

SECURITIES AND EXCHANGE COMMISSION

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Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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CONVERTIBLE HOLDINGS INC

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SIC: **6799** Investors, nec

Business Address
P O BOX 9011
PRINCETON NJ 08543-9011
6092823319

Convertible Holdings, Inc.

FUND LOGO

Annual Report
December 31, 1993

Convertible Holdings, Inc.

Officers and Directors

Arthur Zeikel--President and Director
Terry K. Glenn--Executive Vice President
and Director
Kenneth S. Axelson--Director
Herbert I. London--Director
Joseph L. May--Director
Andre F. Perold--Director
N. John Hewitt--Senior Vice President
Vincent T. Lathbury III--Vice President and
Portfolio Manager
Donald C. Burke--Vice President
Barton A. Vogel--Vice President
Gerald M. Richard--Treasurer
Mark B. Goldfus--Secretary

Custodian

National Westminster Bank NJ
10 Exchange Place
Jersey City, New Jersey 07302

Transfer Agent

State Street Bank and Trust Company
225 Franklin Street
Boston, Massachusetts 02110
(617) 328-5000

This report, including the financial information herein, is transmitted to the shareholders of Convertible Holdings, Inc. for their information. It is not a prospectus, circular or representation intended for use in the purchase of shares of the Company or any securities mentioned in the report. Past performance results shown in this report should not be considered a representation of future performance.

Convertible Holdings, Inc.
Box 9011
Princeton, NJ 08543-9011

Dear Shareholders:

For the six-month period ended December 31, 1993, Convertible Holdings, Inc. Capital Shares had a total investment return of +6.41%, based on a change in per share net asset value from \$13.78 to \$13.21, and assuming reinvestment of \$1.168 per share short-term capital gains. During the same period, total investment return on Income Shares was +6.77%, based on a change in per share net asset value from \$9.56 to \$9.30, and assuming reinvestment of \$0.886 per share income dividends.

For the year ended December 31, 1993, per share net asset value for Convertible Holdings, Inc. Capital Shares increased from \$12.87 to \$13.21. Total investment return was +13.93%, assuming reinvestment of \$1.168 per share short-term capital gains. During the same period, total return for Income Shares was +13.50%, based on an unchanged per share net asset value of \$9.30, and assuming reinvestment of \$1.206 per share income dividends.

The Environment

The investment environment in 1993 was very favorable. In the first quarter of the year, there was a brief run of bad inflation numbers as measured by the consumer price index. But as the year progressed, it became apparent that the economy was growing slowly, inflation was subdued, and interest rates were heading downward. This presented the best of all worlds for financial assets.

Although sales growth remains below average compared to recoveries from previous recessions, corporate profits have improved primarily as a result of downsizing and restructuring.

Diminished concern over credit quality (the result of an improving economy)

has caused low-quality stocks to significantly outperform high-quality stocks. Small stocks appreciated faster than large-capitalization stocks almost across the board as big companies saw their pricing power disappear, causing them to become wholly dependent on unit volume gains for earnings growth. For 1993 the Dow Jones Industrial Average and the NASDAQ Composite Index increased 13.7% and 14.8%, respectively, while the Standard & Poor's 500 Index showed a more modest gain of 7.1%.

Despite the generally strong performance of most stocks, groups with severe competition and no pricing power, such as pharmaceuticals, biotechnology, tobacco, and pollution control, had significant declines for the year. The strongest-performing sectors were communications, lodging, heavy machinery, auto manufacturers, precious metals, entertainment, casinos, coal, and semi-conductors. In addition, healthcare providers, such as hospitals and nursing homes, also performed well.

In addition to the favorable interest rate environment characterizing most of the year and the strong performance of underlying stocks, the convertible market has been helped by a significant supply/demand imbalance, as a growing number of untraditional convertible buyers have increasingly turned to the convertible market. Within the convertible universe, convertible preferreds were very strong performers, 144 A convertible issues (which can only be purchased by qualified institutional buyers) substantially outperformed publicly registered securities, and speculative-grade convertibles outperformed investment-grade convertible securities by a wide margin.

In response to the steep yield curve and the relative lack of supply in the last two years, convertible premiums expanded even as stocks moved higher. The flip side of excellent performance, however, is an expensive secondary market. Late in 1993, the average convertible security was trading at a current yield of 5.51% with a 30.94% premium and a break-even of 5.5 years, while call protection was only 2.4 years. (See glossary on page 15 of this report to shareholders.)

Investment Activities

We remain concerned about a market that is liquidity driven with investors scrambling to find alternatives to low-yielding investments. Investors are overlooking earning revisions that are continually revised downward in an economy that is growing very slowly. In this environment, we have taken profits in convertible securities that have reached our price targets. We have redeployed cash reserves by engaging in short sales of common stocks of issuers whose convertible bonds we own and have made new purchases, particularly in the new-issue market.

In the December quarter, we purchased several new issues. We purchased Allied Waste, a non-hazardous solid waste management company; Cross Timbers Oil, whose strategy is to actively acquire, exploit and develop oil-producing and gas properties; and Genesis Health Ventures, a provider of a broad range of basic and specialty healthcare services to meet the medical and physical needs of the elderly. We also purchased shares of Intelcom, whose goal is to be the leading provider of competitive access in smaller cities, and Kumagai Gumi, a general contractor, property developer and investor in Hong Kong and the People's Republic of China. We also added positions in Media Vision, a multimedia computing products company that integrates audio, text, graphics, and animation on still or full motion video with digital technology to make computers more informative, interactive and entertaining, and Network Imaging, whose document imaging systems enable users to access documents which have been scanned and digitally stored on an optical storage disc storage system within seconds rather than days or weeks as may be required with large paper storage or microfiche systems. Finally, we purchased shares of Olympic Financial, Ltd., an independent alternate source of retail financing to automobile dealers; Philips Environmental, a fully integrated waste management company whose growth plan involves strategic acquisitions; Property Trust of America, whose objective is to be the preeminent real estate operating company focusing on multifamily properties in its southwestern target market; and U.S. Home Corp., one of the largest single-family homebuilders in the United States. Other new purchases included Federated Department Stores, LTX Corp., Park Communications, and Snyder Oil.

The net result of our transactions was that we reduced the portfolio's cash position from 17.2% at the end of the June period to 3.5% at the end of the year. We thank you for your support of Convertible Holdings, Inc., and we look forward to serving your investment needs in the months and years ahead.

