



## Matt Freund, Co-Manager of Calamos Long-Short Equity & Dynamic Income

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Chuck Jaffe, in The NAVigator podcast, interviewed Matt Freund, co-manager of Calamos Long-Short Equity & Dynamic Income. Read the Q & A below as Matt says that while interest rates have been positioned lower-for-longer by the Fed, there are still ways to diversify bond holdings to generate income. In addition, he discussed how the fund has been able to tactically navigate the



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volatile pandemic-impacted market to bounce back sharply from when the market bottomed out.

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**CHUCK JAFFE:** Matt Freund, co-chief investment officer and head of fixed-income strategies at Calamos Investments is here. He's part of the team that runs Calamos Long-Short Equity & Dynamic Income, and we're talking about the fund and the market today on The NAVigator. Welcome to The NAVigator, where we talk about all-weather active investing and plotting a course to financial success with the help of closed-end funds. The NAVigator is brought to you by the Active Investment Company Alliance, which is a unique industry organization in that it represents all facets of the closed-end fund industry, from users and investors to fund sponsors and creators. If you're looking for excellence beyond indexing, The NAVigator's going to point you in the right direction. Joining me today, Matt

Freund, co-chief investment officer and head of fixed-income strategies at Calamos Investments. Where they have a number of closed-end funds, but where we specifically are going to be talking pretty much about one of them, the Calamos Long-Short Equity & Dynamic Income Fund. A very interesting one, it's ticker symbol CPZ. If you want to learn more about the firm, the fund, Matt, and more, go to Calamos.com, on Twitter @Calamos. And to learn more about closed-end fund investing, check out the website of the Active Investment Company Alliance, it's AICAlliance.org. Matt Freund, welcome to The NAVigator.

**MATT FREUND:** Oh, it's my pleasure.

**CHUCK JAFFE:** The Calamos Long-Short Equity & Dynamic Income Fund is a fairly new fund. And not for nothing, but timing for opening a new fund probably couldn't have been worst. So I'm curious, this environment, well it was going to be challenging no matter what you did. How much more challenging is it to be starting a new fund in these kinds of times?

**MATT FREUND:** Well, by hindsight, the timing certainly wasn't optimal. So this was a fund that we launched in Q4 of last year. We went live at the very end of November, the Friday after Thanksgiving, and then looked to get invested in two different buckets. The larger bucket was a long-short risk managed equity approach. The second bucket was a dynamic income approach. I will tell you, getting invested on the income side, we wanted to do it as quickly as we could. Every day that goes by that it was sitting in cash and earning no income is a detriment to the fund's long-term holders. So we did a fairly good job of getting into the market during that traditionally slow period of the first, and second, and third weeks of December. On the long-short equity book, I have a great co-portfolio manager in Michael Grant, he's out in San Francisco. Michael had a very cautious view of the market during that period, and really we had promised during the Road Show that we were going to have the fund fully invested by the end of February, and that was the gate that we hit. But you are completely correct, we did not see the starting of a global pandemic and the turmoil that that would do to the markets. But I will tell you, despite all of that sort of volatility, CPZ is doing what it was designed to do. We did what we said we were going to do, and we think we're in a really good spot for long-term investors.

**CHUCK JAFFE:** The fund attracted more than \$375 million dollars' worth of assets, so it got off to a hot start in terms of the public. And in its peer group since inception, and more

important year to date with everything that's been going on, Morningstar has it at top of the peer group. Although it's still in negative territory because, well, in that peer group, everything's in negative territory. But I'm curious, are long-short strategies changing at all in a market where the volatility and potential sensitivity to numbers and things has gone up? If you think about long-short, you're trying to achieve a balance, and right now most people feel completely off balance.

