CALAMOS INVESTMENTS

Calamos Phineus Long/Short Fund (CPLIX) Q1 2024 Quarterly Commentary

Michael Grant, Co-Chief Investment Officer

Nothing Lasts Forever

The Calamos Phineus Long/Short Fund (CPLIX) rose 5.9% in Q1 (Class I shares at NAV), compared with returns of 10.2% and 4.9% for the S&P 500 Index and MSCI World Ex USA Indices, respectively. Fund performance was led by the tactical rotation within the mega-caps, the long bias favoring cyclicals over defensives, and the gradual reduction in net equity exposure, which concluded the quarter at +14.9%.

Since November, the Federal Reserve has encouraged a broad consensus for "immaculate disinflation." As equities rallied in response, financial conditions have eased accordingly and reduced the likelihood of imminent policy easing, even as rising expectations of easing partly fueled the rise in risk appetite. Markets are awakening to the possibility that the script is changing because the path of inflation is opaque.

We expect US economic resilience and sticky inflation to further undermine prospects for Fed accommodation, and thus, equity valuations will face headwinds if interest rates remain elevated or move higher. Amidst this cautionary outlook, the long portfolio generated strong alpha (+15.5%) as the fund rotated tactically amongst the mega-caps. Notable long contributors included NVIDIA, Taiwan Semi, Amazon, and Microsoft, while Apple and Tesla contributed on the short side.

The rally of the past quarter has been driven by higher valuations rather than earnings, leaving investors with little room to maneuver. In the absence of Fed accommodation, the direction of bond yields and the progression of AI hopes will dominate markets versus the more mundane reality of fundamentals. We do not expect equities to exceed their highs of Q1 until much closer to the US election.

Positioning Summary

- US economic growth, inflation, and monetary policy are all likely to prove "sticky" into 2025. Sustained expansion is not just possible but likely as consumers remain steadfast in their willingness to spend.
- The impact of higher interest rates has been blunted by a healthy private sector, pro-cyclical fiscal policy, and the tailwind of public and private (nonresidential) fixed investment. Monetary policy is not as restrictive as many believe.
- The setup for financial assets has been benign because the Fed has been talking in a benign manner. The next few quarters could be trickier as investors' nostalgia for "low and stable" inflation leads them to overestimate the lifespan of easy financial conditions.
- The transformative impact of AI will create winners and losers. Like the great investment themes of times past, today's enthusiasm for AI spending does not preclude a misallocation of capital, and clients should prepare for an AI winter on the horizon.

Recession Comes Later

We do not see the setup for a problematic economy in 2024. Both US households and businesses are in robust health with balance sheets that are in the best shape in decades. Against this backdrop, the cannons of pro-cyclical fiscal policy are firing hard, and more recently, central bankers are whistling their tune of imminent monetary accommodation.

Some characterize the US economy as "late cycle" and, thus, point to vulnerabilities. Yet, few traditional warning signs are visible. Consumer net worth is at record highs with greater-than-usual financial flexibility. The typical overextension of spending on durables like housing and autos is hardly apparent. Indeed, a recovery here seems more likely than a retrenchment as both industries have struggled with supply limitations.

The corporate sector has been bracing for a recession for the past 18 months and outside of the AI boom, there is little evidence that corporates are overextended in terms of capital spending or balance sheets. Recent news on corporate profits is encouraging because it reinforces businesses' resolve to hire and invest. Some of this is the unusual legacy of the pandemic and high inflation: healthy income growth, low levels of credit stress, and ample economic liquidity.

There is a common assumption that monetary policy is "tight," but this is questionable as long as income growth is comfortably ahead of policy and market rates. Housing has been dragged down by higher interest rates, yet the tailwind of fixed capital investment has helped offset this negative. An inverted yield curve does not have the same forecasting acumen as when the US economy was led by housing, which had been the case for most of the past 30 years.

This points to an ongoing expansion of indeterminate length. Absent some geopolitical or external shock, it is premature to premise our strategy for the kind of economic downside most investors have been trained to hedge. Instead, our concern relates more to the forlorn nostalgia for low and stable inflation, which we view as questionable given the loss of supply elasticity across Western economies.

EQUITY MARKET PERFORMANCE	Q1 2024
S&P 500	10.2%
S&P 500 Equal Weight	7.4%
MSCI World ex-USA	4.9%
NASDAQ Comp	9.1%
Russell 2000	4.8%
MSCI EM	1.9%
MSCI Europe	4.3%
UK (FTSE 100)	1.7%
Germany (DAX)	7.7%
France (CAC 40)	6.1%
Australia (ASX)	-0.8%
Italy (FTSE MIB)	11.7%
China (Shanghai Stock Exchange)	0.5%
Hong Kong (Hang Seng)	-3.2%
Mexico (IPC)	2.3%
India (SENSEX)	1.8%
Brazil (Bovespa)	-7.4%

Data through 3/31/24. Note: Returns are price only in USD. Past performance is no guarantee of future results. Source: Bloomberg. Indexes are unmanaged, do not include fees or expenses, and are not available for direct investment. Please see "Index Definitions" for additional information. Portfolios are managed according to their respective strategies, which may differ significantly in terms of security holdings, industry weightings and asset allocation from those of the benchmark(s). Portfolio performance, characteristics and volatility may differ from the benchmark(s) shown.

Time to Refill the Punch Bowl, Really?

If the economy is just fine and monetary policy is not restrictive, should the Fed reduce policy rates? Many US industries are operating near full capacity and employment markets are tight. To ease policy amidst a backdrop of economic resilience assumes high confidence that there are no cyclical inflation pressures on the horizon. Is this the obvious time for Chair Powell to refill the punchbowl?

One interpretation is that the Fed is concerned about the size of its balance sheet, which is having an outsized impact on today's fiscal deficit. This implies the unelected bureaucrats at the central bank have a hand over matters that most assume are the remit of voters. The Fed may be aiming for a healthy economy to give it time to shrink its unconventional balance sheet through quantitative tightening.

All of this leads to the same fork in the road.

The debate is not about the economy, which will be just fine. The real issue is that investors and central bankers firmly believe that inflation only trends down from here. Thus, investors are ignoring recent data and Powell's cautionary tale of two-sided risk and choosing instead to run with their bias. This is not an outlandish scenario, but it overlooks the credible possibility that inflation gets stuck around today's level of 3% plus.

Many investors have heaped scorn on the recent US inflation data despite the reality that core CPI inflation has been stuck in the 3% plus region for the last six months. Many have chosen to disbelieve the data *rather than recognize that their portfolios might be wrongly structured for a higher inflation setting.*

If "immaculate disinflation" does not unfold, the risks for financial asset prices are biased to the downside. Gauging that risk amounts to guessing what the normalized level of the US 10-year yield should be, and the extent to which it might overshoot on the upside. Perceptions of the outcome will be debated even as investors acknowledge that the risks of recession into 2025 are negligible.

