



John Hillenbrand

Calamos Growth and Income Fund

TICKER	CGIIX					
ASSETS	\$2.8 billion					
PERFORMANCE	YTD	1 yr.	3 yr.	5 yr.	10 yr.	15 yr.
	11.19%	15.44%	5.40%	12.08%	10.28%	10.39%
TOP 5 HOLDINGS	Microsoft Corp.; NVIDIA Corp.; Apple Inc.; Alphabet Inc. - Class A; Amazon.com Inc.					
CONTACT INFO	866-363-9219 • calamos.com					

EQUITY SECTOR WEIGHTINGS (As a % of portfolio)

Information Technology	28.5%	<div style="width: 28.5%;"></div>
Financials	11.3%	<div style="width: 11.3%;"></div>
Consumer Discretionary	10.5%	<div style="width: 10.5%;"></div>
Communication Services	10.3%	<div style="width: 10.3%;"></div>
Healthcare	10.1%	<div style="width: 10.1%;"></div>
Industrials	7.2%	<div style="width: 7.2%;"></div>
Consumer Staples	5.2%	<div style="width: 5.2%;"></div>
Utilities	3.4%	<div style="width: 3.4%;"></div>
Energy	3.2%	<div style="width: 3.2%;"></div>
Materials	2.2%	<div style="width: 2.2%;"></div>
Real Estate	1.6%	<div style="width: 1.6%;"></div>
Other	1.7%	<div style="width: 1.7%;"></div>

Performance and asset numbers as of 8/1/24. Holdings as of 6/30/24. Performance figures are for the institutional share class. Sources: Calamos Investments and Morningstar.

A Flexible Way To Reduce Equity Volatility

The Calamos Growth and Income Fund uses convertibles to enhance yield and mitigate risk.

By Jeff Schlegel

INVESTORS WHO WANT A LITTLE LESS OCTANE IN their equity exposure can turn to funds that combine stocks and other asset classes. Known as asset allocation funds, these multi-asset-class products offer equity exposure ranging from 20% to 90%, with the remainder in fixed income and cash.

One of the top funds in Morningstar's moderately aggressive allocation category has been the Calamos Growth and Income Fund. This category includes funds with portfolios typically containing 50% to 70% in equities, with the remaining portion in fixed income and cash.

The Calamos fund adds some pep to its fixed-income exposure by combining convertible securities with traditional fixed income, with a greater emphasis on the former. That, in tandem with an equity weighting that's substantially higher than the category average, has helped make this fund's institutional share class a top-quartile performer in its category in every measurable period from one to 15 years. Furthermore, Lipper

this year named the Calamos Growth and Income Fund's institutional share class as the best fund in its flexible portfolio fund category during the last five- and 10-year periods.

The fund's use of convertible securities—along with a smattering of options strategies—creates what fund manager John Hillenbrand calls an asymmetric risk profile. He and his team aim to generate total returns higher than its Morningstar category with a lower volatility profile than the S&P 500.

According to Calamos, the fund's investor share class has had a 0.69 beta to the S&P 500 over its history since inception in 1997. (Beta measures a security's or portfolio's volatility against the overall equity market, which has a beta of 1. An investment with a beta below 1 is less volatile than the market.) In addition, the fund since inception has sported a standard deviation of 17.82 versus 23.46 for the S&P 500. (Standard deviation gauges volatility by measuring dispersion around an average. A lower value is better.) Meanwhile, the fund's average annual returns since inception have topped the S&P 500,

though it has trailed that index during the past 10 years.

“We’re trying to get a risk profile that’s 80 percent-ish of the S&P 500 by using those different asset classes which have different risk profiles from the S&P 500,” Hillenbrand says. “We’re targeting lower risk, and we can get there in different ways depending on short-term and long-term views of the markets.”

Convertibles

Calamos Investments has been using convertible securities since John P. Calamos Sr. founded the Naperville, Ill.-based firm in the 1970s. The company bills itself as the largest manager of convertible securities in the U.S. and the second-largest in the world.

“One of our first strategies was convertible arbitrage, and it has been part of our DNA to think about that asymmetric risk profile and prepare for future investment outcomes by mitigating potential downside risk while getting a little bit more return,” Hillenbrand explains.

Convertible securities combine attributes of both equities and traditional fixed income. A convertible is a debt instrument that can be exchanged or converted into a specific number of shares of the issuer’s common stock. They can offer upside appreciation in rising equity markets by capturing a portion of the

underlying issuer’s capital appreciation. On the flip side, they can enhance yield by providing consistent income while offering potential downside protection when equities tumble.

Convertibles typically generate higher income than their underlying equity. The income portion of the fund’s portfolio—produced mainly from convertibles and traditional fixed income—generated a recent distribution yield of 4.15%.

