Quarterly Commentary—Q1 2020

Advent Convertible and Income Fund

Closed-End Fund

Market Review

Convertible securities declined in the first quarter of 2020 along with equity markets and corporate bonds as the coronavirus pandemic brought economic activity to a standstill in most global developed markets. However, the asset class delivered positive asymmetry, as the participation of the equity market declines was muted. The ICE BofA U.S. Convertible Index (VXA0) fell 13.6 percent, compared with -19.6 percent for the S&P 500 and -20.9 percent for the Russell 3000 Equity Index. The convertible downside participation of only 65-70 percent, compared with the equity indices, was better than the 73-75 percent 2019 upside captures. Although convertibles mitigated risk on the downside, they were impacted by broad corporate credit spread widening, as the economic shutdown hurt commerce. This was somewhat offset by the benefit of volatility gained in the equity option embedded in convertibles as the VIX rose from 14 to 54, going as high as 83 in late March.

The Federal Reserve's multi-trillion pledges to inject liquidity via loans and securities purchases into credit-oriented asset classes has been a boon so far in the second quarter for fixed-income markets, including convertibles. Through April 30th, the convertible index was down 4.04 percent year-to-date, which is 43 percent of the S&P 500 return of -9.3 percent and only capturing 39 percent of the Russell 3000 return of -10.4 percent. Outperformance of growth stocks, where convertibles are well-represented, and sustained higher volatility pricing have helped the convertible asset class achieve this positive asymmetry.

The convertible market's large exposure to both the technology and health care markets has helped in an environment where growth stocks have continued to outperform. Some of this is the interest rate market driven by Federal Reserve actions maintaining terminal value, but also due to the lower exposure to cyclical sectors that have struggled in the downturn such as energy, materials, and financials.

Convertibles Market

Convertible issuance remained strong despite the brief period in March when only a few new deals priced due to the challenged market conditions. Over the entire quarter, $29 billion of convertibles were issued globally. Issues of $1 billion in size and over were completed in the United States by Nextera Energy, Square, Exact Sciences, MongoDB, and RingCentral. The largest issues outside the United States were Yandex, Delivery Hero, and ANTA Sports. Additionally, in the second quarter through early May, there have been a number of convertible issues with highly attractive terms by companies seeking liquidity as they await economic reopening.

ADVENT CAPITAL MANAGEMENT, LLC

Fund Overview

NYSE Ticker	AVK
NAV Ticker	XAVKX
CUSIP	00764C109
Inception	4.29.2003

Convertible Market Characteristics

Q1 2020 Return	13.6%
Average Delta	51
Current Yield[1]	2.9%
Average Conversion Premium	54%
Effective Duration	2.1 years

Represents characteristics of the ICE® BofA® All U.S. Convertible Index as of 3.31.2020.

High Yield Market Characteristics

Yield to Worst[2]	9.24%
Option-Adjusted Spread[3]	877 bps
Effective Duration	4.3 years

Represents characteristics of the ICE® BofA® U.S. High Yield Index as of 3.31.2020.

Source: ICE® Data Services, Advent Capital Management, LLC. Characteristics for indexes are calculated by Advent using the holdings and weightings reported by the index provider as of the referenced date.

1 Current yield is the annual coupon divided by the current price as of 3.31.2020. For an index, it is the average of the constituent security current yields, weighted by full market value.

2 For bonds with embedded options, yield to worst is the yield to the redemption date that produces the lowest result for bonds with call features or the highest result for bonds with put features. For U.S. mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities, and collateralized mortgage obligation securities, yield to worst is equal to effective yield. For an index, it is the average of the yield to worst of its constituent securities weighted by full market value.

3 Option-adjusted spread is the number of basis points that the fair value government spot curve is shifted in order to match the present value of discounted cash flows to the bond's price.

A return of somewhat normal global commerce is a key to sustaining and advancing the corporate stock and bond rally that ensued since mid-to-late March. The rebound of activity in many Asian nations is promising for the hope of a similar rebound in Western nations. However, testing and contact tracing developments are important to monitor. Central bank liquidity has been vital, and further fiscal measures by governments are also important to prevent a second market dip. As the quarter demonstrated, convertible bonds provide equity participation combined with a measure of bond-related downside risk-mitigation that investors can find helpful in their portfolio construction, both in normal market environments and, as we have seen in the first quarter, in market downturns as well.

