



John S. Koudounis

EDITORS' NOTE *John Koudounis joined Calamos Investments in April 2016. Previously, he was President and Chief Executive Officer for Mizuho Securities USA Inc.; Managing Director, ABN AMRO Inc; and Vice President, Merrill Lynch. He received his AB in International Diplomacy & Foreign Affairs and Economics from Brown University.*

COMPANY BRIEF *Calamos Investments (calamos.com) is a diversified global investment firm offering innovative investment strategies including alternatives, multi-asset, convertible, fixed income and equity. The firm offers strategies through separately managed portfolios, mutual funds, closed-end funds, private funds and UCITS funds. Clients include major corporations, pension funds, endowments, foundations and individuals, as well as the financial advisors and consultants who serve them. Headquartered in the Chicago metropolitan area, the firm also has offices in London, New York, San Francisco and Miami.*

When you assumed the leadership role at Calamos during its turnaround, what opportunities were you able to take advantage of in leading its evolution?

Many of the roles I had in the past required that I start from scratch in certain areas. However, this firm has been around for 40 years and had fantastic bones and a great core to work with. We have a great distribution force in place and a deep bench of talent.

However, this is a competitive business and margins are continuing to shrink in our industry. The average time that a person holds a mutual fund is approximately three years, so we always need to keep innovating and delivering results.

Since I arrived, I've been focused on building on our strengths and implementing improvements to make us more competitive. We're building out our product line and deepening relationships with key strategic partners around the world. This has helped us gain traction, including in the alternative space. For

Providing Innovative Solutions

**An Interview with John S. Koudounis,
Chief Executive Officer, Calamos Investments**

example, we were able to convert a small hedge fund into a '40 Act mutual fund with just \$5 million at launch and raise close to \$1.3 billion in assets under management in just over two years.

We're always looking to add to our talent pool. Since I've arrived, Calamos has built out its fixed income team. We also added a director of research and a head of strategic product management to help us better leverage our resources and stay competitive. In just two years, we've seen a significant ramp up both in investment performance and assets under management. Today, our assets stand at nearly \$24 billion.

in products that will protect their assets. It's easy for people to invest in markets that are going straight up, but no market goes straight up forever.

With the recent rise of market volatility, we have seen people start to ask what they can do to protect themselves. Calamos was founded on the fundamental principal of preserving our clients' capital over full market cycles. We have always prided ourselves on being innovators in that regard. In the 1970s, John P. Calamos recognized the benefits of convertible bonds as a way to manage risk and reward. With active management of convertibles, you can capture the upside of the stock market with less downside. For example, since the financial crisis' market bottom in March of 2009, the equity market has fallen more than 5 percent 20 times; out of those 20 times, convertibles outperformed equities 19 times.

Stemming from our work in convertible bonds, we became an innovator in liquid alternative mutual funds, which are strategies that provide individual investors with the opportunity to invest beyond traditional stocks and bonds. People are concerned about rising interest rates, and we have solutions for this. We've seen sizable assets moving from traditional fixed income funds into our market neutral alternative strategy, which combines covered call writing and convertible arbitrage. It's an approach that can do well in a rising rate environment.

Year to date and for the past trailing year, we are the number one asset manager in terms of liquid alternative mutual fund inflows. That's something we're very proud of. Even though we're not nearly the size of our nearest competitors, we have tremendous influence because of our innovation and our ability to manage risk.

Can you show differentiation in this space via your innovative culture or is it solely about the numbers?

The numbers are very important, but so is the trust that the asset manager is always going to put the customer first. How we manage risk is very important and that has been a big differentiator for our clients. People would rather go with someone who understands risk and has a philosophy that doesn't go for the grand slam every time. We perform well, but we're mindful of risk. Given today's markets, people like to go with a firm that has this philosophy and to know that, in the long run, they will be better off.

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What value does Calamos provide to investors?

