

# This Global CEF Recently Upped Its Distribution by 24%

Calamos Global Dynamic Income fund has a strong track record and low risk.

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Numerous studies have shown the power that a closed-end fund's distribution rate has over the discount or premium at which the fund sells. On Jan. 31, 2012, Calamos Global Dynamic Income (CHW) announced a 24% increase to its distribution, the second-largest percentage increase of all CEFs so far this year. The fund's discount narrowed to its current 11% from nearly 16% in early January before the distribution change was announced. To be sure, the fund's \$0.062 per share monthly distribution is still lower than its 2008 peak of \$0.11 per share. But the fund has a broad investment mandate and strategy (that includes call writing and leverage) that has allowed it to generally meet its distribution payments without the help of destructive return of capital. What's more, its risk profile is on par with peers' and its performance has been stronger.

## **Strategy: What's the Story?**

The fund's goal is to generate total return by investing in a mix of equities, bonds, and alternative investments globally. Managers have the freedom to invest in any of the asset classes and regions they see fit. The fund can write call options on 100% of holdings in an effort to generate additional income, and the fund utilizes leverage in the form of debt, for which it pays a floating rate.

Calamos has a companywide policy for portfolio construction. The current investment theme is focused on the growing prosperity in emerging markets. This fund's international focus helps achieve maximum exposure to these markets. But managers are also looking at the securities of multinational firms with geographically diverse revenues and global branding. By emphasizing U.S. exchange-traded multinational firms, managers are taking some of the inherent government, regulatory, and country risks that coincide with investing in emerging markets out of the equation. This fund, despite its global mandate, has a large exposure to the United States.

In addition to emerging markets, managers see value in the information technology and energy sectors. Due to the uncertainty around regulations in the health care, financial, and utility sectors, the fund

has reduced exposure to certain firms within these sectors. Companies are analyzed using discounted cash flow analysis. An analysis of a security's upside and downside potential follows, and, finally, the managers consider the role in the portfolio. Calamos' in-house analysts rate corporate bonds and rarely rely solely on the big ratings agencies. Managers prefer to hold credits closer to the top of junk status. Due to the shrinking market for convertibles, the firm has deemphasized these securities in recent months, but they still account for a good portion of this fund's holdings.

As of Jan. 31, the fund's holdings reflect the managers' attraction to equities: 56% of assets are in common stock, 28% in corporate bonds, 9% in convertible bonds, 3% in convertible preferred stock, and the remainder in synthetic convertibles and other securities. Top stock holdings are Nestle (NSRGY), Novo Nordisk (NVO), SAP (SAP), Apple (AAPL), and Apache (APA). The top 10 holdings comprised 12% of net assets.

The largest sector concentrations are information technology and energy at 18% each, health care (12%), materials (10%), and consumer discretionary (9%). Against closed-end fund world allocation peers, the fund is overweight technology while underweight utilities, financials, and consumer cyclicals. Surprisingly, compared to the World Stock category, the fund's 40% investment in U.S. stocks is well below the category average of 67%. The fund does hold relatively more European stocks (31% versus 13%). More than half of the bonds are junk-rated, but 48% are rated BB, the high end of non-investment-grade.

The fund utilizes leverage in the form of debt and can borrow up to \$255 million in a revolving credit agreement. During fiscal 2011, the fund paid an average rate of 1.08% for its leverage. The current rate is floating and based on short-term LIBOR plus a spread. Calamos has hedged the risk of floating rate interest expenses by entering into multiple interest rate swap agreements. The total leverage ratio is reasonable at 1.36 (total assets/net assets).

**Performance: Is the Fund Successful?**

The timing of this fund's launch in the summer of 2007 was not good. During the fund's first full year in existence (2008), it lost nearly half of its net asset value. Despite its poor initial showing, the fund has made a comeback, beating the CEF Global Hybrid peer group average in 2010 and 2011, and has outperformed year to date. The fund is up more than 20% over the latest three-year annualized period, up over 12% during the last two, and up about 1% over the last year on NAV total return bases. This compares to the CEF peer group average gains of 21%, 10%, and a loss of 1%, respectively. Looking at a broader World Allocation peer group, the fund beat the closed-end category average in two of the last four calendar years. It looks better against the open-end category: It beat the category average performance in three of the last four calendar years and matched performance in one year. Generally, the fund has been able to lose less and gain more than open-end peers on a total return basis.

