

# PHOENIX CONVERTIBLE STRATEGY BROCHURE

PROFILE | SEPTEMBER 2021



## OVERVIEW

Advent Capital Management, LLC was founded in 1995 and is a registered investment advisor with the SEC. Advent manages about \$11 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 22 investment professionals. The firm has been managing assets in traditional and alternative strategies for nearly 25 years.

## EXPERIENCED TEAM

Advent's investment team is among the largest and most experienced in the industry with 22 seasoned professionals. The portfolio managers have on average 29 years of investment experience in convertible and high yield securities, and our 8 research analysts have on average 22 years of experience covering their sectors.

## INVESTMENT APPROACH

The Strategy seeks high returns with low volatility by investing in convertibles that trade close to bond value. Advent selects convertibles with a high bond value content that have favorable credit and equity fundamentals as well as positive asymmetry. Positive asymmetry means capturing meaningful equity upside with significantly less downside risk. These convertibles with higher bond content demonstrate structural alpha. Advent's fundamental research is critical in evaluating cash flow and balance sheet trends in order to identify attractive investments. Our disciplined investment process with a rigorous credit focus has resulted in a zero default rate and only four down years since the inception of the Phoenix Strategy in 1996.

## OVERLOOKED INVESTMENT OPPORTUNITIES

Phoenix exploits the inherent advantages of income convertibles by identifying opportunities among companies that have temporarily fallen into market disfavor yet the selected investments tend to have long corporate histories and a stable to improving credit profile. Yields on income convertibles approach—and sometimes exceed—yields on non convertible securities of the same companies. Phoenix is a growth and income strategy, with a value profile, targeting companies and sectors that are temporarily out-of-favor in the market, but have attractive valuations and high potential returns.

There are multiple catalysts for income convertibles to appreciate: the underlying stock may advance; the bonds accrete to par at maturity; the company may be acquired (which often triggers a change-in-control put). Investors in income convertibles are "paid to wait" for appreciation. Downside protection is provided by our proprietary credit research process and by the favorable structure of high income convertibles that tend to have short maturities typically averaging under five years. Attractive income convertibles have often "fallen between the cracks," having been sold by equity portfolio managers, but not yet identified by fixed-income investors.

## CALENDAR YEAR RETURNS (%): ONLY FOUR DOWN YEARS IN 23 YEARS (GROSS)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1.94	12.88	5.86	11.55	8.17	18.59	5.44	30.09	4.91	3.31	11.06	3.05	-20.82	35.39	14.90	-1.73	11.66	13.83	4.94	-1.10	7.77	8.33	-1.10	13.19	17.51

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

	1 Yr Ann. (%)	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.
Phoenix Convertible Institutional Composite (Gross)	13.40	8.92	7.77	7.93	6.78	8.38	8.04	0.79
Phoenix Convertible Institutional Composite (Net)	12.85	8.37	7.21	7.35	6.18	7.54	8.00	0.69
ICE BofA Yield Alternatives Index (VYLD)	14.16	8.90	8.28	6.71	5.59	N/A	N/A	N/A
ICE BofA All Traditional Convertible Index (VOA0)	28.12	21.55	18.77	15.09	10.94	9.88	13.04	0.60
ICE BofA US High Yield Index (H0A0)	11.46	6.62	6.35	7.30	7.17	6.92	8.76	0.56
Bloomberg Barclays Capital US Aggregate Index	-0.90	5.36	2.94	3.01	4.17	5.02	3.38	0.89
S&P 500 Index	30.01	15.99	16.90	16.63	10.36	9.52	15.30	0.49
Russell 2000 Index	47.68	10.54	13.45	14.63	9.16	9.12	20.11	0.35

The above performance reflects preliminary returns of the Phoenix Convertible Income Institutional Composite ("Phoenix Institutional Composite", or the "Composite"). Inception date of the Phoenix Composite was October 18, 1996. VYLD represents the ICE BofA Yield Alternatives Index. VOA0 represents the ICE BofA All U.S. Convertibles Index Excluding Mandatories. 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 September 30, 2021.

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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 – 12/31/20. 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.

## Phoenix Convertible Income Institutional Composite

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Primary Benchmark: ICE BofA Yield Alternatives Index %	Secondary Benchmark: ICE BofA All Convertibles Excluding Mandatories Index %	Number of Portfolios	Dispersion %	Total Composite Assets End of Period (\$MM)	Total Firm Assets End of Period (\$MM)
2011	-1.73	-2.29	-1.73	-3.41	10	0.31	1,047.6	5,537.9
2012	11.66	11.03	12.21	14.41	9	0.04	1,204.2	6,092.1
2013	13.83	13.20	10.33	25.00	9	0.03	1,356.2	7,591.3
2014	4.94	4.36	2.75	9.33	13	0.07	1,958.1	8,427.9
2015	-1.08	-1.63	-8.77	-2.75	14	0.26	1,932.2	8,563.3
2016	7.77	7.19	9.96	11.71	14	0.15	2,055.8	8,835.2
2017	8.31	7.74	9.44	15.70	13	0.23	2,044.7	9,350.1
2018	-1.10	-1.61	-0.42	0.65	14	0.17	2,236.5	8,479.6
2019	13.19	12.59	14.40	22.89	15	0.34	2,525.0	9,300.1
2020	17.51	16.92	13.34	52.05	11	0.96	2,436.3	10,940.3

