

Convertibles

NICHOLAS INVESTMENT PARTNERS

Strategy Overview

Nicholas Investment Partners Convertibles strategy seeks to invest mostly in convertible securities, those that offer the potential upside of equity participation with the downside protection of a bond. It combines fundamental equity research with traditional credit analysis to identify those issues with an attractive asymmetrical risk/reward profile, those convertible securities that participate in most of the upside and less of the downside performance of the underlying equity.

- Over 30 years of experience investing in dynamic growth companies whose revenues and earnings are catalyzed by positive change
- Specialists in small- to mid-cap companies
- Invest in both equities and convertibles
- Edge comes from combining global fundamental equity and credit research with objectivity and efficiency of quantitative tools

Feature of Convertible Bonds

Three sources of return in one security:

- Equity: potential upside equity participation
- Fixed income: credit exposure and fixed coupon
- Volatility: option-like payoff

Intrinsic diversification:

- Lower correlation to fixed income and equities improves risk-adjusted returns of total fund

Upside participation and downside protection:

- As the stock price increases convertible become more sensitive to equity price moves
- Fixed coupon enables investors to get paid to wait for equity price appreciation

Benchmark

Thomson Reuters US All Cap Focus Convertible Index

Vehicle

Separately managed account
UMA (model only)

Portfolio Construction

- Number of Positions: 50–75
- Geography: US convertible bonds
- Capitalization: Greater than \$100M
- Security Max: 5%
- Issue Exposure Max: 7%
- Industry Max: 30%
- Leverage: 0%*
- Cash: Transactional, typically <5%

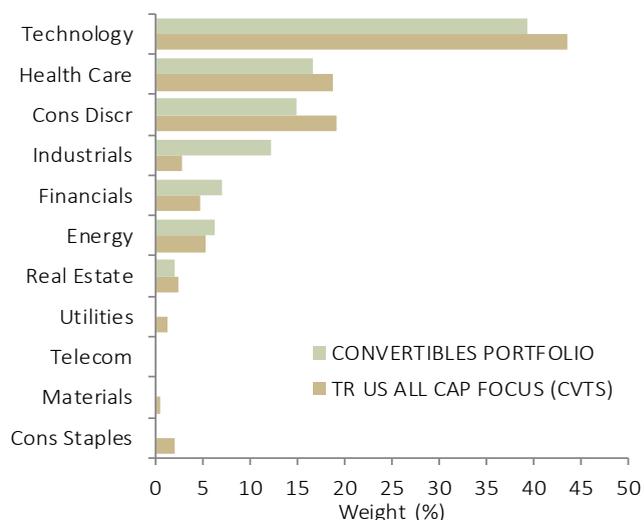
FIXED INCOME CHARACTERISTICS	CONVERTIBLES	TR US ALL CAP FOCUS (CVTS)
Coupon (%)	1.90	1.53
Current Yield (%)	1.67	1.46
Yield to Worst (%)	-1.38	-1.03
Bond Duration	4.77	4.80
Years to Maturity/Put	5.59	4.44
Delta (%)	66	60
Gamma (%)	0.49	0.63
Points to Bond Floor	32.97	24.43

EQUITY CHARACTERISTICS	CONVERTIBLES	RUSSELL 3000
Number of Securities	62	3,024
Market Cap*	\$7.1 B	\$1.9 B
P/E* (FY2)	16.8 x	15.7 x
P/B*	3.6 x	2.3 x
EPS Growth (FY1/FY2)*	19.6%	12.0%

*Median

TOP 10 POSITIONS (% weight)	CONVERTIBLES
Palo Alto Networks 0.75% @ 01-Jul-2023	3.0
Microchip Technology 1.625% @ 15-Feb-2027	2.5
Exact Sciences 1.0% @ 15-Jan-2025	2.5
GCI Liberty 1.75% @ 30-Sep-2046	2.5
Golar Lng 2.75% @ 15-Feb-2022	2.4
Jazz Investments 1.5% @ 15-Aug-2024	2.3
Meritor 3.25% @ 15-Oct-2037	2.2
Atlassian 0.625% @ 01-May-2023	2.2
Live Nation Entertainment 2.5% @ 15-Mar-2023	2.1
Workday 0.25% @ 01-Oct-2022	2.0