One year ago, people were talking about ETFs and index funds and how there was no need to have an active manager. We knew that those days were numbered and investors would soon rekindle their appreciation of active management. When markets become as volatile as they have in the past year, people want to be

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When retail clients look to choose a manager, they look not just at the current year but also at the life of the fund. It's an advantage for Calamos that many of our funds have track records over more than 30 years and that the firm itself has been in business for more than 41 years. Our performance has been very strong as of late and many funds have been top performers over the longer term, since their inception dates.

Has managing risk become more challenging and complex in today's environment?

Understanding risk and how it affects the markets is something the firm has been doing for more than 40 years and that I've been doing for my entire career. I've always been a conservative guy and it's one of the reasons I chose Calamos – our philosophies are very much in line.

Risk is always a part of investing but managing it has gotten more sophisticated due to markets moving more quickly, especially when dealing with geopolitical risk. With the current administration and trade wars heating up, we need to keep an eye on these, but we manage investments for the long term and don't over-react day to day.

We believe if we stick to our values and properly position our portfolios to mitigate risk factors over the full market cycle, we will prevail and our record has proven that.

Where is innovation taking place within this industry and how critical is an innovative culture to Calamos?

Innovation has always been and will always remain crucial to our business' success. It comes into play in terms of products and in utilizing certain innovative financial instruments to mitigate risk.

Also, it's apparent in how we look at companies and analyze them. Artificial intelligence is providing models that are overlaying human thought. Many companies are looking at using AI in their fundamental analysis. We look at all of these innovations and continue to invest in the technology we feel will help us be competitive. This is reflected in the results we have achieved.

In addition, people today are very environmentally conscious, and many folks are concerned about ESG. We are making sure we look at everything we're doing through the lens of environmental, social and governance issues. Many funds, especially in Europe, won't even allow us to bid on their business unless we deploy certain ESG screens.

In our wealth management business, we also see very wealthy people who are looking to invest their money with an eye to social, environmental and governance issues. Clients want to know what we're doing to be socially conscious in our approach. ESG is important to lots of people, especially younger generations and clients. This is something that is here to stay and we've been incorporating it into our processes for a number of years.

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Will technology replace workers in the future or will it just enable workers to get the job done more efficiently?

Both will happen. We can't say technology will not affect the workforce, because it has in the past and will continue to do so. Businesses continue to see massive productivity increases thanks to technological advancements.

Companies that enable their employees to best leverage those advancements will be the most successful. The jobs aren't being eliminated as much as being reworked.

Where is Calamos today in terms of its transition?

Calamos has been a premier firm in its class and was slightly bigger than it is now at one point, but the founder built a great firm and this is more of a passing of the baton as I focus on long-term growth.

The transition is about accelerating growth, moving forward in a really positive way, and carrying on the legacy and vision our founder started. He has always been innovative, so we want to preserve that legacy and continue providing innovative solutions that always put our clients' needs first.

This is what I have always stood for and what I will continue to do.

When you came into this role, did you need to bring in outside talent to drive change or were the right people already in place?

Fortunately, my vision aligns with our founder's vision, which is why it has been a great fit. It was just a matter of executing on it. We've made the company bigger and more diversified and are bringing in flows at a quicker pace. A lot of my experience has been in fixed income assets, and so I've been able to use that background to build up our capabilities in that area. We hired a very successful Co-CIO and are expanding our investment solutions. I'm very excited about the pipeline we're developing.

Do you take moments to reflect on and appreciate what has occurred with the firm or are you always looking ahead?

I do both. I can appreciate when the team is working well together because I don't take credit for that. I like to think I'm a coach.

Much of our success is a result of the good performance of our people. We are all working hard and going in the same direction, and it has been gratifying to see.

At the same time, I'm not complacent – I'm always looking to see what we can do better and how we can outdo what we have done.

It's satisfying to me whenever we prove wrong the people who think we can't do something. I have always been the guy who feels if someone else can do something, so can we, so we keep pushing through. ●