

# BALANCED CONVERTIBLE STRATEGY



PROFILE | MAY 2022

## OVERVIEW

Advent Capital Management, LLC was founded in 1995 and is a registered investment advisor with the SEC. Advent manages over \$9 billion in assets across several traditional, alternative, and closed-end fund strategies for corporations, public pension plans, insurance companies, foundations, endowments and high-net-worth individuals. Advent's proficiency in investing across the entire capital structure is driven by the strength of its fundamental, bottom-up credit and equity research. Advent's team is among the largest and most experienced in the industry with 24 investment professionals. The firm has been managing assets in traditional and alternative strategies for nearly 25 years.

## CONVERTIBLES, AN OVERLOOKED ASSET CLASS

Convertibles are an overlooked asset class despite outperforming broad equity and fixed income indices over time with lower volatility than equities. Convertibles are not a mainstream asset class, and are not often included in model portfolios of institutional consultants. Convertibles are not widely used in mutual funds, are rarely discussed in financial publications or electronic media, and do not typically trade on public exchanges. Yet, the global convertible market (USD \$533 billion) is large enough to enable specialized managers to run large diversified portfolios and to generate attractive risk adjusted and absolute returns.

The convertible market has also undergone a positive structural transformation, as liquidity, diversification and quality of issuers have increased significantly with the growth of the market. The majority (over 90%) of the market is comprised of large cap and mid cap issuers. In addition, the terms of convertible deals have also become more favorable for investors, as call protection has been extended and bond maturities have been shortened from 25-30 years to 4-7 years. Despite all of these positive changes, convertible securities continue to be an overlooked asset class and are thus a "think outside the box" investment solution.

## INVESTMENT APPROACH

The Strategy seeks equity-like returns with only a portion of the risk. Advent selects equity-like convertibles that have favorable credit and equity fundamentals as well as positive asymmetry. Positive asymmetry means capturing meaningful equity upside with significantly less downside risk.

## STRATEGY

The Strategy invests in "balanced convertibles" typically trading between 85%-135% of par value, provided that the security passes the rigorous credit and equity fundamental analysis tests. In addition to convertible models, Advent relies on bottom-up, fundamental credit analysis. This differentiates Advent from those convertible investors who examine these securities strictly from a common stock standpoint, while placing less emphasis on the numerous nuances of the fixed income portion of the security. We utilize a credit based approach to identify attractive convertibles of companies with favorable credit and equity fundamentals. We believe that rigorous credit analysis in addition to careful examination of equity fundamentals will result in a portfolio that will produce superior returns over time.

## RISK AND RETURN CHARACTERISTICS: LONG TERM TRACK RECORD OF EQUITY-LIKE RETURNS WITH LOWER RISK

	YTD (%)	2021 (%)	2020 (%)	3 Yr Ann. (%)	5 Yr Ann. (%)	10 Yr Ann. (%)	15 Yr Ann. (%)	Since Inception Ann. Return (%)	Standard Deviation Since Inception Ann. (%)	Sharpe Ratio Since Inception Ann.
Balanced Convertible Institutional Composite (Gross)	(14.68)	5.11	41.50	12.53	10.45	10.53	7.93	9.49	12.71	0.58
Balanced Convertible Institutional Composite (Net)	(14.93)	4.58	40.80	11.96	9.90	10.01	7.40	8.92	12.70	0.54
ICE BofA U.S. Convertible Index (VXA0)	(14.96)	6.34	46.22	14.14	11.58	11.57	8.13	8.70	12.91	0.51
S&P 500 Index	(12.76)	28.71	18.40	16.44	13.38	14.40	9.04	9.65	15.17	0.50
Russell 2000 Index	(16.56)	14.82	19.96	9.70	7.72	10.83	6.84	8.38	19.94	0.31

*Inception date of the Balanced Convertible Institutional Composite was October 1, 1995. The Risk Free Rate used is an average of the monthly 3 Month Treasury rate. VXA0 represents the ICE BofA U.S. Convertible Index. Advent claims compliance with Global Investment Performance Standards (GIPS). Returns presented on a gross basis are substantially higher than returns presented on a net basis because gross returns do not reflect the deduction of investment advisory fees and other expenses that would be incurred by a client. Investment advisory fees have a compounding effect in reducing the value of a client portfolio over time. Past performance is not a guarantee of future results. Please see the "Disclosures" section at the end of this presentation. AUM, personnel and performance data as of May 31, 2022.*

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**ADVENT**  
CAPITAL MANAGEMENT, LLC

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Advent claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Advent has been independently verified for the period 9/30/95 – 12/31/21. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Past performance does not guarantee future results. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Market conditions can vary widely over time and can result in a loss of portfolio value. Performance reflects the reinvestment of dividends and other earnings. Policies for valuing portfolios, calculating performance, and preparing GIPS Reports are available upon request.

