
JOHN P. CALAMOS, SR.
Founder, Chairman and
Global CIO

ELI PARS, CFA
Co-CIO and Senior
Co-Portfolio Manager

The Case for Strategic Convertible Allocations

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 the 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.

With active management, convertibles can address a variety of asset allocation challenges.

- » **Convertible securities are less sensitive to interest rate changes versus traditional bonds.** As years of abnormally low inflation and suppressed long-term interest rates have begun to give way, traditional bonds face increased headwinds. 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.** We expect economic recovery to continue, supported by Covid-19 vaccine rollouts, reopening activity, strong corporate earnings, and falling unemployment. We see additional upside for equities but expect significant volatility and leadership shifts as the economic cycle progresses. Fiscal policy shifts, including higher taxes and the potential for more regulations, may exacerbate market turbulence even more. In this environment, convertible securities may provide an attractive way to participate in equity 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.

ABOUT THE AUTHORS

John P. Calamos, Sr.

Founder, Chairman and Global CIO

John Calamos is Chairman and Global Chief Investment Officer of Calamos Investments, the firm he founded in 1977. With origins as an institutional convertible bond manager, Calamos Investments has grown into a global asset management firm with institutional and individual clients worldwide. Headquartered in the Chicago metropolitan area, the firm also has offices in New York, San Francisco, Milwaukee and the Miami area.

Mr. Calamos 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 solutions including equity, fixed income, convertible and alternative strategies. As a pioneer in convertible securities, Calamos launched one of the first convertible funds in 1985 as a way to manage risk for clients in volatile times. He also established one of the first liquid alternative funds in 1990, reflecting a focus on innovation that continues to this day. Mr. Calamos has built a reputation for using investment techniques to control risk, preserve capital and build wealth for clients over the long term.

With more than 50 years of 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 conferences around the world and appears regularly on CNBC, Bloomberg TV and Fox Business Channel. He has authored 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*.

Prior to entering the investment industry, Mr. Calamos served in the United States Air Force. During the Vietnam War, he served as a Forward Air Controller, with responsibilities for guiding accurate air strikes and preventing injuries to friendly troops. His squadron was the first to fly the Cessna O-2, an aircraft in which he recorded over 400 missions in combat. Captain Calamos was awarded the Distinguished Flying Cross for "extraordinary achievement while participating in aerial flight under heavy hostile attack." His Air Force career included five years of active duty flying B-52 bombers and twelve years in the Reserves flying A-37 jet fighters. He retired as a Major.

The son of Greek immigrants, Mr. Calamos is an active philanthropist supporting educational institutions and Hellenic organizations. He serves as Chairman of the Board of Directors for the National Hellenic Museum in Chicago. He is an investment committee member of the Faith Endowment, and a supporting member of the National Hellenic Society, Leadership 100 and The Hellenic Initiative.

In addition to receiving many awards for his accomplishments as an entrepreneur, he has been honored for his lifetime philanthropic contributions by organizations including the Pan Arcadian Federation of America and the American Hellenic Educational Progressive Association. He was inducted as an Archon of the Ecumenical Patriarchate with the Order of St. Andrew the Apostle in 2015. Mr. Calamos was the first Vietnam Veteran to receive the Jaharis Service Award from the Washington Oxi Day Foundation; and in his honor, the Foundation established the Calamos Service Award to specifically recognize a Vietnam veteran every year.

Mr. Calamos received a B.A. in Economics and an M.B.A. in Finance from Illinois Tech, where he established Endowed Chairs in Philosophy and Business and is also a member of the Board of Trustees. He received an Honorary Doctorate in Humanities from Hellenic College Holy Cross.

