Quarterly Commentary—Q2 2020

Advent Convertible and Income Fund

Closed-End Fund

Market Review

Convertible securities rose in the second quarter of 2020 along with equity markets and corporate bonds as the economy began its recovery from the coronavirus pandemic shock that stalled economic activity. Sentiment was supported by the "whatever it takes" stimulus actions by central banks and governments worldwide. The asset class delivered positive asymmetry as it participated with the equity market rebound in the second quarter while limiting downside in the first quarter as compared to equities.

The ICE BofA U.S. Convertible Index (VXA0) rose 24.15 percent, compared with 20.54 percent for the S&P 500 and 22.03 percent for the Russell 3000 index. Outperformance of growth stocks–where convertibles are well-represented–and sustained higher volatility pricing helped the convertible asset class achieve this favorable performance. The most noteworthy news was the $67.7 billion in global convertible market new issuance during the quarter. This included May's highest monthly volume on record, according to Refinitiv. Similarly, the U.S. high-yield bond market posted its most active quarter in its history, with $145.5 billion of new issuance, according to J.P. Morgan data.

Global financial markets staged a historic rally in the second quarter, following the U.S. Federal Reserve's multi-trillion pledge to inject liquidity via loans and securities purchases into credit-oriented asset classes. This was a boon for fixed-income markets, convertibles included. Markets seemed to reflect investors' belief that the Federal Reserve and U.S. government's fiscal stimuli had stopped the panic, restored liquidity, and focused on an ultimate recovery.

Convertibles Market

The convertible market's large exposure to the consumer discretionary, technology, and health care markets helped in an environment in which growth stocks continued to outperform. Some of this was from the interest rate market driven by Fed actions that enhanced terminal value in growth stock cash flow models, and also from lower exposure to cyclical sectors that struggled in the downturn, such as energy, materials, and financials.

Strong convertible issuance included multiple companies in the air travel and cruise line industries. Many of these bonds have appreciated due to attractive pricing and optimism over an eventual reopening of cruising and rebound in air travel. Many states lifted shelter in place restrictions in the first half of June, triggering a rally in value-oriented securities and issuers in shutdown industries.

ADVENT
CAPITAL MANAGEMENT, LLC

Fund Overview

NYSE Ticker	AVK
NAV Ticker	XAVKX
CUSIP	00764C109
Inception	4.29.2003

Convertible Market Characteristics

Q2 2020 Return	24.2%
Average Delta	62
Current Yield[1]	2.3%
Average Conversion Premium	33%
Effective Duration	1.9 years

Represents characteristics of the ICE® BofA® All U.S. Convertible Index as of 6.30.2020.

High Yield Market Characteristics

Yield to Worst[2]	6.85%
Option-Adjusted Spread[3]	644 bps
Effective Duration	4.2 years

Represents characteristics of the ICE® BofA® U.S. High Yield Index as of 6.30.2020.

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 6.30.2020. 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.

High-Yield Market

In high-yield, the sharp spread tightening that began in the last week of March continued over the following two months, resulting in strong returns of 3.80 percent and 4.57 percent for the ICE BofA U.S. High Yield Index (H0A0) in April and May, respectively. However, the rally's pace slowed over the remainder of June. Volatility increased and spreads widened as several large states began seeing upticks in COVID infection rates, and the H0A0 slowed to a 0.98 percent return for the month, with an impressive 9.61 percent gain for the quarter. Despite strong performance, default rates increased from 4 percent to over 6 percent during the period, reflecting the severe toll that the coronavirus has taken on the economy. Faced with a weakened economy and uncertainty about the timing and strength of a recovery, high-yield issuers took advantage of tighter spreads to shore up their balance sheets and extend maturities, resulting in record levels of new issuance.

Treasury yields were relatively unchanged, while high-yield spreads retraced much of the way back from their March peak, tightening by 211 basis points. Despite the tightening, current levels continue to offer attractive intermediate and long-term entry points. Returns were tightly distributed across quality buckets. The more rate-sensitive double-BB segment of the market returned 9.85 percent as benign Treasury yields had almost no impact on returns. CCC and lower rated securities gained 9.77 percent, and single-Bs gained 9.11 percent. By industry group, the best performing sectors were energy, automotive, and banking, which all posted double-digit gains, while the worst performing sectors were transportation, media, and services.

Over the short-term, the possibility of negative news flow could lead to bouts of volatility. Specifically, the full impact of the virus on corporate earnings remains to be seen, and recent flare-ups in infection rates could impact the U.S. economy further. We are optimistic that the economy will eventually rebound from the impact caused by the virus. However, uncertainty over the continued spread of the virus, the effectiveness and timing of a potential vaccine, the upcoming November elections, and other geopolitical events could lead to spread widening in the near-term. We will continue to maintain portfolio duration close to that of the benchmark and exploit periods of volatility to reposition into attractively valued bonds with good upside potential. We also continue to hold some cash as dry powder for volatility-induced bargains that are likely to arise.

Average Annualized Total Returns (6.30.2020)

	YTD 2020	1 Year	3 Years	5 Years	10 Years	Since Inception 4.29.2003
AVK Market Price	-11.18%	-3.88%	2.50%	4.55%	6.38%	5.01%
AVK NAV	-8.75%	-2.95%	3.56%	3.51%	5.97%	5.35%

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 6.30.2020 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.