

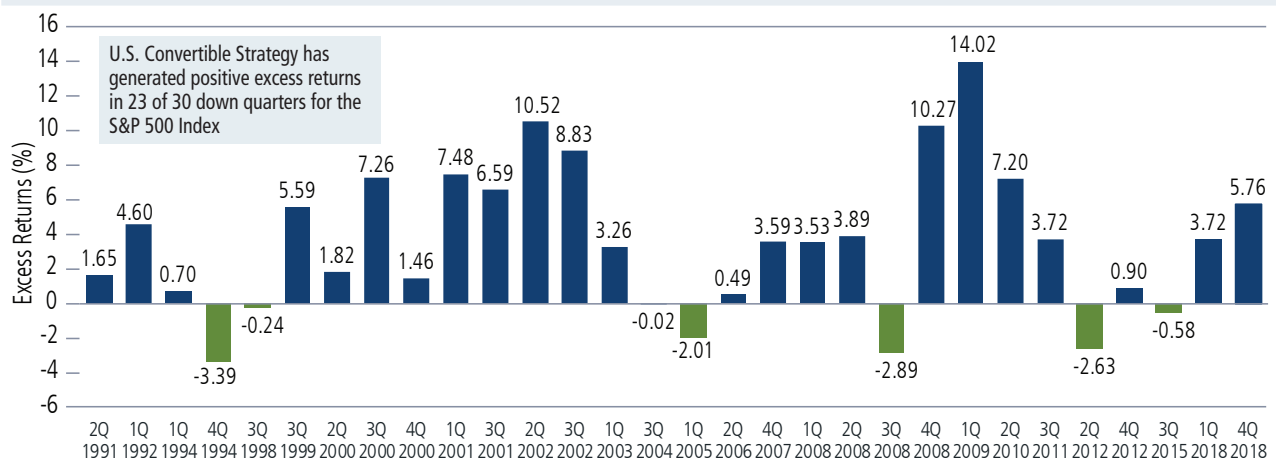
## Back At It Again: How Calamos Convertible Strategies Protected Against February’s Downside

The benefit of actively managed convertible securities in a portfolio has been demonstrated yet again in the performance of Calamos U.S. Convertible Strategy through the first two months of this year (-1.08%, gross of fees), defying the stock market’s -8.27% decline through 2/29/20—and capturing just under 42% of the market’s downside in the month of February alone.

It’s the latest in a long line of outperformance during market drawdowns. As shown below, the Calamos U.S. Convertible Strategy has outperformed the S&P 500 in 23 of 30 down quarters since the composite inception in 1991.

### RELATIVE PERFORMANCE DURING DOWN MARKETS:

#### U.S. CONVERTIBLE STRATEGY’S EXCESS RETURNS DURING NEGATIVE QUARTERS FOR THE S&P 500 INDEX SINCE INCEPTION



Performance data quoted represents past performance, which is no guarantee of future results. Relative performance during down markets since 1/1/1991, the inception of the composite. Returns shown are excess returns. Excess returns are the returns in excess of the benchmark and are calculated from gross of fee returns. Actual returns for the period may be positive or negative. The S&P 500 Index is a market-weighted index and is widely regarded as the standard for measuring U.S. stock market performance.

