

## Navigating Volatility: Calamos Hedged Equity Income Fund

As volatility has picked up, investors have gained a renewed appreciation for downside risk management—and for funds that have been able to steer clear of the worst of the downside while still participating in upside.

To learn more about how Calamos Hedged Equity Income Fund has risen to the challenge of volatile markets, we sat down with John P. Calamos, Sr., Founder, Chairman and Global CIO of Calamos Investments, and Eli Pars, Co-CIO and Senior Portfolio Manager. The fund currently has a 4-star Morningstar Overall Rating and is ranked in the highest quartile of its Morningstar category for both short-term and longer-term periods.\*

**Calamos Investments is recognized as a pioneer in risk-managed strategies, including alternatives. How does this fund fit into that tradition?**

**John Calamos:** Risk management has been a key part of our heritage as an asset manager. I've always been interested in providing investors with innovative ways to build and preserve capital. When I founded the firm in the 1970s, we were differentiated by our use of convertible securities as a way to manage risk and returns. Back then, investors generally considered convertibles to be an alternative asset class, and we were one of the first to offer a convertible fund to retail investors.

Building on this convertible capability, we went on to launch our Market Neutral Income Fund in 1990, making it one of the first liquid alternative funds. We wanted to give individual investors access to innovative institutional-caliber strategies, which Market Neutral Income Fund does through a combination of two risk-managed strategies—convertible arbitrage and covered call writing. We're really pleased with the reception that the fund has received throughout the years. It's the largest in its category, with \$5.0 billion in assets under management.

As we spoke with clients and financial advisors about their alternative needs, we saw a growing level of interest for a fund that was more exclusively focused on covered call writing. That led us to launch Hedged Equity Income Fund in 2014.



### MORNINGSTAR OVERALL RATING™<sup>†</sup> Among 82 Options-based Funds

The fund's Class I shares had 4 stars for 3 years out of 82 Options-based Funds for the period ended 1/31/18.

**Investment Approach:** The fund's covered call strategy involves constructing an optimized portfolio of long common equities and writing (selling) call options against the equity holdings to generate income

- » The long stock portfolio is an actively managed, optimized portfolio of S&P 500 companies
- » Call options are primarily written on broad equity indices, and opportunistically against individual equity holdings
- » Protective puts are utilized to protect against significant equity market declines
- » Investment team actively manages the options strategies to optimally generate income

**A Shares**  
CAHEX

**I Shares**  
CIHEX

*\*Within the Morningstar Options-based funds category, the fund's Class I shares had percentile rankings of 23 out of 145, 19 out of 89 and 24 out of 90 Options-based funds for 1-year, 3-year and since inception (12/31/14) periods for the period ended 1/31/18.*

**Eli, what are the differences and similarities between your flagship Market Neutral Income Fund and the newer Hedge Equity Income Fund?**

**Eli Pars:** Let’s start with the similarities because they’re ultimately more important, in my view. We have the same team managing both funds and we’re following the same philosophy—we prepare for a variety of outcomes with an emphasis on avoiding downside. Both funds have been less volatile than the broad equity market, as measured by beta since inception. Either fund could be a compelling choice for an investor who seeks absolute downside protection with lower volatility.

On its own, our covered call writing strategy provides a higher level of equity market exposure. Hedged Equity Income Fund is designed to be a higher octane approach than Market Neutral Income Fund, but it is still risk managed. The funds are different enough that an advisor could include them in the same allocation for certain investors, depending on suitability, of course.

**How has Hedged Equity Income Fund performed during volatile markets?**

**John Calamos:** The fund has been more resilient than the broad equity market. Since the fund’s inception in 2014, volatility in the stock market has been low relative to longer-term trends. Still, there have been four periods when the S&P 500 had a drawdown of more than 5 percent. In each of these periods, Calamos Hedged Equity Income Fund held up better.

