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Calamos Asset Management, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question is from Craig Siegenthaler.

Craig Siegenthaler – Credit Suisse

Hi, good afternoon.

John Calamos

Hi, Craig.

Craig Siegenthaler – Credit Suisse

I'm just looking here at your margins, which are very high versus peers, and I'm also just thinking of the fact you started expense initiative which was reducing fixed expenses about three quarters ago. I'm just wondering in October we just seen the markets drop over 20% which impact everyone, so how can, expenses be further reduced to kind of keep up with their client of AUM?

Mark Infanger

We continue to look at our expense side, and we have found some areas that we think will position us better in the future by taking a large part of our expense and making it more variable. So that that is actually a new initiative. Some of the expense control that we took earlier, three quarters or earlier this year, I should say, did not include that, so the new initiative is really on the reduction of CapEx, and really taking the operation and the IT side of the business and looking to make that more variable.

Craig Siegenthaler – Credit Suisse

Got it. And just another question. I think you mentioned on maybe Chris's your comments on the hedges, on the investment portfolio, just looking at how that, that line is tracked in the past, with the FD [ph] markets being weak in the fourth quarter, I would assume that line was probably going to be weak again. When you said that hedge added volatility, does that mean volatility on the upside or is that additional negative volatility based on where that should be?

Chris Wasiak

It will be volatility to the upside.

Craig Siegenthaler – Credit Suisse

Got it. All right. Great. Thank you very much for taking my questions.

Operator

Your next question is from Marc Irizarry from Goldman Sachs.

Marc Irizarry – Goldman Sachs

Great. John. Can you just go through the, this expenses in a little more detail in terms of, how we should be thinking about the next several quarters and then how your thinking about sort of managing, sort of what will be near-term pressure on the business with longer term sustainability?

Chris Wasiak

Yes, I think the way to look at expenses is that, relative to the fourth quarter – relative to the third quarter, you will not see much change other than as we continue to evaluate the incentive comp, which everybody on the street is doing relative to, relative to performance. Going forward into 2009 we really are looking to right size any of the infrastructure given the new asset levels, that's really the way, and in this instance, I really do mean the right size, I don't mean necessarily downsize. We're looking across all of the different functional areas and saying at these lower asset levels trying to position ourselves for, if you will, the regrowth of the market. We look – like many of our competitors look at the different functional areas and say okay, when it comes to areas such as IT which John mentioned, have we gotten a little ahead of ourselves in terms of the projects and initiatives that we should be scaling back on some of those. And trying to differentiate, if you will, as we look at kind of a near-term, the near-term expenses and again primarily in the infrastructure areas. So that's where we would expect to be talking about some changes as we go, heading into 2009.

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