

Emerging Market Equity Strategy

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INVESTMENTS

Market Overview

Emerging markets delivered modest gains and outperformed developed markets, as the MSCI Emerging Markets Index returned 1.46% in the quarter. Emerging market equities encountered escalating trade tensions between the U.S. and China, less accommodative Federal Reserve policies, and mounting risk-off sentiment among investors. Despite these near-term challenges, emerging markets have benefited from a pickup in earnings growth, increased policy flexibility, and an expanding global economy. China's President Xi, speaking at the National People's Congress, laid out an economic growth target of 6.5% for the next year, representing a modest deceleration from the 6.9% growth rate in 2017. China's leadership also reiterated the importance of the Made in China 2025 plan focused on upgrading the nation's manufacturing capabilities. In another key development, Yi Gang took over as the new Governor of the People's Bank of China and emphasized financial stability and opening up Chinese markets as priorities. Mexico continued critical NAFTA negotiations with the U.S. and Canada in the month. Recent figures showed Mexico's auto production had reached a 4 million annualized pace, highlighting an issue that has been a focal point for the Trump administration. Russia's President Putin won re-election in March with more than 76% of the vote, securing another six years in power. Russian stocks declined recently but

had been among the top performers in the quarter, reflecting improved economic conditions, a credit rating upgrade by S&P, and stabilization in oil prices. The top-performing EM countries in the period included Brazil (+12.47%) and Pakistan (+11.63%) in USD terms, while the laggards included the Philippines (-11.42%) and Poland (-8.18%).

Performance Review

While pursuing our risk-managed investment approach during the quarter, the portfolio navigated the increased market volatility and delivered a positive return, resulting in outperformance versus the MSCI Emerging Markets Index. The portfolio's result was broad-based across most sectors, and our investments in growth-oriented, higher-quality businesses added to performance versus the benchmark.

Industrials. The portfolio's selection in industrials added significant value to performance. Holdings in industrial machinery outperformed due to increasing global demand and excellent earnings fundamentals. We see many opportunities in the sector and own positions in machinery, construction & engineering, and aerospace & defense, reflecting a boost in demand drivers and more cyclical growth opportunities.

FIGURE 1. CALAMOS EMERGING MARKET EQUITY STRATEGY RETURNS

	QTR ENDING 3/31/18	1-YEAR	3-YEAR	SINCE INCEPTION (12/13)
Calamos Emerging Market Equity Composite				
Gross of Fees	3.93%	31.71%	8.04%	5.01%
Net of Fees	3.66	30.31	6.87	3.88
MSCI Emerging Markets Index	1.46	25.37	9.21	6.03

Source: Calamos Advisors LLC.

Past performance is no guarantee of future results.

Data as of 3/31/18.

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FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS THE MSCI EMERGING MARKETS INDEX
FIRST QUARTER 2018

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Industrials	82	
Information Technology	53	
Health Care	52	
Telecom Services	24	
Consumer Staples	11	
Real Estate	10	
Financials	7	
Energy	6	
Consumer Discretionary		-3
Utilities		-5
Materials		-21

Attribution based on gross of fee performance with dividends reinvested. Performance attribution excludes any government/sovereign bonds or options on broad market indexes the portfolio may hold.

Past performance is no guarantee of future results.

Source: Calamos Advisors LLC. Data as of 3/31/18.

Information Technology. Security selection within the technology sector also contributed to performance during the quarter. Portfolio holdings within the data processing & outsourced services and internet software & services industries finished ahead of index peers.

Materials. Relative security selection in the materials sector detracted the most value from performance in the period. Specifically, our positions in the commodity chemicals industry significantly underperformed the index. We continue to see select opportunities in materials against a backdrop of better global demand fundamentals and improved earnings fundamentals for many companies in the sector.

Utilities. Our lack of participation in the strong-performing gas utilities industry also hindered performance.

Geographic. Security selection across each of the EM regions added value, with relative outperformance across emerging Asia, Latin America, emerging Europe and South Africa. In addition, the

portfolio's investments in select multi-national companies with significant ties to emerging markets also contributed to results, as they led the returns of the emerging market index. However, our slight overweights to the U.S. and developed Europe were impediments.

Positioning and Portfolio Changes

Our positioning favors economies benefiting from domestic demand trends, pro-growth fiscal reforms, and a blend of secular growth and more cyclical opportunities. We favor investments in emerging Asia with China, South Korea and India our largest country weights. We also see opportunities in Brazil, Taiwan, South Africa and Mexico, among other markets. From a sector perspective, the largest portfolio weights are in technology, financials, consumer discretionary and industrials, while the portfolio takes an underweight stance in utilities, energy and traditional telecom services versus the index. We maintained relatively stable sector weights during the quarter with changes at the margin driven mainly by bottom-up security rationale. We added weight modestly to technology, while trimming exposure in materials due to security-specific factors.

