

# Market Neutral Income Strategy

CALAMOS<sup>®</sup>  
INVESTMENTS

## PORTFOLIO MANAGEMENT

- » Eli Pars, CFA, Co-CIO, Head of Alternative Strategies and Co-Head of Convertible Strategies, Senior Co-Portfolio Manager
- » Jason Hill, Co-Portfolio Manager
- » David O'Donohue, Co-Portfolio Manager

The team leverages the insights and analysis of the Calamos Investment Committee, as well as dedicated research, risk management, trading and portfolio specialist team support.

## CALAMOS PROFILE

- » Multi-disciplined, global asset manager
- » Headquartered in Chicago-metro area, with offices in New York, San Francisco and London
- » Founded in 1977
- » AUM<sup>†</sup> of U.S. \$18.8 billion
- » Institutional Assets<sup>†</sup> of U.S. \$6.4 billion
- » 331 employees\*, 64 investment professionals

<sup>\*</sup>Total AUM excludes assets under advisement of \$339 million for which the company provides model portfolio design and oversight.

<sup>†</sup>Institutional Assets include institutional share classes of open-end funds and assets managed for institutions.

<sup>\*</sup>Information as of 3/31/17. Total represents full-time employees of the operating subsidiaries of Calamos Asset Management, Inc. Part-time employees and consultants are excluded.

The Market Neutral Income Strategy is an absolute return, historically lower-volatility investment, which seeks to generate consistent income and capital appreciation through complementary underlying strategies of convertible arbitrage and covered call writing. The strategy historically has exhibited a low equity beta, lower correlations to both the equity and fixed income markets, lower absolute volatility and limited drawdowns.

## Key Features

- » Absolute return, outcome orientation
- » Complementary underlying investment strategies which allow the portfolio to achieve its objective in varying market environments
- » Liquid alternative strategy: full transparency, strategy governance and liquidity. Competitive fees relative to typical alternative strategies
- » Long-standing, distinguished track record generated by seasoned investment team

## Calamos Investment Process

The strategy incorporates two primary underlying investment strategies to achieve its investment objective: convertible arbitrage and covered call writing. Both of these complementary investment strategies employ Calamos' proprietary quantitative and fundamental convertible and equity research. Through the convertible arbitrage strategy, we seek to identify what we believe are undervalued convertible securities, which have attractive hedge characteristics. We implement the strategy by establishing long positions in the convertible security and hedging the underlying equity exposure through short positions in the underlying common stock. By rebalancing the hedge appropriately, the strategy seeks to isolate and monetize the undervaluation and equity upside of the convertible security with limited equity exposure.

Through the covered call writing strategy, we seek to build a long portfolio of common stocks optimized to the S&P 500 Index, and generally write index options against this basket of stocks to generate income through option premium capture. We also purchase put protection through long index put options to protect principal against downside moves in the equity market. The combined option premium captured (carry) generates investment income for the strategy, with limited total equity exposure. The strategy also seeks to add alpha through bottom-up stock selection in the optimized long stock basket.

CONVERTIBLE ARBITRAGE



COVERED CALL WRITING

SOURCES OF RISK/RETURN  
MANAGEMENT

## Definitions

**Convertible arbitrage** is an investment strategy that generally involves a long position on a convertible security and a short position on the issuing company's common stock. **Covered call writing** is an options strategy whereby an investor holds a long position in an asset and writes (sells) call options on that same asset in an attempt to generate increased income from the asset. A long position is the buying and holding of a security and a short position is the selling of a security that the seller does not own.

