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CALAMOS® INVESTMENTS

Investor Insights

Strategies for Investing through Uncertainty:
The Opportunity of Convertible Securities

Recent months have not been easy for investors. As markets have grappled with unprecedented uncertainties, stocks have gyrated massively and the yield on the 10-year Treasury has reached record lows. While recent weeks have brought encouraging signs of economic recovery, there's still considerable uncertainty, especially with elections coming up.

In these challenging times, it's important to maintain long-term focus. Investors who try to time the short-term ups and downs in the market often end up getting whipsawed—in other words, they capture the downside but miss the rebounds.

For investors who are afraid to be in the market but also recognize the value of staying invested, a fund utilizing convertible securities may provide attractive potential benefits. Convertible securities may be a compelling choice for an asset allocation core because they lessen the need to make a timing call about the stock market, interest rates or economic recovery.

Convertibles are "hybrid" securities. Although less well known than stocks and bonds, convertibles are a global asset class with a history that traces back to the mid-1800s. Convertible securities combine attributes of stocks and traditional fixed income securities. Convertible bonds are technically classified as debt instruments because they pay interest and have a maturity date. However, a convertible bond can be exchanged—or converted—into a specific number of shares of common stock of the issuer's company.

Convertible securities can offer many benefits to investors but active management is essential. Convertibles vary in their degree of equity sensitivity and fixed income sensitivity. These characteristics vary not only for the convertible universe as a whole, but also for an individual convertible over time. The complexity of the convertible security is what makes it so versatile, but if these attributes are not managed correctly, a convertible fund can become exposed to unintended risks. With active management, convertible securities can provide unique opportunities through even the most challenging periods.

BY JOHN P. CALAMOS, SR.
FOUNDER, CHAIRMAN AND GLOBAL CHIEF INVESTMENT OFFICER

CONVERTIBLE SECURITIES:

Combine features of stocks and traditional fixed income securities.

Provide access to a breadth of opportunity, with recent issuance trends expanding the choices.

With active management, offer the potential for:

1. Defensive equity participation
2. Enhancing a fixed income allocation
3. A hedge against an eventual rise in inflation

CONVERTIBLE SECURITIES COMBINE THE ADVANTAGES OF STOCKS AND BONDS

UPSIDE OPPORTUNITY

When the underlying stock rises, convertibles may capture a portion of the capital appreciation

DOWNSIDE RISK MITIGATION POTENTIAL

If the underlying stock price drops, convertibles provide consistent income and other fixed income characteristics (e.g., principal repayment)

Historically lower volatility equity participation. Convertibles can benefit as their underlying equities appreciate because the convertible's embedded option (to convert to common stock) becomes more valuable. However, the fixed income attributes of the convertible—such as coupon income and the bond floor—may provide a potential cushion when stock markets are volatile. We believe this will be an extremely important benefit in the coming months given the potential for markets to move upward, but with considerable volatility along the way.

A potential enhancement for a fixed income allocation. In addition to providing coupon income, convertibles may be more resilient to rising interest rates and inflationary pressures compared to traditional fixed income securities. Bonds tend to lose value in an environment of rising rates. Although convertibles are influenced to a degree by interest rate fluctuations, their underlying stocks may also appreciate during an improving economy. This can make their conversion features more valuable and potentially soften the impact of rising rates.

In recent months, the Federal Reserve and other central banks have lowered short-term interest rates to help the global economy through the pandemic. As economic activity improves, this course may reverse. Meanwhile, as shuttered economies open up, pent-up consumer demand and a shift to more localized supply chains could fuel inflation pressure. Actively managed convertible funds can help investors strategically position their asset allocations ahead of such changes.

A growing universe of opportunity. Historically, convertible issuance has ramped up after crisis events in the market, and we're seeing this today. A wide array of companies have issued convertibles as they take advantage of market conditions to improve their liquidity. Through May, year-to-date global convertible issuance totals nearly $65 billion, including $43 billion since the end of March alone. Many of these convertibles offer attractive characteristics, including compelling coupon income.

Conclusion

Actively managed funds that include convertible securities provide many potential benefits for long-term investors. Your investment professional can tell you more about which Calamos funds are most appropriate for your needs. You can learn more about the opportunity on our website at **www.calamos.com/insights/convertiblebondstoday**.

CALAMOS INVESTMENTS, A PIONEER IN CONVERTIBLE SECURITIES

Since the 1970s, we have used convertible securities to help investors achieve their long-term financial goals. Our founder John P. Calamos, Sr. developed proprietary strategies for capitalizing on the opportunity of the asset class. He is the author of two books on convertible securities and is widely recognized for his extensive experience. Today, we provide access to our convertible capabilities in U.S., global and emerging market funds, as well as liquid alternatives. Our choices include funds that invest primarily in convertibles, in addition to multi-asset strategies.

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

IMPORTANT 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 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. 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.

The principal risks of investing in **Calamos Hedged Equity Fund** include: covered call writing risk, options risk (see definition below), 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 options 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 advisor to predict pertinent market movements, which cannot be assured.