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 34 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

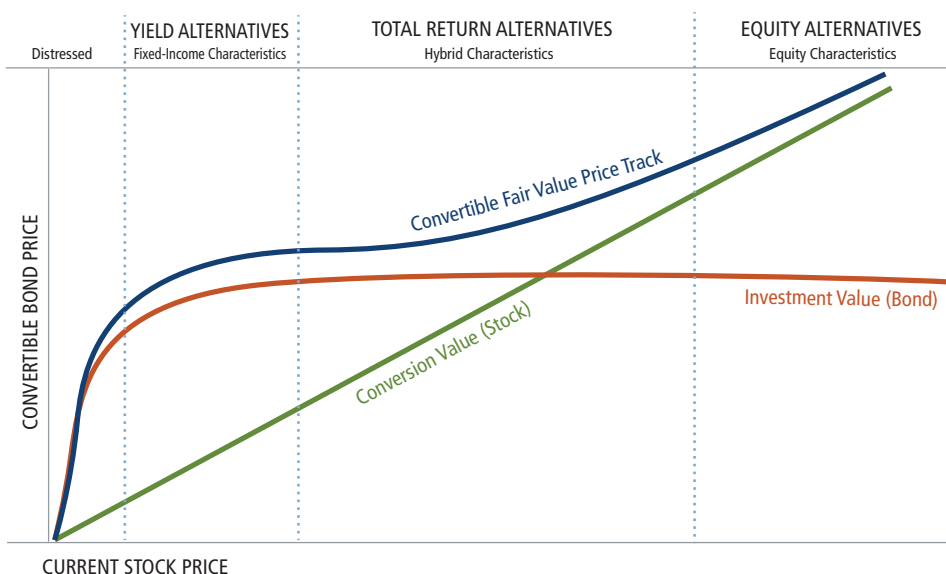
Convertible securities are equity-linked instruments that offer equity market participation with potential downside resilience when equity markets decline. In the simplest terms, a convertible is a fixed-income security that includes an embedded option. Structurally, the risk/reward characteristics of 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 in 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.

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.

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

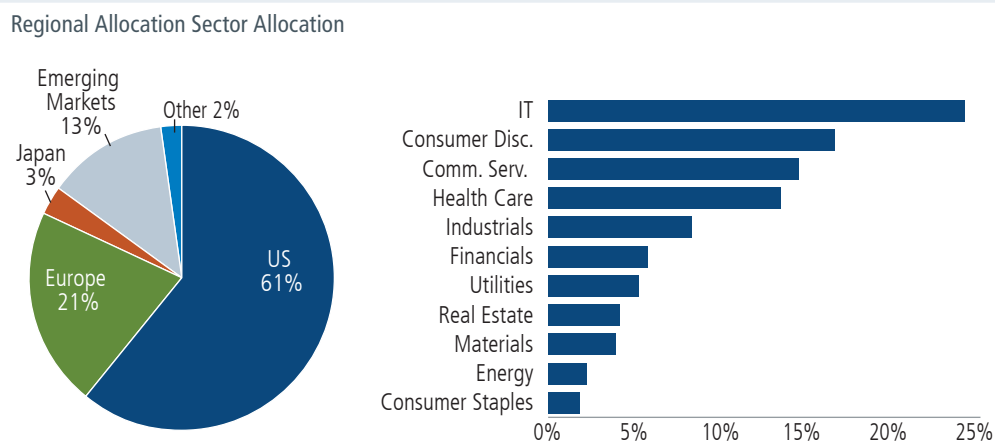
- » Yield Alternatives: Exhibit more fixed-income characteristics and lower levels of equity sensitivity
- » Total Return Alternatives: Offer a balance of equity and fixed-income characteristics
- » Equity Alternatives: Exhibit higher levels of equity sensitivity

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 \$506 billion as of September 30, 2021, with the United States representing the lion’s share of the market (over \$340 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



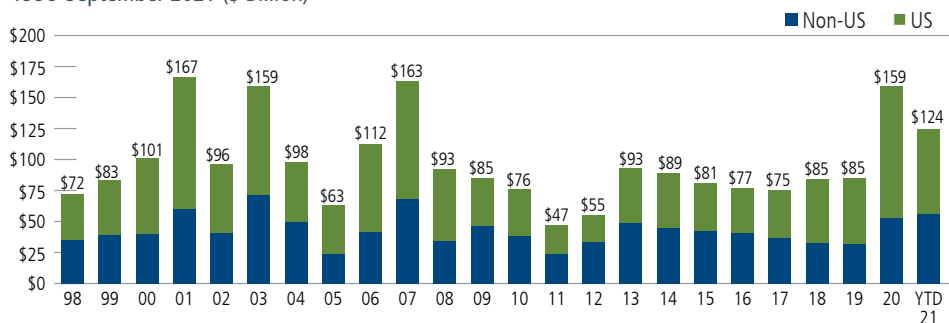
Data as of September 30, 2021. The global convertible market is represented by the BofA Global Convertible Index for regional allocation and the Refinitiv Global Convertible Index for sector allocation due to GICS sector data availability. Totals may not equal 100% due to rounding.

