U.S. EQUITY DATA AS OF 9/30/13 www.calamos.com

# Focus Growth Fund Third Quarter 2013 Report



### **FUND INFORMATION**

I share ticker:

A share ticker: CBCAX

Category: Large Cap Growth

Inception date: 12/1/2003

Net assets: \$63.2 million

Objective: Long-term capital

growth

**CBCIX** 

### **BENCHMARKS**

Russell 1000 Growth Index, S&P 500 Index

### **FUND STRATEGY**

The fund invests primarily in equity securities issued by U.S. "Blue Chip" companies that offer the best opportunities for growth. Blue Chip companies generally are well established companies listed in the S&P 500 Index or the Dow Jones Industrial Average Index.

- » A focused portfolio of growth-oriented holdings
- » Seeks to capitalize on higher growth businesses with attractive fundamentals
- » Active management blending investment themes and fundamental research

### **Key Drivers of Performance**

- » The fund's A shares at NAV outperformed by 641 basis points the Russell 1000 Growth Index in the quarter, boosted by selection in the information technology and consumer discretionary sectors.
- » We have maintained conviction in technology, having found businesses with sustainable competitive advantages, strong revenue growth and secular tailwinds fueled by innovation and the need for 24/7 entertainment and information.
- » We have found many opportunities within consumer discretionary, in companies positioned to benefit from improving U.S. consumer balance sheets and the up-and-coming consumer class in developing markets.

### Market and Portfolio Overview

- » The S&P 500 Index hit a record as the U.S. economic recovery continued at a moderate pace, led by housing and autos, even as job growth remained sluggish. Growth equities responded with an 8.11% gain in the Russell 1000 Growth Index, led by the energy, utilities and health care sectors.
- » As investors became more optimistic about global recovery and the Federal Reserve reiterated its commitment to moving toward less extreme policy, equity markets rotated from defensive stocks to cyclicals and focused more on future growth and less on dividends.
- » U.S. equities look to be in the mid-cycle of a secular bull market, but we believe valuations have still more room to expand.

AVERAGE ANNUAL RETURNS	3-MONTH	1-YEAR	3-YEAR	5-YEAR	SINCE INCEPTION
Calamos Focus Growth Fund					
I shares — at NAV (Inception 12/1/03)	14.61%	18.02%	12.01%	8.76%	6.05%
A shares – at NAV (Inception 12/1/03)	14.52	17.68	11.71	8.46	5.77
A shares – Load adjusted	9.11	12.07	9.92	7.40	5.24
Russell 1000 Growth Index	8.11	19.27	16.94	12.07	7.12
S&P 500 Index	5.24	19.34	16.27	10.02	6.88

Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted.

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. For the most recent fund performance information visit www.calamos.com.

Returns of less than 12 months are cumulative returns. 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 B and C Shares, the performance of which may vary. 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 is no assurance that the fund will achieve or maintain its investment objective.

### **Quarterly Attribution Analysis**

### **CONTRIBUTORS**

Information Technology: An overweight position toward and selection in the sector, particularly in the Internet software & services industry, made the largest contribution to returns. We favor our investments in technology due to the attractive valuation, excellent growth potential, and sustainable cash flow characteristics. We expect many of our holdings to benefit from key long-term growth themes, including productivity enhancement, and the demand for enhanced mobility and connectivity by enterprises and consumers.

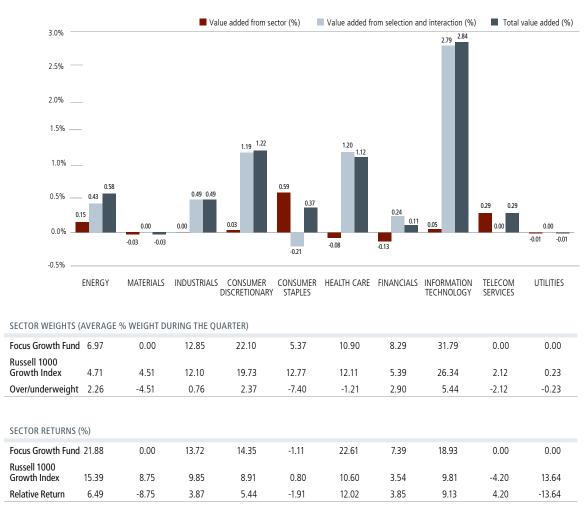
Consumer Discretionary: An overweight position toward and selection in the sector was contributed to performance. In particular, selection within the Internet, luxury, apparel and restaurant industries added value. Companies are positioned to benefit from improving U.S. consumer balance sheets and the up-and-coming consumer class in developing markets.

### **DETRACTORS**

**Materials:** We had no exposure to the sector, which outperformed. We have seen signs of weaker demand for materials from certain industries.