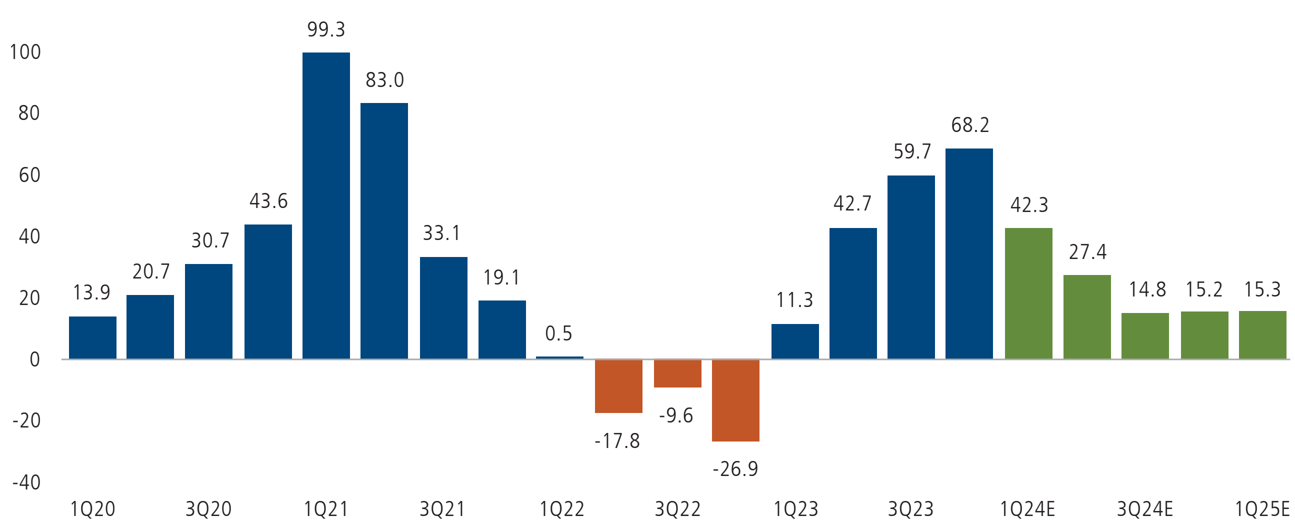
Active and Diversified Will Matter Again

A central characteristic of the past decade and 2023 in particular has been the dominance of a small and concentrated group of stocks on benchmark performance. By definition, an active and diversified approach will struggle to keep pace with a passive or index approach when that index has become unduly concentrated, and thus undiversified in a handful of outperforming mega-cap stocks.

This dominance of the mega-caps is hardly accidental. They remain several of the most remarkable businesses on the planet. To wit, Microsoft generates free cash flow margins (~30%) three times the margins of the S&P500 Index. In the wake of the post-pandemic digestion of technology spend, the recovery of mega-cap fundamentals over the past five quarters has been uniformly stark versus the broader equity universe.

That said, we believe this performance leadership climaxed in Q1 and expect upcoming earnings releases to draw more scrutiny. The valuations of the strongest names like Microsoft and NVIDIA will grapple with the reality that the progression of AI across the economy takes time. This reality argues for rotation within the mega-caps as far more important in the coming year, particularly as their relative earnings momentum falls back to earth.

"Big 6" Mega-cap Tech, EPS Growth (%)



Past performance is no guarantee of future results. Source: UBS.

AI Spring or AI Winter Ahead

Generative AI will likely be a big deal, but most early studies of how this technology will evolve are worthless. Historically, technology eliminates blue-collar work and increases white-collar productivity. If AI can accelerate productivity gains across services industries, the more advanced economies with a higher proportion of services within GDP will benefit, possibly with structurally higher growth rates. In the meantime, it is early and much remains uncertain.

Nonetheless, key parts of the technology world have entered an AI arms race of staggering proportions. To put this in context, the US has spent around $250 billion/annum on data center buildouts over the past five years. Investors anticipate this outlay progressing to $1 trillion/annum by 2027. If correct, this would consume almost all the free cash flow of today's leading spenders, a small group of mega-caps. Meanwhile, there is no line of sight on the revenues or business models to support this.

Many of the great investment themes of times past can be judged as "good bubbles" in terms of their future benefits for society. As examples, we recall the railroad booms, the electrification of modern industries, and of course the internet euphoria of the late 1990s. All of these generated an enormous misallocation of capital because the pace and nature of how these technologies would evolve were unclear in their respective times. These same uncertainties confront AI.

We are optimistic that AI will lead to an eventual tailwind for economic productivity. Yet, it will take time and the business cycle has not been suspended. One only needs to look at what is happening in China today where a price war has broken out between the two largest cloud providers, Alibaba and Tencent, to see how quickly consolidation and commoditization can emerge.

Summary

Last autumn, the promised end of US monetary tightening led to celebrations across financial markets. However, the inflation cycle still matters and equities must grapple with the implications of this policy shift for bond yields and inflation. In our view, the Western world is moving to a new era of "higher-for-longer," or more normalized interest rates. Investors appear poorly positioned for this outcome.

In the absence of Fed accommodation, we see investors returning to the two key themes of interest rates and the evolution of AI. Both have supported financial asset prices since November, but the risks are skewing less favorably. This shift is occurring amidst investor positioning that is increasingly one sided, pointing to outsized price moves relative to the perceived shift in fundamentals.

Financial conditions are unlikely to improve much from current levels, largely because the latest data support our view of core inflation getting stuck near 3%. The phase of global goods price disinflation looks to have ended, while service price inflation remains sticky. We therefore view the fund's positioning balance between limited equity risk and healthy rotation opportunities as appropriate for the coming quarter.

Michael Grant, Co-CIO
April 15, 2024

Fund Exposures

The S&P 500 Index was notably resilient in Q1 in the face of higher bond yields and ebbing hopes for policy easing by the Federal Reserve. Some of this strength was again due to the dominant leadership of the mega-caps; the returns for equal-weighted benchmarks were more muted. The fund has maintained low levels of delta-adjusted net equity exposure through all of this.

Fund performance was strong in the context of this modest level of aggregate equity risk. The long portfolio outperformed comfortably with a return of 15.5% while the short book (comprised primarily of S&P 500 Index hedges) detracted -9.2%, roughly in line with the market. This implies ~4% of alpha versus what the 24% average net equity exposure (14.9% at the end of March) on the S&P 500 Index's return would have delivered.

