CALAMOS INVESTMENTS

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Calamos Global and International Update: Reasons for Optimism in 2023

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» Several challenges confronted global markets in 2022. We will likely continue to deal with the real economic impact of these for much of 2023, but markets look forward and we believe resolution on multiple fronts may provide for a positive inflection in equity performance.

» As we head into 2023, we have begun to position the Calamos global and international portfolios to reflect this optimism.

CHALLENGE	IMPACT IN 2022: HEADWIND	IMPACT IN 2023: TAILWIND
1. Monetary policy	In response to elevated levels of inflation, central banks globally tightened monetary policy.	Central banks in developed markets are approaching what are expected to be peak rates for this cycle, and emerging market central banks may already be past peak rates.
2. Strength of the US dollar	Dollar strength hindered absolute returns in non-dollar assets and contributed to inflationary pressures in weaker currency economies.	The US Dollar Index is beginning to break down, with further weakness likely when the Fed officially pauses its tightening.
3. Covid-19 variants	Extended lockdowns throughout Asia, with China the most severely impacted via its Dynamic Zero-Covid policies, took a steep toll on economic growth	Most of Asia has reopened with China beginning that process now. Resolution in 2023?
4. War in Ukraine	The conflict contributed higher commodity prices and negative consumer and business confidence throughout Europe.	Resolution in 2023?

1. Monetary policy. Global monetary policy was the most significant factor driving performance in 2022, and will be paramount next year as well. Inflation may remain elevated during the first half of the year in developed economies, but as the effects of monetary and fiscal stimulus to address Covid-19 disruptions fade, we expect inflation to return to levels that allow central banks to pause and potentially reverse monetary tightening. Emerging market central banks began tightening policy earlier than their developed market counterparts during this cycle, which has been a contributing factor to currency and equity market resilience in many cases despite conditions that have been more disruptive in previous cycles. If we do see developed market central banks pause, this could present a more favorable backdrop for capital flows to return to many emerging economies.

Further, from a fiscal policy standpoint, we will likely see a swing in relative policy support compared to the past several years. In developed economies, fiscal support will likely be more limited over the next several years, while in China after years of austerity, the government is signaling an intent to stimulate again in coordination with an economic reopening as dynamic zero-Covid policies are loosened (which we will discuss further below). This would not only benefit the Chinese economy in the near term but also provide a catalyst for many economies that rely on Chinese demand, which has been subdued in recent years.

2. **Strength of US dollar.** The extended period of strength of the US dollar, driven in large part by Federal Reserve monetary policy tightening along with the relative strength of the US economy, was a significant headwind for non-US returns in 2022. As is often the case, the dollar's appreciation exceeded most measures of fair value. We believe this headwind will cease in 2023 as it becomes clear that monetary policy tightening has largely run its course, though this may take a few quarters to play out. Given the sharp reversal we've already seen in the dollar, our expectation is that the next few quarters will see consolidation before a resumption of a weaker trend versus most currencies later in the year. This weakening should be a significant tailwind for non-US risk assets because a stronger home currencies will provide local central banks with more flexibility to support growth.

3. **Covid variants.** Covid variants and their impact on reopening in Asia proved to be a stiff headwind in 2022. We strongly believe this will become a tailwind in 2023. This was a more controversial view a few months ago, but we are very confident that Asian countries, including China, will maintain their reopening trajectories.

   Our confidence is informed by our recent travels to Asia. We saw the release of pent-up demand, which many Asian consumers and businesses are referring to as "revenge spending" and "revenge travel." Malls were crowded and company management teams reported significant upticks in demand. We heard firsthand accounts of what it was like to be locked down for more than two years and how businesses evolved. Many emerging market consumers are in a strong position, given a combination of at-home work, and in some instances, remittances.

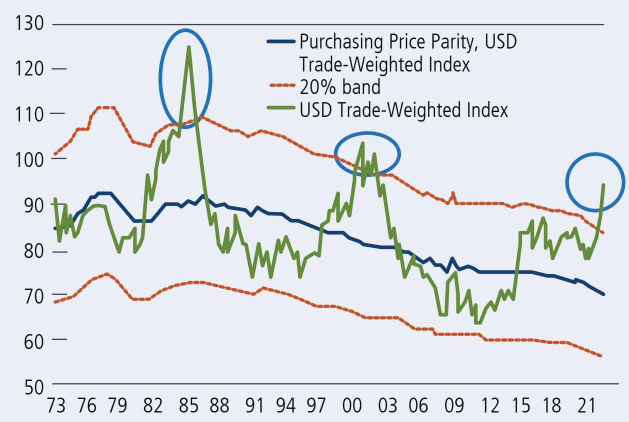
   Although the travel industry is already reporting pre-Covid levels, we are likely still a few quarters away from the release of the China outbound tourism industry, which should catalyze a powerful wave of consumption. Some have voiced skepticism about how long this pent-up demand could last, with many concerned that a US recession would wash up on Asia's shores. We are more optimistic that a rolling reopening (i.e., first the US and Europe, now Asia) should allow many industries within the consumer and industrials sectors to see a strong recovery well into 2024.

