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Even in these difficult markets, there are reasons for cautious optimism

Over recent weeks, we've spoken to many people who wonder if they should retreat from the markets and wait for better days. In my experience, it's better to take a long-term approach. Markets can turn quickly, which supports the case for staying invested—especially as many securities are now trading at prices we believe represent attractive buying opportunities.

Also, as we will discuss, there are variety of ways to potentially reduce the equity exposures in your portfolio without going to cash—for example, by including risk-managed liquid alternative and convertible security strategies.

We believe many securities have been oversold and represent compelling long-term opportunities.

We expect better days ahead

The Covid-19 pandemic has created unprecedented uncertainty for investors. Although we cannot predict the exact timeline, we are confident that both the economy and markets will recover. Throughout history, the global economy and markets have demonstrated resilience through many crises that seemed insurmountable at the time.

Countries around the world have responded to the pandemic with unprecedented global monetary and fiscal policy responses. In the U.S., the Federal Reserve and federal government have acted swiftly, increasing the likelihood for a relatively faster recovery. With programs for individuals, small businesses and larger corporations, the CARES Act is an extraordinarily expansive response, and the speed of its passage contrasts favorably with the response in 2008 and 2009.

Markets are anticipatory, which makes "timing" a dangerous strategy

Only time will tell if we have already seen a bottom in the markets, and we expect volatility to remain very high, due to the pandemic, economic shocks, U.S. elections and geopolitical unknowns. However, **we caution investors against making panicked moves or trying to time the markets.** Over the quarter, many securities regained ground, but investors who gave into panic likely missed the chance to benefit.

The economy and markets are unlikely to recover at the same pace. **Markets are typically forward looking and have often turned the corner not when problems were fully solved but when things looked "less bad."** We expect better market conditions before the pandemic is resolved and before the economy is fully up and running.

We believe many securities have been oversold and represent compelling long-term opportunities. Across asset classes, our teams are focused on identifying the companies, sectors and investment themes that provide attractive compensation for their potential risks.

In the equity markets, the opportunity set includes higher quality companies that are better able to withstand the current economic shocks and those with business models that capitalize on disruption (e.g., businesses that can benefit from the work-from-home paradigm, localization of supply chains, and evolving health care needs). As we re-engage risk selectively, we also see opportunities in cyclical growth companies.

Responding to risk—while staying invested

For those who have grown more worried about volatility over recent weeks, we encourage a conversation with a Calamos Wealth Management Advisor, who can provide personalized advice and information tailored to your unique circumstances.

There are a number of ways investors can potentially "take some risk off the table"—without going to cash. **Over the decades, we have developed many strategies to help investors cope with volatile markets.** For example, in the difficult financial markets of the 1970s, we pioneered the use of convertible securities to provide potentially lower volatility equity exposure at a time when convertibles were not widely used and were essentially an alternative asset class. Building on this foundational capability, we have introduced a range of liquid alternative strategies that manage risk and returns.

In these highly volatile and uncertain times, the Calamos liquid alternative strategies may be beneficial for managing risk and enhancing diversification. They can be included in a variety of ways, depending on the client's unique asset allocation needs. Equity liquid alternatives—such as the **Calamos Hedged Equity Strategy** or **Calamos Phineus Long/Short Strategy**—can capitalize on both upward and downward moves. These strategies can provide equity exposure, with more tools for managing risks.

On the fixed income side of an asset allocation, our **Calamos Market Neutral Income Strategy** may be a welcome choice for a volatility dampener. With a history that traces back to the early 1990s, our market neutral income approach is one of the oldest of its kind and may be a compelling choice for investors seeking income, and the potential for steady performance with less exposure to equity drawdowns.

Additionally, as we noted, our actively managed convertible security strategies provide potentially lower volatility equity market participation. We believe convertibles represent an especially compelling opportunity today, due to a combination of wide credit spreads, oversold equities, and a wide convertible valuation gap is that unlikely to last. When one or more of these conditions reverse, many convertibles are likely to benefit.

Given our expectation of continued equity market volatility, we see a strong case for maintaining allocations to risk-managed fixed income strategies. Our teams are identifying select opportunities in the corporate credit market that meet our criteria for being well compensated for the risks undertaken.

Conclusion

As always, and especially during these extraordinary times, we thank our clients for their continued trust. There is still a great deal of uncertainty in the markets and economy, but we believe our experienced approach will allow us to help our clients achieve their wealth management goals.

The Strategies discussed may not be available to you and would depend upon which Calamos Wealth Management LLC investment program you have invested. The asset allocation considerations are not intended to be a representation of what Calamos Wealth Management LLC would suggest for your specific situation. Each individual's tax and financial situation is unique.

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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Asset allocation and diversification do not guarantee a profit or protect against a loss.

Important Strategy Risk Information. An investment in the Strategy is subject to risks, and you could lose money on your investment in the Strategy. There can be no assurance that the Strategy will achieve its investment objective. Your investment in the Strategy 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.

Convertible securities and corporate bonds entail interest rate risk and default risk.

The principal risks of investing in the **Calamos Market Neutral Income Strategy** 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 Phineus Long/Short Strategy** include: equity securities risk consisting of market prices declining in general, short sale risk consisting of potential for unlimited losses, foreign securities risk, currency risk, geographic concentration risk, other investment companies (including ETFs) risk, derivatives risk, options risk, and leverage risk.

The principal risks of investing in the **Calamos Hedged Equity Strategy** 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 Strategy 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 Strategy'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 Strategy's ability to utilize options successfully will depend on the ability of the Strategy's investment adviser to predict pertinent market movements, which cannot be assured.

Convertible Arbitrage Risk: If the market price of the underlying common stock increases above the conversion price on a convertible security, the price of the convertible security will increase. The Strategy's increased liability on any outstanding short position would, in whole or in part, reduce this gain.

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