

**Asia Pacific Association for Fiduciary Studies
Pacific Region Investment Conference**

**Global Fixed Income Markets Outlook
Convertible Securities**

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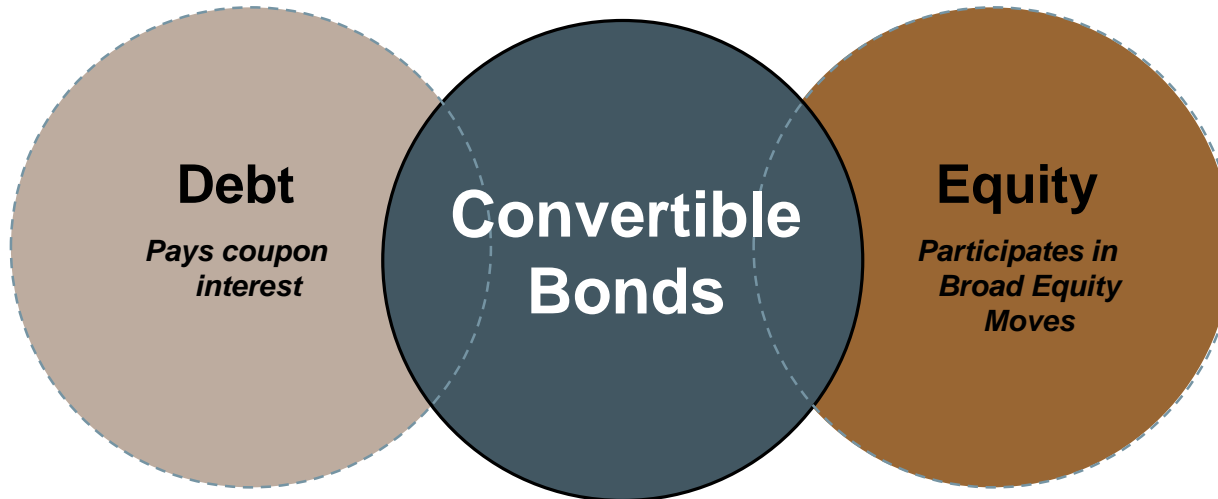
Convertibles



What is a Convertible Bond?

A Corporate Bond with an Embedded Equity Option

Convertible Bonds are Corporate Debt Instruments which are Convertible into a Pre-Determined Number of Shares of the Same Company



Convertibles are

- Senior to common stock with higher yield
- Bond feature offers limited downside capture
- Conversion feature offering unlimited upside equity participation
- Reduced duration relative to fixed income

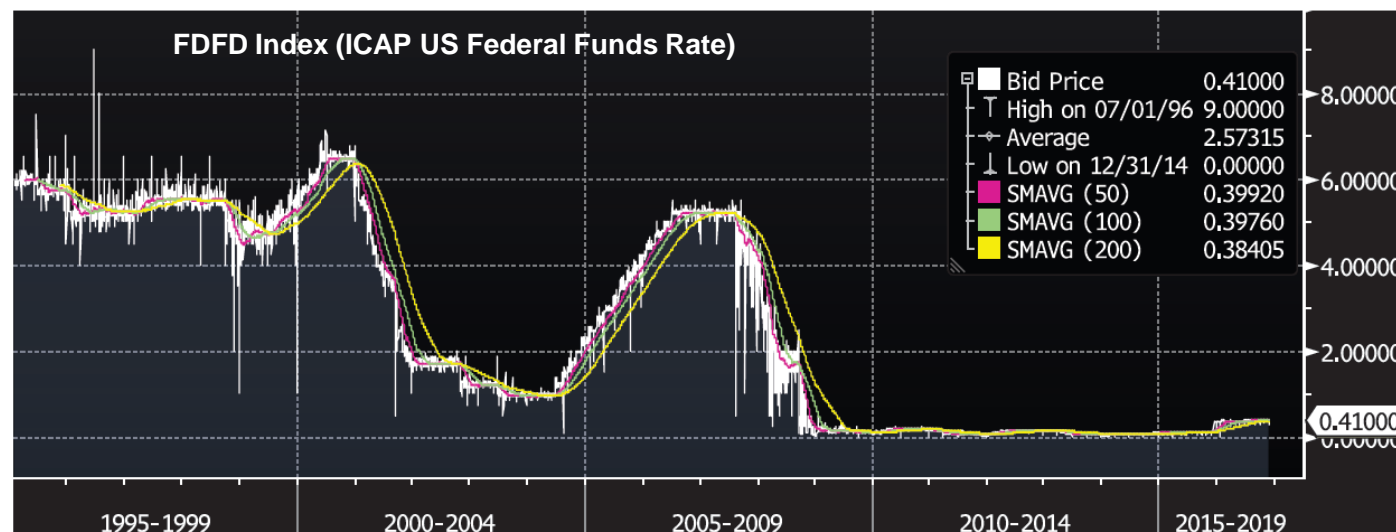
SSI Convertible Income Strategy

Performance in Down Bond Markets

Diversification Benefits
Performed well in rising interest rate environments (see chart)
A Rising Fed Funds rate increases short credit interest payments to client
Duration is relatively short