Sincerely,

(Arthur Zeikel)
Arthur Zeikel
President

(Vincent T. Lathbury)
Vincent T. Lathbury III

February 3, 1994

Convertible Holdings, Inc.

Ten Largest Holdings

The Western Co. of North America
Systems and Computers
Mediplex Group
Medaphis Corp.
Bristol-Myers Squibb Co.
Savoy Pictures Entertainment
USA Waste Services
Environmental Systems Co.
Trinity Industries Leasing Co.
Orbital Sciences Corp.

<TABLE>

Convertible Holdings, Inc.
Schedule of Investments as of December 31, 1993
<CAPTION>

Industry <S>	S&P Rating <S>	Moody's Rating <S>	Face Amount <C>	Convertible Debentures <S>	Cost <C>	Value (Note 1a) <C>
Advertising-- 0.2%	BBB+	Baa3	\$ 500,000	Omnicom Group, Inc., 4.50% due 9/01/2000	\$ 500,000	\$ 520,000
Aerospace--1.9%	CCC+	Caa	3,450,000	Orbital Sciences Corp., 6.75% due 3/01/2003**	4,364,500	5,192,250
Automobile Parts--1.9%	BB+	Ba3	4,600,000	Arvin Industries, Inc., 7.50% due 9/30/2014**	4,891,500	5,336,000
Banking & Finance--4.6%	BBB+ NR	Ba1 NR	3,000,000 1,744,000	Alleghany Corp., 6.50% due 6/15/2014 First Republic Bancorp, 7.25% due 12/01/2002**	3,154,687 2,131,395	3,063,750 2,136,400
	BB- A+ NR	NR A1 NR	1,000,000 1,500,000 3,500,000	Mark Twain Bancshares, 7.00% due 6/01/1999 NBD Bancorp, 7.25% due 3/15/2006 Pioneer Financial, 8.00% due 7/15/2000	1,129,755 1,721,662 3,516,250	1,536,250 1,623,750 4,200,000
					11,653,749	12,560,150
Biotechnology--1.4%	B+	NR	4,000,000	Genzyme Corp., 6.75% due 10/01/2001	3,960,000	3,800,000
Building--3.2%	NR B	NR B2	2,000,000 3,520,000	Kumagai Gumi, 4.875% due 12/08/1998 PlyGem Industries, Inc., Delaware, 10.00% due 10/01/2008	2,000,000 3,555,200	2,010,000 4,021,600
	B-	B2	3,000,000	U.S. Home Corp., 4.875% due 11/01/2005	2,977,500	2,906,250
					8,532,700	8,937,850
Cement--1.4%	B- B+	B3 B1	3,209,000 750,000	Giant Group, 7.00% due 4/15/2006** Medusa Corp., 6.00% due 11/15/2003	2,798,208 750,000	3,012,449 871,875
					3,548,208	3,884,324
Communica- tions--2.1%	BBB- A-	Ba2 Baa3	3,000,000 2,188,000	IDB Communications Group, 5.00% due 8/15/2003 Park Communications, 6.875% due 3/15/2011	3,000,000 2,683,100	3,465,000 2,406,800
					5,683,100	5,871,800
Computers--3.6%	B B-	B2 B2	2,751,000 4,925,000	Storage Technology Corp., 8.00% due 5/31/2015 Systems and Computers, 6.25% due 9/01/2003**	2,752,912 5,453,886	2,981,396 6,784,187
					8,206,798	9,765,583
Conglomerates-- 1.7%	BB- NR	Ba3 Caa	3,631,000 596,000	GenCorp Inc., 8.00% due 8/01/2002** Lynch Corp., 8.00% due 7/15/2006	4,438,897 527,950	4,103,030 602,705
					4,966,847	4,705,735
Disk Drives--1.4%	B+	B1	3,845,000	Quantum Corp., 6.375% due 4/01/2002**	3,639,478	3,902,675
Electronics--2.1%	BB+ NR NR	Ba3 NR B2	1,500,000 1,260,000 2,415,000	Arrow Electronics, Inc., 5.75% due 10/15/2002 Comptronix, 6.75% due 3/01/2002 Park Electrochemical, 7.25% due 6/15/2006	1,500,000 998,550 2,356,042	1,974,375 973,350 2,780,269
					4,854,592	5,727,994
Energy--1.0%	B- B	B3 B2	1,828,000 500,000	Box Energy, 8.25% due 12/01/2002** Cross Timbers Oil, 5.25% due 11/01/2003	2,217,792 500,000	2,399,250 456,875

					2,717,792	2,856,125
Entertainment-- 3.0%	B	B2	4,600,000	Savoy Pictures Entertainment, 7.00% due 7/01/2003**	4,980,345	5,773,000
	BB+	Ba3	2,236,000	Time Warner, Inc., 8.75% due 1/10/2015	2,377,772	2,342,210
					7,358,117	8,115,210

</TABLE>

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Convertible Holdings, Inc.
Schedule of Investments as of December 31, 1993(continued)
<CAPTION>