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 \$158.7 billion, surpassing the annual issuance of the previous 12 years (Figure 3). Historically, the convertible market has been one of the first to reopen after periods of stress, and this held true in 2020. 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 pace, with \$124 billion coming to market through the third quarter.

FIGURE 3. NEW CONVERTIBLE SECURITIES ISSUANCE

1998-September 2021 (\$ Billion)



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. Additionally, since the new issuance surge began in 2020, an unusually diverse group of companies, including many first-time issuers, has energized the convertible market. The convertible market is typically dominated by companies in growth-oriented sectors, but more recent issuance has also included larger consumer companies and cyclicals.

There are a number of reasons 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, US 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 tumbled 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 US 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%
September 2021	28%	40%	32%

Source: BofA Global Research, ICE Data Indices, LLC, All U.S. Convertibles Index (VXA0). Data as of September 30, 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, and 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 US 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 has risen more than 100 basis points (Figure 5). Although convertibles are influenced to a degree by interest-rate fluctuations, they are also 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 is 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 US Convertibles Index (VXA0) which fall into each classification.

FIGURE 5. RETURNS IN RISING INTEREST-RATE ENVIRONMENTS

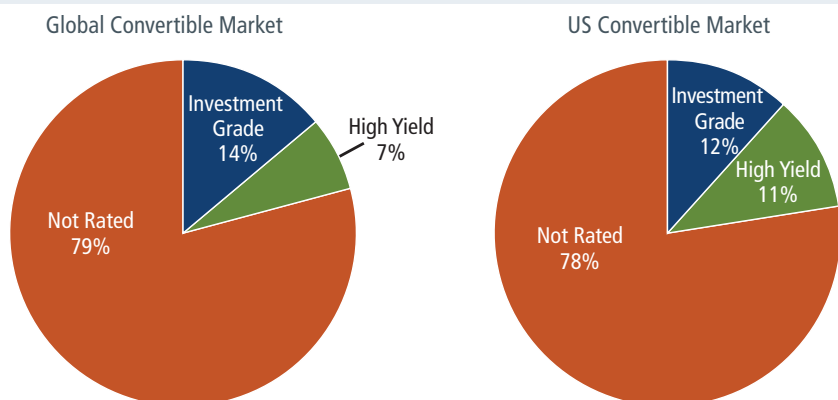
	OCT '93– NOV '94	JAN '96– JUN '96	OCT '98– JAN '00	NOV '01– APR '02	JUN '03– JUN '04	JUN '05– JUN '06	DEC '08– JUN '09	OCT '10– FEB '11	JUL '12– DEC '13	JUL '16– DEC '16	SEP'17– NOV '18	AUG' 20– MAR '21
Yield Increase (bps)*	286	150	263	122	176	134	187	134	157	123	119	122
Bloomberg U.S. Govt/Credit	-5.15%	-4.08%	-3.38%	-3.09%	-3.64%	-1.49%	-2.08%	-3.94%	-2.14%	-4.88%	-3.26%	-4.83%
ICE BofA All US Convertibles	-2.28	11.97	68.85	2.29	11.49	9.46	24.68	11.63	35.49	7.58	9.12	28.41
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	21.46

Past performance is no guarantee of future results. *10-year Treasury yield. Rising-rate environment periods from troughs to peaks from October 1993 to March 2021; most recent data available as of September 30, 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 three quarters of both the US 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 US CONVERTIBLE MARKETS



Sources: BofA Global Research, ICE Data Indices, LLC. Global convertibles are represented by the CONV Index. US convertibles are represented by the VXA0 Index. Data as of September 30, 2021.

