Convertible Bonds:
A Balanced Opportunity for Insurers in an Uncertain Market

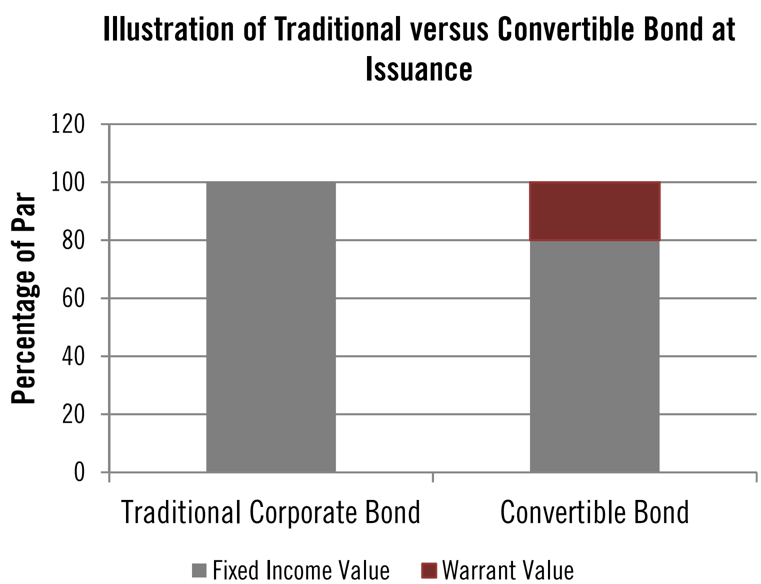
April 2020

As volatility ignited by the Coronavirus pandemic has put a swift end to the longest bull market in United States history, now may be an opportune time for insurance companies searching for equity-like upside return potential with downside protection to consider an allocation to convertible bonds. Not only do convertibles benefit from volatility and less cyclical industry composition, they also provide insurance companies favorable capital and accounting treatment as compared to equities. Coupled with the massive selloff in risk assets, a resurgence of new issuance in convertible bonds has rebalanced the opportunity set within the sector. In this piece, we provide an overview of the asset class and its characteristics, an update on the market, and an examination of how Shenkman's disciplined convertible bond investment process can benefit an insurer's investment portfolio.

What Are Convertible Bonds?

Convertible bonds are hybrid securities with properties of both bonds and equities. As with traditional bonds, companies issue convertibles with the obligation to repay the holder par at maturity. Additionally, the holder has the right, at his or her option, to exchange the convertible bond for equity in the company. Economically, a convertible bond can be thought of as a traditional bond combined with an equity warrant (Exhibit 1).

Exhibit 1: Illustration of Traditional versus Convertible Bond Issuance



Source: Shenkman Capital. This is a sample breakdown based on an assumed purchase of a convertible bond at issuance at par with an investment premium of 25%. This is provided for informational purposes only; actual results may vary and no representation is made as to, and no responsibility, warranty or liability is accepted for, the accuracy or completeness of such information.

The result of this combination produces a security with asymmetric return potential:

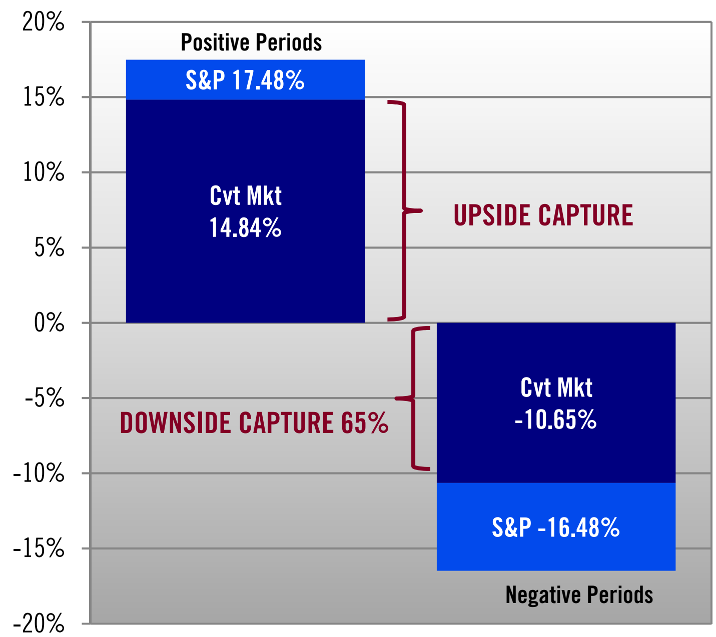
On the upside: If the company's stock trades up, the convertible bond holder may elect to exchange into stock, thus participating in a portion of the equity return, which increases the investment premium, or the value of the convertible in excess of the underlying bond value.

On the downside: If the company's stock trades down, the convertible bond will trade down to a level commensurate with the company's credit quality, known as the "bond floor." The holder receives coupon income and full principal repayment at maturity (barring a default).

Given the equity optionality embedded in convertibles, volatility can drive value. All else equal, convertible bond prices rise as implied equity volatility increases. Furthermore, periods of equity volatility can quickly change the attributes of a convertible, making the security more valuable at the same time the equity price becomes erratic. This unique attribute is a reason why the convertible asset class has historically captured 85% of equity upside with 65% of the downside (Exhibit 2).