**What do you believe has been the key to the fund’s historical success?**

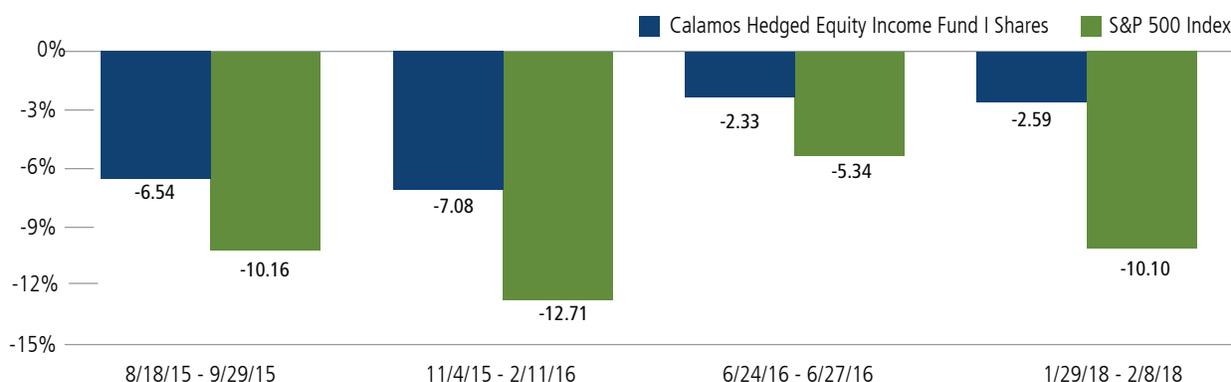
**Eli Pars:** I believe what’s made the difference is that we’re always looking to position the fund for a variety of outcomes, including the ones that investors are betting against. Up until the most recent correction, volatility had been extraordinarily low, making the prices of both puts and calls very low as well. Because we were able to buy a variety of options at attractive prices, this positioned us for both upside and downside volatility. As markets became more turbulent, the fund was in a good position to ride out the storm because we had taken advantage of the opportunities the market presented.

**What’s your outlook for the fund?**

**John Calamos:** I’m optimistic. **I believe Calamos Hedged Equity Income Fund’s approach provides a good framework for turning volatility into opportunity.** Volatility has returned to the markets, but we still see upside for equities. The economy is growing and corporate earnings continue to trend upward. Tax reform and lower levels of regulation can support the stock market further from here. Our team brings extensive experience, with a tested risk-management discipline. The fund can provide a more comfortable way to invest in turbulent markets, while providing lower volatility and a steady income stream.

**CALAMOS HEDGED EQUITY INCOME FUND OUTPERFORMED THE S&P 500 DURING ALL DOWN MARKETS SINCE INCEPTION**

PERFORMANCE DURING DOWN EQUITY MARKETS (PERIODS WHEN THE S&P 500 WAS DOWN >5%)



Source: Morningstar. Calamos Hedged Equity Income Fund Class I share returns for 1-year, 3-year and since inception (12/31/14) periods as of 1/31/18 are 12.34%, 7.33%, and 6.13%, respectively. S&P 500 Index returns for 1-year, 3-year and since fund inception (12/31/14) periods as of 1/31/18 are 26.41%, 14.66% and 13.11%, respectively. As of the prospectus dated 2/28/17, the gross expense ratio and net expense ratio for Class I shares were 1.82% and 0.98%, respectively.

**Performance data quoted represents past performance, which is no guarantee of future results.** Current performance may be lower or higher than the performance quoted. 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 4.75%. Had it been included, the Fund’s return would have been lower. For the most recent month-end fund performance information visit [www.calamos.com](http://www.calamos.com).

## BIOGRAPHIES



**John P. Calamos, Sr.**  
Founder, Chairman and Global Chief Investment Officer

John P. Calamos, Sr. founded Calamos Investments in 1977. With origins as an institutional convertible bond manager, the firm has grown into a global asset management firm with major institutional and individual clients around the world. With 48 years of investment industry experience, John has established research and investment processes centered around a team-based approach designed to deliver superior risk-adjusted performance over full market cycles. He is Chairman of the Calamos Investment Committee, which is charged with providing a top-down framework, maintaining oversight of risk and performance metrics, and evaluating investment process.

John is often quoted as an authority on risk-managed investment strategies, markets and the economy, and has authored two books on convertible securities. He is a frequent speaker at investment seminars and conferences around the world and appears regularly on leading news networks. He holds a B.A. in Economics and M.B.A. in Finance, both from the Illinois Institute of Technology. After college graduation, he joined the United States Air Force where he served as a combat pilot during the Vietnam War and ultimately earned the rank of Major.