High-Yield Market

For high-yield investors, 2020 began in an orderly fashion, with current income combined with modest price increases producing a 1.3 percent return for the ICE BofA U.S. High Yield Index (H0A0) through February 20th. The market then turned sharply negative as the severity of the coronavirus risks emerged and the extent of the potential economic damage began to sink in. The H0A0 declined 21.5 percent from the February peak before bottoming out on March 23rd. With the announcement of the stimulus programs, investors saw the potential for liquidity support to the markets, direct financial assistance to affected companies, and a steep recovery from a short recession, together amounting to a meaningful reduction in expected default losses. The market rebounded sharply, returning 9.4 percent in the final week of March.

As expected in a recessionary environment, the lower quality segment of the market suffered the greatest losses, with triple-C & lower rated securities declining 22.0 percent. The large move in Treasuries benefited the higher quality and more rate sensitive double-B segment as its spreads widened the least because of a flight to quality within high-yield. Still, double-Bs lost 5.9 percent while single-Bs declined 11.2 percent. By industry group, the worst performing sectors were energy, leisure, and transportation, which all posted double digit declines, while the best were technology, utilities, and healthcare.

The portfolio was positioned conservatively, from both ratings and duration perspectives, reflecting our focus on sound, well-managed companies and our view that spreads were near the tight end of their range and were more likely to rise than fall. The conservative positioning positively impacted relative performance as spreads widened due to the pandemic, but performance was negatively impacted by allocation and selection in energy, the worst performing sector, and by an underweight in media, one of the better performing sectors. Further, while the portfolio was conservatively positioned going into the sell-off, the team was unable to reposition in time for the powerful rebound in the final week of the quarter. It is worth noting the high-yield positions rebounded with the market's rally in April.

While the virus and the energy war appear to be moving toward resolution, the full effects of both disruptions remain to be seen, particularly their impact on corporate cash flows and valuations. We are optimistic that the virus will run its course and the related economic disruptions will be resolved; however, negative news flows are possible, and the markets might revisit or pierce the March lows. Nonetheless, the high-yield market is attractive at current levels, and we are taking advantage of heightened volatility to reposition into bonds with good upside potential and to extend duration to within a few percent of the broad market. We continue to hold slightly higher cash levels as dry powder for volatility-induced bargains, which are likely to arise

Average Annualized Total Returns (3.31.2020)

	Q1 2020	1 Year	3 Years	5 Years	10 Years	Since Inception 4.29.2003
AVK Market Price	-29.72%	-20.53%	-3.58%	-1.06%	3.46%	3.64%
AVK NAV	-26.61%	-18.72%	-3.06%	-0.99%	2.87%	4.08%

Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown.

Source: Advent Capital Management, LLC. Since Inception returns assume a purchase of common shares at each fund's initial offering price for market price returns or the fund's initial net asset value (NAV) for NAV returns. Returns for periods of less than one year are not annualized. All distributions are assumed to be reinvested either in accordance with the dividend reinvestment plan (DRIP) for market price returns or NAV for NAV returns. Until the DRIP price is available from the Plan Agent, the market price returns reflect the reinvestment at the closing market price on the last business day of the month. Once the DRIP is available around mid-month, the market price returns are updated to reflect reinvestment at the DRIP price. All returns include the deduction of management fees, operating expenses and all other fund expenses, and do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares.

All data as of 3.31.2020 or otherwise noted. Data is subject to change on a daily basis. The securities mentioned are provided for informational purposes only and should not be deemed as a recommendation to buy or sell. Net asset value (NAV) is the value of all fund assets (less liabilities) divided by the number of common shares outstanding. Market price is the price at which a fund trades on an exchange. Shareholders purchase and sell closed-end funds at the market price, not NAV. A closed-end fund's premium/discount valuation is calculated as market price minus NAV, divided by NAV.

GUGGENHEIM FUNDS DISTRIBUTORS, LLC

Guggenheim Investments represents the investment management businesses of Guggenheim Partners, LLC ("Guggenheim"), which includes Guggenheim Funds Investment Advisors, LLC ("GFIA") and Guggenheim Funds Distributors, LLC, the serving agent for the referenced fund. Collectively Guggenheim Investments has a long, distinguished history of serving institutional investors, ultra-high-net worth individuals, family offices and financial intermediaries. Guggenheim Investments offers clients a wide range of differentiated capabilities built on a proven commitment to investment excellence.

