

# IRON Convertible Strategy | 2Q 2020

## Investment Objective

The IRON Convertible Strategy's objective is to maximize total return through the selection and management of a credit and sector diverse convertible bond portfolio.

## Investment Philosophy

We believe convertible bonds are a compelling asset class that can provide upside equity market participation and protect during market downturns. This requires a portfolio to be structured with specific security characteristics to meet these objectives. This type of portfolio seeks to add value over full market cycles by minimizing portfolio drawdowns and increasing overall portfolio returns.

## Investment Process

We use a proprietary, multi-factor model to narrow the investment universe to a select subset of securities. Based on our research, a portfolio created with these securities provides superior downside protection, lower volatility, and higher expected returns. Each convertible security in this select subset is further analyzed for its credit risk, call risk, duration, and liquidity. If a potential risk is identified, the security will be eliminated from the select subset. All remaining securities are ranked based on a factor model composite score.

The resulting portfolio is both credit and sector diverse. Generally, our process seeks to create a portfolio of securities with higher credit and lower duration than the Barclays US Convertibles Composite Index.

## Risk Management

The portfolio is actively monitored using IRON's proprietary risk management practices. Credit quality, duration, and sector diversification are closely monitored and adjusted as needed on an ongoing basis.

In addition, our disciplined investment approach incorporates a set of specific criteria for existing securities that no longer fit the risk/reward profile that we seek.

## Portfolio Management

Aaron Izenstark  
Managing Director, Co-Founder and  
Chief Investment Officer

Ted Connolly  
Director, Portfolio Management and Trading

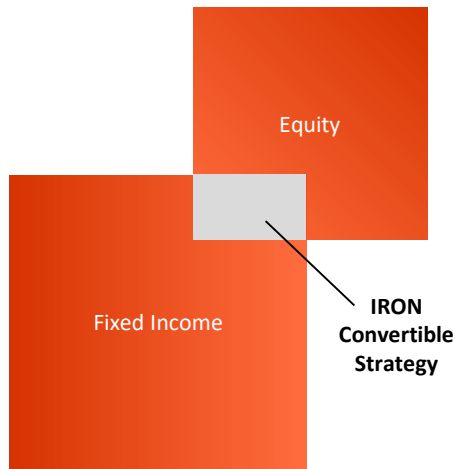
## Investment Research

Dr. Ramesh Poola, Ph.D., CFA  
Managing Director  
Investment and Quantitative Research

Bill Hassiepen  
Senior Credit Research Analyst

**Past Performance is not indicative of future results. Please see important disclosure language on the back page.**

## Why IRON Convertible Strategy?



The IRON Convertible Strategy combines benefits of both equity and fixed income instruments. Compared to the S&P 500 Index and Barclays Capital US Aggregate Bond Index, the Strategy strives to achieve the following advantages:

- Less volatility compared to the S&P 500 Index\*
- Less drawdown compared to the S&P 500 Index\*
- Low correlation with the Barclays Capital US Aggregate Bond Index\*

\*As of 6/30/2020

## Annualized Total Returns

As of 6/30/2020

	YTD 2020	1yr	3yr	5yr	Since Inception*
<b>IRON Convertible (Gross of Fees)</b>	<b>-13.65%</b>	<b>-10.40%</b>	<b>-0.29%</b>	<b>1.89%</b>	<b>4.44%</b>
<b>IRON Convertible (Net of Fees)</b>	<b>-13.96%</b>	<b>-11.03%</b>	<b>-0.99%</b>	<b>1.18%</b>	<b>3.71%</b>
Barclays Capital US Aggregate Bond Index	6.14%	8.74%	5.33%	4.31%	3.73%
S&P 500 Index	-3.08%	7.51%	10.73%	10.73%	12.50%

## Statistical Comparison

As of 6/30/2020

	Ann. Total Return	Ann. Standard Deviation	Sharpe Ratio	Max. Drawdown
<b>IRON Convertible (Gross of Fees)</b>	<b>4.44%</b>	<b>8.24%</b>	<b>0.49</b>	<b>-17.3%</b>
<b>IRON Convertible (Net of Fees)</b>	<b>3.71%</b>	<b>8.24%</b>	<b>0.41</b>	<b>-17.4%</b>
Barclays Capital US Aggregate Bond Index	3.73%	2.98%	1.04	-6.3%
S&P 500 Index	12.50%	13.32%	0.91	-33.8%

