Calamos Advisors LLC

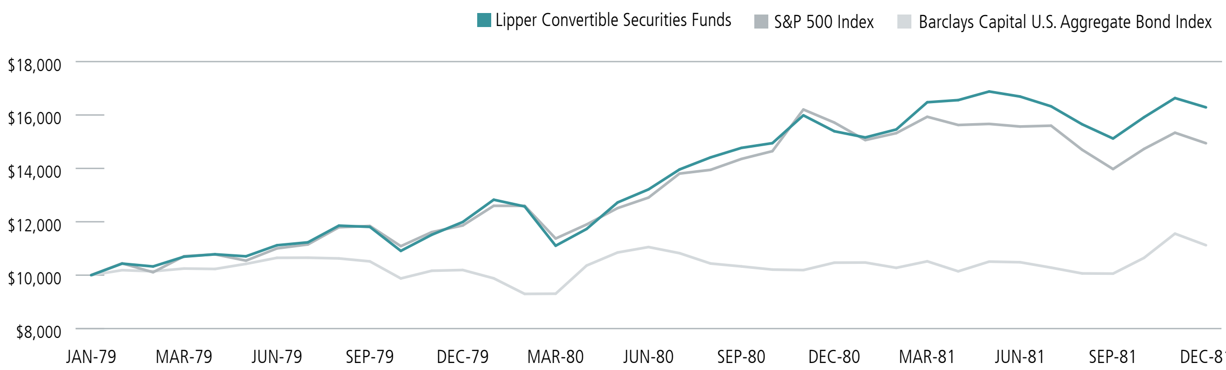
Calamos Solutions

Convertibles During High Inflation

Government stimulus plans have led to fears of high inflation, which often coincides with higher interest rates and an unfavorable bond market. Convertible bonds often are categorized as fixed-income securities, but they in fact are a hybrid of fixed income and equities. These characteristics may help in times of high inflation. The chart below provides an example of how convertible mutual funds tended to take on equity-like characteristics from 1979 to 1981, a period that represents the culmination of almost a decade of sharp increases in commodity prices, including oil, and high interest rates to fight inflation. Average year-over-year inflation (measured monthly) surpassed 10% in each of those consecutive three years, which hadn't occurred since four straight years of double-digit inflation ended in 1920, according to the U.S. Department of Labor. While convertibles are influenced to a degree by interest-rate fluctuations, they also are affected by the price movements of their underlying stocks, a factor that historically has helped soften the negative effect of rising interest rates.

GROWTH OF $10K

January 1979 to December 1981



Source: Lipper, Inc. and Mellon Analytical Solutions, LLC

Past performance is no guarantee of future results. Current performance may be lower or higher than the performance quoted. The principal value and investment return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost.

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Convertible bonds are interest-paying securities, similar to corporate bonds, in which investors have the option to turn the bonds into a predetermined number of shares. The hybrid nature of the securities offers investors the principal protection and income characteristics of bonds with the potential for higher returns if the issuer's stock price rises. This discussion also includes convertible preferred shares, which have similar characteristics. 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.

Important Index Information

The **S&P 500 Index** is generally considered representative of the U.S. stock market. The **Barclays Capital U.S. Aggregate Bond Index** covers the U.S.-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS sectors. The **Lipper Convertible Securities Funds** category represents funds that invest primarily in convertible bonds and/or convertible preferred stock. 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.

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