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# Calamos Market Neutral Income Strategy

## CHARACTERISTICS

	STRATEGY
Assets in Strategy	\$4.3 billion
# of Holdings	617
Portfolio Turnover % (1-year)	21.0%

## STRATEGY ALLOCATION

Convertible Arbitrage	52.7%
Covered Call	47.3

## RISK/REWARD STATISTICS MARKET NEUTRAL INCOME COMPOSITE

	3-YEAR		5-YEAR		10-YEAR	
	STRATEGY	S&P 500 INDEX	STRATEGY	S&P 500 INDEX	STRATEGY	S&P 500 INDEX
Alpha	1.23%	N/A	0.75%	N/A	1.63%	N/A
Beta	0.29	1.00	0.30	1.00	0.34	1.00
Standard Deviation	3.22%	10.41%	3.25%	10.20%	5.49%	15.30%
Sharpe Ratio	1.30	0.98	1.42	1.29	0.69	0.45

## ANNUALIZED TOTAL RETURNS AS OF 3/31/17

	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (1/91)
Calamos Market Neutral Income Strategy (gross of fees)	7.72%	4.32%	4.73%	4.43%	8.03%
Calamos Market Neutral Income Strategy (net of fees)	6.99	3.62	4.02	3.71	7.26
BBgBarc U.S. Government/Credit Index	0.54	2.69	2.47	4.34	6.05
Citigroup 30-day T-bill Index	0.26	0.12	0.09	0.53	2.52

## CALENDAR YEAR RETURNS

	YTD 2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Calamos Market Neutral Income Strategy (gross of fees)	2.06%	6.06%	2.32%	3.28%	7.13%	7.08%	3.72%	6.15%	15.10%	-12.24%
Calamos Market Neutral Income Strategy (net of fees)	1.89	5.34	1.63	2.58	6.39	6.37	3.02	5.41	14.31	-12.86
BBgBarc U.S. Government/Credit Index	0.96	3.04	0.15	6.01	-2.35	4.82	8.74	6.59	4.52	5.70
Citigroup 30-day T-bill Index	0.11	0.20	0.02	0.02	0.03	0.05	0.05	0.12	0.09	1.34

Source for performance data: State Street Corporation and Lipper, Inc.

Past performance does not guarantee or indicate 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.

The results portrayed are for the Calamos Market Neutral Income Composite (inception date: 1/1991). The inception dates and performance results shown are for the composite. Representative holdings and portfolio characteristics are specific only to the portfolio shown at that point in time. Other portfolios will vary in composition, characteristics, and will experience different investment results. The representative portfolio shown has been selected by the advisor based on account characteristics that the advisor feels accurately represent the investment strategy as a whole.

Returns presented are based on the Calamos Market Neutral Income Composite, which is an actively managed "market neutral" composite which seeks to achieve maximum current income while maintaining a low correlation to the fluctuations of the U.S. equity market as a whole. The composite includes all fully discretionary accounts, including those no longer with the firm. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest.

Fees include the investment advisory fee charge by Calamos Advisors LLC. Returns greater than 12 months are annualized. Chart Data Sources: Mellon Analytical Solutions LLC and Calamos Advisors LLC.

### Definitions

**Alpha** is the extra return of a portfolio due to nonmarket factors. **Beta** is a historic measure of a fund's relative volatility, which is one of the measures of risk; a beta of 0.5 reflects half the market's volatility as represented by the Fund's primary benchmark, while a beta of 2 reflects twice the volatility. **Sharpe ratio** is a measure of the excess return per unit of risk taken by an investment strategy. **Standard deviation** is a statistical measure of the historical volatility of a mutual fund or portfolio.

The **Bloomberg Barclays U.S. Government/Credit Index** comprises long-term government and investment-grade corporate debt securities and is generally considered representative of the performance of the broad U.S. bond market. Unlike convertible bonds, U.S. Treasury bills are backed by the full faith and credit of the U.S. government and offer a guarantee as to the timely repayment of principal and interest. The **Citigroup 30-Day T-Bill Index** is generally considered representative of the performance of short-term money market instruments. The **S&P 500 Index** consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the index proportionate to its market value.

The information in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent the account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings.

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Calamos Advisors LLC is a federally registered investment advisor. Form ADV Part 2A, which provides background information about the firm and its business practices, is available upon written request to:

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