



# Convertible Fund Third 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

## Key Drivers of Performance

- » For the quarter ended September 30, 2018, the fund had a positive return of 2.96% (A Shares at NAV), though it trailed the ICE BofAML All U.S. Convertibles Index, which returned 3.93%.
- » The fund's security selection in health care drove relative results. In particular, pharmaceuticals and life sciences tools & services represented major contributors.
- » Leading security selection and an underweight position in utilities added to the fund's performance, especially in the multi-utilities and independent power producers & energy traders industries.
- » Over the period, trailing selection and an overweight position within the consumer discretionary sector weakened return, as holdings in the automobile manufacturers and the movies & entertainment industries lagged on a relative basis.
- » Our nonparticipation within the telecom services sector also dampened relative performance.

## Market Overview

- » Convertibles participated in the strong equity market performance 3Q, as represented by the 7.71% return of the S&P 500 Index, and outpaced high yield bonds during the quarter as measured by the 2.44% return of the ICE BofAML U.S. High Yield Index.
- » The Fed announced another 25 basis points increase to the fed funds rate (now at 2.25%), and interest rates across all points of the U.S. Treasury Yield Curve rose.
- » By economic sector, convertibles with the strongest third-quarter results included telecommunications (+13.3%), healthcare (+9.2%) and materials (+8.1%). Convertibles that most lagged included transportation (-3.5%) and consumer discretionary (-3.3%).
- » Issuance in the U.S. convertible market remained strong with \$11.6 billion of new convertibles issued in the third quarter.

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	3.02%	9.55%	11.93%	10.40%	7.06%	7.96%	N/A	7.77%
A shares – at NAV	2.96	9.39	11.65	10.12	6.80	7.68	9.05	N/A
A shares – Load adjusted	0.64	6.91	9.14	8.35	5.77	7.16	8.89	N/A
ICE BofAML All U.S. Convertibles Index	3.93	10.43	12.15	11.82	9.31	11.00	N/A	7.72
S&P 500 Index	7.71	10.56	17.91	17.31	13.95	11.97	11.06	7.75
Value Line Convertible Index	2.15	11.95	14.95	14.60	10.02	11.59	8.96	7.65

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%.

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.

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

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

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## FUND HOLDINGS – CONTRIBUTORS

FIRM NAME	% OF FUND	FIRM PROFILE	ANALYSIS
<b>Advanced Micro Devices, Inc.</b>	1.0%*	Advanced Micro Devices (AMD) is a semiconductor company with a worldwide footprint. The company's products include microprocessors, chipsets, graphics processing units (GPUs), server and embedded processors, and system-on-chip (SoC) products and technology for game consoles. AMD is headquartered in Santa Clara, California.	Shares of AMD stock rose significantly after the company reported earnings and revenues that exceeded analyst expectations. AMD also stands to capture market share from its primary competitor, Intel, whose manufacturing missteps and supply shortages have opened the door for AMD to gain share in the PC and server markets. The convertible currently offers a yield advantage over the stock, which does not pay a dividend.
<b>Molina Healthcare, Inc.</b>	0.7%*	Molina Healthcare, Inc. provides Medicaid-related solutions to meet the health care needs of low-income families and individuals. Molina also provides Medicaid program administration assistance to state agencies. The company offers services for its members through contracts with physicians, hospitals and other providers.	Shares of Molina's stock rose sharply after the company reported strong quarterly earnings and revenues that surpassed analyst expectations. The turnaround under a new CEO happened faster than expected with net margins now expected to fall within 2.2%–2.3% in 2018. We believe the company is well positioned to exceed expectations through year-end given that many of its savings initiatives have yet to be implemented. The strong performance of the stock supported the company's announcement to redeem its 1.625% convertible, which resulted in the conversion to common shares.

## FUND HOLDINGS – DETRACTORS

FIRM NAME	% OF FUND	FIRM PROFILE	ANALYSIS
<b>Tesla, Inc.</b>	1.7%	Tesla, Inc., 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.	Shares of Tesla displayed significant volatility during the quarter as a result of Chairman/CEO Elon Musk's tweets about taking the company private. The tweets prompted an investigation by the SEC, which resulted in fraud charges against Musk. Musk and Tesla quickly settled with the SEC shortly after the quarter closed. Key-man risk has been a concern and the settlement provides some mitigation with Musk remaining CEO and resigning as chairman. Demand for Tesla's vehicles remained strong and production of the Model 3 continued to improve. The convertible currently offers an attractive risk/reward profile and provides a favorable yield advantage.
<b>Microchip Technology, Inc.</b>	2.3%	Microchip Technology manufactures and sells semiconductor products for various embedded control applications. It serves automotive, communications, computing, consumer, aerospace, defense, safety, security, medical, and industrial control markets.	Shares of Microchip Technology declined during the quarter after the company posted a disappointing quarterly earnings release due to an inventory correction at its recently acquired Microsemi business and a slowdown in its core business. The company also expressed concern about Chinese tariffs. Despite these challenges, the convertible offers an attractive risk/reward relative to its underlying stock.

\*As of 8/31/18

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## Positioning and Portfolio Changes

We have actively rebalanced positions by selling convertibles that become more equity sensitive as the market rises. We've used the proceeds to purchase convertibles that we expect to provide stronger risk/reward characteristics. We have favored the balanced portion of the convertible bond market, and the new issue market has provided ample opportunities for rebalancing. In the technology sector where our largest allocation resides, we have focused on prospects in internet security, cloud computing, software and big data, while reducing our semiconductors exposure throughout the quarter. Our presence in the Industrial group has not varied over the last quarter, as we see favorable opportunities in transportation equipment and related services.

