

SHORT DURATION CONVERTIBLE BONDS:

Diversification in Fixed Income - A Compelling Alternative to Traditional Fixed Income

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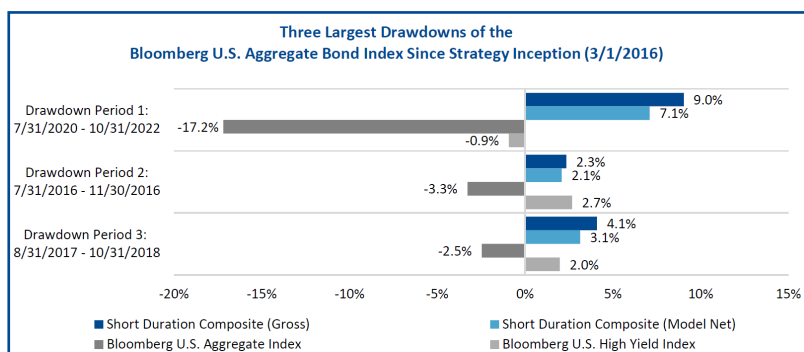
When considering allocations to fixed income, short duration convertible bonds should not be overlooked. With elevated yields on the short end of the curve and an uncertain pace of further rate cuts, we believe investors can take advantage of opportunities in short duration convertible bonds rather than endure the risk of longer duration fixed income. Short duration corporate bonds with convertible features can potentially offer attractive yields with differentiated sources of return while limiting interest rate risk.

Markets continue to face elevated volatility and uncertainty, as investors assess evolving macroeconomic conditions, monetary policy, and geopolitical shocks. This confluence of factors has introduced inflation and growth risks—particularly through energy markets, leaving the Federal Reserve limited to keeping rates steady until greater clarity emerges.

We believe an allocation to Palisade’s Short Duration Bond strategy can provide investors with an attractive risk-reward profile in this environment. Our strategy has performed well in periods of elevated volatility and outperformed during fixed income market drawdowns, all while maintaining additional return potential from the hybrid nature of the asset class.

PERFORMANCE DURING MARKET DRAWDOWNS

Palisade’s Short Duration Bond strategy has outperformed relative to the broader fixed income market, particularly during periods of market volatility. Since its inception in March 2016, the strategy has been a powerful diversifier for fixed income portfolios, generating positive returns during the three largest drawdowns for the Bloomberg U.S. Aggregate Bond Index, as of March 31, 2026.



Source: FactSet Research Systems, Inc. As of March 31, 2026.

THE STRATEGY – AN ATTRACTIVE OPTION TO COMBAT DURATION RISK

Palisade’s Short Duration Bond strategy uses strict pricing and maturity criteria, focusing the strategy on a well-defined subset of the publicly-traded U.S. convertible bond universe. We believe this subset of convertibles is overlooked by investors, despite providing performance drivers that are differentiated from other asset classes, such as fixed income, equities, and alternatives.

Our investment process results in a portfolio of carefully selected short duration convertible bonds issued by companies we believe have a strong ability to repay debt at the applicable maturity or put date. A short duration convertible bond portfolio may provide an attractive alternative to investment grade and high yield corporate bond strategies for investors looking to mitigate interest rate exposure while still benefiting from competitive yields. Further, the embedded option within convertible securities provides more upside potential than traditional bonds.

A newly funded portfolio comprised of bonds meeting the purchase criteria on March 31, 2026 (a “Palisade NFP”) would have a median yield of 4.49% and a duration of 1.13 years. The strategy is able to provide an almost equivalent yield to the weighted average yield of core fixed income as of March 31, 2026 with significantly less duration exposure.

	YIELD	DURATION
Palisade NFP	4.49%	1.13
Bloomberg U.S. Aggregate	4.57%	5.88

Source: Palisade, Bloomberg, LP. As of March 31, 2026.

Uncertain Interest Rate Environments

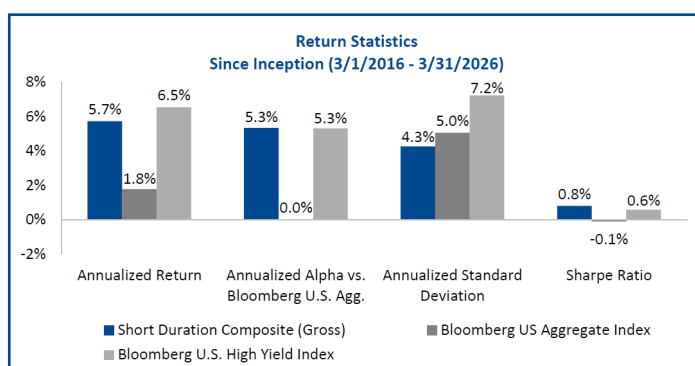
The hybrid structure of convertible bonds, combined with the relatively short duration of our strategy (typically two years or less), has historically resulted in a portfolio that is less sensitive to interest rate risk than traditional longer-duration fixed income. This asymmetry may be particularly relevant in today's market environment, as investors continue to navigate uncertainty around inflation, growth, monetary policy, and the path of interest rates.

