

Benefits of Ivanhoe Convertible New Issue Ivanhoe Mines Ltd¹

Copper is the one of the most unique global commodities in the world. It benefits from strong long-term metal demand coming out of China, while at the same time avoids chronic excess capacity largely because copper mines are scattered around the globe and relatively scarce in China. In addition, copper is also a beneficiary to the clean energy trends with higher usage in electric vehicles, solar, and other clean technologies.

Ivanhoe, a Canadian mining company, is in the process of building a greenfield mine. Greenfield means “from scratch” as opposed to a brownfield mine which is a simple extension of an existing mine. Constructing a new mine can cost billions before any production and often takes five or more years to complete. The Ivanhoe mine is located in the Democratic Republic of the Congo and is one of the only greenfield mines in the world. The combination of improving demand along with a limited supply leads to a favorable outlook for the copper sector and meaningful opportunities for Ivanhoe specifically.

The favorable dynamic for copper in combination with the expected initial revenue from this mine in the fourth quarter of 2021 allowed Ivanhoe to issue a new convertible bond in March 2021. This convertible bond has a coupon of 2.5% with a maturity in 2026. A convertible bond was the perfect security for Ivanhoe, as it simultaneously satisfies the desires for both the company and the investor which are, respectively, a low cost of debt for the company and an equity upside for the investor. The equity upside for the investor is related to four primary factors. One, the execution risk of completing the mine has fallen dramatically. Two, the price of copper remains at healthy levels indicating potential profits for producers. Three, there is a possible reduction in the discount rate for calculating the equity value precisely because the company is likely to move from producing zero revenue to potentially a great deal of revenue in a very short period of time. Four, large global mining peers including players such as BHP Billiton are looking at potential acquisitions, including Ivanhoe.² By acquiring a company such as Ivanhoe instead of building a new greenfield mine, a buyer may achieve the three-fold goal of growing production, diversifying its commodity pool, and avoiding excess global capacity.

Ivanhoe's convertible issuance highlights the flexibility that the asset class can offer to companies throughout market cycles. As a resourceful component of the financing ecosystem, the convertible market is aiding Ivanhoe through the final construction hurdle before revenue begins to flow by the end of 2021.



Why Advent?

- Over 23 years of global investment experience and a robust research platform makes it well positioned to navigate the convertible and high-yield asset classes.
- Convertible bonds' embedded options provide exposure to volatility and can benefit from an increase in market gyrations, both up and down.
- Advent's institutional expertise in managing convertibles and high yield is accessible to individual investors through the Advent Convertible and Income Fund (AVK).

¹ As of 12.31.2021, Advent Convertible and Income Fund (AVK) has 0.22% of its portfolio allocated to Ivanhoe Mines. ² <https://www.bloomberg.com/news/articles/2022-01-18/bhp-revives-appetite-for-deals-with-biggest-rivals-in-sights>

Important Information About This Document This material is distributed or presented for informational or educational purposes only and should not be considered a recommendation of any particular security, strategy or investment product, or as investing advice of any kind. This material is not provided in a fiduciary capacity, may not be relied upon for or in connection with the making of investment decisions, and does not constitute a solicitation of an offer to buy or sell securities. The content contained herein is not intended to be and should not be construed as legal or tax advice and/or a legal opinion. Always consult a financial, tax and/or legal professional regarding your specific situation. This material contains opinions of Advent Capital Management, LLC, but not necessarily those of Guggenheim Partners, LLC or its subsidiaries. The opinions contained herein are subject to change without notice. Forward looking statements, estimates, and certain information contained herein are based upon proprietary and non-proprietary research and other sources. Information contained herein has been obtained from sources believed to be reliable, but are not assured as to accuracy. Past performance is not indicative of future results. There is neither representation nor warranty as to the current accuracy of, nor liability for, decisions based on such information. No part of this material may be reproduced or referred to in any form, without express written permission of Advent Capital Management LLC or Guggenheim Partners, LLC..

General Risk Warnings The prices of the securities of companies in the Metals & Mining Industry may fluctuate widely due to events relating to international political and economic developments, energy conservation, the success of exploration projects, commodity prices, and taxes. Investments in companies in the Metals & Mining Industry may be speculative and may be subject to greater price volatility than investments in other types of companies. Legislative or regulatory changes and increased government supervision also may affect companies in the Metals & Mining Industry. Investments in fixed-income instruments are subject to the possibility that interest rates could rise, causing their values to decline. High yield and unrated debt securities are at a greater risk of default than investment grade bonds and may be less liquid, which may increase volatility. Convertible securities may not be suitable for all investors. Although all markets are prone to change over time, the generally high rate at which convertible securities are retired (through mandatory or scheduled conversions by issuers or through voluntary redemptions by holders) and replaced with newly issued convertibles may cause the convertible securities market to change more rapidly than other markets. For example, a concentration of available convertible securities in a few economic sectors could elevate the sensitivity of the convertible securities market to the volatility of the equity markets and to the specific risks of those sectors. Moreover, convertible securities with innovative structures, such as mandatory-conversion securities and equity-linked securities, have increased the sensitivity of the convertible securities market to the volatility of the equity markets and to the special risks of those innovations, which may include risks different from, and possibly greater than, those associated with traditional convertible securities. A convertible security may be subject to redemption at the option of the issuer at a price set in the governing instrument of the convertible security. If a convertible security held by the fund is subject to such redemption option and is called for redemption, the fund must allow the issuer to redeem the security, convert it into the underlying common stock, or sell the security to a third party. As a result of the conversion feature, convertible securities typically offer lower interest rates than if the securities were not convertible. During periods of rising interest rates, it is possible that the potential for capital gain on convertible securities may be less than that of a common stock equivalent if the yield on the convertible security is at a level that would cause it to sell at discount. Also, in the absence of adequate anti-dilution provisions in a convertible security, dilution in the value of the fund's holding may occur in the event the underlying stock is subdivided, additional securities are issued, a stock dividend is declared, or the issuer enters into another type of corporate transaction which increases its outstanding securities.

Guggenheim Investments represents the investment management businesses of Guggenheim Partners, LLC ("Guggenheim"), which includes Guggenheim Funds Distributors, LLC, the servicing agent for AVK. Advent Capital Management, LLC is not affiliated with Guggenheim.

CEF-COMM-IVANHOE-0222 x1222 #51492