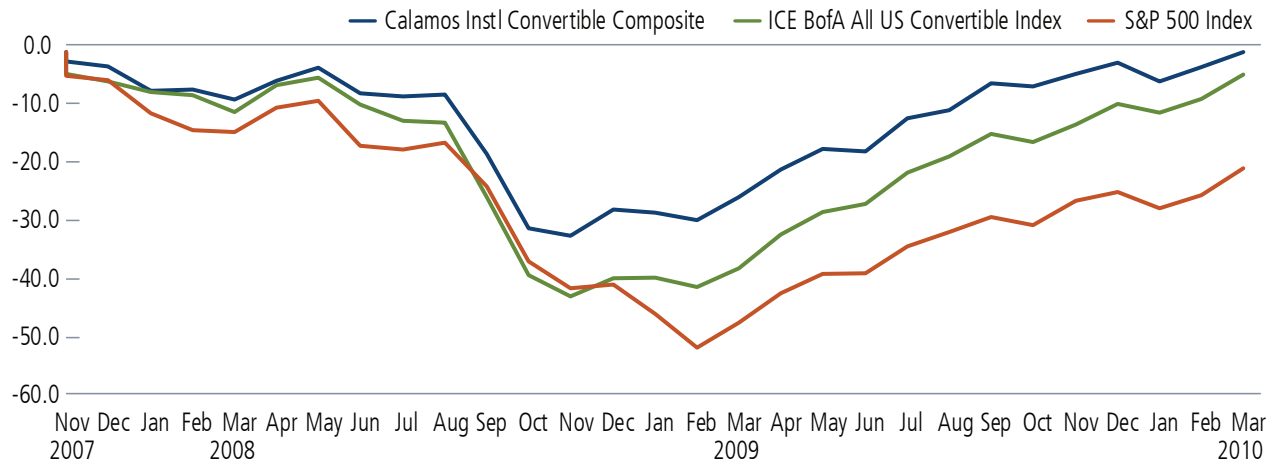
#### GLOBAL CONVERTIBLE STRATEGY’S EXCESS RETURNS DURING NEGATIVE QUARTERS FOR THE MSCI WORLD INDEX SINCE INCEPTION



Performance data quoted represents past performance, which is no guarantee of future results. Relative performance during down markets since 10/1/2001, the inception of the composite. Returns shown are excess returns. Excess returns are the returns in excess of the benchmark and are calculated from gross of fee returns. Actual returns for the period may be positive or negative. 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.

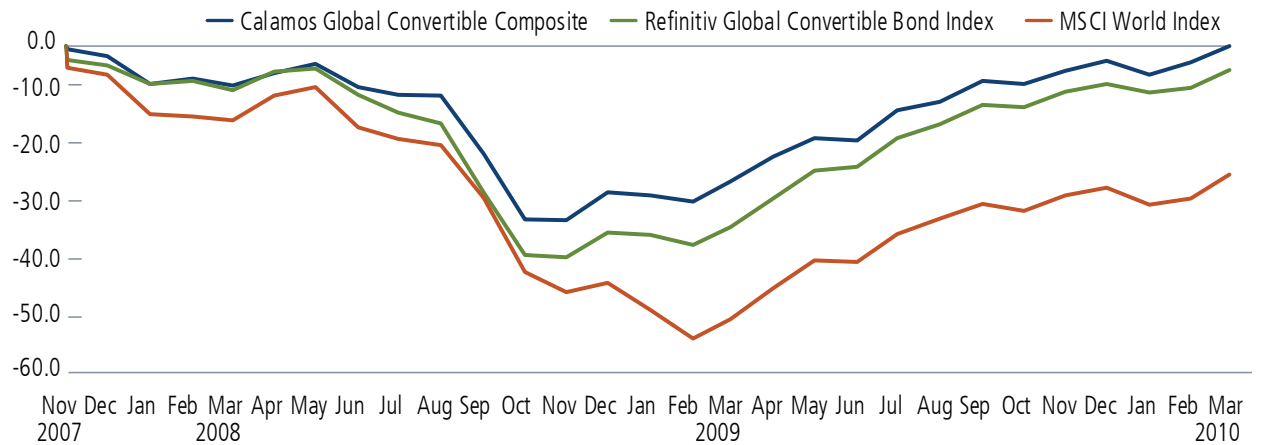
**GREAT FINANCIAL CRISIS: BROAD MARKET AND CONVERTIBLE INDEX SUFFERED STEEPER DRAWDOWNS THAN THE CALAMOS U.S. CONVERTIBLE STRATEGY ...**

**... ENABLING U.S. CONVERTIBLE STRATEGY TO FULLY RECOVER 2 YEARS AHEAD OF S&P**



Performance data quoted represents past performance, which is no guarantee of future results. 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 ICE BofA All U.S. Convertibles Index (VXA0) comprises approximately 700 issues of only convertible bonds and preferreds of all qualities.