The composition of the S&P 500's performance has begun to shift as the narrow, mega-cap-driven outperformance climaxed in March. Last quarter, we noted that rotation within the mega-caps could prove decisive in 2024, and that was indeed the case in Q1 as not all of the "Magnificent Seven" remained magnificent.

Apple† and Tesla fell 11% and 29% respectively during the quarter, and Microsoft† and Alphabet (Google)† kept pace with the broader market, leaving only Amazon,† Meta and NVIDIA† as notable outperformers. The fund was well positioned for this: shorts in Apple and Tesla were additive, while core long positions were maintained in the rest except Meta.

The progression of AI across the economy will take time, which implies that valuations are a risk factor for even the cleanest beneficiaries like Microsoft, Alphabet and NVIDIA. Most corporates are "kicking the tires" and evaluating small AI-related trials before moving onto large projects. Before models can be trained and cost savings assessed, enterprises need to get their data in order, determine what information is potentially of value, and decide what tasks can be streamlined.

Average Delta-Adjusted Net Exposure by Sector

SECTOR	AVERAGE FOR Q1
Industrials	27.97%
Health Care	14.25%
Consumer Discretionary	11.96%
Financials	6.39%
Information Technology	5.49%
Communication Services	4.94%
Energy	2.91%
Consumer Staples	0.83%
Materials	0.41%
Index Hedges	-51.05%
Total	*(14.9% at the end of March)* **24.11%**

Returns by Strategy

STRATEGY	CONTRIBUTION TO PERFORMANCE
Long	15.47%
Short	-9.26%
Net	**6.21%**

Returns by Sector (Long Strategy)

SECTOR	CONTRIBUTION TO LONG BOOK
Information Technology	7.85%
Industrials	2.36%
Consumer Discretionary	2.00%
Health Care	1.60%
Financials	0.86%
Consumer Staples	0.34%
Communication Services	0.26%
Energy	0.23%
Materials	-0.03%
Total	**15.47%**

After launching CoPilot for Office at $30 per user with hopes of deploying it widely across enterprises, Microsoft is quietly offering it to smaller departments at steep discounts to drum up interest. Learning to work with AI will take time. Simply put, there is no line of sight to the revenues that will support today's extraordinary infrastructure buildout.

The mega-caps have enjoyed an exceptional run and there are many good reasons to stay the course. While traditional valuation metrics do not appear egregious, the sheer size of their multi-trillion-dollar market caps poses a challenge. With a combined market cap of $13.6 trillion for seven stocks, one wonders where the incremental liquidity to drive these stocks higher will come from.

Market Capitalization of the Magnificent Seven
as of 03/31/24

COMPANY	MARKET CAP ($T)	FUND POSITION
Microsoft Corp	3.1	Core long
NVIDIA Corp	2.3	Tactical long
Apple Inc	2.6	Short
Alphabet Inc-A	1.9	Core long
Amazon.Com Inc	1.9	Core long
Meta Platforms-A	1.2	No position
Tesla Inc	0.6	Short
Total	**13.6**	

As investors come to terms with a resilient economy and the prospect of higher-for-longer bond yields, we believe the most crowded growth names will be sold in favor of cyclicals and businesses with less valuation risk. A higher cost of capital likely squeezes concept names and emerging companies with marginal business models.

The fund maintains positions in select cyclicals with less valuation risk. Examples include several airlines trading at 4x–6x earnings as well as other industrials and health care names valued under 15x earnings, or at a material discount to the S&P 500. Some of our technology names trade at a premium to the market but they generate large amounts of free cash flow. We continue to avoid unprofitable tech and momentum names.

Portfolio Attribution and Stock Positioning

The fund's AI exposure remains in the major cloud providers including Amazon, Microsoft, and Alphabet, with tactical trades in NVIDIA. All stand to benefit as enterprises look for cloud partners to support their AI strategies. The fund maintains 4% to 5% positions in all three cloud vendors and added to the Oracle† long position, which is increasingly seen as a fourth.

Mega-cap performance was mixed in Q1. NVIDIA was the standout as earnings again impressed. Out-year earnings per share (EPS) estimates were revised 20% higher, and the stock rallied 16% on its earnings release and an additional 20% with the launch of the company's next generation GPUs. The fund captured a sizable portion of this move through call options. Taiwan Semiconductor,† a more indirect AI beneficiary, was held as a full position throughout the quarter—it remains one of the cleanest setups in semis in 2024.

Amazon performed well in Q1 as investors came to view AWS as an indirect beneficiary of mounting AI investments and less of a laggard. A further $2.75 billion investment in GenAI startup Anthropic gives Amazon a narrative to counter Microsoft's partnership with OpenAI. Positions in Microsoft and Alphabet were maintained as each kept pace with the market.

The fund benefited from short positions in the two mega-caps that struggled in Q1. Apple still appears overvalued despite the defensive nature of its business—25x earnings for a mid-single digit growth luxury brand with significant exposure to China. At Tesla, massive capacity expansions and a tired model lineup leave it with more cars than people want to buy. Q1 deliveries marked the first year over year decline in recent history (-9%) despite a series of price cuts that have gutted profitability.

All told the fund captured 443 basis points in contribution from a 13.8% average net long exposure in these names, or an implied return of 32%.

Mega-cap Exposure During Q1

STOCK	STRATEGY	Q1 RETURN	AVERAGE WEIGHT	NET CONTRIBUTION (IN BPS)
NVIDIA	Long	82%	1.28%	150
Amazon	Long	19%	6.10%	104
Microsoft	Long	12%	4.35%	75
Tesla	Short	-29%	-0.57%	53
Apple	Short	-11%	-2.13%	35
Alphabet	Long	8%	4.79%	26
Total			**13.82%**	**443**

Semiconductors enjoyed further strength, given they are viewed as core ingredients of the AI buildout. Analog Devices was repurchased on weakness while the fund took profits on the NVIDIA call option position. Short positions in semi-cap equipment and the memory supplier Micron Technology† (we expect high bandwidth memory to be oversupplied in H2) were maintained and detracted an aggregate 63 bps. Semiconductor positioning remained largely hedged at the end of Q1, with long positions of 4.8% and short positions of 4.1%.

We expect the sustainability of AI demand for GPUs to be questioned later in 2024. The widely embraced $400 billion TAM (total addressable market) for AI data center chips in 2027 implies incremental revenues from generative AI of $800 billion plus (assuming a 50% contribution margin). The plausibility of this target remains to be seen. AI-related stocks will revalue lower or higher based largely upon hopes and fears.

A key question is how much of the demand for AI-related equipment is truly incremental versus the IT budget dollars it takes away from more traditional data center infrastructure. Outside of semis and the mega-caps, much of the remaining technology universe has performed poorly. IT budgets have not been adjusted higher because corporate profits are sluggish, and thus, AI appears to be sucking some of the oxygen from the room.

