The Case for Strategic Convertible Allocations

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The case is especially strong for including convertibles as a core defensive equity allocation.

Our experience with convertible securities dates to the volatile financial markets of the 1970s. During this period, convertible strategies often provided better returns than either the stock or bond markets. As a fixed-income security with equity attributes, a convertible may be viewed as offering the best of both worlds. With active management, convertibles can address a variety of asset allocation challenges—for example, convertible securities can be used as a core defensive equity allocation or as an enhancement to a traditional fixed-income allocation.

» **Convertible securities are less sensitive to interest rate changes versus traditional bonds.** Although central banks are likely to keep short-term lending rates at low levels, long-term interest rates are influenced by inflation and other forces, and can rise with little warning. Indeed, this is what we are seeing in the first quarter of 2021, as abnormally low inflation and suppressed long-term interest rates have begun to give way to more normal conditions. Against a backdrop of building inflation pressures and rising long-term interest rates, an actively managed convertible allocation can provide a strategic hedge.

» **Convertibles can provide compelling advantages in advancing yet volatile equity markets.** Economic recovery is underway, supported by vaccine rollout, the reopening of businesses, the release of pent-up consumer demand, accommodative monetary policy and government stimulus. We see additional upside for equities but expect significant volatility and leadership shifts as the economy accelerates. Fiscal policy shifts, including the potential for higher taxes, may exacerbate market turbulence even more. In this environment, convertible securities may provide an attractive way to participate in equity market upside with potentially less exposure to equity downside.

» **Record-high issuance has created opportunities for active managers.** Convertible securities can provide an attractive way for companies to access the capital markets at lower borrowing costs. Since the March 2020 correction, convertible issuance has soared as companies seek to access the capital markets to shore up liquidity needs, refinance and pursue growth opportunities.

As we will discuss in this paper, the use of convertibles in a risk-managed strategy may provide benefits that stock and bond allocations alone cannot. However, due to their structural complexities, convertible securities require active management to achieve a desired outcome.

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ABOUT THE AUTHORS

John P. Calamos, Sr.

Founder, Chairman and Global CIO

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.

John has established research and investment processes centered around a team-based approach designed to deliver superior risk-adjusted performance over full market cycles through a range of U.S. and global investment strategies including equity, fixed income, convertible and alternative investments.

With more than 50 years of investment industry experience, he is often quoted as an authority on risk-managed investment strategies, markets and the economy. He is a frequent speaker at investment seminars and conferences around the world and appears regularly on CNBC, Bloomberg TV and Fox Business Channel. John has written two books: Investing in *Convertible Securities: Your Complete Guide to the Risks and Rewards* and *Convertible Securities: the Latest Instruments, Portfolio Strategies, and Valuation Analysis*.

John received a B.A. in Economics and an M.B.A. in Finance from Illinois Tech. 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 also a member of the Calamos Investment Committee, contributing 33 years of industry experience, including 14 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.

I. INTRODUCTION: CONVERTIBLES AND ASSET ALLOCATION

Convertible securities are equity-linked instruments that offer equity market participation with potential downside resilience when equity markets decline. In the simplest terms, a convertible is a fixed-income security that includes an embedded option. Structurally, the risk/reward characteristics of convertibles allow them to support a range of asset allocation goals. However, convertible securities are complex. The attributes of convertibles may differ considerably, and a specific convertible may be more equity-like at certain periods and more fixed-income-like in others.

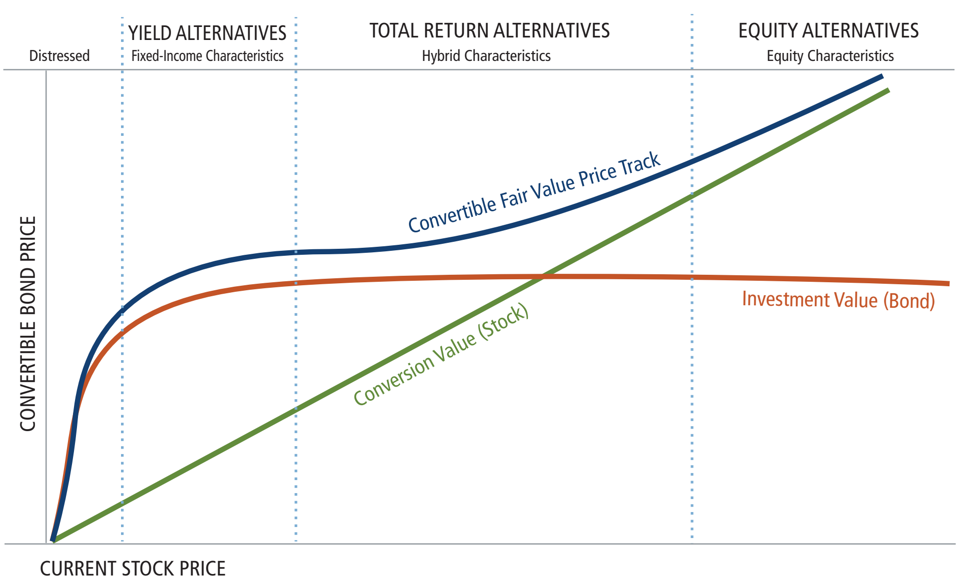
Due to their structural complexities, we believe convertible securities demand active management within asset allocations. Often, convertibles are thought of as a single asset class; this ignores the variations within the convertible universe. Our approach is to use different convertibles within specific investment strategies. It is not simply the convertibles that make a strategy work but how convertibles are managed to achieve a particular investment objective.

