

Global Convertible Strategy



Market Overview

Global convertibles advanced in the quarter, as the ICE BofAML Global 300 Convertible Index (G300) returned 7.23%. U.S. convertibles generated leading returns, reflecting higher underlying equity prices, with the index returning 10.26%. European convertibles saw more moderate gains, returning 4.32% while Japanese euro convertibles returned 0.24%. Asia ex-Japan convertibles also rose in the period, returning 7.50%, while emerging market convertibles gained 8.66% overall. Globally, investment-grade convertibles returned 4.78% versus the 8.22% return in below-investment-grade issues, as measured by the ICE BofAML Investment Grade Global Index and ICE BofAML Below Investment Grade Global Index. Global convertible issuance of approximately \$21.7 billion picked up as the quarter progressed following the higher volatility and U.S. government shutdown earlier in the period.

Performance Review

For the quarter ended March 31, 2019, the portfolio had a positive return of 6.74%, though it trailed the Thomson Reuters Global Convertible Bond Index, which had a return of 7.98%. The portfolio's result was hindered in part by its underweight to convertibles displaying the most equity sensitivity, which outperformed. We believe balanced convertibles offer the most

attractive investment opportunity, given their combination of upside potential and downside protection.

Positive Influences on Performance

Information Technology. The portfolio's overweight allocation and favorable security selection in information technology assisted relative return. Specifically, our holdings in application software and semiconductor equipment were leading contributors.

Industrials. Security selection and an underweight stance in industrials also contributed to performance. Specifically, aerospace & defense and our lack of participation in industrial conglomerates promoted return.

Negative Influences on Performance

Consumer Discretionary. Over the period, security selection and an underweight position within the consumer discretionary sector hurt relative results, as holdings in the automobile manufacturers and internet & direct marketing retail industries lagged.

Materials. Selection in materials detracted from relative performance. Our lack of exposure in diversified chemicals and diversified metals & mining held back return.

FIGURE 1. CALAMOS GLOBAL CONVERTIBLE STRATEGY RETURNS

	QTR ENDING 3/31/19	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (10/01)
Calamos Global Convertible Composite						
Gross of Fees	6.74%	2.65%	8.59%	5.63%	8.90%	7.75%
Net of Fees	6.40	1.29	7.13	4.15	7.75	6.66
Thomson Reuters Global Convertible Bond Index	7.98	1.82	6.63	3.13	8.88	6.51

Source: Calamos Advisors LLC
Past performance is no guarantee of future results.
 Data as of 3/31/19.

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FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS THE THOMSON REUTERS GLOBAL CONVERTIBLE BOND INDEX
FIRST QUARTER 2019

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Information Technology	47	
Industrials	26	
Utilities	20	
Communication Services	17	
Energy	12	
Consumer Staples	9	
Financials		-9
Real Estate		-16
Health Care		-22
Materials		-35
Consumer Discretionary		-81

Attribution represented in basis points and is based on gross of fee performance with dividends reinvested. Performance attribution excludes any government/sovereign bonds or options on broad market indices the portfolio may hold. Past performance is no guarantee of future results.
Source: Calamos Advisors LLC. Data as of 3/31/19.

Geographic Performance

The portfolio benefitted from an underweight allocation in Europe. Spain was a leading contributor. In addition, our nonparticipation in Italy assisted return. Similarly, the portfolio benefitted from an underweight stance in Japan.

In contrast, security selection in the United States negatively impacted the portfolio's performance. Also, trailing selection and an underweight allocation in Emerging Asia dampened relative results. The portfolio's securities fell short of benchmark constituents, especially those in India and the Philippines.

Positioning and Portfolio Changes

The rapid advance that followed the late 2018 market sell-off once again provided opportunities to rebalance the portfolio. We were able to replace convertibles that had become overly equity sensitive with convertibles offering improved risk-reward attributes. While equity-sensitive convertibles performed well in the first quarter, we continue to believe that balanced convertibles offer the most attractive opportunity given their combination of upside potential and downside protection.

In terms of economic sectors, the largest allocations reside in information technology and financials on an absolute basis, whereas the smallest allocations are found within utilities and consumer staples. On a relative basis, application software and real estate operating companies are among the overweight industries. The portfolio maintains relative underweight positions in health care and communication services, with biotechnology (health care) and integrated telecommunication services (communication services) comprising industry underweight positions.

Allocations to health care and communication services rose during the period with increased weights in health care equipment and cable & satellite. By contrast, allocations to financials and industrials decreased over the period with reductions to mortgage REITs and building products.

From a regional standpoint, the portfolio's largest weights are in the United States and Europe. On the flipside, EMEA and Japan represent the smallest absolute weights. Allocations to Emerging Asia rose during the period, with increased weights in China and New Zealand. By contrast, the allocation to the United States decreased over the period.

Conclusion

We continue to favor convertibles as a way to gain equity market exposure while managing downside risk. We see reasons for optimism in global equities and convertibles, reflective of moderate earnings growth, benign inflation and attractive valuations. The convertible market remains healthy in our view with compelling opportunities in sectors that we favor including technology, health care and consumer. Increased convertible issuance has expanded the opportunity set, while the existing convertible market continues to offer plenty of balanced convertible structures which we prefer over the pure equity or busted portions of the market. We favor investments in companies with earnings growth catalysts, solid cash flow generation and healthy balance sheets. Our active, risk-managed investment approach and long-term perspective positions us to take advantage of the volatility and opportunities in global markets.

