

Hybrid VigorSM

The Hillside Convertible Advisory Letter

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I Can See Clearly Now

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Dear Friends,

What a great time. Volatility seems to be coming back. We're in the midst of a fantastic NCAA tournament, with opening day just a week away and the final Kentucky Derby prep races being run. We seem to have made it through a vicious winter reasonably unscathed--though lots of tires and wheels wouldn't agree.

Did I mention that volatility seems to be back? At least, it sure seemed that way in the semiconductor and health-care names last week. Not that those are important areas for convertibles or anything...

One of my criticisms of our market is that those of us who've been in it for some time let our frustrations color the way we present to the outside world. Even as someone who's been a self-appointed spokesman for the asset class for years, I know I've been guilty now and then. Last week, when Whiting Petroleum announced its big financing, my eyes played a trick on me and focused on the equity and straight debt portions, glossing completely over the major-league convertible. I emailed my colleagues complaining. They, of course, saw the convertible portion mentioned quite prominently, and figured I was being sarcastic. In truth, I'd just become conditioned to assume companies will overlook this marvelous--and highly in-demand--financing tool.

So let's make the onset of spring, sunshine, baseball, the Triple Crown, and lots of other good stuff be a positive. Who knows, maybe we'll even overcome the clouds of misguided Treasury regulations. A guy can hope, right?

Bill