



# Convertible Fund First Quarter 2018 Report

## OVERVIEW

The fund invests primarily in convertible securities of U.S. companies that are diversified across market sectors and credit quality.

## KEY FEATURES

- » Leverage more than four decades of research in convertible security investing
- » Provides diversification across market sectors and credit quality, emphasizing mid-sized companies with higher-quality balance sheets
- » Seeks to provide upside participation in equity markets with less exposure to downside than an equity-only portfolio over a full market cycle

## PORTFOLIO FIT

When used in conjunction with an equity allocation, the fund offers a potential way to manage risk by employing securities that engage in upside equity movements with limited downside participation.

## FUND TICKER SYMBOLS

A Shares    C Shares    I Shares  
 CCVIX    CCVCX    CICVX

There can be no assurance that the Fund will achieve its investment objective.

**NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE**

## Key Drivers of Performance

- » For the quarter, the fund outperformed the ICE BofAML All U.S. Convertibles Index and benefited from strong selection within the information technology and energy sectors.
- » Conversely, selection in consumer discretionary and health care held back the quarterly return.
- » As discussed in previous quarters, we were able to purchase inexpensive put protection when volatility was extremely low to help support the portfolio's overall risk-reward profile. As the market sold off during the quarter, our put protection added value to the fund's quarterly return.

## Market Overview

- » The U.S. Convertible market as measured by the ICE BofAML All U.S. Convertible Index (VXA0) returned 2.40% in the first quarter. Convertibles outpaced both equities and high yield bonds during the quarter based on the -0.76% return of the S&P 500 Index and -0.91% return of the ICE BofAML High Yield Index.
- » Volatility increased during the period as investors grew concerned about rising inflation and President Trump's proposed tariffs on steel and aluminum. The CBOE Volatility Index (VIX) also shot up from a low of 9 in January to 37 in February.
- » The S&P 500 Index corrected 10% in the January and February period, bounced back 8%, only to experience another 5% pummeling. A similar, less-pronounced pattern occurred with the convertible index, which fell 6.2%, rebounded nearly 8%, and then slipped approximately 3%.
- » By economic sector, convertibles with the strongest first quarter results included consumer staples (+10.2%), technology (+8.3%), and telecommunications (+3.9%). Convertibles that lagged the index were found in consumer discretionary (-4.3%), media (-3.4%) and industrials (-2.8%).

AVERAGE ANNUAL RETURNS	QTD	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE I SHARE INCEPTION (6/25/97)	SINCE A SHARE INCEPTION (6/21/85)
<b>Calamos Convertible Fund</b>								
I shares – at NAV	2.72%	2.72%	11.69%	5.44%	7.15%	6.08%	7.63%	N/A
A shares – at NAV	2.66	2.66	11.39	5.16	6.89	5.81	N/A	8.99
A shares – Load adjusted*	0.33	0.33	8.87	3.47	5.85	5.30	N/A	8.82
ICE BofAML All U.S. Convertibles Index	2.40	2.40	10.57	6.58	9.65	8.22	7.52	N/A
S&P 500 Index	-0.76	-0.76	13.99	10.78	13.31	9.49	7.38	10.87
Value Line Convertible Index	5.28	5.28	14.34	9.29	10.55	10.27	7.52	8.90

Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted. You can obtain performance data current to the most recent month end by visiting [www.calamos.com](http://www.calamos.com).

*The principal value and return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Performance reflected at NAV does not include the Fund's maximum front-end sales load of 2.25%. \* Had it been included, the Fund's return would have been lower.*

Returns for periods greater than 12 months are annualized. Calendar year returns measure net investment income and capital gain or loss from portfolio investments for each period specified. Average annual total return measures net investment income and capital gain or loss from portfolio investments as an annualized average. All performance shown assumes reinvestment of dividends and capital gains distributions. In calculating net investment income, all applicable fees and expenses are deducted from the returns. The Fund also offers Class C shares, the performance of which may vary. As of the prospectus dated 3/1/18, the Fund's total expense ratio for Class A shares is 1.18%, Class C shares is 1.93%, and Class I shares is 0.93%.