NVIDIA is the emblematic leader and its revenues in 2024 will be 10x higher than those in 2018. Investor sentiment has swung from viewing NVIDIA as an effective monopoly on AI data center processing to worrying about share loss to AMD, Intel, and application-specific ICs (ASICs)—and then back again to concluding that NVIDIA retains the lion's share of demand. We have successfully faded these moves several times in the past year.

Taiwan Semiconductor is the fund's other core long position in semis. It is an indirect beneficiary of AI buildouts but is the driving force behind continued node migrations and the cost efficiencies that create industry demand; it enjoys an effective monopoly on leading-edge capacity. Elsewhere, inventory corrections in automotive semis grew more apparent; ongoing excess equipment shipments to China masked broader semi weakness elsewhere.

Software names have been highly idiosyncratic, with many higher multiple names down ~20%. Former darlings like Snowflake, Bill.com, MongoDB and even Adobe have derated in the wake of slowing growth, scarce profits, and less-assured fundamental outlooks. In contrast, the more GARP-oriented names like Oracle, SAP, Salesforce,† and Microsoft were up 10%–20%. The universal push to add AI related features and upsell user bases will segregate the "haves" from the "have-nots."

We believe Oracle will be one of the "haves" and it was increased to a core (4.8%) long position. It is an underappreciated AI beneficiary with a multi-year opportunity to improve monetization as it migrates users to the cloud. We added an initial position in Pinterest,† which should see a pickup in advertising growth if partnerships with Alphabet and Amazon work out. Outside of these few names, the fund's positioning in technology remains selective.

The Salesforce short (detracting 39 bps) has been maintained because its maturing core product and low salesforce productivity are limiting profitability. Investors are embracing management targets for 30% profit margins, yet these exclude M&A, stock compensation, and other costs that will become relevant once the structural deceleration in growth is understood. Management has hyped the AI opportunity but these initiatives drive less than 15% of its business.

Other shorts in technology include new positions in Arista Networks† and Digital Realty Trust.† In aggregate, the fund's technology-related delta adjusted net exposures rose slightly from 9% to 10% in Q1 and contributed 401 bps to performance; longs added 812 bps and shorts detracted 411 bps.

Amongst traditional cyclicals, industrials remain the fund's largest sector and contributed 161 bps to performance; the average net exposure rose from 25% to 28%. Airlines led gains and Delta Air Lines† was reinstated as a 4.2% position, American Airlines† was raised from 2.3% to 3.5%, and United Airlines† was trimmed on strength but maintained at 4.8%. All three contributed positively and collectively added 137 bps in the quarter.

The production and quality challenges for Boeing† continue with management in turmoil, but we re-established an initial position near $200/share. We were too early in hindsight but continue to see the risks skewed to the upside once a new CEO is named and production irregularities are addressed. Simply put, too much is at stake for the airlines and the global economy for regulators not to support Boeing in its recovery efforts.

The fund also added a new long position in Airbus† in January on the view that commercial aircraft is a duopoly and both names are worth owning given multi-year backlogs. Finally, the last of our lessor long positions (Air Lease) was sold on strength after contributing 25 bps in the quarter.

The railroads (combined exposure of 6.2%) are US-centric beneficiaries of supply-chain normalization and onshoring but with limited exposure to labor or energy costs. 2024 should see a new freight cycle emerge with a volume recovery driving high incremental margins. The industry structure is oligopolistic and we prefer its stable pricing features relative to defensives like consumer staples. Our favored names remain Union Pacific† and CSX Corp.†

Honeywell† remains a core long position and trades at a material discount to peers despite a higher-quality portfolio of businesses. A new long position in 3M† was established after it hired well-regarded CEO Mike Brown, formerly of L3 Harris. 3M has a broad portfolio of high ROI businesses that needs to be rationalized and the spinoff of 3M's healthcare unit Solventum is a first step. After outperforming nicely in Q4, L3Harris Technologies† marked time in Q1, and we trimmed it modestly to fund a new position in General Dynamics.†

In consumer discretionary, net exposure remained near 12% during the quarter. Beyond Amazon, we remain biased in favor of services versus goods, and core longs include Hyatt Hotels† and Marriott International.† We closed the remaining long positions in Caesars and Las Vegas Sands as well as food-services distributor Sysco after it rallied 7% following its Q4 earnings report. The fund is selective elsewhere in consumer and across retail. We avoided the late March blow up in Lululemon while making small tactical trades in Nike, Starbucks, and Costco that had a negligible performance impact.

Despite underperformance in 2023, many defensives like consumer staples, utilities, and REITs must become cheaper yet to appear "statistically cheap" versus the rest of the equity universe. We are not there yet. A basic question for investors rotating out of highly valued growth names in the face of higher rates is whether the landing engineered by the Fed will be soft (favoring cyclicals) or hard (favoring defensives).

In our view, the evidence is overwhelming that the economy remains resilient, supporting a rotation into cyclicals. Many of the latter have been priced as if recession was imminent and benefit from less valuation risk. Another problem for defensives is higher real interest rates, which have demoted the relative attractiveness of their stable earnings and dividend yield. All this fits with the logic that the time value of money is more important in this decade versus the prior.

Net exposure to health care rose from 10% on average in Q4 to 14% in Q1. We maintain core positions in Merck,† Danaher,† Medtronic,† and Zimmer Biomet.† Combined with the recovery in elective procedure volumes post-pandemic, tailwinds for medical device names like Zimmer and Medtronic should become more apparent in 2024. We trimmed Danaher on strength but maintain a 3.6% long position on the view that its bioprocessing franchise is bottoming despite ongoing weakness in China.

IQVIA† is a new name in the long book on the view that the secular growth in testing for clinical trials will reemerge once Covid-related weakness has played out. The Humana position was fortunately sold early in the quarter on initial weakness before a further 25% decline in the stock. A small short in Mettler Toledo† was added as a hedge to the long positions in medical devices.

Financials rallied 12% in Q1 buoyed by higher rates and benign credit. Banks are cheap, but they remain challenged by tepid loan demand, higher regulatory burdens, and competition from private credit. Near the quarter lows, we increased the long position in Wells Fargo† and closed the short position in Bank of America, which was a partial hedge.

We increased the core long in Morgan Stanley† for a potential recovery in capital markets activity and further progress in its Wealth Management division, which remains an invaluable part of its franchise and a revenue stream relatively isolated from market cyclicality. A new long position was added in Charles Schwab† on the view that the worst of the TD Ameritrade customer attrition was behind it and strong net new asset growth would help repair the deposit base.