## Composite Characteristics:

1) Advent's Phoenix Convertible Income Institutional Composite (Composite) consists of the following:

- Inception of the Composite was October 18, 1996 and the creation of the Composite was September 2006.
- From inception, October 31, 1996, to August 31, 2001, the performance of the Composite represents that of a pooled investment vehicle (fund), which is counted as one separate account. The fund was comprised of accredited investors that could not invest in Rule 144A securities. The fund was no longer inclusive in the Composite as of August 31, 2001.
- The Composite was redefined as an Institutional composite with inception of the first managed account in the strategy on September 1, 2001.
- No leverage or derivatives are used in the strategy.
- All accounts included in the Composite invest in convertible securities that trade near their bond floors and provide positive asymmetry.
- As of 12/31/11, the 3-year ex-post standard deviation for the Composite was 8.55%. The ICE BofA Yield Alternatives Index (VYLD) 3-year ex-post standard deviation was 8.93%. The ICE BofA All Convertibles Ex. Mandatories Index (VOAO) 3-year ex-post standard deviation, as of the same date, was 12.20%.
- As of 12/31/12, the 3-year ex-post standard deviation for the Composite was 7.72%. The ICE BofA Yield Alternatives Index (VYLD) 3-year ex-post standard deviation was 6.12%. The ICE BofA All Convertibles Ex. Mandatories Index (VOAO) 3-year ex-post standard deviation, as of the same date, was 10.15%.
- As of 12/31/13, the 3-year ex-post standard deviation for the Composite was 6.84%. The ICE BofA Yield Alternatives Index (VYLD) 3-year ex-post standard deviation was 5.69%. The ICE BofA All Convertibles Ex. Mandatories Index (VOAO) 3-year ex-post standard deviation, as of the same date, was 9.09%.
- As of 12/31/14, the 3-year ex-post standard deviation for the Composite was 5.51%. The ICE BofA Yield Alternatives Index (VYLD) 3-year ex-post standard deviation was 4.71%. The ICE BofA All Convertibles Ex. Mandatories Index (VOAO) 3-year ex-post standard deviation, as of the same date, was 7.63%.
- As of 12/31/15, the 3-year ex-post standard deviation for the Composite was 5.16%. The ICE BofA Yield Alternatives Index (VYLD) 3-year ex-post standard deviation was 5.43%. The ICE BofA All Convertibles Ex. Mandatories Index (VOAO) 3-year ex-post standard deviation, as of the same date, was 8.35%.
- As of 12/31/16, the 3-year ex-post standard deviation for the Composite was 5.24%. The ICE BofA Yield Alternatives Index (VYLD) 3-year ex-post standard deviation was 6.31%. The ICE BofA All Convertibles Ex. Mandatories Index (VOAO) 3-year ex-post standard deviation, as of the same date, was 9.14%.
- As of 12/31/17, the 3-year ex-post standard deviation for the Composite was 4.69%. The ICE BofA Yield Alternatives Index (VYLD) 3-year ex-post standard deviation was 6.12%. The ICE BofA All Convertibles Ex. Mandatories Index (VOAO) 3-year ex-post standard deviation, as of the same date, was 8.18%.
- As of 12/31/18, the 3-year ex-post standard deviation for the Composite was 4.54%. The ICE BofA Yield Alternatives Index (VYLD) 3-year ex-post standard deviation was 5.12%. The ICE BofA All Convertibles Ex. Mandatories Index (VOAO) 3-year ex-post standard deviation, as of the same date, was 8.49%.
- As of 12/31/19, the 3-year ex-post standard deviation for the Composite was 4.46%. The ICE BofA Yield Alternatives Index (VYLD) 3-year ex-post standard deviation was 4.08%. The ICE BofA All Convertibles Ex. Mandatories Index (VOAO) 3-year ex-post standard deviation, as of the same date, was 8.39%.
- As of 12/31/20, the 3-year ex-post standard deviation for the Composite was 10.09%. The ICE BofA Yield Alternatives Index (VYLD) 3-year ex-post standard deviation was 11.20%. The ICE BofA All Convertibles Ex. Mandatories Index (VOAO) 3-year ex-post standard deviation, as of the same date, was 17.40%.

2) The following is the criteria for inclusion in the 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 account 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.
- The Composite does not include accounts of investors who are not Qualified Institutional Buyers 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 for the Composite 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 Phoenix Convertible Income Strategy's advertised fee schedule is 1% on the first 25 million, 0.80% on the next 25 million, 0.65% on the next 50 million and 0.55% over 100 million. The management fees are described in Part 2 of 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 Yield Alternatives Index. The benchmark is defined as convertible securities with deltas less than 40%. Advent uses the ICE BofA All Convertible Index excluding Mandatories as a secondary benchmark because it's track record dates back to the inception of the Composite.
- 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.



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