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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The Fund is offered solely to non-U.S. investors under the terms and conditions of the fund’s current prospectus. This is a marketing communication. Please refer to the Supplement, the Prospectus, any other offering document and the relevant key investor information document (KIID) in relation to the Fund before making any final investment decision.

A copy of the English version of the Supplement, the Prospectus, and any other offering document and the KIID is available at www.geminicapital.ie. As required under national rules, the KIIDs and any other applicable documents are also available in the official language of the relevant jurisdiction where the Fund is marketed, or in another language accepted by the national competent authorities of that jurisdiction.

A summary of investor rights associated with an investment in the Fund is available in English at www.geminicapital.ie. A decision may be taken at any time to terminate the arrangements for the marketing of the Fund in any jurisdiction in which it is currently being marketed. In such circumstances, Shareholders in affected EEA Member State will be notified of any decision marketing arrangements in advance and will be provided the opportunity to redeem their shares in the Fund free of any charges or deductions for at least 30 working days from the date of such notification.