

A View of the Convertible Securities Market

Thomas H. Dinsmore, CFA
Portfolio Manager
Dinsmore Capital Management
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tdinsmore@dinsmorecap.com
www.dinsmorecap.com

Convertible bonds are interest-paying securities, similar to corporate bonds, in which investors have the option to exchange the bonds for a predetermined number of shares of common stock. The hybrid nature of the securities offers investors the principal protection and income characteristics of bonds with the opportunity for higher returns if the issuer's stock price rises. The Convertible Market also includes Convertible preferred shares, which have similar characteristics.

Dinsmore Capital Management (DCM) believes that the Convertible Securities market offers a historic investment opportunity. As the result of an unprecedented series of events this \$175 billion marketplace of securities senior to common stock offers some of its highest upside equity participation and the best downside protection since the stock market crash of 1987. The series of events that have led to this opportunity in the Convertible Securities universe are the unusual selling pressures from over leveraged hedge funds, recession fears that have led to negative default rate expectations, an over representation of financials in the universe and other more subtle events. We believe these dislocations in the Convertible Securities market in 2008 have created inefficiencies where hard work and a knowledge advantage that comes from analyzing and managing Convertible Securities for over 25 years will allow us to identify securities with strong return potential. We believe we are in the sixth or seventh inning of the confluence of events described above and that the Convertible Securities market is substantially

undervalued. We will continue to rely on DCM's long term perspective and rigorous fundamental research as we seek to capitalize on the unusual conditions of today's market.

According to the Bank of America Securities/Merrill Lynch All Convertible Index (VXA0) the universe has a current yield of 5.54%, a yield advantage of 3.27% over the underlying common stock, and a conversion premium of 105.2%. For the year 2008, the index declined 35.7% while the underlying stocks of those issues dropped 49.3% and the S&P 500 declined 37.0%. For the year 2008, investment-grade convertibles (-31.6%) also led speculative-grade (-45.8%). The U.S. convertible market is represented by the Bank of America/Merrill Lynch All U.S. Convertible Index (VXA0), which is comprised of approximately 700 issues of convertible bonds and preferred shares of all qualities. The Merrill Lynch All Investment Grade Index (VXA1) includes about 140 convertible securities with investment-grade credit ratings to represent the investment-grade convertible market. The Merrill Lynch All Speculative Grade Index (VXA2) includes about 270 convertible securities and represents the non-investment grade convertible market.

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