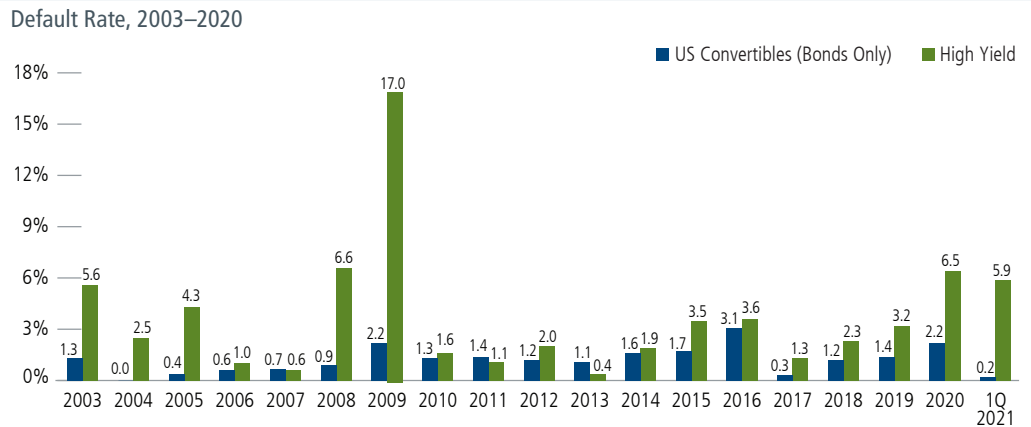
Proprietary research is no less important for rated issues. For example, a third-party credit rating in isolation may give a misleading picture of a convertible’s risk/reward potential. A convertible with an investment-grade rating may have low default risk, but it is not necessarily “lower risk” in 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 US convertible market have been lower than in the high-yield market. According to Barclay’s Equity Research, the default rate for convertibles has averaged just over 1% for convertible bonds versus nearly 4% for traditional high-yield bonds, from 2003 through March 2021. 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 US market—have seen far fewer defaults. Generally, technology issuers have maintained more modest levels of leverage, which has helped keep defaults in check.

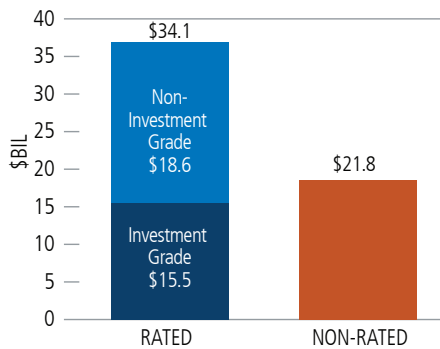
FIGURE 7. DEFAULTS IN THE CONVERTIBLE MARKET HAVE BEEN LOWER THAN HIGH-YIELD DEFAULTS



Past performance is no guarantee of future results.
Source: Barclays Equity Research, as of March 31, 2021. US convertible bond securities only.

FIGURE 8. AGGREGATE DEFAULTS BY RATINGS

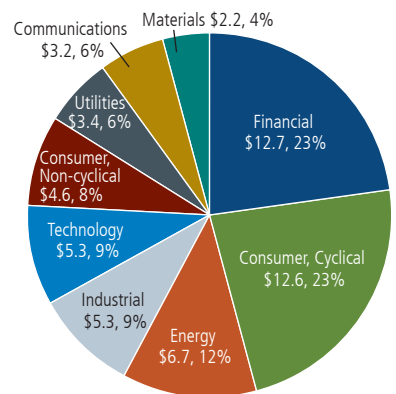
All Convertible Structures, Face Value (2003–1Q 2021)



Past performance is no guarantee of future results.
Source: Barclays Equity Research, ratings at the time of issue.
Sector mix of defaults based on GICS sector classifications as of April 5, 2019.

FIGURE 9. SECTOR MIX OF DEFAULTS

Face Value in Billions (2003–April 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 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, although valuations are important in a long-only strategy, the direction of the underlying stock's movement tends to be our top criteria.

