

Growing Calamos



John S. Koudounis

**An Interview with John S. Koudounis,
Chief Executive Officer, Calamos Investments**

EDITORS' NOTE John Koudounis joined Calamos Investments in April of 2016. Previously, he was President and Chief Executive Officer for Mizuho Securities USA Inc.; Managing Director, ABN AMRO Inc; and Vice President, Merrill Lynch. He received his AB in International Diplomacy & Foreign Affairs and Economics from Brown University.

COMPANY BRIEF Calamos Investments (calamos.com) is a diversified global investment firm offering innovative investment strategies including U.S. growth equity, global equity, convertible, multi-asset, and alternatives. The firm offers strategies through separately managed portfolios, mutual funds, closed-end funds, private funds, an exchange traded fund, and UCITS funds. Clients include major corporations, pension funds, endowments, foundations, and individuals, as well as the financial advisors and consultants who serve them. Headquartered in the Chicago metropolitan area, the firm also has offices in London, New York, and San Francisco.

What excited you about this opportunity?

I've been servicing asset managers my entire career and I was always intrigued by them. Increasingly, this is where many of the brightest minds of Wall Street are. I'm excited to be working with John P. Calamos, Sr. – partnering with him and evolving the great brand that he's built over the years. I knew him by reputation, and then had the opportunity to sit on a couple of boards with him. In addition to having established an iconic brand for innovative risk-managed investment strategies, he is also a truly great American: he's a success story, a war hero, and a philanthropist of the highest order.

The asset management industry has encountered a variety of challenges in recent years, and Calamos Investments hasn't been immune to them. We have an iconic brand facing some headwinds that have been pretty

common in the industry. I'm energized by these sorts of scenarios, where we can work together and take a solid business with a lot of potential to the next level.

I chose Calamos because I felt that my background and expertise complemented the strengths that the firm already had. Calamos Investments has been known for convertibles, liquid alternatives, and equity, with retail portfolios making up the vast majority of its assets under management. My expertise is global and fixed income, even though I run equities, and my background primarily has been in the institutional space.

Would you discuss the importance of communicating your vision to the people at Calamos early on and having them understand the broader opportunities?

We try to communicate as much as we can. I have meetings with my direct reports every morning so every part of the firm knows what other parts of the firm are dealing with. This is a practice I brought over from the firms where I've worked in the past.

In terms of understanding the broader opportunities, one great thing about Calamos is that everyone is in a growth mode. In 2015, Calamos acquired Phineus Partners, a San Francisco-based hedge fund with a compelling long-term record. We were able to bring over a seasoned investment manager and convert the Phineus hedge fund to a mutual fund structure in 2016. It's great to be working with strong teams well equipped to make the most of both organic and inorganic growth opportunities. These teams are across the organization – not just in investments and distribution, but also in back office functions, compliance, and legal.

How does a company differentiate in this space?

It's important to have managers and analysts who are committed to staying with their convictions and not getting spooked by the markets. There is also a certain mix of fundamental and quantitative analysis that one has to get right. It's about building the right box, so one can keep looking at things and changing them.

As markets continue to get choppy and difficult, we think that there will be increased opportunities for our active management. It's my view that ETFs and the index funds are likely to face more headwinds.

The traditional asset managers will gain in favor more than the hedge funds and other liquid-type indexes because they find the right mix. It's the right asset mix through traditional management and not just chasing the big trend, which will survive through these markets. If we get the best people to do that, the differentiator will be obvious over the fast money hedge funds or the supposedly more liquid indexes in the next generation.

How much of a focus will global be for Calamos going forward?

John Calamos has long recognized the importance of a global mindset – both from an investment perspective as well as from a business-building perspective. Global expansion is part of our continued evolution. The firm already has a global client base, including an office in London. We also launched UCITS funds in 2007 for non-U.S. investors; these funds draw on our time-tested strategies and share the management teams of our U.S. mutual funds.

We can't live in this world as isolationists. When there are negative interest rates in several countries around the world, the appetite for returns is insatiable. To the extent that we can open up and shift the AUM, there are great opportunities around the world to run money for other institutions in a positive-rate environment – even though it's relatively low, it's still better than negative.

We've seen the massive reallocations in Japan's Government Pension Investment Fund, the biggest pension fund in the world, which is finally going into foreign equities, including U.S. equities in other forms. I think we're going to see that continue. The U.S. is still the safest place to invest on the planet, and I believe that will continue to be a major focus for investors.

Is this slow but steady growth the new norm and how sustainable is the U.S. economy today?

It's been shown that the central banks have not been as effective as people thought they would be. Monetary policy worked in times of crisis, but it hasn't really changed growth. Looking at the U.S. economy, the only thing that is really going to fundamentally boost growth is fiscal policy that will create some kind of tax reform. Money needs to come back into the U.S. Money goes to where it's treated best and, if we have some better corporate tax rates and regular income tax rate in the U.S. that is more favorable, the economy will actually turn on a lot quicker than most.

