Quarterly Commentary—Q3 2019

Advent Convertible and Income Fund

Closed-End Fund

Market Review

While corporate bond and equity markets were volatile during 2019's third quarter, overall returns for these and convertible securities markets were flat to slightly up. The ICE BofAML U.S. Convertible Index returned 0.15 percent for the quarter, compared to 1.70 percent for the S&P 500 and 1.16 percent for the Russell 3000 equity index. Convertible preferred stocks did particularly well as measured by the ICE BofAML U.S. Convertible Preferred Index, excluding Mandatories (V0P0), which returned 9.17 percent in the quarter by benefitting from lower interest rates. For the 2019 year-to-date performance, the ICE BofAML U.S. Convertible Index appreciated 14.7 percent, compared with S&P 500 returns of 20.6 percent and the strong performance of the Russell 3000 at 20.1 percent. The CBOE Volatility Index (VIX), a measure of index options implied volatility that can also be used as a proxy for volatility pricing throughout the equity options markets, rose slightly, from 15.1 on June 30 to 16.2 at the end of the quarter.

U.S. equity markets endured corporate earnings growth deceleration, but it was offset by the U.S. Federal Reserve expressing increased conviction that a mid-cycle rate correction was the proper path. As of mid-October, the debate remained whether the monetary policy committee would reduce the Federal Funds rate once or twice more this year. Global developed equity markets that issue large convertible securities produced reasonable returns over the quarter. Strong performance was partly due to higher European and Japanese equity markets in response to prospective or announced central bank stimulus. The positive returns came despite ongoing negative news of obvious economic deceleration, particularly in manufacturing sectors in these regions. Equity market volatility is anticipated to remain elevated above the calm levels that characterized 2016-2017. This is consistent given the prevalence of geopolitical uncertainty with the forthcoming U.S. Presidential and Congressional elections in 2020 and near-term unpredictability of Brexit, ongoing protests in Hong Kong, and the conflictual Middle East.

Convertibles Market

Global issuance of convertible securities was very strong in the quarter, with issuers taking advantage of higher equity markets mid-quarter and lower interest rates throughout the quarter. After $47 billion of issuance through the first half of the year, there were $33 billion of new convertibles sold in the third quarter alone, bringing the year-to-date total to approximately $80 billion. The largest new issuers in the U.S. were Broadcom, Southern Company, Nextera Energy, and Snap. The largest new foreign issuers were Argentum (convertible into Wirecard), GBL (convertible into LafargeHolcim), Veolia Environnement, and LG Display. Sectors of strong issuance included cloud software, biopharmaceuticals, and utilities.

ADVENT
CAPITAL MANAGEMENT, LLC

Fund Overview

NYSE Ticker	AVK
NAV Ticker	XAVKX
CUSIP	00764C109
Inception	4.29.2003

Convertible Market Characteristics

Q3 Return	0.15%
Average Delta	53
Current Yield[1]	2.50%
Average Conversion Premium	52%
Effective Duration	2.6 years

Represents characteristics of the ICE® BofAML® All U.S. Convertible Index as of 9.30.2019.

High Yield Market Characteristics

Yield to Worst[2]	5.90%
Option-Adjusted Spread[3]	402 bps
Effective Duration	3.2 years

Represents characteristics of the ICE® BofAML® U.S. High Yield Index as of 9.30.2019.

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 9.30.2019. 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

The high-yield market, as defined by the ICE BofAML U.S. High Yield Index, returned 1.22 percent for the quarter. The positive performance was driven almost entirely by coupon income, as prices declined modestly and spreads were effectively unchanged for the quarter. However, there was substantial dispersion of returns across quality buckets. The higher-quality, more rate-sensitive double-B segment posted the strongest performance at 2.06 percent for the quarter, while returns for mid-quality single-B rated bonds mirrored those of the overall market at 1.22 percent. Triple-C and lower rated securities were the underperformers, returning -2.27 percent as price declines more than offset the large coupon income of this segment.

The volatility in interest rates and credit spreads during the third quarter primarily reflected investor concerns about the direction of the economy and expectations for the timing and magnitude of potential Fed rate cuts. Intermediate-term rates are currently near the low end of their recent range and could move higher, barring aggressive Fed action or the onset of a recession. Spreads are in the middle of their one-year and six-month ranges, which we think is appropriate given a favorable overall economic backdrop, as well as risks related to trade disputes, geopolitical uncertainty, and weakness in several recent economic data points. While a China trade deal could boost growth for a period, we share investor concerns about a slowing economy but believe that spreads are priced appropriately to reflect these concerns. Defaults are likely to remain suppressed for the foreseeable future. Given these conditions, we expect continued volatility within recent ranges for both spreads and rates during the coming months.

We believe our alpha focus and cautious positioning are ideal for these conditions. By maintaining our portfolio duration, we seek to cushion the impact of potentially rising rates. By underweighting weaker issuers, we attempt to lessen our exposure to rising defaults if the economy slows. By focusing on sound businesses with stable or improving credit metrics, we seek to generate alpha to offset moderately-lower portfolio yields and to fuel above-benchmark returns.

Average Annual Total Returns (9.30.2019)

	Q3 2019	YTD 2019	1 Year	3 Years	5 Years	10 Years	Since Inception 4.29.2003
AVK Market Price	-0.82%	25.04%	2.63%	9.28%	5.02%	8.11%	5.78%
AVK NAV	-0.35%	17.75%	1.32%	7.43%	4.53%	7.17%	5.42%

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 9.30.2019 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

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® BofAML® 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® BofAML® All U.S. Convertibles Index** is a market-cap weighted index of domestic U.S. corporate convertible securities including mandatory convertible preferreds. The **ICE® BofAML® 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.