Industry <S>	S&P Rating <S>	Moody's Rating <S>	Face Amount <C>	Convertible Debentures <S>	Cost <C>	Value (Note 1a) <C>
Forest Products--1.5%	BB+	Ba2	\$3,625,000	Pope & Talbot, Inc., 6.00% due 3/01/2012	\$ 3,320,125	\$ 4,050,937
Funeral Services--1.0%	BBB+	Baa1	1,875,000	Service Corporation International, 6.50% due 9/01/2001	2,052,812	2,625,000
Health Care-- 10.2%	B	B2	1,100,000	Genesis Health Ventures, 6.00% due 11/30/2003	1,100,000	1,314,500
	B-	B3	2,860,000	Hillhaven Corp., 7.75% due 11/01/2002**	3,447,057	3,753,750
	B-	B2	3,550,000	Integrated Health Services, 6.00% due 1/01/2003	3,608,230	3,745,250
	NR	NR	3,500,000	++IVAX Corporation, 6.50% due 11/15/2001	3,457,500	3,762,500
	B-	NR	4,830,000	Medaphis Corp., 6.50% due 1/01/2000**	5,180,530	5,892,600
	NR	NR	6,010,000	Mediplex Group, 6.50% due 8/01/2003**	6,319,015	6,310,500
	NR	NR	1,816,000	Regency Health Services, 6.50% due 7/15/2003**	1,957,205	2,233,680
	B-	B3	700,000	Summit Health Ltd., 7.50% due 4/01/2003**	841,750	1,044,750
					25,911,287	28,057,530
Home Building-- 2.5%	NR	B3	2,730,000	Continental Homes Holding Corp, 6.875% due 3/15/2002	2,668,842	3,016,650
	NR	NR	3,350,000	++Engle Homes, Inc., 7.00% due 3/01/2003	3,392,000	3,819,000
					6,060,842	6,835,650
Industrial Equipment--0.8%	B+	B2	2,321,000	Willcox & Gibbs, Inc., 7.00% due 8/01/2014**	2,079,725	2,262,975
Industrial Services--1.2%	BB-	Ba3	3,000,000	Manpower, Inc., 6.25% due 10/01/2002**	3,100,813	3,401,250
Instruments-- 1.0%	NR	NR	1,671,000	Quixote Corp., 8.00% due 4/15/2011	1,621,475	1,737,840
	B-	B3	918,000	Recognition Equipment, Inc., 7.25% due 4/15/2011	823,700	991,440
					2,445,175	2,729,280
Insurance--2.0%	BB-	Ba2	2,500,000	Leucadia National Corp., 5.25% due 2/01/2003	2,500,000	2,481,250
	BBB	Baa3	2,825,000	Re Capital Corp., 5.50% due 8/01/2000**	2,944,097	2,909,750
					5,444,097	5,391,000
Minerals--0.4%	B+	B1	1,000,000	Terra Industries, Inc., 8.50% due 6/01/2012	1,027,500	1,065,000
Oil & Gas Diversified--4.0%	AA-	Aa3	500,000	Amoco Canada Petroleum Co., 7.375% due 9/01/2013	494,797	591,250
	B	NR	1,500,000	++SEACOR Holdings, 6.00% due 7/15/2003	1,557,500	1,665,000
	BB-	Ba2	2,000,000	USX-Corp., 7.00% due 6/15/2017	1,955,000	1,850,000
	B-	B3	6,800,000	The Western Co. of North America, 7.25% due 1/15/2015**	7,005,069	6,800,000
					11,012,366	10,906,250
Paper--2.1%	BB-	Ba3	500,000	Albany International Corp., 5.25% due 3/15/2002	467,443	475,000
	BBB-	Baa2	1,500,000	Champion International Corp., 6.50% due 4/15/2011	1,486,250	1,601,250
	NR	NR	1,000,000	Riverwood International Corp., 6.75% due 9/15/2003	1,000,000	1,145,000
	B-	B3	2,250,000	++Stone Container Corp., 8.875% due 7/15/2000**	2,663,438	2,587,500
					5,617,131	5,808,750
Pharma- ceuticals--0.4%	BB-	Ba3	1,200,000	Bindley Western Industries Inc., 6.50% due 10/01/2002**	1,109,700	1,146,000
Restaurants-- 1.1%	NR	B3	1,475,000	DAKA International, 7.00% due 3/15/2003**	1,581,548	1,626,187
	B-	B2	1,500,000	Flagstar Corp., 10.00% due 11/01/2014	1,583,750	1,385,625

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<TABLE>
 Convertible Holdings, Inc.
 Schedule of Investments as of December 31, 1993 (continued)

Industry	S&P Rating	Moody's Rating	Face Amount	Convertible Debentures	Cost	Value (Note 1a)
<S>	<S>	<S>	<C>	<S>	<C>	<C>
Retail Stores--6.8%	NR	NR	\$1,844,000	Ben Franklin Retail Stores, 7.50% due 6/01/2003**	\$ 1,844,020	\$ 1,710,310
	B	B2	3,992,000	Big B Inc., 6.50% due 3/15/2003**	4,325,790	4,670,640
	B	Ba3	3,600,000	Casey's General Stores Inc., 6.25% due 5/01/2012**	3,557,750	4,617,000
	BB	Ba3	1,000,000	Federated Department Stores, 0.00% due 2/15/2004	923,070	917,500
	B+	Ba3	2,873,000	Ingles Markets, 10.00% due 10/15/2008 Kroger Company:	3,079,765	3,127,979
	B	B3	1,000,000	6.375% due 12/01/1999**	1,200,000	1,255,000
	B	B3	1,000,000	8.25% due 4/15/2011	1,043,750	1,055,000
	BBB+	Baa1	1,250,000	Price Co., 6.75% due 3/01/2001	1,303,125	1,300,000
					17,277,270	18,653,429
Semiconductors--1.5%	NR	B3	1,875,000	LSI Logic Corp., 6.25% due 4/14/2002**	1,703,500	1,875,000
	CCC	B3	1,630,000	LTX Corp., 13.50% due 4/15/2011	1,659,450	1,611,663
	CCC	Caa	750,000	Western Digital Corp., 9.00% due 6/01/2014	637,500	725,625
					4,000,450	4,212,288
Software--1.4%	B-	B3	1,000,000	MediaVision, 4.875% due 10/01/2003	1,000,000	1,403,750
	B+	B1	2,000,000	Sterling Software, Inc., 5.75% due 2/01/2003**	2,629,500	2,400,000
					3,629,500	3,803,750
Specialty Retailer--1.2%	B	B1	3,000,000	Pier 1 Imports, 6.875% due 4/01/2002	3,143,375	3,236,250
Technology--0.7%	B	B1	2,000,000	Conner Peripherals, Inc., 6.50% due 3/01/2002**	1,791,360	1,800,000
Telecommunications--0.6%	NR	NR	1,500,000	++Intelcom, 7.00% due 10/30/1998	1,500,000	1,598,943
Textiles--0.2%	B+	Ba3	500,000	Interface Flooring Systems, Inc., 8.00% due 9/15/2013	501,875	527,500
Transportation--1.2%	B+	B2	3,000,000	Varlen Corp., 6.50% due 6/01/2003	3,046,250	3,427,500
Waste Management--2.5%	B	B2	207,000	Environmental Systems Co., 6.75% due 5/01/2011	165,600	155,250
	NR	NR	1,000,000	++Philips Environmental, 6.00% due 10/15/2000	1,000,000	1,030,000
	B	B3	5,300,000	USA Waste Services, 8.50% due 10/15/2002**	6,174,878	5,763,750
					7,340,478	6,949,000
				Total Convertible Debentures--73.7%	189,454,810	202,675,790