\*Prior to 2/28/17, the Fund's had a maximum front-end sales charge of 4.75%.

The offering price for Class I shares is the NAV per share with no initial sales charge. There are no contingent deferred sales charges or distribution or service fees with respect to Class I shares. The minimum initial investment required to purchase each Fund's Class I shares is \$1 million. Class I shares are offered primarily for direct investment by investors through certain tax-exempt retirement plans (including 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit sharing and money purchase pension plans, defined benefit plans and non-qualified deferred compensation plans) and by institutional clients, provided such plans or clients have assets of at least \$1 million. Class I shares may also be offered to certain other entities or programs, including, but not limited to, investment companies, under certain circumstances.

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## FUND HOLDINGS – CONTRIBUTORS

FIRM NAME	% OF FUND	FIRM PROFILE	ANALYSIS
Micron Technology, Inc.	3.0%	Micron Technology is a semiconductor systems company headquartered in Boise, Idaho. The Company produces several memory technology devices, which are used in computers, servers, networking devices, communications equipment, consumer electronics, smartphones and other mobile applications.	Micron Technology’s convertible and common stock rose significantly throughout the quarter due to improving DRAM fundamentals. The semiconductors industry has benefited from double-digit growth and high demand for memory products. The company has also been the beneficiary of industry consolidation in DRAM production as Micron Technology, Samsung and SK Hynix now command more than 90% of market share. The BB-rated convertible is positioned to participate in any continued Micron Technology upside and carries a slight yield advantage over the common stock, which does not pay a dividend.
Booking Holdings, Inc.	2.4%	Booking Holdings, Inc. provides online travel and related services to consumers and local partners. It operates Booking.com, Priceline.com and KAYAK, a search service allowing consumers to easily search and compare travel itineraries and prices. The company also operates Agoda.com, Rentalcars.com and OpenTable, which offers restaurant reservation and information services to consumers. It operates in approximately 220 countries and territories in Europe, North America, South America, the Asia-Pacific region, the Middle East, and Africa. The company was formerly known as The Priceline Group, Inc. and changed its name to Booking Holdings, Inc. in February 2018.	Booking Holdings common stock rallied after the company posted better-than-expected fourth quarter earnings and revenues. The company reversed a multi-year trend of advertising deleverage by reducing spend in competitive channels while still generating significantly higher year-over-year bookings through its platforms. The convertible carries a BBB+ rating from Standard & Poor’s and is poised to participate in any equity advance while offering a slight yield advantage over the common stock, which does not pay a dividend.

## FUND HOLDINGS – DETRACTORS

FIRM NAME	% OF FUND	FIRM PROFILE	ANALYSIS
Tesla, Inc.	3.8%	Tesla develops, manufactures and markets electric vehicles, energy storage systems, and solar and energy storage products. Tesla, Inc. was founded in 2003 and is headquartered in Palo Alto, California.	Tesla’s common stock declined 14.5% during the quarter amidst production challenges related to the Model 3, a Moody’s credit rating downgrade, and a National Transportation Safety Board investigation into a fatal crash involving a Model X. The convertible bond provided its expected downside protection and was down 7.9% (representing 55% of the common stock decline) during the quarter. The convertible currently offers a favorable yield advantage and risk/reward profile relative to the common stock.
DISH Network Corp.	1.9%*	DISH Network provides pay-TV services in the United States. In addition to its Dish Network satellite TV service, the company offers internet streaming Sling TV service and provides satellite and wireline broadband services under the dishNET brand. DISH Network was founded in 1980 and is headquartered in Englewood, Colorado.	DISH Network’s common stock declined 20.7% during the quarter due to disappointing quarterly results and broader weakness among media distribution companies as concerns over the resilience of linear television services reemerged. The convertible bond was down 10.7% in comparison and held up well, as it experienced 52% of the common stock’s decline. The convertible offers an attractive risk/reward profile and provides an attractive yield advantage relative to the common stock which does not pay a dividend.