**Eli Pars, CFA**  
Co-CIO, Head of Alternative Strategies and Co-Head of Convertible Strategies, Senior Co-Portfolio Manager

As a Co-Chief Investment Officer, Eli Pars is responsible for oversight of investment team resources, investment processes, performance and risk. As Head of Alternative Strategies and Co-Head of Convertible Strategies, he manages investment team members and has portfolio management responsibilities for those investment verticals. He is a member of the Calamos Investment Committee. Eli has 30 years of industry experience, including 11 at Calamos. Prior to returning to Calamos in 2013, he was a Portfolio Manager at Chicago Fundamental Investment Partners, where he co-managed a convertible arbitrage portfolio. Previously, he held senior roles at Mulligan Partners LLC, Ritchie Capital and SAM Investments/The Hampshire Company. Earlier in his career, Eli was a Vice President and Assistant Portfolio Manager at Calamos. He received a B.A. in English Literature from the University of Illinois and an M.B.A. with a specialization in Finance from the University of Chicago Graduate School of Business.

### FOR MORE INFORMATION

To learn more about Calamos Hedged Equity Income Fund, please visit [www.calamos.com](http://www.calamos.com) or call us at 800-582-6959 (Monday through Friday, 8 am to 6 pm central time).

AUM data is as of January 31, 2018.

For the three-year period ended January 31, 2018, the beta of Calamos Hedged Equity Income Fund Class I shares is 0.54 versus the S&P 500 Index. 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 1/2 the market's volatility as represented by the S&P 500 Index, while a beta of 2.0 reflects twice the market's volatility.

The Fund's investment advisor has contractually agreed to reimburse Fund expenses through March 1, 2019 to the extent necessary so that Total Annual Fund Operating Expenses (excluding taxes, interest, short interest, short dividend expenses, brokerage commissions, acquired fund fees and expenses, and extraordinary expenses, if any) of Class I shares is limited to 1.00% of average net assets. Calamos Advisors may recapture previously waived expense amounts within the same fiscal year for any day where the respective Fund's expense ratio falls below the contractual expense limit up to the expense limit for that day.

*The opinions referenced are as of the date of the publication, 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. Past performance is no guarantee of future results.*

#### **Important Risk Information**

An investment in the Fund is subject to risks, and you could lose money on your investment in the Fund. There can be no assurance that the Fund will achieve its investment objective. Your investment in the Fund 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 can increase during times of significant market volatility. The writer of a covered call may be forced to sell the stock to the buyer of the covered call and be precluded from benefiting from potential gains above the strike price.

The principal risks of investing in the **Calamos Hedged Equity Income Fund** include: covered call writing risk, options risk, equity securities risk, correlation risk, mid-sized company risk, interest rate risk, credit risk, liquidity risk, portfolio turnover risk, portfolio selection risk, foreign securities risk, American depository receipts, and REITs risks.

**Options Risk** — The Fund's ability to close out its position as a purchaser or seller of an over-the-counter or exchange-listed put or call option is dependent, in part, upon the liquidity of the option market. There are significant differences between the securities and options markets that could result in an imperfect correlation among these markets, causing a given transaction not to achieve its objectives. The Fund's ability to utilize options successfully will depend on the ability of the Fund's investment adviser to predict pertinent market movements, which cannot be assured.

The principal risks of investing in the **Market Neutral Income Fund** include: equity securities risk consisting of market prices declining in general, 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, convertible hedging risk, covered call writing risk, options risk, short sale risk, interest rate risk, credit risk, high yield risk, liquidity risk, portfolio selection risk, and portfolio turnover risk.

Morningstar Ratings<sup>™</sup> are based on risk-adjusted returns and are through 1/31/18 for Class I shares and will differ for other share classes. Morningstar ratings are based on a risk-adjusted return measure that accounts for variation in a fund's monthly historical performance (reflecting sales charges), placing more emphasis on downward variations and rewarding consistent performance. Within each asset class, the top 10%, the next 22.5%, 35%, 22.5%, and the bottom 10% receive 5, 4, 3, 2 or 1 star, respectively. Each fund is rated exclusively against U.S. domiciled funds. The information contained herein is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Source: ©2018 Morningstar, Inc.

Funds in the Options-based category use options as a significant and consistent part of their overall investment strategy. Trading options may introduce asymmetric return properties to an equity investment portfolio. These investments may use a variety of strategies, including but not limited to: put writing, covered call writing, option spread, options-based hedged equity, and collar strategies. In addition, option writing funds may seek to generate a portion of their returns, either indirectly or directly, from the volatility risk premium associated with options trading strategies.

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

**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 or call 1-800-582-6959. Read it carefully before investing.**

**CALAMOS**<sup>®</sup>  
INVESTMENTS

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