

## PERFORMA INTERNATIONAL CONVERTIBLE BOND FUND - Description



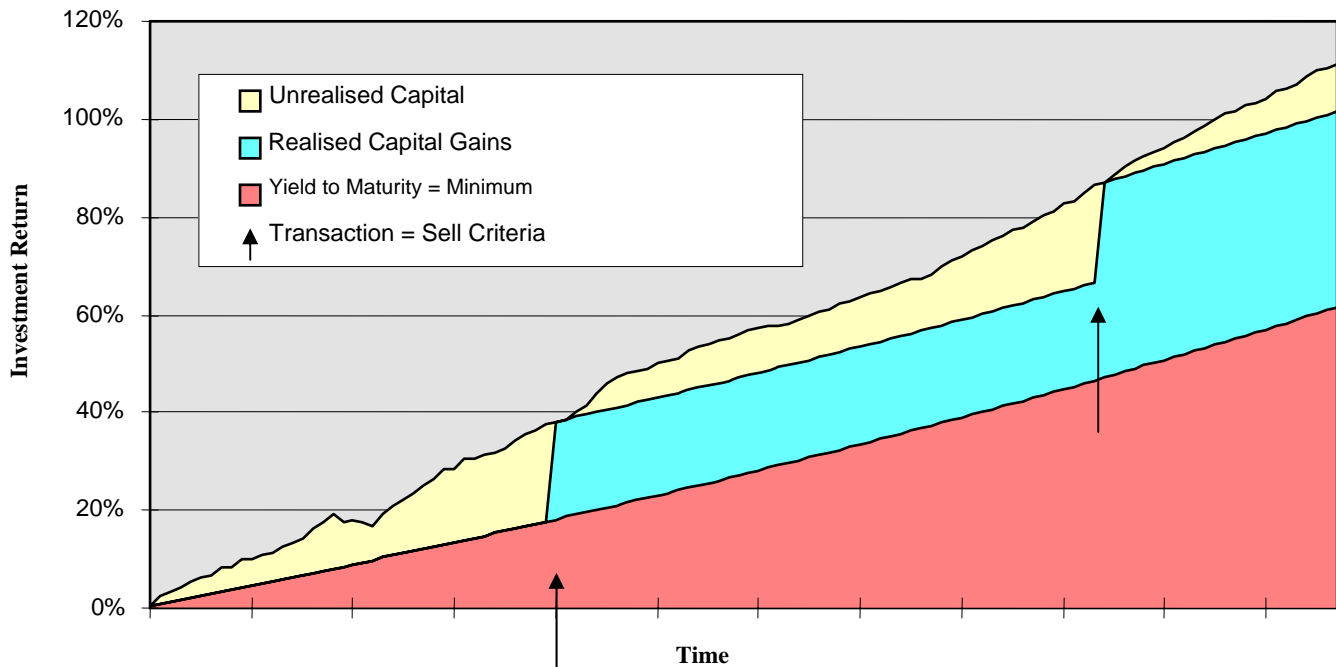
Performa offers a diversified fixed income portfolio with an indirect exposure to global equity markets, but with limited currency exposure. Our active management creates a portfolio with characteristics desirable for clients seeking downside protection and low volatility in asset value.

### CHARACTERISTICS

Performa's Convertible Bond (CB) Portfolios offer investors an alternative to a balance of equities and bonds.

- The first component is a bond which ensures that investors receive a minimum yield and the repayment of their capital at the bond's maturity.
- The second component is a long-term option on an underlying equity, thus providing participation in rising share prices.
- Performa actively controls the equity exposure within CB portfolios. This active management enables us to capture upside potential while providing downside protection, thus producing positively asymmetric returns with a rising floor.

