

# Growth Fund First Quarter 2018 Report



## OVERVIEW

The fund invests in the equities of U.S. companies with a range of market capitalizations that we believe offer the best potential for growth.

## KEY FEATURES

- » **Utilizes more than two decades** of extensive research experience in growth investing
- » **Active management** focuses on top-down views and bottom-up fundamentals
- » **Research-driven approach** identifies opportunities by combining top-down analysis with a focus on key growth characteristics

## FUND TICKER SYMBOLS

A Shares	C Shares	I Shares
CVGRX	CVGCX	CGRIX

## Key Drivers of Performance

- » For the quarter, the fund beat the Russell 3000 Growth Index through a combination of sector weighting contributions and strong stock selection. In fact, the fund outperformed in seven of eleven GICS sectors.
- » Consumer discretionary stocks were among the market leaders for the quarter, outpacing the performance of the growth benchmark, and our holdings outperformed those within the index. A slight overweight to the sector was marginally additive as well. Relative performance benefitted from holdings in apparel & luxury goods, internet retail, and home improvement.
- » Health care stocks were a drag on relative performance, as our selection underperformed benchmark peers, though a slight underweight was positive. Holdings within biotechnology, pharmaceuticals and healthcare equipment weighed down relative performance. Health care stocks suffered during the quarter when it was announced that Amazon, Berkshire Hathaway and JPMorgan Chase were developing their own plans to reduce health care costs for their employees.

## Market Overview

- » The U.S. equity market, as measured by the S&P 500 Index, declined -0.76% for the quarter, snapping a string of nine previous calendar quarters in which the benchmark posted gains.
- » The growth market, which holds higher weightings in information technology and consumer discretionary, fared better as measured by the Russell 3000 Growth Index with its 1.48% gain for the quarter.
- » February and March both saw a return to volatility at more “normal” levels. A combination of negative news, including trade tariffs, presidential administration shake-ups, and data breaches rattled investors who had previously shown a remarkable resilience to “bad news” in 2017.
- » Within the Russell 3000 Growth Index, four of eleven GICS sectors posted positive performance. Financials (+4.02%), information technology (+3.78%) and consumer discretionary (+3.73%) all outperformed the index, while health care (+0.64%) was positive yet lagged the growth benchmark.

## AVERAGE ANNUAL RETURNS

	QTD	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE I SHARE INCEPTION (9/18/97)	SINCE A SHARE INCEPTION (9/4/90)
<b>Calamos Growth Fund</b>								
I shares – at NAV	2.21%	2.21%	18.92%	7.88%	12.52%	7.35%	11.02%	N/A
A shares – at NAV	2.12	2.12	18.60	7.61	12.24	7.08	N/A	12.90
A shares – Load adjusted	-2.73	-2.73	12.96	5.87	11.15	6.56	N/A	12.70
Russell 3000 Growth Index	1.48	1.48	21.06	12.57	15.32	11.31	6.78	9.89
S&P 500 Index	-0.76	-0.76	13.99	10.78	13.31	9.49	7.11	10.20
Russell Midcap Growth Index	2.17	2.17	19.74	9.17	13.31	10.61	8.08	11.05
Morningstar Large Growth Category	2.30	2.30	20.41	10.64	13.81	9.87	6.26	9.18

The Russell Midcap Growth Index and Russell 3000 Growth Index return “Since A share Inception” date is 8/31/90.

Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted. You can obtain performance data current to the most recent month end by visiting [www.calamos.com](http://www.calamos.com).

*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. Performance reflected at NAV does not include the Fund's maximum front-end sales load of 4.75%. Had it been included, the Fund's return would have been lower.*

Returns for periods greater than 12 months are annualized. Calendar year returns measure net investment income and capital gain or loss from portfolio investments for each period specified. Average annual total return measures net investment income and capital gain or loss from portfolio investments as an annualized average. In calculating net investment income, all applicable fees and expenses are deducted from the returns. All performance shown assumes reinvestment of dividends and capital gains distributions. The Fund also offers Class C shares, the performance of which may vary. As of the prospectus dated 3/1/18, the Fund's total expense ratio for Class A shares is 1.40% and Class I shares is 1.15%.