**MATT FREUND:** One of the things that we've noticed is that a lot of long-short funds are really lightly long funds. They will keep their exposures positive, but in a range. And that is not something that Michael and his team do. They're fairly dynamic with how they move their equity exposures both up and down. Now what we did this year, is again, we were looking at the market in a very cautious way. And to enter the market we did a couple of things. We had shorts, we had long positions as well, and we used options. Specifically selling some puts that would get us exposure to names at prices that Michael and team liked. So those puts did get hit and the market did continue to trade with a lot of volatility on the way down. So that's the bad part of the story. And really through the middle of March, not just our strategy, but all strategies across the board were down. The market price was down more than the NAV. That's something unique to closed-end funds, where your NAV and your market price can be two different things. But we've seen just an absolute amazing recovery since the middle of March. And the team's decision that long-term investors, that the risk award, are you being well paid for the risks you're taking, really shifted in bias of the long side. So that was a brilliant call, and it allowed the fund to really springboard off the low. So while it is true that at a market price we were down north of 50% to the absolute low, it is also true in a market price that we were up 57% off that bottom as of the end of April. So again, you hit it right off the bat. Timing isn't optimal, it is very hard to demand optimal timing. But it's what you do with the opportunities that are presented, and I'm very proud of how the team handled the situation.

**CHUCK JAFFE:** This is a fund still trading at a significant discount. So it's kind of bargain priced for somebody who wants to get in with you at this point. I'm curious, you talked about his strategy on his side, but your strategy in fixed-income and the income side looks like it's going to be very tough sledding for a long time because we're going to be lower-for-longer for a lot longer, aren't we?

**MATT FREUND:** I think if we were exclusively a treasury fund, I would agree. But because I think one of the things that Chair Powell has made very, very clear, is that rates are going to be anchored at zero until well past the point that he is assured the economy can handle even a slight increase in rates. So when you think about what that's done, they've lowered rates to zero, and they have done more buying of securities, more quantitative actions, in the last two months, than they did in the entire two years of some of the quantitative programs they did post-'08. So just incredible liquidity support into the market. So rates on treasuries are going to be fairly low for a very long time, and the market's debating whether rates are going to be negative. They're negative in much of the world. They're negative in Europe. They are low, but still positive here in the States. But that's not what we do. One of the things that we really try to remind investors of, is that it is a not a homogeneous bond market. It is a market of individual bonds of different risks and reward characteristics. We did, and still do, think that preferred stocks are awfully attractive in this market. We made in what we thought was the right call in extending duration. So we were longer on the preferreds in the expectation that rates would fall. It was surprising because through the middle of March, those securities actually underperformed. There was nothing wrong with them, but they underperformed shorter dated. Preferreds, that all has come back out of the market, and again, we're very happy with our positioning there. And then the high-yield market's been under a lot of pressure. Their default activity was very, very low for years. It has now started to accelerate, and accelerate dramatically, so we think that there will be opportunities in the high-yield market. We are picking our spots. We're trying to be very careful to try and make sure that we are rotating out of areas of stress and rotating into areas where we're being well paid for the risk.

**CHUCK JAFFE:** Matt, great stuff. I wish I had more time. I don't, so we'll just have to have you back on The NAVigator to talk more in the not too distant future.

**MATT FREUND:** Thank you so much.

**CHUCK JAFFE:** The NAVigator is a joint production of the Active Investment Company Alliance and Money Life with Chuck Jaffe. I'm Chuck Jaffe, your host, and you can learn more about my work and my show at MoneyLifeShow.com. To learn more about closed-end funds and business-development companies, go to AICAlliance.org, the website for the Active Investment Company Alliance. They're on Facebook and LinkedIn @AICAlliance.

Thanks to my guest Matt Freund, co-manager of Calamos Long-Short Equity & Dynamic Income, head of fixed-income strategies, and co-chief investment officer at Calamos Investments. Learn more at Calamos.com and follow the firm on Twitter @Calamos. The NAVigator podcast is available every Friday, please subscribe where you find your favorite podcasts. Until next week, stay safe everybody. We'll talk to you again then.

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