Exhibit 2: S&P 500 vs. Convertible Bond Index (Refinitiv US Convertible Vanilla Index)
One Year Rolling Monthly Returns

Longest Common Period (Jan 1994 – Feb 2020)	S&P Positive 1Yr Periods	S&P Negative 1Yr Periods
Total Periods	246	57
% of Periods Convertible Market (Refinitiv Vanilla) Outperformed	23.58%	75.44%
Convertible Market (Refinitiv Vanilla) Average Return	14.84%	-10.65%
S&P Average Return	17.48%	-16.48%
Upside/Downside Capture	84.90%	64.63%



Information above was calculated using trailing 12-month performance for the S&P 500 and the Refinitiv US Vanilla Convertible Bond Index. Past performance is not indicative of future returns.

Source: Refinitiv, S&P

The U.S. convertible market tends to be comprised of companies in non-cyclical industries (with lower exposure than the corporate credit and equity markets to cyclical industries such as energy, materials, and chemicals), or are emerging businesses experiencing heavy market share growth, and its sector composition skews more toward mid-cap equities. Recent issuers include technology disruptors that are taking market share from older companies, consumer-focused companies increasingly using the internet to engage with customers, and healthcare companies seeking to increase research and development of new pharmaceutical drugs. For investors looking to shift their equity allocation towards companies expected to continue earnings growth, even when faced with a sharp global economic slowdown, the U.S. convertible market is a strong avenue for diversification, which we will further explore later in this piece.

Performance Attributes

Convertible bonds' above-average risk/return profile is driven by a number of factors. Because they exhibit characteristics of both equities and fixed income, convertibles can benefit from a rising stock market, yet insulate on the downside when equities trade down. A convertible bond may behave more like a stock or a bond at any given time, as convertibles tend to trade as a function of the underlying equity price when the embedded option is in-the-money, but more like a bond (with less equity sensitivity) when the underlying stock price falls and the option becomes further out-of-the-money.

Unsurprisingly, convertible bonds' long-term risk/return profile lies in between equities and fixed income. When comparing annual returns to the S&P 500 since 1994, convertible bonds have outperformed in 23% of the rolling 1-year periods where the S&P 500 return was positive, and 75% of the time it was negative (see again Exhibit 2). Moreover, convertible bonds tend to significantly outperform equities during bear markets. For example, in 2002 the S&P 500 was down over 22%, while convertible bonds, as exhibited by the Refinitiv Vanilla Index, were down approximately 5%.

The convertible market has remained highly resilient versus equity markets in the current downturn. The Refinitiv Balanced's Index's February return of -1.8% represented 22% of the S&P 500's decline of -8.2%. Over the last twelve months ending 2/28/20, the index returned 7.3% versus the S&P 500's 8.2%, representing an approximately 89% upside capture. We view these numbers as indicative of convertibles' value proposition in volatile markets.

Convertible returns have been impressive on an absolute basis as well, in many cases only slightly underperforming equities in the trailing periods above, resulting in attractive risk-adjusted basis performance. In the 15-year period ending January 2020, convertible bonds have offered 89% of the return of the S&P 500 with only 77% of the volatility (Exhibit 3).

Exhibit 3: Equity-Like Returns with Less Volatility

15-Year Period	Annualized Return	Standard Deviation	Sharpe Ratio
Refinitiv US Vanilla Convertible Bond Index	8.03%	10.63%	0.63
S&P 500	8.40%	13.97%	0.51
Russell 2000	7.24%	18.68%	0.32
MSCI World Index	6.78%	14.82%	0.37

As of 2/29/2020. Source: Refinitiv, S&P, Russell, MSCI. Please see disclaimers for additional important information. Past performance is not indicative of future returns.

Historical correlations also suggest that convertible bonds can be an effective diversification tool (Exhibit 4). Relatively low correlation to investment grade credit and negative correlations to both short- and long-term U.S. Treasuries imply that convertibles can provide diversification to broad fixed income portfolios and should act as a hedge against rising interest rates over a full market cycle. As expected, the conversion feature results in a higher correlation to the equity market than other fixed income asset classes. Thus, a strong case can be made for funding convertible allocations from both equities and bonds, depending on asset allocation targets. Given relatively high absolute historical returns, less volatility than equities, and negative correlation to Treasuries, convertible bonds are a unique asset class that can be used to improve the overall risk-adjusted performance of a well-balanced portfolio.

Exhibit 4: Asset Class Correlation

Correlation Matrix
(January 1994- December 2019)

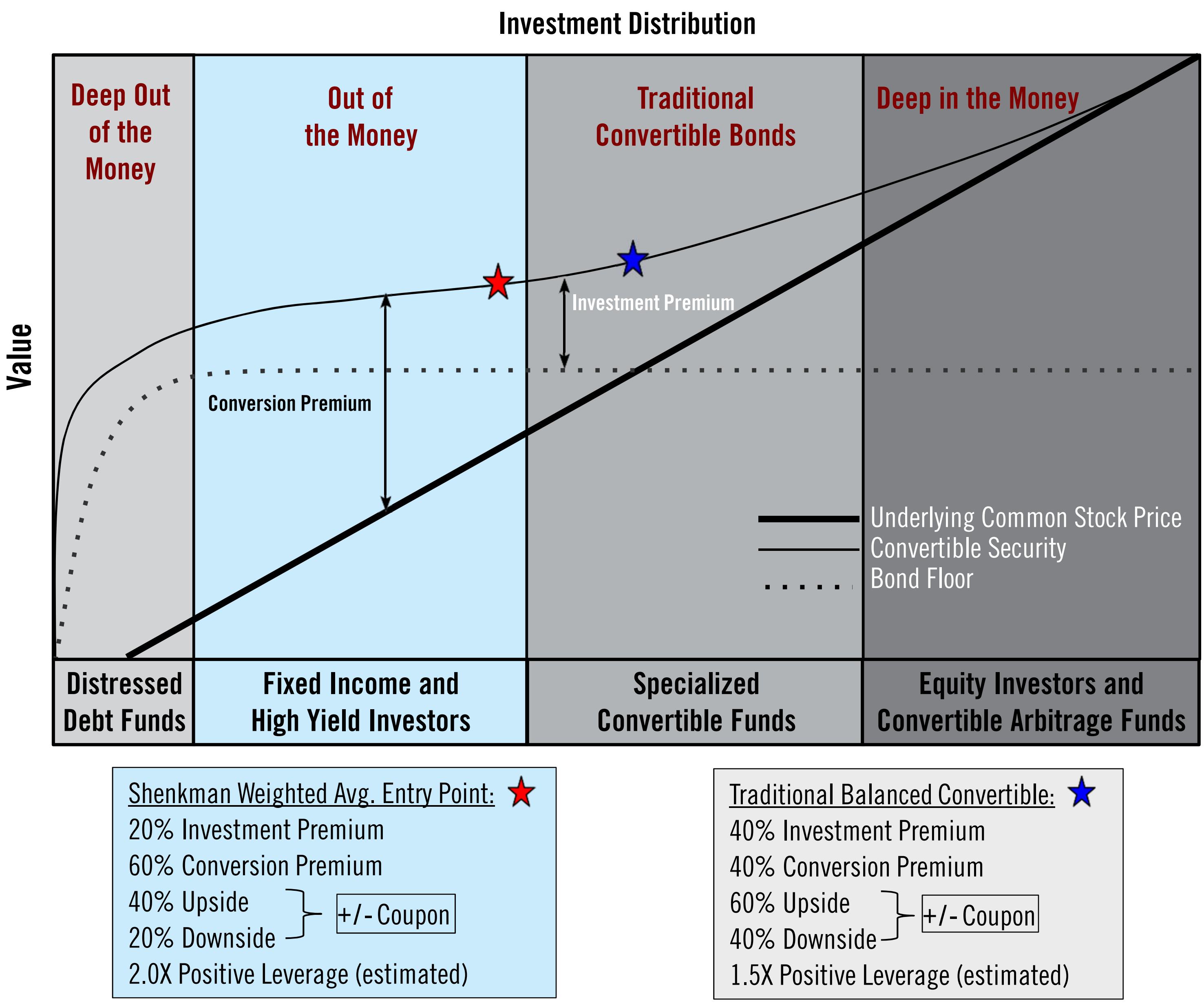
	Convertible Bonds	High Yield Bonds	Investment Grade Bonds	10-Year Treasury	International Equity	Small Cap. Equity	Large Cap. Equity
Convertible Bonds	1.00						
High Yield Bonds	0.65	1.00					
Investment Grade Bonds	0.29	0.54	1.00				
10-Year Treasury	-0.20	-0.14	0.64	1.00			
International Equity	0.79	0.68	0.26	-0.26	1.00		
Small Cap. Equity	0.81	0.62	0.14	-0.30	0.82	1.00	
Large Cap. Equity	0.76	0.63	0.22	-0.25	0.96	0.82	1.00

Updated on a quarterly basis. Sources: eVestment, ICE BofA, Citigroup, MSCI, S&P, Russell, and Refinitiv.
Past performance is not indicative of future returns. Please see disclaimers for additional important information.
Correlation generated using data from the Refinitiv U.S. Vanilla Convertible Bond Index (Convertible Bonds), ICE BofA U.S. High Yield Bond Index (High Yield Bonds), ICE BofA Corporate Index (Investment Grade Bonds), MSCI World Index (International Equity), Russell 2000 Index (Small Cap. Equity), and the S&P 500 Index (Large Cap. Equity).

Shenkman Capital's Convertible Bond Strategy

Shenkman's differentiated approach to managing convertible bonds revolves around constructing a traditional portfolio that seeks to capture the relative safety of the bond floor, while preserving equity upside potential (as illustrated in Exhibit 5). This results in a particularly attractive "positive leverage" investment profile due to the tendency of a convertible to go up faster than it goes down. Furthermore, Shenkman leverages a structured, disciplined investment process that is anchored by a 22-member analyst team exclusively focused on fundamental credit research across the entire capital structure, in order to achieve the dual objectives of upside potential and significant downside mitigation.

Exhibit 5: Shenkman's Target Entry Point vs. Traditional Balanced



Source: Shenkman Capital, Bloomberg, Credit Suisse, Lipper

Shenkman believes that managing the credit risk of the portfolio is crucial to maintaining a balanced convertibles portfolio. As such, Shenkman treats each convertible as a fixed income investment in order to mitigate volatility, which requires careful credit analysis, stringent security selection, in-depth due diligence, and views on the equity and catalysts for equity improvement. While the underlying equities of convertible issuers are often covered by the sell-side research community, many convertible bond issuers have no other debt outstanding. Even issuers with other syndicated debt facilities in the market may be overlooked when it comes to credit-focused research. Furthermore, much of the convertible market is unrated by the traditional bond rating agencies (66% in 2019 versus 9% in 2002) and investment grade-rated issuers with declining quality have created risks for ratings-focused holders, but also opportunities for credit research-based investors who are primed to take advantage of market dislocations. Convertible bonds' beneficial tendency to fall slowly when their underlying equity trades down only works when the underlying credit remains viable, as downside protection is unlikely to materialize for issuers with deteriorating credit metrics and increasing bankruptcy risk. Credit selection is therefore paramount. Shenkman's approach to constructing portfolios of well-vetted convertible bonds enables long-term investors to be "paid to wait" without the necessity of timing equity markets, and we seek to optimize the distribution of out of the money, traditional, and in the money convertibles, as illustrated in Exhibit 6.

Exhibit 6: Optimizing the Convertible Portfolio

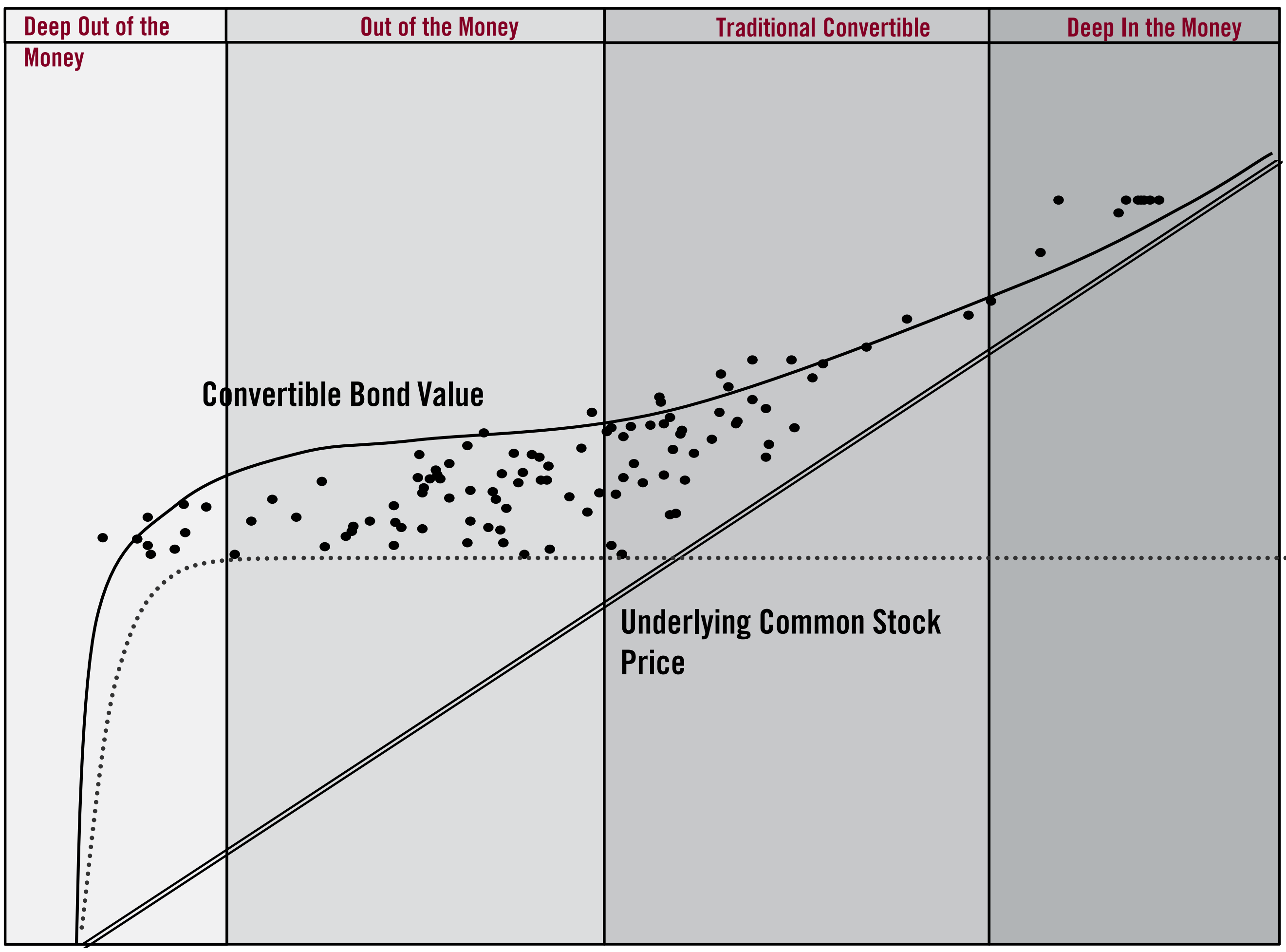
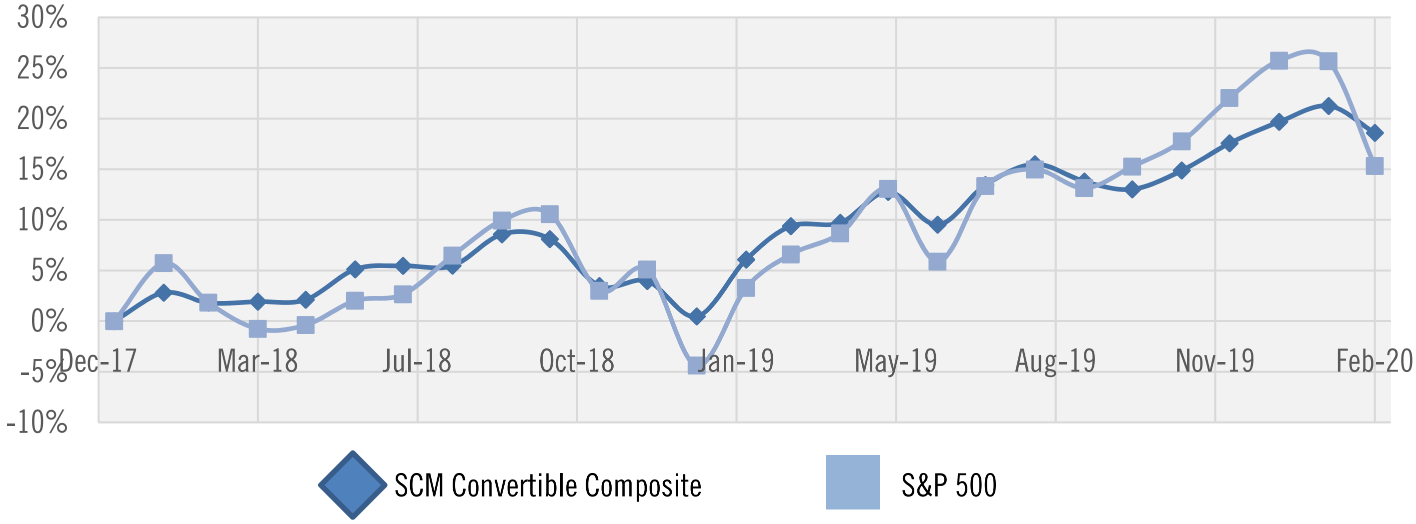