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 US CONVERTIBLE AND GLOBAL CONVERTIBLE STRATEGIES

The Calamos US 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).

▸ 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.

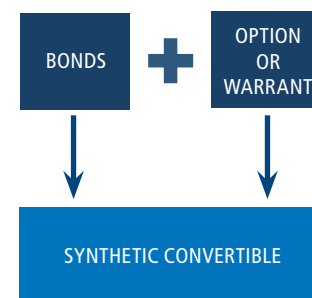
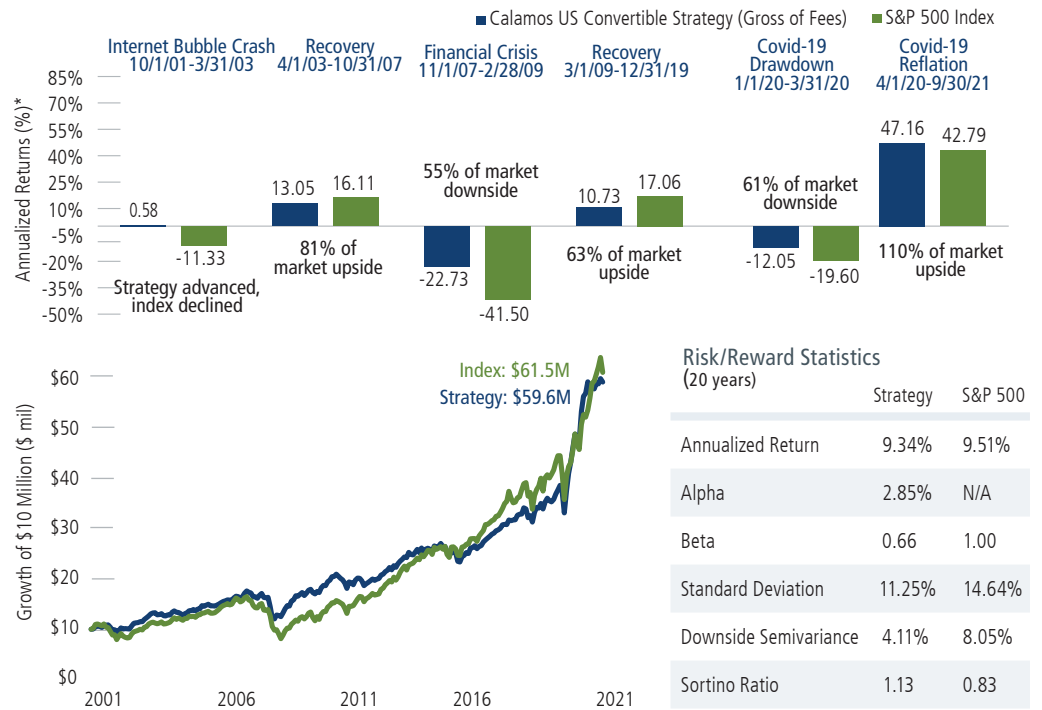


FIGURE 10. CAPTURING UPSIDE AND REDUCING DOWNSIDE OVER MARKET CYCLES

10A. Calamos US Convertible Strategy versus US Equity Market, 20 Years through 9/30/21