Do you focus mainly on the growth of the business? How deep do you get into other operating areas?

I think my leadership style is well suited to building. I'm looking forward to concentrating on operations as well as adding to the business. What I'm focusing on complements what John Calamos is doing in his role as Global CIO, as well as the leadership we have in the co-CIO team. Mr. Calamos has been investing for 40 years, and has been a pioneer in innovative strategies that seek to manage risk and return over full and multiple market cycles. He's right up there with the Oracle of Omaha. Also, over the past several years, the firm has been following a strategic roadmap to migrate from a single integrated investment organization to a "team of teams" structure. That culminated last year with the promotion of four individuals to co-CIO positions, with responsibilities over distinct groups of investment strategies.

Have you been happy with the talent you've found at Calamos?

I've found a lot of great people across the firm. In terms of the investment organization, the firm made a concerted push to add resources to the investment organization in recent years, while also moving key people into larger leadership roles. I've also been impressed by our distribution team, which can stand toe-to-toe with the best of them. We are strong in all facets of intermediary distribution, including wirehouses regionals, independents, and registered investment advisors. We also have a seasoned team building institutional relationships, both in the U.S. and globally.

■

John Calamos has introduced funds that allocate dynamically across asset classes to produce competitive distributions and total returns.

■

How hard is it to make a long-term investments when there is so much pressure for short-term results?

It's challenging because I do need to make those earnings calls every quarter, which I never had to do before.

Market participants tend to look at things in terms that are pretty black and white. We're only as good as our last earnings call. They don't look at the underlying growth; they don't see the underlying moves that we're making, the work we're doing to take this to the next level, the upgrades of what we have, or our increased performance.

Even though there may be times when it's not easy, I welcome the challenge. It's just another obstacle we have to work with, but it's not insurmountable, especially in an environment where a lot of people aren't doing well.

We can work through it but, as we build it out, we will hopefully start to differentiate ourselves and move past the rest of the group.

It seems you like to fix and drive growth. Do you enjoy the process as you're building?

I do appreciate the process and it's why I like doing it – it's not just the endgame. There will always be someone bigger, smarter, or richer, but I have to enjoy what I'm doing while I'm doing it, and get satisfaction for delivering what I've set out to do.

Being a partner of the business means I have a platform that I can continue to grow and stay with. I'm hopeful this will be the last job I have because I can expand this platform. I don't think I will ever get bored in this seat.

Is it important to build more brand awareness?

Brand is extremely important and I'm looking forward to building on a strong foundation, broadening recognition in the U.S. and globally. As I mentioned, we have an iconic brand. I mentioned risk managed investment strategies, convertibles, and liquid alternatives. We also have a very strong brand within the closed-end fund space, where John Calamos has introduced funds that allocate dynamically across asset classes to produce competitive distributions and total returns. Just last year, the firm raised close to \$900 million in its sixth closed-end offering – far surpassing what the other juggernauts were able to accomplish.

Today, the brand resonates most strongly with the retail community. I'm looking forward to leveraging my background and experience to gain more brand recognition in the institutional space.

When you reflect on young people looking to build a sustainable career in finance, has the landscape changed with regard to where that talent is going?

There is no question that, in the past, Wall Street recruited the smartest minds from the best schools, but that has shifted. Many now want to go to Silicon Valley and become billionaires within a couple of years out of school. The reality is that few of them can actually do that, so we should educate them in a more grounded, general approach to being successful. We have a tremendous internship program and take a number of students into the company from that

■

We have an exciting opportunity right now to create a global firm that will be able to morph into the next generation of what financial companies will look like.

■

program. We try to enroll them while they're still in school.

Everything is a pendulum. People see dynamic companies in different fields, such as Google, Facebook, Twitter, and Uber, and everybody wants to get involved with them. If we can create a dynamic firm that is very creative and has the forethought of building financial enterprises of the future, we'll be able to attract the best minds out of school. They understand that the old stodgy investment firms of the past no longer work in this ever-changing dynamic economy. We can build a firm that is able to morph with the changing regulations around the world. We have the opportunity to take the best from different parts of the world and bring them together to deliver for our clients. I can't see why that type of firm will not be the firm of choice.

Would you say there is a tremendous opportunity for innovation in finance both on the product side and across the industry?

I absolutely believe that. There are models out there that touch upon it, and that have succeeded in some pieces of it, but it's very difficult to execute. As I look ahead, I believe we are in a good spot. We have a great foundation and size, and have made key steps in building global reach, such as with our office in London. This means we have an exciting opportunity right now to create a global firm that will be able to morph into the next generation of what financial companies will look like. ●

Information contained herein is for informational purposes only. Opinions, estimates, forecasts, and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. We believe the information provided here is reliable. The views and strategies described may not be suitable for all investors. References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations.