



Asset Allocation Strategies: Balancing Volatility and Opportunity

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The difficult markets of 2018 saw the return of volatility (Figure 1) and brought a renewed appreciation for managing downside risk. In 2019, many major measures of the market have rallied, with double-digit gains reversing steep declines in the fourth quarter (Figure 2).

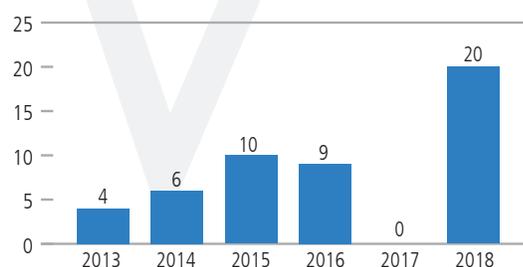
These shifting conditions illustrate the importance of long-term perspective—and the dangers of trying to time the market. When markets are moving quickly, investors may be more tempted to make lots of quick moves to time the lows and the highs. Or, they may succumb to fears and “panic out” of the markets on a downturn. This short-term mindset can exact a heavy toll on long-term results. For example, investors who gave into panic during the fourth quarter and retreated to the sidelines would miss the rally that followed in 2019.

We believe there are many opportunities in the global markets, especially for experienced and active managers. Although we expect some soft patches, the global economy looks set to maintain a growth trajectory. In the U.S., economic fundamentals are especially encouraging. Recent data points to healthy GDP expansion, supported by business-friendly fiscal policy, contained inflation, good consumer activity, low unemployment and corporate earnings growth.

However, even though a lot of economic data is trending in a favorable direction, we believe investors should be prepared for continued market volatility, due to geopolitical, political and monetary policy uncertainties. Meanwhile, with the Federal Reserve more likely to slow or pause in its tightening, income-oriented investors will have to contend with stubbornly low rates, as well as global monetary policy crosscurrents.

Figure 1. 2018: Return of Volatility

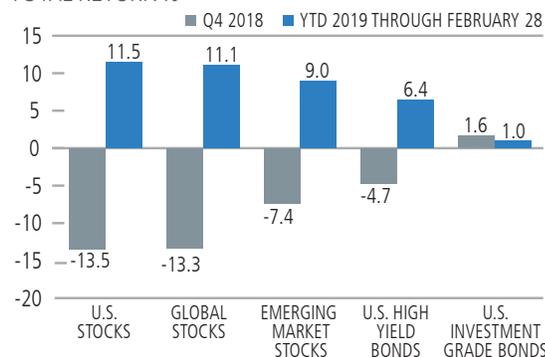
DAILY MARKET MOVES OF MORE THAN 2%, S&P 500



Past performance is no guarantee of future results. Source: Credit Suisse using Standard and Poor's, Haver Analytics, Credit Suisse.

Figure 2. After a Tough Q4, A Brighter Start to 2019

TOTAL RETURN %



Past performance is no guarantee of future results.

Source: Bloomberg. U.S. stocks are represented by the S&P 500 Index, Global stocks by the MSCI World Index, emerging market stocks by the MSCI EM Index, high yield by the ICE BofA ML HY Index, and investment grade bonds by the Bberg Barclays U.S. Aggregate Bond Index.

A risk-aware asset allocation plan can make it easier to navigate the ups and downs. With the right strategies at the core of an asset allocation, it becomes easier to stay invested through short-term market moves. In the pages that follow, we discuss Calamos strategies that can serve as cornerstones of a diversified asset allocation. Managed by experienced teams, these strategies employ innovative approaches for addressing the challenges of market volatility and the search for income.

Challenge: Equity Market Offers Upside, But Volatility is Formidable

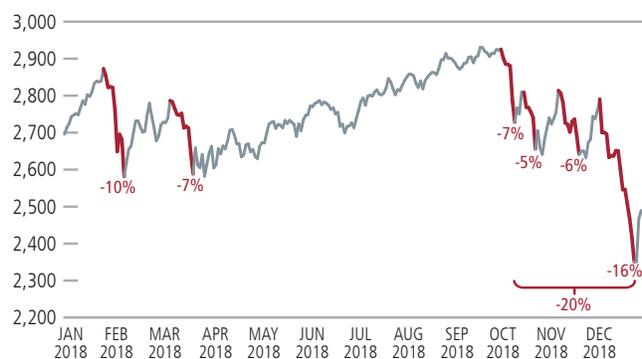
Potential Solution: Calamos Strategies for Volatile Markets

In 2018, inhospitable conditions tested investor resolve (Figure 3) and illustrated the benefits of defensive positioning. We don't expect a return to the abnormally low volatility environment of years past but we do see more upside for select equity and equity sensitive securities. As we noted, a good deal of economic data in the U.S. continues to trend favorably. The pace of earnings growth may slow from recent peaks due to weaker global demand, but we see opportunities for many corporations as they benefit from business-friendly U.S. policies and a healthy U.S. consumer.

In this environment, we believe the focus should be on managing the risks within the equity allocation. There are a number of ways to do this, including by adding defensive equity, convertible and liquid alternative strategies. These strategies can provide equity participation over full market cycles within a framework that potentially mitigates downside risk.

Figure 3. 2018's Equity Market Volatility Demonstrates the Need for Defensive Positioning

S&P 500 CLOSING PRICE WITH MARKET DOWNTURNS OF 5% OR MORE



Past performance is no guarantee of future results.
Source: Morningstar.

As you review the fund and strategy performance shown in these pages, **please remember that past performance is no guarantee of future results.** Current performance may be lower or higher than the performance quoted. The principal value and return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. For the most recent fund performance information visit www.calamos.com. Results are before taxes on Fund distributions and assume reinvestment of dividends and capital gains.

A PIONEER IN CONVERTIBLE SECURITIES

For more than 40 years, Calamos has utilized convertibles as a tool for enhancing asset allocations. Convertible instruments combine characteristics of stocks and traditional fixed-income securities. Like stocks, convertibles typically offer upside appreciation in rising equity markets and have been less sensitive to rising interest rates. Like bonds, convertibles provide income and potential downside protection in declining markets.*

With active management, the convertible security can be a powerful tool for managing risk and return over full market cycles. Because the attributes of individual securities and the convertible universe as a whole may fluctuate significantly over time, convertibles are not well suited for passive strategies. Without active management, a convertible portfolio may be subject to unintended risks, such as high sensitivity to either the equity or credit markets.

WHAT IS A CONVERTIBLE BOND?

A convertible bond is a regular corporate bond that has the added feature of being convertible into a fixed number of shares of common stock. Because of the conversion feature, the convertible is sensitive to the movements of its underlying equity. This equity sensitivity provides the opportunity for the convertible to participate in the movements of the stock price—either upward or downward.

Upside Potential

When the underlying stock rises, convertibles may capture a portion of the capital appreciation

Downside Protection

If the underlying stock price drops, convertibles provide consistent income and other fixed income characteristics (e.g., principal repayment)

*For additional information about the convertible asset class, see our guide, "Convertible Securities: Structures, Valuation, Market Environment, and Asset Allocation."

Defensive equity strategies. Since the 1990s, Calamos Investments has offered funds that actively combine equities and convertible securities in pursuit of defensive equity positioning. Like traditional equity strategies, these defensive equity approaches provide the opportunity for capital appreciation. They diverge from traditional stock funds because of their increased emphasis on managing downside risk over full market cycles—through reduced exposure to the equity market vis à vis their complementary convertible positions. They are also managed with the goal of providing a competitive distribution.

Convertible strategies. Calamos Investments also offers portfolios that invest primarily in convertibles as a means to manage equity market risks. Compared with the defensive equity offerings previously discussed, these dedicated convertible offerings may have increased investments in higher-growth sectors that traditionally dominate convertible issuance, such as technology. Indeed, these portfolio strategies may be especially compelling for investors who seek access to growth companies, but with potentially reduced volatility. Convertible securities have long been a favored vehicle for growth-oriented companies seeking access to capital. Technology companies, for example, make up the largest sector in both the U.S. and global convertible markets. However, the structural features (that is, fixed income attributes) of the convertible can provide relative resilience versus equities, if actively managed to that end.

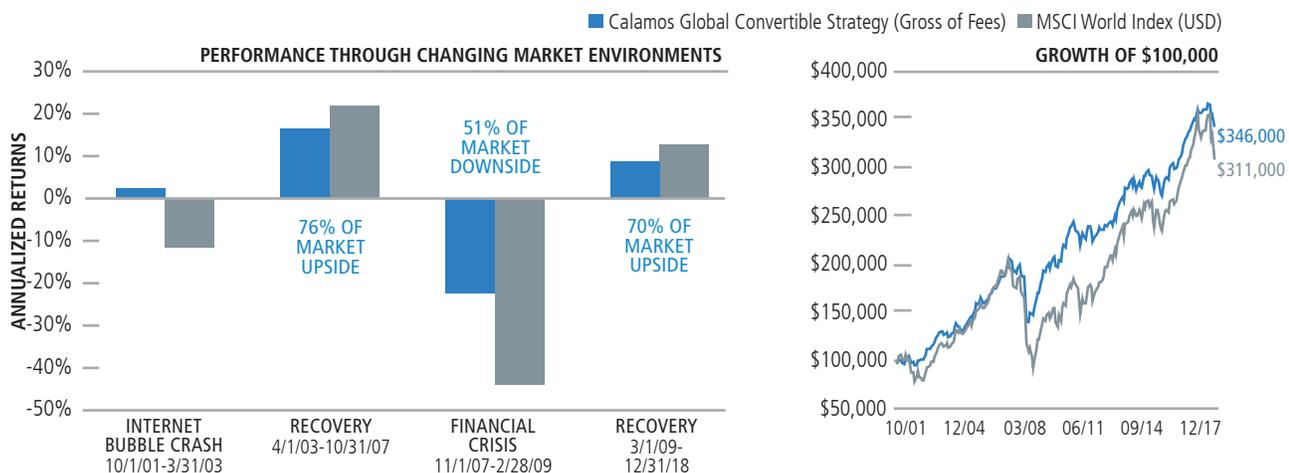
Figure 4 illustrates the opportunity of actively managed convertibles as a way to participate in the opportunity of the global equity markets, with potentially less exposure to equity market downturns. As the chart on the right shows, the **Calamos Global Convertible Strategy** has outperformed the global equity market since the strategy's inception. Additionally, the strategy has provided attractive upside/downside capture through key market events—participating in a healthy measure of upside, while demonstrating resilience during more challenging periods (left chart).

Equity alternative strategies. Investors who are concerned about downside equity moves may also wish to consider adding liquid alternatives to their equity allocations. A liquid alternative strategy can employ different strategies to change its level of exposure to the equity market. Alternative strategies often use investment techniques that do not perform in tandem with traditional stock and bond portfolios, so including them within an allocation may result in more consistent performance over time.

Calamos Hedged Equity Fund is an example of a liquid alternative strategy designed to enhance equity allocations. The fund seeks to access the total return potential of the equity markets, with lower volatility, and is designed to serve as a volatility dampener for an equity allocation. It seeks to provide better upside/downside asymmetry than a traditional long-only stock portfolio.

Figure 4. Using Convertibles to Actively Manage Global Equity Risk Through Market Cycles

Throughout its history, Calamos Global Convertible Strategy has provided attractive upside/downside capture through major market events. This favorably asymmetrical performance pattern has resulted in returns that have surpassed the global equity market.



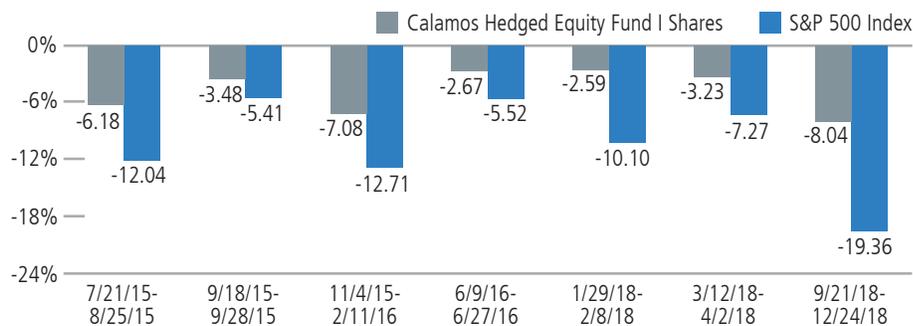
Past performance is no guarantee of future results. Current performance may be lower or higher than the performance quoted. The principal value and return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. For the most recent strategy performance information visit www.calamos.com. Index data shown is from 10/1/01, since comparative index data is available only for full monthly periods. Source: Mellon Analytical Solutions LLC. Data as of 12/31/18. The composite and/or strategy discussed is not a registered Fund available for investment.

