

# BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

## INVESTMENT REVIEW

OCTOBER 23, 2014

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### Convertible

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#### **EDWARD SILVERSTEIN, CFA**

Senior Managing Director  
Head of Convertible Division

#### **BETH GRIPER**

Director  
Product Specialist



MACKEYSHIELDS

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# MacKay Shields: A Leader in Income-Oriented Investing

## About Us<sup>1</sup>

### Experience & Quality

With over 40 years of experience, we are committed to partnering with our clients to deliver:

- Tailored income-oriented investment solutions based on their goals and objectives
- The highest levels of client service and consistent investment performance

### Our People

A firm comprised of over 150 dedicated employees, including 49 investment professionals

### Our Approach

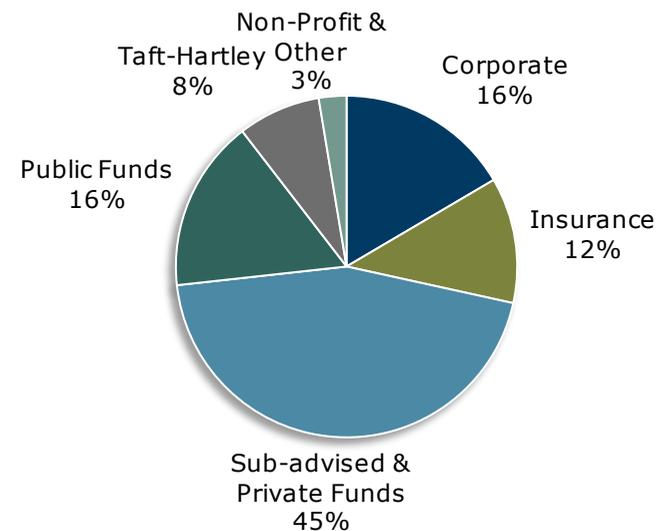
Investment teams recognize and integrate the importance of capital preservation into all of their investment philosophies

### Long-Term Commitment

Similar to our investment approach, we take a long-term perspective toward our clients, their portfolios and our business

## Total Assets Under Management: \$89.9B<sup>1</sup>

### By Client Type



<sup>1</sup>September 30, 2014 (preliminary). In respect to AUM by client type, due to rounding the sum of the items may not equal 100% or any expressed totals as applicable. Investment goals may not be achieved and **past performance is no guarantee of future results.**

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## Investment Objectives and Guidelines

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### **Investment Guidelines:**

The investment objective is to seek long term growth of capital together with current income.

### **Benchmark:**

VXA1 — BofAML All US Investment Grade Convertibles Index plus 1% annually

### **Peer Group:**

Becker Burke Convertible Portfolio Universe

### **Primary Investment Focus:**

The account will invest primarily in domestic convertible securities such as bonds, debentures, corporate notes, and preferred stocks or other securities, i.e. synthetics that are convertible into common stock or the cash value of stock or a basket or index of equity securities. Any equity security received in the portfolio resulting from a conversion will be liquidated in an orderly and timely fashion as determined by the investment manager. Typically equities will not be purchased out right but would be in the portfolio as a result of another holding.

The account will be limited to invest up to 20% of the portfolio in convertible preferred stocks or other securities.

Rule 144A securities, convertible debt and equity, are permitted.

The account shall have an overall Moody's rating of "Baa3" or Standard & Poors rating of "BBB-". Individual fixed income securities shall have at a minimum a Moody's rating of "B3" or a Standard & Poors rating of "B".

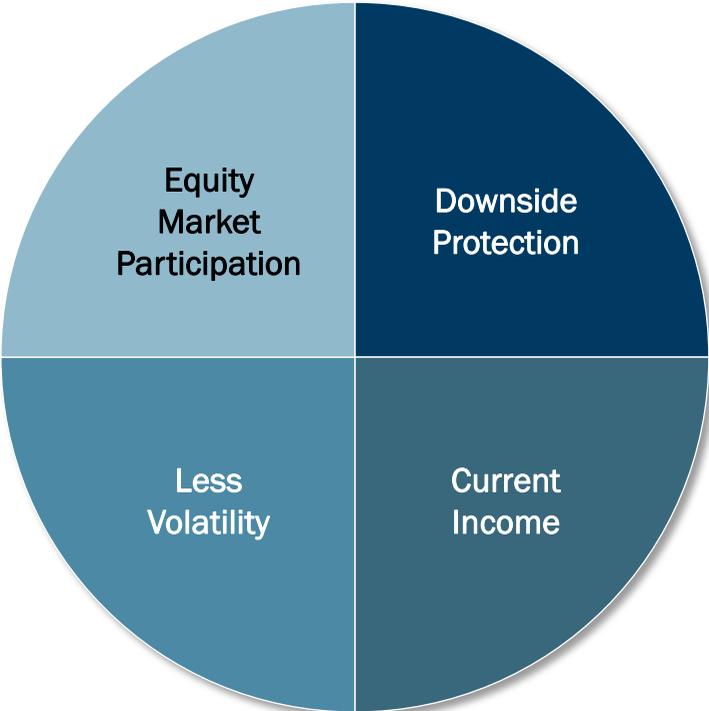
The account is allowed to invest up to 25% of the portfolio in non-investment grade domestic convertible securities as identified above, however individual securities shall have at a minimum a "B3" rating as determined by Moody's and "B-" by Standard & Poors. The lowest of the ratings shall prevail. The account shall divest itself of all securities rated below "B" from either rating agency within 60 days of the reduction.

If any non-investment grade securities are convertible preferreds they will be applied against both maximums.

### **Performance Objectives:**

To outperform the benchmark net of fees and to rank within the top one-third of the peer group over a 3 - 5 year period as identified above.

# Benefits of Investing in Convertibles



This document is for informational purposes only. Portfolios are actively managed and all expressions of opinion are subject to change without notice and are not intended to be a guarantee of future events.