“Historically, we’ve used more convertible bonds versus traditional straight fixed income in this portfolio,” Hillenbrand says about the Growth and Income Fund. “Today, they’re both probably be-

framework of great business models and competitive advantages and things like that, those stocks screen very well. That’s why we’ve owned them for quite some time.

“So I think they’re great long-term companies, but they don’t always work in every time period,” he continues. “And when we find things that are better, we’ll pivot our portfolio appropriately.”

While Hillenbrand is comfortable investing in the equities of certain big-tech names, he uses convertibles to dampen the perceived risk in other equity holdings. He puts those risks into two separate buckets. First there are straight-up

The income portion of the fund’s portfolio—produced mainly from convertibles and traditional fixed income—generated a recent distribution yield of 4.15%.

low average, in part because of the opportunities we’ve seen in large-cap equities.”

Big Tech

As of the end of June, the fund’s top six holdings were Microsoft, Nvidia, Apple, Alphabet, Amazon.com and Meta Platforms. In other words, six of the seven so-called Magnificent Seven stocks that have disproportionately outperformed the overall U.S. stock market since last year. (Tesla, the seventh stock in this group, is a smaller position in the fund.)

This group of stocks began to stumble in this year’s third quarter as investors re-evaluated their prospects given the concerns about the companies’ valuations and doubts about whether the mania surrounding artificial intelligence was overhyped. Does that concern Hillenbrand?

“I’m always concerned about everything. That’s part of our ethos of trying to participate in the up while getting some protection on the down,” he says, noting that he and his team incorporate valuations into the overall framework of portfolio construction.

He argues that the valuations of these leading megacap companies aren’t egregious. “When we run them through our

cyclical companies that he says are inherently risky, especially among mid- and smaller-cap names.

SK Hynix, Seagate and Western Digital are examples of companies that fit that bill, and they were added to the portfolio via their convertibles. “There are different cycles regarding IT spending, and also different cycles within memory and storage,” Hillenbrand explains. “With higher-risk and higher-volatility names, [convertible] structures allow us to take on that risk when we think it’s appropriate, enabling us to grab some of the upside while mitigating some of the downside.”

The other risk bucket involves traditional higher-growth companies with higher-risk profiles. One example he cited is portfolio holding Axon Enterprise, a maker of law enforcement weapons, cameras and software that was formerly known as Taser International.

Investment Process

Along with Hillenbrand, the fund’s four-member portfolio management team includes Eli Pars, Jon Vacko and Joe Wysocki. Hillenbrand is the fund’s lead portfolio manager and primary decision-maker.

Portfolio Statistics

Number Of Holdings	152
Median Mkt. Cap	\$139 billion
P/E Ratio	26.3x
Std. Dev Fund/Benchmark*	15.76/18.08
Turnover Ratio	19%
Net Expense Ratio	0.81%

*5 Year. Portfolio stats as of 6/30/24. Expense ratio figures are for the institutional share class. Sources: Calamos Investments and Morningstar.

Asset Allocation

Common Stock	74.5%
Convertibles	18.8%
Cash, Receivables/Payables	4.8%
Synthetic Convertibles	1.7%
Other	0.2%

Asset allocation as of 6/30/24. Sources: Calamos Investments and Morningstar.

PORTFOLIO SPOTLIGHT

The portfolio managers and other research team members combine top-down analysis with bottom-up fundamental research. The top-down approach looks at macroeconomic factors such as inflation, interest rates, fiscal and monetary policies, consumer spending, and how businesses are performing.

The team also seeks to identify themes that can drive growth for specific industries and companies. These can range from multi-decade secular growth trends to shorter-term cyclical tailwinds. “That gives us a broad view about how much equity sensitivity we want, how aggressive or defensive we want to be,” Hillenbrand says.

From there they take a bottom-up approach to zero in on companies with improving fundamentals and attractive valuations. They look at balance sheets, management teams and competitive positioning to assess the value of businesses. “High margins and improved capital efficiencies are catalysts in almost any market,” Hillenbrand says.

After finding the right companies, Hillenbrand says the team next looks at their capital structures to figure out whether to hold their equity, fixed income or convertibles (if they have convertibles). “And we can apply an options strategy to that,”



Manager John Hillenbrand

Age 56

Professional Background As a co-chief investment officer, he is responsible for oversight of investment team resources, investment processes, performance and risk. As head of multi-asset 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.

Before joining Calamos, he served as an equity research analyst at Credit Suisse First Boston and ABN AMRO. He also served as an account manager in the business credit group at Continental Bank.

Outside Interests He and his family love to travel. They like to visit national parks, and do a lot of hiking.

he adds. “Again, we’re trying to put some type of asymmetric risk profile into this from either a valuation or a structural standpoint.”

Calamos posits that the fund’s use of convertibles and options gives it more ways to navigate market, economic and interest rate cycles than traditional asset allocation funds using only stocks, bonds and cash.