To do so, the fund blends a core long-only equity portfolio with an actively managed option overlay. In this approach, our team is drawing on decades of proprietary experience.

As Figure 5 shows, the fund has outperformed the S&P 500 during all down markets since inception.

Figure 5. Calamos Hedged Equity Fund Has Navigated Down Equity Markets

PERFORMANCE DURING PERIODS WHEN THE S&P 500 WAS DOWN >5% SINCE FUND INCEPTION



CALAMOS HEDGED EQUITY FUND (CIHGX)

★★★★★

MORNINGSTAR OVERALL RATING™ Among 94 Options-based Funds. The fund's load-waived Class I shares had 5 stars for 3 years out of 94 Options-based Funds for the period ended 12/31/18.

Past performance is no guarantee of future results. Please see page 6 for standardized performance and fund risks.

Challenge: Seek Income and Diversification in Low Rate Environment

Potential Solution: Innovative Calamos Fixed Income Approaches

Today's landscape for fixed income asset allocation is also complex, due to persistently low interest rates (Figure 6). The potential for another "flight to quality" (that is, Treasury bonds), monetary policy unknowns, and mounting credit risk in the investment-grade bond market adds to the uncertainty facing investors. Even so, fixed income remains an important strategic asset allocation component for investors seeking income and a way to potentially dampen overall volatility within an asset allocation.

Fixed income alternative strategies. Liquid alternative strategies can be used to enhance fixed income allocations.

Calamos Market Neutral Income Fund is a time-tested fixed-income alternative. In pursuit of income and steady performance, the fund uses two complementary strategies that respond differently to volatility: convertible arbitrage and hedged equity. By combining these strategies, the fund seeks to deliver more consistent returns over a full market cycle.

Figure 6. Stubbornly Low Yields Create Challenges For Income Oriented Investors

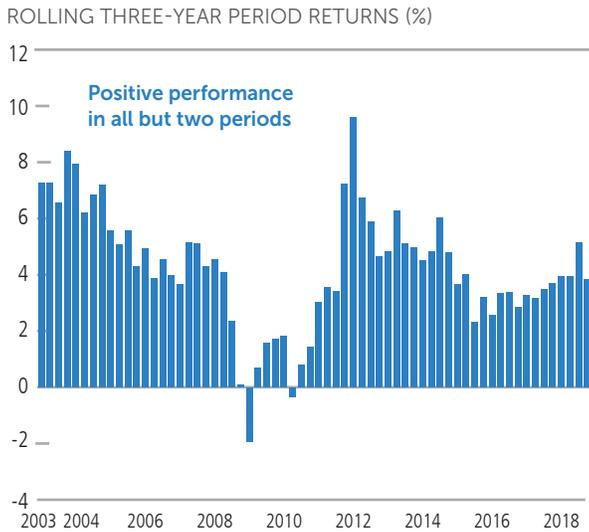
10-YEAR U.S. TREASURY BOND YIELD %



Past performance is no guarantee of future results.
Source: Bloomberg.

Because the strategy sources income from option premiums, stock dividends, and convertible coupons, it provides an income stream not correlated to interest rates. Figure 7 on the following page shows the fund's strong track record of returns over time as well as its correlations versus other asset types, including notably lower correlation versus investment-grade fixed income.

Figure 7. Calamos' Market Neutral Income Approach Offers Compelling Diversification Potential and Historical Performance



Past performance is no guarantee of future results. Data from first full month since inception (5/10/00) through 12/31/18), for Class I shares. Source: Morningstar. Correlation refers to how asset classes perform in relation to one another. Correlation is based on a range of 1 to -1; 1 represents two assets being highly correlated with each other and -1 representing two assets being negatively correlated with each other.