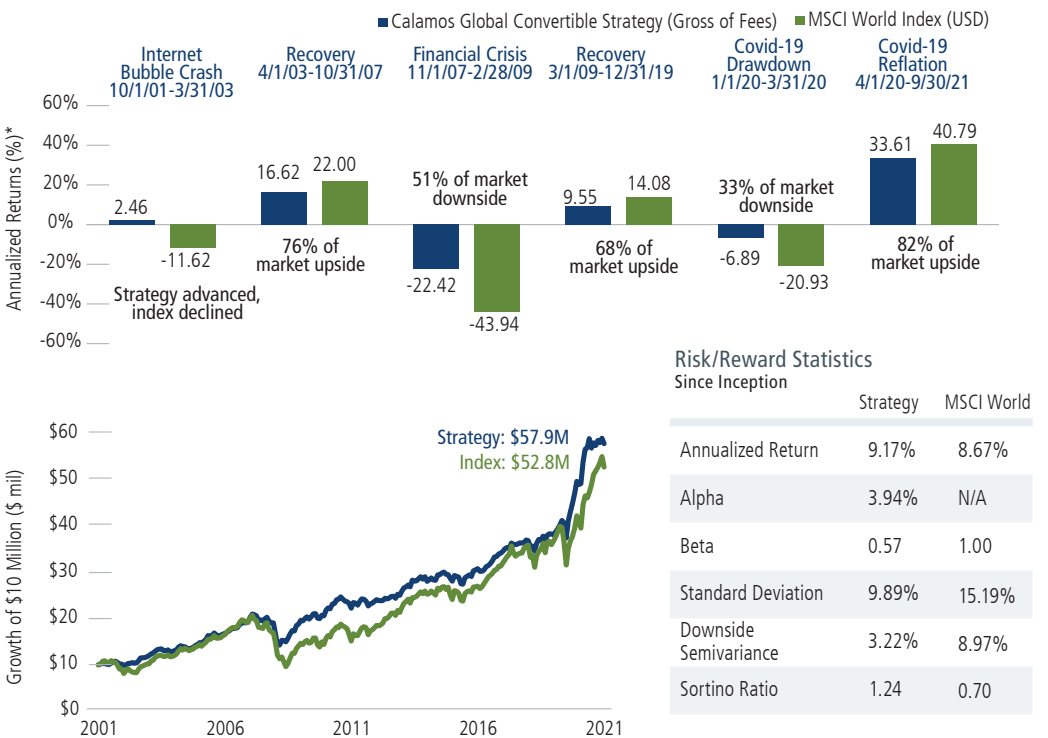


Net of fees returns: Internet bubble crash, -0.01%; 2003-2007 recovery, 12.38%; financial crisis, -23.18%; 2009-2019 recovery, 9.98%; Covid-19 drawdown, -12.22%; Covid-19 reflation, 46.12%.

Our global and US convertible strategies have participated in equity market upside with less exposure to downside. Over the long term, this has resulted in risk-managed equity-like performance.

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. Source: Calamos Advisors LLC
*Returns for periods of less than 12 months are not annualized

10B. Calamos Global Convertible Strategy versus Global Equity Market, Since Inception through 9/30/21



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, 31.82%.

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 and 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 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 SEPTEMBER 30, 2021

CALAMOS GLOBAL CONVERTIBLE STRATEGY

	1-YEAR	3-YEAR	5-YEAR	10-YEAR	15-YEAR	SINCE INCEPTION (10/2001)
Return Gross of Fees	18.10%	16.23%	13.43%	10.02%	8.62%	9.17%
Return Net of Fees	16.49	14.67	11.91	8.64	7.46	8.02
Refinitiv Global Convertible Bond Index	19.36	14.45	11.51	9.44	7.30	7.81
MSCI World Index	29.39	13.72	14.34	13.30	8.07	8.67

CALAMOS US CONVERTIBLE STRATEGY

	1-YEAR	3-YEAR	5-YEAR	10-YEAR	15-YEAR	20-YEAR	SINCE COMPOSITE INCEPTION (1/1991)
Return Gross of Fees	23.77%	20.40%	17.37%	12.60%	9.59%	9.34%	10.79%
Return Net of Fees	22.89	19.55	16.55	11.82	8.86	8.63	10.10
ICE BofA VXA0	27.30	20.21	17.37	14.37	10.17	9.67	10.86
S&P 500 Index	30.00	15.99	16.89	16.63	10.37	9.51	10.95

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 US 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: Evestment Alliance and Calamos Advisors LLC

The Refinitiv Global Convertible Bond Index is designed to broadly represent the global convertible bond market. The ICE BofA All US Convertibles Index (VXA0) measures the return of all US 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 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 indices are calculated in both US dollars and local currencies. The S&P 500 Index is a measure of the performance of the US equity market.

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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

CALAMOS
INVESTMENTS

Calamos Advisors, LLC
2020 Calamos Court | Naperville, IL 60563-2787
800.582.6959 | www.calamos.com | caminfo@calamos.com

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