Industry	S&P Rating	Moody's Rating	Shares Held	Convertible Preferred Stocks	Cost	Value (Note 1a)
<S>	<S>	<S>	<C>	<S>	<C>	<C>
Airline--1.3%	BB-	Ba1	20,000	++AMR Corp., \$3.00 Series A	1,000,000	1,052,500
	B1	B1	25,000	Delta Air Lines, Inc., \$3.50 Series C	1,250,000	1,337,500
	B+	Ba2	10,000	++UAL Corp., \$6.25 Series A**	1,008,750	1,097,500
					3,258,750	3,487,500
Banking & Finance--5.1%	BBB	Baa3	40,000	Ahmanson Bank, \$3.90	2,000,000	2,040,000
	BBB+	A1	10,000	National City Corp., \$4.00	500,000	685,000
	NR	NR	40,000	Olympic Financial, Ltd., \$2.00	1,000,000	1,180,000
	NR	NR	138,200	ONBANCORP. Inc., \$1.6875 Series B	4,169,800	4,284,200
	BB+	Baa3	135,900	Southern National Corp., \$1.6875 Series A	3,780,234	4,297,837
	BB	NR	44,400	Union Planters Corp., \$2.00 Series E	1,237,975	1,565,100
					12,688,009	14,052,137

</TABLE>
 <TABLE>
 Convertible Holdings, Inc.
 Schedule of Investments as of December 31, 1993 (continued)

Industry	S&P Rating	Moody's Rating	Shares Held	Convertible Preferred Stocks	Cost	Value (Note 1a)
<S>	<S>	<S>	<C>	<S>	<C>	<C>

Cement--1.2%	B2	B	55,000	Southdown Inc., \$3.75**	\$ 3,118,390	\$ 3,437,500
Environmental--0.6%	NR	NR	1,500	++Allied Waste, \$3.75	1,500,000	1,738,688
Forest Products--0.4%	BB-	Ba2	50,000	Boise Cascade, \$1.79 Series E	1,134,250	1,212,500
Machinery--1.4%	B+	B3	84,000	AGCO Corp., \$1.625 Series	2,119,000	3,864,000
Oil & Gas--2.4%	BB+	B2	50,000	++Gerrity Oil & Gas, \$1.50 Series**	1,262,500	1,012,500
	B+	B1	70,000	Snyder Oil, \$3.75	1,876,695	1,890,000
	BB+	Baa3	50,000	Tenneco Inc., Series A	2,093,650	2,093,750
	BB-	Ba3	23,000	Tosco Corp., \$4.375	1,369,880	1,489,250
					6,602,725	6,485,500
Real Estate--2.2%	BBB-	Baa3	40,000	Merry Land & Investment Services	1,000,000	1,125,000
	BBB	Baa3	80,000	Property Trust of America	2,000,000	2,240,000
	NR	Ba1	100,000	Storage Equities Inc., \$2.062	2,518,600	2,687,500
					5,518,600	6,052,500
Software--0.7%	NR	NR	80,000	Network Imaging	2,000,000	1,970,000
Transportation--0.4%	BBB-	Baa2	15,000	Burlington Northern Inc., \$3.125 Series A	750,000	1,023,750
Waste Management--2.0%	BBB-	Ba2	278,944	Environmental Systems Co., \$1.75 Series A	5,278,039	5,578,880
				Total Convertible Preferred Stocks--17.8%	43,967,763	48,902,955

<CAPTION>

				Common Stocks	
<S>	<C>	<S>	<C>	<C>	<C>
Automobile Parts--0.6%	30,745	Magna International, Inc.	684,613	1,529,564	
Banking--5.1%	105,475	American Bankers, Inc.	1,941,509	2,729,166	
	155,211	BB&T Financial	3,245,163	5,121,963	
	59,000	Deposit Guaranty	891,024	1,652,000	
	96,848	First of America Bank Corp.	2,969,412	3,801,284	
	15,000	Mellon Bank Corp.	495,270	795,000	
			9,542,378	14,099,413	
Drugs--2.1%	100,000	Bristol-Myers Squibb Co.	4,985,776	5,812,500	
Financial--0.5%	53,761	Washington Mutual Savings Bank	592,119	1,283,544	
Food Processing--1.3%	322,855	Hudson Foods, Inc.--Class A	4,880,771	3,591,762	
Health Care--0.4%	49,231	Manor Care	1,105,510	1,200,005	
Machinery--2.0%	128,479	Trinity Industries Leasing Co.	2,974,237	5,540,657	
Medical Supplies--1.2%	140,584	Baxter International, Inc.	2,230,959	3,426,735	
Miscellaneous--0.6%	14,500	Minnesota Mining and Manufacturing Co.	1,053,933	1,576,875	
Oil & Gas--1.4%	145,506	Noble Affiliates	3,181,682	3,855,909	
Oil Services--0.5%	25,000	Schlumberger, Ltd.	995,213	1,478,125	
Pharmaceuticals--0.7%	153,715	Bindley Western Industries, Inc.	2,150,910	1,825,365	
Software--0.8%	53,692	SunGard Data Systems, Inc.	1,520,418	2,201,372	
		Total Common Stocks--17.2%	35,898,519	47,421,826	

</TABLE>

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Convertible Holdings, Inc.
Schedule of Investments as of December 31, 1993
<CAPTION>

	Face Amount	Convertible Debentures	Cost	Value (Note 1a)
	<C>	<S>	<C>	<C>
Commercial Paper*--3.5%	\$9,635,000	General Electric Capital Corp., 3.22% due 1/03/1994	\$ 9,632,415	\$ 9,632,415
		Total Short-Term Securities--3.5%	9,632,415	9,632,415

Total Investments--112.2%	\$278,953,507	308,632,986
	=====	
Short Sales--(proceeds--\$46,222,231) (18.9%)**		(52,120,752)
Other Assets Less Liabilities--6.7%		18,487,065

Net Assets--100.0%		\$274,999,299
		=====

<FN>

*Commercial Paper is traded on a discount basis and amortized to maturity. The interest rates shown are the discount rates paid at the time of purchase by the Company.

++Restricted securities as to resale. The value of the Company's investment in restricted securities was approximately \$19,364,000, representing 7.0% of net assets.

