

# Weekly Alternatives Snapshot

January 5, 2018 (data as of December 29, 2017)

## WEEKLY HEADLINES

### 2017 in Review

This special year-end issue reports on a full year of liquid alternative funds' performance and fund flows.

It was a year when volatility was nowhere to be found and posed no resistance to the climb of equities worldwide. While interest rates were raised three times, the bond markets were well behaved most of the year.

Still, alternative funds enjoyed a positive 2017, with only Bear Market and Energy LP categories producing negative returns. Demand for alternatives, expressed in the form of net flows, also was solid.

We resume our weekly reports Monday, January 8.

### Economic Releases (week of 12/25)

Consumer Confidence: 122.1 vs. 128.0 consensus

Jobless Claims: 245K vs 240K consensus

### Economic Releases (week of 1/2/18)

Jobless Claims (1/4/18)

Employment (1/5/18)

## MORNINGSTAR WEEKLY EST. NET FLOWS (\$MIL)<sup>1</sup>

	Last Week	2 Wks Ago	3 Wks Ago	4 Wks Ago	Weekly Streak
Nontraditional Bond	303	(39)	149	(353)	1
Multialternative	249	465	77	(63)	3
Energy LPs	101	85	(25)	(140)	2
Options-based	57	71	15	(15)	3
Commodities Broad	11	20	(104)	15	2
Convertibles	7	16	(13)	(44)	2
Long-Short Equity	3	441	(393)	(88)	2
Multicurrency	(2)	7	2	8	(1)
Market Neutral	(2)	34	(70)	(177)	(1)
Bear Market	(34)	(19)	(19)	26	(3)
Long-Short Credit	(41)	(0)	(23)	(204)	(7)
Real Estate	(44)	92	13	(245)	(1)
Managed Futures	(122)	(135)	(89)	(180)	(15)

## BROAD INDEX PERFORMANCE<sup>1</sup>

	1 week	MTD	QTD	YTD
S&P 500	-0.33	1.11	6.64	21.83
Russell 3000	-0.30	1.00	6.34	21.13
Russell 2000	-0.42	-0.40	3.34	14.65
Russell 1000	-0.29	1.11	6.59	21.69
Russell Mid Cap	0.03	0.93	6.07	18.52
MSCI EM	1.71	3.64	7.50	37.75
MSCI ACWI	0.41	1.65	5.84	24.62
MSCI World	0.24	1.38	5.62	23.07
MSCI EAFE	0.95	1.62	4.27	25.62
ICE BofAML Global Cv Index	0.35	-0.15	2.46	16.06
ICE BofAML All U.S. Cv (VXA0)	-0.26	-0.20	1.56	13.70
ICE BofAML US HY Master II	0.20	0.29	0.41	7.48
BBgBarc US Agg Bond	0.51	0.46	0.39	3.54
BBgBarc US Govt/Credit	0.58	0.52	0.49	4.00

## COMMODITIES<sup>2</sup>

	12.31.17	12.15.17	12.31.16	12.31.16
Gold	1297	1257	1159	1159
Oil	60.5	57.8	53.8	53.8
Gasoline	2.52	2.49	2.31	2.31

## MORNINGSTAR ALTERNATIVE CATEGORIES<sup>1</sup>

	1 week	MTD	QTD	YTD
US Convertibles	-0.21	-0.06	1.93	12.50
US Long-Short Equity	-0.13	0.84	3.49	10.70
US Options-based	-0.03	0.78	2.50	8.58
US Market Neutral	-0.02	0.36	0.79	2.46
US Bear Market	0.46	-1.35	-7.46	-27.00
US Multialternative	0.01	0.50	1.73	5.67
US Managed Futures	0.18	1.17	4.62	2.52
US Multicurrency	-0.20	-0.02	-0.33	2.91
US Real Estate	1.28	0.03	2.14	5.81
US Energy LPs	1.06	4.81	-0.71	-6.12
US Precious Metals	2.48	1.91	1.80	11.20
US Commodities Broad	2.53	3.00	5.67	3.21
US Nontraditional Bond	0.09	0.23	0.45	4.32
US Long-Short Credit	0.23	0.64	0.37	3.45