One of the most compelling features of a convertible bond is its potential to participate in equity upside with less exposure to downside during periods of equity volatility. With active management, convertible strategies can be attractive choices for risk-conscious investors who wish to stay invested through full market cycles. When a convertible strategy is positioned with sufficient risk mitigation, investors are better equipped to resist the temptation of market timing. In volatile markets, the bond value provides a floor, and through coupon income, investors are "paid to wait" for the markets to turn.

Due to their structural complexities, convertible securities demand active management within asset allocations.

FIGURE 1. CONVERTIBLE BONDS: AN OVERVIEW

A convertible bond has three main parts: its value as a straight bond (investment value), its value as a stock (conversion value) and the theoretical fair value. The three factors are interdependent, and each must be considered for a proper valuation of a convertible security.



Source: Calamos Investments.

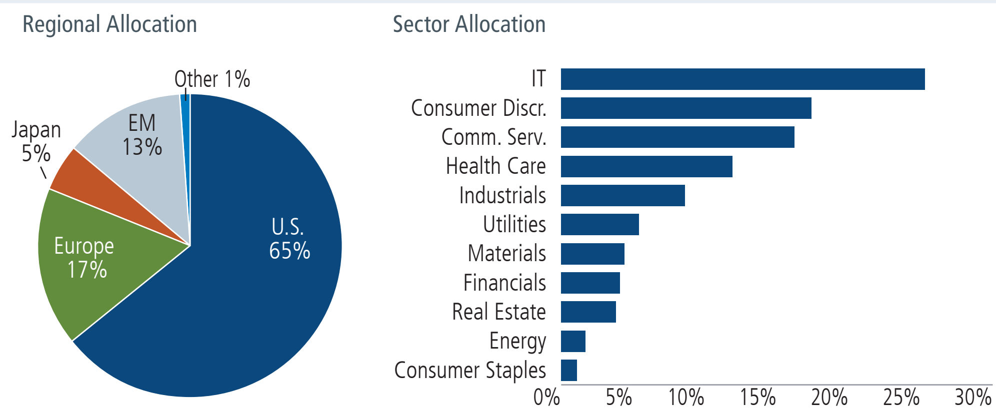
- » **Yield Alternatives**: Exhibit more fixed-income characteristics and lower levels of equity sensitivity
- » **Total Return Alternatives**: Offer a balance of equity and fixed-income characteristics
- » **Equity Alternatives**: Exhibit higher levels of equity sensitivity

Convertibles can play a role within enhanced fixed-income allocations. Convertibles have historically performed well during periods of rising interest rates and inflation, and therefore convertible strategies may be used to diversify a traditional fixed-income portfolio (e.g., government bonds) as a high yield corporate bond allocation might. Additionally, convertibles with a range of characteristics can be used within alternative allocations, such as hedged strategies that employ convertible arbitrage.

II. MARKET ENVIRONMENT

The global convertible market was valued at more than $539 billion as of February 28, 2021, with the U.S. representing the lion's share of the market (over $350 billion). The convertible market provides a diverse set of opportunities, but is tilted toward growth-oriented companies, such as the technology sector.

FIGURE 2. REGIONAL AND SECTOR CHARACTERISTICS OF GLOBAL CONVERTIBLE MARKET



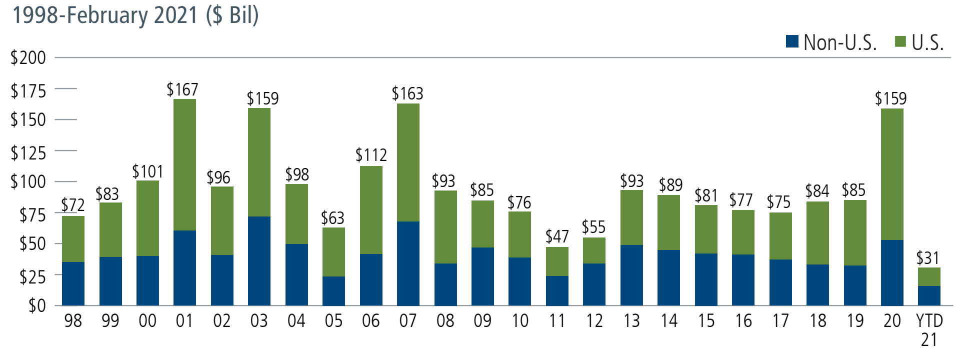
Data as of February 28, 2021. The global convertible market is represented by the BofA Global Convertible Index for regional allocation and the Refinitiv Global Convertible Index for sector allocation due to GICS sector data availability. Totals may not equal 100% due to rounding.

The dynamics of all asset classes ebb and flow due to economic and market factors, issuance trends and investor sentiment. Convertible securities are no exception. Convertible issuance is about capital market access, and capital market access is tied to economic growth. Issuance has proceeded at a healthy clip over recent years as companies have sought growth capital to forge ahead with mergers, acquisitions, R&D and capital spending.

During 2020, new issuance totaled $158.6 billion, surpassing the annual issuance of the previous 12 years (Figure 3). Historically, the convertible market has been one of the first to open back up after periods of stress, and this held true last year. In the wake of the global market meltdown and economic shutdowns, convertible issuance soared as companies sought to access the capital markets to shore up liquidity needs, refinance and support growth strategies. More than $137 billion in new paper was issued from April through December of 2020. In 2021, issuance has maintained a brisk clip, as economic re-opening and re-acceleration continues.

FIGURE 3. NEW CONVERTIBLE SECURITIES ISSUANCE

1998-February 2021 ($ Bil)



Source: BofA Global Research.

Convertible issuance is about capital market access; capital market access is closely tied with economic growth.

Convertible securities can be brought to market with vastly different characteristics. Some convertibles are issued with mandatory conversion features, which increase a convertible's equity sensitivity—and potential vulnerability to equity market downside. In the years prior to 2018, we saw a ramp-up in mandatory issuance, but since then convertible issuance has favored traditional structures without mandatory conversion features. We've seen more balanced structures with a better blend of upside participation and potential downside resilience. In 2020, issuance included many convertibles with very attractive structures, such as high coupon income. Additionally, last year's issuance included an unusually diverse group of companies, and many first-time issuers. The convertible market is typically dominated by companies in growth-oriented sectors, but the recent flurry of issuance has also included larger consumer companies and cyclicals.

There are a number of reasons why companies choose to issue convertible rather than non-convertible debt. Convertible issuers can typically offer a lower coupon in exchange for providing investors with the opportunity to participate in the upside of the convertible's underlying equity. This may be an especially attractive feature when long-term interest rates are rising, as they are today. In addition, U.S. tax codes have limited interest deductibility for corporations, strengthening the relative appeal of issuing a convertible security instead of a non-convertible one. Convertibles also provide companies with a way to monetize the volatility of their stocks. This may be particularly appealing for more volatile growth-oriented companies. The more volatile the stock, the more beneficial a convertible structure may be to investors, due to the potential downside risk mitigation a convertible affords. This appealing trait enables issuers to offer convertible debt with a modestly lower coupon versus straight debt.

III. THE IMPORTANCE OF ACTIVE MANAGEMENT

As we discussed, convertibles have varying degrees of equity and fixed-income sensitivity, and these characteristics may change for a given convertible over time. Figure 4 on the following page provides a good example of how convertible characteristics change alongside market conditions. The convertible market demonstrated a much higher degree of equity sensitivity in March of 2000, against the backdrop of a peaking equity market and the technology bubble.

Convertibles can provide a way for investors to hedge against a rising interest-rate environment.

In February of 2009, the pendulum had swung to the other extreme. As the markets troughed in the liquidity crisis, more than two-thirds of the convertible market was trading as "credit-sensitive." The characteristics of the convertible market can also shift quickly, due to market conditions, issuance, or both. In March of 2020, the market was dominated by issues with fixed-income characteristics, but by the end of May, total return issues represented the majority of the market, which has been the case more recently as well.

FIGURE 4. THE MARKET CYCLE AND U.S. CONVERTIBLE CHARACTERISTICS*

	YIELD ALTERNATIVES	TOTAL RETURN ALTERNATIVES	EQUITY ALTERNATIVES
March 2000	19%	28%	53%
February 2009	67%	21%	12%
March 2020	42%	30%	28%
May 2020	24%	40%	35%
February 2021	19%	42%	39%

Source: BofA Global Research, ICE Data Indices, LLC, All U.S. Convertibles Index (VXA0). Data as of Febuary 28, 2021. Data may not equal 100% due to rounding.

These changing characteristics speak to the importance of actively managing convertible allocations. The most equity-sensitive convertibles may not provide adequate risk mitigation, while the most bond-like convertibles may not offer sufficient equity upside participation. Passive strategies cannot adjust to either the changes in 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. In contrast, in our flagship U.S. and global convertible strategies, our goal is to earn equity-like returns over a full market cycle with less volatility than the equity market. An active approach affords us this opportunity, and we continually monitor the equity sensitivity and credit sensitivity of the issues in a portfolio, among our many risk-management considerations.

