

Convertible Securities

December 2023

ASSET MANAGEMENT | STRATEGY SHEET

Convertible bonds are fixed-income securities with an option to convert to equity, offering equity upside potential with the downside protection of a bond.

Conning's Convertibles Strategy Has Three Main Goals:

- » Return profile between equities and fixed income*
- » Higher quality holdings to reduce NAIC capital charges
 - » Conning carefully maintains an average investment grade rating
- » Price-appreciation potential if interest rates rise
 - » Low correlation to other fixed income assets provides additional diversification benefits

Team

David Tyson, Ph.D., CFA
 Managing Director
 Convertible Bond Portfolio Manager
 45 years of experience

Linda Catricala
 Vice President
 Convertible Bond Trader
 16 years of experience

Stephen Searl, CFA
 Managing Director, Co-Head of Credit Research
 37 years of experience

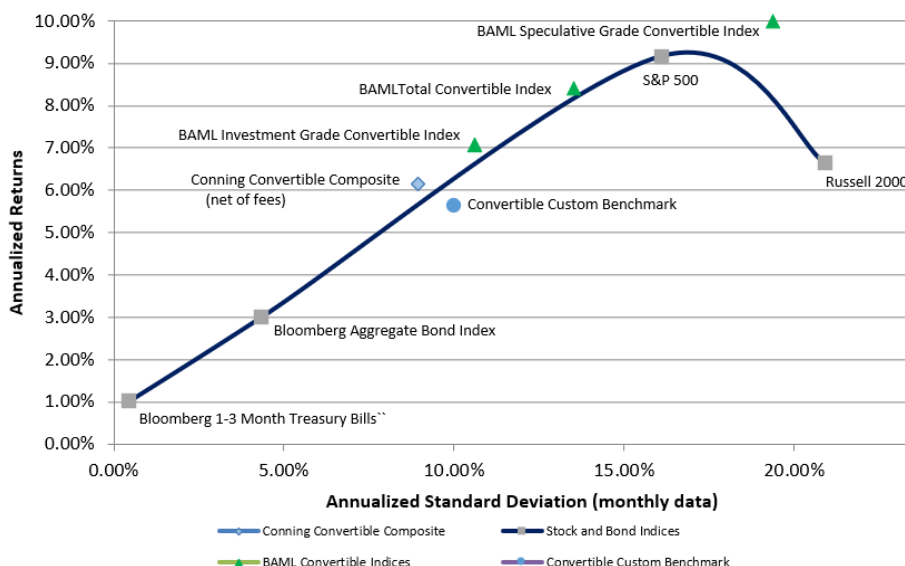
Michael Gibbons
 Managing Director
 Convertible Bond Trader
 38 years of experience

Supported by a team of 21 corporate credit analysts
 » 17 years of experience

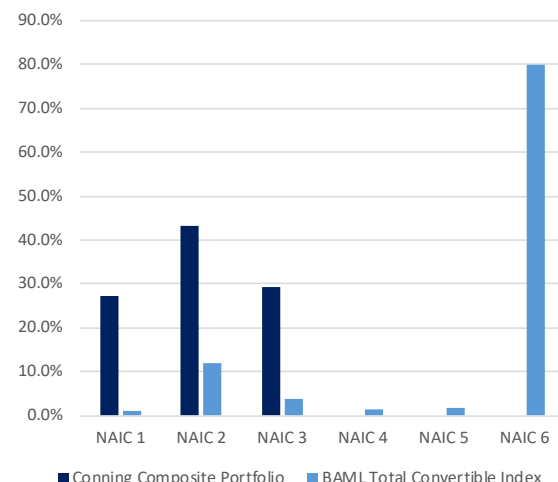
Strategy Inception: July 2007	Current Yield: 2.00%
Average NAIC Rating: NAIC 2 (Baa2/BBB)	Number of Holdings: 44 individual issues

Convertible Risk-Return History

Since Inception, June 30, 2007 to December 31, 2023*



Portfolio Quality



Prepared by Conning. Source: Bloomberg Index Services Limited. Used with permission. ICE Data Indices, LLC ("ICE DATA"), is used with permission. *Past performance is not a guarantee of future results.

Prepared by Conning, Inc. Source: Conning, Inc.
 As of December 31, 2023.

What is a Convertible Bond?

Convertible bonds are issued like a normal bond, offering coupon payments with an investor's option to convert to equity. Convertibles allow participation in the appreciation of the underlying stock price while having a bond floor if the value of the underlying stock falls. The reliability of the bond floor is highly dependent on the relative creditworthiness of the issuer.

How is Conning's Strategy Different?

Our process combines a top-down quantitative valuation model to generate ideas and monitor the convertible market. All trade ideas are supported by our bottom-up fundamental credit research. Conning's risk controls are focused on both individual issues and the portfolio's aggregate risk characteristics.

Quantitative Modeling

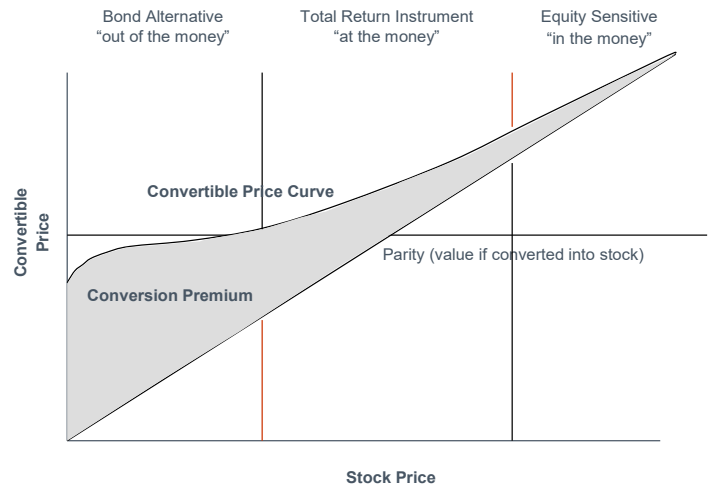
- » Due to the complexity of convertible securities, an options-based valuation model is required to make appropriate relative-value judgments.

Fundamental Analysis

- » We leverage our deep credit expertise to analyze each issuer, whose credit risk is often poorly understood by the equity focus of most convertible investors.

Risk Control

- » The risk profile of convertible bonds changes over time. Conning has a disciplined risk management process to maintain target risk exposures.



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Risks of Investing in Convertible Bonds

- » Equity market declines which reduces the value of convertibles' equity conversion features.
- » A high level of corporate defaults or a sharp widening in corporate bond spreads which reduces the value of convertibles' fixed income floors.
- » Low supply of issues due to prolonged low interest rates and strong demand for investment grade corporate and high yield debt.

About Conning

Conning (www.conning.com) is a leading investment management firm with a long history of serving the insurance industry. Conning supports institutional investors, including insurers and pension plans, with investment solutions, risk modeling software, and industry research. Founded in 1912, Conning has investment centers in Asia, Europe and North America.

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Performance returns reflect the reinvestment of income and other earnings.

Net returns are reduced by trading expenses and actual investment advisory fees incurred in the management of the account.

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