

# WHERE THE EQUITY OPPORTUNITIES ARE

# Ask the PORTFOLIO MANAGER

## Are you finding misvalued sectors in the current equity market?

Transcript of a video recorded on November 8, 2017.

**Michael Grant, SVP, Senior Portfolio Manager, says that utilities, telecom and consumer staples are among the overvalued while opportunities in financials and selective cyclical stocks are being underestimated.**

The short answer is, yes. And that answer starts with my belief that the long bull market in bonds is over and there were certain industries in stocks that had increasingly traded like bond proxies. By which I mean, investors were buying them for the safety of their business model and their yields rather than their earnings potential. For example, it was very common in utilities, telecom services, consumer staples, household products and so forth. I think many of those businesses are structurally over-valued, and when we look at them, in terms of fundamentals and valuations, the math doesn't make sense. So, that's definitely an area that we've avoided. Sometimes those stocks have also been on the short side of our portfolio.

Conversely, there are selective cyclicals—financials is one obvious area—which still have the highest earnings yield in the market. In other words they are the best valued industries. They're returning capital either through dividends or share buybacks, back to shareholders with yields of high single digits, and I think those businesses are attractive. I think the headwinds for the U.S. financial system from 2010 through '14 are behind us. And many of those hurdles whether it was excess regulation, excess capital requirements have now become tailwinds. So, I think in pure value terms, the market is underestimating that opportunity.



**MICHAEL GRANT**  
SVP, Senior Portfolio  
Manager

[WATCH VIDEO](#)

Video recorded 11/8/2017.

*Before investing carefully consider the fund's investment objectives, risk, charges, and expenses. Please see the prospectus and the summary prospectus containing this other information or call 1-800-583-6959. Read it carefully before investing.*

Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The views and strategies described may not be suitable for all investors. The material has been prepared for informational purposes only, and is not intended to provide, and should not be relied upon for, accounting, legal or tax advice. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve. Any forecasts contained herein are for illustrative purposes only and care not to be relied upon as advice or interpreted as a recommendation.

**CALAMOS**  
INVESTMENTS

Calamos Financial Services LLC, Distributor  
2020 Calamos Court | Naperville, IL 60563-2787  
800.582.6959 | www.calamos.com | caminfo@calamos.com  
© 2017 Calamos Investments LLC. All Rights Reserved.  
Calamos® and Calamos Investments® are registered trademarks  
of Calamos Investments LLC.  
800967 0118