\*As of 2/28/18

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## Positioning and Portfolio Changes

Our current short-term cautious, long-term bullish positioning is reflected in a neutral to slightly overweight overall delta with better downside protection than the overall convertible market. Technology remains the largest allocation and one of the highest delta sectors at the moment. We continue to favor the cyclical and secular opportunities (such as cloud computing, security, and big data), but much of our recent rebalancing has occurred within this sector, as we do not want to get overextended. Consumer discretionary remains one of the largest relative overweights based on our favorable view of the U.S. consumer coupled with bottom-up specific opportunities and good convertible structures. Positive employment data, wage gains, stock market and home valuation appreciation all contributed to a positive consumer wealth effect and consumer confidence. We remain underweight to the defensives, such as utilities, consumer staples, telecom and real estate sectors, given limited favorable names and poor structures. We remain underweight in financials as the securities within this convertible space are predominantly bond-like and do not benefit from a potentially more favorable equity backdrop for the sector.

Below, we discuss changes made in certain economic sectors during the quarter:

**Consumer Discretionary.** We trimmed the portfolio allocation to consumer discretionary during the quarter by selling holdings within the internet & direct marketing retail and homebuilding industries.

**Health Care.** We also reduced health care positions in the quarter, most notably in the pharmaceuticals industry.

**Financials.** We increased the allocation in the financials sector by building upon our positioning in the diversified financial services industry.

**Information Technology.** We also increased the allocation within the information technology sector, specifically in the internet software & services industry.

## SECTOR POSITIONING

SECTOR POSITIONING	SECTOR WEIGHTINGS AS OF 3/31/18	OVER/UNDERWEIGHT VS. ICE BOFAML ALL U.S. CONVERTIBLES INDEX (VXAO)	QUARTER TO QUARTER CHANGE
Information Technology	38.3%	1.8%	0.9%
Consumer Discretionary	14.9	3.0	-1.4
Health Care	14.5	-1.8	-1.2
Financials	8.9	-2.8	0.9
Industrials	7.2	1.9	0.0
Real Estate	3.2	-1.8	-0.8
Energy	3.3	-2.0	0.4
Utilities	2.5	-2.1	0.0
Materials	0.6	-0.6	0.0
Consumer Staples	0.0	-0.6	0.0
Telecom Services	0.0	-1.5	0.0

Sector weightings exclude cash or cash equivalents, any government/sovereign bonds or instruments on broad indexes the portfolio may hold. Holdings and weightings are subject to change daily. You can obtain a complete list of holdings by visiting [www.calamos.com](http://www.calamos.com). Please see additional disclosures on last page.

## Outlook

We remain positive on the economic environment given improving leading economic indicators, mild inflation and low wage growth, synchronized global growth, accommodative global monetary policy, improving industrial production, good consumer confidence and solid job growth. Additionally, the catalysts we noted at the beginning of the year should provide additional benefits. These include the tax reform passed late last year, continued regulatory reform and possible infrastructure spending. However, we need to be cognizant of the risks, which include potential trade wars, arguably high equity valuations, the revolving door at the White House, how quickly (or not) rates will move up, and the perception that economic strength is being built upon a global monetary system that has yet to unwind its massive balance sheet. Despite these factors, we are still finding attractive opportunities in the convertible bond universe, but because of volatility, we are investing most of the fund in securities with well-balanced attributes, consistent with our aim to provide both upside participation and downside protection. Volatility has provided the opportunity to readjust our risk/reward, reducing more equity-sensitive positions in the face of market rallies, while bumping our more favored positions in corrections. We believe this dynamic should continue to benefit active, risk-aware managers.

We expect healthy new convertible issuance going forward driven by companies seeking new growth capital, structural benefits vs. the high yield market (interest deductibility caps), and the refinancing of upcoming maturities. Already this year, we've seen \$13.7 billion in domestic convertible bond issuance (\$27.8b globally) slightly ahead of last year, with technology and health care issuance leading the way in the U.S. Additional tailwinds specific to U.S. convertible bond issuers going forward include their often smaller market caps, U.S.-specific reforms, gains from possible M&As spurred by repatriated funds, and additional stock buybacks. We expect this to be beneficial in providing new balanced structures to the market, providing us with additional opportunities to strike the right risk/reward profile.