CALAMOS MARKET NEUTRAL INCOME FUND (CMNIX)

★★★★★

MORNINGSTAR OVERALL RATING™
 Among 122 Market Neutral Funds The fund's load-waived Class I shares had 4 stars for 3 years, 4 stars for 5 years, and 5 stars for 10 years out of 122, 98, and 31 Market Neutral Funds, respectively, for the period ended 12/31/18.

CORRELATION SINCE INCEPTION

FTSE Treasury Bill 1-Month Index	0.10
Bloomberg Barclays U.S. Government/Credit Index	0.14
Bloomberg Barclays U.S. Aggregate Bond Index	0.15
S&P 500 Index	0.81
Credit Suisse U.S. High Yield Index	0.77
MSCI EAFE Index	0.80
FTSE NAREIT All Equity REITs Index	0.65

Short-duration bonds. Successful asset allocation is about positioning your portfolio before the markets turn. Although the markets are pricing in a more tempered interest rate course from the Federal Reserve, history has shown that conditions can change quickly. For investors who are hesitant to sit on outsized allocations to cash but want to build in a potential buffer against further interest rate increases and continued market volatility, short-term bonds may provide compelling benefits.

Conclusion

Market volatility and a complex interest rate environment highlight the need for well-planned asset allocation solutions. Calamos Wealth Management has a long history of using innovative approaches to rise to the challenges of the global markets. If you'd like to learn more about the topics we've discussed here, your Calamos Wealth Management team is always available. They can provide additional information about our investment capabilities, framed by their knowledge of your unique wealth management needs.

AVERAGE ANNUALIZED PERFORMANCE AS OF 12/31/18, CALAMOS GLOBAL CONVERTIBLE STRATEGY

STRATEGY	1 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION (10/1)
Gross of fees	-1.83%	4.89%	8.48%	7.46%
Net of Fees	-3.13	3.42	7.36	6.38

Past performance is no guarantee of future results. Current performance may be lower or higher than the performance quoted. Portfolios are managed according to their respective strategies which may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of the benchmark(s). Portfolio performance, characteristics and volatility may differ from the benchmark(s) shown.

The results portrayed on the preceding pages are for the Calamos Global Convertible Composite. Representative holdings and portfolio characteristics are specific only to the portfolio shown at that point in time. Other portfolios will vary in composition, characteristics, and will experience different investment results. The representative portfolio shown has been selected by the advisor based on account characteristics that the advisor feels accurately represents the investment strategy as a whole. Supplemental information has been provided for the Global Convertible Composite. The Calamos Global Convertible Composite is an actively managed composite investing primarily in a globally diversified portfolio of convertible securities. The composite includes all fully discretionary, fee-paying accounts, including those no longer with the firm. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest. Fees include the investment advisory fee charge by Calamos Advisors LLC. Returns greater than 12 months are annualized.

AVERAGE ANNUALIZED PERFORMANCE AS OF 12/31/18, CLASS I SHARES

FUND	INCEPTION	1 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION	GROSS EXPENSE RATIO
Calamos Global Convertible Fund	12/31/2014	-2.73%	—	—	3.36%	1.11%
Calamos Hedged Equity Fund	12/31/2014	0.89	—	—	3.82	1.27*
Calamos Market Neutral Income Fund	5/10/2000	1.80	3.01%	4.88%	4.42	1.00

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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.

*For Calamos Hedged Equity Fund, the Fund's investment advisor has contractually agreed to reimburse Fund expenses through March 1, 2022 to the extent necessary so that Total Annual Fund Operating Expenses (excluding taxes, interest, short interest, short dividend expenses, brokerage commissions, acquired fund fees and expenses, and extraordinary expenses, if any) of Class I Shares are limited to 1.00% of average net assets, respectively. Calamos Advisors may recapture previously waived expense amounts within the same fiscal year for any day where the respective Fund's expense ratio falls below the contractual expense limit up to the expense limit for that day. This undertaking is binding on Calamos Advisors and any of its successors and assigns. This agreement is not terminable by either party.

Important Fund Risk Information.