## Objective

Seek to maximize total return by outperforming the market and our competition while protecting against downside risk

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## Philosophy

- Convertibles provide a means of obtaining exposure to the equity markets while emphasizing the protection of principal
  - Identify securities that offer an asymmetric risk/return profile
  - Target the “total return” instrument
- 



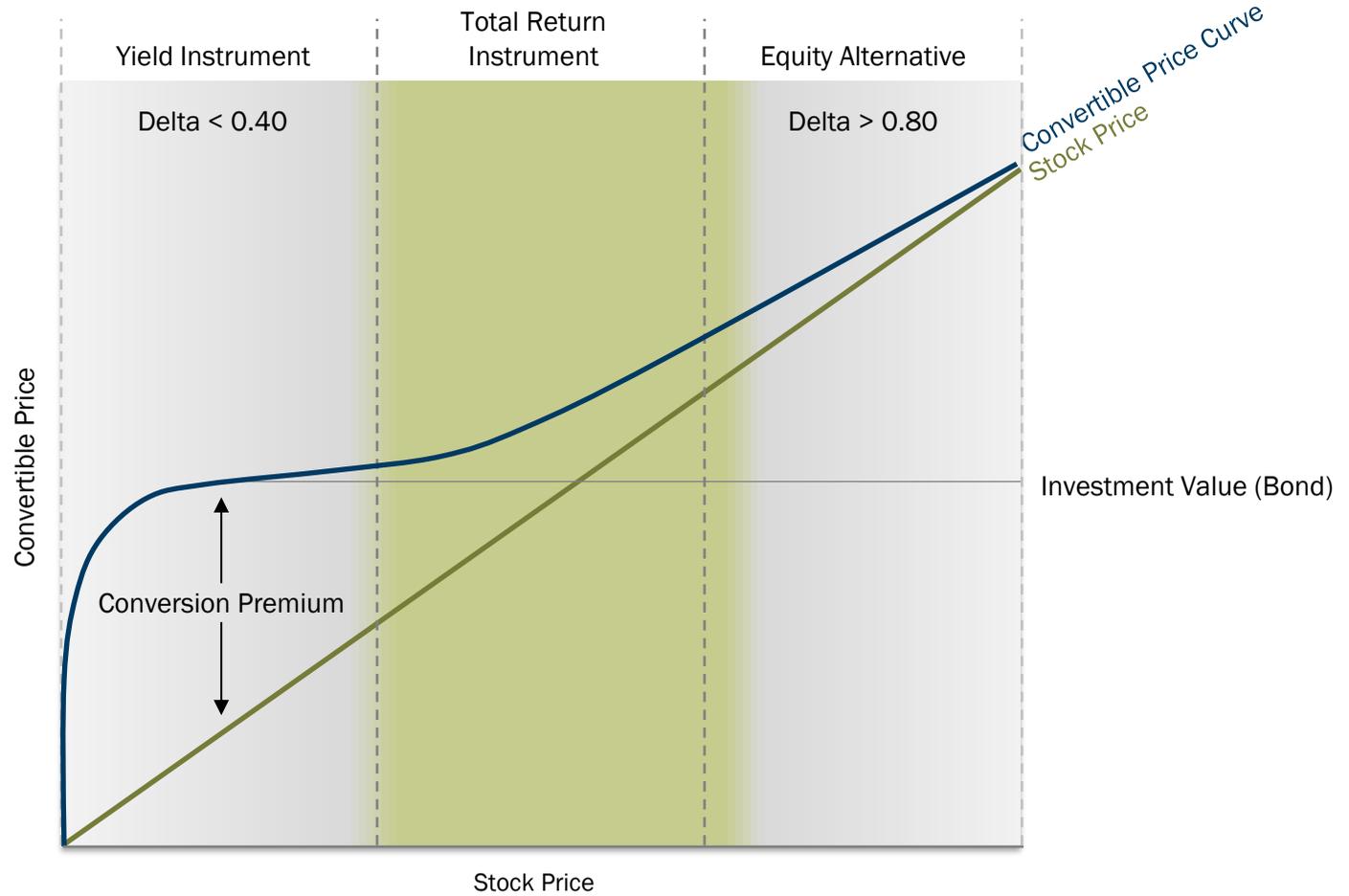
## Discipline

- Fundamental research driven
- Evaluate downside and upside potential
- Invest in convertibles with the best risk/reward profile
- Construct well-diversified portfolio
- Strict sell discipline

## Target the “Total Return” Instrument

*Total Return =  
Yield + Price Appreciation*

*We aim to own convertibles  
which may participate in 60-80%  
of the common stock's upside,  
while limiting downside  
participation to  
30-50% of the stock's decline.*





## Objectives

- Exclude Illiquid Convertibles
- Target Balanced Convertibles
- Reduce Risk
- Stress Test
- Up/Down Market Capture to Identify Asymmetry of Returns
- Determine Timelines of Investments
- Complement Our Quantitative Tests with Fundamental Analysis
- Accumulate Convertibles with the Best Risk/Reward Profile and Favorable Company Fundamentals

## Criteria

- Generally Equity Market Cap Above \$300 Million and at Least \$100 Million of Convertible Bonds Issued
- Equity Sensitivity
- Model 60-80% Upside/30-50% Downside
- Bond Value
- Conversion Premium
- Internal Credit Research
- Valuation
- Positive Earnings Trend
- Free Cash Flow
- Positive Fundamental Change in Industry and/or Company
- In-Depth Analysis
- Company Contact
- Insider Buying/Ownership
- ~50-70 Companies

**Screening Objectives with an Emphasis on Risk Management**

- Apply fundamental research investment process
- Identify the risk/reward of the convertible relative to the underlying common stock
- Adhere to client guidelines
- Accumulate convertibles with best risk/reward profile
- Diversify among sectors
- Set price target
- Follow proven sell discipline
  - Change in fundamentals
  - Valuation
    - Free cash flow yield or P/E out of line with growth rate
    - Free cash flow yield or P/E out of line with peer group
    - Free cash flow yield or relative P/E outside of historical range