**Utilities:** We have no exposure to this highly-regulated sector, which was the second-best performer in the index behind energy.

### **FOCUS GROWTH FUND VERSUS RUSSELL 1000 GROWTH INDEX**



Calculations may be subject to rounding

# Year-to-Date Attribution Analysis CONTRIBUTORS

**Consumer Discretionary:** An overweight toward and selection in the sector, in particular in the Internet retail business, added value. The sector has the second largest gain this year as consumers are shifting toward bigger-ticket purchases such as cars and housing-related goods.

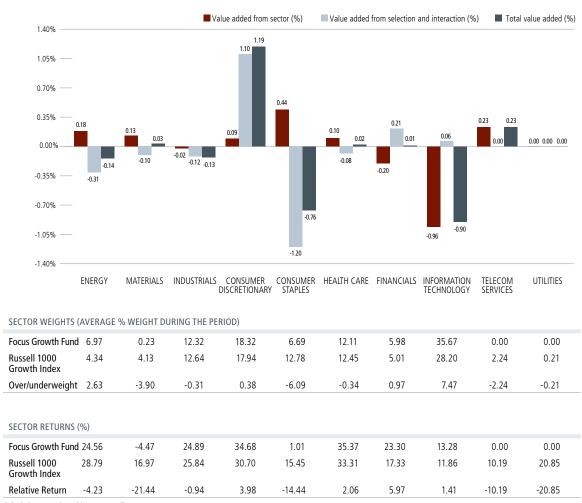
**Telecommunication Services:** The fund has no weighting in the sector, which has been the worst performer this year. We have generally avoided utilities and telecom because they historically have a high level of regulation that dampens growth potential.

#### **DETRACTORS**

Information Technology: Selection added value as we have sought businesses with sustainable competitive advantages, strong unit and revenue growth, margin expansion and secular tailwinds. However, attractive valuations have led us to overweight the sector, positioning that has detracted value as the sector has the second-worst performance in the index this year.

**Consumer Staples:** An underweight position added value as investors have favored more growth-oriented sectors, but investments in holdings such as the brewers industry detracted.

### **FOCUS GROWTH FUND VERSUS RUSSELL 1000 GROWTH INDEX**



Calculations may be subject to rounding

PORTFOLIO HOLDINGS – CONTRIBUTORS					
FIRM NAME	DESCRIPTOR	% OF FUND	FIRM PROFILE	ANALYSIS	
Facebook, Inc.	Contributor	5.1%	Facebook is a social networking platform engaged in building products to create utility for users, developers, and advertisers.  People use Facebook to stay connected with their friends and family, to discover what is going on in the world around them, and to share and express what matters to them to the people they care about.	Shares rose following initial positive reactions to its latest earnings report. Investors grew increasingly optimistic on the back of solid user engagements metrics, strong revenue from mobile ads, and signs that the company will further benefit from growing demand for its mobile advertising products. Ads on Facebook are becoming increasingly effective as the company steps up efforts to help advertisers target the right groups of users with better data.	
Celgene Corp.	Contributor	3.0%	Celgene is a global biopharmaceutical company engaged in the discovery, development and commercialization of therapies designed to treat cancer and immune-inflammatory related diseases.	The company reported strong quarterly sales for both its flagship blood-cancer drug Revlimid and its Vidaza drug, which continues to hold up despite losing patent exclusivity.	

PORTFOLIO HOLDINGS – DET FIRM NAME	TRACTORS  DESCRIPTOR	% OF FUND	FIRM PROFILE	ANALYSIS
Citigroup, Inc.	Detractor	2.2%	Citigroup is a global diversified financial services holding company whose businesses provide consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, transaction services and wealth management.	Shares fell in response to negative headlines involving litigation risks.  These risks are mitigated by large litigation reserves and a well-diversified business that has the potential to deliver solid earnings growth.
Coca-Cola Company	Detractor	1.7%	Coca-Cola is a beverage company that owns or licenses and markets more than 500 non-alcoholic beverage brands, primarily sparkling beverages but also a variety of still beverages, such as waters, enhanced waters, juices and juice drinks, ready-to-drink teas and coffees, and energy and sports drinks.	Coca-Cola, along with most other high sugar-based beverage companies, has been facing stagnant volume growth in developed markets due to healthier diet habits and market saturation, but emerging countries are still providing room for expansion. The soft drink giant's revenue and earnings have marginally declined recently

due to healthier choices and flat growth in China.

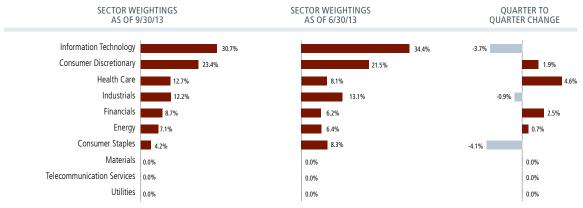
### **Positioning**

The fund has been positioned to reflect our constructive market outlook and pro-cyclical stance. We continue to emphasize higher growth businesses, such as those found within information technology, consumer discretionary, industrials and financials. We're focused on companies with strong growth fundamentals and accelerating returns on invested capital that are selling at attractive valuations.

