

What makes FinTech such a compelling investment theme?

Transcript of a video recorded on January 8, 2018

Nick Niziolek, Co-CIO, Head of International and Global Strategies and Senior Co-Portfolio Manager, elaborates on how technologies are disrupting financial services—a development known as FinTech.

Top-down secular themes continue to be a very important part of the Calamos investment process. Our Investment Team spends significant time discussing these themes at a high level and the positive and negative tailwinds or headwinds that they could have on our overall portfolio, and the individual positions that we're investing in. And also, as we're going through bottom-up ideas and talking with our analysts through opportunities and thinking about the returns and growth potential of the companies that we're investing in, quite often over time it goes back to the secular themes and different tailwinds or headwinds that we expect there.

One of the themes that we've spent a lot of time discussing over the last few years has been the growth of FinTech, and how a sector like financial services that has been around since the beginning of time has evolved with technology and we're seeing many more disruptive technologies implemented in the financial services space.

One example I recently had the opportunity to witness during my travels through Asia: We're seeing digital payments occurring real time on street corners with street vendors throughout Asia. So where in the U.S. we're still very much reliant on cash, credit cards and checks, when I'm traveling to Asia and I'm visiting a market or a street vendor, oftentimes I'll be prompted to use a QR code on my mobile phone to make payments. And on my most recent trip I was actually walking down the street and there were some street musicians playing and as typically is the case they're asking for donations, but instead of a bucket looking for dollars to be donated they had a stand outside with a QR code. And individuals were walking up and tapping their phone against the QR code to make donations to these particular street vendors.

This type of disruptive technology is occurring very quickly in the emerging markets, to the degree where they're actually ahead of us in many instances. And these are the types of themes that we're trying to get exposure to in many different ways, so we're exposed to the actual technology companies that are implementing the digital payments to these QR codes. But we're also invested in some insurance companies in Asia where we're seeing them utilize iPhone apps to better monitor the driving habits of their customers in order to better price risk and sell those products.

So as we continue to build a portfolio of the best opportunities that we see globally, secular themes and the tailwinds and headwinds that they provide continue to be a very important part of our process.



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Foreign Securities Risk — Risks associated with investing in foreign securities include fluctuations in the exchange rates of foreign currencies that may affect the U.S. 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 U.S. markets. Emerging Markets Risk — Emerging market countries may have relatively unstable governments and economies based on only a few industries, which may cause greater instability. The value of emerging market securities will likely be particularly sensitive to changes in the economies of such countries. These countries are also more likely to experience higher levels of inflation, deflation or currency devaluations, which could hurt their economies and securities markets.

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