	%	%	%	%
<b>Investment Grade Conv. (Gross)</b>	<b>2.17</b>	<b>4.18</b>	<b>4.45</b>	<b>13.98</b>	<b>13.68</b>	<b>13.09</b>	<b>8.71</b>
<b>Investment Grade Conv. (Net)</b>	<b>2.10</b>	<b>3.98</b>	<b>3.66</b>	<b>13.12</b>	<b>12.80</b>	<b>12.12</b>	<b>7.99</b>
VOS1 Index <sup>2</sup>	2.07	6.46	4.25	11.07	11.94	12.50	8.01

<sup>1</sup>Source: SSI internal research. Based off of quarterly gross of fee returns (1/1/1999-3/31/2022). Net Up/Down capture ratio vs. S&P 500: 1.78  
<sup>2</sup>ICE BofA Investment Grade US Convertible Bond ex-Mandatory & Preferred Index (VOS1).



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



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



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Portfolio Manager  
34 Yrs. Experience



**Steve Wachtel, CFA**  
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22 Yrs. Experience

## Investment Professionals

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### Policies

SSI's policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request.

### The Composite & Benchmark (Description & Material Risks)

The SSI Investment Grade Convertible Strategy (composite inception date January 1, 1999; composite created September 1, 2013) was created when SSI modified its Investment Grade composite by adding two more Investment Grade composites to properly address the clients varying investment guidelines. Accounts are now in a composite that reflects their investment guidelines. The SSI Investment Grade Convertible Strategy invests in investment grade and up to 25% non-investment grade convertible securities, and may include 144A securities. The composite contains fully discretionary accounts including those no longer with the firm. The composite may include accounts invested in investment grade convertible preferred shares up to generally 25% of the portfolio. SSI believes a performance comparison versus the ICE BofA Investment Grade US Convertible Bond ex-Mandatory & Preferred Index ("V0S1") is appropriate. The V0S1 measures all Investment Grade US Convertible bonds (as stated by ICE BofA). SSI may not hold all convertibles in the V0S1 and may also hold convertibles that are not included in the V0S1. The Strategy may be less diversified than the V0S1. The volatility of this strategy may be greater than the volatility of the V0S1 as the strategy may hold a smaller number of positions than the Index, may include investment grade convertible preferred securities, and non-investment grade convertible securities. The return, if any, above the V0S1 is dependent upon SSI's discretionary management. Any other indices shown are not necessarily comparable to SSI's Investment Grade Convertible Strategy. These are widely recognized market indices that are shown for informational purposes only. The composite name was formally known as SSI Outright Investment Grade Convertible Strategy from 1/1/1999 – 3/31/2016 and on 4/1/2016 the new composite name became the SSI Investment Grade Convertible Strategy.

### Use of Leverage, Derivatives, and Shorts

The strategy may invest in synthetic convertible bonds and convertible preferred securities. Synthetic convertible securities are generally issued through an investment bank and may provide exposure to the credit of the bank while being linked to the equity upside of an entity we select, that is generally not connected with the bank. The synthetic convertible securities we employ do not generally involve the use of leverage and generally do not provide leveraged exposure.

### Investment Management Fees

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Net performance for fee paying portfolios is reduced by SSI's actual investment management fees and non-fee paying portfolios are reduced by a 1% annual model fee (2015-2020). Model fees are deducted on a monthly basis. 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).

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- Performance prior to January 1, 2000 does not comply with the GIPS standards.
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