Market expectations suggest a steepening of the yield curve, with long-end yields potentially rising while short-term yields may fall based on expectations of a Federal Reserve rate cut. Strategas Research analyzed geopolitical events and demonstrated that the U.S. Treasury yield on average increased by 40 bps over six months and 60 bps over 12 months during an oil shock. In this environment, short duration bonds may offer a way to generate income while limiting duration exposure and providing resilience in a volatile rate environment.

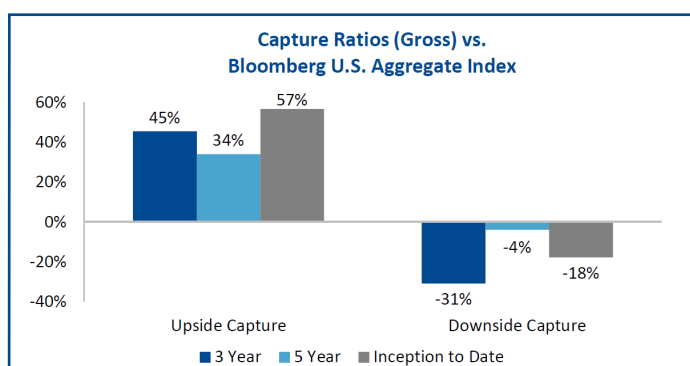
Risk Adjusted Returns

The strategy has delivered competitive risk-adjusted returns, underscoring its merits as a more resilient allocation in uncertain markets. The portfolio generated higher returns with lower risk relative to the Bloomberg U.S. Aggregate Bond Index, delivering an alpha of 5.3% and a Sharpe ratio of 0.8% since inception. At the same time, the strategy achieved on par returns with less risk, and a higher Sharpe Ratio relative to Bloomberg U.S. High Yield Bond Index.

The strategy has also demonstrated favorable upside capture due to the optionality inherent in short-term, out-of-the-money convertible bonds while providing downside protection derived from a portfolio priced near par value.



Source: FactSet Research Systems, Inc. As of March 31, 2026.



Source: FactSet Research Systems, Inc. As of March 31, 2026.

Diversifying Your Traditional Fixed Income Portfolio

We believe short duration convertible bonds can serve as an attractive complement to traditional fixed income allocations, particularly in an environment characterized by elevated uncertainty and evolving interest rate expectations.

The following scenarios utilize varying allocations to Palisade's Short Duration Bond strategy ("SD") :

- Allocation #1 (80-20): 80% Bloomberg U.S. Aggregate Bond Index and 20% SD – Designed for allocators with a 100% U.S. Aggregate Bond allocation.
- Allocation #2 (70-30): 70% Bloomberg U.S. Aggregate Bond Index and 30% SD – Designed for allocators with a 100% U.S. Aggregate Bond allocation.
- Allocation #3 (60-20-20): 60% Bloomberg U.S. Aggregate Bond Index, 20% Bloomberg U.S. High Yield Corporate Index, and 20% SD-Tailored for allocators with a blend of U.S. Aggregate and High Yield bonds (70-30 mix).

For these allocations, the addition of short duration convertible bonds demonstrates the potential to improve risk-adjusted returns (higher Sharpe ratio and alpha) and lower risk (lower standard deviation).

Diversifying Your Traditional Fixed Income Portfolio (continued)

Performance (as of 3/31/2026)	1Q26	YTD 2026	1 Year Trailing	3 Year Trailing	5 Year Trailing	7 Year Trailing	10 Year Trailing	ITD (3/1/2016)
Bloomberg U.S. Aggregate Index	-0.05%	-0.05%	4.35%	3.63%	0.31%	1.56%	1.70%	1.78%
Allocation #1 (80-20)	0.04%	0.04%	4.62%	4.21%	1.05%	2.37%	2.48%	2.58%
Allocation #2 (70-30)	0.08%	0.08%	4.76%	4.50%	1.40%	2.77%	2.87%	2.99%
70-30 Blend (Agg & High Yield)	-0.18%	-0.18%	5.16%	5.12%	1.53%	2.54%	2.97%	3.14%
Allocation #3 (60-20-20)	-0.05%	-0.05%	5.16%	5.20%	1.84%	3.03%	3.32%	3.49%

vs. Bloomberg U.S. Aggregate Index

Statistics (3/1/16 to 3/31/2026)	Return	Standard Deviation	Sharpe Ratio	Alpha	R-Squared	Correlation
Bloomberg U.S. Aggregate Index	1.78	5.05	-0.10	0.00	100.00	1.00
Allocation #1 (80-20)	2.58	4.33	0.07	1.06	96.58	0.98
Allocation #2 (70-30)	2.99	4.06	0.17	1.59	91.15	0.95
70-30 Blend (Agg & High Yield)	3.14	4.98	0.17	1.50	86.75	0.93
Allocation #3 (60-20-20)	3.49	4.43	0.27	2.06	81.60	0.90

Source: FactSet Research Systems, Inc. As of March 31, 2026.