**...AND THE GLOBAL MARKET AND CONVERTIBLE INDEX SUFFERED STEEPER DRAWDOWNS THAN THE CALAMOS GLOBAL CONVERTIBLE STRATEGY**



Performance data quoted represents past performance, which is no guarantee of future results. The Refinitiv Global Convertible Bond Index is designed to broadly represent the global convertible bond market. 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.

And during the most challenging market in recent history, the Calamos U.S. Convertible Strategy held up significantly better than the equity market. Its shallower drawdown in the Great Financial Crisis resulted in a much quicker recovery than the S&P or its benchmark.

The Calamos Global Convertible Strategy, too, protected the portfolio, by remaining in the black with a 1.07% (gross of fees) year-to-date, as of 2/29/2020. The Calamos Global Convertible Strategy dropped -1.41% (gross of fees) in February versus the MSCI World's 8.41% decline.

## CONVERTIBLES' CHANGING CHARACTERISTICS HIGHLIGHT IMPORTANCE OF ACTIVE MANAGEMENT

	YIELD ALTERNATIVES Fixed income characteristics	TOTAL RETURN ALTERNATIVES Hybrid characteristics	EQUITY ALTERNATIVES Equity characteristics
3/1/2000	18.9%	27.8%	53.3%
2/28/2009	67.4	20.9	11.7
12/31/2019	31.0	40.8	28.2

Source: BofA Global Research, ICE Data Indices, LLC; All U.S. Convertibles Index (VXA0)

### The Difference That Active Management Makes

For investors looking for a resource (or refresher) on how convertibles offer potential equity participation while mitigating downside risk, we refer you to our just-updated 32-page [Convertible Securities: Structures, Valuation, Market Environment and Asset Allocation](#) guide.

The guide is written by Calamos Founder, Chairman and Global Chief Investment Officer [John P. Calamos, Sr.](#), with contributions from [Eli Pars, CFA](#), Calamos Co-CIO, Head of Alternative Strategies and Co-Head of Convertible Strategies. John Calamos is widely acknowledged as a pioneer in convertibles, and Eli is Senior Co-Portfolio Manager of the [Calamos Market Neutral Strategy](#).

While the guide covers all things convertibles, below we've highlighted the discussion on the importance of active management (excerpted from [Convertible Securities: Structures, Valuation, Market Environment and Asset Allocation](#)).

Why do convertibles require active management? Because of their structural complexities, convertible securities demand active management within asset allocations. It is not simply the convertibles that make a strategy work, but how convertibles are managed to achieve a particular investment objective. Convertibles have varying degrees of equity and fixed income sensitivity, and these characteristics may change for a given convertible over time.

As the table shows, the convertible market demonstrated a much higher degree of equity sensitivity in March of 2000, against the backdrop of a peaking equity market and technology bubble. An investor who had favored a passive or index-like strategy in this environment would have been over-exposed to equity downside. By February of 2009, the pendulum had swung to the other extreme. As the markets troughed in the liquidity crisis, more than two-thirds of convertibles were trading as "credit-sensitive." An investor who chose to mimic the broad market would have been positioned for limited participation in the equity market's subsequent upside. Finally, you can see the total return tilt of the convertible market as of 12/31/19.

As of February 29, 2020, the market mix was 35% yield alternatives, 36% total return and 29% equity.

"The convertible market was very healthy entering 2020 as recent new issuance helped maintain a well balanced opportunity set despite years of strong equity market returns. With the recent market pullback, however, we are again seeing a shift toward more credit-sensitive names, which may continue if equity markets decline further," says Joe Wsocki, CFA, Senior Vice President, Co-Portfolio Manager.

"A key to longer term success is a disciplined approach to actively manage these risk/reward tradeoffs in order to participate in the upside potential of equities but also to protect on the downside."

These statistics illustrate why convertible strategies must be actively managed to maximize their potential benefits. The most equity-sensitive convertibles may not provide adequate downside protection, while the most bond-like convertibles may not offer sufficient equity upside participation. Passive strategies cannot adjust to changes in either an individual convertible's characteristics or to the characteristics of the convertible universe as a whole. Therefore, they cannot provide investors with the benefits that an actively managed convertible portfolio may offer.

[Download the guide](#) to read more about convertibles.

