CONVERTIBLE SECURITIES: THE ASSET CLASS

Authored By:

DENNISON "DAN" T. VERU
SENIOR PARTNER
CHIEF INVESTMENT OFFICER

WILLIAM W. LEE
PARTNER
SENIOR PORTFOLIO MANAGER, CONVERTIBLE STRATEGIES

AMRITA THAPA, CFA
SENIOR VICE PRESIDENT
INVESTMENT MANAGEMENT RESEARCH & RISK MANAGEMENT

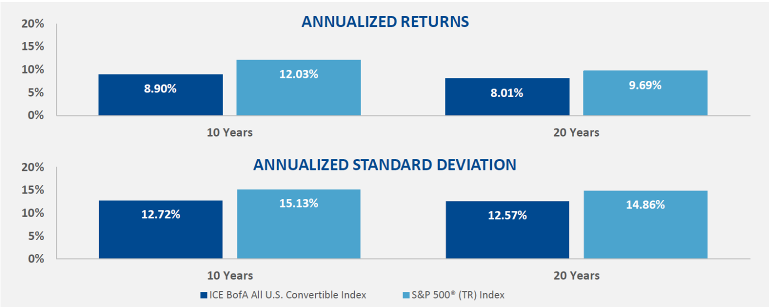
WHAT ARE CONVERTIBLE SECURITIES?

Convertibles are hybrid corporate securities that embody the characteristics of both bonds and equities since they can be converted into shares of the issuer's common stock. Convertible securities provide an opportunity for investors to participate in the upside of equity markets while also offering potential downside protection. As investors navigate volatile markets, convertibles may help mitigate risks stemming from the uncertain path of interest rates and/or overly bullish equity prices.

WHY INVEST IN CONVERTIBLES?

Historically Attractive, Risk-Adjusted Returns

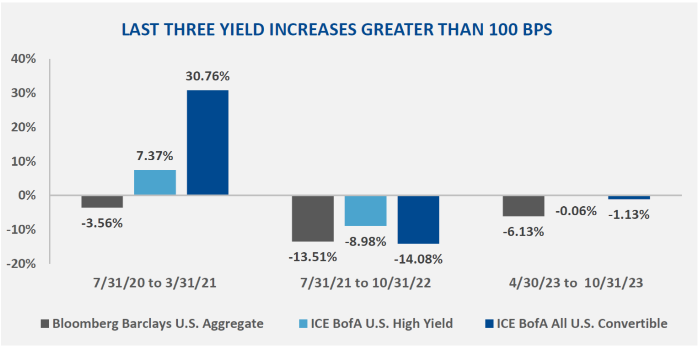
Over the long-term, the U.S. convertibles market has generated total returns that are competitive with the S&P 500® Index with lower volatility, offering an attractive risk-reward profile relative to equities.

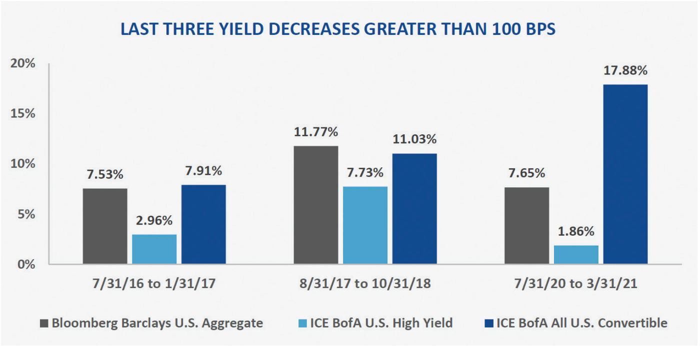


As of December 31, 2023. Source: FactSet Research Systems, Inc.

Less Sensitive to Rising Interest Rate Environment and May Benefit If Rates Decline