Outlook

We have a positive view of investment opportunities in emerging markets. The continued expansion in global growth, positive capital flows and higher earnings are supporting emerging market assets. We recognize that global liquidity conditions have tightened at the margin, and we are closely monitoring risks including escalating global trade disputes, a more pronounced tightening or slowdown in China, and geopolitical risks in areas such as Latin America, Korea and Russia. Overall, though, we see improving trends in emerging market data and perhaps a greater appreciation of the more divergent conditions among individual economies. We have also seen notable improvements in current accounts, fiscal deficits and currencies across many EM economies, resulting in reduced vulnerability to higher global interest rates and capital flows.

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FIGURE 3. SECTOR ALLOCATIONS VERSUS THE MSCI EMERGING MARKETS INDEX

SECTOR	REPRESENTATIVE PORTFOLIO %	MSCI EMERGING MARKETS INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 12/31/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	30.1	27.7	1.7	2.4
Financials	23.9	24.0	-2.6	-0.1
Consumer Discretionary	12.9	9.5	-2.5	3.4
Industrials	8.2	5.2	3.4	3.0
Consumer Staples	7.2	6.5	0.1	0.7
Energy	5.8	7.2	0.3	-1.4
Materials	4.6	7.3	-2.0	-2.7
Real Estate	2.9	2.8	0.1	0.1
Health Care	2.9	2.8	2.2	0.1
Telecom Services	1.5	4.6	-0.7	-3.1
Utilities	0.0	2.4	0.0	-2.4

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Sector weightings exclude cash or cash equivalents, any government/sovereign bonds or broad-based index hedging securities/options the portfolio may hold.
Source: Calamos Advisors LLC. Data as of 3/31/18.

FIGURE 4. LARGEST 10 COUNTRY WEIGHTS VERSUS THE MSCI EMERGING MARKETS INDEX

COUNTRY	REPRESENTATIVE PORTFOLIO %	MSCI EMERGING MARKETS INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 12/31/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
China	39.8	26.5	6.4	13.3
South Korea	11.3	15.2	-1.0	-3.9
India	7.8	8.1	-0.6	-0.3
Brazil	7.6	7.5	1.1	0.1
Taiwan	7.3	11.7	0.1	-4.4
South Africa	6.3	6.7	-0.1	-0.4
Russia	5.7	3.6	0.8	2.1
Hong Kong	3.6	3.5	-0.7	0.1
Mexico	2.6	2.9	-0.1	-0.3
Malaysia	1.9	2.5	1.1	-0.6
Developed Markets	4.1	3.5	-5.0	0.6
Emerging Markets	95.9	96.5	5.0	-0.6

Excludes cash weighting. Companies are classified geographically according to their country of domicile. This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Geographical distribution tables exclude any options on broad market indices the portfolio may hold.
Source: Calamos Advisors LLC. Data as of 3/31/18.

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Past performance does not guarantee or indicate future results. Current performance may be lower or higher than the performance quoted. 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.

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It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest.

Investments in overseas markets pose special risks, including currency fluctuation and political risks, and the strategy is expected to be more volatile than that of a U.S. only strategy. These risks are generally intensified for investments in emerging markets.

The results portrayed on the preceding pages are for the Calamos Emerging Market Equity Composite. Representative holdings and portfolio characteristics are specific only to the portfolio shown at that point in time. Other portfolios will vary in composition, characteristics, and will experience different investment results. The representative portfolio shown has been selected by the advisor based on account characteristics that the advisor feels accurately represents the investment strategy as a whole.

The Calamos Emerging Market Equity Composite is an actively managed composite investing predominantly in common stocks of emerging market domiciled companies. Constituent portfolio assets are predominantly invested in equity securities of issuers whose principle activities are in a developing market or economically tied to a developing market country. The Composite was created December 1, 2013 calculated with an inception date of December 1, 2013 and includes all fully discretionary fee paying accounts, including those no longer with the Firm.

Fees include the investment advisory fee charge by Calamos Advisors LLC. Returns greater than 12 months are annualized. Chart Data Sources: Mellon Analytical Solutions, LLC and Calamos Advisors LLC.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The index is calculated without dividends, with net or with gross dividends reinvested, in both U.S. dollars and local currencies. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect any fees, expenses or sales charges. Investors cannot invest directly in an index.

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