Here's what you'll find:

### **1. Introduction to Convertible Securities**

What is a convertible bond?

What is a convertible preferred stock?

What is a mandatory convertible?

What are exchangeable convertible bonds and exchangeable convertible preferred stocks?

Where do convertible securities fit within the capital structure?

What is a synthetic convertible?

### **2. Factors Driving Convertible Issuance**

Why do companies issue convertibles?

What macro factors drive convertible issuance?

### **3. A History of the Convertible Market**

When did companies first issue convertible bonds?

What were some of the key trends in the convertible market in the twentieth century?

How has the convertible market evolved in the twenty-first century?

### **4. Valuing a Convertible Bond**

What is the investment value?

What is the investment premium?

What is the conversion price?

What is the conversion ratio?

What is the conversion value?

What is the conversion premium?

What is the relationship between conversion value and investment value?

What are the different types of convertible call provisions?

What antidilution protections do convertible bonds carry?

### **5. Performance of Convertibles in Various Environments**

How have convertibles historically performed versus equities and corporate bonds?

How have convertibles performed in up and down markets?

How has the performance of investment-grade and speculative-grade convertibles differed over time?

## **6. Characteristics of the Global Convertible Market**

How large is the global convertible market?

What is the regional composition of the global convertible market?

What are the credit characteristics of the convertible market?

How frequently have there been defaults in the U.S. convertible bond market?

## **7. Convertibles and Asset Allocation**

In what ways can convertibles be used within asset allocations?

Why do convertibles require active management?

How should convertibles be managed within a core/strategic allocation?

How can convertibles be incorporated as tactical allocations?

What are the potential limitations of a convertible allocation invested exclusively in investment-grade credits?

DATA AS OF 12/31/19

**ANNUALIZED TOTAL RETURNS**

	1-YEAR	3-YEAR	5-YEAR	10-YEAR	15-YEAR	SINCE INCEPTION (1/91)
Calamos U.S. Convertible (gross of fees)	20.46%	12.33%	7.82%	8.13%	7.02%	9.76%
Calamos U.S. Convertible (net of fees)	19.63	11.55	7.07	7.39	6.32	9.08
ICE BofAML All US Convert Ex Mand Index	22.89	12.69	9.22	10.59	7.96	10.12
S&P 500 Index	31.49	15.27	11.70	13.56	9.00	10.44

DATA AS OF 12/31/19

**ANNUALIZED TOTAL RETURNS**

	1-YEAR	3-YEAR	5-YEAR	10-YEAR	15-YEAR	SINCE INCEPTION (10/01)
Calamos Global Convertible (gross of fees)	16.23%	9.68%	7.23%	7.03%	7.21%	7.92%
Calamos Global Convertible (net of fees)	14.68	8.22	5.75	5.83	6.11	6.82
Thomson Reuters Global Convertible Bond Index	16.47	8.15	5.08	6.13	5.70	6.67

**Past performance does not guarantee or indicate future results. Current performance may be lower or higher than the performance quoted. 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.**

Returns presented reflect the **Calamos Institutional Convertible Composite** which is an actively managed composite investing in primarily high-quality U.S. convertible securities. The Composite was created March 1, 2014, calculated with an inception date of January 1, 1991 and includes all fully discretionary, fee paying accounts, including those no longer with the Firm.

Returns presented reflect the **Calamos Global Convertible Composite** 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 was created May 15, 2008, calculated with an inception date of October 1, 2001.

Fees include the investment advisory fee charge by Calamos Advisors LLC. Returns greater than 12 months are annualized.

Chart Data Sources: Mellon Analytical Solutions LLC and Calamos Advisors LLC.

The **S&P 500 Index** is a market weighted index and is widely regarded as the standard for measuring U.S. stock market performance. The **ICE BofA All U.S. Convertibles Index (VXAO)** comprises approximately 700 issues of only convertible bonds and preferreds of all qualities. Source: ICE Data Indices, LLC, used with permission. ICE permits use of the ICE BofA 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 BofA 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 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. The **Refinitiv Global Convertible Bond Index** is designed to broadly represent the global convertible bond market. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect any fees, expenses or sales charges. Investors cannot invest directly in an index.

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