Issue	Acquisition Date	Cost	Value (Note 1a)
Allied Waste, \$3.75 AMR Corp.,	9/23/93	\$ 1,500,000	\$ 1,738,688
\$3.00 Series A	1/28/93	1,000,000	1,052,500
Engle Homes, Inc.,			
7.00% due 3/01/2003	2/12/93	3,392,000	3,819,000
Gerrity Oil & Gas,			
\$1.50 Series	5/27/93	1,262,500	1,012,500
Intelcom,			
7.00% due 10/30/1998	10/26/93	1,500,000	1,598,943
IVAX Corporation,			
6.50% due 11/15/2001	6/23/92	3,457,500	3,762,500
Philips Environmental,			
6.00% due 10/15/2000	10/13/93	1,000,000	1,030,000
SEACOR Holdings,			
6.00% due 7/15/2003	6/24/93	1,557,500	1,665,000
Stone Container Corp.,			
8.875% due 7/15/2000	12/28/93	2,663,438	2,587,500
UAL Corp., \$6.25			
Series A	2/05/93	1,008,750	1,097,500
Total		\$18,341,688	\$19,364,131
		=====	=====

<FN>

**Covered Short Sales entered into as of December 31, 1993 are as follows:

Shares	Issue	Value (Note 1a)
36,800	Arvin Industries, Inc.	\$ (1,177,600)
142,900	Ben Franklin Retail Stores	(732,362)
245,000	Big B Inc.	(3,068,750)
28,800	Bindley Western Industries Inc.	(352,800)
126,300	Box Energy	(1,594,537)
29,500	Casey's General Stores Inc.	(722,750)
31,700	Conner Peripherals, Inc.	(463,613)
85,000	DAKA International	(988,125)
96,300	First Republic Bancorp	(1,372,275)
148,200	GenCorp Inc.	(2,111,850)
45,000	Gerrity Oil & Gas	(523,125)
80,500	Giant Group	(865,375)
124,720	Hillhaven Corp.	(2,354,090)
33,000	Kroger Company	(664,125)
37,500	LSI Logic Corp.	(600,000)
102,800	Manpower, Inc.	(1,811,850)
129,400	Medaphis Corp.	(4,270,200)
90,900	Mediplex Group	(2,681,550)
208,800	Orbital Sciences Corp.	(4,280,400)
116,600	Quantum Corp.	(1,676,125)
63,200	Re Capital Corp.	(884,800)
102,500	Regency Health Services	(1,447,813)
194,000	Savoy Pictures Entertainment	(4,074,000)
96,300	Southdown Inc.	(2,359,350)
52,800	Sterling Software, Inc.	(1,498,200)
164,500	Stone Container Corp.	(1,583,312)
40,000	Summit Health, Ltd.	(880,000)
156,000	Systems and Computers	(2,808,000)
4,900	UAL Corp.	(715,400)
135,200	USA Waste Services	(1,537,900)
116,600	The Western Co. of North America	(1,501,225)
67,000	Willcox & Gibbs, Inc.	(519,250)
Total (proceeds--\$46,222,231)		\$ (52,120,752)
		=====

Ratings of issues shown have not been audited by Deloitte & Touche.

See Notes to Financial Statements.

</TABLE>

<TABLE>

Convertible Holdings, Inc.

Statement of Assets, Liabilities and Capital as of December 31, 1993

<CAPTION>

<S>

	<C>	<C>
Assets:		
Investments, at value (identified cost--\$278,953,507) (Note 1a)		\$308,632,986
Cash		746,163
Receivables:		
Short sales (Note 1f)	\$ 45,972,518	
Interest	3,546,025	
Dividends	201,708	49,720,251

Deposits for securities sold short (Note 1f)		983,551
Deferred organization expenses (Note 1d)		136,735
Prepaid expenses and other assets		32,459

Total assets		360,252,145

Liabilities:		
Common stocks sold short, at market value (proceeds--\$46,222,231) (Note 1f)		52,120,752
Payables:		
Dividends to shareholders	18,221,019	
Securities purchased	10,114,133	
Income taxes (Note 1b)	3,781,304	
Investment adviser (Note 2)	450,265	
Capital shares repurchased	375,700	
Dividends for short sales	40,233	32,982,654

Accrued expenses and other liabilities		149,440

Total liabilities		85,252,846

Net Assets		\$274,999,299
		=====

Capital (Note 5):

Income Shares:

Par value \$.10 per share; 15,000,000 shares authorized; 12,216,000 shares issued

\$ 1,221,600

Liquidation capital in excess of par

112,387,200

113,608,800

Undistributed investment income--net

51,554

Net asset value, equivalent to \$9.30 per share based on 12,216,000 shares outstanding
(market value--\$10.625)

\$113,660,354

Capital Shares:

Par value \$.10 per share; 15,000,000 shares authorized; 12,216,000 shares issued

1,221,600

Paid-in capital in excess of par

136,314,311

137,535,911

Undistributed realized gain on investments--net*

22,076

Unrealized appreciation on investments--net

23,780,958

23,803,034

Net asset value, equivalent to \$13.21 per share based on 12,216,000 shares outstanding
(market value--\$10.875)

161,338,945

Net Assets

\$274,999,299

=====

<FN>

*Net of taxes on undistributed net realized long-term capital gains (Note 1b).

See Notes to Financial Statements.

</TABLE>

<TABLE>

Convertible Holdings Inc.

Statement of Operations for the Year Ended December 31, 1993

<CAPTION>

<S>

	<C>	<C>
Investment Income (Note 1c):		
Interest and discount earned	\$ 13,634,858	
Dividends (net of \$4,808 foreign withholding tax)	4,058,590	

Total income		\$ 17,693,448
Expenses:		
Investment advisory fees (Note 2)	1,789,470	

Printing and shareholder reports	113,824
Transfer agent fees	101,818
Interest on securities sold short	97,928
Professional fees	65,186
Dividends on securities sold short	64,329
Custodian fees	49,868
Accounting services (Note 2)	45,083
Directors' fees and expenses	38,418
Amortization of organization expenses (Note 1d)	38,159
Pricing services	28,411
Insurance	7,814
Registration fees	270
Other	54,456

Total expenses	2,495,034

Investment income--net	15,198,414
Realized & Unrealized Gain on Investments--Net (Notes 1c & 3):	
Realized gain on investments--net	24,991,231
Income taxes on realized gain on investments	(3,781,304)
Change in unrealized appreciation on investments--net	(2,746,628)

