

## Strategy Update

# Investment Grade Convertible Strategy

Inception: January 1, 1999

## Strategy Performance<sup>1</sup>

|                                | Annualized Performance |          |       |        |        |         |                 |
|--------------------------------|------------------------|----------|-------|--------|--------|---------|-----------------|
|                                | NOV 2022               | YTD 2022 |       |        |        |         | Since Inception |
|                                | %                      | %        | 1YR % | 3YRS % | 5YRS % | 10YRS % | (1/1/1999) %    |
| SSI Inv. Grade Convertible (G) | 1.41                   | -0.98    | 2.45  | 9.62   | 8.82   | 12.38   | 8.22            |
| SSI Inv. Grade Convertible (N) | 1.35                   | -1.67    | 1.67  | 8.80   | 7.98   | 11.43   | 7.51            |
| V0S1 Index <sup>2</sup>        | 0.83                   | 4.12     | 7.41  | 7.37   | 8.08   | 12.13   | 7.68            |

## 3 Years: US Risk-Adjusted Metrics<sup>3</sup>

|   | Annualized Return (%) | Sharpe Ratio <sup>4</sup> | Sortino Ratio <sup>4</sup> |
|---|-----------------------|---------------------------|----------------------------|
| SSI Investment Grade Convertible Strategy (G) | 9.62                  | 0.53                      | 0.80                       |
| SSI Investment Grade Convertible Strategy (N) | 8.80                  | 0.48                      | 0.72                       |
| ICE BofA US High Yield Index                  | 0.71                  | 0.01                      | 0.01                       |
| Bloomberg US Aggregate Bond Index             | -2.59                 | -0.55                     | -0.67                      |
| S&P 500 Low Volatility Index                  | 6.72                  | 0.35                      | 0.50                       |

## Market Update

November was the second consecutive strong month for equities, as the S&P 500 rose 5.59%. The more favorable environment was driven by a weaker than expected CPI report and signals from the Fed that they would slow the pace of rate hikes. Interest rates moved lower, as the yield on 10-Year US Treasuries declined 44 basis points to 3.61%. After underperforming for most of the year, international stocks generated significantly larger gains than domestic. Within the convertible market, Utilities and Consumer Discretionary generated the largest gains, while Telecom and Industrials were the only sectors to post declines.

SSI's Investment Grade Convertible Strategy posted a gain of 1.41% (gross of fee) / 1.35% (net of fee), outperforming the ICE BofA Investment Grade US Convertible Bond ex-Mandatory & Preferred Index (V0S1), which rose 0.83%. Returns relative to the index were helped by strength in some of the differentiated positions. The Strategy continues to hold bonds from a wide range of economic sectors and is significantly overweight balanced convertibles, which offer an attractive risk / return profile. With many bonds trading near par, the convertible asset class continues to offer an attractive combination of upside participation and the potential for downside protection. New issuance during November improved to \$3.3 Billion, which brings the year-to-date total to \$24.7 Billion.

<sup>1</sup>Preliminary performance as of November 30, 2022

<sup>2</sup>ICE BofA Investment Grade US Convertible Bond ex-Mandatory & Preferred Index (V0S1)

<sup>3</sup>Source: eVestment, data as of November 30, 2022

<sup>4</sup>Sharpe and Sortino Ratio compared against FTSE 3-Month Treasury Bill

Note: Benchmark information in addition to the V0S1 is supplemental to SSI's GIPS reports

## Investment Grade Fixed Income Alternative

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

- Long Tenure of Investment Team provides confidence in repeatability
- Low Duration coupled with enhanced yield
- Uncapped total return potential
- Issuer diversification, and minimal correlation to Core Fixed Income
- Actively manage risk/reward profile with emphasis on convexity
- Liquid asset class
- Participation in the appreciation of common stocks
- Typically higher current income than underlying common stocks

## Strategy Description

- Diversified portfolio of higher quality convertible securities

## Securities Utilized

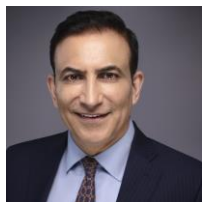
- Investment Grade and near Investment Grade convertible securities

## Risk Controls

- Convexity provides downside protection
- Actively manage credit quality
- Actively manage duration
- Maintain sector diversification

## About SSI

- Headquartered in Los Angeles, CA
- Founded in 1973
- Registered Investment Advisor
- \$2.2 Billion AUM
- 30 Employees
- 11 Investment Professionals



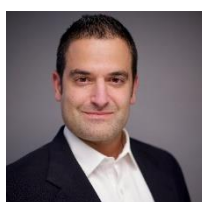
**Ravi Malik, CFA**  
Portfolio Manager  
28 Yrs. Experience



**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

- Convertible asset class thought leaders delivering customizable portfolio solutions
- 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
- Deep bench of investment professionals who focus on the Convertible asset class

### 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 Froyley, Revy Investment Co., Inc. ("Froyley, 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 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

Returns are presented gross and/or 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 Investment Grade Convertible 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 V0S1.

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, 2022, 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, 2024 (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](mailto:helenm@ssi-invest.com).

### Additional Disclosure

- 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 Froyley, Revy and its composites as of March 1, 2009. Prior to the acquisition, Froyley, 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.

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