

A View of the Convertible Securities Market

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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 sufficiently. The Convertible market also includes Convertible preferred shares which, like convertible bonds, offer a fixed return and the opportunity for conversion to common stock.

Dinsmore Capital Management Co. (DCM) believes that during these uncertain times the investment choices and decisions we are currently making should emphasize companies that have value and survivability. DCM more than ever believes the Convertible Securities market continues to offer an historic investment opportunity. As the result of unprecedented events in late 2008 and early 2009 this \$170 billion marketplace of securities senior to common stock offers some of its highest upside equity participation and the best downside protection since the late 1980s. The series of events that have led to this opportunity in the Convertible Securities universe began in second half of 2008 with the unusual selling pressures from over-leveraged hedge funds, recession fears that have led to negative default rate expectations, and an over representation of financial industry securities in the convertible universe. But those events continued into early 2009 with the deteriorating economic conditions reflected by the (-6.2%) GDP report for the fourth quarter of 2008. We believe the dislocations in the financial markets and in the Convertible Securities market have created inefficiencies where hard work and a knowledge advantage that comes from analyzing and managing Convertible Securities for over 25 years will allow DCM to identify securities with strong return potential. We

are confident that the free market system will eventually return the economy and the financial markets to a more positive pattern. The Convertible Securities market, which we believe is substantially undervalued, is likely to reward those with staying power. 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 Bank of America Securities/Merrill Lynch, the Convertible Securities universe at the end of February 2009 had a current yield of 5.76%, a yield advantage of 3.34% over the underlying common stock, and a conversion premium of 107.9%. For the first two months of 2009, the Bank of America Securities/Merrill Lynch All Convertible Index (VXA0), which is comprised of approximately 580 issues of convertible bonds and preferred shares of all qualities, declined (-2.45%) while the underlying stocks of those issues dropped (-18.54%) and the S&P 500 declined (-18.18%). For the same two month period (January and February 2009) the Merrill Lynch All Investment Grade Index (VXA1), which includes about 110 convertible securities with investment-grade credit ratings, declined (-7.24%). The Merrill Lynch All Speculative Grade Index (VXA2), which includes about 240 convertible securities and represents the non-investment grade convertible market, increased by 4.03% during this time period.

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