# Convertible Investment Team



Name	Years of Investment Experience	Investment Experience	Education
<b>Edward Silverstein, CFA</b> <i>Senior Managing Director Portfolio Manager/Research Analyst</i>	19	Bank of New York New York Stock Exchange	Brooklyn Law School, JD Baruch College, MBA University of Vermont, BS
<b>Elizabeth Xu</b> <i>Director Portfolio Manager/Research Analyst</i>	17	Epic Partners Deutsche Bank J.P. Morgan	Harvard Business School, MBA Mount Holyoke College, BA
<b>Scott Mallek</b> <i>Director Trader</i>	18	Salomon Smith Barney	Fairfield University, BA
<b>J. Alex Leites</b> <i>Associate Director Trader</i>	21	Credit Suisse First Boston	New York University, BS

## Research Efforts Supported by the High Yield Investment Team<sup>1</sup>

<b>Andrew Susser</b> <i>Senior Managing Director Lead Portfolio Manager</i>	<ul style="list-style-type: none"> <li>Generalist</li> </ul>	<b>Dohyun Cha, CFA</b> <i>Managing Director Analyst/Portfolio Manager</i>	<ul style="list-style-type: none"> <li>Energy</li> <li>Utilities</li> </ul>	<b>Won Choi</b> <i>Managing Director Analyst/Portfolio Manager</i>	<ul style="list-style-type: none"> <li>Chemicals</li> <li>Metals</li> <li>Paper/Packaging</li> </ul>
<b>Eric Gold</b> <i>Managing Director Analyst/Portfolio Manager</i>	<ul style="list-style-type: none"> <li>Cable/Broadcasting,</li> <li>Technology</li> <li>Telecommunications</li> </ul>	<b>Nate Hudson, CFA</b> <i>Managing Director Portfolio Manager/Analyst</i>	<ul style="list-style-type: none"> <li>Auto/Transportation</li> <li>Building Materials</li> <li>Homebuilding</li> <li>Services</li> </ul>	<b>Michael A. Snyder</b> <i>Managing Director Portfolio Manager/Analyst</i>	<ul style="list-style-type: none"> <li>Aerospace/Defense</li> <li>Consumer Products</li> <li>Manufacturing</li> <li>Media</li> </ul>
<b>James S. Wolf</b> <i>Managing Director Portfolio Manager/Analyst</i>	<ul style="list-style-type: none"> <li>Finance</li> <li>Healthcare</li> </ul>	<b>Thomas Metcalf</b> <i>Associate Research Analyst</i>	<ul style="list-style-type: none"> <li>Generalist</li> </ul>		

<sup>1</sup>As needed.

# Bay County Employees' Retirement System



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**Asset Allocation**  
September 30, 2014  
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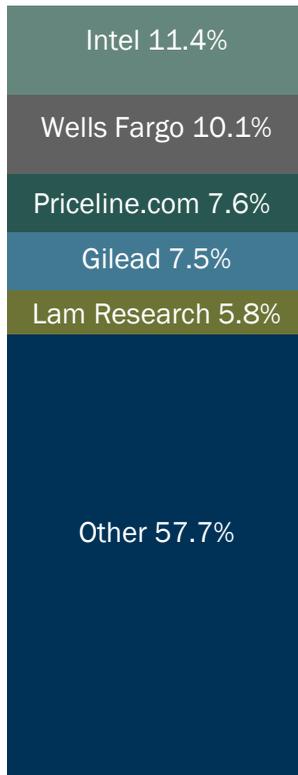
	<b>Market Value</b>	<b>Percent</b>
Fixed Income	\$14,711,053	78.83%
Equity	\$3,126,280	16.75%
Cash & Equivalent	\$824,228	4.42%
<b>Total Fund</b>	<b>\$18,661,561</b>	<b>100.00%</b>

# BofA ML Convertible Investment Grade Index Composition and Returns

## “Top Heavy” Issuer Weights

As of September 30, 2014

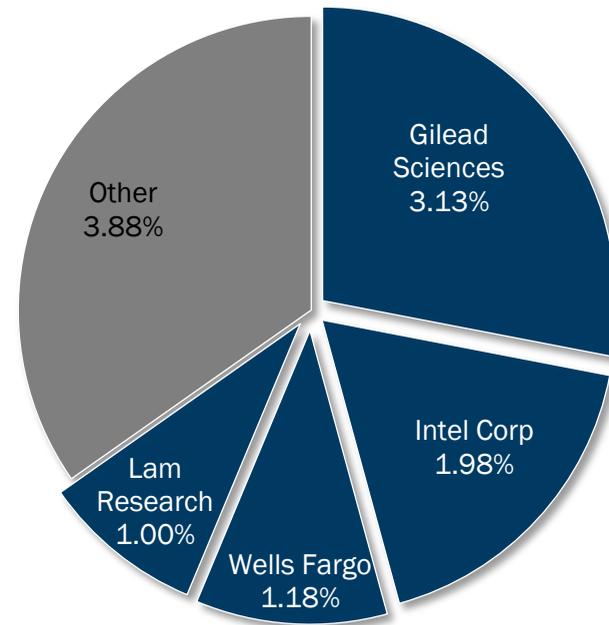
- Intel and Wells Fargo represent disproportionate portions of the Index.
- Several other issuers including Priceline.com, Gilead Sciences and Lam Research also carry large weights in the index.