SECTOR EXPOSURE (%)



*We have clients who request us to apply leverage to their convertibles portfolios. Nicholas Convertibles Plus strategy is a leveraged convertibles strategy that has a maximum leverage of 2.5x. Specific securities identified do not represent all securities purchased, sold or recommended to advisory clients. It should not be assumed investments in these securities were or will be profitable.

Convertibles

Firm Overview

Nicholas Investment Partners is an independent, employee-owned and majority women-owned investment boutique focused on investing in dynamic, less efficient markets such as US small- and mid-cap equities and convertible bonds. We believe—and our principals’ 30+ years of experience has confirmed—that investing in companies catalyzed by positive change, whose revenues and earnings are accelerating and poised to exceed expectations, has the potential to result in outstanding capital appreciation. We believe our edge comes from combining the objectivity and efficiency of quantitative tools with global fundamental equity and credit research insights.

Key Highlights

- 100% employee owned
- Majority women owned
- Founded in 2006
- Headquartered in San Diego County, CA
- \$1.5 billion firm AUM

Investment Capabilities

Equity

- US Small Cap
- US SMID Cap Growth
- US Growth Equity

Opportunistic

- US Equity Opportunities
- Healthcare Opportunities

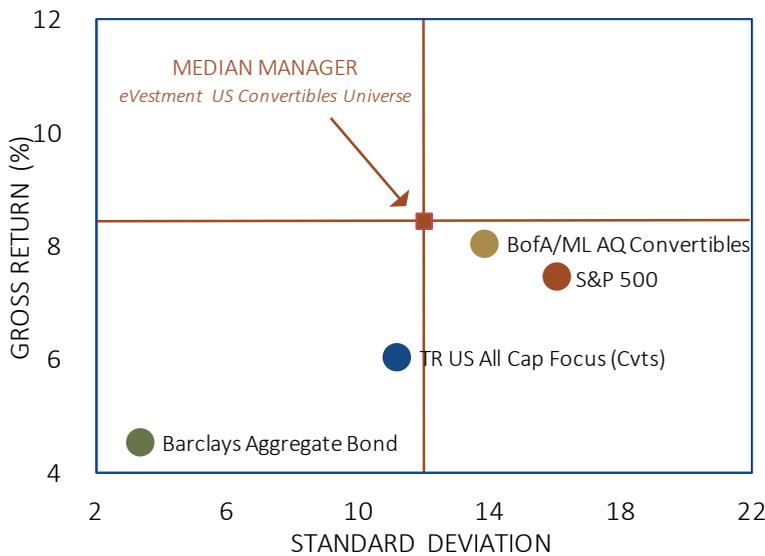
Convertibles

- Convertibles
- Convertibles Plus
- Convertible Arbitrage

RETURNS (%)	CONVERTS (GROSS)	CONVERTS (NET)	TR US ALL CAP FOCUS	ML AQ CONVERTS
QTD	3.64%	3.45%	2.01%	3.93%
YTD	9.65%	9.04%	8.04%	10.43%
1 YEAR	9.74%	8.92%	9.75%	12.16%
3 YEAR	7.80%	6.99%	8.22%	11.83%
5 YEAR	5.67%	4.88%	6.36%	9.31%
7 YEAR	9.31%	8.49%	8.35%	11.96%
ITD*	12.25%	11.42%	9.44%	13.67%

*Composite inception date: 1/1/2009. Returns over one year are annualized. See performance disclosure for additional information. Past performance is no guarantee of future results.