	Up Capture Ratio*	Down Capture Ratio*	Downside Deviation**	Best Monthly Return	Worst Monthly Return
<b>IRON Convertible (Gross of Fees)</b>	<b>0.57</b>	<b>0.66</b>	<b>5.98%</b>	<b>6.66%</b>	<b>-12.82%</b>
<b>IRON Convertible (Net of Fees)</b>	<b>0.54</b>	<b>0.68</b>	<b>6.05%</b>	<b>6.60%</b>	<b>-12.88%</b>
Barclays Capital US Aggregate Bond Index	0.12	-0.13	1.53%	2.59%	-2.37%
S&P 500 Index	1.15	1.00	8.45%	12.82%	-12.35%

\* Alpha, Beta, R-Squared, Up Capture Ratio, and Down Capture Ratio were estimated from the linear regression of monthly returns using the Barclays US Convertibles Composite Index as the Benchmark.

\*\* Downside Deviation is computed based on annualized standard deviation of returns that were less than minimum acceptable return (MAR) of 0% during the entire period (since inception to 6/30/2020).

The S&P 500 Total Return Index (SPXT): Standard and Poor's 500 Total Return Index is a capitalization-weighted index of 500 stocks' price return and reinvested dividends. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

## Correlations

As of 6/30/2020

	IRON Convertible (Gross of Fees)	IRON Convertible (Net of Fees)	Barclays Capital US Aggregate Bond Index	S&P 500 Index
<b>IRON Convertible (Gross of Fees)</b>	<b>1.00</b>	<b>1.00</b>	<b>0.00</b>	<b>0.83</b>
<b>IRON Convertible (Net of Fees)</b>	<b>1.00</b>	<b>1.00</b>	<b>0.00</b>	<b>0.83</b>
Barclays Capital US Aggregate Bond Index	0.00	0.00	1.00	-0.10
S&P 500 Index	0.83	0.83	-0.10	1.00

Barclays Aggregate Bond Index is a market value-weighted index that tracks the daily price, coupon, pay-downs, and total return performance of fixed-rate, publicly placed, dollar-denominated, and nonconvertible investment grade debt issues with at least \$250 million par amount outstanding and with at least one year to final maturity. An investment cannot be made directly in an index. The Standard & Poor's 500 Index (S&P 500) is an index of 500 stocks seen as a leading indicator of U.S. equities and a reflection of the performance of the large cap universe, made up of companies selected by economists. The S&P 500 is a market value weighted index and one of the common benchmarks for the U.S. stock market; other S&P indexes include small cap companies with market capitalization between \$300 million and \$2 billion, and an index of mid cap companies.

### Monthly Returns (2020)

As of 6/30/2020

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>IRON Convertible (Gross of Fees)</b>	-2.09%	-3.11%	-12.82%	5.58%	2.12%	-3.17%						
<b>IRON Convertible (Net of Fees)</b>	-2.14%	-3.16%	-12.88%	5.52%	2.06%	-3.23%						
Barclays Capital US Aggregate Bond Index	2.26%	1.97%	-0.59%	1.78%	0.47%	0.63%						
S&P 500 Index	-0.04%	-8.23%	-12.35%	12.82%	4.76%	1.99%						

### Calendar Year Total Returns

As of 6/30/2020

	YTD 2020	2019	2018	2017	2016	2015	2014	2013	2012	2011*
<b>IRON Convertible (Gross of Fees)</b>	-13.65%	13.54%	-2.28%	7.05%	7.86%	3.00%	0.63%	17.16%	11.14%	-0.64%
<b>IRON Convertible (Net of Fees)</b>	-13.96%	12.76%	-2.96%	6.30%	7.12%	2.28%	-0.07%	16.35%	10.37%	-1.05%
Barclays Capital US Aggregate Bond Index	6.14%	9.02%	0.02%	3.54%	2.65%	0.55%	5.97%	-2.02%	4.22%	4.49%
S&P 500 Index	-3.08%	31.49%	-4.38%	21.83%	11.96%	1.38%	13.69%	32.39%	16.00%	-0.88%

\*Performance data reported since Strategy Inception (6/7/2011).