The offering price for Class I shares is the NAV per share with no initial sales charge. There are no contingent deferred sales charges or distribution or service fees with respect to Class I shares. The minimum initial investment required to purchase each Fund's Class I shares is \$1 million. Class I shares are offered primarily for direct investment by investors through certain tax-exempt retirement plans (including 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit sharing and money purchase pension plans, defined benefit plans and non-qualified deferred compensation plans) and by institutional clients, provided such plans or clients have assets of at least \$1 million. Class I shares may also be offered to certain other entities or programs, including, but not limited to, investment companies, under certain circumstances.

There can be no assurance that the Fund will achieve its investment objective.

**NOT FDIC INSURED | MAY LOSE VALUE |  
NO BANK GUARANTEE**

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## FUND HOLDINGS – CONTRIBUTORS

FIRM NAME	% OF FUND	FIRM PROFILE	ANALYSIS
<b>Zendesk, Inc.</b>	1.6%*	Zendesk is a U.S. based software company that operates in the information technology sector. Zendesk's products help clients' customer service software operate more efficiently.	Zendesk posted strong results during the quarter, showing strong growth and cash flow. Zendesk reported acceleration in billing growth, as it had in the previous quarterly announcement, and provided strong guidance going forward. Zendesk continues to show superior growth relative to its peer group and trades at an overall attractive valuation based on expected growth opportunities.
<b>Netflix, Inc.</b>	0.8%*	Netflix is a U.S.-based, global media company, which provides content through streaming video services as well as mail service. In addition to third-party content, Netflix has increasingly offered original or in-house content to subscribers.	Netflix shares gained impressively during the quarter on the heels of strong subscriber growth announced at their most recent quarterly reporting. While revenues narrowly beat consensus estimates, subscriber growth handily overshot expectations and confirmed a reacceleration of growth in U.S. and international markets.

## FUND HOLDINGS – DETRACTORS

FIRM NAME	% OF FUND	FIRM PROFILE	ANALYSIS
<b>Johnson &amp; Johnson</b>	2.0%	Johnson & Johnson is a U.S.-based, multinational Fortune 500 health care company. Johnson & Johnson manufactures medical products and provides services for pharmaceuticals, medical devices, diagnostics and consumer segments. Its well-known consumer brands include Band-Aid, Tylenol and Acuvue contact lenses.	Shares in Johnson & Johnson struggled during the quarter as the medical giant guided for weaker revenue growth for 2018, and has shown declining revenues from its leading product due to competition from biosimilars. Johnson & Johnson still has a healthy balance sheet and many opportunities in the pipeline for growth or acquisitions to remain a stalwart in the enormous health care industry.
<b>Air Lease Corp.</b>	0.6%*	Air Lease is a U.S.-based aircraft leasing company that purchases commercial aircraft and leases the planes to airlines around the globe.	Air Lease stock fell during the quarter, largely declining in line with the market's sell-off at the end of January. The company struggled as conversations around trade tariffs and evidence of less-robust economic growth weighed on investor sentiment. During the quarter, Air Lease announced EPS above consensus along with strong revenues and higher-than-expected growth in equipment. Air Lease is a well-run company with the ability to borrow at investment grade cost of capital.

\*as of 2/28/18

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## Positioning and Portfolio Changes

During the quarter, the portfolio utilized the market's newfound volatility to adjust sector positioning and manage around valuation opportunities. Overall, we reduced the allocation to the information technology sector, bringing the portfolio to an underweight from a market weight relative to the Russell 3000 Growth Index. That being said, we added new positions as well, increasing names that were oversold in our view. The portfolio continues to hold a mix of high growth businesses and cyclical growth opportunities that should perform well with improved global growth and changes to tax treatment.

## Outlook

As we stated in our last quarterly update, we did not believe that 2018 would be the end of the post-financial crisis global economic recovery, but we would likely see a very different level of volatility as well as concerns about inflation and rising rates. Events of the first quarter, while difficult, appear in line with what we had anticipated. We view the correction since February as a leadership battle and watch for the incipient shift toward higher-quality, more-secure growth as a sign the correction is maturing. The good news is that the tide of monetary conditions is turning very slowly, inflation is still not a concern, and there are no signs of genuinely restrictive policy anytime soon.

