CONVERTIBLES HAVE PROVIDED EQUITY-LIKE RETURNS, LESS VOLATILITY

Ask the PORTFOLIO MANAGER

What do convertibles contribute to an overall portfolio?

Transcript of a video recorded on March 21, 2019

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We think convertibles can fit into an overall portfolio in multiple ways.

First, we think of them as part of a core or strategic allocation within the equity bucket of an overall portfolio. This is because convertibles have historically proven to have equity market-like returns—or better—through full market cycles, with lower volatility. Convertibles can be a great way to have that exposure and dampen some of the ups and downs throughout full market cycles.

At the same time, we think there's a tactical opportunity that can be had using convertibles as a replacement for some fixed income alternatives. This is particularly attractive in cases of rising interest rates. During those periods, the equity optionality of convertibles tends to carry the day, and there are many cases where interest rates have risen, convertibles have had positive total returns, and your traditional bond allocations have had negative returns. So we think convertibles can fit multiple ways and are a core part of any asset allocation.

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Ask the PORTFOLIO MANAGER

Video recorded 3/21/19.

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Convertible Securities Risk: The value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also, may have an effect on the convertible security's investment value.

Convertible Arbitrage Risk: If the market price of the underlying common stock increases above the conversion price on a convertible security, the price of the convertible security will increase. The fund's increased liability on any outstanding short position would, in whole or in part, reduce this gain.

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