IV. A PROACTIVE WAY TO ADDRESS INTEREST-RATE INCREASES

Convertibles can provide a way for investors to hedge against a rising interest-rate environment. This is an increasingly important benefit today, given rising inflationary pressures and the ramp-up in the 10-year Treasury bond yield. Bonds tend to lose value in an environment of rising interest rates. However, convertible returns have tended to more closely reflect equity returns than bond returns when the 10-year Treasury yield have risen more than 100 basis points (Figure 5). While convertibles are influenced to a degree by interest-rate fluctuations, they also are affected by the price movements of their underlying stocks, a factor that historically has helped soften the negative effect of rising interest rates. In general, the more a convertible's price is determined by the value of its underlying equities, the greater its tendency not to be influenced by changing interest rates.

*A convertible bond has "fixed-income characteristics" when it is valued at about the same level as a similar non-convertible bond and is not as sensitive to the underlying equity. A convertible bond has "hybrid characteristics" when it has fixed-income characteristics as previously explained but is becoming increasingly sensitive to changes in the underlying equity price. "Equity characteristics" represents a convertible bond that is highly sensitive to movements in the underlying equity. Percentages shown represent the proportion of convertible bonds in the ICE BofA, All U.S. Convertibles Index (VXAO) which fall into each classification.

FIGURE 5. RETURNS IN RISING INTEREST-RATE ENVIRONMENTS

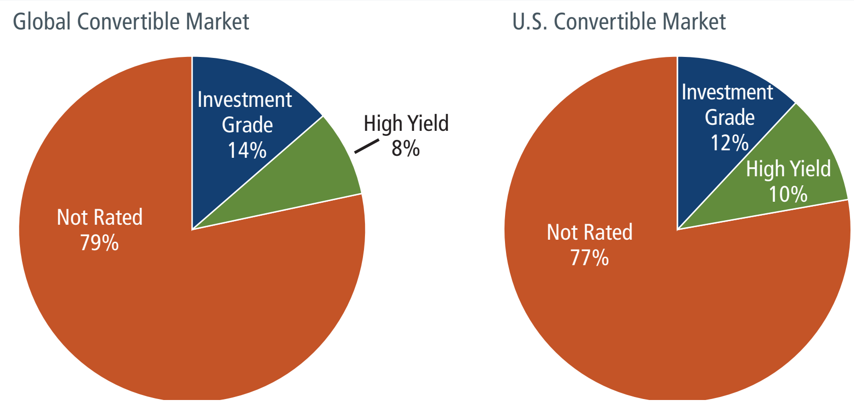
	OCT '93-NOV '94	JAN '96-JUN '96	OCT '98-JAN '00	NOV '01-APR '02	JUN '03-JUN '04	JUN '05-JUN '06	DEC '08-JUN '09	OCT '10-FEB '11	JUL '12-DEC '13	JUL '16-DEC '16	SEP'17-NOV '18	AUG' 20-FEB '21
Yield Increase (bps)*	286	150	263	122	176	134	187	134	157	123	119	102
Bloomberg Barclays U.S. Govt/Credit	-5.15%	-4.08%	-3.38%	-3.09%	-3.64%	-1.49%	-2.08%	-3.94%	-2.14%	-4.88%	-3.26%	-3.29%
ICE BofA All U.S. Convertibles	-2.28	11.97	68.85	2.29	11.49	9.46	24.68	11.63	35.49	7.58	9.12	31.40
S&P 500	2.22	11.42	46.59	3.07	14.66	6.71	9.41	14.89	42.09	8.65	16.41	16.91

Past performance is no guarantee of future results. *10-year Treasury yield. Rising-rate environment periods from troughs to peak from October 1993 to February 2021, most recent data available as of February 28, 2021. Performance shown is cumulative. Source: Morningstar.

V. CREDIT QUALITY CONSIDERATIONS

Convertible issuers frequently choose to avoid the lengthy—and expensive—process of having their securities rated at the outset. Overall, unrated credits make up more than half of both the U.S. and global markets (Figure 6). Unrated securities provide opportunities for experienced and discerning asset managers. In evaluating the unrated segment of the market, we draw upon decades of proprietary research, including company fundamentals, balance sheet data, debt servicing prospects and our analysis of other securities within the company's capital structure.

FIGURE 6. CREDIT QUALITY COMPOSITION OF THE GLOBAL AND U.S. CONVERTIBLE MARKETS



Sources: BofA Global Research, ICE Data Indices, LLC. Global convertibles are represented by the BofA Global Convertible Index. U.S. convertibles are represented by the VXA0 Index. Data as of February 28, 2021.

Proprietary research is no less important for rated issues. For example, a third-party credit rating in isolation may give a misleading picture of a convertible's risk/reward potential. A convertible with an investment grade rating may have low default risk, but it is not necessarily "lower risk" in terms of its vulnerability to a downturn in its issuer's stock or the broader stock market. As a convertible's equity sensitivity rises, its credit rating becomes a less-telling measure of risk, and the underlying equity valuation becomes more important. Understanding a convertible's risk/reward characteristics therefore requires a multi-layered approach that includes equity analysis, credit analysis and convertible analysis.