Net Increase in Net Assets Resulting from Operations	\$ 33,661,713
	=====

</TABLE>

<TABLE>

Convertible Holdings, Inc.
Statements of Changes in Net Assets
<CAPTION>

	For the Year Ended 1993	December 31, 1992
	<C>	<C>
<S>		
Increase (Decrease) in Net Assets:		
Operations:		
Investment income--net	\$ 15,198,414	\$ 18,159,403
Realized gain on investments--net	24,991,231	2,604,475
Income taxes on realized gain on investments	(3,781,304)	--
Change in unrealized appreciation on investments--net	(2,746,628)	24,506,352
	-----	-----
Net increase in net assets resulting from operations	33,661,713	45,270,230
	-----	-----
Dividends & Distributions to Shareholders (Note 1e & 4):		
Investment income--net	(15,200,892)	(18,183,982)
Realized gain on investments--net	(14,276,142)	(1,567,536)
	-----	-----
Net decrease in net assets resulting from dividends and distributions to shareholders	(29,477,034)	(19,751,518)
	-----	-----
Share Transactions (Note 5):		
Income shares	(7,765,500)	(5,155,920)
Capital shares	(10,786,117)	(6,041,472)
	-----	-----
Net decrease in net assets resulting from treasury stock transactions	(18,551,617)	(11,197,392)
	-----	-----
Net Assets:		
Total increase (decrease) in net assets	(14,366,938)	14,321,320
Beginning of year	289,366,237	275,044,917
	-----	-----
End of year*	\$274,999,299	\$289,366,237
	=====	=====
<FN>		
*Undistributed investment income--net	\$ 51,554	\$ 54,032
	=====	=====

See Notes to Financial Statements.

</TABLE>

<TABLE>

Convertible Holdings, Inc.
Financial Highlights
<CAPTION>

	1993	For the Year Ended 1992	1991	December 31, 1990	1989
	<C>	<C>	<C>	<C>	<C>
The following per share data and ratios have been derived from information provided in the financial statements.					
<S>					
Income Shares:					
Per Share Operating Performance:					
Net asset value, beginning of year	\$ 9.30	\$ 9.31	\$ 9.30	\$ 9.30	\$ 9.32
Investment income--net	1.20	1.35	1.41	1.38	1.39
Dividends of investment income--net	(1.20)	(1.36)	(1.40)	(1.38)	(1.41)
	-----	-----	-----	-----	-----
Net asset value, end of year	\$ 9.30	\$ 9.30	\$ 9.31	\$ 9.30	\$ 9.30
	=====	=====	=====	=====	=====
Market price per share, end of year	\$10.625	\$ 11.25	\$ 12.625	\$ 10.875	\$ 11.50
	=====	=====	=====	=====	=====

Total Investment Return:*					
Based on market price per share	7.20%	2.74%	34.37%	9.23%	15.85%
	=====	=====	=====	=====	=====
Based on net asset value per share	13.50%	15.17%	15.87%	15.50%	15.60%
	=====	=====	=====	=====	=====
Capital Shares:					
Per Share Operating Performance:					
Net asset value, beginning of year	\$ 12.87	\$ 10.91	\$ 7.67	\$ 10.12	\$ 8.69
Realized and unrealized gain (loss) on investments--net	1.43	2.03	3.24	(2.45)	1.43
Distributions of realized gain--net	(1.17)	(.12)	--	--	--
Effect of repurchase of Treasury Stock	.08	.05	--	--	--
	-----	-----	-----	-----	-----
Net asset value, end of year	\$ 13.21	\$ 12.87	\$ 10.91	\$ 7.67	\$ 10.12
	=====	=====	=====	=====	=====
Market price per share, end of year	\$10.875	\$ 9.375	\$ 6.875	\$ 4.25	\$ 5.50
	=====	=====	=====	=====	=====
Total Investment Return:*					
Based on market price per share	28.77%	38.11%	61.76%	(22.73%)	29.41%
	=====	=====	=====	=====	=====
Based on net asset value per share	13.93%	19.48%	42.24%	(24.21%)	16.46%
	=====	=====	=====	=====	=====
Total Fund:					
Ratios to Average Net Assets:					
Total expenses**	.80%	.80%	.83%	.86%	.80%
	=====	=====	=====	=====	=====
Investment income--net	5.10%	6.34%	7.24%	7.39%	7.15%
	=====	=====	=====	=====	=====
Supplemental Data:					
Net assets, end of year (in thousands)	\$274,999	\$289,366	\$275,045	\$230,851	\$264,339
	=====	=====	=====	=====	=====
Portfolio turnover	116.03%	76.54%	54.90%	40.28%	50.47%
	=====	=====	=====	=====	=====

<FN>

*Total investment returns based on market value, which can be significantly greater or lesser than the net asset value, result in substantially different returns. Total investment returns exclude the effects of sales loads.

**Excluding taxes on undistributed net realized long-term capital gains (Note 1b).

</TABLE>

Convertible Holdings, Inc.
Notes to Financial Statements

1. Significant Accounting Policies:

Convertible Holdings, Inc. (the "Company") is a diversified, closed-end, "dual purpose" investment company. The following is a summary of significant accounting policies followed by the Company.

(a) Valuation of investments--Portfolio securities which are traded only on stock exchanges are valued at the last sale price as of the close of business on the day the securities are being valued, or lacking any sales, at the mean between closing bid and asked prices. Securities traded in the over-the-counter market are valued at the most recent bid prices as obtained from one or more dealers that make markets in these securities. Portfolio securities which are traded both in the over-the-counter markets and on a stock exchange are valued according to the broadest and most representative market. Securities and assets for which market quotations are not readily available and securities subject to restrictions on resale are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Company. Short-term securities are valued at amortized cost, which approximates market.

(b) Income taxes--It is the Company's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable net investment income and net realized short-term capital gains. The Company intends to retain net realized long-term capital gains, if any, and pay taxes on such gains at the Federal tax rates applicable to corporations.

(c) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates). Dividend income is recorded on the ex-dividend date. Interest income (including amortization of discount) is recognized on the accrual basis. Realized gains and losses on security transactions are determined on the identified cost basis.

(d) Deferred organization expenses--Deferred organization expenses are charged to expense on a straight-line basis over a twelve-year period ending on July 31, 1997, the redemption date for the Income Shares.

(e) Dividends and distributions--Dividends and distributions paid by the Company are recorded on the ex-dividend dates.