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## Fund Quarterly Attribution

	CONSUMER DISCRETIONARY	CONSUMER STAPLES	ENERGY	FINANCIALS	HEALTH CARE	INDUSTRIALS	INFORMATION TECHNOLOGY	MATERIALS	REAL ESTATE	TELECOM SERVICES	UTILITIES
CONVERTIBLE FUND VERSUS ICE BOFAML ALL U.S. CONVERTIBLES INDEX (%)											
Value Added from Sector	-0.12	-0.11	0.11	0.13	0.03	-0.12	0.25	0.03	0.07	-0.03	0.03
Value Added from Selection & Interaction	-0.14	0.00	0.06	-0.04	-0.20	-0.04	0.57	-0.01	-0.03	0.00	0.05
Total Added Value	-0.26	-0.11	0.17	0.09	-0.17	-0.16	0.82	0.02	0.03	-0.03	0.08
SECTOR WEIGHTS (AVERAGE % WEIGHT DURING THE QUARTER)											
Convertible Fund	15.58	0.00	3.37	8.56	15.50	7.35	38.24	0.62	3.29	0.00	2.43
ICE BofAML All U.S. Convertible Index	12.57	1.40	5.33	11.92	17.24	5.24	35.02	1.22	5.17	0.24	4.65
Over/underweight	3.02	-1.40	-1.96	-3.36	-1.74	2.11	3.22	-0.60	-1.88	-0.24	-2.22
SECTOR RETURNS (%)											
Convertible Fund	-2.84	0.00	-1.07	-0.39	0.16	-3.27	9.44	-1.31	-2.15	0.00	2.06
ICE BofAML All U.S. Convertible Index	-1.94	10.30	-3.00	0.05	1.21	-2.75	7.88	-1.07	-1.32	15.33	0.08
Relative Return	-0.90	-10.30	1.93	-0.44	-1.05	-0.52	1.56	-0.24	-0.83	-15.33	1.97

Calculations may be subject to rounding.

The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

Portfolios are managed according to their respective strategies which may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of the benchmark(s). Portfolio performance, characteristics and volatility may differ from the benchmark(s) shown.

### Index Definitions

The CBOE Volatility Index or VIX (based on its CBOE ticker symbol) shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 Index options. The ICE BofAML All U.S. Convertibles Index (VXA0) comprises approximately 700 issues of convertible bonds and preferreds of all qualities and measures the return of all U.S. convertibles. The Russell 2000 Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index. The S&P 500 Index is a market-value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation. It is widely regarded as the standard for measuring U.S. stock-market performance. The Value Line Convertible Index is an equally weighted index of the largest convertibles. Source ICE Data Indices, LLC, used with permission. ICE permits use of the ICE BofAML indices and related data on an 'as is' basis, makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE BofAML indices or data included in, related to, or derived therefrom, assumes no liability in connection with the use of the foregoing and does not sponsor, endorse or recommend Calamos Advisors LLC or any of its products or services.

Unmanaged index returns assume reinvestment of any and all distributions and, unlike fund returns, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

**Important Risk Information.** An investment in the Fund(s) is subject to risks, and you could lose money on your investment in the Fund(s). There can be no assurance that the Fund(s) will achieve its investment objective. Your investment in the Fund(s) is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. The risks associated with an investment in the Fund(s) can increase during times of significant market volatility. The Fund(s) also has specific principal risks, which are described below. More detailed information regarding these risks can be found in the Fund's prospectus.

The principal risks of investing in the Calamos Convertible Fund include: convertible securities risk consisting of the potential for a decline in value during periods of rising interest rates and the risk of the borrower to miss payments, synthetic convertible instruments risk consisting of fluctuations inconsistent with a convertible security and the risk of components expiring worthless, foreign securities risk, equity securities risk, interest rate risk, credit risk, high yield risk, portfolio selection risk and liquidity risk.

As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities, including fluctuations in currency exchange rates, increased price volatility and difficulty obtaining information. In addition, emerging markets may present additional risk due to potential for greater economic and political instability in less developed countries.

*Before investing carefully consider the fund's investment objectives, risks, charges and expenses. Please see the prospectus and summary prospectus containing this and other information or call 1-800-582-6959. Read it carefully before investing.*



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