CONCLUSION

We believe short duration convertible bonds can be used to diversify a portfolio and enhance risk-adjusted returns as a component of a fixed income allocation, particularly in an environment marked by elevated uncertainty and shifting interest rate expectations. Investing in Palisade's Short Duration Bond strategy has the potential to provide investors with favorable asymmetrical returns with upside participation and less downside capture.

PERFORMANCE AS OF MARCH 31, 2026

	Quater to Date	Year to Date	1 Year	3 Year Annualized	5 Year Annualized	7 Year Annualized	10 Year Annualized	ITD (3/1/2016)
Short Duration Composite (Gross)	0.4%	0.4%	5.7%	6.5%	3.8%	5.5%	5.5%	5.7%
Short Duration Composite (Model Net)	0.2%	0.2%	4.8%	5.6%	2.9%	4.7%	4.7%	4.9%

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Due to various risks and uncertainties, actual events, results or the actual performance of investments may differ materially from those reflected or contemplated in such forward-looking statements. Nothing herein may be relied upon as a guarantee, promise, assurance or a representation as to the future.

Investing in securities involves risk, including the risk the entire amount invested may be lost. Securities investments are not guaranteed. Fixed income securities are generally subject to interest rate risks. A risk in a long-term purchase strategy is that Palisade may not take advantage of short-term gains that could be profitable. Moreover, if Palisade's predictions are incorrect, a security may decline sharply in value before being sold. Equity-linked securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates, and general economic environments. REITs are affected by underlying real estate values, which may have an exaggerated effect to the extent that those REITs concentrate investments in particular geographic regions or property types. A company issuing convertible securities may default. Palisade's portfolios are susceptible to operational, information security, and related risks from cyber security incidents resulting from deliberate attacks or unintentional events.

The Short Duration Bond Composite includes all tax-exempt portfolios invested in convertible bonds which meet the following criteria: a maturity or put date within 3 years or less from the date of purchase and priced between 90%-106% of par value at purchase. Accounts with zero commissions are included in the composite. There is no available industry benchmark that invests solely in convertible bonds meeting these criteria; therefore no benchmark is being disclosed. Any account in the composite that has a cash flow withdrawal or deposit of 50% or greater of the assets of the account will be removed from the composite for that month and will be added back in the following month. The minimum account size for this composite is \$3 million. The investment management fee schedule for the composite is 0.60% on the first \$25 million, 0.55% on the next \$50 million, 0.50% on the next \$75 million, and 0.45% on the remainder. Actual investment advisory fees incurred by clients may vary. The Short Duration Bond Composite was created April 1, 2016 and the inception date is March 1, 2016. As of January 1, 2024, the Short Duration Convertible Bond Composite was renamed the Short Duration Bond Composite.

The Bloomberg U.S. Aggregate Bond Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities.

The Bloomberg U.S. High Yield Index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market.

The statistics reflect the Composite characteristics (gross of fees) and the indices as of the date shown. The Since Inception Risk statistics provided are not related to or indicative of either the Composite's or the indices' performance.

Alpha is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of the Strategy and compares its risk-adjusted performance to a benchmark index. The excess return of the Strategy relative to the return of the benchmark index is the Strategy's alpha.

Annualized standard deviation is a measure of the dispersion of a set of data from its mean – a measure of the variability of returns. The higher the standard deviation, the greater the range of performance (i.e., volatility). Standard deviation is calculated as the square root of variance.

The Sharpe Ratio is calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the portfolio's historical risk-adjusted performance.

Correlation is a statistical measure of how the returns of the Strategy move in relation to the returns of a benchmark index. Correlation is measured on a scale from -1.00 to 1.00. A correlation of 1.00 indicates that the Strategy and benchmark index move perfectly together, while a correlation of -1.00 indicates that they move in exactly opposite directions. A correlation near zero indicates little or no linear relationship between the returns of the Strategy and the benchmark index.

R-squared is a statistical measure that represents the percentage of the Strategy's movements that can be explained by movements in a benchmark index. R-squared is measured on a scale from 0 to 100. An R-squared of 100 indicates that all movements of the Strategy are explained by movements in the benchmark index, while a lower R-squared indicates that the Strategy's performance is less closely related to the benchmark index.

The Downside Capture percentage measures a manager's performance in down markets relative to a particular benchmark. A down market is one in which the market's quarterly (or monthly) return is less than zero. For example, a downside capture percentage of 50% means the portfolio's value fell half as much as its benchmark index during the benchmark's negative quarters. A downside capture percentage of less than 100% indicates a manager who outperforms the relative benchmark in the benchmark's negative quarters.

The Upside Capture percentage is a measure of a manager's performance in up markets relative to a particular benchmark. An up market is one in which the market's quarterly (or monthly) return is greater than or equal to zero. For example, an upside capture percentage of 50% means the portfolio's value increased half as much as its benchmark index during the benchmark's positive quarters. An upside capture percentage of more than 100% indicates a manager who outperforms the relative benchmark in the benchmark's positive quarters.

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