Chart above references the Shenkman Capital Convertible Securities Composite
Source: Shenkman Capital

Shenkman's balanced approach and ability to diligently underwrite each credit in our portfolios has led to strong performance throughout numerous risk on and off periods, as illustrated in Exhibit 7, including the current steep selloff in equity and credit assets. As of March 16th, 2020, Shenkman's Convertible Composite has captured approximately 55% of the S&P 500's downturn year-to-date (-14.12% versus -25.83%) and 47% of the decline over the last year, and it has significantly outperformed the S&P 500 over the last 3 years (+9.5% versus +6.3%). Our composite has also experienced less than half of the volatility of the S&P 500 over that three-year period. We continue to expect the opportunity set to be robust given many convertibles that were very equity-like have migrated into our balanced technical wheelhouse during this downturn.

Exhibit 7: Convertible Performance vs. Equities



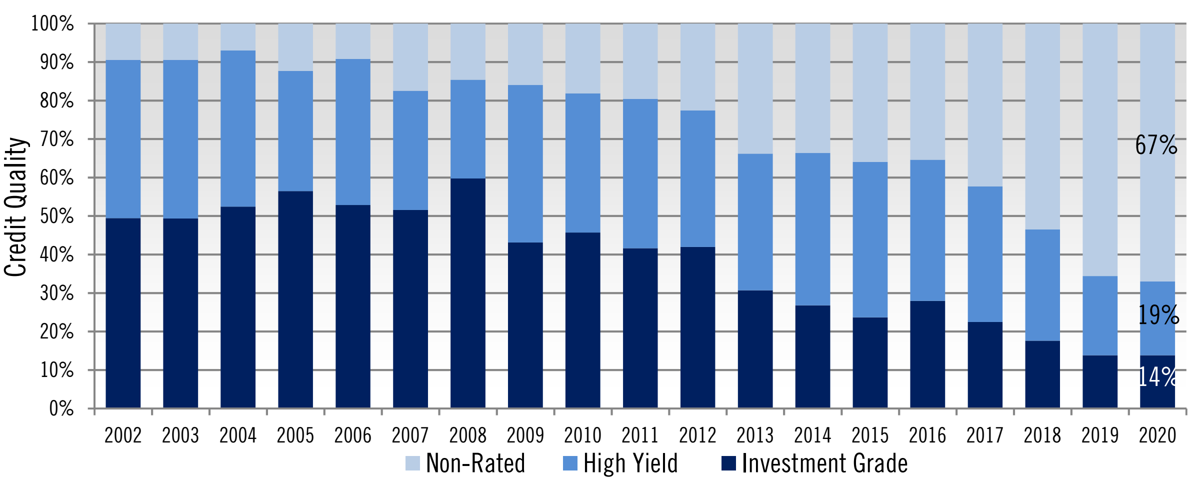
Down Period	SCM Convertible Composite Return	S&P 500 Return	**Downside Capture**
February / March 2018	-0.85%	-6.13%	**14%**
4Q18	-7.07%	-13.52%	**52%**
May 2019	-2.88%	-6.35%	**45%**
January / February 2020	-0.91%	-8.27%	**11%**