## Contribution to Index Return

Year to Date Through September 30, 2014

Year to Date Index return	11.17%
Largest Issuers Contribution to Return	7.29%

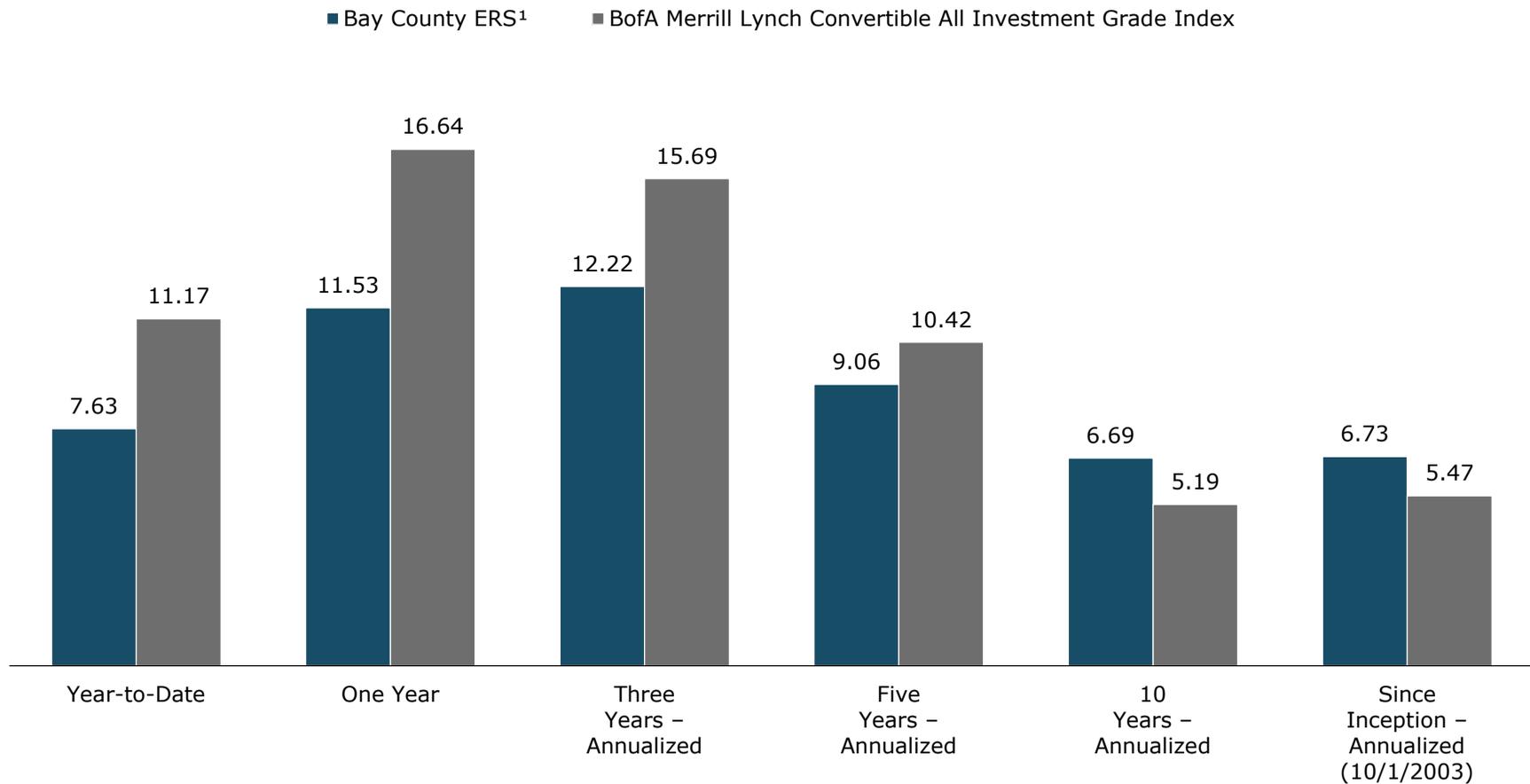


<sup>1</sup>Contribution from 1/1/14 through 9/30/14

# Bay County Employees' Retirement System

## Historical Rates of Return (%)

Periods Ending September 30, 2014



<sup>1</sup>Portfolio returns are expressed as gross of fees.  
Past performance is not indicative of future results.

# Bay County Employees' Retirement System

(as of September 30, 2014)

## Portfolio Characteristics

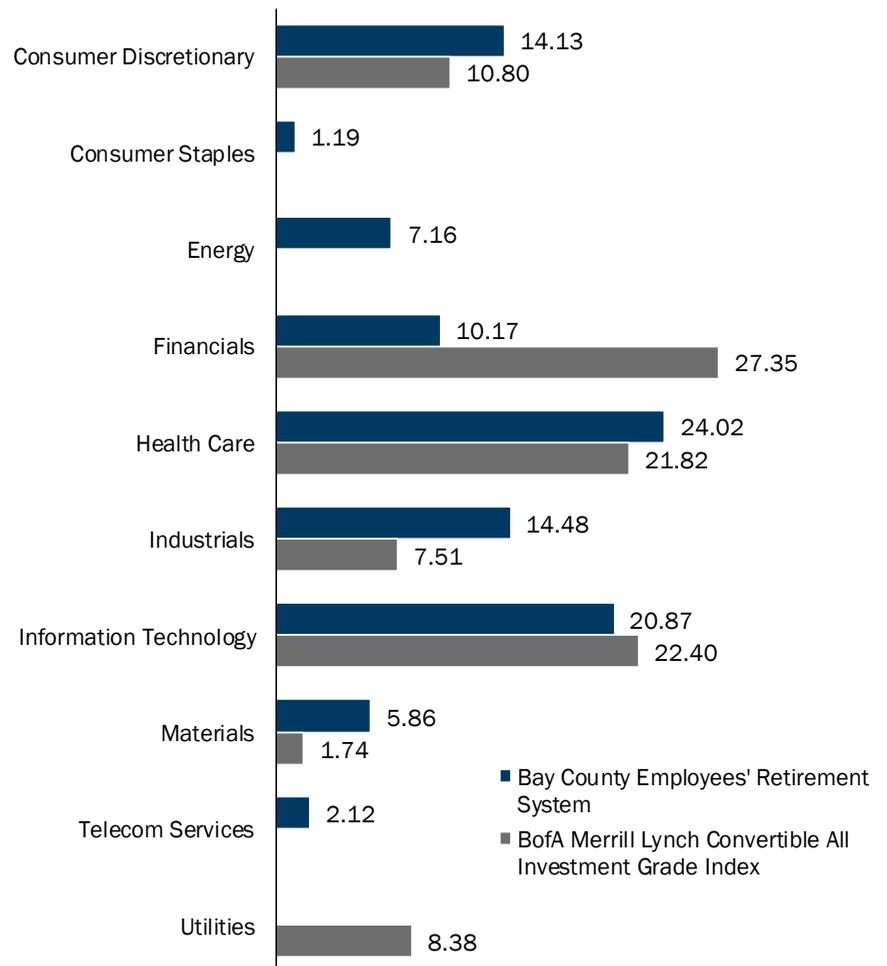
	Bay County Employees' Retirement System	BofA Merrill Lynch Convertible All Investment Grade Index
Years to Effective Maturity	6.25	n/a
Current Yield	1.46%	2.66%
Yield to Effective Maturity	1.90%	n/a
Delta	0.72 <sup>1</sup>	0.66
Conversion Premium	33.5% <sup>1</sup>	40.19%
Average Quality	BBB	BBB
Number of Holdings	55	60