## Balanced Convertible Income Institutional Composite

Year	Total Return Gross of Fees %	Total Return Net of Fees %	ICE BofA All Convertible Index %	Number of Portfolios	Dispersion %	Total Composite Assets End of Period (\$MM)	Total Firm Assets End of Period (\$MM)
2012	13.70	13.18	14.96	10	0.10	963.7	6,092.1
2013	23.47	22.91	24.92	13	0.13	1,472.0	7,591.3
2014	7.91	7.43	9.44	13	0.27	1,614.9	8,427.9
2015	-1.58	-2.02	-2.99	16	0.34	1,630.6	8,563.3
2016	7.26	6.77	10.43	15	0.16	1,581.4	8,835.2
2017	13.96	13.46	13.70	14	0.10	1,615.4	9,350.1
2018	-1.70	-2.17	0.15	15	0.08	1,647.1	8,479.6
2019	23.23	22.64	23.15	16	0.22	1,221.5	9,300.1
2020	41.50	40.80	46.22	17	2.05	1,518.8	10,940.3
2021	5.11	4.58	6.34	22	1.01	1,657.6	10,467.9

## Composite Characteristics:

1.) Advent's Balanced Convertible Institutional Composite (Composite) consists of the following:

- Advent's Balanced Convertible Institutional Composite (Composite) consists of the following:
- Inception of the Composite was October 1, 1995 and the creation of the Composite was October 1, 1995.
- Periods presented represent only institutional accounts.
- Accounts in the Composite invest in balanced convertible securities that seek to participate in 75-85% of the equity upside and only 50% of the downside.
- As of 12/31/12, the 3-year ex-post standard deviation for the Composite was 11.49%. The ICE BofA All Convertible Index (VXA0) 3-year ex-post standard deviation was 10.86%.
- As of 12/31/13, the 3-year ex-post standard deviation for the Composite was 9.87%. The ICE BofA All Convertible Index (VXA0) 3-year ex-post standard deviation was 9.67%.
- As of 12/31/14, the 3-year ex-post standard deviation for the Composite was 7.76%. The ICE BofA All Convertible Index (VXA0) 3-year ex-post standard deviation was 7.68%.
- As of 12/31/15, the 3-year ex-post standard deviation for the Composite was 8.40%. The ICE BofA All Convertible Index (VXA0) 3-year ex-post standard deviation was 8.26%.
- As of 12/31/16, the 3-year ex-post standard deviation for the Composite was 8.85%. The ICE BofA All Convertible Index (VXA0) 3-year ex-post standard deviation was 8.81%.
- As of 12/31/17, the 3-year ex-post standard deviation for the Composite was 7.92%. The ICE BofA All Convertible Index (VXA0) 3-year ex-post standard deviation was 7.84%.
- As of 12/31/18, the 3-year ex-post standard deviation for the Composite was 8.26%. The ICE BofA All Convertible Index (VXA0) 3-year ex-post standard deviation was 8.17%.
- As of 12/31/19, the 3-year ex-post standard deviation for the Composite was 8.97%. The ICE BofA All Convertible Index (VXA0) 3-year ex-post standard deviation was 8.28%.
- As of 12/31/20, the 3-year ex-post standard deviation for the Composite was 15.77%. The ICE BofA All Convertible Index (VXA0) 3-year ex-post standard deviation was 16.71%.
- As of 12/31/21, the 3-year ex-post standard deviation for the Composite was 15.17%. The ICE BofA All Convertible Index (VXA0) 3-year ex-post standard deviation was 16.31%.

2.) The following is the criteria for inclusion in the Advent Balanced Convertible Institutional Composite:

- Through 3/31/11, all accounts must have had an initial account value of at least \$5,000,000. As of 04/01/11, all accounts must have an initial account value of at least \$3,000,000.
- The Composite will be composed of all accounts that meet the criteria to invest in Rule 144A securities. Advent changed its composite criteria to Rule 144A eligible accounts in July of 1997. The decision was made to assure the Composite was more representative of the overall convertible market.
- The current Composite does not include non-QIB accounts due to their inability to invest in Rule 144A securities.

3.) The following pertains to performance results:

- All performance is presented in U.S. Dollars.
- Returns are presented both gross of fees and net of actual management fees paid by the Advent accounts but not expenses paid by the clients. The Balanced Convertible Strategy advertised fee schedule is 0.80% on the first 25 million, 0.65% on the next 25 million, 0.55% on the next 50 million, and 0.50% on over 100 million. The management fees are described in Part 2 Advent's Form ADV. Returns presented on a gross basis are substantially higher than returns presented on a net basis because gross returns do not reflect the deduction of investment advisory fees and other expenses that would be incurred by a client. Investment advisory fees have a compounding effect in reducing the value of a client portfolio over time.
- Past performance is not necessarily indicative of future results.

4.) Benchmark Information:

- The Composite is benchmarked to the ICE BofA All Convertible Index.
- The ICE BofA All Convertible Index is comprised of U.S. Convertible Securities and is a rule-driven index with a goal to create an unbiased proxy for the broad U.S. convertible market.
- Benchmark returns are not covered by the report of the independent verifiers.

## Calculation Methodology:

The dispersion measure is the asset-weighted standard deviation for accounts in the composite for the entire year. Presented composite risk measures are calculated using gross of fee returns.

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