Source: Shenkman Capital, Standard & Poor's

Additional Benefits for Insurers

Convertible bonds are a particularly compelling consideration for insurance companies, not only due to the diversification benefits previously discussed, but also as a way to achieve equity-like upside potential in a more capital-efficient and accounting-friendly manner. Due to their principal-protected nature, convertibles are granted debt-like treatment for risk-based capital (RBC) and other capital charge calculations (e.g., ratings agencies). Though the number of NRSRO-rated convertibles has declined in recent years (Exhibit 8), a number of high quality credits with investment grade-like metrics can be found. Since regulators recognize the protections that convertibles offer and will apply capital charges on the basis of an issuer's credit quality, Shenkman is able to assist our insurance clients with filing the information required by the NAIC's Securities Valuation Office (SVO) to achieve commensurate ratings designations.

Exhibit 8: Convertible Bond Market Breakdown by Quality



As of 2/29/2020. Source: Refinitiv U.S. Vanilla Convertible Bond Index. Lower of Moody 's and S&P ratings. Please see disclaimers for additional important information.

Furthermore, Shenkman can tailor an insurer's convertible bond portfolio to be more heavily (or even exclusively) weighted towards investment grade issues, if desired, resulting in a fraction of the capital charges levied on equities. For example, C1 RBC charges for the Shenkman investment grade convertibles representative portfolio illustrated in Exhibit 9 are 90% lower than that of equities for a P&C or health insurer. An additional benefit of a convertibles allocation may come in the form of substantially reduced balance sheet volatility as compared to equities (typically carried at fair value), given life insurers carry NAIC designations 1-5 at amortized cost (hence low mark-to-market risk), and P&C companies report NAIC designations 3 to 6 at the lower of amortized cost or fair market value (also low market-to-market volatility for BBB-equivalent ratings designations). In summary, an investment manager like Shenkman that is well-versed in insurance regulatory policies can construct a convertible bond portfolio with equity-like return potential that qualifies for attractive risk-based capital treatment with less accounting volatility than common stocks.

Exhibit 9: Capital Efficient Equity-Like Exposure

Straight & Convertible Bonds & Preferreds	Life	P&C	Health
NAIC Class 1 (AAA/Aaa, AA/Aa, A/a)	0.40%	0.30%	0.30%
NAIC Class 2 (BBB/Baa)	1.30%	1.00%	1.00%
NAIC Class 3 (BB/Ba)	4.60%	2.00%	2.00%
NAIC Class 4 (BB/B)	10.00%	4.50%	4.50%
SCM IG Representative Portfolio*	2.97%	1.51%	1.51%
High Yield Universe (H0A0)	8.99%	4.08%	4.08%
Common Stocks	Life	P&C	Health
Common Stock	22.5% - 45%	15.00%	15.00%

Source: NAIC, Shenkman Capital

Shenkman's customized solutions for insurance companies offer:

- Portfolio construction with a focus on tailored client risk and return objectives, and guidelines
- Access to dedicated Portfolio Management and Client Solutions teams
- Monitoring of issue-level regulatory ratings, and collection of reporting documentation for SVO filings
- Comprehensive, bespoke portfolio reporting, including derivative bifurcation accounting reports for FASB requirements

Summary

Whereas equity and fixed income investors alike had benefited from more than a decade of strong macroeconomic factors prior to the unprecedented spike in volatility in the 1st quarter of 2020, we believe that renewed, extreme uncertainty regarding equity prices will continue to make convertible bonds an attractive avenue of financing for many companies, and therefore provide a strong backdrop for the continued resurgence of convertible issuance. Recent new issuance has helped balance the market, and a focus on underwriting bond floors can help investors take advantage of equity volatility. While convertibles have often been overlooked by investors, their unique properties should become more appealing to investors and issuers alike in this environment. We view the convertible market as fundamentally sound, and pullbacks as an opportunity to rebalance into the convertible bonds of companies with strong risk/reward profiles. Whether investors are seeking to diversify across fixed income or equity allocations, convertible bonds can be an attractive complement to many portfolios.

