

# Growth Fund Third Quarter 2017 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 lagged the Russell 3000 Growth Index, but posted a solid absolute return. The portfolio holds a mix of traditional growth as well as reflationary growth opportunities. Relative performance benefitted from sector allocations, while individual selection detracted from return.
- » Financial stocks showed strength in the third quarter and outperformed the Russell 3000 Growth Index. The Fed raised short-time rates in the second quarter and subsequently clarified plans to begin normalizing its balance sheet. The Fed also indicated that a December rate hike was a distinct possibility. Selection within investment banking and brokerage as well as thrift and mortgage finance were significantly beneficial to relative performance. The portfolio's overweight to the sector was additive as well.
- » Industrials rallied and outperformed the benchmark as global growth continued to strengthen over the quarter. Portfolio holdings within the airlines industry disappointed during the quarter, accounting for all of the portfolio's relative underperformance in the sector.

## Market Overview

- » The market's rally was broad based as each of the major U.S. equity indices reached new highs at quarter-end. The S&P 500 Index, gaining 4.48%, marked its eighth straight quarter of gains.
- » Market participants were heartened by strong corporate earnings, continued health in manufacturing and services data as well as moderate gains in employment and wages, which held inflation quite low.
- » Market leadership rotated somewhat from the second to the third quarter. Small caps outperformed large caps with the Russell 2000 Index (+5.67%) besting the S&P 500 Index.
- » Value stocks rallied in September, as reflationary sectors improved—the Russell 1000 Value Index (+2.96%) was up more than double the Russell 1000 Growth Index (+1.30%) for the month.
- » Although value stocks rallied in September as reflationary sectors improved, growth stocks outperformed value stocks for the quarter as evidenced by the Russell 3000 Growth Index's 5.93% return versus the Russell 3000 Value Index's 3.27% return.

### 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	4.14%	18.98%	17.71%	8.21%	11.05%	4.96%	10.83%	N/A
A shares – at NAV	4.11	18.77	17.44	7.95	10.78	4.70	N/A	12.80%
A shares – Load adjusted	-0.83	13.11	11.87	6.21	9.71	4.19	N/A	12.59
<b>Russell 3000 Growth Index</b>	5.93	20.43	21.87	12.65	15.18	9.03	6.48	9.73
<b>S&amp;P 500 Index</b>	4.48	14.24	18.61	10.81	14.22	7.44	6.99	10.17
<b>Russell Midcap Growth Index</b>	5.28	17.29	17.82	9.96	14.18	8.20	7.82	10.91
<b>Morningstar Large Growth Category</b>	5.29	19.85	19.75	10.36	13.70	7.55	5.97	9.01

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 8/31/17, the Fund's gross expense ratio for Class A shares is 1.35% and Class I shares is 1.10%.

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
Alexion Pharmaceuticals, Inc.	1.4%*	Alexion Pharmaceuticals is a U.S.-based biotechnology company involved in autoimmune disease treatments and best known for its drug Soliris.	Alexion Pharmaceuticals share price climbed during the quarter, outperforming the broad market as well as the health care sector. Alexion saw two patent applications pertaining to Soliris allowed in the U.S., which if approved will further extend Alexion's protection from competitors. Additionally, quarterly earnings beat expectations thanks to strong revenues and cost-cutting initiatives.
Applied Materials, Inc.	1.0%*	Applied materials is a U.S.-based technology company that operates in semiconductor machinery manufacturing. The company provides services, software and equipment for the manufacture of semiconductor chips and flat panel displays as well as flexible coating for electronics and packaging.	Applied Materials shares had an impressive quarter with the stock climbing on increased capital expenditures in semiconductor equipment. Quarterly earnings and revenues beat consensus expectations and guidance was pushed higher. Strong spending by customers in wafer fab equipment and displays should continue to support earnings growth.

## FUND HOLDINGS – DETRACTORS

FIRM NAME	% OF FUND	FIRM PROFILE	ANALYSIS
NCR Corp.	1.3%*	NCR Corp. is a U.S. based technology company that produces self-service kiosks, automatic teller machines, barcode scanners and point-of-sales terminals as well as maintenance services.	During the quarter, NCR reported results largely in line with expectations, but projected flatter guidance going forward, citing delays in ATM rollouts for several larger customers and the postponement of some software license deals. The company's shares improved from August lows, and we continue to like the business in the financial service and technology areas. We are pleased to see the company using cash flow to de-lever the business and manage a stock buyback program. The stock's shares trade at a discount to other hardware names.
Allergan, PLC	1.1%*	Allergan is multi-national pharmaceutical company that operates in specialty pharmaceuticals and medical devices. In addition to producing branded and generic drugs, Allergan performs research and development.	The portfolio held an investment in Allergan through a convertible security, which lost value but outperformed the common stock as the company came under scrutiny for transferring a patent to the Saint Regis Mohawk Tribe, which is immune from challenges under a patent review system. Allergan has a strong product pipeline and has announced a significant stock buyback program, bolstering our belief in the company and the investment.

