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Perspectives on Wealth Management in Uncertain Times

2020 continues to be an unprecedented year for investors, and we are having many conversations with Calamos Wealth Management clients who are worried about the road ahead. Markets have rebounded, but recent weeks have brought volatility and selloffs. There are many uncertainties on the horizon, most notably due to the pandemic and upcoming U.S. elections.

Over my 50 years in the investment industry, I have learned that volatility creates opportunity for those who are prepared, disciplined and guided by 'a' long-term focus. The Calamos portfolio management teams continue to identify many opportunities for our selective and fundamentally driven approaches. As market and economic conditions evolve, our Wealth Management Teams are committed to ensuring that each client's wealth management strategy appropriately aligns with their long-term needs and the opportunities we see. Our goal is to create solutions that help our clients feel confident in the midst of uncertainty and which reduce the temptation to try to time the markets.

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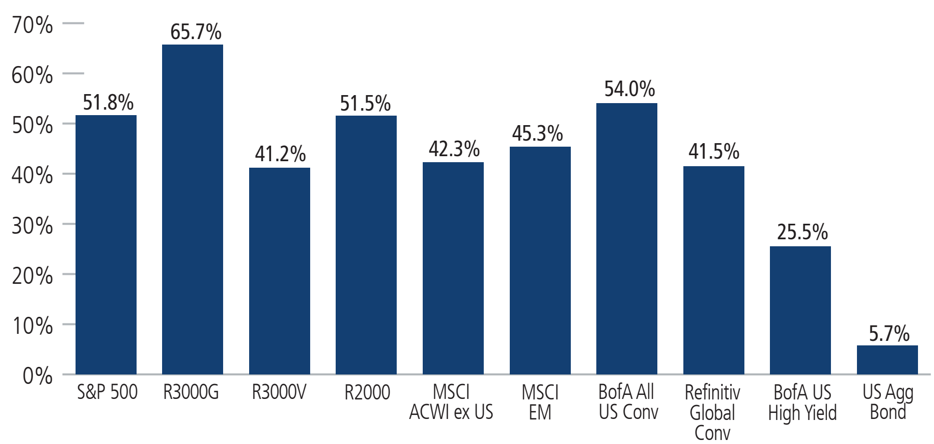
I believe there is more upside opportunity across asset classes, but security selection, active risk management and experience will be essential for preserving capital and capturing upside. Heightened uncertainty will bring saw-toothed markets, elevated volatility and leadership rotation. It's a well-known saying that "markets hate uncertainty," and there is plenty on the horizon—whether related to the pandemic, the election, social unrest, or foreign policy. The potential outcomes of November's elections open the door to vastly different scenarios for fiscal policy, taxes, regulation and geopolitics. It's entirely possible that the ballot counting process will take longer than either party would like.

FIGURE 1. **MARKET REBOUNDS FROM THE Q1 LOW (TOTAL RETURN %)**
MARCH 24, 2020 TO SEPTEMBER 30, 2020



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

*Originally published in August of 2020, with updated perspectives as of October 2020.

This environment may not be comfortable for investors, but corrections are typical in sustained, long-term rallies. **it's important to remember that market pullbacks are common,** even those in the range of 10%. Episodic selloffs are likely as jittery investors react to headline news. It's very dangerous to get caught up in the short-term noise. Far too often, investors end up catching the downside but missing the upside.

I encourage investors not to lose sight of positive fundamentals, including many indications that a V-shaped recovery is still underway. Although recent data indicates a slowdown in the labor market and personal income, people have returned to work in droves since the economy has reopened, private sector employment data remains positive, savings rates are high, mortgage rates are low, consumers are spending and consumer confidence data is favorable. Corporate earnings outlooks are improving and consensus earnings expectations for the S&P 500 Index in 2021 are quite similar to those of 2019 (Figure 2). Auto sales are ramping up, manufacturing data indicates expansion, and the housing market is strong. The next phase of Covid-relief fiscal stimulus remains unclear, but the Fed has communicated its intention to leave short-term rates low for an extended period, which can provide a tailwind for markets. While rising Covid-19 cases in many regions of the U.S. and around the world are deeply concerning, market participants have not lost sight of the progress that has been made in vaccination trials.

