



**Global Convertibles: An Asymmetric  
Advantage in Less Favorable Environments**

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Institutional Investor Insight Series

## Global Convertibles | Potential Investor Benefits



### Diversified Sources of Return

Combination of current income, equity, credit, volatility capture and pricing anomalies offer unique opportunities in a low rate, modest growth environment with persistent market volatility.

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### Higher Risk-Adjusted Returns

Asymmetric risk-reward profile for asset allocators seeking an edge in the current market environment while improving portfolio efficiency.



### 2/3 Equity Market Risk

Low volatility can improve risk-adjusted returns for equity investors concerned about risk-reduction with markets peaking after a six-year bull market rally.

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### Attractive Diversification Benefits

Potential complement to global equity, equity income and high-yield bonds with competitive returns, lower volatility and less exposure to interest rate fluctuations.

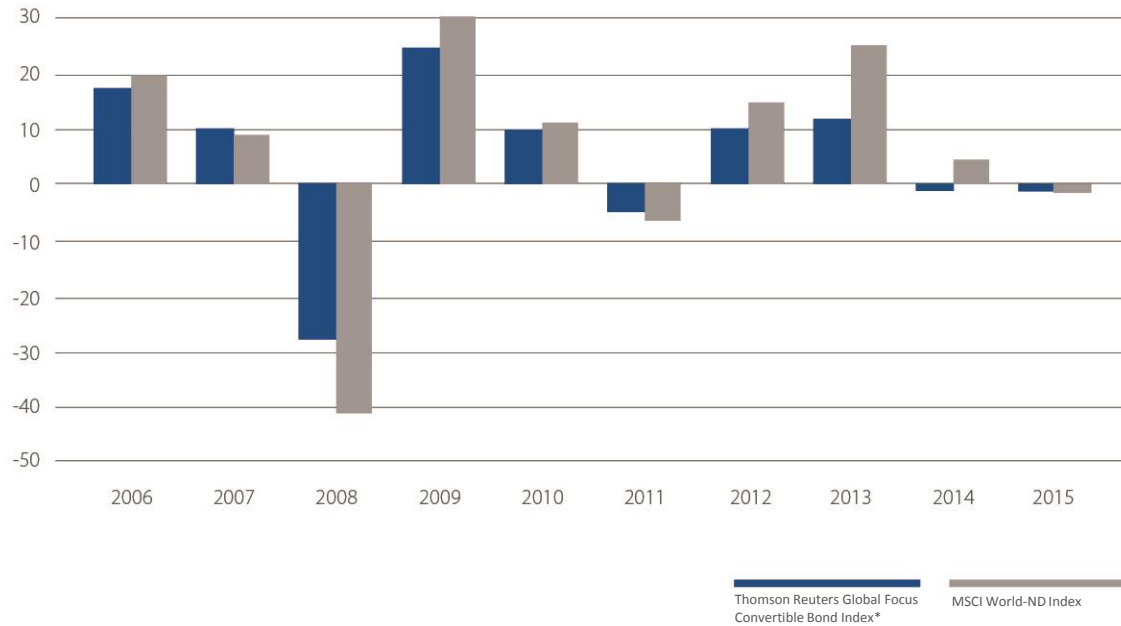


# Equity-Like Returns | Less Risk

Estimated Long-Term Sources of Return

50% Equity | 30% Credit | 20% Volatility Capture + Pricing Anomalies

## Calendar Year Returns



	Index*	MSCI World-ND
10-Year Per Annum	4.37	4.98
Standard Deviation	10.47	16.36
Sharpe Ratio**	0.31	0.23

Source: eVestment  
 \*\*Measured using Citigroup 3-month T-Bill as the risk free rate  
 Past performance is not indicative of future results.  
 Data as of 12.31.15  
 Data frequency: Monthly



Similar return profile over the long term with approximately 2/3 equity market risk.