In Energy, the fund maintains a long position in British Petroleum† given its compelling earnings and cash flow yield. We expect oil prices to remain subdued despite war tensions and supply cuts from Saudi Arabia, probably because non-OPEC producers can comfortably meet the growth in demand. This leaves a tricky balancing act for other suppliers. China's economic problems imply it is no longer a major source of incremental demand. As the fund's only oil exposure, BP is an attractively yielding placeholder until more clarity emerges.

We have written little about the non-US outlook in part because the opportunities overseas pale in comparison. In addition, the global business cycle has historically ebbed and flowed in unison, yet this appears broken. US economic resilience is juxtaposed with stagnating conditions in China and Europe. Put simply, the bar for engaging risk abroad is high. US dollar strength is unlikely to reverse as long as US nominal GDP outperforms everything else.

Top 5 Fund Contributors for Q1 2024

NAME	SYMBOL	CONTRIBUTION	% OF FUND NAV	FIRM PROFILE
NVIDIA Corp.	NVDA	1.50%	Sold, 3.0% average long in Q1	US Semiconductors
Taiwan Semiconductor-Sp Adr	TSM	1.33%	3.7% long as of 03/31/24	Taiwan Semiconductors
Amazon.com Inc.	AMZN	1.04%	5.5% long as of 03/31/24	US Consumer Discretionary
Microsoft Corp.	MSFT	0.75%	4.8% long as of 03/31/24	US Software
Delta Air Lines Inc.	DAL	0.67%	4.2% long as of 03/31/24	US Transports

NVDA

NVIDIA designs the chips (GPUs) and networking components at the center of the AI revolution and maintains a strong software ecosystem to support the design and training of large language models (LLMs). We initiated a position in NVDA in 4Q23 with the stock near $400. At the time, earnings estimates for 2024 had increased almost 4x from the $6 level prior to its historic earnings report in May, yet the stock had risen just 30%–40% in the intervening period. At 24x an earnings number likely biased higher, the market appeared skeptical of the sustainability of NVIDIA's growth trajectory. This doubt was compounded by negative sentiment regarding China bans enacted by the US Department of Commerce in October.

Our timing proved fortuitous, as Q4 2023 earnings beat estimates by 10% and full year estimates rose 25% following the report. Investors have become increasingly confident in the durability of AI spend with CEO Jensen Huang committing to further growth in 2025 at the company's analyst meeting in March. The stock significantly outperformed in Q1 ending the quarter +82% and we lost the bulk of our position after the stock traded through the upper end of our call spread. While the outlook for AI over the long term is promising, use cases are still being developed, and we are wary of the near-term overenthusiasm. With an eye toward managing risk we plan to maintain a tactical approach in the stock as it trades with a hefty mix of hype and fear.

TSM

Taiwan Semiconductor (TSMC) is the largest chip manufacturer in the world and the partner of choice for most leading chip designers including NVIDIA, Qualcomm, AMD, Broadcom, Apple, and even Intel. TSMC is widely recognized as one of the most well-run companies in the world, with a history of execution and profitability despite operating in a complex and highly capital-intensive industry. It enjoys major scale and cost advantages over distant rivals Samsung and Intel.

TSMC's stock rose 31% in the first quarter of 2024 after a series of estimate cuts in 2023 due to a cyclical correction in most semiconductor end markets, notably autos, PCs, and handsets. The January earnings report surprised investors when TSMC guided 2024 sales to grow by 20%–25% and called for margins bottoming in Q1 despite lower utilization rates and elevated costs from ramping the latest process node (3nm). Furthermore, the company raised its long-term target for the portion of revenue contributed by AI, aiming for it to become a high-teens percentage of sales by 2027. We view this number as potentially too low as it doesn't include contributions from networking or AI on edge devices like phones and PCs, something both Apple and Microsoft are pushing to drive large upgrade cycles.

The 2024+ setup for TSM looks notably cleaner than elsewhere in semiconductors. After the recent move, the stock is trading <17x consensus 2025 EPS estimates, compared to peers at 23x and its historical average of 17x–19x. Considering reasonable valuation, a robust top and bottom-line growth profile (>20%), and the potential for upward revisions to earnings estimates, TSMC remains a core holding.

AMZN

Amazon.com Inc. is the largest online retailer, third-party retail services platform, and cloud service provider globally. Through the pandemic, it invested heavily to expand its distribution and fulfillment footprint to support same-day and next-day delivery and to decrease reliance upon UPS and FedEx. Margins and cash flow, significantly affected by this investment cycle, are now set to recover sharply. CEO Andy Jassy noted that "cost to serve" on a per-unit basis declined in 2023 for the first time since 2018, a number that he expects to continue to trend lower. This new normal reinforces Amazon's cost and scale advantages and portends material upside revisions to consensus earnings.

After a strong Q4, Amazon's share price rose further by 19% in Q1. The January earnings report confirmed that growth in the AWS cloud services business is stabilizing in the low teens as customer optimizations attenuate and new deal activity picks up. Management also confirmed that AI is contributing as much in absolute dollars to AWS as it is to Microsoft's Azure (implying ~300 bps of incremental growth).

While AWS growth is stabilizing, a recovery in Amazon's retail business could drive a 100% improvement in operating profits over two years. Should this business recover to just half of the historical 20% gross margin level, it would equate to more than $20B upside. Last, Amazon's high-margin advertising segment is growing ~20% and could be further aided by ads launching on Prime Video (all of which will fall to the bottom line). Amidst this latent potential across many of Amazon's businesses, the stock trades at a comparatively reasonable 13x forward EBITDA, well below Apple and Microsoft at 17x–18x. In sum, Amazon remains a core long holding as one of the best businesses on the planet, with multiple avenues for value creation and a favorable risk-reward profile.

MSFT

Microsoft's stock price mirrored the movement of the overall Tech sector in Q1, rising 12%. On the January earnings call, management disclosed that the Azure cloud services business saw a 600 bps revenue contribution from AI-related activity, up from 300bps in the prior quarter. Notably the bulk of this came from Inferencing, an ongoing activity tied to consumption rather than training, which is largely done up front as models are developed.

Generative AI has been a key theme driving stock prices so far in 2024, but the reality is this year will be devoted to evaluating AI's potential rather than widescale deployment. Early indications show corporate budgets for AI are growing nicely but at the expense of other IT spending. We believe Microsoft's Azure business and Open AI partnership position it to be a net winner from AI despite its large footprint in traditional IT projects. The company has been proactively setting low revenue expectations for its AI-powered CoPilot offering for Office while not diminishing the hope for what it can become longer term. While Microsoft's multiple is rich at 35x forward earnings for mid-to-high teens revenue and EPS growth, it deserves a premium for being ahead of the curve in Cloud and Gen AI. At the same time, earnings estimates have room to be revised higher on the back of pending recoveries in PCs and overall Enterprise IT spending.