\*as of 8/31/17

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## Positioning

We continue to be constructive on equities because of the growing likelihood that global GDP growth is sustained and balanced through 2018. Corporate profits are visibly recovering from the mid-cycle recession in corporate profits of 2015-2016. This implies more growth opportunities beyond defensive growth sectors. We also see policy as a source of upside risk for markets.

Recent weakness in some of the favored large-cap growth Technology (FANG) names has dominated headlines, partly because of significant exposure that investors have to these names. We are therefore wary of positioning risk and have been more selective in these names.

On balance, we see this bout of Tech weakness as part of a healthy consolidation that relieves short-term sentiment risk, leading to rocky sector rotation but not necessarily a broader market sell-off.

The portfolio remains overweight financials and mildly overweight the energy sector, which is a smaller percentage of the growth index. Seasonality factors and recent U.S. dollar weakness may help support inflationary trades and support the Fed's reasoning for a December rate hikes in their plans, despite clear signals of GDP and growth measures overheating. The portfolio's main underweight remains in consumer staples, which remains structurally overvalued in our view.

## Outlook

Framed by generally positive economic data in the U.S. and a broader synchronized and stable global growth story, U.S. stocks extended their advances over the quarter. Market volatility in the U.S. remained low despite heated political discourse, fiscal policy unknowns, elevated tensions around North Korea, and natural disasters. Instead, market

SECTOR POSITIONING	SECTOR WEIGHTINGS AS OF 9/30/17	OVER/UNDERWEIGHT VS. RUSSELL 3000 GROWTH INDEX	QUARTER TO QUARTER CHANGE
Information Technology	34.9	-1.5	3.0
Consumer Discretionary	18.1	0.7	-0.2
Health Care	15.1	0.5	0.2
Industrials	12.1	-0.9	-0.9
Financials	12.0	8.4	1.2
Energy	2.3	1.4	-0.2
Consumer Staples	2.3	-4.1	-1.0
Materials	1.7	-2.2	-0.4
Real Estate	0.0	-2.6	0.0
Utilities	0.0	-0.1	0.0
Telecom Services	0.0	-1.0	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.

participants focused on GDP growth data, strong corporate earnings, healthy consumer trends, muted inflation, and well-behaved long-term interest rates. Federal Reserve comments in September also supported a constructive near-term outlook for the U.S. economy.

The jury is still out on how brisk a clip of growth the U.S. can sustain, but a recession does not appear imminent. Optimism about tax reform has revitalized the reflation narrative, and we believe the passage of new tax policies could catalyze corporate spending and earnings, as well as another leg of the equity market rally. A stable to weaker dollar and accommodative central bank policies around the world can help sustain global economic expansion, providing additional support to the U.S. economy. When the Fed does move forward with its balance sheet reduction, it will be entering uncharted waters. Even so, we expect a gradual course shaped not only by U.S. economic data but also global conditions.

As we look to upcoming quarters, we see additional upside in stocks. However, risk management and active management are increasingly important in an environment where market participants have been quick to punish any company that disappoints.

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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	-0.03	0.35	-0.02	0.14	0.01	-0.02	-0.18	0.03	0.08	-0.05	0.00
Value Added from Selection & Interaction	-0.49	0.33	-0.11	0.16	-0.78	-0.48	-0.24	0.06	0.00	0.00	0.00
Total Added Value	-0.51	0.68	-0.12	0.29	-0.77	-0.50	-0.42	0.09	0.08	-0.05	0.00
SECTOR WEIGHTS (AVERAGE % WEIGHT DURING THE QUARTER)											
Growth Fund	18.30	2.80	2.34	10.90	15.24	11.89	32.54	1.96	0.00	0.00	0.00
Russell 3000 Growth Index	17.81	6.76	0.82	3.55	14.50	12.65	36.31	3.68	2.68	0.98	0.07
Over/underweight	0.49	-3.96	1.52	7.35	0.74	-0.76	-3.77	-1.72	-2.68	-0.98	-0.07
SECTOR RETURNS (%)											
Growth Fund	-1.38	8.66	1.32	8.60	1.61	3.65	8.38	7.04	0.00	0.00	0.00
Russell 3000 Growth Index	1.17	-2.50	5.96	7.39	6.73	7.65	9.19	4.05	2.99	11.16	7.96
Relative Return	-2.55	11.16	-4.63	1.21	-5.12	-3.99	-0.80	3.00	-2.99	-11.16	-7.96

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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