## Credit Concentration

	Bay County Employees' Retirement System	BofA Merrill Lynch Convertible All Investment Grade Index
AAA	9.90	0.55
AA	0.00	0.00
A	30.53	28.24
BBB	34.65	71.21
BB	14.20	0.00
B	10.71	0.00

## Portfolio Sector Breakdown

vs. BofA Merrill Lynch Convertible All Investment Grade Index  
(% Market Value)



<sup>1</sup>Source: BofA Merrill Lynch/Bloomberg  
Index data source: BofA Merrill Lynch Convertible Research

# Bay County Employees' Retirement System

Convertible Portfolio



# Bay County Employees' Retirement System



## Summary Report — Account 1256

September 30, 2014

	Total Cost	Percent at Cost	Yield at Cost	Market Value	Percent of Assets	Yield at Market	Annual Income
Bonds	12,161,734	81.82	1.50	14,662,454	78.57	1.24	182,296
Stocks	2,701,572	18.18	3.25	3,116,423	16.70	2.82	87,762
Cash & Equivalents	0	0.00		824,236	4.42	0.09	742
Accrued Income				58,457	0.31		
Accrual Adjustment for Unsettled Trades				-1	0.00		
	<u>\$14,863,307</u>	<u>100.00%</u>	<u>1.82</u>	<u>\$18,661,569</u>	<u>100.00%</u>	<u>1.46</u>	<u>\$270,800</u>

# Bay County Employees' Retirement System



## Holdings Report — Account 1256

September 30, 2014

Shares or Par Value	Security		Unit Cost	Total Cost	Current Price	Market Value	Percent of Assets	Yield	Annual Income	S & P
<b>Bonds</b>										
346,000	AIRTRAN HOLDINGS INC CONV BOND	5.250 11/01/2016	161.63	559,228	248.63	860,243	4.61	2.11	18,165	BBB-
690,000	ALZA CORP CONV BOND 07/28/2020		81.14	559,876	146.75	1,012,575	5.43	0.00	0	AAA
47,000	AOL INC 144A 0.750 09/01/2019		100.00	47,000	103.69	48,733	0.26	0.72	353	NR
303,000	APOLLO INVESTMENT CORP REG CONV BOND	5.750 01/15/2016	100.49	304,499	104.56	316,824	1.70	5.50	17,423	BBB
150,000	ARES CAPITAL CORP	4.750 01/15/2018	106.75	160,125	103.75	155,625	0.83	4.58	7,125	BBB
32,000	BROADSOFT INC	1.500 07/01/2018	96.88	31,000	98.50	31,520	0.17	1.52	480	NR
169,000	CHART INDUSTRIES INC	2.000 08/01/2018	135.55	229,072	116.31	196,568	1.05	1.72	3,380	BB-
521,000	CITRIX SYSTEMS INC 144A	0.500 04/15/2019	105.65	550,429	109.25	569,193	3.05	0.46	2,605	BBB
142,000	CORNERSTONE ONDEMAND INC REG	1.500 07/01/2018	115.85	164,501	99.44	141,201	0.76	1.51	2,130	NR
109,000	CUBIST PHARMACEUTICALS	1.125 09/01/2018	100.00	109,000	108.13	117,856	0.63	1.04	1,226	NR
142,000	CUBIST PHARMACEUTICALS	1.875 09/01/2020	100.00	142,000	111.50	158,330	0.85	1.68	2,663	NR
419,000	DANAHER CORP CNV BND REG	01/22/2021	101.16	423,870	220.56	924,157	4.95	0.00	0	A+
188,000	FORD MOTOR COMPANY CONV BND REG	4.250 11/15/2016	194.00	364,720	171.88	323,125	1.73	2.47	7,990	BBB-
127,000	GILEAD SCIENCES INC	1.625 05/01/2016	317.73	403,512	467.13	593,249	3.18	0.35	2,064	A-
241,000	HELIX ENERGY SOLUTIONS CONV BOND REG	3.250 03/15/2032	122.89	296,155	117.25	282,573	1.51	2.77	7,833	NR
235,000	HOST HOTELS & RESORTS LP CNV BND 144A	2.500 10/15/2029	151.81	356,756	165.06	387,897	2.08	1.51	5,875	BBB
349,000	ILLUMINA INC 144A	06/15/2019	105.13	366,894	103.13	359,906	1.93	0.00	0	BBB-
79,000	INCYTE CORP LTD CONV BOND 144A	0.375 11/15/2018	132.11	104,364	119.69	94,553	0.51	0.31	296	NR
59,000	INSULET CORPORATION REG	2.000 06/15/2019	100.00	59,000	106.88	63,056	0.34	1.87	1,180	NR
443,000	INTEL CORP CONV BND REG	2.950 12/15/2035	100.57	445,514	127.50	564,825	3.03	2.31	13,069	A-
493,000	INTEL CORP CONV BOND	3.250 08/01/2039	125.25	617,485	167.88	827,626	4.43	1.94	16,023	A-
59,000	INVENSENSE INC 144A	1.750 11/01/2018	115.00	67,850	111.56	65,822	0.35	1.57	1,033	NR
118,000	KB HOME REG	1.375 02/01/2019	104.79	123,655	96.75	114,165	0.61	1.42	1,623	B
218,000	LIVE NATION ENTERTAINMEN 144A	2.500 05/15/2019	103.61	225,860	103.44	225,494	1.21	2.42	5,450	NR
68,000	MACQUARIE INFRASTRUCTURE REG	2.875 07/15/2019	100.00	68,000	111.38	75,735	0.41	2.58	1,955	BBB-
82,000	MICROCHIP TECHNOLOGY CONV BOND REG	2.125 12/15/2037	136.31	111,773	186.06	152,571	0.82	1.14	1,743	NR
291,000	NEWMONT MINING CONV BND REG	1.625 07/15/2017	121.45	353,418	102.56	298,457	1.60	1.58	4,729	BBB
48,000	NUANCE COMMUNICATIONS CONV BOND REG	2.750 11/01/2031	106.17	50,962	99.13	47,580	0.25	2.77	1,320	BB-
450,000	RPM INTERNATIONAL INC REG	2.250 12/15/2020	121.14	545,151	112.75	507,375	2.72	2.00	10,125	BBB-
149,000	RTI INTERNATIONAL METALS REG	1.625 10/15/2019	103.90	154,805	96.13	143,226	0.77	1.69	2,421	NR
331,000	SALESFORCE.COM INC	0.250 04/01/2018	111.38	368,651	112.00	370,720	1.99	0.22	828	NR
556,000	SCHLUMBERGER	05/05/2015	136.47	758,773	178.62	993,127	5.32	0.00	0	NR
113,000	SHUTTERFLY INC	0.250 05/15/2018	106.89	120,788	103.56	117,026	0.63	0.24	283	NR

