

SSI Market Flash Report (as of 4/30/2021)

Convertible Market Update

Performance Attribution: The U.S. Convertible bond market, as measured by the VXA0, delivered an April 2021 return of 2.58%. Although the Materials, Energy, and Transportation sectors are the best performing sectors year-to-date, they were the worst performing sectors for April. All other sectors produced positive returns for the month.

Issuance: In April, the new issuance pipeline in the U.S. Convertible market slowed when compared to the robust pace of recent months. Nine issues produced \$4.9 bn in new issuance as the market entered the teeth of earnings season. The year-to-date new issuance total remains very healthy at \$47.5 bn. For the month, the Media, Technology, and Utilities sectors produced the largest dollar value of new issuance. The market continues to offer diversification through new issues in growth and value names.

Portfolio Impact: The cyclical sectors, which have led year-to-date performance cooled off in April, as the rise in rates paused. The overall convertible market's performance benefitted from the positive impact of high-growth names. The month served as another example of how active portfolio management can continue to deploy an effective bar-bell investing approach with a wide spectrum of names available to selectively benefit from exposure to disruptive growth with truncated downside and cyclical exposure from companies experiencing tailwinds from a reopening economy.

U.S. Convertible Performance Heat Map

Top Sectors (month)	MTD %	QTD %	YTD %
Media	5.96	5.96	6.78
Healthcare	3.59	3.59	3.48
Financials	2.67	2.67	4.86

Bottom Sectors (month)	MTD %	QTD %	YTD %
Materials	-1.82	-1.82	19.60
Energy	-1.57	-1.57	19.83
Transportation	-0.59	-0.59	19.86

Credit Quality	MTD %	QTD %	YTD %
Investment Grade	1.99	1.99	5.48
High Yield	4.15	4.15	11.08

Investment Objective	MTD %	QTD %	YTD %
Equity Alternative	4.19	4.19	6.47
Total Return/Balanced	2.51	2.51	6.26
Fixed Income Alternative	0.14	0.14	2.11

Company Size	MTD %	QTD %	YTD %
Small	1.23	1.23	15.24
Mid	2.44	2.44	9.53
Large	2.68	2.68	4.10

U.S. Convertible Portfolio Characteristics*

	MTD
Current Yield	1.72%
Duration	1.64
Delta	0.65
Percent Cheap	2.01%
Conversion Premium	20.43%
Investment Value Premium	56.64%

Convertible Index Performance

	MTD %	QTD %	YTD %
ICE BofA US (VXA0)	2.58	2.58	5.52
Refinitiv US Focus	1.79	1.79	2.11
ICE BofA Global (VG00)	1.92	1.92	4.40
ICE BofA Global ex US (VG2I)	1.44	1.44	3.84
ICE BofA Invest Grade (V0S1)	0.75	0.75	9.39
ICE BofA IG 5% Constrained (VX5C)	2.15	2.15	7.95

Convertible Arbitrage

	MTD %	QTD %	YTD %
HFRX RV: FI- Convertible Arbitrage Index (HFRXCA)	0.84	0.84	3.03

Broad Index Performance

	MTD %	QTD %	YTD %
S&P 500	5.34	5.34	11.83
Russell 1000	5.38	5.38	11.60
Russell 1000 Growth	6.80	6.80	7.81
Russell 1000 Value	4.00	4.00	15.69
Russell 2000	2.10	2.10	15.06
S&P 500 Low Volatility	4.19	4.19	8.05
60% S&P / 40% Agg ¹	3.52	3.52	5.90
ICE BofA US HY (H0A0)	1.10	1.10	2.01
B BgBarc US Agg Bond ²	0.79	0.79	-2.61

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, May 6, 2021, SSI Internal Research; Data as of April 30, 2021, unless specified otherwise.

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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Data as of April 30, 2021, unless specified otherwise.

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