

# Convertible Fund First Quarter 2019 Report



## OVERVIEW

The fund invests primarily in convertible securities of U.S. companies that are diversified across market sectors and credit quality.

## KEY FEATURES

- » Leverages 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 March 31, 2019, the fund had a positive return of 8.63% (A shares at NAV). Given our focus on convertibles displaying balanced risk/reward attributes, the fund was significantly underweight to convertibles displaying the most equity sensitivity which outperformed during the period.
- » The fund's flat result over the past six months was in line with the convertible benchmark index and held up better than the -1.72% return of the S&P 500 Index. This exemplified our approach of actively managing the hybrid characteristics of convertibles to capture more equity upside than downside over market cycles.
- » In terms of sectors, the fund's nonparticipation in consumer staples helped buoy return, while selection and an overweight allocation within consumer discretionary curbed relative results.

## Market Overview

- » In the quarter, U.S. convertibles and equities benefited from increasingly dovish Federal Reserve policy, intermittent progress on U.S.-Chinese trade negotiations, and economic data pointing to a sustained expansion.
- » Consumer staples was the only economic sector within the convertible index to register a negative quarterly result (-4.13%). The technology (+13.60%), energy (+13.56%) and industrials (+13.34%) sectors led, while financials (+6.05%) and consumer discretionary (+6.98%) sectors were positive but lagged the index.
- » Convertibles with the most equity sensitivity (+15.94%) delivered stronger relative results than those with balanced risk/reward attributes (+11.61%) and those exhibiting the most credit sensitivity (+6.29%).
- » The first quarter of 2019 saw \$10.5 billion in domestic new convertible issuance, and \$21.7 billion globally. While these numbers were slightly behind last year's pace, they marked a solid start to 2019.

AVERAGE ANNUAL RETURNS	QTD	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE A SHARE INCEPTION (6/21/85)	SINCE I SHARE INCEPTION (6/25/97)
<b>Calamos Convertible Fund</b>								
I shares – at NAV	8.67%	8.67%	6.56%	10.73%	5.55%	9.06%	N/A	7.58%
A shares – at NAV	8.63	8.63	6.35	10.47	5.29	8.79	8.91	N/A
A shares – Load adjusted	6.16	6.16	3.93	8.70	4.27	8.26	8.75	N/A
ICE BofAML All U.S. Convertibles Index	10.25	10.25	7.84	12.09	7.13	13.00	N/A	7.53
S&P 500 Index	13.65	13.65	9.50	13.51	10.91	15.92	10.83	7.48
Value Line Convertible Index	8.62	8.62	9.66	16.72	8.77	14.37	8.92	7.62

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 3/1/19, the Fund's total expense ratio for Class A shares is 1.17% and Class I shares is 0.92%.

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**

# Calamos Convertible Fund First Quarter 2019 Report

## FUND HOLDINGS – CONTRIBUTORS

FIRM NAME	% OF FUND	FIRM PROFILE	ANALYSIS
Zendesk, Inc.	1.5%*	Zendesk, Inc. is a software development company that provides Software as a Service (SaaS) products for organizations. Its product offerings provide systems for tracking, prioritizing, and providing customer support, in addition to cloud-based call center software as well as analytics for businesses to measure and enhance the customer experience. Zendesk was founded in 2007 and is headquartered in San Francisco, California.	Shares of Zendesk performed strongly after the company reported earnings and revenues that significantly surpassed analysis expectations. The company benefited from new product rollouts that have been well received and adopted by customers. The convertible is poised to participate in additional upside of the common stock and provides a slight yield advantage over the stock, which does not pay a dividend.
Workday, Inc.	2.0%	Workday, Inc. provides cloud-based computing applications for finance and human resources worldwide. Workday was founded in 2005 and is headquartered in Pleasanton, California.	Shares of Workday continued to climb, as the company reported strong revenue and margins. Workday is benefiting from robust demand for its disruptive cloud-based Human Capital Management software and its complementary Financial Management software. The company's average contract value and backlog increased significantly, indicating a solid runway for growth into its next fiscal year. The Workday convertible is poised to participate in any further upside of Workday stock and also offers a yield advantage over the Workday stock which does not pay a dividend.

## FUND HOLDINGS – DETRACTORS

FIRM NAME	% OF FUND	FIRM PROFILE	ANALYSIS
Tesla, Inc.	2.0%	Tesla, Inc., develops, manufactures and markets electric vehicles, energy storage systems, and solar generation products. Tesla was founded in 2003 and is headquartered in Palo Alto, California.	Shares of Tesla fell during the quarter despite quarterly earnings that were generally in line with or better than analyst expectations. The results were overshadowed by the surprise announcement of the CFO's retirement and continuing Model 3 demand concerns. While the stock has been volatile, the convertible currently offers an attractive risk/reward profile relative to the common stock, allowing it to participate in any future stock upside with downside protection. The convertible also provides a yield advantage versus the stock, which does not pay a dividend.
Evolent Health, Inc.	0.4%*	Evolent Health, Inc., provides health care delivery and payment solutions in the United States. The company provides technology systems and specialty health care management solutions that aggregate and analyze data and manage care workflows. Evolent Health was founded in 2011 and is headquartered in Arlington, Virginia.	Shares of Evolent Health declined after the company released an earnings report that missed analyst expectations, as the company incurred near-term operating costs on a lower revenue base as provider-sponsored Medicare plans were being wound down. Longer term, the company remains attractive in our view given a robust pipeline of new plan sponsor customers. The convertible offers an attractive yield advantage and has an asymmetric upside/downside capture profile versus its underlying common stock.