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FIGURE 3. SECTOR ALLOCATIONS VERSUS THE THOMSON REUTERS GLOBAL CONVERTIBLE BOND INDEX

SECTOR	REPRESENTATIVE PORTFOLIO %	THOMSON REUTERS GLOBAL CONVERTIBLE BOND INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 12/31/18 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	26.4	18.9	0.5	7.5
Financials	11.3	7.9	-1.9	3.4
Health Care	10.8	12.8	3.2	-1.9
Real Estate	10.3	7.6	0.0	2.7
Consumer Discretionary	10.1	12.3	-0.7	-2.2
Communication Services	7.7	11.2	1.4	-3.6
Energy	6.5	4.1	-0.5	2.4
Industrials	6.1	9.5	-1.5	-3.4
Materials	5.0	8.3	-1.1	-3.3
Consumer Staples	3.6	2.1	0.0	1.5
Utilities	2.1	5.3	0.6	-3.2

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Sector weightings exclude cash or cash equivalents, any government/sovereign bonds or broad-based index hedging securities/options the portfolio may hold. Sector allocations in table are based on end weights, while commentary weightings can be based on average weights. Therefore, the sector allocations table and commentary text may reference different sector assignments.

Source: Calamos Advisors LLC. Data as of 3/31/19.

FIGURE 4. LARGEST 10 COUNTRY WEIGHTS VERSUS THOMSON REUTERS GLOBAL CONVERTIBLE BOND INDEX

COUNTRY	REPRESENTATIVE PORTFOLIO %	THOMSON REUTERS GLOBAL CONVERTIBLE BOND INDEX %	PORTFOLIO COUNTRY WEIGHTING CHANGE SINCE 12/31/18 (PCT. POINTS)	UNDER/OVERWEIGHT %
United States	53.2	45.1	-1.1	8.1
France	10.3	6.1	-0.5	4.3
Germany	7.5	6.2	0.1	1.3
Japan	7.0	8.4	0.2	-1.4
China	6.2	8.3	2.7	-2.1
Luxembourg	3.7	0.4	-0.4	3.4
Philippines	1.9	0.1	-0.2	1.8
Netherlands	1.5	3.2	0.0	-1.7
India	1.5	0.0	-0.1	1.5
New Zealand	1.0	0.1	0.0	0.9
Developed Markets	89.7	88.7	-2.3	1.0
Emerging Markets	10.3	11.3	2.3	-1.0

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Largest country weights table excludes cash and any broad index options, and are based on end-of-period weights. Additionally, companies are classified geographically according to their country of domicile. Country weightings referenced in the table versus the commentary text may differ.

Source: Calamos Advisors LLC. Data as of 3/31/19.

The representative portfolio information described in both charts above represents a representative account managed in the Global Convertible strategy. Other clients' portfolios may differ mainly due to individual restrictions and timing of purchases and sales. All portfolio positioning and sector information is for a representative portfolio. Please see last page for additional information.

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Past performance does not guarantee or indicate future results. 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. There is no guarantee that the investment goals/objectives will be met. Indices are unmanaged and one cannot invest directly in an index.

The information portrayed is for the Calamos Global Convertible Composite. Representative holdings and portfolio characteristics are for the Representative Portfolio shown and 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 represents the investment strategy as a whole.

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.

Investments in overseas markets pose special risks, including currency fluctuation and political risks, and the strategy is expected to be more volatile than that of a U.S. only strategy. These risks are generally intensified for investments in emerging markets.

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

It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Performance returns presented reflect, unless otherwise noted, the **Calamos Global Convertible Composite** which is an actively managed composite investing primarily in a globally diversified portfolio of convertible securities. The composite includes all fully discretionary fee-paying accounts, including those no longer with the Firm. The Composite inception date is October 1, 2001.

Country Return Statistics: Unless otherwise noted, country equity returns are based on the appropriate MSCI Index for the country listed. The Thomson Reuters Global Convertible Bond Index is designed to represent the global convertible market. The ICE BofAML Global 300 Convertible Index (VG00) is a global convertible index composed of companies representative of the market structure of countries in North America, Europe and the Asia/Pacific region. The ICE BofAML Investment Grade Global 300 Convertibles Index comprises issues of investment-grade convertible bonds and preferreds in North America, Europe and the Asia/Pacific Region. The ICE BofAML Speculative Grade Global 300 Convertibles Index comprises speculative grade convertible bonds and preferreds in North America, Europe and the Asia/Pacific Region. 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.

The **MSCI Europe Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. The **MSCI Japan Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Japan. The **MSCI World Index** is a market capitalization weighted index composed of companies representative of the market structure of developed market countries in North America, Europe, and the Asia/Pacific Region.

Unmanaged index returns assume reinvestment of any and all distributions and, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

Fees include the investment advisory fee charge by Calamos Advisors LLC. Returns greater than 12 months are annualized. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest. Chart Data Sources: Calamos Advisors LLC.

Average annual total return measures net investment income and capital gain or loss from portfolio investments as an annualized average assuming reinvestment of dividends and capital gains distributions.

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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