

**CALAMOS GLOBAL CONVERTIBLE FUND**

## Market Drawdown Provides Longer-Term Opportunities

By Eli Pars, CFA

*Co-CIO and Senior Co-Portfolio Manager*

War in Europe and perceptions that the Federal Reserve was behind the curve combined for a difficult quarter. We expect markets to remain choppy as the war wears on. Determining what will happen with the Fed will also take more time than market participants would like. That said, we do not expect the Fed to overcorrect and trigger a recession in the United States. We remain vigilant for signs of a policy error, but we are still skeptical that the Fed will need to raise rates past 1.0–1.5% to slow an economy that appears to be slowing on its own. And that is even before a spike in energy costs slows the economy further.

Given the uncertainty about the Fed's success in engineering a soft landing and the outcome of the war in Ukraine, we remain focused on maintaining a neutral risk/reward profile in Calamos Global Convertible Fund. We have added back some equity sensitivity in the wake of the drawdown of recent months, but we remain slightly underweight the market on a delta basis.

The fund's biggest underweight is to Europe. In the past, this positioning was mainly driven by our bottom-up view of convertible opportunity, but the war in Ukraine, subsequent inflation and possible recession in Europe have added a macro component. Technology continues to be the fund's largest sector allocation and overweight.

Global convertible issuance is off to a slow start in 2022, with \$8 billion coming to market in the first quarter. Slowdowns tend to happen in times of market dislocation. The combination of confusion about the Fed's moves and the war in Europe makes for a difficult environment for companies to raise equity and equity-linked capital. But we have seen this movie before. The primary market will reopen, and once it does, we frequently see a burst of new paper.

We believe the strategic case for global convertibles remains strong in volatile equity markets, and we also see tactical opportunities as interest rates increase. Because of their hybrid characteristics, convertibles can offer an attractive risk/reward tradeoff—think “heads, you win; tails, you lose less.” The embedded option gives the convertible holder the opportunity to participate in equity upside, and the convertible's bond attributes—coupon income and the bond floor—can potentially mitigate exposure to equity market downside. In rising rate environments, convertibles have performed well relative to longer-duration traditional fixed income investments.

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**CALAMOS**<sup>®</sup>  
I N V E S T M E N T S

Calamos Advisors LLC  
2020 Calamos Court | Naperville, IL 60563-2787  
800.582.6959 | [www.calamos.com](http://www.calamos.com) | [caminfo@calamos.com](mailto:caminfo@calamos.com)

RBC Investor Services Ireland Limited  
Georges Quay House | 43 Townsend Street | Dublin 2 | Ireland  
Tel: +353 1 440 6555 | Fax: +353 1 613 0401  
[www.calamos.com/global](http://www.calamos.com/global)  
E-mail: [dublin\\_ta\\_customer\\_support@rbc.com](mailto:dublin_ta_customer_support@rbc.com)

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