# Bay County Employees' Retirement System



## Holdings Report – Account 1256

September 30, 2014

Shares or Par Value	Security	Unit Cost	Total Cost	Current Price	Market Value	Percent of Assets	Yield	Annual Income	S & P
<b>Bonds (Continued)</b>									
36,000	SOLARCITY CORP 144A 1.625 11/01/2019	100.00	36,000	96.81	34,853	0.19	1.68	585	NR
111,000	SPANSION LLC 2.000 09/01/2020	168.50	187,035	175.06	194,319	1.04	1.14	2,220	NR
180,000	TELEFLEX INC CONV BOND REG 3.875 08/01/2017	101.42	182,550	172.81	311,063	1.67	2.24	6,975	B+
597,000	TEVA PHARMACEUTICALS CONV BOND 0.250 02/01/2026	112.35	670,730	128.88	769,384	4.12	0.19	1,493	A-
553,000	THE PRICELINE GROUP INC CONV BOND REG 1.000 03/15/2018	113.18	625,877	135.06	746,896	4.00	0.74	5,530	BBB+
72,000	TIVO INC 144A 2.000 10/01/2021	100.00	72,000	97.63	70,290	0.38	2.05	1,440	NR
72,000	TWITTER INC 144A 0.250 09/15/2019	100.00	72,000	98.00	70,560	0.38	0.26	180	NR
200,000	VERINT SYSTEMS INC 1.500 06/01/2021	104.18	208,365	108.94	217,875	1.17	1.38	3,000	B+
72,000	WABASH NATIONAL CORP CONV BOND 3.375 05/01/2018	121.62	87,568	131.94	94,995	0.51	2.56	2,430	NR
480,000	WELLPOINT INC 2.750 10/15/2042	120.21	576,990	165.19	792,900	4.25	1.66	13,200	A-
147,000	XILINX INC 2.625 06/15/2017	134.65	197,935	148.56	218,387	1.17	1.77	3,859	A-
			12,161,734		14,662,454	78.57	1.24	182,296	BB
<b>Stocks</b>									
1,800	ALCOA INC	50.00	90,000	49.90	89,820	0.48	0.00	0	BB
500	AMERICAN TOWER CORP REG	100.00	50,000	108.50	54,250	0.29	1.22	663	NR
499	BANK OF AMERICA 7.250%	1,124.73	561,238	1,146.50	572,104	3.07	6.32	36,178	BB
3,600	CROWN CASTLE INTL CORP REG	102.26	368,139	105.18	378,648	2.03	1.07	4,050	NR
1,000	HEALTH CARE REIT 6.500 CNV PFD	50.00	50,000	57.66	57,656	0.31	5.64	3,250	BB+
1,000	MAIDEN HOLDINGS CNV PFD	50.00	50,000	44.66	44,660	0.24	0.00	0	NR
900	POST HOLDINGS INC 144A	100.00	90,000	85.28	76,752	0.41	0.00	0	NR
5,200	STANLEY BLACK & DECKER I CONV PFD UNITS	108.87	566,110	130.81	680,225	3.65	4.10	27,872	NR
2,700	TYSON FOODS INC REG	50.00	135,000	50.30	135,810	0.73	0.00	0	NR
6,200	UNITED TECHNOLOGIES CORP CONV PFD	64.11	397,485	58.89	365,118	1.96	3.18	11,625	BBB+
550	WELLS FARGO & COMPANY 7.500%	624.73	343,600	1,202.51	661,381	3.54	0.62	4,125	BBB
			2,701,572		3,116,423	16.70	2.82	87,762	B-
<b>Cash &amp; Equivalents</b>									
	UNITED STATES DOLLAR 0.0900	0.00	824,236	1.00	824,236	4.42	0.09	742	AAA
			824,236		824,236	4.42	0.09	742	AAA
	Accrued Income				58,457	0.31			
	Accrual Adjustment for Unsettled Trades				-1	0.00			
<b>Total Portfolio</b>			<b>\$15,687,543</b>		<b>\$18,661,569</b>	<b>100.00%</b>	<b>1.46</b>	<b>\$270,800</b>	<b>BB</b>

# Appendix



# BofA ML Convertible Investment Grade Index Composition and Returns

## Gilead Sciences Percent of Index

As of December 31, 2013

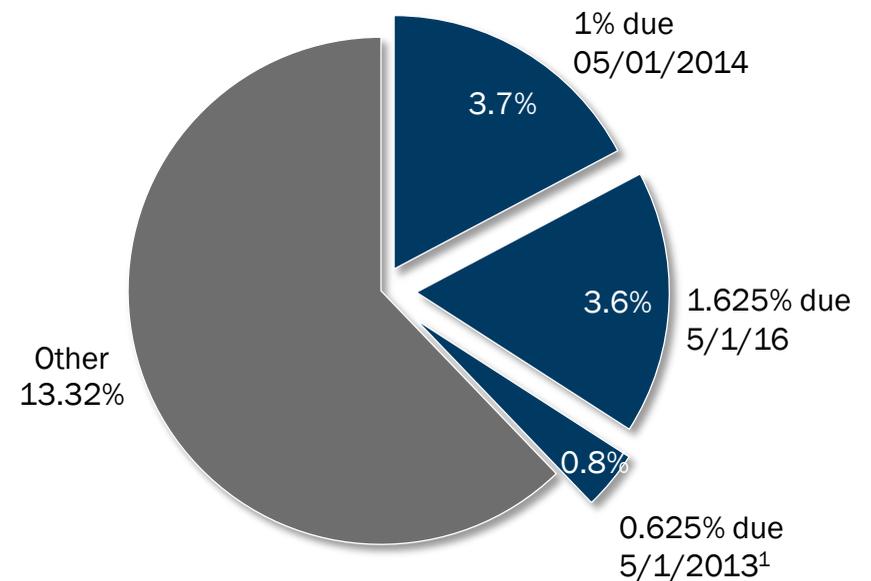
- Gilead represents a disproportionate portion of the Index.
- Several other issuers including Priceline.com and Intel also carry large weights in the index.



