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 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.

» **Convertibles can provide compelling advantages in advancing yet volatile equity markets.** We expect the current economic downturn will be relatively short, and the potential for a V-shaped recovery certainly exists. We are encouraged to see businesses re-opening and people returning to work. There’s significant pent-up consumer demand poised for release, saving rates are high, and mortgage rates have fallen. We believe the Federal Reserve and U.S. government stand ready to provide more support if required. However, markets are likely to be volatile due to the uncertainties related to the pandemic, U.S. elections and the longer-term outlook for fiscal policy. 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 to access the capital markets at lower borrowing costs. Since the March correction, convertible issuance has soared as companies seek to access the capital markets to shore up liquidity.

» **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. An actively managed convertible allocation can provide a strategic hedge against an eventual rise in interest rates.

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

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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. With 50 years of investment industry experience, John has established research and investment processes centered around a team-based approach designed to deliver superior risk-adjusted performance over full market cycles. He is Chairman of the Calamos Investment Committee, which is charged with providing a top-down framework, maintaining oversight of risk and performance metrics, and evaluating investment processes.

John is often quoted as an authority on risk-managed investment strategies, markets and the economy, and has authored two books on convertible securities. He is a frequent speaker at investment seminars and conferences around the world and appears regularly on leading news networks. He holds a B.A. in Economics and M.B.A. in Finance, both 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 13 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.

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.

- **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

Source: Calamos Investments.
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 $388 billion as of June 30, 2020, with the U.S. representing the lion’s share of the market (nearly $266 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**

<table>
<thead>
<tr>
<th>Regional Allocation</th>
<th>Sector Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. 56%</td>
<td>IT</td>
</tr>
<tr>
<td>Europe 24%</td>
<td>Consumer Disc.</td>
</tr>
<tr>
<td>EM 14%</td>
<td>Comm. Serv.</td>
</tr>
<tr>
<td>Japan 5%</td>
<td>Health Care</td>
</tr>
<tr>
<td>Other 1%</td>
<td>Industrials</td>
</tr>
<tr>
<td></td>
<td>Real Estate</td>
</tr>
<tr>
<td></td>
<td>Financials</td>
</tr>
<tr>
<td></td>
<td>Utilities</td>
</tr>
<tr>
<td></td>
<td>Energy</td>
</tr>
<tr>
<td></td>
<td>Consumer Staples</td>
</tr>
</tbody>
</table>

Data as of June 30, 2020. The global convertible market is represented by the Refinitiv Global Convertible Bond Index. 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.

In 2020, issuance has ramped up even further to record levels through the first half of the year. Historically, convertibles have been one of the first markets to open back up after periods of stress, and we’ve seen this hold true this year. Since the first quarter selloff, convertible issuance has skyrocketed as companies seek to access the capital market to shore up liquidity. Global companies have brought nearly $92 billion to market through June, including a surge of $70.5 billion during the second quarter of 2020.
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 has included many convertibles with very attractive structures, such as high coupon income. Additionally, this year’s issuance has included an unusually diverse group of companies. 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. Many recent issuers are also new to the convertible market.

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. 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.
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 convertible markets were 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 June, total return issues represented the lion’s share.

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. 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.
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.

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.

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

<table>
<thead>
<tr>
<th>Global Convertible Market</th>
<th>U.S. Convertible Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Grade</td>
<td>18%</td>
</tr>
<tr>
<td>High Yield</td>
<td>19%</td>
</tr>
<tr>
<td>Not Rated</td>
<td>63%</td>
</tr>
</tbody>
</table>

Sources: BofA Global Research, ICE Data Indices, LLC. Global convertibles are represented by the Refinitiv Global Convertible Bond Index. U.S. convertibles are represented by the VXA0 Index. Data as of June 30, 2020.

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 1.1% versus 3.5% for traditional high yield from 2003 through April 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

Past performance is no guarantee of future results.
Source: Barclays Equity Research; using data from Barclays Research as of April 2020.

FIGURE 8. AGGREGATE DEFAULTS BY RATINGS

All Convertible Structures, Face Value (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.

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).
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.

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.

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. In our view, the structural characteristics of convertibles (the opportunity for upside equity participation with a degree of downside resilience) can serve investors well, given our expectations for advancing but volatile equity markets and economic recovery.

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 JUNE 30, 2020

#### CALAMOS GLOBAL CONVERTIBLE STRATEGY

<table>
<thead>
<tr>
<th></th>
<th>1-YEAR</th>
<th>3-YEAR</th>
<th>5-YEAR</th>
<th>10-YEAR</th>
<th>15-YEAR</th>
<th>SINCE INCEPTION (10/2001)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return Gross of Fees</td>
<td>18.29%</td>
<td>10.39%</td>
<td>8.73%</td>
<td>8.45%</td>
<td>8.20%</td>
<td>8.34%</td>
</tr>
<tr>
<td>Return Net of Fees</td>
<td>16.72%</td>
<td>8.92%</td>
<td>7.25%</td>
<td>7.20%</td>
<td>7.08%</td>
<td>7.22</td>
</tr>
<tr>
<td>Refinitiv Global Convertible Bond Index</td>
<td>10.55</td>
<td>7.37</td>
<td>5.62</td>
<td>7.19</td>
<td>6.46</td>
<td>6.79</td>
</tr>
<tr>
<td>MSCI World Index</td>
<td>3.40%</td>
<td>7.29%</td>
<td>7.50%</td>
<td>10.57%</td>
<td>7.14%</td>
<td>7.34%</td>
</tr>
</tbody>
</table>

#### CALAMOS U.S. CONVERTIBLE STRATEGY

<table>
<thead>
<tr>
<th></th>
<th>1-YEAR</th>
<th>3-YEAR</th>
<th>5-YEAR</th>
<th>10-YEAR</th>
<th>15-YEAR</th>
<th>20-YEAR</th>
<th>SINCE COMPOSITE INCEPTION (1/1991)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return Gross of Fees</td>
<td>22.32%</td>
<td>14.02%</td>
<td>10.34%</td>
<td>9.78%</td>
<td>8.21%</td>
<td>7.02%</td>
<td>10.09%</td>
</tr>
<tr>
<td>Return Net of Fees</td>
<td>21.46%</td>
<td>13.22%</td>
<td>9.57%</td>
<td>9.03%</td>
<td>7.50%</td>
<td>6.34%</td>
<td>9.41</td>
</tr>
<tr>
<td>ICE BofA VX40</td>
<td>15.34%</td>
<td>11.71%</td>
<td>9.23%</td>
<td>10.91%</td>
<td>8.32%</td>
<td>6.40%</td>
<td>9.95</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td>7.51%</td>
<td>10.73%</td>
<td>10.73%</td>
<td>13.99%</td>
<td>8.83%</td>
<td>5.92%</td>
<td>10.13</td>
</tr>
</tbody>
</table>

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 high-quality U.S. convertible bonds. The composite includes all full 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 full 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: Nellen 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 (VX40) 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 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 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