Portfolio Fit

Hillenbrand notes that investors typically use his fund in a couple of different ways. One is having it be part of the core

of their portfolio to give it lower-risk equity exposure. Another way is for investors to use the fund tactically when they want to take some risk off of their portfolio but still have some equity exposure.

Calamos views the Growth and Income Fund as part of a core allocation to be held over full and multiple market cycles. Doing so, the company believes, enables investors to withstand the equity market’s inherent volatility and avoid the temptation of market timing.

One could argue that the fund’s consistent long-term results lend credibility to the company’s assertion. **FA**

An investment in the Fund(s) is subject to risks, and you could lose money on your investment in the Fund(s). There can be no assurance that the Fund(s) will achieve its investment objective. Your investment in the Fund(s) is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. The risks associated with an investment in the Fund(s) can increase during times of significant market volatility. The Fund(s) also has specific principal risks, which are described below. More detailed information regarding these risks can be found in the Fund’s prospectus.

The principal risks of investing in the **Calamos Growth and Income Fund** include: convertible securities risk consisting of the potential for a decline in value during periods of rising interest rates and the risk of the borrower to miss payments, synthetic convertible instruments risk consisting of fluctuations inconsistent with a convertible security and the risk of components expiring worthless, equity securities risk, growth stock risk, small and mid-sized company risk, interest rate risk, credit risk, liquidity risk, high yield risk, forward foreign currency contract risk and portfolio selection risk.

Before investing, carefully consider the fund’s investment objectives, risks, charges and expenses. Please see the prospectus and summary prospectus containing this and other information which can be obtained by calling 1-866-363-9219. Read it carefully before investing.

Not FDIC Insured | May Lose Value | No Bank Guarantee

Calamos Financial Services LLC, Distributor
2020 Calamos Court | Naperville, IL 60563-2787
866.363.9219 | www.calamos.com | caminfo@calamos.com
© 2024 Calamos Investments LLC. All Rights Reserved.
Calamos® and Calamos Investments® are registered trademarks of Calamos Investments LLC.

DATA AS OF 6/30/24	AVERAGE ANNUAL RETURNS (%)					1-SHARE	10-SHARE	100-SHARE
	1-YEAR	3-YEAR	5-YEAR	10-YEAR	INCEPTION	PERFORMANCE	PERFORMANCE	
Calamos Growth and Income Fund								
1 Shares - at NAV (Inception—9/18/97)	18.96	6.24	12.38	10.09	9.97	N/A	N/A	
A Shares - at NAV (Inception—9/22/88)	18.68	5.98	12.10	9.82	N/A	11.05	N/A	
A Shares Load adjusted	13.04	4.27	11.02	9.29	N/A	10.90	N/A	
R6 Shares - at NAV (Inception—6/23/20)	19.07	6.33	N/A	N/A	N/A	N/A	12.86	
S&P 500 Index	24.56	10.01	15.05	12.86	8.75	11.07	17.01	
ICE BofA All US Convert Ex Mand Index	6.37	-3.00	9.73	8.66	8.04	9.50	7.81	
Morningstar Moderately Aggressive Allocation Category	14.04	3.26	7.99	6.75	5.72	8.04	9.84	

Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted. Please refer to Important Risk Information. 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. Performance reflected at NAV does not include the fund’s maximum front-end sales load of 4.75%. Had it been included, the fund’s return would have been lower. You can obtain performance data current to the most recent month end by visiting www.calamos.com.

Class 1 shares are offered primarily for direct investment by investors through certain tax-exempt retirement plans and by institutional clients, provided such plans or clients have assets of at least \$1 million. For eligibility requirements and other available share classes see the prospectus and other Fund documents at www.calamos.com.

Index and Morningstar category data shown reflects full month periods only. If share class inception date is on or before the 15th of the month, the index or category calculation inception date begins on the first day of that month. If share class inception date is after the 15th of the month, the index or category calculation inception date begins on the first day of the following month.

The gross expense ratios as of the prospectus dated 3/1/2024 are as follows: 1.06% for A Shares, 0.81% for 1 Shares and 0.71% for R6 Shares.

S&P 500 Index is generally considered representative of the US stock market. The ICE BofA All US Convertibles ex Mandatory Index (V040) represents the US convertible market excluding mandatory convertibles. 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. Morningstar Moderately Aggressive Allocation funds in allocation categories seek to provide both income and capital appreciation by primarily investing in multiple asset classes, including stocks, bonds, and cash. These moderately aggressive strategies prioritize capital appreciation over preservation. They typically expect volatility similar to a strategic equity exposure between 70% and 85%.

Opinions and estimates contained in this article are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. This article originally appeared in the September 2024 issue of *Financial Advisor* magazine.

All rights reserved. Charter Financial Publishing Network, Inc.