

# SSI Market Flash Report (as of 1/31/2021)

## Convertible Market Update

**Performance Attribution:** The U.S. Convertible bond market, as measured by the VXA0, delivered a January 2021 return of 3.03%. The returns were led by cyclical exposure in Energy, recovery names in Consumer Discretionary, and growth-oriented exposure from Healthcare. 3 of 12 sectors produced negative returns.

**Issuance:** 2021 US Convertible issuance kicked off with a healthy January total of approximately \$7.5bn on 15 deals. This month's total was not far behind the \$9.5bn average issuance in the market during 2020. The month's issuance was primarily driven by leading issuing sectors in 2020, including Technology, Healthcare, and Consumer Discretionary. Issuance should remain constructive in 2021 and projected redemptions should help maintain a favorable positive net supply.

**Portfolio Impact:** Similar themes that drove the market in late 2020, continued to propel the convertible market in January. This enabled investors to access and deploy a bar-bell approach to exposures of disruptive growth with truncated downside and cyclical exposure to companies experiencing tailwinds from a reopening economy. The return drivers of equity participation, income, and credit spread contraction remain favorable for convertibles to serve as a solution to low volatility equity and credit exposure with muted interest rate risk. Additionally, the drivers allow convertibles to perform well in a rising rate environment.

## U.S. Convertible Performance Heat Map

Top Sectors (month)	MTD %	QTD %	YTD %
Energy	10.49	10.49	10.49
Consumer Discretionary	7.14	7.14	7.14
Healthcare	4.61	4.61	4.61

Bottom Sectors (month)	MTD %	QTD %	YTD %
Financials	-1.18	-1.18	-1.18
Media	-0.92	-0.92	-0.92
Industries	-0.32	-0.32	-0.32

Credit Quality	MTD %	QTD %	YTD %
Investment Grade	-1.07	-1.07	-1.07
High Yield	6.41	6.41	6.41

Investment Objective	MTD %	QTD %	YTD %
Equity Alternative	5.03	5.03	5.03
Total Return/Balanced	1.71	1.71	1.71
Fixed Income Alternative	1.03	1.03	1.03

Company Size	MTD %	QTD %	YTD %
Small	8.14	8.14	8.14
Mid	3.49	3.49	3.49
Large	3.49	3.49	3.49

## U.S. Convertible Portfolio Characteristics\*

	MTD
Current Yield	1.78%
Duration	1.74
Delta	0.66
Percent Cheap	2.00%
Conversion Premium	21.81%
Investment Value Premium	64.94%

## Convertible Index Performance

	MTD %	QTD %	YTD %
ICE BofA US (VXA0)	3.04	3.04	3.04
Refinitiv US Focus	1.09	1.09	1.09
ICE BofA Global (VG00)	1.12	1.12	1.12
ICE BofA Global ex US (VG2I)	-0.47	-0.47	-0.47
ICE BofA Invest Grade (V0S1)	-0.19	-0.19	-0.19
ICE BofA IG 5% Constrained (VX5C)	-0.54	-0.54	-0.54

## Convertible Arbitrage

	MTD %	QTD %	YTD %
HFRX RV: FI- Convertible Arbitrage Index (HFRXCA)	1.08	1.08	1.08

## Broad Index Performance

	MTD %	QTD %	YTD %
S&P 500	-1.02	-1.02	-1.02
Russell 1000	-0.83	-0.83	-0.83
Russell 1000 Growth	-0.74	-0.74	-0.74
Russell 1000 Value	-0.93	-0.93	-0.93
Russell 2000	5.03	5.03	5.03
S&P 500 Low Volatility	-1.83	-1.83	-1.83
60% S&P / 40% Agg <sup>1</sup>	-0.90	-0.90	-0.90
ICE BofA US HY (H0A0)	0.38	0.38	0.38
B BgBarc US Agg Bond <sup>2</sup>	-0.72	-0.72	-0.72

Past performance is not indicative of future results. This material is provided for internal and educational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell securities.  
Note: Sources for the 'Convertible Market Update' and data listed - BofA Global Research, Bloomberg, Barclays Live Research, BofA Global Convertibles Chartbook, January 4, 2021, SSI Internal Research; Data as of January 31, 2021, unless specified otherwise.

# DISCLOSURES

\* U.S. Convertible Portfolio Characteristic represent the ICE BofA All U.S. Convertibles Index (VXA0)

<sup>1</sup> 60% S&P 500 + 40% Bloomberg Barclays US Aggregate Bond Index

<sup>2</sup> Bloomberg Barclays US Aggregate Bond Index

Sources: BofA Global Research, Bloomberg, Barclays Live Research, BofA Global Convertibles Chartbook, January 4, 2021, SSI Internal Research

Data as of January 31, 2021, unless specified otherwise.

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