Ray Condon *Portfolio Manager, Convertibles*
Jordan Barrow, CFA *Portfolio Manager, Convertibles*
Tom Whitley, CFA *Portfolio Manager, Convertibles*

For more information, please contact:
Richard Keri, CPA Richard.Keri@shenkmancapital.com
Nick Gray, CFA Nicholas.Gray@shenkmancapital.com
InsuranceSolutions@shenkmancapital.com

Appendix

Key Terms of Convertible Bonds

The indenture of the convertible bond, like other fixed income instruments, governs the structure, features and any other key characteristics of the issue. In addition to outlining specific features (e.g., coupon, maturity, etc.), convertible bond indentures must also specify the mechanics regarding the potential conversion. These features allow convertible bond investors to perform calculations to compare one bond with another. A brief description of some key terms are as follows:

- **Conversion Price:** The strike price of the warrant embedded in the convertible security. At issuance, the conversion price is set at a premium above the underlying common stock price.
- **Conversion Ratio:** The number of common shares that the convertible investor is entitled to receive for a convertible security upon conversion. It is calculated as the Par Amount divided by the Conversion Price.
- **Conversion Value:** The market value of the common equity represented by the convertible security. This is also known as "Parity," and is equal to the Conversion Ratio multiplied by the current price of the underlying stock.
- **Conversion Premium:** The percentage premium paid for a convertible over its conversion value. It is calculated as: (Convertible Price / Conversion Value) – 1.
- **Investment Value:** The value of the bond-only portion of the convertible. In other words, it is the estimated price at which a convertible security would trade if it did not include a conversion feature.
- **Investment Premium:** The premium or dollar amount at which a convertible security trades in relation to its estimated investment value.
- **Call Provision:** The right of the issuer to redeem a convertible at a specified price before its maturity. At the time of call, if the common stock price is above the conversion price, investors would convert. If not, investors would redeem the convertible bond for cash.
- **Provisional Call Feature:** A call provision where the issuer cannot redeem or call a convertible unless the underlying common reaches a predetermined price. Typically the "trigger price" is 150% above the conversion price.

While obviously not identical, there are parallels between the conversion price of a convertible bond and the strike price of an equity call option. Given the similarities, the two markets also share terminology. A convertible bond is said to be in-the-money when the stock price is higher than the conversion price, and it would be rational to convert. An out-of-the-money convertible bond is when the stock price is lower than the conversion price. If stock price and conversion price are equal, the convertible bond is said to be at-the-money.

At-the-money convertibles exhibit a quality known as "gamma." As the security passes through the "gamma zone," the sensitivity of a convertible bond to the underlying equity increases exponentially. In other words, these bonds can have an accelerating rate of return on the upside for even relatively small increases in the equity price.

Ultimately, the value of a convertible bond can be broken down into the value of the fixed income component plus the value of the embedded conversion option. The guidelines below help determine the value of a convertible bond.

A convertible will generally trade higher if:

- the underlying stock price increases (increasing the intrinsic value)
- the underlying stock has higher volatility, which usually implies a greater value for the embedded option in a convertible bond
- there is an improvement in the credit quality of the issuer (i.e., a ratings upgrade, better earnings, reduction in debt outstanding, etc.)

DISCLAIMERS

The Shenkman Group of Companies (the "Shenkman Group") consists of Shenkman Capital Management, Inc., and its affiliates and subsidiaries, including, without limitation, Shenkman Capital Management Ltd, Romark Credit Advisors LP, and Romark CLO Advisors LLC. The Shenkman Group focuses on the leveraged finance market and is dedicated to providing in-depth, bottom-up, fundamental credit analysis. Shenkman Capital Management, Inc. ("Shenkman" or "Shenkman Capital") is registered as an investment adviser with the U.S. Securities and Exchange Commission (the "SEC"). Romark Credit Advisors LP is also registered as an investment adviser with the SEC and Romark CLO Advisors LLC is registered as a relying adviser of Romark Credit Advisors LP (together, "Romark"). Shenkman Capital Management Ltd is a wholly-owned subsidiary of Shenkman Capital Management, Inc. and is authorized and regulated by the U.K. Financial Conduct Authority. Such registrations do not imply any specific skill or training. EEA Investors: This material is provided to you because you have been classified as a professional client in accordance with the Markets in Financial Instruments Directive (Directive 2014/65/EU) (known as "MiFID II") or as otherwise defined under applicable local regulations. If you are unsure about your classification, or believe that you may be a retail client under these rules, please contact the Shenkman Group and disregard this information.

Unless otherwise stated, all information and characteristics presented herein are based on the Shenkman Group's internal records and valuation. The information and opinions expressed herein are provided for informational purposes only. The information is not intended to be, and should not be construed as, impartial investment advice, an offering of investment advisory services or an offer to sell or a solicitation to buy any securities in any jurisdiction, including without limitation any interest of an investment fund or vehicle managed by the Shenkman Group. Any offer to sell or any solicitation to buy securities of an investment fund or vehicle managed by the Shenkman Group will be made only by means of the Prospectus or Offering Memorandum relating to that fund or vehicle. All interests in securities of any fund or vehicle shall not be offered or sold in any jurisdiction in which such an offer, solicitation or sale would be unlawful or would require registration or disclosure until the requirements of the laws, rules and regulations of such jurisdiction have been satisfied. In certain jurisdictions, including Switzerland, this is an advertising document.