## Gilead Sciences Contribution to Index Return

Year to Date Ending December 31, 2013

Year to Date Index return	21.40%
Gilead Contribution to Return	8.08%



<sup>1</sup>Contribution from 1/1/13 through 5/1/13

# Bay County Employees' Retirement System

## Historical Rates of Return

	Bay County Employees' Retirement System <sup>1</sup>	BofA Merrill Lynch Convertible All Investment Grade Index	BofA Merrill Lynch Convertible All Investment Grade Index +1% <sup>2</sup>
2013	16.8	21.4	22.4
2012	8.0	11.9	12.9
2011	-1.1	-3.1	-2.1
2010	9.5	7.9	8.9
2009	25.5	25.5	26.5
2008	-25.8	-31.6	-30.6
2007	15.3	5.8	6.8
2006	7.5	8.6	9.6
2005	7.4	1.9	2.9
2004	4.9	7.1	8.1
2003 <sup>3</sup>	7.2	5.8	6.8

<sup>1</sup>Gross of fees

<sup>2</sup>Without compounding

<sup>3</sup>Since 10/1/2003

*Past performance is not indicative of future results.*

# Convertible: Performance Composite Disclosures

Period	MacKay Shields Composite <sup>1</sup> (%)	BofA Merrill Lynch All U.S. Convertibles Index (%)	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)	Firm Assets (\$Mil)
2014 (Thru 6/30)	7.5	9.5	10.8	9.7	89,949
2013	24.4	24.9	10.7	9.5	80,331
2012	9.7	15.0	12.3	10.7	78,371
2011	-4.5	-5.2	13.6	12.7	58,115
2010	17.0	16.8	18.4	19.1	54,319
2009	41.8	49.1	17.2	18.3	43,197
2008	-32.2	-35.7	15.6	15.8	28,370
2007	15.2	4.5	6.7	6.7	38,094
2006	10.3	12.8	6.5	6.4	40,074
2005	7.1	1.0	6.3	7.0	38,329
2004	6.9	9.6	7.4	9.6	39,208

<sup>1</sup>Gross of fees

The Convertible Composite includes all discretionary convertible accounts managed with similar objectives for a full month, including those accounts no longer with the firm. This strategy primarily consists of convertible securities such as bonds, debentures, corporate notes, and preferred stocks or other securities that are convertible into common stock or the cash value of a stock or a basket or index of equity securities. The strategy may invest in debt securities that are rated investment grade and below investment grade or, if unrated, that we determine to be of equivalent quality. Composite performance reflects reinvestment of income and dividends and is a market-weighted average of the time-weighted return, before advisory fees and related expenses, of each account for the period since inception. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Performance is expressed in US Dollars. The composite inception date is 1/1/90. The composite creation date is 1/1/01. Advisory fees, which are described in the firm's ADV Part 2A, and related expenses will reduce returns. For example, in flat markets a .50% annual investment advisory fee, our highest fee, applied quarterly, would have the effect of reducing the annual compound return by .50% in the first year and by a cumulative 2.53% in the fifth year. All portfolios in the composite are fee-paying portfolios. There can be no assurance that the rate of return for any account within a composite will be the same as that of the composite presented. **Past performance is not indicative of future results.**

MacKay Shields LLC, an SEC-registered investment adviser, claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. The firm has been independently verified from January 1, 1988 through December 31, 2013. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. A complete list of composite descriptions is available upon request. The primary benchmark for this composite is the BofA Merrill Lynch All Convertibles Index. The CS First Boston Convertible Index was the primary benchmark for this product until 1/1/05. It was removed because CS First Boston ceased publication of this index. Indices do not incur management fees, transaction costs or other operating expenses. Investments cannot be made directly into an index. The BofA Merrill Lynch All Convertibles Index is referred to for comparative purposes only and is not intended to parallel the risk or investment style of the portfolios in the MacKay Shields Composite. Internal dispersion is calculated using the equal-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year. The three-year annualized standard deviation measures the variability of the composite and the index returns over the preceding 36-month period.

June 30, 2014 number of accounts and composite assets (mil) were: 13, \$2,192. Year-end number of accounts, composite assets (mil) and internal dispersion were: 2013, 7, \$1,934, 2.9; 2012, 8, \$1,577, 0.9; 2011, 10, \$1,768, 1.4; 2010, 10, \$1,997, 3.1; 2009, 7, \$1,581, 5.2; 2008, five or fewer, \$974, 2.0; 2007, 8, \$1,538, 1.6; 2006, 8, \$1,526, 1.2; 2005, 8, \$1,497, 1.8; 2004, 8, \$1,665, 0.4.

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## Convertible Team

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### **Edward Silverstein, CFA**

*Senior Managing Director  
Portfolio Manager/Research Analyst  
Head of Convertible*

Edward Silverstein is a Senior Managing Director and Head of Convertibles, where he oversees the management and research of the firm's Convertible strategy. He is a member of the firm's Management Committee. Edward joined MacKay Shields as a Research Analyst in 1998, becoming a Portfolio Manager/Research Analyst in 1999. Prior to joining MacKay Shields, he worked as a Portfolio Manager and Law Clerk at the Bank of New York. He also interned at the New York Stock Exchange Enforcement Division. Ed is a member of the firm's Management Committee.