## BOND RATES<sup>2</sup>

	12.31.17	12.15.17	12.31.16	12.31.16
Effective Fed Funds Rate	1.42	1.16	1.16	1.16
2-Year Treasury	1.89	1.82	1.37	1.37
10-Year Treasury	2.40	2.35	2.20	2.20
ICE BofAML US Corp. AAA	2.93	2.91	2.85	2.85

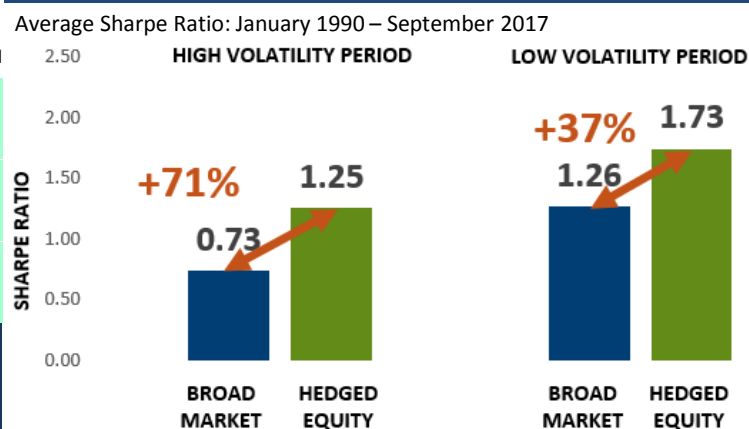
## MARKET PULSE<sup>1</sup>

MONTH-TO-DATE			As of	YEAR-TO-DATE			
VALUE	CORE	GROWTH	12/29/2017	VALUE	CORE	GROWTH	
1.46	1.11	0.78	LARGE	13.66	21.69	30.21	
1.24	0.93	0.54	MID	13.34	18.52	25.27	
-0.95	-0.40	0.12	SMALL	7.84	14.65	22.17	

Past performance is not indicative of future results. This material is provided for internal and educational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell securities. Source: <sup>1</sup>Morningstar (Net Flows as of previous Wed.), <sup>2</sup>St. Louis Federal Reserve (FRED Database).

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## HEDGED EQUITY VS. BROAD MARKET IN HIGH AND LOW VOLATILITY



Source: Morningstar. High and low volatility periods are those 12 month rolling time periods when the standard deviation of the S&P 500 was higher or lower than its 25 year average (10/1/92 – 9/30/17). Broad market represented by the S&P 500 Index. Hedged Equity represented by the HFRI Equity Hedge (Total) Index.

# Definitions and Disclosures

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.** 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 opinions and views of third parties do not represent the opinions or views of Calamos Investments LLC.

**Nontraditional Bond** category contains funds that pursue strategies divergent in one or more ways from conventional practice in the broader bond-fund universe. **Multialternative** funds offer investors exposure to several different alternative investment tactics. Funds in this category have a majority of their assets exposed to alternative strategies. The gross short exposure is greater than 20%. **Bear Market** funds dedicate a majority of the fund's assets to equities. Most of the portfolio is dedicated to short stock positions in an attempt to take advantage of anticipated market or stock declines producing a net exposure to equities of less than or equal to negative 20%. These funds will typically have a beta of less than negative 0.3 to equity indexes such as the S&P 500 or MSCI World. **Managed Futures** funds primarily trade liquid global futures, options, swaps, and foreign exchange contracts, both listed and over-the-counter. These funds obtain exposure primarily through derivatives; the holdings are largely cash instruments. **Commodities Broad-Basket Portfolios** can invest in a diversified basket of commodity goods including but not limited to grains, minerals, metals, livestock, cotton, oils, sugar, coffee, and cocoa. Investment can be made directly in physical assets or commodity-linked derivative instruments, such as commodity swap agreements. **Energy Limited Partnership** strategies invest a significant amount of their portfolio in energy master limited partnerships, also known as MLPs. These include but are not limited to limited partnerships specializing in midstream operations in the energy industry. **Multicurrency** portfolios invest in multiple currencies through the use of short-term money market instruments; derivative instruments including and not limited to forward currency contracts, index swaps, and options; and cash deposits. **Market Neutral** funds attempt to reduce systematic risk created by factors such as exposures to sectors, market-cap ranges, investment styles, currencies, and/or countries. A distinguishing feature of funds in this category is that they typically have low beta exposures (< 0.3 in absolute value) to market indexes such as MSCI World. **Real Estate** portfolios invest primarily in real estate investment trusts of various types. **REITs** are companies that develop and manage real estate properties. There are several different types of REITs, including apartment, factory-outlet, health-care, hotel, industrial, mortgage, office, and shopping center REITs. **Convertible-bond portfolios** are designed to offer some of the capital-appreciation potential of stock portfolios while also supplying some of the safety and yield of bond portfolios.

