

# Global Convertible Strategy



## Market Overview

The fourth quarter was strong for global risk assets and convertibles participated in a significant amount of the equity market gains while outperforming most fixed income asset classes. Convertibles gained 6.06% as measured by the Thomson Reuters Global Convertible Index and participated in 70% of the global equity market's 8.68% advance, as measured by the MSCI World Index. Global equities generated strong gains in the fourth quarter, as markets responded to progress on U.S.-China trade negotiations, continued loose monetary policy, and improvements in key economic data.

The global convertible market advance was led by the U.S., with the ICE BofA All U.S. Convertibles Index returning 7.38%. European convertibles rose 4.61%, while Japanese domestic convertibles returned 6.78%, both in USD terms. Asia ex-Japan convertibles returned 6.08%, reflecting the region's positive risk appetite. Globally, investment-grade convertibles returned 3.62% versus the 4.88% return of below-investment-grade issues, as measured by the ICE BofA Investment Grade Global Index and ICE BofA Below Investment Grade Global Index.

Global convertible issuance raised approximately \$14.2 billion in the fourth quarter. The U.S. continued to account for most of the new issuance, at approximately \$8.7 billion, although Europe and Asia also saw a reasonable amount of deal volume. Full-year issuance

totaled approximately \$85.0 billion, with U.S. issuance of \$53.1 billion its highest since 2008. Both the U.S. and total global issuance were slightly ahead of volume in the prior year, reflecting strong investor demand.

## Performance Review

For the quarter ended December 31, 2019, the composite had a positive return of 5.44%, trailing the Thomson Reuters Global Convertible Bond Index return of 6.06%.

## Positive Influences on Performance

**Consumer Discretionary.** The portfolio's leading security selection in consumer discretionary outperformed. In particular, our holdings in automobile manufacturers and internet & direct marketing retail were leading contributors.

**Materials.** An average underweight allocation and security selection in materials also contributed to performance. Specifically, specialty chemicals and our lack of exposure to diversified metals & mining promoted return.

## Negative Influences on Performance

**Health Care.** Over the period, security selection and an average underweight position within the health care sector negatively affected results, as holdings in the biotechnology and health care equipment industries lagged.

FIGURE 1. CALAMOS GLOBAL CONVERTIBLE STRATEGY RETURNS

	QTR ENDING 12/31/19	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (10/01)
<b>Calamos Global Convertible Composite</b>						
Gross of Fees	5.44%	16.23%	9.68%	7.23%	7.03%	7.92%
Net of Fees	5.09	14.68	8.22	5.75	5.83	6.82
Thomson Reuters Global Convertible Bond Index	6.06	16.47	8.15	5.08	6.13	6.67

Source: Calamos Advisors LLC  
**Past performance is no guarantee of future results.**  
 Data as of 12/31/19.

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**FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS THE THOMSON REUTERS GLOBAL CONVERTIBLE BOND INDEX**  
FOURTH QUARTER 2019

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Consumer Discretionary	101	
Materials	22	
Utilities	16	
Industrials	13	
Financials		-7
Information Technology		-10
Real Estate		-13
Consumer Staples		-20
Energy		-28
Communication Services		-34
Health Care		-37

Attribution represented in basis points and is based on gross of fee performance with dividends reinvested. Performance attribution excludes any government/sovereign bonds or broad-based index hedging securities the portfolio may hold. Past performance is no guarantee of future results.

Source: Calamos Advisors LLC. Data as of 12/31/19.

**Communication Services.** Selection and an average underweight stance in communication services, specifically in the interactive media & services and interactive home entertainment industries, curbed relative performance.

## Geographic Performance

An underweight allocation and leading security selection in Europe delivered gains. Positions in the United Kingdom helped relative performance. Additionally, our lack of exposure in Switzerland assisted return. In addition, the portfolio benefitted from our nonparticipation in Canada.

Conversely, security selection in the U.S. had a negative impact on the portfolio's performance. In addition, selection and an underweight position in emerging Europe and Africa dampened relative performance. In particular, our holdings in Ghana and South Africa weighed on return.

## Positioning and Portfolio Changes

We favor convertibles with attractive risk-reward attributes and are selective with regard to convertibles displaying the most equity sensitivity.

In terms of economic sectors, the portfolio's largest allocations reside in information technology and communication services on an absolute basis, whereas the smallest allocations fall within industrials and utilities. On a relative basis, application software and integrated oil & gas constitute the most significant relative overweights. The largest industry underweight positions are integrated telecommunication services and specialty chemicals.

Allocations to communication services and materials rose during the period with increased weights in movies & entertainment and commodity chemicals. By contrast, allocations to industrials and energy decreased over the period with reductions to construction & engineering and oil & gas exploration & production.

From a regional standpoint, the portfolio's largest weights are in the U.S. and developed Europe. In contrast, emerging Europe, Africa and Japan represent the smallest absolute weights. We maintain relative overweight positions in the United States and Emerging Asia. The portfolio maintains relative underweight positions in Europe and Japan. Allocations to the U.S. rose during the period. By contrast, allocations to Europe decreased over the period with reductions occurring in the Netherlands and Germany.

