

ACTIVE MANAGEMENT TO CONSTRUCT A BETTER HEDGE

Ask **the** PORTFOLIO
MANAGER

How does the portfolio management team deploy hedging in your covered call writing strategy?

Transcript of a video recorded on May 1, 2018

We're definitely more active in how we manage our options strategies, which I think sets us apart a little bit from some of our competitors who are a little more rigid and a little more systematic in their approach.

We know that the market is going to change over time and today's market environment is not going to look the same as tomorrow's. And, so rather than force ourselves into a predetermined hedge that may or may not be appropriate, we want to step back and say what's unique to this time frame and how can we take advantage of that to construct a better hedge.

There are going to be periods when buying puts is really attractive. There are going to be periods when selling calls is really attractive and, quite frankly, there are going to be periods when both are challenging.

At the end of the day the goal is the same. We need to get an option portfolio that reduces the beta and reduces the risk of our equity portfolio. So, we're constrained by the fact that we always need to have a certain amount of hedge. We're just not constrained by how we get that hedge.

There's a lot of different options strategies that we can employ, and it's really our job to understand which strategies work best in which times and take advantage of what the current market is giving us to get a better hedge using the appropriate strategies at that time.



DAVE O'DONOHUE
Senior Vice President,
Co-Portfolio Manager

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Video recorded 5/1/18.

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 1-800-582-6959. Read it carefully before investing.

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Important Information About Risk: 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. More detailed information regarding these risks can be found in the Fund's prospectus.

Alternative investments are not suitable for all investors.

Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

Covered Call Writing: As the writer of a covered call option on a security, the fund foregoes, during the option's life, the opportunity to profit from increases in the market value of the security, covering the call option above the sum of the premium and the exercise price of the call.

Options Risk: The Fund's ability to close out its position as a purchaser or seller of an over-the-counter or exchange-listed put or call option is dependent, in part, upon the liquidity of the option market. There are significant differences between the securities and options markets that could result in an imperfect correlation among these markets, causing a given transaction not to achieve its objectives. The Fund's ability to utilize options successfully will depend on the ability of the Fund's investment adviser to predict pertinent market movements, which cannot be assured.

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Calamos Financial Services LLC, Distributor
2020 Calamos Court | Naperville, IL 60563-2787
800.582.6959 | www.calamos.com | caminfo@calamos.com
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801171 0718