

SSI Market Flash Report (as of 3/31/2021)

Convertible Market Update

Performance Attribution: The U.S. Convertible bond market, as measured by the VXA0, delivered a March 2021 return of -3.15%. The returns were led by the Materials sector and “recovery” issues. 7 of 12 sectors produced positive returns. The worst performing sectors were Media and Technology.

Issuance: In March, the new issuance pipeline in the U.S. Convertible market produced a robust \$24.3 bn on 42 issues. Year-to-date new issuance for the first quarter 2021 totaled \$42.3 bn on 75 issues, representing a very strong quarter and nearly 37% of total new issuance (\$) in 2020. For the quarter, Consumer Discretionary and Technology sectors produced the most new issuance. Recent deals have provided notable diversification for active managers away from growth exposure as issuers have come to market from energy, materials, automakers, and cyclical issuers. It has been a robust market.

Portfolio Impact: The cyclical shift continued in March, aided by additional constructive news on the vaccine roll out and economic reopening. Concerns over rising rates and inflation did impact risk assets, including growth names. However, Convertibles tend to perform well in a rising rate environment, most recently witnessed over the last twelve months. Active management can continue to tactically benefit from exposure to disruptive growth with truncated downside, emerging economies with issues in USD, and cyclical exposure to companies experiencing tailwinds from a reopening economy.

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, April 5, 2021, SSI Internal Research; Data as of March 31, 2021, unless specified otherwise.

U.S. Convertible Performance Heat Map

Top Sectors (month)	MTD %	QTD %	YTD %
Materials	12.96	21.81	21.81
Utilities	5.31	0.94	0.94
Transportation	4.05	20.57	20.57

Bottom Sectors (month)	MTD %	QTD %	YTD %
Media	-9.29	0.77	0.77
Technology	-6.50	-1.47	-1.47
Healthcare	-3.79	-0.11	-0.11

Credit Quality	MTD %	QTD %	YTD %
Investment Grade	2.40	3.42	3.42
High Yield	1.21	6.66	6.66

Investment Objective	MTD %	QTD %	YTD %
Equity Alternative	-4.82	2.19	2.19
Total Return/Balanced	-2.87	3.65	3.65
Fixed Income Alternative	-0.22	1.97	1.97

Company Size	MTD %	QTD %	YTD %
Small	1.04	13.84	13.84
Mid	-0.69	6.92	6.92
Large	-3.95	1.38	1.38

U.S. Convertible Portfolio Characteristics*

	MTD
Current Yield	1.75%
Duration	1.75
Delta	0.64
Percent Cheap	2.08%
Conversion Premium	22.02%
Investment Value Premium	53.75%

Convertible Index Performance

	MTD %	QTD %	YTD %
ICE BofA US (VXA0)	-3.15	2.87	2.87
Refinitiv US Focus	-5.41	0.31	0.31
ICE BofA Global (VG00)	-1.96	2.44	2.44
ICE BofA Global ex US (VG2I)	1.89	2.37	2.37
ICE BofA Invest Grade (V0S1)	-0.56	8.57	8.57
ICE BofA IG 5% Constrained (VX5C)	2.74	5.68	5.68

Convertible Arbitrage

	MTD %	QTD %	YTD %
HFRX RV: FI- Convertible Arbitrage Index (HFRXCA)	-0.35	2.17	2.17

Broad Index Performance

	MTD %	QTD %	YTD %
S&P 500	4.38	6.17	6.17
Russell 1000	3.78	5.90	5.90
Russell 1000 Growth	1.72	0.94	0.94
Russell 1000 Value	5.88	11.24	11.24
Russell 2000	1.00	12.69	12.69
S&P 500 Low Volatility	6.81	3.70	3.70
60% S&P / 40% Agg ¹	2.13	2.30	2.30
ICE BofA US HY (H0A0)	0.17	0.90	0.90
B BgBarc US Agg Bond ²	-1.25	-3.37	-3.37

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

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