Hedged Equity Strategy

Strategy Overview
The Hedged Equity Strategy draws upon nearly a decade of Calamos experience in hedging options and two decades in equity investing. The option-based strategy seeks to provide a unique mix of downside protection and equity upside participation—with more consistent returns even in a higher-volatility environment.

Key Features

- Designed to serve as a volatility dampener within an equity allocation, the strategy is an attractive equity substitute for investors expecting normal or above-normal levels of volatility.
- The strategy blends a core long-equity portfolio with an actively managed option overlay.
- Tactical management creates opportunities to add alpha from option market dynamics and equity market volatility.
- An experienced investment team aims to capture uncorrelated, better risk-adjusted returns.
- The strategy seeks to provide better upside/downside asymmetry than long-only equities.

Calamos Investment Process
The Hedged Equity Strategy involves constructing a long portfolio of common equities and writing (selling) call options against the equity holdings to generate income. The long stock portfolio is an actively managed portfolio of about 250 to 270 companies, optimized to reflect the characteristics of the S&P 500 Index. Call options are primarily written on the broad equity index and opportunistically against individual equity holdings. Protective puts are used to balance the risk/reward profile and to protect against significant equity market declines. In addition, the investment team actively manages the options strategies to generate income.

Build a Long Portfolio
- Construct a long portfolio of equities with a high correlation to S&P 500 Index
- Optimize to reflect index
- Actively manage equity portfolio
- Emphasize dividend yield

Write Calls
- Sell highly correlated call options against the long equities to enhance cash flow
- Set criteria for distribution of option expiration, “moneyness” and coverage ratio

Buy Protective Puts
- Seek to offset some of the risk of a potential decline in a portfolio holding
- Protect against significant equity market declines
- Purchase puts on broad-based indices and individual securities

Optimize and Rebalance
- Rebalance the hedge for changes in implied volatility, volatility term structure or market characteristics and time
- Actively trade options to maximize alpha

There can be no assurance the strategy will achieve its investment objective. Correlation is a statistical relationship between two variables. A positive correlation occurs when two variables move in tandem—one variable increases as the other increases and vice versa. Negative correlation occurs when they move in opposite directions—one variable increases as the other decreases and vice versa. Moneyness refers to the intrinsic value of an option in its present state. It is a description of a derivative relating the price of its underlying asset to its strike price. A call or put option is out of moneyness when it is a call option with a strike price that is higher than the market price of the underlying asset, or a put option with a strike price that is lower than the market price of the underlying asset.
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.

The results portrayed are for the Calamos Hedged Equity Strategy. 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 represent the investment strategy as a whole.

Returns and Risk/Reward statistics presented reflect the Calamos Hedged Equity Composite, which is an actively managed composite that seeks to generate total return with lower volatility than equity markets. The strategy invests in a broadly diversified portfolio of equity securities while also writing (selling) index call options and/or entering into other options strategies on equity securities and/or broad-based indices. The Composite was created January 13, 2015, calculated with an inception date of January 1, 2015. The Composite results include all fully discretionary accounts, including those no longer with the firm.

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

Average annual total return measures net investment income and capital gain or loss from portfolio investments as an annualized average assuming reinvestment of dividends and capital gains distributions.

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 US stock market 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.

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