## Conclusion

We see an attractive environment for convertibles going forward. Global corporate and macroeconomic data has been relatively positive versus expectations, reflecting moderate growth conditions. Global monetary policy is highly accommodative and multiple central banks have pivoted toward a more dovish policy stance. Even so, an increase in volatility could be triggered in numerous ways. Global trade wars, the U.S. presidential election, changes in central bank policies or

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**FIGURE 3. SECTOR ALLOCATIONS VERSUS THE THOMSON REUTERS GLOBAL CONVERTIBLE BOND INDEX**

SECTOR	REPRESENTATIVE PORTFOLIO %	THOMSON REUTERS GLOBAL CONVERTIBLE BOND INDEX %	UNDER/OVERWEIGHT %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 9/30/19 (PCT. POINTS)
Information Technology	29.7	22.5	7.2	0.1
Communication Services	14.1	14.7	-0.6	2.1
Consumer Discretionary	10.2	12.0	-1.8	-0.3
Financials	10.2	6.8	3.4	-0.3
Health Care	9.7	12.3	-2.7	0.6
Real Estate	7.1	6.5	0.5	-0.1
Materials	4.6	6.4	-1.8	0.5
Energy	4.3	3.0	1.3	-0.9
Consumer Staples	4.1	1.3	2.8	-0.1
Industrials	3.0	8.1	-5.1	-1.7
Utilities	3.0	6.2	-3.2	0.1

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Sector weightings exclude cash or cash equivalents, any government/sovereign bonds or broad-based index hedging securities/options the portfolio may hold. Sector allocations in table are based on end weights, while commentary weightings can be based on average weights. Therefore, the sector allocations table and commentary text may reference different sector assignments.  
 Source: Calamos Advisors LLC. Data as of 12/31/19.

**FIGURE 4. LARGEST 10 COUNTRY WEIGHTS VERSUS THOMSON REUTERS GLOBAL CONVERTIBLE BOND INDEX**

COUNTRY	REPRESENTATIVE PORTFOLIO %	THOMSON REUTERS GLOBAL CONVERTIBLE BOND INDEX %	UNDER/OVERWEIGHT %	PORTFOLIO COUNTRY WEIGHTING CHANGE SINCE 9/30/19 (PCT. POINTS)
United States	61.2	52.9	8.3	2.5
France	9.2	6.6	2.6	-0.2
China	7.7	6.6	1.2	1.4
Japan	5.8	7.4	-1.7	0.8
Germany	5.8	4.8	1.0	-0.8
Luxembourg	3.4	0.3	3.2	-0.1
South Korea	1.5	0.6	0.9	0.1
New Zealand	1.4	0.1	1.2	-0.2
Israel	1.0	0.5	0.5	0.5
Switzerland	0.8	3.1	-2.3	0.1
Developed Markets	90.8%	90.4%	0.4%	0.4%
Emerging Markets	9.2%	9.6%	-0.4%	-0.4%

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Largest country weights table excludes cash and any broad index options, and are based on end-of-period weights. Additionally, companies are classified geographically according to their country of domicile. Country weightings referenced in the commentary are based on average weights and are classified geographically according to their country of risk. Therefore, country assignments referenced in the table versus the commentary text may differ.  
 Source: Calamos Advisors LLC. Data as of 12/31/19.

geopolitical headlines are just a few potential volatility catalysts. Convertibles can also serve as a useful alternative to fixed income, particularly if interest rates rise from historically low levels. The new issuance from the prior two years has helped keep the convertible

market full of balanced convertible profiles that fit our preference for asymmetric risk/reward outcomes of upside participation coupled with downside protection.

The representative portfolio information described in both charts above represents a representative account managed in the Global Convertible strategy. Other clients' portfolios may differ mainly due to individual restrictions and timing of purchases and sales. All portfolio positioning and sector information is for a representative portfolio. Please see last page for additional information.

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Past performance does not guarantee or indicate future results. 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. There is no guarantee that the investment goals/objectives will be met. Indices are unmanaged and one cannot invest directly in an index.

The information portrayed is for the Calamos Global Convertible Strategy. Representative holdings and portfolio characteristics are for the Representative Portfolio shown and 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.

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.

Investments in overseas markets pose special risks, including currency fluctuation and political risks, and the strategy is expected to be more volatile than that of a U.S. only strategy. These risks are generally intensified for investments in emerging markets.

The information provided in this report should not be considered a recommendation to purchase or sell any industry, sector or particular security. There is no assurance that any industry, sector or security discussed herein will remain in a client's account at the time of reading this report or that industry, sectors or securities sold have not been repurchased. The industries, sectors, or securities discussed herein do not represent a client's entire account and in the aggregate may represent only a small percentage of an account's holdings.

It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Calamos Global Convertible Composite is an actively managed composite that invests in a globally diversified portfolio of convertible securities. The Composite was created May 15, 2008, calculated with an inception date of October 1, 2001. Results include all fully discretionary accounts, including those no longer with the Firm.

**Country Return Statistics:** Unless otherwise noted, country equity returns are based on the appropriate MSCI Index for the country listed. The Thomson Reuters Global Convertible Bond Index is designed to broadly represent the global convertible bond market. The ICE BofAML Investment Grade Global 300 Convertibles Index comprises issues of investment-grade convertible bonds and preferreds in North America, Europe and the Asia/Pacific Region. The ICE BofAML Speculative Grade Global 300 Convertibles Index comprises speculative grade convertible bonds and preferreds in North America, Europe and the Asia/Pacific Region. Source ICE Data Indices, LLC, used with permission. ICE permits use of the ICE BofAML 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 Europe Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. The MSCI Japan Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Japan. 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.

Unmanaged index returns assume reinvestment of any and all distributions and, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

Fees include the investment advisory fee charge by Calamos Advisors LLC. Returns greater than 12 months are annualized. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest. Chart Data Sources: 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.

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:

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