We favor a barbell approach to growth with selective traditional higher growth names led by information technology balanced against selective cyclical growth names led by financials. Technology stocks benefit from impressive cash flow growth and strong operating leverage, while financials remain attractive based on earnings/dividend yield and improving fundamentals. There will be a time to shift more toward

SECTOR POSITIONING	SECTOR WEIGHTINGS AS OF 3/31/18	OVER/UNDERWEIGHT VS. RUSSELL 3000 GROWTH INDEX	QUARTER TO QUARTER CHANGE
Information Technology	34.6%	-3.1%	-2.6%
Consumer Discretionary	17.9	-0.2	-0.9
Health Care	13.2	-0.3	0.6
Financials	11.6	7.9	-0.6
Industrials	10.3	-2.8	0.8
Consumer Staples	3.5	-2.6	-0.1
Energy	1.8	1.0	0.3
Materials	1.6	-1.9	-0.7
Telecom Services	0.0	-0.9	0.0
Utilities	0.0	-0.1	0.0
Real Estate	0.0	-2.5	0.0

Sector weightings exclude cash or cash equivalents, any government/sovereign bonds or instruments on broad indexes the portfolio may hold. Holdings and weightings are subject to change daily. You can obtain a complete list of holdings by visiting [www.calamos.com](http://www.calamos.com). Please see additional disclosures on last page.

defensive growth, but we do not believe we are there yet. We continue to avoid the bond surrogate stocks including consumer staples, telecom services and utilities. Most stable stocks still appear overpriced, but less so than before. "Growth" should continue to be the favorable style as long as this U.S. bull market continues.

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## Fund Quarterly Attribution

	CONSUMER DISCRETIONARY	CONSUMER STAPLES	ENERGY	FINANCIALS	HEALTH CARE	INDUSTRIALS	INFORMATION TECHNOLOGY	MATERIALS	REAL ESTATE	TELECOM SERVICES	UTILITIES
GROWTH FUND VERSUS RUSSELL 3000 GROWTH INDEX (%)											
Value Added from Sector	0.06	0.18	0.04	0.19	0.00	0.08	-0.02	0.14	0.14	0.09	0.01
Value Added from Selection & Interaction	0.36	-0.02	0.08	-0.41	-0.48	0.31	0.17	-0.04	0.00	0.00	0.00
Total Added Value	0.41	0.16	0.13	-0.22	-0.48	0.39	0.14	0.1	0.14	0.09	0.01
SECTOR WEIGHTS (AVERAGE % WEIGHT DURING THE QUARTER)											
Growth Fund	19.72	3.49	1.39	12.27	12.86	9.42	36.58	1.72	0.00	0.00	0.00
Russell 3000 Growth Index	18.15	6.08	0.87	3.60	13.75	13.00	37.55	3.66	2.37	0.91	0.06
Over/underweight	1.57	-2.58	0.52	8.67	-0.89	-3.58	-0.97	-1.94	-2.37	-0.91	-0.06
SECTOR RETURNS (%)											
Growth Fund	5.55	-5.28	-3.35	0.63	-2.95	2.61	4.22	-7.71	0.00	0.00	0.00
Russell 3000 Growth Index	3.73	-4.80	-6.94	4.02	0.64	-0.42	3.78	-5.16	-3.88	-7.62	-7.65
Relative Return	1.82	-0.49	3.59	-3.39	-3.58	3.03	0.44	-2.54	3.88	7.62	7.65

Calculations may be subject to rounding.

The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice. Past performance does not guarantee future results.

### Index Definitions

**Morningstar Large Growth** category funds invest primarily in big U.S. companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries. The **Russell 3000 Growth Index** measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 or the Russell 2000 Growth Indices. The **Russell 3000 Value Index** measures the performance of the broad value segment of the U.S. equity universe. It includes those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values. The **Russell Midcap Growth Index** measures the performance of the midcap growth segment of the U.S. equity universe and includes companies with higher price-to-book ratios and higher forecasted growth values. The **S&P 500 Index** is a market-value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation. It is widely regarded as the standard for measuring U.S. stock-market performance. 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.

### Important Risk Information

An investment in the Fund(s) is subject to risks, and you could lose money on your investment in the Fund(s). There can be no assurance that the Fund(s) 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(s) can increase during times of significant market volatility. The principal risks of investing in the fund include: equity securities risk consisting of market prices declining in general, growth stock risk consisting of potential increased volatility due to securities trading at higher multiples, mid-sized company risk, foreign securities risk and portfolio selection risk. More detailed information regarding these risks can be found in the fund's prospectus.

*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 or call 1-800-582-6959. Read it carefully before investing.*

**CALAMOS**  
INVESTMENTS

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