Through it all, the fund's risk has been on par with closed-end world allocation peers. Its three-year Morningstar Risk Rating is Average, and the three-year standard deviation matched the category average of 19%. Against the Morningstar Moderate Target Risk benchmark, the fund's three-year alpha was higher and its beta was lower than the category average.

The fund's distribution rate is nearly 8% at NAV. The level monthly payment was recently increased to \$0.062 from \$0.05 per share. The fund's distributions are paid mostly from income and a small portion from return of capital. According to current estimates of distribution breakdowns, its use of return of capital may have been at least partially destructive in the most recent fiscal year. Its previous uses of return of capital were not destructive; therefore, we are not concerned with this small, one-time use.

**People: Who's Managing the Fund?**

Both John Calamos Sr. and Nick Calamos provide oversight to the fund by monitoring overall macroeconomic trends and companywide investment themes, and assisting with portfolio construction. The two have extensive experience managing portfolios, with more than 30 years in the asset-management business each. John Calamos Sr. has run more than 25 mutual funds and five closed-end funds in his career, and Nick Calamos has managed more than 30 mutual funds and five closed-end funds during his asset-management career. We do have concerns that a firmwide mandate from a few top managers can make differing opinions by other managers and analysts more difficult to voice.

Calamos has two co-heads of research (Jeff Scudieri and Jon Vack) who analyze the global and international marketplaces, perform overall sector strategy research, and oversee day-to-day portfolio-management issues. Scudieri has more than 15 years of industry experience, and Vacko has nearly two decades. Each fund is assigned multiple senior analysts as well as intermediate and junior analysts on staff to help. In sum, there are seven senior analysts, 11 intermediate analysts, and 13 junior analysts working on the various Calamos funds.

We like that Calamos has a risk-management group that monitors and tracks risk within each fund. Risk is measured based on qualitative and quantitative factors of the companies held in the portfolio including management, access to capital, product lineup, strategy, competitive positioning, and the economy.

**Risks & Concerns**

We believe that investors should be most concerned about this fund's allocation to Europe, but that risk is not overwhelming as it makes up 31% of the fund's stock holdings. Investor sentiment about the European Union is likely to weigh heavily on these investments even if corporate fundamentals remain sound.

Of the fund's bond holdings, most are short-term, slightly below investment-grade corporates. Default risk is an issue as the average credit rating of the portfolio is below investment-grade. But this is also a small risk, especially as the portfolio has more than 100 different bonds. A few, isolated defaults will have minimal impact on the overall portfolio value.

The fund's leverage ratio is not exceedingly high and is in line with peers'. The floating-rate interest expense has been converted to a fixed rate through an interest rate swap agreement, removing much of the uncertainty around the cost of leverage.

Despite these concerns, the fund has produced strong returns with average risk, and we expect it to continue doing so.

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**The following information is provided by Calamos Investments:**

Information contained herein is for informational purposes only. Nothing presented herein is or is intended to constitute investment advice, and no investment decision should be made based on any information provided herein. The information contained herein, while not guaranteed as to the accuracy or completeness, has been obtained from sources we believe to be reliable. 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.

**Calamos Global Dynamic Income Fund (Class A Shares) as of 3/31/2012**

**Number of Holdings:** 290 **Total Net Assets:** \$568.9 million

**Asset Allocation** (% of Net Assets): Common Stock, 51.6%; Corporate Bonds, 33.2%; Convertible Bonds, 8.1%; Convertible Preferred Stock, 3.2%; Sovereign Bonds, 0.7%; U.S. Government Securities, 0.5%; Options, 0.2%; Cash and Receivables/Payables, 2.5%

**Distribution Rate:** 8.45% **Total Percent Leveraged:** 25.73%

<b>Average Annual Total Returns</b>	1-Month	3-Month	1-Year	3-Year	Since Inception
Global Dynamic Income Fund (Inception 6/27/07) A share Returns at NAV	0.39%	13.06%	3.49%	23.71%	1.65%
Global Dynamic Income Fund (Inception 6/27/07) A share Returns at Market Price	0.81%	22.63%	9.50%	27.66%	-1.23%

**Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted. 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.**

*You can purchase or sell common shares daily. Like any other stock, market price will fluctuate with the market. Upon sale, your shares may have a market price that is above or below net asset value and may be worth more or less than your original investment. Shares of closed-end funds frequently trade at a discount which is a market price that is below their net asset value.*

*Under the Fund's level rate distribution policy, distributions paid to common shareholders typically include net investment income and net realized short-term capital gains. When the net investment income and net realized short-term capital gains are not sufficient, a portion of the level rate distribution will be a return of capital. In addition a limited number of distributions per calendar year may include net realized long-term capital gains. Distributions are subject to re-characterization for tax purposes after the end of the fiscal year.*

*Leverage creates risks which may adversely affect return, including the likelihood of greater volatility of net asset value and market price of common shares; and fluctuations in the variable rates of the leverage financing. The ratio is the percent of borrowing to total assets. Holdings and weightings are subject to change daily. Sector weightings are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned.*

**Top Holdings:** Novo Nordisk, A/S – Class B, Common Stock, 1.9%; Nestlé, SA, Common Stock, 1.8%; SAP, AG, Common Stock, 1.8%; Apple, Inc., Common Stock, 1.7%; Apache Corp., Convertible Preferred Stock, 1.0%; Shire, PLC, Convertible Bonds, 1.0%; Danone, SA, Common Stock, 1.0%; Barrick Gold Corp., Common Stock, 0.9%; Goldcorp, Inc., Convertible Bonds, 0.9%; Grifols, SA, Corporate Bonds, 0.8%. **Bond Credit Quality Allocation:** AAA, 1.6%; AA, 0.0%; A, 3.1%; BBB, 15.0%; BB, 49.9%; B, 25.1%; CCC and below, 0.0%; Unrated Securities, 5.3%. **Sector Weightings:** Information Technology, 18.9%; Energy, 18.4%; Health Care, 10.9%; Consumer Discretionary, 10.1%; Materials, 8.9%; Industrials, 8.5%; Consumer Staples, 8.4%; Financials, 6.1%; Telecommunications Services, 3.5%; Utilities, 2.6%.

Bond Credit Quality reflects the higher of the ratings of Standards & Poor's Corporation; Moody's Investors Service, Inc. or Fitch, Inc. Ratings are relative, subjective and not absolute standards of quality, represent the opinions of the independent Nationally Recognized Statistical Rating Organizations (NRSRO), and are adjusted to the Standards and Poors scale shown. Ratings are measured using a scale that typically ranges from AAA (highest) to D (lowest). In addition, CAL has assigned its own ranking to the "unrated bonds" based on its fundamental and proprietary investment process and has years of experience actively managing risk. The security's credit rating does not eliminate risk. The table excludes equity securities, cash and cash equivalents. For more information about securities ratings, please see the Fund's Statement of Additional Information at [www.calamos.com](http://www.calamos.com). Additional information on ratings methodologies are available by visiting the NRSRO websites: [www.standardsandpoors.com](http://www.standardsandpoors.com), [www.moody.com](http://www.moody.com), and [www.fitchratings.com](http://www.fitchratings.com).

**Important Risk Information:** The Fund may invest up to 100% of its assets in foreign securities and invest in an array of security types and market-cap sizes, each of which has a unique risk profile. As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities. These include fluctuations in currency exchange rates, increased price volatility, and difficulty obtaining information. Investments by the Fund in lower-rated securities involve substantial risk of loss and present greater risks than investments in higher rated securities, including less liquidity and increased price sensitivity to changing interest rates and to a deteriorating economic environment. Fixed-income securities are subject to interest-rate risk; as interest rates go up, the value of debt securities in the Fund's portfolio generally will decline. There are certain risks associated with an investment in a convertible bond such as default risk—that the company issuing a convertible security may be unable to repay principal and interest—and interest rate risk that the convertible may decrease in value if interest rates increase. The Fund may invest in derivative securities, including options and swap agreements. The use of derivatives presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. There is no assurance that any derivative strategy used by the Fund will succeed. One of the risks associated with purchasing an option is that the Fund pays a premium whether or not the option is exercised.

**Before investing, carefully consider the Fund's investment objective, risks, charges and expenses. Contact 800.582.6959 for a prospectus containing this and other information. Read it carefully.**

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