### Portfolio Characteristics

As of 6/30/2020

Market Cap	IRON Convertible Strategy
Micro-cap (<\$1B)	9.05%
Small-cap (\$1B-\$2B)	34.06%
Mid-cap (\$2B-\$10B)	33.78%
Large-cap (>\$10B)	23.11%
Sector	IRON Convertible Strategy
Consumer Discretionary	10.21%
Consumer Staples	0.00%
Energy	3.52%
Financials	10.16%
Health Care	10.92%
Industrials	25.85%
Information Technology	37.24%
Materials	0.00%
Telecommunication Service	2.09%
Utilities	0.00%
Credit Distribution	IRON Convertible Strategy
AAA	0.00
AA	0.00
A	5.41
BBB	0.00
BB	18.68
B	6.73
< B	0.00
Not Rated	69.17
Maturity	IRON Convertible Strategy
0-2 years	30.53%
2-5 years	51.88%
5-10 years	6.73%
10+ years	10.86%
Current Yield	IRON Convertible Strategy
	2.09
Average Gamma	IRON Convertible Strategy
	0.56
Average Delta	IRON Convertible Strategy
	44.23
Average Duration	IRON Convertible Strategy
	1.72
Credit Spread, OAS	IRON Convertible Strategy
	561

### Top 10 Holdings

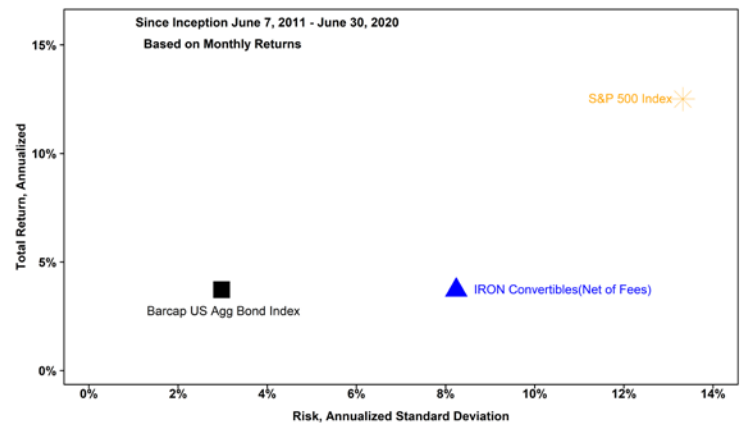
As of 6/30/2020

Holding	Weight
FTI CONSULTING INC	6.80%
MICROCHIP TECHNOLOGY INC	6.73%
SILICON LABORATORIES INC	6.36%
MERITOR INC	5.54%
BOOKING HOLDINGS INC	5.41%
CSG SYSTEMS INTERNATIONAL INC	5.32%
IONIS PHARMACEUTICALS INC	5.31%
PACIRA BIOSCIENCES INC	5.28%
PRA GROUP INC	5.13%
PALO ALTO NETWORKS INC	5.07%
<b>Allocation to top 10 holdings</b>	<b>56.94%</b>

\*The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.

### Risk-Reward

As of 6/30/2020



**Disclosures:** Management fees of 0.70% annually, our highest published fee, have been deducted from the above results. The data for the IRON Convertible Strategy includes all discretionary portfolios in the composite. In order to be included in the composite, an account must have an initial starting balance of \$250,000 or greater. Net returns reflect deduction of management fees on a monthly basis. Actual accounts are charged quarterly in arrears based on the quarter end value adjusted for capital flows. Past performance is not indicative of future results and an investment in the IRON Convertible Strategy involves the risk of loss, particularly with respect to short-term performance. The data assumes reinvestment of dividends and interest, but not the effects of taxation or transaction costs. If dividends and interest were not reinvested, then the above results would be considerably different. Performance results for the above are unaudited. Investment results shown above are based upon the particular securities selected. The charts, tables, performance and other information shown are provided to you for informational purposes only and are not intended to be an offer or a solicitation for the purchase and/or sale of any security or financial instrument, nor is it advice or a recommendation to enter into any transaction. Future returns may differ significantly from the past due to materially different economic and market conditions. Investments within portfolios, and therefore, portfolios, involve risk and the possibility of loss, including a permanent loss of principal. Actual returns for individual client portfolios managed by IRON Financial, LLC may vary and do not necessarily coincide exactly with the returns for the performance group.

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