\*As of 2/28/19

# Calamos Convertible Fund First Quarter 2019 Report

## Positioning and Portfolio Changes

Despite outsized returns in the equity alternative portion of the market during 1Q19, we believe balanced convertibles offer the most attractive investment opportunity, given their combination of upside potential and downside protection. We have been using the recent market volatility to actively rebalance the portfolio with a combination of both cyclical and secular opportunities, primarily in technology, health care and select consumer sectors. We have facilitated our active rebalancing by trimming positions that had become much more equity sensitive during the market rise. We subsequently redeployed proceeds to purchase convertibles that we expect will provide stronger risk/reward characteristics.

Technology remains our largest sector allocation and largest relative overweight, as we continue to identify opportunities in the internet security, cloud computing, software and big data areas. We have also maintained a relative overweight in health care, seeking favorable opportunities in the health care equipment and health care technology industries.

The portfolio remains underweight to financials, as many of the convertibles in this sector are highly interest rate sensitive and offer little upside-participation potential relative to their underlying stocks. We are also underweight relative to the benchmark in real estate, consumer staples and utilities, as the U.S. convertible market has relatively small exposures to these areas, and the available convertibles also offer less attractive risk/reward profiles.

## SECTOR POSITIONING

SECTOR POSITIONING	SECTOR WEIGHTINGS AS OF 3/31/19	OVER/UNDERWEIGHT VS. ICE BOFAML ALL U.S. CONVERTIBLES INDEX (VXAO)	QUARTER TO QUARTER CHANGE
Information Technology	33.7	1.3	-1.0
Health Care	17.8	0.7	2.1
Financials	9.3	-2.4	-1.0
Communication Services	8.6	-0.3	0.7
Consumer Discretionary	7.0	0.2	0.1
Utilities	5.3	0.1	1.0
Industrials	4.7	-1.5	-1.6
Energy	4.0	-0.2	-0.6
Real Estate	3.1	-1.7	-0.1
Materials	1.0	-0.5	-0.2
Consumer Staples	0.0	-1.3	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

We continue to favor convertibles as a way to gain equity market exposure while managing downside risk. While the Fed's continued dovish pivot supports risk assets, continued macro and geopolitical uncertainties may result in heightened volatility. We are constructive longer term, given an expectation that geopolitical tensions will calm down, Fed policy will be flexible, global growth will stabilize and the near-term volatility could create favorable longer-term investment opportunities. In our view, the convertible market remains healthy, offering compelling opportunities in sectors that we favor, including technology, health care and consumer. Increased convertible issuance has expanded the opportunity set, while the secondary convertible market continues to offer an attractive array of balanced convertible structures, which the strategy emphasizes over the pure-equity or busted segments of the market.

# Calamos Convertible Fund First Quarter 2019 Report

## Fund Quarterly Attribution

	COMMUNICATION 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	0.03	0.00	0.21	0.01	0.13	0.01	-0.04	0.10	0.02	0.04	0.01
Value Added from Selection & Interaction	0.00	-0.54	0.00	-0.31	0.00	-0.07	-0.13	-0.50	-0.10	0.08	0.02
Total Added Value	0.04	-0.54	0.21	-0.30	0.13	-0.06	-0.17	-0.40	-0.08	0.12	0.03
SECTOR WEIGHTS (AVERAGE % WEIGHT DURING THE QUARTER)											
Convertible Fund	8.15	7.36	0.00	3.83	8.86	16.86	5.95	34.69	1.03	3.01	4.23
ICE BofAML All U.S. Convertible Index	8.99	7.16	1.41	4.25	11.66	17.30	5.51	32.36	1.46	4.85	5.03
Over/underweight	-0.84	0.20	-1.41	-0.42	-2.80	-0.43	0.44	2.32	-0.44	-1.84	-0.80
SECTOR RETURNS (%)											
Convertible Fund	7.21	-1.14	0.00	6.83	6.26	8.41	7.59	13.87	1.29	11.88	10.15
ICE BofAML All U.S. Convertible Index	7.08	5.93	-3.69	14.50	6.16	8.86	9.69	15.38	8.90	9.22	9.69
Relative Return	0.13	-7.07	3.69	-7.67	0.10	-0.45	-2.11	-1.51	-7.61	2.65	0.45

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.**



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