We remain underweight to the defensive telecommunications, utilities, real estate and staples sectors. These sectors performed well during the third quarter, as global investors sought defensive positioning when confronted by non-U.S. market underperformance and trade war uncertainty. However, the U.S. convertible market had a relatively lower exposure to these defensive sectors, which offered less attractive opportunities. Overall, performance in the defensive sectors has declined relative to other areas. Looking longer-term, many defensive positions, which have served as bond proxies for the last 10 years, have underperformed with rising interest rates, which we expect to continue. To a limited extent, we have also sought non-U.S. convertibles that provide attractive risk-adjusted returns, given the correction we've witnessed in non-U.S. markets. For example, China's recent disposition not to devalue its currency while injecting economic stimulus may provide a catalyst for improved market returns. We are also eyeing domestic firms that have significant revenue exposure outside the U.S.

## SECTOR POSITIONING

SECTOR POSITIONING	SECTOR WEIGHTINGS AS OF 9/30/18	OVER/UNDERWEIGHT VS. ICE BOFAML ALL U.S. CONVERTIBLES INDEX (VXAO)	QUARTER TO QUARTER CHANGE
Information Technology	35.9	0.3	-0.1
Health Care	15.1	-2.5	-0.1
Consumer Discretionary	10.5	-0.5	-2.6
Financials	9.5	-2.3	0.6
Industrials	7.1	2.0	-0.7
Energy	5.1	-0.6	1.0
Utilities	3.8	-0.7	0.4
Real Estate	3.4	-1.3	0.3
Materials	1.1	-0.1	0.5
Telecom Services	0.6	-0.8	0.0
Consumer Staples	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

Our constructive outlook for the U.S. economy and capital markets also extends to the convertible market. In a rising-interest-rate environment, convertible bonds generally post stronger relative performance than straight (nonconvertible) bonds. Most recently, since December 2016 when the Fed began to raise rates, that has been the case as well. With expectations that the Federal Reserve will raise its benchmark rate by 25 basis points in December and likely see fit to raise the rate more through 2019, we believe convertible securities can continue to outperform. In addition, with tax reform passing last year, the lower corporate tax rates have improved the relative attractiveness of lower coupon convertible bonds relative to straight bonds. Limits on interest expense deductibility can skew corporations to favor issuing a convertible bond rather than a more traditional straight bond. Finally, lower taxes combined with less regulation in a favorable economic environment contribute to a positive corporate climate where convertible securities make sense for growth. Although we may be in the mid-to-latter part of the business cycle, we still see many firms seeking growth capital for mergers and acquisitions, research and development, or capital spending.

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## Fund Quarterly Attribution

	TELECOM SERVICES	CONSUMER DISCRETIONARY	CONSUMER STAPLES	ENERGY	FINANCIALS	HEALTH CARE	INDUSTRIALS	INFORMATION TECHNOLOGY	MATERIALS	REAL ESTATE	UTILITIES
CONVERTIBLE FUND VERSUS ICE BOFAML ALL U.S. CONVERTIBLES INDEX (%)											
Value Added from Sector	-0.18	-0.08	0.01	0.04	0.00	-0.11	-0.04	0.01	-0.02	0.04	0.11
Value Added from Selection & Interaction	0.00	-0.48	0.00	0.03	-0.13	0.56	-0.09	-0.12	-0.04	-0.06	0.14
Total Added Value	-0.18	-0.56	0.01	0.07	-0.13	0.46	-0.13	-0.11	-0.06	-0.01	0.26

### SECTOR WEIGHTS (AVERAGE % WEIGHT DURING THE QUARTER)

Convertible Fund	0.00	12.76	0.00	4.24	9.20	15.17	7.29	36.31	0.66	3.44	3.87
ICE BofAML All U.S. Convertible Index	0.50	11.86	1.47	5.79	11.88	17.05	4.89	35.50	1.20	4.67	5.19
Over/underweight	-0.50	0.90	-1.47	-1.54	-2.67	-1.88	2.41	0.81	-0.54	-1.23	-1.33

### SECTOR RETURNS (%)

Convertible Fund	0.00	-4.49	0.00	3.58	3.18	13.13	0.70	4.20	1.04	-0.71	2.68
ICE BofAML All U.S. Convertible Index	44.43	-0.91	3.53	2.67	4.45	9.12	1.97	4.53	9.78	0.76	-1.35
Relative Return	-44.43	-3.58	-3.53	0.91	-1.27	4.01	-1.27	-0.33	-8.74	-1.46	4.03

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. ICE BofAML U.S. High Yield Index consists of below investment grade U.S. dollar denominated corporate bonds that are publicly issued in the U.S. domestic and yankee bonds. Issues included in the index have maturities of one year or more and have a credit rating lower than BBB-/Baa3, but are not in default. The index includes domestic high-yield bonds, including deferred interest bonds and payment-in-kind securities. Source ICE Data Indices, LLC, used with permission. ICE permits use of the ICEBofAML 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. 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 which can be obtained by calling 1-800-582-6959. Read it carefully before investing.**

**CALAMOS**  
INVESTMENTS

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