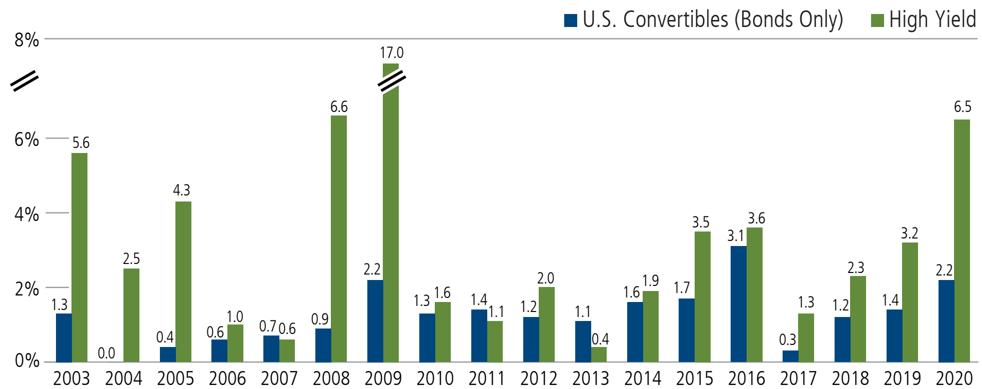
VI. HISTORICALLY, CONVERTIBLES HAVE SEEN LOW LEVELS OF DEFAULTS

We are often asked about default rates in the convertible market. As Figure 7 shows, defaults in the U.S. convertible market have been lower than in the high yield market. According to Barclay's equity research, the default rates for convertible bonds have averaged 1.3% versus 3.6% for traditional high yield from 2003 through 2020. There has not been a wide disparity among the default rates of investment grade, non-investment grade and non-rated convertible issues (Figure 8). In fact, non-rated convertibles have experienced lower defaults than rated issues.

Financials account for the largest amount of defaults over recent years, including a number of investment grade issues hit hard during the financial crisis. Notably, technology companies—the largest sector in the U.S. market—have seen far fewer defaults. Generally, technology issuers have maintained more modest levels of leverage, which has helped keep defaults in check.

FIGURE 7. DEFAULTS IN THE CONVERTIBLE MARKET HAVE BEEN LOWER THAN HIGH YIELD

Default Rate, 2003-2020



Past performance is no guarantee of future results.
Source: Barclays Equity Research, as of December 31, 2020. Par weighted default rate calculated based on the face value.

FIGURE 8. AGGREGATE DEFAULTS BY RATINGS

All Convertible Structures, Face Value (2003-April 2019)

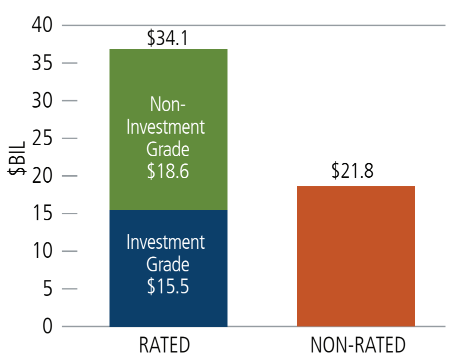
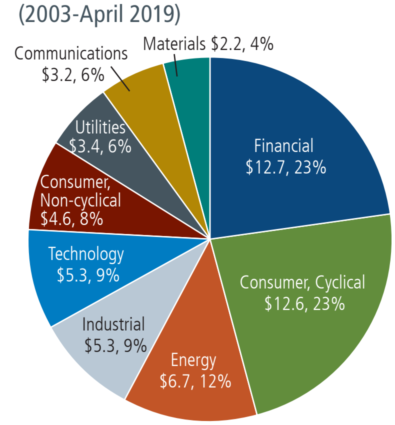


FIGURE 9. SECTOR MIX OF DEFAULTS

Face Value in Billions
(2003-April 2019)



Past performance is no guarantee of future results.
Source: Barclays Equity Research, April 16, 2019, using data from Barclays Research as of April 12, 2019.
Based on GICS sector classifications as of April 5, 2019.

VII. VALUATION CONSIDERATIONS

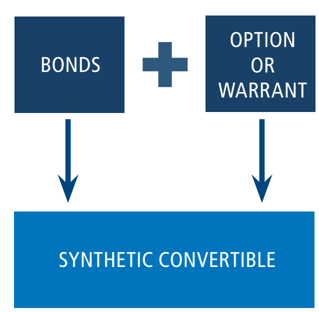
There have been periods when systematic risk has created extraordinary valuation opportunities in the convertible market. For example, in 2008 and 2020, we saw unusually wide discounts to fair value. However, we believe that the average valuation of the convertible universe is far less important than the valuations and fundamentals of individual securities, which vary greatly. In our view, the variability of the valuation climate speaks to the importance of actively managed strategies versus passive strategies, such as exchange-traded funds. Since we began managing convertible portfolios in the 1970s, we have invested through many valuation environments. We are not looking to buy the asset class as a whole, but rather, to construct portfolios of securities most likely to deliver the specific risk/return profiles we seek.