(f) Short sales--When the Company engages in a short sale, an amount equal to the proceeds received by the Company is reflected as an asset and equivalent liability. The amount of the liability is subsequently marked to market to reflect the market value of the short sale. The Company maintains a segregated account of securities and cash as collateral for the short sales. The Company owns convertible bonds or stock of the same issuer which covers the short sale. The Company is exposed to market risk based on the amount, if any, that the market value of the stock exceeds the market value of the securities in the segregated account. Securities have been borrowed from Merrill Lynch, Pierce, Fenner & Smith Inc. ("MLPF&S"), an affiliate of MLIM, to execute short sales.

(g) Reclassification--As a result of the taxes paid on capital gains realized by the Company, approximately \$27,800,000 of undistributed long-term capital gains was reclassified to paid-in capital.

2. Investment Advisory Agreement and Transactions with Affiliates:

The Company has entered into an Investment Advisory Agreement with Merrill Lynch Asset Management ("MLAM"). MLAM is the name under which Merrill Lynch Investment Management, Inc. ("MLIM") does business. MLIM is an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc.

MLAM is responsible for the management of the Company's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Company. For such services, the Company pays MLAM a quarterly fee at the annual rate of 0.60% of the Company's average weekly net assets.

The investment advisory fee is reduced by 25% for any quarter in which the company fails to meet the Minimum Income Rate Objective ("Objective") at the close of any fiscal quarter. The Objective is to obtain a minimum annualized rate of income return equal to 85% of the yield of the Value Line Convertible Index. Effective January 1, 1994, the investment advisory business of MLAM reorganized from a corporation to a limited partnership. The general partner of MLAM is Princeton Services, Inc., an indirect wholly-owned subsidiary of Merrill Lynch & Co.

Accounting services are provided to the Company by MLAM at cost.

Certain officers and/or directors of the Company are officers and/or directors of MLIM, MLPF&S and/or Merrill Lynch & Co., Inc.

3. Investments:

Purchases and sales of investments, excluding short-term securities, for the year ended December 31, 1993, were \$320,309,872 and \$322,435,505, respectively.

Net realized and unrealized gains (losses) as of December 31, 1993 were as follows:

	Realized Gains (Losses)	Unrealized Gains (Losses)
Long-term investments	\$27,548,654	\$29,679,479
Short-term investments	(498)	--
Short sales	(2,556,925)	(5,898,521)
	-----	-----
Total	\$24,991,231	\$23,780,958
	=====	=====

As of December 31, 1993, net unrealized appreciation for Federal income tax purposes aggregated \$29,673,229, of which \$34,190,846 related to appreciated securities and \$4,517,617 related to depreciated securities. The aggregate cost of investments at December 31, 1993 for Federal income tax purposes was \$278,959,757.

4. Distributions:

The Company distributes its net investment income quarterly to holders of Income Shares. Income Shares are entitled to cumulative dividends in an amount equivalent to net investment income, with a minimum annual rate of \$1.00 per share. To the extent that any such cumulative dividend cannot be satisfied from net investment income, it will be paid from any net realized short-term or long-term capital gains. Capital Shares will not be entitled to receive distributions from net investment income until 1997.

To the extent not needed to pay the Income Shares' minimum cumulative dividends, distributions from net realized short-term capital gains, if any, may be paid to holders of the Capital Shares in the succeeding year. The Company will not distribute net realized long-term capital gains except to the limited extent described above.

5. Share Transactions:

At December 31, 1993, there were 15,000,000 shares of \$.10 par value authorized for each class.

During the year ended December 31, 1993, the Company repurchased 835,000 Income Shares and 835,000 Capital Shares, all of which have been retired.

As long as any Income Shares are outstanding, the Company will not issue any additional Capital Shares or Income Shares.

The Company intends to redeem all Income Shares in 1997 for \$9.30 per share plus accumulated and unpaid dividends ("liquidation value"). As a result of this liquidation preference, the per share capital of the Income Shares is maintained at the liquidation value. The capital of the Capital Shares reflects a deduction of \$1,557,433 for the difference between the cost of the Income Shares repurchased during the year ended December 31, 1993 and the \$9.30 per share liquidation value for Income Shares. After July 31, 1997, Capital Shares will then be the sole remaining class of shares of the Company outstanding, and the Board of Directors will decide whether to liquidate the Company or to submit to the holders of Capital Shares a proposal to change the Company to an open-end investment company.

<TABLE>

Convertible Holdings, Inc.
Notes to Financial Statements (concluded)
Quarterly Data (unaudited)
<CAPTION>

For the Quarter <S>	Income Shares			Capital Shares		Total Fund	
	Investment Income	Net Investment Income		Net Realized and Unrealized Gains (Losses) on Investments*		Net Increase in Net Assets Resulting from Operations	
		Amount	Per Share	Amount	Per Share	Amount	Per Share**
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Jan. 1, 1992 to March 31, 1992	\$5,450,650	\$ 4,867,541	\$.36	\$ 9,532,082	\$.70	\$14,399,623	\$1.06
April 1, 1992 to June 30, 1992	5,510,870	4,927,228	.37	(4,834,060)	(.36)	93,168	.01
July 1, 1992 to Sept. 30, 1992	4,657,464	4,077,975	.30	7,828,627	.58	11,906,602	.88
Oct. 1, 1992 to Dec. 31, 1992	4,842,561	4,286,659	.32	14,584,178	1.11	18,870,837	1.43
Jan. 1, 1993 to March 31, 1993	4,735,144	4,147,554	.32	11,466,527	.89	15,614,081	1.21
April 1, 1993 to June 30, 1993	3,914,812	3,305,219	.26	296,973	.02	3,602,192	.28
July 1, 1993 to Sept. 30, 1993	4,251,430	3,657,430	.29	7,628,097	.60	11,285,525	.89
Oct. 1, 1993 to Dec. 31, 1993	4,694,134	4,088,211	.33	(928,296)	(.08)	3,159,915	.25

<FN>

*Net of tax on undistributed net realized long-term capital gains (Note 1b).

