

Global Convertible Strategy Quarterly Commentary



Strategy Overview

A global convertible strategy that leverages Calamos' capital structure research by investing predominantly in a portfolio of global convertible securities, in order to generate consistent alpha and manage downside volatility. The strategy seeks to outperform the Refinitiv Global Convertible Bond Index.

Market Overview

The fourth quarter saw stocks and convertibles rebound strongly as reflected in the MSCI World Index's 11.53% return and the 6.69% gain of the Refinitiv Global Convertible Bond Index. Overall equity market performance was linked to changing interest rates during the quarter. When yields rose in October, stocks fell sharply. When yields narrowed through the remainder of the year, stocks rallied. The markets also took off after the December Federal Reserve meeting, during which Chair Jerome Powell indicated that the Fed would pivot from its tightening policy toward easing.

Small and mid-cap stocks delivered especially strong performance, with the Russell 2500 Index increasing 13.35%. This performance supported the convertible market, which has a heavy representation in small and mid-cap issuers. The underlying stocks of the Refinitiv Global Convertible Bond Index outperformed the broader equity market, increasing 12.96% on average in the fourth quarter.

The solid fourth quarter capped off a good 2023 calendar year for the global convertible market, with the Refinitiv Global Convertible Bond Index returning 12.44%.

Within the index, the real estate (+10.8%), information technology (+8.8%), and financials (+8.3%) sectors performed best during the quarter. The sectors that most trailed the index included energy (-6.5%), communication services (+4.1%), and materials (+4.9%).

All geographic regions delivered positive results during the quarter. The areas that performed the best included Emerging Europe & South Africa (+18.7%), Europe (+7.6%), and the United States (+6.8%). The regions that most trailed the index return included Emerging Latin America (+3.6%), Japan (4.4%), and Emerging Asia (5.4%).

Convertibles in the index with the most equity sensitivity (+11.4%) outperformed those with more balanced risk-reward attributes (+7.2%) and those with the most bond sensitivity (+5.2%).

In the fourth quarter, \$18.2 billion in new convertibles were brought to market globally. The United States led convertible issuance higher with \$12.3 billion, Europe raised \$3.4 billion in issuance, while Japan and Asia ex-Japan each placed \$1.2 billion. 2023 issuance totaled \$79.4 billion, more than double the 2022 calendar year total of \$39.5 billion. \$53.4 billion was issued in the US, \$13.4 billion in Europe, \$9.0 billion in Asia, and \$3.6 billion in Japan. These new convertible issues have been brought to market with attractive terms, including higher coupons and lower conversion premiums.

Performance Review

For the quarter ended December 31, 2023, the portfolio returned 5.70% (gross of fees) and 5.32% (net of fees) versus the Refinitiv Global Convertible Bond Index return of 6.69%.

Positive Influences on Performance

Information Technology. The portfolio's leading security selection and an average overweight position in information technology boosted relative returns. In particular, holdings in the semiconductor materials & equipment industry and the semiconductors industry lifted relative performance.

Industrials. Leading security selection and an average underweight allocation in industrials added to the portfolio's results. The main contributors within the sector were electrical components & equipment and passenger airlines.

Negative Influences on Performance

Materials. Over the period, security selection in the steel and diversified metals & mining industries within the materials sector dampened relative results.

Health Care. Security selection within the biotechnology and pharmaceuticals industries of the health care sector lost ground on a relative basis.

Geographic Performance

Leading security selection and an average overweight stance in Japan added value, and nonparticipation in EMEA supported relative returns. Specifically, our lack of representation in South Africa and Israel was beneficial.

In contrast, the portfolio's security selection and average overweight position in the United States curbed relative returns. Across the Atlantic, security selection and an average underweight position in Europe set back performance, notably positions in the United Kingdom.

Positioning and Portfolio Changes

We focus on achieving the best risk/reward profile through bottom-up security selection. We position the portfolio to participate in upside equity rallies while also seeking to manage the downside if the market pulls back. The global convertible market continued to see healthy issuance in the fourth quarter, and we have been active in the new issuance market.

From a sector standpoint, the portfolio's largest weights are within information technology and consumer discretionary on an absolute basis, while the smallest sector weights with holdings are in real estate and materials. Health care and energy are the portfolio's largest relative overweights, with health care equipment (health care) and oil & gas exploration & production (energy) comprising the largest industry overweight positions. The industrials and utilities sectors constitute the most significant relative underweights. With respect to these sectors, aerospace & defense and electric utilities are among the underweight industries.

Both information technology and health care allocations increased modestly. By contrast, allocations to financials and consumer discretionary decreased over the period with reductions to diversified banks and broadline retail.

From a regional perspective, the largest absolute weights are in the United States and Emerging Asia. The smallest positions are found in Canada and Japan. We maintain relative overweight positions in Emerging Asia and Japan, while the portfolio is underweight in Europe and the United States versus the index. Weights to Japan rose during the period, while allocations to the United States decreased.

Outlook

We believe new issues will be a potential bright spot for the convertible market over the next year or two. And with large maturity walls coming in investment-grade bonds, high-yield debt, and convertibles, there should be plenty of opportunities for convertible bankers to keep busy.

The investment-grade opportunity in convertibles is particularly intriguing. In exchange for the conversion feature, convertibles typically offer lower coupons than comparable non-convertible debt, which can be an appealing option for issuers seeking to keep borrowing costs low.

Both equity and bond markets are taking the recent positive inflation data and running, pricing in multiple rate cuts starting as early as March. We will see what the future brings, but any backsliding in the data will likely be taken poorly by the markets, so we remain focused on keeping a good risk/reward profile in the portfolio.

For additional information, please visit the strategy's profile page:

<https://www.calamos.com/strategies/global-convertible/>

DATA AS OF 12/31/23

GLOBAL CONVERTIBLE AVERAGE ANNUAL RETURNS (%)

	QTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (10/01)
Global Convertible (gross of fees)	5.70	13.21	-3.24	8.21	6.54	7.62
Global Convertible (net of fees)	5.32	11.55	-4.64	6.70	5.05	6.45
Refinitiv Global Convertible Bond Index	6.69	12.44	-2.69	7.71	4.96	6.48
ICE BofA Global 300 Convertible Index	7.17	11.87	-1.34	7.98	6.60	6.96

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.

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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.

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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.

Returns and Risk/Reward statistics presented reflect the **Calamos Global Convertible Composite**, which 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. The Composite results include all fully discretionary accounts, including those no longer with the Firm. 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 US only strategy. These risks are generally intensified for investments in emerging markets.

Foreign (Non-US) Securities Risk: Risks associated with investing in foreign (non-US) securities include fluctuations in the exchange rates of foreign currencies that may affect the US dollar value of a security, the possibility of substantial price volatility as a result of political and economic instability in the foreign country, less public information about issuers of securities, different securities regulation, different accounting, auditing and financial reporting standards and less liquidity than in US markets.

Convertible Securities Risk: The value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also may have an effect on the convertible security's investment value.

Country Return Statistics: Unless otherwise noted, country equity returns are based on the appropriate MSCI Index for the country listed. The **Refinitiv Global Convertible Bond Index** is designed to broadly represent the global convertible bond market. **ICE BofA Global 300 Convertible Index** 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 **ICE BofA 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 BofA 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 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 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. Chart 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.

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

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Calamos Advisors, LLC
2020 Calamos Court | Naperville, IL 60563-2787
866.363.9219 | calamos.com | calamos.com/institutional

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