These materials do not undertake to explain all of the risks associated with any investment strategy referred to herein. No person or entity should invest in any strategy referred to herein unless satisfied that it (or its investment representative) has asked for and received all information that would enable it (or them) to evaluate the merits and risks thereof. PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS.

The Shenkman Capital Convertible Securities Composite has an inception date of February 1, 2005, and consists of fee-paying, discretionary comparable accounts that employ Shenkman's convertibles investment strategy and excludes multi-sector and structured funds and accounts that are not fully discretionary or have investment guidelines and restrictions that impair Shenkman's ability to implement its investment strategy (e.g., prohibitions on investing in, or requirements to maintain minimum exposures to, certain types of assets). Accounts that are experiencing significant inflows or outflows and/or which are not yet fully invested may be temporarily excluded from the Composite.

Gross performance results include reinvestment of interest and other income, but are before the deduction of all fees and expenses, which vary depending on size and type of account and are described in Shenkman Capital's Form ADV, Part 2A. Prospective clients should consider the effect that advisory fees and any other expenses that may be incurred in connection with the account (e.g., operating and investment related expenses) would have on performance results. Net performance results include reinvestment of interest and other income and are net of 0.750% per annum, the highest asset-based advisory fee that can be charged to an account within the Composite, but do not reflect the deduction of any other fees and expenses. A copy of Shenkman Capital's ADV, Part 2A is available upon request.

Performance information is calculated in U.S. Dollars, is for illustration purposes only and does not reflect the performance of any one account. Gross performance from 2005 through 2018 has been audited by Shenkman Capital's independent public accountants, a copy of which is available upon request. Past performance is not a guarantee of future results.

The inclusion of any particular investment(s) or transaction(s) in this presentation is not intended to represent, and should not be interpreted to imply, a past or current specific recommendation to purchase or sell an investment, and is not necessarily a list of all the purchases or sales effected during the stated period. There is no assurance that any positions discussed herein will remain in any portfolio for any length of time. The price or value of any investment is current only as of the date reflected and is subject to change. It should not be assumed that any of the holdings or transactions discussed herein were or will prove to be profitable, or that the investment recommendations or decisions made in the future will be profitable or will equal the investment performance of the investments discussed herein.

Unless otherwise stated, any exposure, issuer, security, or similar classification (each a "Classification") was determined by the Shenkman Group by assigning such Classification as the Shenkman Group deemed appropriate. The assignment of any Classification may have been determined with the benefit of hindsight. The determination of any Classification may have changed over time and is subject to change in the future at the sole discretion of the Shenkman Group. The Shenkman Group has no obligation to provide notice of any change to any Classification.

Third-party information contained in this presentation was obtained from sources that the Shenkman Group considers to be reliable; however, no representation is made as to, and no responsibility, warranty or liability is accepted for, the accuracy, adequacy completeness, timeliness or availability of such information, including ratings. The Shenkman Group is not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. THE SHENKMAN GROUP DOES NOT GIVE ANY EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. THE SHENKMAN GROUP SHALL NOT BE LIABLE FOR ANY DIRECT, INDIRECT, INCIDENTAL, EXEMPLARY, COMPENSATORY, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES, COSTS, EXPENSES, LEGAL FEES, OR LOSSES (INCLUDING LOST INCOME OR PROFITS AND OPPORTUNITY COSTS OR LOSSES CAUSED BY NEGLIGENCE) IN CONNECTION WITH ANY USE OF SUCH THIRD-PARTY CONTENT.

Copyright 2020, S&P Global Market Intelligence and its affiliates as applicable. Reproduction of any information, data or materials, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant third party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content. A reference to a particular investment or security, a rating or any observation concerning an investment that is part of the Content is not a recommendation to buy, sell or hold such investment or security, does not address the suitability of an investment or security and should not be relied on as investment advice. Credit ratings are statements of opinions and are not statements of fact.

References to indices are for information purposes only. The Shenkman Group believes that any indices discussed herein are broad market indices and are indicative of the type of investments that the Shenkman Group may purchase, but may contain different securities than those held in the Shenkman Group portfolios managed pursuant to the strategies described herein. The indices have not been selected to represent an appropriate benchmark. The strategies referred to herein are not designed to mimic the investments on which any index is based. The indices are unmanaged and not available for direct investment and do not reflect deductions for fees or expenses.

The S&P 500 Index is designed to reflect the U.S. equity markets and focuses on the large-cap sector of the market, which includes the 500 leading companies in leading industries of the U.S. economy.

These materials are confidential and not for distribution without the Shenkman Group's prior consent. SHENKMAN®, SHENKMAN CAPITAL®, and other Shenkman trademarks and logos used herein are registered trademarks of Shenkman Capital Management, Inc. ROMARK®, ROMARK CLO ADVISORS®, and other Romark trademarks and logos used herein are registered trademarks of Romark Credit Advisors LP and/or Romark CLO Advisors LLC. All rights reserved.

461 Fifth Avenue
New York, NY 10017
212 867 9090

262 Harbor Drive
Stamford, CT 06902
203 348 3500

49 St. James's Street
London UK SW1A 1JT
+44 (0) 207 268 2300