

## Hedged Convertible Opportunity Strategy

Inception: April 1, 2001

**About SSI**

- \$2.62 Billion AUM
- 11 Investment Professionals
- Headquartered in Los Angeles, California

**Return Objectives**

- Greater than 200 basis points of annualized outperformance vs hedge fund peer groups of HFRI Fund Weighted Composite Index, HFRI Relative Value Index, and HFRI Convertible Arbitrage Index

**Unique Elements**

- Separate account and fund-of-one solutions geared to client goals
- Exceptional transparency and liquidity
- Deep investment team with strong continuity and commitment to teamwork
- An active and responsive investment approach that adapts to changing market environments and changes in market liquidity

**Annualized Performance**

	JAN 2021	1YR	3YRS	5YRS	SI (4/1/2001)
<b>SSI HC Opp* (Gross)</b>	<b>3.75%</b>	<b>23.25%</b>	<b>12.61%</b>	<b>13.15%</b>	<b>9.67%</b>
HFRX Conv. Arb. Index	1.08%	16.12%	6.88%	7.12%	1.09%
HFRI Fund Weighted Composite Index	0.92%	13.27%	5.06%	6.88%	5.67%
HFRI Relative Value Index	1.30%	4.26%	3.46%	5.21%	5.68%
HFRI Convertible Arb Index	1.88%	14.07%	6.77%	7.52%	5.56%

**Developments**

- January was a strong month with a 3.76% return before fees. The new year is off to a solid start.

**Key Drivers of Return**

- We saw continued strength in both credit and volatility positions, and performance was broadly distributed across holdings
- The increased equity volatility, triggered by individual investors in certain stocks, was a benefit to the portfolio in January
- Volatility monetization remains a key contributor to performance, particularly convertible bonds of fast-growing Technology Companies
- Convertible bonds of cyclical companies also performed very well and remain priced with relatively wide option adjusted credit spreads.

**Environment and Outlook**

- The economy is expanding as the pandemic winds down and significant stimulus spending is likely
- The elevated valuations of growth equities with strong execution shows no sign of contracting. If anything, the direction of high-growth equity valuations appears to be grinding higher. This bodes well for equity volatility and volatility monetization, along with the elevated equity volatility coming from individual investors
- Many of the convertibles that came to market after March of last year came from cyclical companies with a much different profile than traditional growth oriented technology and health care issuers. This remains an important source of return going forward
- Convertible Market issuance was strong in 2020 and issuance is likely to continue at a robust pace in 2021

\*Preliminary gross of fee returns. Fee proposals for separate accounts or fund-of-one based on mandate parameters are available upon request. Performance methodology can be found in accompanying disclosure.



**George Douglas, CFA**  
Chief Investment Officer  
44 Yrs. Experience



**Dagney Maseda**  
Portfolio Manager  
20 Yrs. Experience



**Alex Volz**  
Portfolio Manager  
24 Yrs. Experience

## Investment Professionals

- Three Portfolio Managers on the Hedged Convertible Opportunity Strategy team with an average of 29 years of industry experience and 20 years of managing the Strategy at SSI
- 11 Investment professionals who have been with SSI for an average of 21 years
- 26 Years average experience for investment professionals

### Compliance Statement

SSI Investment Management LLC ("SSI") claims compliance with the Global Investment Performance Standards (GIPS®).

### 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 Frole, Revy Investment Co., Inc. ("Frole, Revy") and its composites as of March 1, 2009.

### Policies

SSI's policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

### The Composite & Benchmark

The SSI Hedged Convertible Opportunity Strategy composite was created on April 1, 2001 and invests long in a diversified portfolio of convertible bonds/preferreds and short the underlying common stocks to attempt to achieve an absolute return. We expect to use leverage all or most of the time within this strategy. The composite contains fully discretionary accounts including those no longer with the firm. Interest rebates on short sales and coupon interest on convertible bonds/preferreds comprise a consistent and important component of the return. SSI has historically used the FTSE 3 Month Treasury Bill ("3 Month T-Bill"), formerly called 90 Day T-Bill (name change as of 8/1/2018 when Citigroup's 90 Day T-Bill was acquired by London Stock Exchange Group - LSEG) as the benchmark for its Hedged Convertible Opportunity Strategy (4/1/2001 – 12/31/2016), however, as of 1/1/2017 the benchmark was retroactively changed to the HFRX Convertible Arbitrage Index. HFRX Convertible Arbitrage Index includes strategies based on a realized spread between related instruments in which one or multiple components of the spread is a convertible fixed income instrument. SSI believes a performance comparison versus the HFRX Convertible Arbitrage Index is appropriate as the portfolios in the new benchmark better match the characteristics of SSI's Hedged Convertible Opportunity Strategy than the FTSE 3 Month Treasury Bill. The volatility of this strategy may be materially different although we expect it to be generally lower than the volatility of the HFRX Convertible Arbitrage Index due to SSI's lower leverage and hedging techniques as well as other potential differences. The return, if any, above the HFRX Convertible Arbitrage Index is typically dependent upon SSI's discretionary management. Any other indices shown are not necessarily comparable to SSI's Hedged Convertible Opportunity Strategy. These are widely recognized market indices that are shown for informational purposes only. The composite name was formally known as SSI Hedged Convertible Market Neutral Leveraged Strategy from 4/1/2001 – 6/30/2008 and on 7/1/2008 the new composite name became the SSI Hedged Convertible Opportunity Strategy.

### Use of Leverage, Derivatives, and Shorts

Leverage is utilized in the HC Opportunity Strategy. Leverage is defined as gross longs over capital. The strategy has the ability to be levered up to 3Xs but is generally in the 1.5 – 2Xs range and the use of derivatives is not material. The Strategy is generally fully hedged and involves buying a convertible bond/preferred and shorting the underlying common stock in order to reduce the equity 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 Hedged Convertible Opportunity Strategy portfolios during the period, dollar-weighted, including adjustments for unrealized gains and losses, the reinvestment of dividends and other earnings, the deduction of investment costs, the deduction of limited partnership and/or mutual fund costs (if any), time-weighted to adjust for additions and withdrawals, and (b) the net increase (decrease) of the HFRX Convertible Arbitrage Index. The SSI Hedged Convertible Opportunity Fund, SPC which is included in the SSI Hedged Convertible Opportunity Strategy Composite from May 2008 to December 2009, incurred administrative costs that are approximately between two and eight basis points higher per month than the costs of other accounts included in the composite. Effective February 2017 foreign investor withholding tax is treated as a cash flow. Prior to February 2017, it was treated as an expense.

Net performance is reduced by SSI's actual investment management fees which includes performance fees. Gross performance does not include deduction of SSI's investment management or performance 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 and/or compliant presentations 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, and size of account.
- Performance prior to January 1, 2000 does not comply with the GIPS standards.
- SSI acquired Frole, Revy and its composites as of March 1, 2009. Prior to the acquisition, Frole, 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.