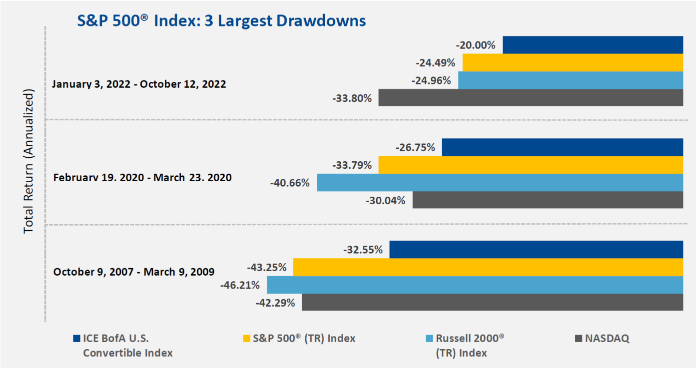
Unlike traditional fixed income asset classes, convertibles generally have historically generated positive returns when interest rates have moved higher by 100+ basis points because equity optionality can offset duration risk. Convertibles tend to have shorter durations than traditional fixed income securities due to their put/call features, which can further reduce interest rate sensitivity as stocks rise. Should rates decline, convertibles should benefit like any other fixed income security, but further supplemented by potentially higher valuations on underlying equities.





As of December 31, 2023. Source: FactSet Research Systems, Inc.

Downside Protection Over Equities



As of December 31, 2023. Source: FactSet Research Systems, Inc.

Over various market cycles, convertibles have the potential to participate in the equity markets' upside due to their embedded call option, while providing a measure of downside protection due to their bond-like characteristics. In today's world of heightened uncertainty, asymmetric returns may help mitigate the impact of market volatility.

WHY ACTIVE VS. PASSIVE?

Passive Investments Are Credit Agnostic

As of December 31, 2023, more than 75% of the ICE BofA All U.S. Convertible Index ("Convertibles Index") consists of bonds that are non-rated and 7% are below investment grade. Deep fundamental credit research is critical to help ensure the securities within a portfolio will be able to pay their principal at maturity.

Passive Investments May Exceed Prudent Risk Guidelines

For adequate diversification, institutional investors may limit portfolios from being overly concentrated to any one issuer. While opinions may vary as to how large an exposure has to be to be risky, a 5-10% position is likely to be considered concentrated. At various points in the recent past, passive managers have held a more than 10% position in convertible securities of a single issuer. This is not a risk that most active managers are willing to make.

Passive Investments May Hold Equities

Passive managers may hold equities after a convertible security has been converted to equity. Owning equities, however, removes the asymmetric return profile of a convertible and active managers will typically sell equities and remain true to the asymmetry of the asset class.

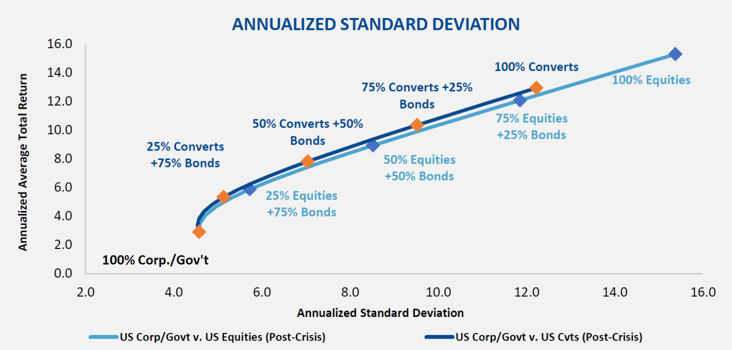
STRATEGIC ALLOCATION TO CONVERTIBLES

Given their unique blend of equity and bond characteristics, convertibles are hybrid investments and can be used in a variety of ways to diversify a portfolio.

Palisade Capital Management's analysis strongly suggests convertibles can add value as a core part of your strategic asset allocation. The addition of convertibles to a bond portfolio increases the portfolio's return potential with lower levels of risk than adding equities to the same portfolio.

Many investors may also consider adding convertibles as part of their alternatives allocation. We believe that an allocation to convertible securities should come from the aggressive income or equity portion of your portfolio.

ICE BofA constructed two hypothetical sets of "efficient" portfolios using post-crisis annualized returns (since 2009).