ACTIVE MANAGEMENT ADDS LONG-TERM VALUE 20 YEAR ANALYSIS (7/1/1998–9/30/2018)



INVESTMENT TEAM LEADERSHIP

John Wylie, Partner/Portfolio Manager (Lead)



John Wylie has over 35 years of investment experience. Prior to joining Nicholas Investment Partners in 2007, he was co-founder and Co-Chief Investment Officer of CapitalWorks Investment Partners where he was the lead portfolio manager for Convertible Arbitrage and Micro Cap strategies. He also worked with Catherine Nicholas for ten years at Nicholas-Applegate, where he headed credit strategies including Convertibles and High Yield. John earned his B.A. in American Studies, cum laude, from Amherst College.

Catherine Nicholas, Managing Partner/CIO



Catherine Nicholas has over 30 years of investment experience. Prior to co-founding Nicholas Investment Partners in 2006, she was the Global Chief Investment Officer of Nicholas-Applegate, a \$40 billion investment firm, and former portfolio manager for Global, Small Cap and Micro Cap products. Catherine earned her B.S. in Business Administration, cum laude, and her M.B.A. in Finance from the University of Southern California. She currently serves on the advisory board of the USC Marshall School of Business.

Nicholas Investment Partners, L.P. (“Nicholas”) is an independent investment adviser registered with the SEC. Registration with the SEC does not imply a certain level of skill or training. The firm maintains a complete list and description of performance composites, which is available upon request. Policies for valuing portfolios, calculating performance, and preparing presentations are available upon request. **Past performance is no guarantee of future results. Current performance may be lower or higher than the performance presented. This information is intended for institutions, consultants and qualified investors only.** No part of this material may be copied or duplicated, or distributed to any third party without written consent.

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Performance contribution/attribution, characteristics and portfolio risk statistics information is from a representative account for the strategy composite. The representative account was chosen based on non-performance criteria such as account size, cash flows and the level of account restrictions. While Nicholas believes the information is representative of other accounts in the strategy, specific information for other accounts may differ from the representative account. Nicholas used third-party information in the preparation of the characteristics and/or market environment charts. While Nicholas believes the third-party information was obtained from reliable sources, we cannot guarantee the accuracy, adequacy or completeness of the information obtained from these sources.

Index returns are provided as a general indicator of the investment environment existing during the time periods shown and are provided for comparison purposes only. The returns for the index do not include any transaction costs, management fees or other costs. Investors may not make direct investments into any index. Investors should consider comparing the performance of any potential investment to other benchmarks and indices that are representative of their particular investment objectives, horizons and risk tolerances.

Specific securities identified do not represent all securities purchased, sold or recommended to advisory clients and represent the largest positions by portfolio weight. It should not be assumed that investments in these, or any other portfolio securities, were or will be profitable in the future. For a complete list of all securities held during the period or additional information related to this presentation please email info@nicpartners.com.

Gross and net returns, presented within were calculated in U.S. dollars on a time-weighted, total return basis, including reinvestment of all dividends, interest and income, realized and unrealized gains or losses and are net of brokerage commissions, execution costs, and any applicable foreign taxes. Accrual accounting was used for dividend income recognition. Securities transactions are accounted for on trade date. Cash and cash equivalents are included in the performance returns. The gross returns do not give effect to investment advisory fees which would reduce gross returns. The deduction of investment advisory fees will reduce gross returns and are subject to compounding. The composite results include all actual, fee paying fully discretionary accounts under management by Nicholas after one full calendar month that have substantially the same investment objectives, policies and restrictions. Unless otherwise noted the returns reflect the performance of the product composite. Performance and incentive based fees will have similar, yet often larger, impacts to performance and account values than standard management fees. Please see Nicholas’ ADV Part 2A for a complete description of investment advisory fees.