Also, the emphasis we place on valuations may differ as a result of strategy-specific considerations. In a convertible arbitrage strategy, valuations are the most important criteria because we seek to take advantage of pricing discrepancies in the convertible security itself. (In a convertible arbitrage strategy, we purchase convertibles that we believe are mispriced while simultaneously short-selling a specific number of shares of the underlying stock.) In contrast, while valuations are important in a long-only strategy, the direction of the underlying stock's movement tends to be our top criteria.

We are not looking to buy the asset class as a whole, but rather, to construct portfolios of securities most likely to deliver the specific risk/return profiles we seek.

VIII. SYNTHETIC CONVERTIBLES INCREASE THE INVESTABLE UNIVERSE

Our investable universe is not solely dictated by convertible issuance. We can also build synthetic convertibles. A convertible bond can be thought of as the sum of its parts—that is, a straight bond and a long-term call option (the right to convert the bond into stock). A synthetic convertible can be constructed by purchasing these parts in such quantities as to provide the balanced risk/reward attributes that we seek. This allows us to create a convertible security for a company that may not have any convertible or even non-convertible debt outstanding. The bond component could be a credit instrument of any kind, including a Treasury bond, sovereign debt or a straight corporate bond. The synthetic convertible is created when this credit instrument is combined with a long-term call option such as long-term equity anticipation securities (LEAPS) or warrants.

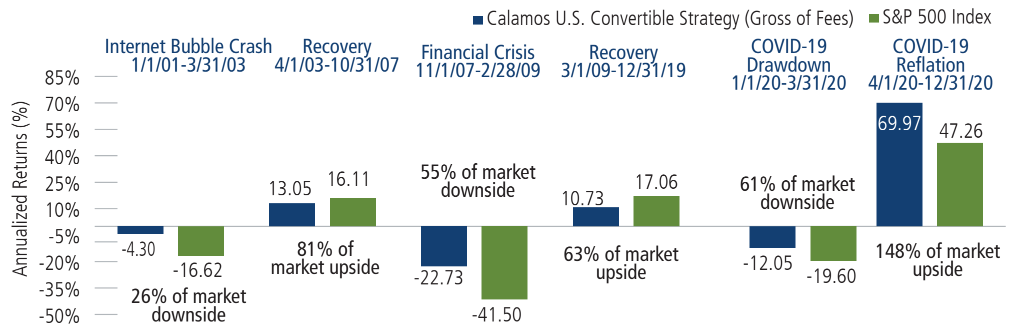


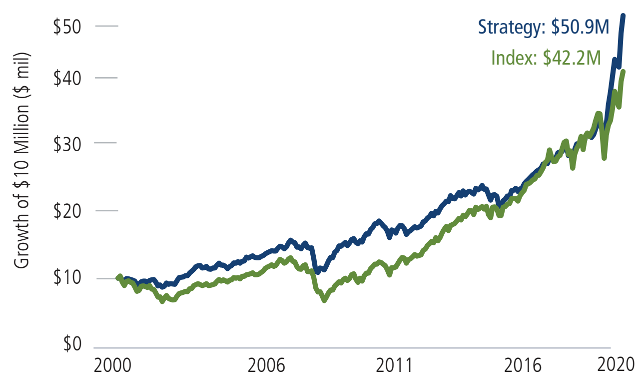
IX. CALAMOS U.S. CONVERTIBLE AND GLOBAL CONVERTIBLE STRATEGIES

The Calamos Convertible Strategy is one of the oldest convertible strategies in the marketplace, with roots that date to 1979. In 2001, we introduced our global convertible strategy, designed to capitalize on the global growth in the convertible market. We believe the performance of these strategies speaks to the potential benefits of including convertible securities as an actively managed strategic allocation (Figure 10).

FIGURE 10. CAPTURING UPSIDE, REDUCING DOWNSIDE OVER MARKET CYCLES

10A. Calamos U.S. Convertible Strategy versus U.S. Equity Market, 20 Years through 12/31/20





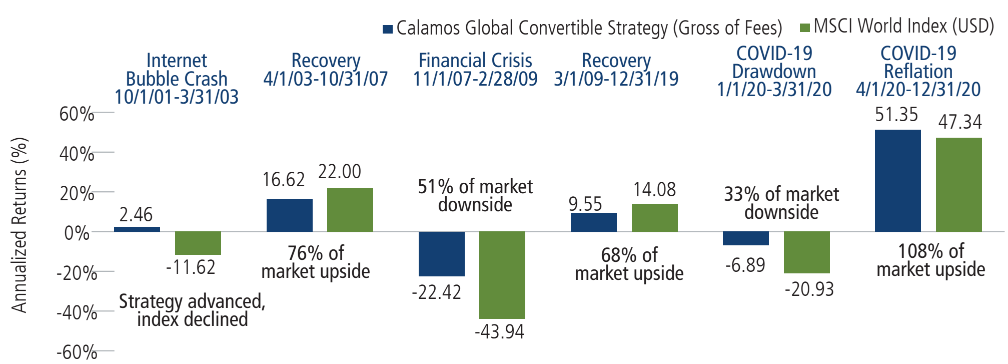
Risk/Reward Statistics (20 years)