DAL

Delta Air Lines is a global network airline with strong market share in its core domestic hubs. Delta's Q1 outperformance can be attributed to both sector- and company-specific factors. The industry continues to reduce domestic capacity growth plans; both international and domestic bookings remain resilient; and corporate travel continues to recover. The current backdrop favors the network structure of Delta and United at the expense of upstarts and low-cost carriers. Delta has differentiated itself from peers by diversifying its revenue stream beyond basic airline ticket sales and focusing on customer experience and service to improve loyalty. This was evident in recent results as Delta reported industry leading margins, strong free cash flow (FCF), and a 14% return on invested capital (ROIC) in Q1. With the airline industry's increased focus on improving returns and a generational consumer shift toward premium experiences, the setup going forward for network airlines remains constructive. We expect estimates to move higher through the year and see 25% upside to $60, based on 9x current consensus 2024 earnings of $6.60.

Top 5 Stock Detractors for Q1 2024

NAME	SYMBOL	CONTRIBUTION	% OF FUND NAV	FIRM PROFILE
Lam Research Corp.	LRCX	-0.61%	-1.1% short as of 03/31/24	US Semiconductors
Salesforce Inc.	CRM	-0.39%	-1.4% short as of 03/31/24	US Software
Uber Technologies Inc.	UBER	-0.36%	-1.4% short as of 03/31/24	US Transports
Eaton Corp Plc	ETN	-0.19%	-1.3% short as of 03/31/24	US Industrials
Lockheed Martin Corp.	LMT	-0.07%	Sold, 0.2% average long in Q1	US Industrials

LRCX

Lam Research is one of several equipment suppliers to the semiconductor industry. The company specializes in "Etch and Deposition," two steps in the manufacturing process focused on etching away certain parts and depositing materials in patterns to create transistors and other components that allow the chip to function. We have been short several semi equipment stocks as a hedge against our long semiconductor positions (namely TSMC and NVIDIA in Q1), and while semis overall contributed 232bps to performance in Q1, LRCX detracted 61 bps on an isolated basis.

Among the US semi equipment suppliers, Lam is the most expensive, trading at 24x calendar year 2025 earnings, roughly a 50% premium versus its historical averages between 15-17x and a 10% premium to its peers. This is something we would be willing to look past should there be significant upside to estimates, but even with an optimistic WFE market outlook it is difficult to get upside to consensus numbers for Lam.

Spending by Chinese customers has propped up Lam's recent results, much of which could be subject to restrictions by the US Department of Commerce within the next few months. DRAM specifically accounted for 31% of system sales in Q4 (versus 15%–20% historically) due largely to Chinese customers spending at roughly ~4x pre-Covid levels and almost 2x when compared to the prior highs of 2021/22. With current levels of Chinese spending unsustainable, risk/reward skews to the downside, and we continue to favor TSM which trades at a 30% discount with a better potential for numbers to move higher.

CRM

The short position in Salesforce is predicated on slowing growth and poor earnings quality, a thesis which was offsides in Q1 after CEO Mark Benioff talked up the potential for the Data Cloud business to incorporate AI functionality and drive an acceleration in growth. Given the promotional nature of management and the fact that Data Cloud is less than 20% of total revenue, we suspect this is more hype than reality. The stock's performance for the quarter largely mirrored that of the overall tech sector.

Our view coming into the quarter was that margin gains had been fully priced in and that top-line growth would remain mediocre given high penetration levels for the core Sales Cloud offering. While some will consider CRM a likely AI winner until proven otherwise, we view it as an attractive hedge for some of our long names with better AI exposure such as Microsoft and Amazon. Trading at 30x forward earnings (45x on a GAAP basis), Salesforce is richly valued for low double-digit organic top-line growth.

UBER

Uber had a very strong Q1 on the back of their mid-February analyst day when the company raised the medium-term growth outlook and initiated a capital return program. Management guided for mid-to-high teens gross bookings growth and 30%–40% EBITDA growth over the next three years. Our short position is more of an acknowledgement that the company is approaching the end of its transformation journey, and with the stock now lacking catalysts, investors are likely to move on. We view management's latest targets as aggressive and largely priced in. While the company has beaten EBITDA targets by an average of 17% over the past nine quarters, the magnitude of beats is shrinking (4.6% in the most recent quarter). At 55x 2024 earnings and 25x 2026 earnings the stock prices in two years of growth. We view this as a tactical short and will look for opportunities to cover on weakness.

ETN

Eaton is a diversified industrial manufacturer of electrical, aerospace, and automotive systems. The company's largest segment, Electrical Americas, represents 45% of total revenues and has leverage to electrification megatrends including data centers, grid hardening, and EVs. In 2023, shares rerated higher, rising 56% on 2024 estimates increasing 11%. Into early February, we incorrectly believed the shares already discounted higher expectations, and believed a surprisingly quick transition to a new CFO with prior execution questions increased the likelihood of a negative sentiment shift. Instead, the shares rallied 7% on operationally inline 4Q results and a 4% boost to 2024 EPS guidance at the mid-point.

We maintained our short position but underestimated the degree to which the thematic focus on names benefiting from artificial intelligence would expand into adjacent areas like utilities and electrical infrastructure suppliers. The move seems overdone if AI-related data center buildouts drive just an estimated 2% increase in overall demand for electricity. But for now it's a good story. By the end of Q1, ETN's shares rerated to >30x consensus 2024 earnings and 27x 2025, a 30% premium versus its multi-industry peer group rather than the 5%–30% discount it has traded at historically from 2012¬2022. We recognize we cannot rely on valuation or shorter-term disappointments during periods of thematic enthusiasm and look to exit this smaller short position opportunistically.

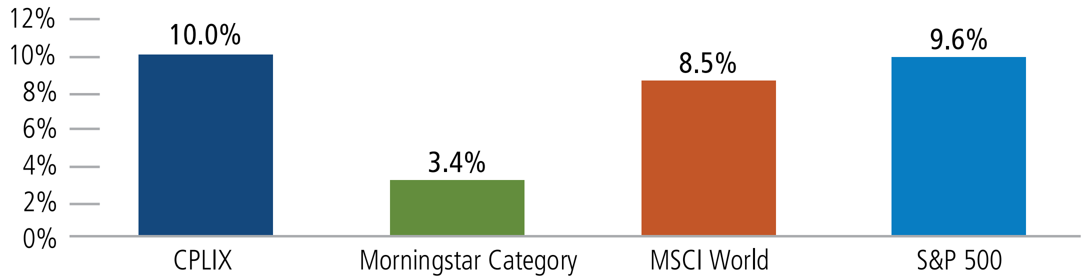
LMT

Lockheed Martin is a US aerospace, arms, defense, and information security and technology company. LMT is the prime contractor for the Department of Defense's largest procurement program, the F-35 Joint Strike Fighter, and operates in four business segments: Aeronautics, Missiles & Fire Control, Rotary and Mission Systems, and Space Systems.