Net returns reflect the deduction of the highest investment management fee for the product, which is 0.75%. Actual fees charged may vary by portfolio due to various conditions such as account size, client relationship, complexity, etc. Client’s accounts may also be subject to additional fees unrelated to Nicholas such as custodial and administration fees, among others.

From inception through December 31, 2017, the index presented for performance and characteristics comparisons was the Bank of America Merrill Lynch All Qualities All Convertibles Index (BAML Convertible Index). Beginning on January 1, 2018 the primary benchmark changed to the Thomson Reuters US All Cap Focus Convertible Index. The change was made retroactively to the inception of the strategy. The change was made due to the introduction of the newly created Thomson Reuters convertible index in late 2017 which is constructed in manner that better reflects our investment strategy and universe. The index was retroactively calculated from January 1994 to 2017 using existing index data from a broader level convertible index maintained beginning in 1994. Since the Thomson Reuters US All Cap Focus Convertible Index did not exist prior to 2017 there may be significant risk and return characteristic differences when compared to the index. To provide additional historical context, the BAML Convertible Index performance will be shown in addition to the new index. For more information on the index construction methodology, historical calculations or index change, please contact Nicholas at info@nicpartners.com. To provide additional historical context, the BAML Convertible Index performance will be shown in addition to the new index.

The Thomson Reuters US All Cap Focus Convertible Index is a market capitalization weighted, total return index designed to provide a broad measure of the performance of the active, balanced US convertible bond market. Qualifying fixed income securities may be rated investment grade or non-investment grade or unrated, may be issued with fixed or floating rates and must meet minimum size and liquidity requirements. Mandatory and perpetual issues are excluded. Balanced issues are selected using price and premium thresholds. The index is reviewed monthly to ensure the constituents' continued compliance with the Index rules, issues may be added only at the monthly review though bonds may be removed from the Index at any time as a result of corporate or market events. Individual issuers are capped at 3% of the Index at each monthly review.

The Bank of America/Merrill Lynch All Quality Convertibles Index (VXA0) is comprised of US denominated convertible securities of all qualities not currently in bankruptcy spanning all corporate sectors and having a par amount outstanding of \$50 million. Maturities must be at least one year.

The Barclays Capital Aggregate Bond Index is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most US traded investment grade bonds are represented. Municipal bonds, and Treasury Inflation-Protected Securities are excluded, due to tax treatment issues. The index includes Treasury securities, Government agency bonds, Mortgage-backed bonds, Corporate bonds, and a small amount of foreign bonds traded in US.

The S&P 500 Index is a widely regarded gauge of the US equities market, that includes 500 leading large cap companies in leading industries of the US economy. Although the S&P 500 focuses on the large cap segment of the market, with approximately 80% coverage of available market capitalization, it is also typically used as a proxy for the total market. Index returns include the effect of dividends and income which are reinvested daily.

The Russell 3000 Index is a stock market index of US stocks that measures the performance of 3,000 publicly held US companies based on total market capitalization, which represents approximately 98% of the investable US market.

eVestment is an investment manager database where investment managers populate investment returns and other information which allows managers to run various reports including peer universe reports. eVestment performance figures shown are gross of fees and do not consider advisory fees which will reduce actual returns. The peer group performance figures have been reported solely for informational purposes and have been provided by the separate account managers. No representation is given with respect to their accuracy or completeness, nor that the figures are necessarily GIPS compliant.

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Nicholas Investment Partners, L.P. is an independent, employee-owned and majority women-owned investment boutique focused on investing in dynamic, less efficient markets such as US small- and mid-cap equities and convertible bonds. We believe that change creates opportunity. We invest in dynamic companies with accelerating revenue and/or earnings growth in which our research confirms the company's growth is sustainable and the company's stock is a timely investment. Our edge comes from combining fundamental equity and credit research with the objectivity and efficiency of quantitative analytics. We have a results-driven and client-centric culture centered on building lasting and value-added relationships with a select group of institutional and private wealth clients and consultants.

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