The Case for a Weaker Dollar

Non-US equity markets typically perform well in stable US-dollar environments and have tended to generate significant outperformance during weak dollar regimes. It has been nearly 15 years since there has been a sustained period of weakness in the dollar, although there have been shorter periods (2016–2017 and 2020–2021) that demonstrate how powerful even short-term dollar pullbacks can be for non-US risk assets. Historically, the dollar has not been able to sustain levels of relative monetary policy overshoot like what we're seeing today. Moreover, the only other times the US Dollar Index has risen more than 20% above fair value (where we are today) have preceded multiyear corrections.

The price of a basket of goods in US Dollar terms is at a level reached only twice during the past 40 years versus the trade-weighted rest-of-world currencies.

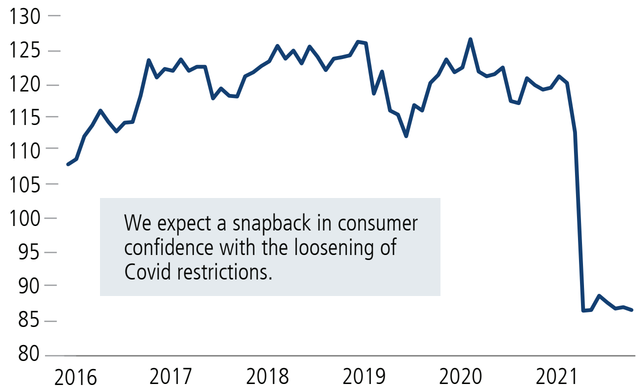
THE DOLLAR IS UNUSUALLY FAR ABOVE FAIR VALUE



Source: DB FX Research, Datastream.

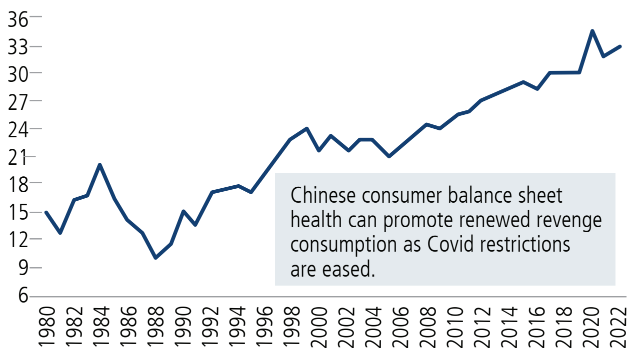
REVENGE OF THE CHINESE CONSUMER

China Consumer Confidence Index: Poised for a Rebound



Source: Bloomberg

Ready to Spend: China household savings rate, % of disposable income



Source: Jefferies. Note: 2022 = four quarters to 3Q22 using National Bureau of Statistics, CEIC Data.

4. War in Ukraine. Global pressure to end the Russia-Ukraine war is increasing, which could lead to resolution during the next few quarters. With China reopening its economy and its economic growth already challenged, we believe there are added incentives for China to advocate for a resolution, joining the US and Europe. That said, the resolution of the conflict is not a major pillar in our more optimistic view for 2023; equity markets are likely to advance either way.

Positioning Implications of our Outlook

We have positioned our portfolios to reflect our expectation that skies will look clearer three to six months from now, but the interim is likely to be volatile with many head fakes along the way.

» We are emphasizing companies with earnings momentum, **pricing power, attractive valuations, and strong ROIC and free cash flow.**

» **We favor balance across macro regimes:** secular growth, cyclicals, commodities exposure, Covid reopening, and select defensives.

» **We are maintaining thematic exposures across key cyclical and secular trends** including cybersecurity, defense, energy transition, digitization, automation and AI, biotech advances, global demographics and consumption.

» **A blend of market capitalizations widens our universe.** We are leveraging our ability to be nimble through increased investments in small and mid cap opportunities that provide access to local demand trends and market inefficiencies.

We believe 2023 could begin a multiyear cycle of non-US market outperformance, led by the emerging markets. We are favoring countries positioned to benefit from a reduction in Covid restrictions throughout Asia, increased commodity prices, and a global trend to reorient supply chains ("nearshoring"). Finally, the valuation backdrop for non-US markets remains quite attractive on both relative and absolute level, providing additional support for our constructive view on non-US markets.

ATTRACTIVE VALUATIONS IN NON-US MARKETS

Forward P/E Discount: Developed Markets ex-US and EM relative to US

Past performance is no guarantee of future results. Source: Bloomberg. P/E: Price divided by 12-month forward consensus expected operating earnings per share. Weekly data.

For additional insights and information on our global and international capabilities, please visit www.calamos.com.

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MSCI Emerging Markets Index —a free float adjusted market capitalization index. It includes market indexes of Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey. The MSCI World ex-US Index is a market capitalization weighted index composed of companies representative of the market structure of developed market countries in North America, Europe and the Asia/Pacific region, excluding the United States. The MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market. With 622 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US. The US Dollar Index measures the value of the US dollar relative to a basket of foreign currencies, including Euro Area, Canada, Japan, United Kingdom, Switzerland, Australia, and Sweden.

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