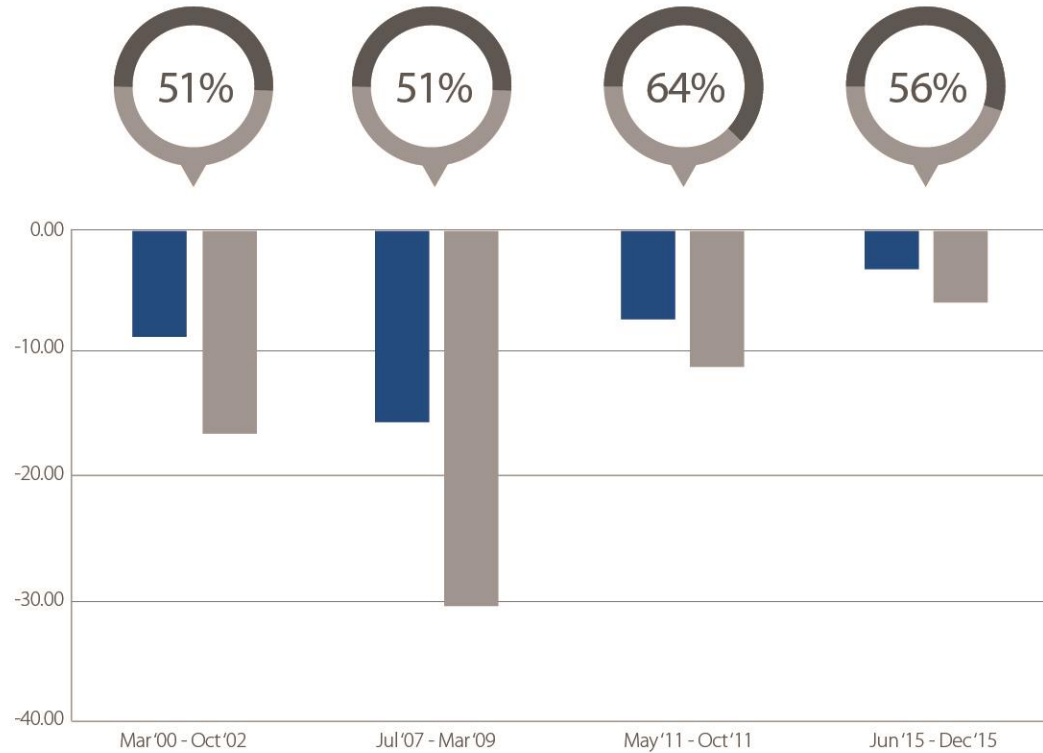


# Minimize Drawdowns | Improve Risk-Adjusted Returns



Global convertibles can be viewed as a long-term allocation for asset allocators seeking more consistent returns and substantial downside protection during periods of persistent market volatility.

### Downside Market Capture



Thomson Reuters Global Focus Convertible Bond Index | MSCI World-ND Index

Source: © 2015 FactSet Research Systems Inc. All Rights Reserved.

Frequency: Monthly

Past performance is not indicative of future results.



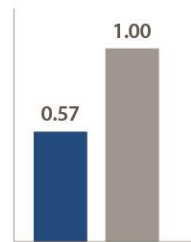
## Long Term | Risk Comparison vs. MSCI World-ND Index



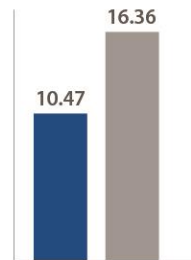
Market imbalances require asset allocators to rethink their risk-allocation to income alternatives with similar risk profiles and higher upside potential to meet their capital market assumptions.

### 10-Year Risk Comparison

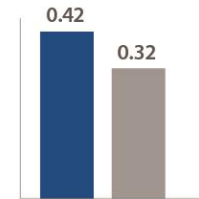
Global Equity Beta<sup>1</sup>



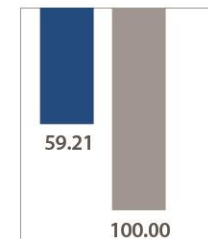
Volatility



Sortino Ratio<sup>2</sup>



Downside Market Capture



Thomson Reuters Global Focus | MSCI World-ND Index  
Convertible Bond Index

<sup>1</sup> Beta measured using the MSCI World-ND Index

<sup>2</sup> Measured using Citigroup 3-month T-Bill as the risk free rate

Source: eVestment

Data Set: 1.1.06 - 12.31.15 (monthly)

Past performance is not indicative of future results.



## Unconstrained Approach | Maximize Potential Benefits

### Why an Unconstrained Approach Can Offer Investors a Distinctive Edge vs. Passive

**Alpha** opportunities exist due to pricing anomalies.

**Flexibility** to navigate changing market conditions.

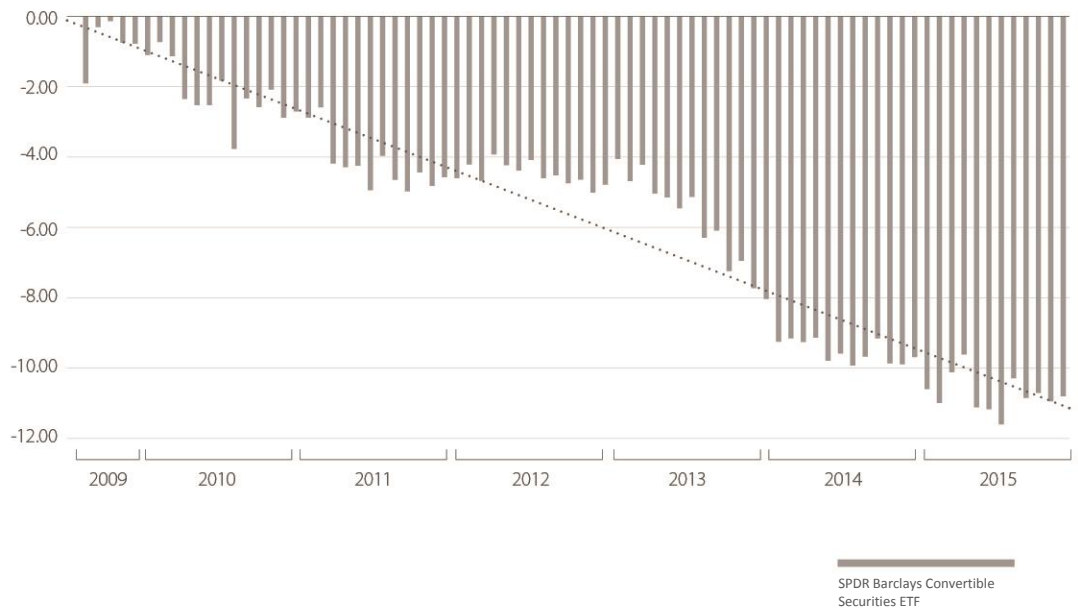
**Ability** to calibrate portfolio with varying degrees of equity sensitivity or duration.

**Asymmetric** outcomes require a greater emphasis on intended risks vs. unintended risks.

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Passive solutions like ETFs present potential liquidity challenges and, in our view, the inability to maximize the structural benefits of the asset class.

### Representative ETF Cumulative Performance vs. Benchmark<sup>1</sup>



<sup>1</sup> Performance versus Benchmark (Cumulative): Representative ETF = SPDR Barclays Convertible Securities ETF; Benchmark = Barclays U.S. Convertible Index. Data represents the monthly cumulative difference between the representative ETF and benchmark from May 2009 through December 2015. Past performance is not indicative of future results. Data Source: Bloomberg L.P. All Rights Reserved.



## Current State | Undervalued

### Market Insights

The recent downturn in the market has disproportionately impacted capital intensive companies.

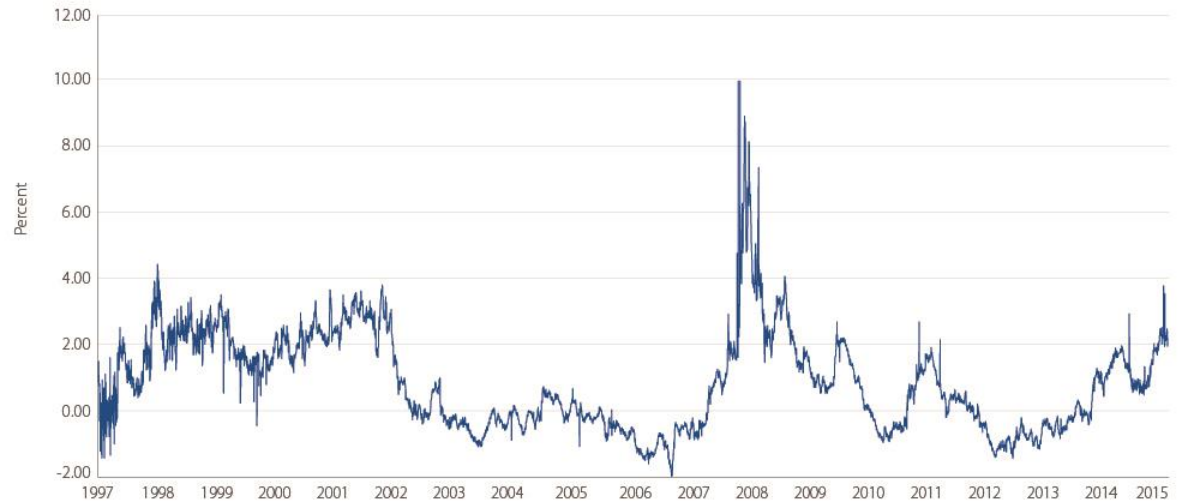
Moderate level of equity sensitivity (delta < 50%) providing support if global market volatility persists.

Global issuance remains strong as credit spreads widen supporting both near-term and long-term fundamentals.

Low duration; well positioned against a short-term rise in interest rates.

Global opportunity set provides increased diversification and greater breadth to navigate market volatility.

### Strategic Case for Global Convertibles Supported by Attractive Valuations



Source: Bloomberg, BofA Merrill Lynch Global Convertible (G300) Index

Frequency: Daily

Global convertible valuations are the most attractive since the global financial crisis in 2008.



## Meet the Team

### Deep Experience

David Clott and Shawn Mato have been investing together for over 14 years. They lead our Boston-based team of five and manage over \$380 million globally.

### Innovators

History of creating leading-edge unconstrained long-only and absolute return strategies since 2002.

### Focus

100% dedicated to managing global convertible securities and absolute return convertible arbitrage strategies.

### Extensive Resources

Leverages Westwood's U.S. and Global Equity Analyst Research Teams. Westwood manages over \$20 billion in assets and is headquartered in Dallas with offices in Toronto, Boston, Omaha and Houston.



**David Clott, CFA**

Senior Vice President,  
Senior Portfolio Manager



**Shawn Mato, CFA**

Senior Vice President,  
Senior Portfolio Manager



**Brendan Ryan, CFA**

Vice President,  
Senior Research Analyst



**Seth Gold**

Associate Vice President,  
Trader



**Samantha Breen**

Associate Vice President,  
Operations/Investment  
Analyst





### Unconstrained Approach

Flexibility across a global opportunity set can capture inefficiencies and unique pricing anomalies to increase alpha potential of the asset class. Proprietary research and sophisticated risk systems are required to unlock asymmetric benefits.

### Asymmetric Advantage

Potential favorable risk-reward profile with a “balanced” convertible portfolio can improve risk-adjusted returns and portfolio efficiency.

### Portfolio Efficiency

Potential complement to global equity and high-yield risk allocation with competitive returns and lower volatility in the current market environment.



## Westwood Firm Overview

Our mission is to exceed client expectations through exceptional performance and ethical conduct.

### Multi-Investment Team Structure

U.S. Value  
Global and Emerging Markets Equities  
Global Convertible Securities



### Deep, Experienced Investment Staff

Over 50 investment professionals

### Employee Ownership Culture

Employees and directors own equity, currently totaling 26%; no employee owns more than 5%

### Thoughtful Growth Strategy

Carefully manage capacity of investment strategies

Institutional  
Mutual Funds and Subadvisory  
Private Wealth

### Overview <sup>1</sup>

Founded | 1983

AUM | \$20.8B

Employees | 168

Publicly Listed | NYSE: WHG 2002



<sup>1</sup> Westwood Management Corp. was founded and registered with the SEC in April 1983. Its parent company, Westwood Holdings Group, Inc., was launched as a public company in 2002, trading on the New York Stock Exchange under the symbol WHG. Except as otherwise noted, all references to or information about the “firm” or “Westwood” throughout this presentation describe Westwood Holdings Group, Inc. and its wholly owned subsidiaries, which include Westwood Management Corp., Westwood Trust, Westwood Advisors, LLC, and Westwood International Advisors Inc.

<sup>2</sup> Selection criteria based 40% on corporate application and 60% on anonymous employee questionnaires within the “100-499 employees” category. Ranked 3 out of 5 and awarded on December 14, 2015.

Firm data as of December 31, 2015.

Asymmetric Return Focus |