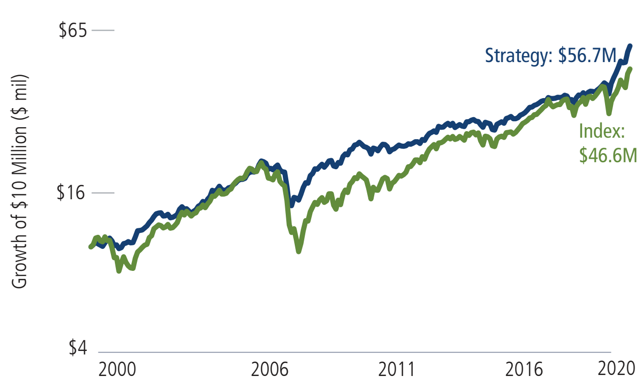
	Strategy	S&P 500
Annualized Return	8.48%	7.47%
Alpha	3.34%	N/A
Beta	0.66	1.00
Standard Deviation	11.35%	15.08%
Downside Semivariance	4.29%	8.94
Sortino Ratio	0.96	0.57

Net of fees returns: Internet bubble crash, -4.24%; 2003-2007 recovery, 12.38%; financial crisis, -23.18%; 2009-2019 recovery, 9.98%; COVID-19 drawdown, -12.22%; COVID-19 reflation, 69.09%.

Our global and U.S. convertible strategies have participated in equity market upside with less exposure to downside. Over the long term, this has resulted in risk-managed outperformance of all-equity benchmarks.

10B. Calamos Global Convertible Strategy versus Global Equity Market, Since Inception through 12/31/20





Risk/Reward Statistics Since Inception

	Strategy	MSCI World
Annualized Return	9.42%	8.31%
Alpha	4.33%	N/A
Beta	0.58	1.00
Standard Deviation	9.98%	15.38%
Downside Semivariance	3.27%	9.25%
Sortino Ratio	1.27	0.66

Net of fees returns: Internet bubble crash, 1.41%; 2003-2007 recovery, 15.43%; financial crisis, -22.94%; 2009-2019 recovery, 8.37%, COVID-19 drawdown, -7.22%; COVID-19 reflation, 49.88%.

Past performance 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. For the most recent strategy performance information visit www.calamos.com. For Calamos Global Convertible Strategy, index data shown is from 10/1/01, since comparative index data is available only for full monthly periods. Source: Mellon Analytical Solutions LLC.

In both strategies, our goal is to provide a favorable asymmetrical risk/return profile over full market cycles, with more equity upside than downside. Our emphasis on capital preservation sets us apart both from passive strategies as well as from investment managers that invest more heavily in the most speculative issues. While there are periods when our focus on mitigating downside risk may cause our approach to trail during rapidly rising markets, we believe the risk-management opportunities offered by select convertible securities are too compelling to overlook within an overall asset allocation.

Strategic convertible allocations may provide investors with opportunities to manage returns and risk in ways that stocks or bonds cannot.

X. CONCLUSION

The case for strategic convertible allocations has been demonstrated over decades and remains strong today. Strategic convertible allocations can provide investors with opportunities to manage returns and risk in ways that stocks or bonds cannot. However, convertible portfolios require active management to maximize their potential benefits. Convertibles offer compelling structural characteristics—namely, the opportunity for upside equity participation with a degree of downside resilience, as well as historically less vulnerability to rising interest rates relative to non-convertible bonds. These attributes can serve investors well, given our expectations for advancing but volatile equity markets, economic growth, and a more normal inflation and long-term interest rate environment.

We are encouraged by recent global issuance trends and believe that macro conditions can support new opportunities for convertible investors. We are confident that our long track record speaks to our ability to identify convertible opportunities to support a variety of long-term asset allocation needs. For additional information about convertible securities and asset allocations, please visit us at **www.calamos.com**. You can also contact us at 800.582.6959.

ANNUALIZED PERFORMANCE, AS OF DECEMBER 31, 2020

CALAMOS GLOBAL CONVERTIBLE STRATEGY

	1-YEAR	3-YEAR	5-YEAR	10-YEAR	15-YEAR	SINCE INCEPTION (10/2001)
Return Gross of Fees	40.92%	17.15%	14.36%	9.38%	9.05%	9.42%
Return Net of Fees	39.06	15.60	12.83	8.08	7.91	8.29
Refinitiv Global Convertible Bond Index	35.11	14.84	12.08	8.17	7.84	7.99
MSCI World Index	16.49	11.15	12.82	10.48	7.93	8.31

CALAMOS U.S. CONVERTIBLE STRATEGY

	1-YEAR	3-YEAR	5-YEAR	10-YEAR	15-YEAR	20-YEAR	SINCE COMPOSITE INCEPTION (1/1991)
Return Gross of Fees	49.49%	22.31%	17.47%	11.25%	9.71%	8.48%	10.89%
Return Net of Fees	48.43	21.45	16.65	10.49	8.98	7.79	10.20
ICE BofA VXA0	46.22	21.72	17.76	12.59	10.25	8.71	10.91
S&P 500 Index	18.40	14.18	15.22	13.88	9.88	7.47	10.69

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.

