

# A Strategic Trade That Defines Risk and Reward

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Please explain the baseline North Star trade.

Transcript of a video recorded on March 21, 2019

**Traditionally, the industry labels the Calamos Hedged Equity strategy as an options collar.**

That's where you're attempting to define your risk, as well as giving up some rewards. There are tradeoffs with this type of strategic approach. You're selling an out of the money call against your long core securities portfolio, and you're buying an out of the money put. This defines your risk and your reward.

Now, at Calamos, we recognize that the market has a natural drift to the upside. It's bullish. And so, what we're looking for is to take advantage of the natural drift to the upside. But we also recognize that there are shocks to the market, that there could be some downside risk. We don't believe that it's really prudent to upside cap 100%, which is what traditionally happens with a covered call type strategy or a collar strategy. What we try to do with the North Star trade, as we call it, is take a similar collar position, and what we're doing is notionally selling about 40% to 80% of the notional value of the portfolio on calls, so we still have natural drift, potentially, to the upside. And, we are buying 40% to 80% puts against our portfolio because we want to protect against any shock value.

The critical part of our North Star trade is we're actively managing it, so we're able to take advantage of an upwardly drifting marketplace and protect against the shocks. That's why we always say we like to look up and to the right on the portfolio profit and loss chart, because we want to go north. We want to look at the North Star trade.



JOE CUSICK  
Vice President,  
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Video recorded 3/21/19.

***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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The principal risks of investing in the **Calamos Hedged Equity Fund** include: covered call writing risk, options risk, equity securities risk, correlation risk, mid-sized company risk, interest rate risk, credit risk, liquidity risk, portfolio turnover risk, portfolio selection risk, foreign securities risk, American depository receipts, and REITs risks.

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