He has a BS from the University of Vermont, an MBA from the Baruch College and a JD from Brooklyn Law School. He is a CFA charterholder and also a member of the New York State Bar. He authored, *Wise Up!: A Portfolio Manager's Guide to Better Investment Decisions*. He has been working in the investment industry since 1995.

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### **Elizabeth Xu**

*Director  
Portfolio Manager/Research Analyst*

Elizabeth Xu is a Director, Portfolio Manager and Research Analyst for the Convertibles Team, where she follows multiple sectors including telecom, media, technology, industrial and financials (ex REITs). Prior to joining MacKay Shields in 2007, she worked for the private equity firm Epic Partners, where she served as a research investment analyst following multiple sectors. She has also worked at Deutsche Bank and J.P. Morgan Securities.

Elizabeth earned a BA magna cum laude from Mount Holyoke College and an MBA from Harvard Business School. She began working in the investment industry in 1997.

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### **Scott Mallek**

*Director  
Trader*

Scott joined MacKay Shields in 2002 after spending six years with Salomon Smith Barney, where he was an Assistant Vice President involved with IFG High Yield Trading. Scott received a BA in Economics from Fairfield University and has been in the investment management industry since 1996.

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### **J. Alex Leites**

*Associate Director  
Trader*

Alex joined MacKay Shields in 2002 from Credit Suisse First Boston where he was a Settlements Specialist. Alex was previously affiliated with Kinexus, Inc. and Bank of New York. Earlier in his career he was with Lazard Asset Management and Prudential Securities. Alex has a BS in Economics and Business Management from New York University's Stern School of Business and has been in the investment management industry since 1993.

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## Senior Management

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### **Jeffrey Phlegar**

*Chairman & Chief Executive Officer*

Jeffrey Phlegar is Chairman and Chief Executive Officer, responsible for setting the firm's strategy and leading the organization as it implements these goals across its fixed income business. This includes oversight of the portfolio management teams, enterprise risk, sales and new product development. He is a member of the firm's Board of Managers and leads the firm's Senior Leadership Team. He joined MacKay Shields in December 2011 after 18 years of service at AllianceBernstein, where he served most recently as president of Special Opportunities and Advisory Services, responsible for building a variety of new business initiatives, including the firm's new alternatives platform. From 2004 to 2008, Jeff co-led AllianceBernstein's fixed income division as executive vice president and chief investment officer. In this role, he was responsible for overseeing all aspects of the firm's fixed income business, including oversight of its portfolio management, research and risk management teams, client relationships worldwide, as well as the development and implementation of new products and successful strategies for distribution, servicing and technology/operations.

Jeff's previous roles at AllianceBernstein included serving as Director of U.S. Fixed Income and Insurance, Director of Liquid Markets/MBS and portfolio manager for Taxable Fixed Income & Insurance. Prior to joining AllianceBernstein in 1993, he had portfolio manager responsibilities at Equitable Capital Management and served as a fixed income product specialist at Dreyfus Corporation.

He earned his MBA from Adelphi University and a BBA at Hofstra University. He has been working in the investment industry since 1987.

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### **Lucille Protas**

*President & Chief Operating Officer*

Lucille P. Protas is an Executive Managing Director and President and Chief Operating Officer of MacKay Shields, responsible for managing all aspects of the firm's infrastructure divisions, including finance/accounting, human resources, administration and back-office operations. She is actively involved in shaping the firm's direction through her participation on its Board of Managers and the firm's Senior Leadership Team. Lucille joined the firm in 1973 as an Investment Research Assistant and later became a Senior Analyst in the accounting and financial division in 1977. She was named Treasurer in 1983, Chief Administrative Officer in 1992 and Chief Operating Officer in 2007.

She attended Fairleigh Dickinson University. She has been working in the investment industry since 1973.

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## Marketing & Client Service

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### **John W. Akkerman, CFA CAIA** *Executive Managing Director* *Global Head of Distribution*

John W. Akkerman is an Executive Managing Director and Global Head of Distribution, responsible for creating and implementing strategies for MacKay Shield's distribution, marketing, consultant relations and client service practices. He is a member of the firm's Senior Leadership Team. He joined MacKay Shields in September 2012 after 16 years in various leadership roles at AllianceBernstein, where he most recently led the firm's specialist institutional sales and marketing functions focused on alternatives and fixed income. From 2004 to 2010 he was responsible for the expansion and leadership of AllianceBernstein's institutional business in Canada, the United States and Latin America. This followed the launch and development of AllianceBernstein's Canadian business from 1996 to 2004. Prior to joining AllianceBernstein in 1996, John was a shareholder at TAL Investment Counsel, a business development executive at Sun Life and a corporate banking officer with Bank of Montreal.

He earned a BComm from Saint Mary's University and an MBA from the University of Western Ontario. A member of the Toronto Society of Financial Analysts, he is a CFA charterholder and a Chartered Alternative Investment Analyst. He has been working in the investment industry since 1987.

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### **Virginia E. Rose** *Senior Managing Director* *Head of Institutional Client Service*

Virginia is a Senior Managing Director and Head of Institutional Client Service. She is responsible for managing the firm's day-to-day relationships with clients, consultants and private fund investors, as well as all aspects of client reporting and data. She is a member of the firm's Management Committee. Prior to joining MacKay Shields in 1990, Virginia was a Marketing Assistant with Glickenhau & Co., Stamford Capital and a Research Analyst at New York Capital Resources specializing in Mergers & Acquisitions.

She attended Northeastern University. She has been working in the investment industry since 1985.

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### **Beth Griper** *Director* *Product Specialist*

Beth joined MacKay Shields in 2007 as a Director in the Institutional Client Service Division. Prior to joining MacKay Shields, she was a Director within the Global Corporate Client Group at NYSE Euronext where she was responsible for soliciting new listings and managing relationships with 120 listed companies. Beth also spent six years with Zurich Financial Services Group as a Business Development Analyst working with institutional and high net worth clients. Prior to that, Beth was with Credit Suisse First Boston and Shearman & Sterling. She received an MBA in Finance and Economics from New York University's Leonard N. Stern School of Business and a BA in International Relations and German from Bucknell University. Beth's career in the financial service industry began in 1996.