Outlook on Opportunity

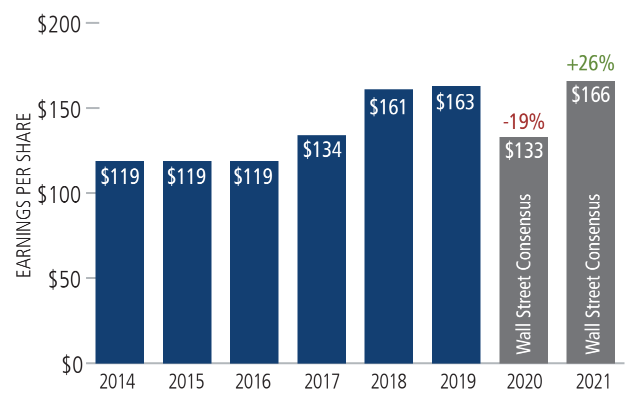
Against a backdrop of accommodative policy and economic recovery, we maintain our expectation that strong reflationary tailwinds will support stocks, convertible securities and other risk assets—both in the U.S. and globally. However, we are not in 'a' period where a "rising tide will lift all boats," which is why research and bottom-up security selection are so important.

As I have discussed in the past, **the pandemic has catalyzed a period of accelerated disruption, which creates opportunity for the innovative and adaptable businesses of all sizes.** Although a number of companies are facing headwinds as they try to adjust to a rapidly changing world, others are quickly adapting. Many are part of the trend of "the big get bigger." However, there are also a number of lesser-known, smaller-cap U.S. companies that have flourished, many of which are tied to themes that have gathered force in a short time—for example, telemedicine and a variety of other "at home" trends. Mindful of being positioned ahead of market turns, our investment teams are balancing these growth-oriented positions with allocations to more cyclically oriented growth businesses that can benefit as the economic rebound continues.

In an environment that is likely to bring volatility, we believe the case for convertible securities remains strong as a way to pursue lower-volatility equity exposure or to enhance a fixed income allocation. Convertible securities blend attributes of stocks and traditional fixed income securities and, with active management, can provide upside participation with equity risk mitigation. We are excited to see 2020's breadth and amount of convertible issuance, and believe it will provide an excellent backdrop for our approach. Through September, global companies have issued $125.7 billion in convertible securities, led by the U.S. at $88.2 billion (Figure 3). This issuance has already surpassed the full-year totals of recent years and has included many attractive structures, across market sectors.

In our clients' convertible strategies, we continue to be highly active, continually rebalancing to enhance risk/return characteristics. Our approach recognizes the importance of downside risk management during equity selloffs, which we believe has served our clients well in 2020 as well as over the long-term. As market volatility has picked up, we have sought to lessen exposure

FIGURE 2. S&P 500 INDEX ANNUAL EPS–BOTTOM-UP CONSENSUS



Source: FactSet. Factset aggregates earnings estimates of Wall Street analysts that cover the underlying companies within the S&P 500 in order to derive the bottom up consensus estimates.
Past performance is no guarantee of future results.

FIGURE 3. GLOBAL CONVERTIBLE ISSUANCE ($ BILLION)

As of September 30, 2020. Source: BofA Global Research.

to equity market downside, while still maintaining a healthy level of upside participation. We will continue to use short-term selloffs to build positions in securities with appealing issuer fundamentals and well-balanced structural features.

Asset Allocation: Wealth Management Strategies in Volatile Markets

Investors should be prepared for significant market volatility and market rotation. Fiscal policy has been a key underpinning of market sentiment, so as the U.S. presidential election approaches, markets are likely to become increasingly jittery. Although many polls currently suggest there may be a change in leadership, the race is very close. This lack of visibility requires that investors maintain a long-term perspective—and focus on putting a plan in place now versus making frantic portfolio shifts in the days before and after the election.

In my experience, a well-diversified, risk-aware asset allocation is one of the best tools for navigating uncertain markets and for turning volatility into opportunity. This principle is a cornerstone of the Calamos Wealth Management approach.

We believe that geographic diversification is very important. U.S. companies across the capitalization spectrum offer compelling growth potential, but adding strategies that invest in non-U.S. allocations provide access to a broader opportunity set. For example, our global strategies include companies that are at the forefront of innovations in artificial intelligence, bioprocessing, and global payments.

