

## Convertible Bonds

Participants learn about convertible bonds and the role they play in the fixed income markets. They examine features of the basic convertible bond, as well as alternative structures. This course covers the advantages and disadvantages of convertibles from both the investor and issuer perspectives.

## Targeted Audience

Finance analysts, equity analysts, corporate bankers, traders.

## Special Offer

Clients who register for this course will receive a complimentary 4-month subscription to FT.com. The Financial Times is the world's most respected financial newspaper, providing a broad assessment on finance, business and the industrial sector. The move to the electronic version follows an ongoing review of our environmental responsibilities as a global business and as part of the Pearson group. FT.com also has features that are not available in hard copy, such as: Special Reports, Alphaville, editor blogs, education sections and much more! Subscriptions will start within 6-8 weeks of the start of class and are limited to one subscription per client. (Please note: as of May 1, 2011, the electronic subscription replaces the hard-copy 3-month Financial Times subscription.)

## Advance Preparation

No advance preparation required.

## Prerequisites

Fixed Income I or equivalent knowledge.

## Alumni Comments

*"Instructor was very knowledgeable."*

*"The course covers a wide variety of information."*

*"The instructor was extremely knowledgeable and informative."*

*"The examples provided by the instructor were very effective."*

*"The course presents and reviews a tremendous depth and breadth of information."*

## **Follow-Up Courses**

Fixed Income Markets I - Day

Fixed Income Markets II - Evening

Fixed Income Mathematics - Evening

Fixed Income Mathematics - Day

High Yield Debt: Valuation & Risk Assessment - Evening

**Level: Basic**

**CPE Credits: 14.0**

**Instructional Method: Group-Live**

## **Detailed Outline**

### **Introduction to Convertible Securities**

#### **Terms and definitions**

- . Characteristics of convertible
- . Types of convertible securities
- . Markets for convertibles
- . Legal and accounting issues
- . Issuer and investor perspectives on convertibles

#### **Structure of Convertible Bonds**

- . Conversion ratio
- . Conversion price
- . Conversion period
- . Anti-dilutive covenants
- . Other protective covenants
- . Call Features

- . Seniority/security of issue

### **Analysis of Convertible Bonds**

- . Investment value
- . Credit analysis
- . Interest rate sensitivity of convertibles
- . Conversion value
- . Conversion premium
- . Recovery period
- . Option based analyses of convertibles
- . Black-Scholes based evaluation
- . Binomial model based evaluation
- . Risk/reward analysis

### **Other Types of Convertible and Related Securities**

- . Convertible preferred stock
- . Exchangeable convertible securities
- . Convertible stock notes
- . Asset linked convertibles
- . Mandatory convertible (DECs, PERCs, ELKs, etc.)
- . Synthetic convertibles

### **Investing in Convertible Securities**

- . Lower risk equity alternative
- . Diversifying fixed income portfolios
- . Asset allocation implications
- . Convertible securities as an asset class

### **Convertible Securities Hedging Strategies**

- . Convertible stock hedge: long convertible/short underlying
- . Bullish, bearish and neutral hedges
- . Call option related strategies
- . Put option hedging strategies
- . Hedging convertible portfolios with index options