ADVENT CAPITAL MANAGEMENT, LLC

Advent Capital Management, LLC serves as the Fund's Investment Manager. Based in New York, New York, Advent is a credit-oriented firm specializing in the management of convertible, high-yield and equity securities and the implementation of covered call and hedge fund strategies. The firm manages assets for several FORTUNE 500 companies, foundations, endowments, public pension plans and insurance companies.

RISK CONSIDERATIONS

There can be no assurance that the Fund will achieve its investment objective. The value of the Fund will fluctuate with the value of the underlying securities. Historically, closed-end funds often trade at a discount to their net asset value. The Fund is subject to investment risk, including the possible loss of the entire amount that you invest. Convertible Securities. The Fund is not limited in the percentage of its assets that may be invested in convertible securities. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. The market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, the convertible security's market value tends to reflect the market price of the common stock of the issuing company when that stock price is greater than the convertible's "conversion price, " which is the predetermined price at which the convertible security could be exchanged for the associated stock. Synthetic Convertible Securities. The value of a synthetic convertible security will respond differently to market fluctuations than a convertible security because a synthetic convertible security is composed of two or more separate securities, each with its own market value. In addition, if the value of the underlying common stock or the level of the index involved in the convertible component falls below the exercise price of the warrant or option, the warrant or option may lose all value. Lower Grade Securities. Investing in lower grade securities (commonly known as "junk bonds") involves additional risks, including credit risk. Credit risk is the risk that one or more securities in the Fund's portfolio will decline in price, or fail to pay interest or principal when due, because the issuer of the security experiences a decline in its financial status. Leverage Risk. Certain risks are associated with the leveraging of common stock. Both the net asset value and the market value of shares of common stock may be subject to higher volatility and a decline in value. In addition to the risks described above, the Fund is also subject to: Interest Rate Risk, Illiquid Investments, Foreign Securities, Management Risk, Strategic Transactions, Market Disruption Risk, and Anti-Takeover Provisions.

DEFINITIONS

Basis Point One basis point is equal to 0.01%. **Conversion Premium** The excess of a convertible security's price above parity, expressed as a percentage (Conversion Premium = (Price - Parity) / Parity). For an index, it is the harmonic mean of the constituent security conversion premiums, weighted by full market value. Advent's calculation of Conversion Premium excludes index holdings that have a conversion premium greater than 500, and re-weights the remaining holdings proportionately. **Delta** A measure of equity sensitivity, showing the relationship between a percentage change in the underlying equity and the corresponding expected percent change in convertible price. For an index, average delta is calculated with the average of each constituent security delta, weighted by full market value. Advent corrects erroneous Delta values reported by the index provider (e.g., a Delta reported as less than zero is set at zero, and a Delta reported as greater than 100 is set at 100). **Effective Duration** The percentage change in the price of a bond given a parallel shift in the semi-annual par coupon government yield curve while keeping option-adjusted spread constant. **Yield to Worst** For bonds with embedded options, yield to worst is the yield to the redemption date that produces the lowest result for bonds with call features or the highest result for bonds with put features. If the initially calculated yield to worst is negative, the calculated workout date is within 30 days and the bond is continuously callable, the yield to worst is recalculated using a workout date 60 days from the current date. When yield to worst is stated in conventional terms, the bond cash flows to the workout date are discounted using a yield based on the same coupon frequency of the bond. When stated in semi-annual terms, the bond cash flows to the workout date are discounted using a semi-annual yield. For US MBS, ABS, CMBS and CMO securities, yield to worst is equal to effective yield. For an index, it is the average of the yield to worst of its constituent securities weighted by full market value. All bond yields are limited to a +100%/-10% range.

The **S&P 500® Index** is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. The **ICE® BofA® U.S. High Yield Index** tracks the performance of below investment grade, but not in default, U.S. dollar-denominated corporate bonds publicly issued in the US domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's and S&P. The **ICE® BofA® All U.S. Convertibles Index** is a market-cap weighted index of domestic U.S. corporate convertible securities including mandatory convertible preferreds. The **ICE® BofA® US Convertible Excluding Mandatory Index** tracks the performance of publicly issued US dollar denominated non-mandatory convertible securities of US companies. The **Russell 3000 ® Index** is a market-capitalization-weighted index of the 3,000 largest U.S.-traded stocks, representing about 98% of all U.S incorporated equity securities. **The CBOE Volatility Index (VIX)** is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of S&P 500® Index (SPXSM) call and put options.