We also focus on providing asset class diversification in line with each client's unique needs. Given our expectation for rising but volatile equity markets, convertible securities offer many potential benefits for many clients. For example, convertibles can provide lower volatility equity participation or provide a hedge against rising rates and inflation. This makes them an attractive choice for our clients who are worried about stock market volatility or interest rates. Dedicated convertible strategies or multi-asset strategies that include convertibles along with stocks and bonds may make it easier for investors to maintain stock market participation through choppy periods.

During the extended equity bull market, many investors lost sight of the value of fixed income allocations, but the volatility and selloffs of 2020 have rekindled appreciation for bonds' diversification benefits. A cornerstone allocation to fixed income investments—for example, short-term bonds or core-plus total return approaches—may help enhance the stability of an overall asset allocation while also supporting income needs. Meanwhile, for certain investors, allocations to risk-managed high-yield bond portfolios can provide added income and appreciation potential.

For many of our wealth management clients, alternative strategies can be included as a means to enhance an equity or fixed income allocation. For example, we may add hedged equity and long/short approaches to our equity allocations. Compared to traditional stock strategies, these alternatives can deploy a broader range of tools for navigating downside risk and capitalizing on upside. Turning to fixed income allocations, our market neutral income approach has proven to be an advantageous addition for many of our clients' portfolios, thanks to its time-tested process. With a unique approach to pursuing bond-like returns without a lot of interest rate risk, our market neutral income strategy can provide an attractive complement to traditional bond strategies.

In Closing

I first began helping clients achieve their wealth management goals in the 1970s—many of you may remember how difficult that environment was. There have also been many scary times for investors since, from the downturn of 1987 to the Great Financial Crisis of 2008-2009. Over time, the markets and the economy have found their way back, rewarding investors with long-term perspective.

Even in these highly uncertain times, we see many opportunities for our Calamos Wealth Management clients. Not all companies will fare equally well during this period of accelerated disruption, but **we have already seen many innovative businesses adapting and flourishing as they meet the needs of a rapidly evolving global economy.** In an environment that favors active and selective approaches, fundamental research, and innovative risk management, we believe our customized wealth management strategies are well positioned to help our clients meet their long-term wealth management goals.

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

Important Risk Information.
The value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also, may have an effect on the convertible security's investment value. Convertible securities and corporate bonds entail interest rate risk and default risk.

As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities, including fluctuations in currency exchange rates, increased price volatility and difficulty obtaining information. In addition, emerging markets may present additional risk due to potential for greater economic and political instability in less developed countries.

Alternative strategies entail added risks and may not be suitable for all investors. In addition to the risks listed above, principal risks of the 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

An investment in a Calamos strategy is subject to risks, and you could lose money on your investment in the strategy. There can be no assurance that a 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.

Indexes are unmanaged, do not reflect fees and expenses and are not available for direct investment.

The **U.S. Dollar Index** measures the value of the U.S. dollar relative to a basket of foreign currencies, including Euro Area, Canada, Japan, United Kingdom, Switzerland, Australia, and Sweden. The **Russell 3000 Growth Index** and **Russell 3000 Value Index** measure U.S. growth and value equities, respectively. The **Russell 2000 Index** measures U.S. small cap stock performance. The **S&P 500 Index** is considered generally representative of the U.S. equity market. The **MSCI All Country World Index** represents the performance of global equities. The **MSCI All Country World ex U.S. Index** represents the performance of global equities, excluding the U.S. The **MSCI Emerging Markets Index** is a measure of the performance of emerging market equities. The **ICE BofA U.S. High Yield Index** is an unmanaged index of U.S. high yield debt securities. The **ICE BofA All U.S. Convertible Index (VXA0)** is a measure of the U.S. convertible market. The **Refinitiv Global Convertible Bond Index** measures the performance of 300 global convertibles. The **Bloomberg Barclays Aggregate Index** represents the performance of U.S. investment grade bonds. ICE Data: Source ICE Data Indices, LLC, used with permission. ICE permits use of the ICE BofA indices and related data on an `as is' basis, makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/ or completeness of the ICE BofA Indices or data included in, related to, or derived therefrom, assumes no liability in connection with the use of the foregoing and does not sponsor, endorse or recommend Calamos Advisors LLC or any of its products or services.

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