### Typical Trading Leading to an Increased "Floor"

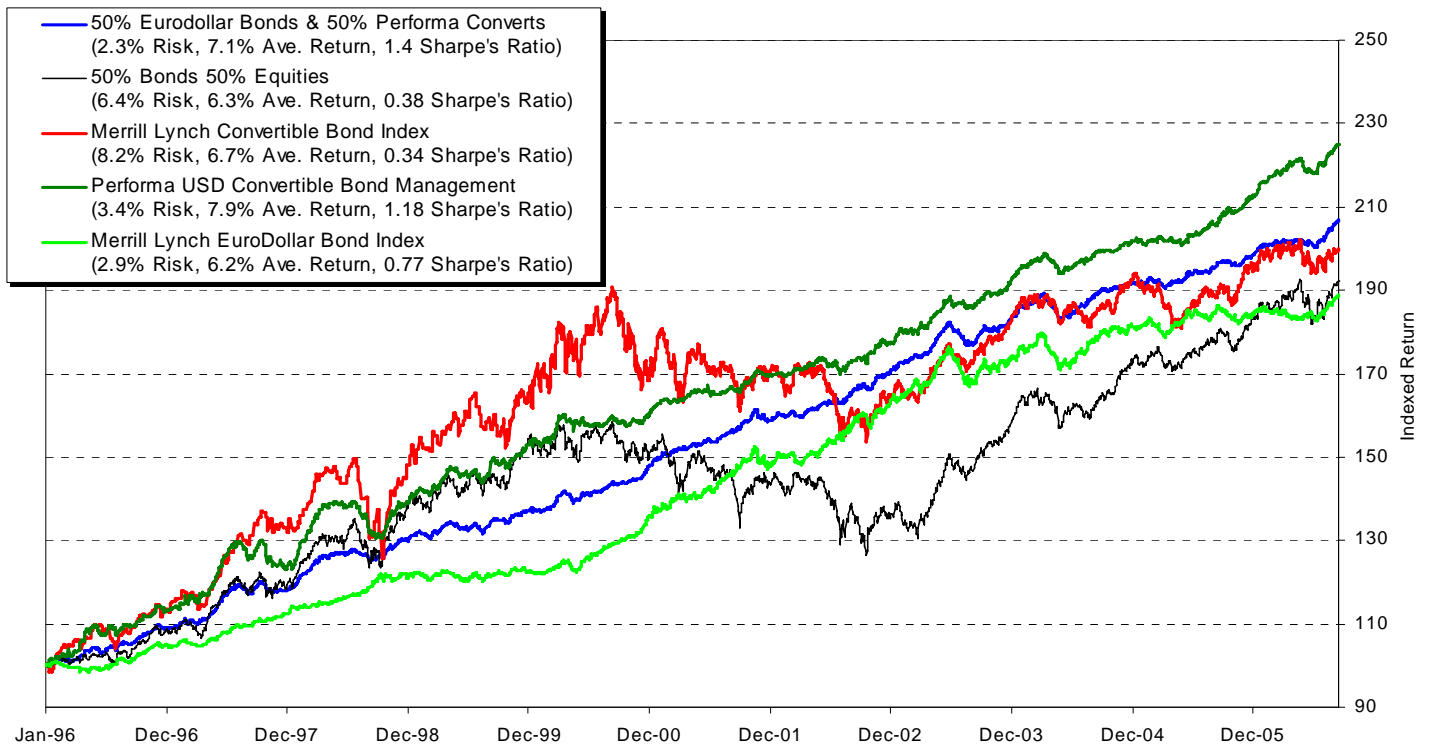


- After a CB reaches its sell criteria, capital gains are realized and the floor is accordingly raised. The proceeds are reinvested in a CB with greater downside protection.

Performa's convertible bond portfolios provide an alternative to a balance of bonds and equities, with portfolio insurance characteristics. The bond floor shifts upward as gains are realised from rising equity prices or a bond market rally.

## PERFORMA INTERNATIONAL CONVERTIBLE BOND FUND - Description continued..

### Relative Performance



\*Gross returns of the Performa International Convertible Bond Fund

### Portfolio Diversification

When this strategy is blended with Performa's straight bond management, it produces a diversified fixed income portfolio with lower asset value fluctuation than bond market indices while achieving a higher return than the same indices. This risk/return advantage is demonstrated in the chart above.

### Characteristics of Convertible Bonds as Compared to:

#### Straight Bonds

- Higher long-term returns
- Unlimited upside potential
- Volatility is higher

Often rated lower (although many CBs are issued as senior debt, a subordinated status is very common. As a result, the average CB is rated below that of the straight debt).

#### Equities

- Downside protection via the bond floor
- Lower volatility
- Greater current income (coupons are higher than dividends)
- While dividends on shares may be cut or reduced without penalty, the issuer of a CB cannot skip a coupon payment without triggering default
- High certainty of income
- Reduced upside participation due to premiums paid
- No voting rights

### Summary

Downside protection and equity participation are the basic themes of Performa's convertible bond management approach. While reducing the equity sensitivity of a portfolio and thus its risk, active management at the same time raises the floor of the portfolio.