**HFRI Equity Hedge Index:** Investment Managers who maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. EH managers would typically maintain at least 50% exposure to, and may in some cases be entirely invested in, equities, both long and short. **S&P 500 Index** is considered generally representative of the U.S. equity market. **MSCI World Index** is considered generally representative of the market for developed market equities. **MSCI Emerging Markets Index** is a free float adjusted market capitalization index cited as a measure of the performance of emerging market equities. **MSCI ACWI Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. **MSCI ACWI** consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The DM country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The EM country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, South Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. **MSCI EAFE Index (Europe, Australasia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. **MSCI EAFE Index** consists of the following 21 developed market country indexes: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. **Russell 3000 Index** measures the performance of 3,000 publicly held U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. **Russell 1000 Index** measures the performance of the large-cap segment of the U.S. equity universe and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. **ICE BofA Merrill Lynch U.S. High Yield Master II Index** tracks the performance of U.S. dollar denominated below investment grade rated corporate debt publicly issued in the U.S. domestic market. **Bloomberg Barclays Capital U.S. Aggregate Bond Index** covers the U.S.-denominated, investment-grade, fixed-rate, taxable bond market of SEC registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS sectors. **ICE BofA Merrill Lynch Global 300 Convertibles Index (VG00)** is a USD/Local-denominated unmanaged index generally indicative of the overall global convertible market. **ICE BofA ML All U.S. Convertibles Index (VXA0)** is comprised of approximately 700 issues of only convertible bonds and preferreds of all qualities. **Oil - West Texas Intermediate (WTI - Cushing):** A crude stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams and which is traded in the domestic spot market at Cushing, Oklahoma. **Gasoline:** Weighted average based on sampling of approximately 900 retail outlets, as of 8:00 A.M. Monday. The price represents self-service unless only full-service is available and includes all taxes. **Gold - Gold Fixings Price:** The Fixings are an open process at which market participants can transact business on the basis of a single quoted price. Orders can be changed throughout the proceedings as the price is moved higher and lower until such time as buyers' and sellers' orders are satisfied and the price is said to be 'fixed'. Orders executed at the fixings are conducted as principal-to-principal transactions between the client and the dealer through whom the order is placed.

**Beta.** A common measure of historic volatility, beta measures how much of an investment's performance is attributable to market-wide factors (such as a rising stock market). An investment that goes up or down as much as a broad market measure has a beta of 1. An investment that captures only half of the market's movements would have a beta of 0.5. **Standard Deviation.** Measures the overall risk of a fund; **Sharpe Ratio.** A measure of risk-adjusted performance, where higher values are indicative of better investment decisions rather than the result of taking on a higher level of risk. Sharpe ratio is calculated by the determining difference between a portfolio's return and a risk-free rate, often that of the 10-year Treasury bond, and dividing the result by the portfolio's standard deviation; **Sortino Ratio.** The excess return over the risk-free rate divided by the downside semi-variance, which measures the return to "bad" volatility (volatility from negative returns is considered undesirable by an investor, while volatility caused by positive returns is good or acceptable). **Correlation.** A statistical relationship between two variables. A positive correlation occurs when two variables move in tandem—one variable increases as the other increases and vice versa. Negative correlation occurs when they move in opposite directions—one variable increases as the other decreases and vice versa. **Portfolio Variance.** The measurement of how the actual returns of a group of securities making up a portfolio fluctuate. Portfolio variance looks at the standard deviation of each security in the portfolio as well as how those individual securities correlate with the others in the portfolio.

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