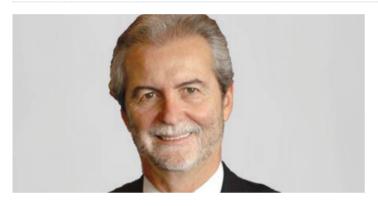


## John Calamos: cyclical uptick could drive record converts issuance

By Chris Sloley on 01 November 2013



The clamour for convertibles will not slowdown and abundant issuance from cyclical companies is pushing the sector towards breaking 2010's bumper year, according to John Calamos Senior.

Speaking to *Citywire Global*, Calamos, who has run convertible bond funds since the 1970s, said mid-cap companies seeking quick access to capital are increasingly turning to the convertibles market.

'What we have seen in the US, and in Europe to some extent, is a large number of cyclical companies coming to market, issuing converts,' said the Naper-based fund manager, who runs the \$121 million Calamos Global Convertible Opportunities fund.

'We are seeing housing and airline companies coming to the market. These are cyclical industries but they are in need of capital in order to keep pace with growth spurts they are having as the economy begins to recover.'

Calamos, who expects issuance to stay strong in 2014, believes convertibles have hit a sweet spot as investors weigh up staying put in fixed income or moving into equities.

'The market is similar to 1994 in that, back then, interest rates went

up and markets began to recover. This rates rise led to equity markets going sideways and convertibles became a fixture within an enhanced fixed income allocation,' he said.

## **Record breaking**

Outlining the size of interest in the market, John Calamos' comanager Eli Pars estimated there had been \$65 billion of issuance in the year to October so far. This compares to \$55 billion in the whole of 2012 and \$47 billion in the 2011 calendar year.

While Pars expects some slowing, due to quarterly earnings reports, he predicted it will challenge previous highs.

'I think we are looking at levels we have seen in 2009 and 2010, this is where we saw \$75 billion and \$85 billion, respectively. But, we will have to see how the market does over the last few months of the year. Earnings do tend to weigh on issuance and there is a little way to go.'

Pars, who joined Calamos Investments in May 2013, said this acceleration had been partly driven by large-scale issuance from single companies.

'There was \$10 billion of issuance in October alone,' he said. 'We look across the spectrum and we will see high quality names still coming to market. SanDisk came out with a large issuance of \$1.3 billion of senior notes last week, for example.'

Convertibles have emerged as a firm favourite among fund selectors in recent months, with a noticeable appreciation in interest since Ben Bernanke deferred plans to slow bond purchases.

The huge turnaround in fortunes for convertibles issuance is in stark contrast to the market picture just last year. Speaking in July 2012, convertibles veteran Kurt Fisch called the climate the toughest he had seen for 20 years.

## CALAMOS

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## **ANNUALISED RETURNS (AS OF 30/9/13)**

`	MONTH	QUARTER	1-YEAR	3-YEAR	5-YEAR	(27/11/07)
U.S. \$ Accumulating (Class A Shares)	3.77%	6.34%	6.68%	4.60%	6.24%	0.40%
MSCI World Index (USD)	5.04	8.29	20.90	12.46	8.46	2.10
BofA ML Global 300 Convertible Index (USD)	4.02	6.54	14.89	7.92	10.73	4.59

Performance data quoted represents past performance, and may not be a reliable guide to future results. Performance data quoted does not include the Fund's maximum 5% front-end sales charge. Had it been included, the Fund's returns would have been lower. Performance shown reflects the management fee. All performance shown assumes reinvestment of dividends and capital gains distributions. Returns for periods less than 12 months are not annualised.



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