**Represents combined net increase in net assets resulting from operations for one Income and one Capital Share.

</TABLE>

<TABLE>

Convertible Holdings, Inc.
Stockholder Information (unaudited)

Consolidated Transaction Reporting System Prices

<CAPTION>

For the Quarter <S>	Income Shares				Capital Shares				
	Net Asset Value		Market Price*		Net Asset Value		Market Price*		
	High	Low	High	Low	High	Low	High	Low	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Jan. 1, 1992 to March 31, 1992	\$9.66	\$9.42	\$13	\$12 3/8	\$11.83	\$11.01	\$7	\$ 6 7/8	
April 1, 1992 to June 30, 1992	9.70	9.38	12	12 3/8	11.79	11.14	7 1/2	7 5/8	
July 1, 1992 to Sept. 30, 1992	9.67	9.32	12 1/2	12 5/8	11.96	11.42	7 1/2	7 7/8	
Oct. 1, 1992 to Dec. 31, 1992	9.59	9.28	12 3/8	11 5/8	12.87	11.69	9 3/8	7 7/8	
Jan. 1, 1993 to March 31, 1993	9.63	9.34	11 3/4	11 1/4	13.76	12.84	10 7/8	9 3/8	
April 1, 1993 to June 30, 1993	9.64	9.34	11 7/8	11 1/2	13.94	13.52	10 5/8	10 1/4	
July 1, 1993 to Sept. 30, 1993	9.59	9.33	11 3/4	10 1/2	14.42	13.70	11	10 3/8	
Oct. 1, 1993 to Dec. 31, 1993	9.63	9.30	11 1/4	10 5/8	14.69	13.21	11 1/2	10 7/8	

<FN>

*As reported in the consolidated transaction reporting system.

</TABLE>

Convertible Holdings, Inc.
Independent Auditors' Report

The Board of Directors and Shareholders, Convertible Holdings, Inc.:

We have audited the accompanying statement of assets, liabilities and capital, including the schedule of investments, of Convertible Holdings, Inc. as of December 31, 1993, the related statements of operations for the year then ended and changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended. These financial statements and the financial highlights are the responsibility of the Company's manage-

ment. Our responsibility is to express an opinion on these financial statements and the financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned at December 31, 1993 by correspondence with the custodian and brokers or other auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, such financial statements and financial highlights present fairly, in all material respects, the financial position of Convertible Holdings, Inc. as of December 31, 1993, the results of its operations, the changes in its net assets, and the financial highlights for the respective stated periods in conformity with generally accepted accounting principles.

Deloitte & Touche
Princeton, New Jersey
February 4, 1994

Important Tax Information

Of the ordinary income distributions paid quarterly by Convertible Holdings, Inc. during its taxable year ended December 31, 1993, 13.73% qualifies for the dividends-received deduction for corporations. Additionally, capital shareholders of record on December 31, 1993 were deemed to receive undistributed long-term capital gains of \$0.88440 per share and were allocated Federal income taxes which were paid by the Company on the shareholders' behalf of \$0.30954 per share. The undistributed capital gains allocated to you and the Federal income taxes paid by the Company on your behalf will be reported to you on Form 2439, Notice to Shareholders of Undistributed Long-Term Capital Gains, along with information on how to report these amounts on your Federal Form 1040. In addition, you should increase the cost basis of your shares by \$0.57486 per share, which represents the excess of the undistributed long-term capital gains over the taxes paid. You should consult your tax adviser for additional information regarding the appropriate treatment of undistributed long-term capital gains.

Please retain this information for your records.

About Convertible Holdings, Inc.

A closed-end "dual purpose" investment company, Convertible Holdings, Inc. invests primarily in convertible bonds and convertible preferred stock. The Company has two classes of shares: Capital Shares (NYSE symbol CNV) for those seeking long-term growth of capital; and Income Shares (NYSE symbol CNV Pr) for those seeking current and long-term growth of income.

Both classes of shares represent "leveraged" investments. This is because Capital Share investors initially provided only 42.5% of the Company's capital at inception in 1985, yet will receive all of the portfolio's capital appreciation. Income Share investors, on the other hand, initially provided 57.5% of the Company's capital, but will receive all of the portfolio's income. In other words, investors in either class of shares have more assets working for their respective investment goals than they have contributed.

In 1997, Income Shares will be redeemed at \$9.30 per share, plus accumulated and unpaid dividends. (Should assets be insufficient to redeem the Income Shares at such amount, total net assets of the Company would be distributed to Income Shareholders on a pro-rata basis.) After redemption of the Income Shares, Capital Shareholders will own all remaining assets. Thereafter, the Company will either liquidate or submit to the Capital Shareholders a proposal to continue as an open-end investment company (i.e., a mutual fund).

Share Comparison

The following is a brief summary of certain rights of each class of shares of the Company.

Capital Shares

Entitled to all the portfolio's appreciation.

No distributions from net income received as long as Income Shares are outstanding.

Bear none of the Company's expenses.

Potential for capital appreciation with potential lower downside risk than a leveraged common stock portfolio.

NYSE symbol CNV

Income Shares

Entitled to all the portfolio's net income, paid quarterly.

Minimum cumulative dividend of \$1.00 annually.

Pay all of the Company's expenses.

Potential for growing income stream if portfolio appreciates over time.

NYSE symbol CNV Pr

Convertible Holdings, Inc.

Glossary

Break-Even Time

This calculation, based on a dollar-for-dollar basis, shows the number of years over which the dollar conversion premium may be recovered by the increased dollar income of the convertible over that of the underlying common stock, assuming no change in the dividend on the underlying stock. (Also called the premium recovery period.)

Call Protection

Nearly all the convertibles have call provisions which give the issuers the right to buy back the issue at a premium over the price at which it was issued. A company may wish to reduce its bond interest expense or preferred dividend requirements, replacing them with a lower-yielding common stock. To protect the security-holder, some issues are not subject to redemption for a stated period of time, thus ensuring their income requirements during that period. There are no provisional terms under which a security with hard (absolute) call protection may be called.

Conversion Value

A convertible security is entitled to a fixed number of common shares upon conversion. For bonds, it is typically the number of shares per \$1,000 principal amount. For preferreds, the number of shares multiplied by the market value per common share is the preferred's conversion value.

Net Income

Net income includes all dividends, interest and other income (but not realized or unrealized gains, stock dividends, and other capital items) earned by the Company on its portfolio holdings, net of the Company's expenses. For purposes of determining Net Income, expenses do not include taxes on undistributed net long-term capital gains paid by the Company.

Percent Premium

The percentage over conversion value at which the convertible security trades. If a convertible bond is selling at 120 and its conversion value is 105, then the conversion premium is 15 points (\$150), or 14.3%.