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. More detailed information regarding these risks can be found in the Fund's prospectus.

The principal risks of investing in the **Calamos Growth and Income Fund** include: the potential for convertible securities to decline in value during periods of rising interest rates and the possibility of the borrower missing payments; synthetic convertible instruments risks include fluctuations inconsistent with a convertible security and components expiring worthless. Others include equity securities risk, growth stock risk, small and midsize company risk, interest rate risk, credit risk, liquidity risk, high yield risk, forward foreign currency contract risk, and portfolio selection risk.

The principal risks of investing in the **Calamos Evolving World Growth Fund** include: equity securities risk consisting of market prices declining in general, growth stock risk consisting of potential increased volatility due to securities trading at higher multiples, foreign securities risk, emerging markets risk, 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, and portfolio selection 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.

The principal risks of investing in the **Calamos Global Equity Fund** include: equity securities risk consisting of market prices declining in general, growth stock risk consisting of potential increased volatility due to securities trading at higher multiples, value stock risk, foreign securities risk, forward foreign currency contract risk, emerging markets risk, small and mid-sized company risk and portfolio selection 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.

The principal risks of investing in the **Calamos Global Growth and Income 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, emerging markets risk, equity securities risk, growth stock risk, interest rate risk, credit risk, high yield risk, forward foreign currency contract risk, portfolio selection risk, and liquidity risk.

About Class I shares: 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 nonqualified 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.

Morningstar Allocation—70% to 85% Equity funds seek to provide both income and capital appreciation by investing in multiple asset classes, including stocks, bonds and cash. These portfolios are dominated by domestic holdings and have equity exposures between 70% and 85%.

Morningstar Market Neutral Category represent funds that attempt to eliminate the risks of the market by holding 50% of assets in long positions in stocks and 50% of assets in short positions.

Morningstar Options-Based Category funds 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, options based funds may seek to generate a portion of their returns, either indirectly or directly, from the volatility risk premium associated with options trading strategies.

Morningstar Diversified Emerging Markets Category is comprised of funds with at least 50% of stocks invested in emerging markets.

Morningstar World Large Stock Category comprises international funds having 20% to 60% of stocks invested in the United States.

Morningstar World Allocation funds seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds and cash. While these portfolios do explore the whole world, most of them focus on the U.S., Canada, Japan and the larger markets in Europe. It is rare for such portfolios to invest more than 10% of their assets in emerging markets. These portfolios typically have at least 10% of assets in bonds, less than 70% of assets in stocks, and at least 40% of assets in non-U.S. stocks or bonds.

In challenging markets, experience matters

We believe there is opportunity in all environments, including the most uncertain ones. Since our founding during the difficult financial markets of the 1970s, we have been dedicated to turning volatility into opportunity for the shareholders of the Calamos Funds. Guided by long-term perspective, we provide a wide array of actively managed asset allocation choices, including many funds with 5-star and 4-star Morningstar Overall Ratings, a measure of risk-adjusted historical performance.

MORNINGSTAR OVERALL RATINGS™ DATA AS OF MAY 31, 2020

★★★★★

CALAMOS MARKET NEUTRAL INCOME FUND

Among 99 Market Neutral Funds

The Fund's load-waived I shares had 4 stars for 3 years, 4 stars for 5 years and 5 stars for 10 years out of 99, 83 and 21 Market Neutral Funds, respectively.

★★★★★

CALAMOS HEDGED EQUITY FUND

Among 121 Options-based Funds

The Fund's load-waived Class I Shares had 5 stars for 3 years and 5 stars for 5 years out of 121 and 69 Options-based Funds, respectively.

★★★★★

CALAMOS GROWTH AND INCOME FUND

Among 308 Allocation–70% to 85% Equity Funds

The Fund's load-waived Class I Shares had 5 stars for 3 years, 5 stars for 5 years and 4 stars for 10 years out of 308, 277 and 193 Allocation–70% to 85% Equity Funds, respectively.

★★★★★

CALAMOS EVOLVING WORLD GROWTH FUND

Among 700 Diversified Emerging Markets Funds

The Fund's load-waived Class I Shares had 5 stars for 3 years, 4 stars for 5 years and 5 stars for 10 years out of 700, 581 and 244 Diversified Emerging Markets Funds, respectively.

★★★★

CALAMOS GLOBAL GROWTH AND INCOME FUND

Among 395 World Allocation Funds

The Fund's load-waived Class I Shares had 5 stars for 3 years, 4 stars for 5 years and 3 stars for 10 years out of 395, 335 and 207 World Allocation Funds, respectively.

★★★★

CALAMOS GLOBAL EQUITY FUND

Among 762 World Large Stock Funds

The Fund's load-waived Class I Shares had 4 stars for 3 years, 4 stars for 5 years and 4 stars for 10 years out of 762, 626 and 368 World Large Stock Funds, respectively.

Performance data quoted represents past performance, which is no guarantee of future results.

Morningstar Data: Morningstar RatingsTM are based on risk-adjusted returns and are through 5/31/20 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: ©2020 Morningstar, Inc.

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