In addition to market risk, there are certain other risks associated with an investment in a convertible bond, such as default risk, the risk that the company issuing debt securities will be unable to repay principal and interest, and interest rate risk, the risk that the security may decrease in value if interest rates increase.

The opinions referenced are as of the date of publication and 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.

Active management does not guarantee that the strategy will produce its intended results.

The results portrayed on the preceding pages are for the Calamos Global Convertible Composite. Representative holdings and portfolio characteristics are specific only to the portfolio shown at that point in time. Other portfolios will vary in composition, characteristics, and will experience different investment results. The representative portfolio shown has been selected by the advisor based on account characteristics that the advisor feels accurately represents the investment strategy as a whole. Supplemental information has been provided for the Global Convertible Composite.

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. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest.

The results portrayed on the preceding pages are for the Calamos Institutional Convertible Composite (inception date: 1/1991). The inception dates and performance results shown are for the composite. Representative holdings and portfolio characteristics are specific only to the portfolio shown at that point in time. Other portfolios will vary in composition, characteristics, and will experience different investment results. The representative portfolio shown has been selected by the advisor based on account characteristics that the advisor feels accurately represents the investment strategy as a whole. Supplemental information has been provided for the Institutional Convertible Composite.

Returns presented are based on the Calamos Institutional Convertible Composite, which is an actively managed composite investing primarily in high-quality U.S. convertible bonds. The composite includes all fully discretionary, fee paying accounts. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest.

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 **Refinitiv Global Convertible Bond Index** is designed to broadly represent the global convertible bond market. The **ICE BofA All U.S. Convertibles Index (VXA0)** measures the return of all U.S. convertibles. The **ICE Bank of America Emerging Markets Convertible Index** is a measure of emerging market convertible performance. 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. The **ICE Bank of America Global 300 Convertible Index (VG00)** is a global convertible index composed of companies representative of the market structure of countries in North America, Europe and the Asia/Pacific region. 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 BofAML 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 indices are calculated in both U.S. dollars and local currencies. The **S&P 500 Index** is a measure of the performance of the U.S. equity market.

The information in this report should not be considered a recommendation to purchase or sell any particular security. There is not assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent the account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings.

Calamos Advisors LLC is a federally registered investment advisor. Form ADV Part 2A, which provides background information about the firm and its business practices, is available upon written request to:

Calamos Advisors LLC
2020 Calamos Court
Naperville, IL 60563-2787
Attn: Compliance Officer

IMPORTANT DISCLOSURE SPECIFIC TO CALAMOS GLOBAL CONVERTIBLE UCITS FUND

The Fund is offered solely to non-U.S. investors under the terms and conditions of the fund's current prospectus.

This document is issued by Calamos Advisors LLC ("CAL") and does not constitute or form part of any offer or invitation to buy or sell shares. It should be read in conjunction with the Fund's Prospectus, key investor information document ("KIID") or offering memorandum. CAL is authorised and regulated by the United States Securities and Exchange Commission. The Company's registered office is 2020 Calamos Court, Naperville, IL 60563. The price of shares and income from them can go down as well as up and past performance is not a guide to future performance. Investors may not get back the full amount originally invested. A comprehensive list of risk factors is detailed in the Prospectus and KIID and an investment should not be contemplated until the risks are fully considered. The Prospectus and KIID can be viewed at http://www.calamos.com/funds/ucits and at www.geminicapital.ie The contents of this document are based upon sources of information believed to be reliable. CAL has taken reasonable care to ensure the information stated is accurate. However, CAL makes no representation, guarantee or warranty that it is wholly accurate and complete. The Calamos Global Convertible Fund is a subfund of GemCap Investment Funds (Ireland) plc, an umbrella type open-ended investment company with variable capital, incorporated on 1 June 2010 with limited liability under the laws of Ireland with segregated liability between sub-funds. GemCap Investment Funds (Ireland) plc is authorised in Ireland by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011) (the "UCITS Regulations"), as amended. Gemini Capital Management (Ireland) Limited, trading as GemCap, is a limited liability company registered under the registered number 579677 under Irish law pursuant to the Companies Act 2014 which is regulated by the Central Bank of Ireland.

Its principal office is at Ground Floor, 118 Rock Road, Booterstown, A94 V0Y, Co. Dublin and its registered office is at 1 WML, Windmill Lane, Dublin 2, D02 F206. GemCap acts as both management company and global distributor to GemCap Investment Funds (Ireland) plc. GemCap UK Limited Ltd provides distribution oversight services to GemCap acting as global distributor and is responsible for the oversight of all distribution arrangements for the sub-fund.

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