

SSI Market Flash Report (as of 2/28/2021)

Convertible Market Update

Performance Attribution: The U.S. Convertible bond market, as measured by the VXA0, delivered a February 2021 return of 3.08%. The returns were led by several Energy names and recovery issues. 3 of 12 sectors produced negative returns. The worst performing single issues were primarily in Technology and Healthcare.

Issuance: The US Convertible new issuance continued its strong start to the year in February. This month's total issuance of \$9.4 bn on 18 issues was primarily driven by leading issuing sectors in 2020, including Technology, Healthcare, and Consumer Discretionary. The 2021 issuance pipeline continues to be robust and projected redemptions should help maintain a favorable positive net supply.

Portfolio Impact: Growth projections, constructive news on the vaccine roll out, and a cyclical shift seem to have taken a footing in the Convertible market. The market's healthy diversification aided investors, who can continue to benefit from deploying a bar-bell approach to exposures of disruptive growth with truncated downside and cyclical exposure to companies experiencing tailwinds from a reopening economy. A statistical review of historical downside deviation and Sortino ratios of US Convertibles vs broad domestic equity and low volatility equity indices help support the conviction that the asset class can significantly help protect on the downside, in case of increased market downside volatility. Lastly, Convertibles tend to perform well in a rising rate environment.

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, March 1, 2021, SSI Internal Research; Data as of February 28, 2021, unless specified otherwise.

U.S. Convertible Performance Heat Map

Top Sectors (month)	MTD %	QTD %	YTD %
Transportation	15.76	15.87	15.87
Media	12.12	11.09	11.09
Energy	9.76	21.28	21.28

Bottom Sectors (month)	MTD %	QTD %	YTD %
Utilities	-5.15	-4.15	-4.15
Telecoms	-3.92	-0.96	-0.96
Healthcare	-0.75	3.82	3.82

Credit Quality	MTD %	QTD %	YTD %
Investment Grade	2.09	1.00	1.00
High Yield	-0.97	5.38	5.38

Investment Objective	MTD %	QTD %	YTD %
Equity Alternative	2.22	7.36	7.36
Total Return/Balanced	4.91	6.71	6.71
Fixed Income Alternative	1.15	2.19	2.19

Company Size	MTD %	QTD %	YTD %
Small	4.19	12.67	12.67
Mid	4.03	7.66	7.66
Large	2.79	5.56	5.56

U.S. Convertible Portfolio Characteristics*

	MTD
Current Yield	1.75%
Duration	1.70
Delta	0.66
Percent Cheap	1.96%
Conversion Premium	21.37%
Investment Value Premium	62.78%

Convertible Index Performance

	MTD %	QTD %	YTD %
ICE BofA US (VXA0)	3.08	6.21	6.21
Refinitiv US Focus	4.91	6.05	6.05
ICE BofA Global (VG00)	3.32	4.48	4.48
ICE BofA Global ex US (VG2I)	0.95	0.47	0.47
ICE BofA Invest Grade (V0S1)	9.40	9.19	9.19
ICE BofA IG 5% Constrained (VX5C)	3.43	2.87	2.87

Convertible Arbitrage

	MTD %	QTD %	YTD %
HFRX RV: FI- Convertible Arbitrage Index (HFRXCA)	1.44	2.53	2.53

Broad Index Performance

	MTD %	QTD %	YTD %
S&P 500	2.76	1.71	1.71
Russell 1000	2.90	2.04	2.04
Russell 1000 Growth	-0.02	-0.77	-0.77
Russell 1000 Value	6.04	5.06	5.06
Russell 2000	6.23	11.58	11.58
S&P 500 Low Volatility	1.25	-1.68	-1.68
60% S&P / 40% Agg ¹	1.08	0.17	0.17
ICE BofA US HY (H0A0)	0.35	0.73	0.73
B BgBarc US Agg Bond ²	-1.44	-2.15	-2.15

DISCLOSURES

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

¹ 60% S&P 500 + 40% Bloomberg Barclays US Aggregate Bond Index

² Bloomberg Barclays US Aggregate Bond Index

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

Data as of February 28, 2021, unless specified otherwise.

SSI Investment Management LLC believes all the information contained in the report to be accurate but we do not guarantee its accuracy. The analyst(s) principally responsible for the preparation of this research report certify that the views expressed in this research report accurately reflect his/her (their) personal views about the subject security (ies) or issuer(s) as of the date of this report and that his/her (their) compensation was not, is not, or will not be directly or indirectly related to the specific recommendations or views contained in this research report. None of the information reported or opinions expressed constitute a solicitation of the purchase or sale of securities or any commodities. 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.