Defense contractors have remained out of favor recently due to (1) the margin impact from inflationary pressures and supply chain disruptions, (2) limited visibility on sustainable growth in real defense spending due to budgetary pressures and Washington dysfunction, and (3) a relative preference for commercial aerospace investments. We view defense contractors as quality cash generators at reasonable valuations, which should ultimately benefit from the increasingly contentious geopolitical environment and a broadening of market winners beyond current thematic outperformers. We briefly owned LMT shares but repositioned into peer name General Dynamics after finding more identifiable idiosyncratic catalysts.

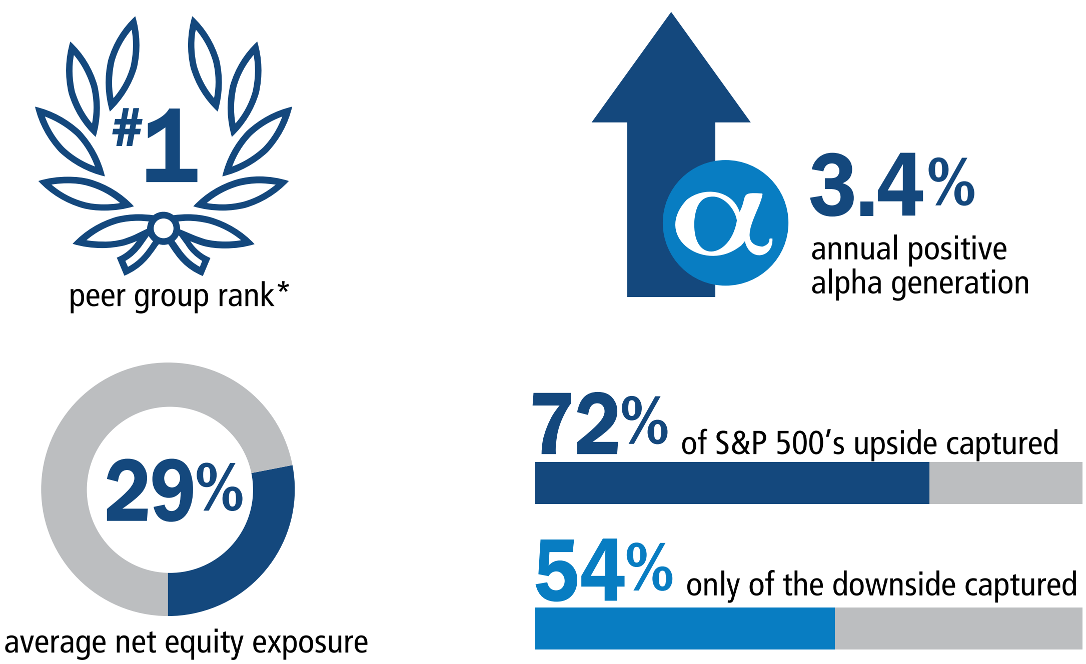
Phineus Long/Short Fund Has Delivered What an Alternative Should

2002 through 3/31/24: Historical Outperformance Over Market Cycles



Past performance is no guarantee of future results. Source: Morningstar. Inception as of 5/1/2002. Data as of 3/31/24.

A History of Higher Return and Higher Risk-Adjusted Return



Past performance is no guarantee of future results. Sources: Calamos and Morningstar. All data shown for the since inception period. *1 of 16 funds. For the period ending 3/31/24, the fund ranked 113 of 168 funds; 107 of 158 funds, 69 of 148 funds, and 23 of 85 funds for the one-year, three-year, five-year, and ten-year periods, respectively. Data as of 3/31/24. Portfolios are managed according to their respective strategies which may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of the benchmark(s). Portfolio performance, characteristics and volatility may differ from the benchmark(s) shown. Alpha generation and upside downside capture versus S&P 500 Index. Average net exposure is on a cash basis, not delta adjusted basis. Net equity exposure is on cash basis, not delta-adjusted basis.

LARGEST POSITIONS (CASH BASIS), LONG AND SHORT AS OF 3/31/24 (% OF NET ASSETS)

Amazon.com Inc.	Long	5.5%
Alphabet Inc. - Class A	Long	5.0%
United Airlines Holdings, Inc.	Long	4.9%
Oracle Corp.	Long	4.9%
Microsoft Corp.	Long	4.8%
SPDR S&P 500 ETF Trust	Short	-41.4%
KLA Corp.	Short	-2.6%
Apple Inc.	Short	-1.9%
Uber Technologies Inc.	Short	-1.4%
Salesforce Inc.	Short	-1.4%

Holdings and weightings are subject to change daily. Holdings are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned.

EXPOSURES FOR HOLDINGS NOT INCLUDED IN LARGEST POSITIONS AS OF 3/31/24 (% OF NET ASSETS)

† 3M Co., 1.1%; Airbus SE, 1.0%; American Airlines Group Inc., 3.5%; Boeing Co., 2.1%; BP PLC, 3.0%; CSX Corp., 2.6%; Danaher, 3.6%; Honeywell International Inc., 3.0%; Hyatt Hotels Corp., 3.0%; IQVIA, 0.5%; Marriott International Inc./MD, 3.0%; Medtronic PLC, 3.1%; Merck & Co. Inc, 4.2%; Mettler-Toledo International Inc., -1.0%; Micron Technology Inc., -0.8%; Morgan Stanley, 4.0%; NVIDIA Corp., -0.3%; Pinterest Inc., 0.5%; Taiwan Semiconductor Manufacturing Co. Ltd., 3.7%; Union Pacific Corp., 3.6%; Zimmer Biomet Holdings Inc., 4.1%

AVERAGE ANNUAL TOTAL RETURN AS OF 3/31/24

	Q1 2024	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION (5/1/2002)
CPLIX	5.85%	11.89%	2.68%	8.00%	6.20%	9.99%

Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted. Please refer to Important Risk Information. The principal value and return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. You can obtain performance data current to the most recent month end by visiting www.calamos.com. The Fund's gross expense ratios as of the prospectus dated 3/1/2024 are as follows: A Shares 2.38%, C Shares 3.13% and I Shares 2.13%.