QTR/Year	Barclays Intermediate Treasury Bond	SSI Convertible Income Strategy
1Q 1996	-0.7%	2.3%
1Q 1997	-0.1%	1.5%
1Q 1999	-0.4%	2.1%
2Q 1999	-0.2%	2.1%
4Q 1999	-0.1%	0.2%
4Q 2001	-0.1%	1.6%
1Q 2002	-0.4%	1.0%
3Q 2003	-0.02%	-1.2%
4Q 2003	-0.3%	2.6%
2Q 2004	-2.3%	-1.0%
1Q 2005	-0.8%	-2.6%
3Q 2005	-0.6%	1.6%
1Q 2006	-0.5%	3.3%
2Q 2007	-0.03%	0.8%
2Q 2008	-2.1%	1.2%
1Q 2009	-0.3%	5.0%
2Q 2009	-2.1%	7.9%
4Q 2009	-0.6%	2.3%
4Q 2010	-1.8%	2.1%
1Q 2011	-0.04%	2.9%
1Q 2012	-0.5%	3.4%
2Q 2013	-1.4%	0.3%
4Q 2013	-0.5%	0.7%
2Q 2015	-0.5%	0.6%
4Q 2015	-0.9%	-0.7%
3Q 2016	-0.3%	2.9%

Interest Rates at Historically Low Levels



Source: Bloomberg

2016 Fixed Income Environment

Interest rates unsustainably low

- Significant risk in longer term bonds
- Fed on hold thus far but December hike seems likely

Credit markets have strengthened

- Credit spreads have narrowed since February panic
- Refinancing/Lack of Defaults

Commodity Prices recovering

- Oil in high 40's after bottoming in the high 20's
- Bloomberg Commodity Index up 10.6%*

*as of 12/1/2016
Source: Bloomberg

Market Environment & Outlook

- **Trump election**
- **Economic environment mixed but improving**
- **Fed expected to gradually raise rates beginning this month**
- **Europe not a drag in spite of Brexit**
- **China growth has been sustained**
- **Geopolitical developments pose a threat**

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Compliance Statement

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Definition of the Firm

SSI was established in 1973 and is a Registered Investment Advisor based in Los Angeles, CA. SSI manages assets in domestic and global capital markets. SSI acquired the assets of Frolely, Revy Investment Co., Inc. ("Frolely Revy") and its composites as of March 1, 2009. SSI is 100% employee owned and is not affiliated with any parent organization nor does SSI have any subsidiaries. SSI applies quantitative disciplines and fundamental research in its management of alternative and traditional portfolios for institutional and high net-worth investors. SSI manages separate accounts, limited partnerships and acts as sub-advisor to both onshore and offshore funds.

Policies

SSI's policies for valuing portfolios, calculating performance, and preparing compliant presentations is available upon request.

The Composite & Benchmark

The SSI Convertible Income Strategy (composite created January 1, 1995) invests long in a diversified portfolio of convertible bonds/preferreds and short the underlying common stocks to attempt to achieve an absolute return. The composite contains fully discretionary accounts including those no longer with the firm. With interest rebates on short sales and coupon interest on convertible bonds comprising a consistent and important component of the return of the SSI Convertible Income Strategy, SSI believes a performance comparison versus the 90-Day Treasury Bill is appropriate. The volatility of this strategy is expected to be greater than the volatility of the 90-Day Treasury Bill due to the inclusion of convertible and equity positions. The return, if any, above the 90-Day Treasury Bill is dependent upon higher interest income available in the convertible market and SSI's discretionary management. Any other indices shown are not necessarily comparable to SSI's Convertible Income Strategy. These are widely recognized market indices that are shown for informational purposes only. The composite name was formally known as SSI Hedged Convertible Income Strategy from 1/1/1995 – 6/30/2008 and on 7/1/2008 the new composite name became the SSI Convertible Income Strategy.

Use of Leverage, Derivatives, and Shorts

Leverage is not used in SSI's Convertible Income Strategy and the use of derivatives is not material. The Strategy is generally fully hedged and involves buying a convertible bond/preferred and shorting the underlying common stock in order to reduce the equity exposure. Every long position is hedged with an offsetting short.

Investment Management Fees

Returns are presented gross and net of management fee. Actual results of an individual account may be materially different from the performance shown herein because of differences in inception date, transaction and related costs, restrictions, fees and other factors. All performance is based in U.S. dollars and reflect, on a percentage basis for each of the periods indicated: (a) the net increase (decrease) of all SSI Convertible Income Strategy portfolios, dollar-weighted, including adjustments for unrealized gains and losses, the reinvestment of dividends and other earnings, the deduction of investment costs, the deduction of limited partnership and/or mutual fund costs (if any), time-weighted to adjust for additions and withdrawals, and (b) the net increase (decrease) of the 90-Day Treasury bill.

Net performance is reduced by SSI's actual investment management fees and model fees (1995-2014). 1% annual fee is used for any model fees. Gross performance does not include deduction of SSI's investment management fees.

If performance is gross of management fees, client's actual return will be reduced by the management fees and any other expenses which may be incurred in the management of an investment advisory account. See SSI's Form ADV, Part 2A for a complete description of the investment advisory fees customarily charged by SSI. As an example, an account with an initial \$1,000,000 investment on January 1, 2003, earning a recurring 5% semi-annual gross return (10.25% annualized), and paying a .5% semi-annual management fee (1% annual fee) would have grown to \$1,340,096 on a gross of fees basis and \$1,300,392 on a net of fees basis by December 31, 2005 (3 years).

List of Composites

A list of the Firm's composite descriptions and/or compliant presentations are available upon request. Please contact julia@ssi-invest.com.

Additional Disclosure

SSI acquired Frolely Revy and its composites as of March 1, 2009. Prior to the acquisition, Frolely Revy claimed GIPS compliance for the periods of 1983-2008 and was independently verified by Ashland Partners & Co.

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