The hypothetical historical performance in the chart above is not an indicator of future actual results.
As of December 31, 2023. Source: ICE BofA Global Research, ICE Data Indices, LLC

CONVERTIBLE SECURITIES INVESTMENT TEAM

WILLIAM W. LEE
PARTNER
SENIOR PORTFOLIO MANAGER,
CONVERTIBLE STRATEGIES

MITCHELL LEUNG, CFA
SENIOR VICE PRESIDENT
ASSOCIATE PORTFOLIO MANAGER,
CONVERTIBLE SECURITIES;
ANALYST, CONVERTIBLE STRATEGIES

MICHAEL CHIZMAR
VICE PRESIDENT
CONVERTIBLE SECURITIES

CONTACT US

Palisade Capital Management, LP
One Bridge Plaza, Suite 1095
Fort Lee, New Jersey 07024

Phone: (201) 585-7733
Fax: (201) 585-7552
marketing@palcap.com

palisadecapital.com

Contributing Author: Allison J. Chase, CIPM, ***Vice President, Institutional Client Service & Marketiing Analytics***

IMPORTANT INFORMATION

Past performance is not a guarantee of future results. No assurance can be given that the Strategy will be successful The performance of the Strategy can be volatile and involve a high degree of risk. Investors may lose some or all of their investment.

Palisade Capital Management, LP (the "Firm") is an SEC registered independent investment management firm established in 1995. Based in Fort Lee, NJ, the Firm manages a variety of assets for a diversified client base including institutions, foundations, endowments, pension and profit-sharing plans, retirement plans, mutual funds, private limited partnerships, family offices, and high-net-worth individuals. Registration with the Securities and Exchange Commission does not imply a certain level of skill or expertise.

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The ICE BofA All U.S. Convertibles Index (VXAO) is a capitalization weighted index consisting of convertible securities designed to represent the universe of U.S. corporate convertible securities.

The S&P 500® (TR) Index is an unmanaged index that is widely recognized as an indicator of general market performance and does not have a defined investment objective nor does it charge fees and expenses.

The Bloomberg Barclays Capital Aggregate Bond Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities.

The ICE BofA U.S. High Yield Index (H0A0) tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. Index data presented herein uses the most recent estimates available.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. It consists of approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. Source: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2024. The Small Capitalization Composite (the "Composite") has been developed solely by Palisade Capital Management, L.L.C. The Composite is not in any way connected to or sponsored, endorsed, sold, or promoted by the LSE Group. FTSE Russell is a trading name of certain of the LSE Group companies. All rights in the Russell 2000® Index (the "Index") vest in the relevant LSE Group company which owns the Index. Russell® is a trademark(s) of the relevant LSE Group company and is used by any other LSE Group company under license. The LSE Group does not accept any liability whatsoever to any person arising out of (a) the use of, reliance on, or any error in the Index or (b) investment in or operation of the Composite. The LSE Group makes no claim, prediction, warranty, or representation either as to the results to be obtained from the Composite or the suitability of the Index for the purpose to which it is being presented by Palisade Capital Management, L.L.C.

The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock market.

Reference to an index does not imply that any strategy will achieve returns, volatility, or other results similar to an index. No index reflects the manner in which the portfolio for any strategy is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, or volatility. Indices are unmanaged. It should not be assumed any strategy will invest in any securities that comprise the applicable benchmark, nor should it be understood to mean there is a correlation between any strategy's returns and the returns of the applicable benchmark. Benchmarks are included for informational purposes only.

Investing in securities involves risk, including the risk the entire amount invested may be lost. Securities investments are not guaranteed. Fixed income securities are generally subject to interest rate risks. The risk is greater for long-term securities than for short-term securities. A risk in a long-term purchase strategy is that Palisade may not take advantage of short-term gains that could be profitable. Moreover, if Palisade's predictions are incorrect, a security may decline sharply in value before being sold. Equity-linked securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates, and general economic environments. REITs are affected by underlying real estate values, which may have an exaggerated effect to the extent those REITs concentrate investments in particular geographic regions or property types. A company issuing convertible securities may default. Palisade's portfolios are susceptible to operational, information security, and related risks from cyber security incidents resulting from deliberate attacks or unintentional events.

The information provided herein constitutes Palisade Capital Management's judgment as of this date and is subject to change. No assurance, representation, or warranty is made that any of Palisade's assumptions, expectations, views, objectives, and/or goals will be achieved. Certain information is obtained from sources that are believed to be reliable; however, we do not guarantee its accuracy and such information may be incomplete or condensed. Historical economic characteristics may not be indicative of future conditions. This document has been prepared for informational purposes only. The information herein is accurate to the best of Palisade Capital Management's knowledge as of the date indicated, unless otherwise noted, and is subject to change without notice.

Annualized standard deviation is a measure of the dispersion of a set of data from its mean – a measure of the variability of returns. The higher the standard deviation, the greater the range of performance (i.e., volatility). Standard deviation is calculated as the square root of variance.