The total expense ratio is inclusive of the 1.23% management fee; dividend and interest expense on short sales (Class A: 0.74%, Class C: 0.74%, Class I: 0.74%); 12b-1 fees (Class A: 0.25%, Class C: 1.00%); and other expenses (Class A: 0.16%, Class C: 0.16%, Class I: 0.16%). The Adjusted Expense Ratio, which reflects the total expense ratio excluding the dividend and interest expense on short sales, is as follows: Class A: 1.64%, Class C: 2.39% and Class I: 1.39%. "Dividend and Interest Expense on Short Sales" reflect interest expense and dividends paid on borrowed securities. Interest expenses result from the Fund's use of prime brokerage arrangements to execute short sales. Dividends paid on borrowed securities are an expense of short sales. Such expenses are required to be treated as a Fund expense for accounting purposes and are not payable to Calamos Advisors LLC. Any interest expense amount or dividends paid on securities sold short will vary based on the Fund's use of those investments as an investment strategy best suited to seek the objective of the Fund.

To learn more about the potential benefits of including Calamos Phineus Long/Short Fund in an asset allocation, please contact your Calamos Investment Consultants at 866-363-9219.

About the Author

Michael Grant,
Co-CIO, Head of Long/Short Strategies, and Senior Co-Portfolio Manager

Michael Grant manages investment team members and leads the portfolio management team responsible for our Long/Short strategies. He is also a member of the Calamos Investment Committee, which is charged with providing a top-down framework, maintaining oversight of risk and performance metrics, and evaluating investment processes. He joined Calamos in 2015 and has more than 35 years of investment industry experience. Prior to joining Calamos, Michael founded Phineus Partners in 2002, where he launched a successful long/short strategy. Previously, he was a Managing Director of Schroder Investment Management with responsibilities over US equity mandates. During his tenure at Schroders, he also served as Head of the Global Technology Team and Head of the US Equity Team in London. Prior to that, Michael was a portfolio manager for the National Investment Trust Co. in Taipei, Taiwan and a US equity analyst for the Principal Group in Canada. Michael earned a master's degree from the London School of Economics, where he specialized in International History. He has Bachelor of Commerce from the University of Alberta, Canada.

The performance shown for periods prior to 4/6/16 is the performance of a predecessor investment vehicle (the "Predecessor Fund"). The Predecessor Fund was reorganized into the Fund on 4/6/16, the date upon which the Fund commenced operations. On 10/1/15 the parent company of Calamos Advisors, purchased Phineus Partners LP, the prior investment adviser to the Predecessor Fund ("Phineus"), and Calamos Advisors served as the Predecessor Fund's investment adviser between 10/1/15 until it was reorganized into the Fund. Phineus and Calamos Advisors managed the Predecessor Fund using investment policies, objectives, guidelines and restrictions that were in all material respects equivalent to those of the Fund. Phineus and Calamos Advisors managed the Predecessor Fund in this manner either directly or indirectly by investing all the Predecessor Fund's assets in a master fund structure. The Predecessor Fund performance information has been adjusted to reflect Class A and I shares expenses. However, the Predecessor Fund was not a registered mutual fund and, thus, was not subject to the same investment and tax restrictions as the Fund. If it had been, the Predecessor Fund's performance may have been lower.

Index Definitions:
The **S&P 500 Index** is considered generally representative of the US large cap stock market and is capitalization weighted. The **MSCI World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries excluding the United States. The **Bloomberg US Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency). The **MSCI ACWI ex USA Index** represents performance of large and mid cap stocks across developed and emerging markets excluding the United States. The **Nasdaq Composite** measures the performance of companies on the Nasdaq, technology and growth companies are well represented. The **Russell 2000 Index** is a measure of small cap US equity performance. The **MSCI Emerging Markets Index** is a measure of emerging market equity performance. The **MSCI Europe Index** is a measure of European developed market equity performance. Non-US single country equity markets are represented by the indexes listed parenthetically. The **STOXX Global 1800 Index** is the combination of three regional benchmark indices (STOXX Europe 600 Index, STOXX North America 600 Index and STOXX Asia/Pacific 600 Index). **Morningstar Long-Short Equity Category** funds hold sizeable stakes in both long and short positions in equities, exchange traded funds, and related derivatives. Unmanaged index returns assume reinvestment of any and all distributions and, unlike fund returns, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

EV/EBITDA ratio compares the value of a company, debt included, to the company's cash earnings less non-cash expenses. **Exposure** is shown as a percentage of fund net asset value. **Gross exposure** refers to the sum of the absolute value of a fund's long positions and short positions. **Net exposure** is the difference between a fund's long positions and its short positions. When the portfolio management team evaluates the fund's exposures and related risks, they include calculations based on a delta-adjusted basis, which measures the price sensitivity of an option or portfolio to changes in the price of an underlying security. **Delta-adjusted basis exposure** is calculated by Calamos Advisors LLC and is specific only to that point in time since a security's delta changes continuously with market activity. **EBITDA** stands for earnings before interest, taxes, depreciation, and amortization; it reflects a firm's short-term operational efficiency and is used to determine operating profitability. **Growth at a Reasonable Price (GARP)** investors look for companies that are showing consistent earnings growth above broad market levels while excluding companies that have very high valuations.

Source for stock performance: Bloomberg.

Before investing carefully consider the Fund's investment objectives, risks, charges and expenses. Please see the prospectus and summary prospectus containing this and other information which can be obtained by calling 1-866-363-9219. Read it carefully before investing.

Important Risk Information. An investment in the Fund is subject to risks, and you could lose money on your investment in the Fund. There can be no assurance that the Fund will achieve its investment objective. Your investment in the Fund 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. The risks associated with an investment in the Fund can increase during times of significant market volatility. The Fund also has specific principal risks, which are described below. More detailed information regarding these risks can be found in the Fund's prospectus.

The principal risks of investing in the **Calamos Phineus Long/Short Fund** include: equity securities risk consisting of market prices declining in general, short sale risk consisting of the potential for unlimited losses, leverage risk, and foreign securities 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 the potential for greater economic and political instability in less-developed countries.

Alternative investments may not be suitable for all investors. The Fund takes long positions in companies that are expected to outperform the equity markets, while taking short positions in companies that are expected to underperform the equity markets and for hedging purposes. The Fund may lose money should the securities the Fund is long decline in value or if the securities the Fund has shorted increase in value, but the ultimate goal is to realize returns in both rising and falling equity markets while providing a degree of insulation from increased market volatility.

This material is distributed for informational purposes only. The information contained herein is based on internal research derived from various sources and does not purport to be statements of all material facts relating to the information mentioned and, while not guaranteed as to the accuracy or completeness, has been obtained from sources we believe to be reliable.

The portfolio is actively managed. Holdings, sector weightings, net exposures and geographic weightings subject to change daily.

Calamos Financial Services LLC, Distributor
2020 Calamos Court | Naperville, IL 60563-2787
866.363.9219 | www.calamos.com | caminfo@calamos.com

PLSOUTLKCOM 18759 0424Q R