

Calamos Team Competes in HRMS Naperville Triathlon

When Pete Johnston, Bill Powell, Laura Saunders, Paul Gallois and Lauren Dixon began training in early April, they set a goal to finish the HRMS Naperville Triathlon in a certain time. Everyone's time was different, but the goal of finishing was the same. The Calamos team members were among 2,000 other athletes who participated in the triathlon. Participants ranged in age from 16 to 84. The event in downtown Naperville included a 400 meter pool swim at Centennial Beach, a 20k (12.4 miles) bike ride and a 5k (3.1 miles) run. After months of preparation, each Calamos team member not only



L to R: Bill Powell, Lauren Dixon, Paul Gallois, Laura Saunders and Pete Johnston

completed the triathlon, but also beat their individual goal times. Great job Calamos team!

The "Core" of a Diversified Portfolio

(continued)

for capital gains and bonds for safety. I believe my discovery of convertible bonds presented a better solution to the typical stock/bond relationship.

This little-known security called "convertible bonds," typically relegated to a footnote in finance books back then presented me a potential "best of both worlds" solution, offering the upside potential of stocks and the downside safety potential of bonds.

That was the beginning of a financial strategy that has become the building block for Calamos in managing portfolios over the last 30 years. At Calamos, well-managed convertibles provide the "core holdings" designed to enable us to manage risk and create wealth, replacing the simple and typical asset allocation between stocks and bonds. An appropriate asset allocation strategy acts to reduce risk but it has routinely been simplified to a formula of 60 percent stock, 30 percent bonds and 10 percent cash as the building blocks of an investment strategy.

During a bull market investors tend to be more buoyant and increase their proportion of stocks. During a bear market they become more conservative and favor bonds. Yet that evaluation alone creates its own conundrum as investors move back and forth as if trying to time the market. Asset

allocation is improved with convertibles as a core holding because it creates a better risk/reward posture without making a market timing decision resulting in a fluctuating risk posture. In fact, using convertibles in an asset allocation strategy replaces the need for market timing.

In an article in Fortune Magazine published May 12, 2008, the Calamos growth and income strategy was recognized for its distinct mix of assets. The article stated, "The managers augment the traditional stock-and-bond mix with a big chunk of convertible securities, now 40 percent of assets, for an extra layer of diversification that helps mitigate risk and boost performance." As we mark the 20th anniversary of this convertible strategy, it is worth noting that the strategy has performed well over many market cycles including such notable market downturns brought on by savings and loan crisis, the recession of the early 1990s, the Federal Reserve's rescue of Long-Term Capital Management, the dot.com crash, 9/11 and the Enron and World Com scandals, to name just a few of the events that roiled the financial markets.

Look for Part II of "The 'Core' of a Diversified Portfolio" in next week's Calamos Exchange.

Note: The Calamos Exchange is a publication for the staff of Calamos Holdings and is for internal use only. It may not be distributed to other parties without permission from the company.

Wholesalers (continued)

value our knowledgeable, consultative approach during this time of uncertainty," stated Brian McNamara, Regional Director in the Wholesalers Central Division. Our wholesalers across the country are seizing this opportunity to build relationships with more sophisticated advisors. Chad added, "No one's running and hiding during these uncertain market conditions. We're out there meeting with advisors and delivering our message. We have stayed the course and have made sure advisors know that we're in this together."

Our knowledgeable wholesalers play a major part in why advisors are so eager to meet with us. Brian stated, "Advisors know that we are educated on our products and philosophy because John, Sr. and Nick are great at communicating with us in the field. Along with our monthly meetings and access to our portfolio team, we are prepared for meetings with the top advisors." Armed with our expertise in convertible securities and reputation for remaining long-term optimistic and protect on the downside, Calamos' wholesalers are rising above the competition despite the current market conditions. Chad summed it up best, "This is Calamos' time to shine."

Evolving World Growth Fund (continued)

the best opportunities for long-term capital appreciation. The Fund invests largely in emerging markets where economic freedom is embraced, which we believe supports long-term opportunity.

The Fund will also include the securities of developed-world companies with ties to developing economies. In addition, the investment team will also have the flexibility to utilize convertibles, bonds and sovereign or agency debt within the fund.

