



Wellesley Asset Management

Convertible Bond Specialists

## Not All Bonds Are Created Equal | 2018

Greg Miller, CPA, CEO & Portfolio Manager  
 Darlene Murphy CPA, CFP®, Portfolio Manager  
 Michael Miller, Chief Investment Officer  
 Jim Buckham, CFA, Portfolio Manager

### Performance Comparison: TRW Index vs. Bloomberg Barclays U.S. Aggregate July 8, 2016 - January 31, 2018

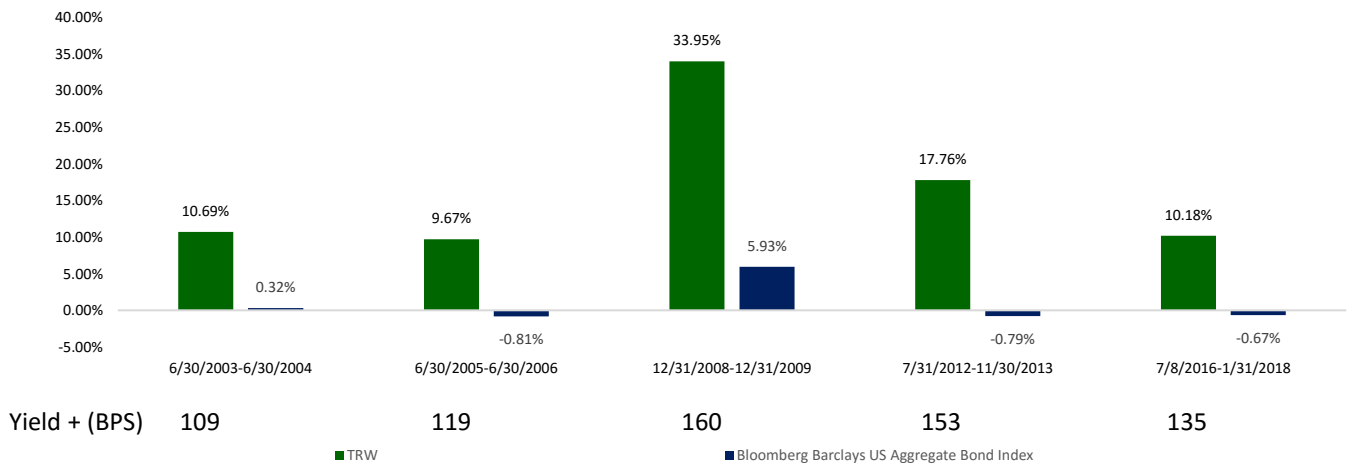


Asset Allocation teaches that diversified portfolios with stocks and bonds can help investors achieve our financial Objectives. Stocks appreciate over full market cycles and their risks are offset by the perceived safety of fixed income. However, what happens if bonds start to lose that perceived safety?

In periods of rising rates, many bonds may lose principal due to their inherent interest rate risk. In contrast, convertible bonds have historically fared better than traditional fixed income in some rising rate periods. The chart to the left shows the yield of the US 10-year treasury with associated performance of both the Bloomberg Barclays Agg Bond Index as well as the Thompson Reuters Wellesley Index (TRW) a convertible bond index.

Since the July 8<sup>th</sup> low point in 2016 for the 10-year yield, the TRW has returned 16.37% whereas the Bloomberg Barclays Agg Bond Index as returned -1.04% through January 31, 2018.

TRW strategy outperformed bonds in periods where the 10-Year US Treasury yield rose more than 100 bps (Annualized)



## Disclosures:

Past performance does not guarantee future results. All numbers are approximate.

The Bloomberg Barclays US Aggregate Bond Total Return covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS sectors. The U.S. Aggregate Index is a component of the U.S. Universal Index in its entirety. Unmanaged index returns do not reflect any fees, expenses or sales charges.

TRW is the Thomson Reuters Wellesley Absolute Convertible Bond index ("TRW"). The Index is a joint venture between Thomson Reuters and Wellesley Investment Advisors that was created in January 2013. Index performance for the period from February 2002 to the creation date is calculated based upon a model portfolio maintained by WIA. Index performance from inception to February 2002 is backtested performance based upon historical trading for certain accounts. TRW is intended to represent a strategy with the goals of absolute returns and outperforming both equities and fixed income over complete market cycles deploying convertible bonds. WIA has discretion over the selection of index constituents and their weighting in the index. TRW's holdings may differ from the holdings of WAM products. The performance of TRW is not the performance of any WAM product.

The following indices have been used as benchmark data throughout this presentation. Indices do not reflect the costs of trading, management fees or other expenses. It is not possible to invest directly in an index. WAM accounts differ from an index in that they are actively managed and may include substantially fewer and different securities than those comprising an index. Exposure to an asset class represented by an index is available through investable instruments based on the index.

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