An investment in the Fund is subject to risks, and you could lose money on your investment in the Fund. There can be no assurance that the Fund will achieve its investment objective. Your investment in the Fund 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 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. The risks associated with an investment in the Fund can increase during times of significant market volatility. The writer of a covered call may be forced to sell the stock to the buyer of the covered call and be precluded from benefiting from potential gains above the strike price.

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 options 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.

The principal risks of investing in the **Calamos Market Neutral Income Fund** include: equity securities risk consisting of market prices declining in general, convertible securities risk consisting of the potential for a decline in value during periods of rising interest rates and the risk of the borrower to miss payments, synthetic convertible instruments risk, convertible hedging risk, covered call writing risk, options risk, short sale risk, interest rate risk, credit risk, high yield risk, liquidity risk, portfolio selection risk, and portfolio turnover risk.

The principal risks of investing in the **Calamos Global Convertible Fund** include: equity securities risk consisting of market prices declining in general, growth stock risk consisting of potential increased volatility due to securities trading at higher multiples, foreign securities risk, emerging markets risk, currency risk, geographic concentration risk, American depository receipts, mid-size company risk, small company risk, portfolio turnover risk and portfolio selection risk.

About Class I shares: Class I shares are offered primarily for direct investment by investors through certain tax-exempt retirement plans (including 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit sharing and money purchase pension plans, defined benefit plans and non-qualified deferred compensation plans) and by institutional clients, provided such plans or clients have assets of at least \$1 million. Class I shares may also be offered to certain other entities or programs, including, but not limited to, investment companies, under certain circumstances.

Morningstar Data: Morningstar Ratings™ are based on risk-adjusted returns and are through 12/31/18 for Class I shares and will differ for other share classes. Morningstar ratings are based on a risk-adjusted return measure that accounts for variation in a fund's monthly historical performance (reflecting sales charges), placing more emphasis on downward variations and rewarding consistent performance. Within each asset class, the top 10%, the next 22.5%, 35%, 22.5%, and the bottom 10% receive 5, 4, 3, 2 or 1 star, respectively. Each fund is rated exclusively against U.S. domiciled funds. The information contained herein is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Source: ©2018 Morningstar, Inc.

Index definitions

The **S&P 500 Index** is considered generally representative of the U.S. large cap stock market. The **MSCI World Index** is considered generally representative of the market for developed market stocks. The **MSCI All Country World Index** is a measure of emerging and developed market stocks. The **Bloomberg Barclays U.S. Aggregate Bond Index** is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, 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. The **Bloomberg Barclays Capital U.S. Government/Credit Bond Index** comprises long-term government and investment-grade corporate debt securities and is generally considered representative of the performance of the broad U.S. bond market. The **FTSE Treasury Bill 1 Month Index** is an unmanaged index generally considered representative of the performance of short-term money market instruments. U.S. Treasury Bills are backed by the full faith and credit of the U.S. government and offer a guarantee as to the repayment of principal and interest at maturity. The **MSCI EAFE Index** is an arithmetic, market value-weighted average of the performance of securities listed on the stock exchanges of selected countries in Europe, the Far East and Australia. The index is calculated on a total return basis, which includes reinvestment of gross dividends before deduction of withholding taxes. The **Credit Suisse U.S. High Yield Index** consists of US-denominated high yield issues of developed countries. Issues held in the index must be publicly registered in the U.S. or issued under Rule 144A with registration rights, must be rated "BB" or lower, and the minimum amount outstanding (par value) must be at least \$75 million. The **FTSE NAREIT All Equity REITs Index** measures the performance of all publicly traded equity real estate investment trusts traded on U.S. exchanges. Indexes are unmanaged, do not entail fees or expenses and are not available for direct investment. Unlike convertible bonds, U.S. Treasury bills are backed by the full faith and credit of the U.S. government and offer a guarantee as to the timely repayment of principal and interest.

Past performance is no guarantee of future results. Opinions are as of the publication date, subject to change and may not come to pass. Information is for informational purposes only and shouldn't be considered investment advice. Convertible securities entail interest rate risk and default risk. Fixed income securities entail interest rate risk. Alternatives entail added risks and may not be suitable for all investors. Active management, asset allocation and diversification do not guarantee investment returns and do not eliminate the risk of loss.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Calamos Wealth Management LLC), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions.

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