

Convertible Securities

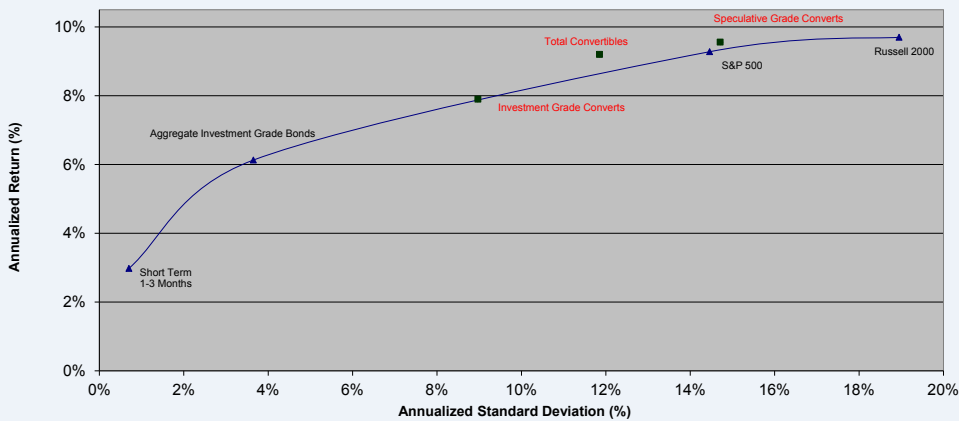
DECEMBER 2016



Investment Rationale

Convertibles provide fixed-income investors with a liquid asset class that may increase returns through efficient exposure to equity markets. For insurance companies, convertibles offer a way to earn equity return premiums with much lower capital charges and rating agency scrutiny than traditional common stocks.

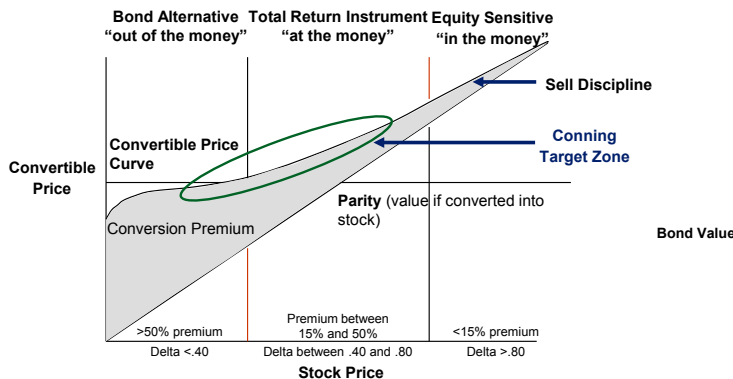
ASSET CLASS AVERAGE ANNUAL RETURNS, JANUARY 1990 TO DECEMBER 2016



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Investment Philosophy and Process

Our process utilizes a quantitative valuation model (to generate ideas and monitor the convertible market), fundamental credit research, and disciplined risk control processes focused on both individual issues and the portfolios aggregate risk characteristics. We primarily invest in the total return and bond alternative segments of the market, scaling out of high priced convertibles as they become more equity sensitive and better opportunities are available.



Prepared by Conning, Inc. Sources: Bank of America, RiversEdge Convertible Portfolio Advisors

On a selective basis, our core investment grade portfolio has some exposure to lower quality issues to improve both diversification and return. Our goal is to have total return volatility similar to the investment grade convertible indices – which are about halfway between investment grade bonds and stocks – while capturing most of the extra return of common stocks.

STRATEGY TEAM

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37 years of experience

Joseph Mayo
Head of Credit Research
30 years of experience

David Tyson, Ph.D., CFA
Subadvisor
RiversEdge Convertible
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ABOUT CONNING®

Conning (www.conning.com) is a leading global investment management firm with almost \$109 billion in global assets under management as of December 31, 2016.* With a long history of serving the insurance industry, Conning supports institutional investors, including pension plans, with investment solutions and asset management offerings, award-winning risk modeling software, and industry research. Founded in 1912, Conning has offices in Boston, Cologne, Hartford, Hong Kong, London, New York, and Tokyo.

*As of December 31, 2016, represents the combined global assets under management for the affiliated firms under Conning Holdings Limited, and Cathay Securities Investment Trust Co., Ltd. ("SITE"). SITE reports internally into Conning Asia Pacific Limited, but is a separate legal entity under Cathay Financial Holding Co., Ltd. which is the ultimate controlling parent of all Conning entities.

C11# 4863389A

Risks of Investing in Convertible Securities

- 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

Convertible Market Overview 4Q16

- The investment grade (+4.46%) and speculative grade index (+4.07%) both outperformed the S&P 500 (+3.82%) in the fourth quarter again benefiting from the outperformance of smaller capitalization stocks and lower quality bonds. The total convertible index (+2.61%) underperformed the two rated indices due to the underperformance of the not rated securities that make up 41% of the index.
- For the full year the total convertible index (+11.70%) almost outperformed the S&P 500 (+11.95%) as smaller capitalization stocks and lower quality bonds outperformed despite being down in the first six weeks of the year. Speculative grade convertibles (+19.22%) outperformed the investment grade index (+13.95%).
- Convertible valuations and risk levels did not change much during the fourth quarter. Valuations are still cheaper than normal and risk levels are in the middle of the range they have been in since 2009. Convertible current yields declined during the third quarter but the 10 year US Treasury yield moved above them for the first time since the third quarter of 2014. Convertible issuance declined slightly in the fourth quarter but full year issuance was still higher than 2015 issuance.

ORGANIZATION

Conning, Inc., Goodwin Capital Advisers, Inc., Conning Investment Products, Inc., a FINRA-registered broker dealer, Conning Asset Management Limited, Conning Asia Pacific Limited and Octagon Credit Investors, LLC are all direct or indirect subsidiaries of Conning Holdings Limited (collectively, "Conning") which is one of the family of companies owned by Cathay Financial Holding Co., Ltd., a Taiwan-based company. Conning has offices in Boston, Cologne, Hartford, Hong Kong, London, New York, and Tokyo.

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Conning, Inc. is also registered with the National Futures Association. Conning Investment Products, Inc. is also registered with the Ontario Securities Commission. Conning Asset Management Limited is Authorised and regulated by the United Kingdom's Financial Conduct Authority (FCA#189316), and Conning Asia Pacific Limited is regulated by Hong Kong's Securities and Futures Commission for Types 1, 4 and 9 regulated activities. Conning primarily provides asset management services for third-party assets. Conning predominantly invests client portfolios in fixed income strategies in accordance with guidelines supplied by its institutional clients.

For complete details regarding Conning and its services, you should refer to our Form ADV Part 2, which may be obtained by calling us.

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