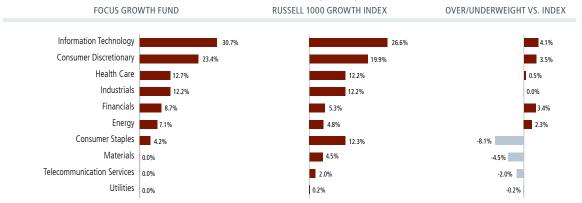
Among positioning changes during the quarter, we marginally increased the fund's preference for pro-cyclical investments, but we also sought to use market appreciation to sell names and re-enter other positions more attractively valued. We added to allocations within the consumer discretionary, financials, and health care sectors. We maintain conviction in these sectors, having found businesses with sustainable competitive advantages, strong revenue growth and secular tailwinds fueled by innovation and an expanding global consumer base. We are favoring U.S. companies that are in the best position to benefit from improving consumer balance sheets and a strong housing environment.

We reduced the fund's allocation to the consumer staples sector related to companies with eroding growth characteristics and stock prices that had become fully-valued.

### **FUND SECTOR WEIGHTING QUARTER TO QUARTER CHANGE**



#### OVER/UNDERWEIGHT SECTOR VERSUS RUSSELL 1000 GROWTH INDEX (9/30/13)



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 calamos.com. Please see additional disclosures on last page.

### **Market Commentary**

### THIRD QUARTER REVIEW

There was plenty of good news to push the U.S. equity market to record highs. The U.S. economic recovery continued at a moderate pace, led by housing and autos, even as job growth remained sluggish. Europe inched into recovery, and Japan continued to rebuild through Abenomics. Market anxiety ran higher at the outset of the quarter, with talk of Federal Reserve tapering, Syria and uneven emerging markets data causing jitters.

However, as September rolled in, investors were more sanguine and largely looked past the political brinksmanship in Congress. The Federal Reserve's decision to forestall the reduction of quantitative easing was met with market approval, helping equities to finish the quarter on a strong note. As investors became more optimistic about global recovery and the Fed reiterated its commitment to moving toward less extreme policy, equity markets rotated from defensive stocks to cyclicals and focused more on future growth and less on dividends.

Growth stocks outgained the broad market during the quarter, with the Russell 1000 Growth Index advancing 8.11%. Investors became more optimistic about a U.S. and global recovery as the Federal Reserve spoke of the potential to reduce stimulus.

Sector performance within the Russell 1000 Growth Index was mostly positive for the quarter. Energy, utilities (although a very small percentage of the growth index), health care and information technology gained the most, while the telecommunication services, consumer staples and financial sectors lagged the strongest results. Performance by sector varied considerably during the quarter, as energy led the index with a 15.39% return, while the telecommunication services sector declined 4.20% (the only negative sector return), a difference of more than 19 percentage points.

### OUTLOOK

The U.S. recovery seems poised to continue its respectable pace. Corporate balance sheets are healthy and record-high corporate cash levels could help fund new jobs and capital expenditures. Europe and Japan are also moving in the right direction, while emerging markets are more of a mixed bag but are still on track to make a positive contribution to global growth.

U.S. equities look to be in the mid-cycle of a secular bull market, but we believe valuations have still more room to expand. In our view, valuations are attractive at current levels, especially looking at earnings yields versus Treasury yields, and we see particularly pronounced opportunities among growth stocks. Valuations for growth stocks remain attractive versus value stocks, and are especially compelling against the backdrop of sustained economic recovery, an eventual quantitative-easing tapering and increased investor interest in growth fundamentals.

We are identifying good secular and cyclical growth equity opportunities that may benefit as the global economy continues improving. We're focused on companies with strong growth fundamentals and accelerating returns on invested capital that are selling at attractive valuations. We have maintained conviction in technology, having found businesses with sustainable competitive advantages, strong revenue growth and secular tailwinds fueled by innovation and the need for 24/7 entertainment and information. We have found many opportunities within consumer discretionary, in companies positioned to benefit from improving U.S. consumer balance sheets and the up-and-coming consumer class in developing markets.

We expect volatility to continue on the back of macro events, including debt ceiling negotiations in the U.S. and structural imbalances in Europe. If the U.S. government defaults on its debt, we would expect global markets to respond harshly. We continue to believe the odds of this happening are low.

### **Fund Information**

#### TOP 10 HOLDINGS<sup>1</sup>

Apple, Inc.	6.4%
Amazon.com, Inc.	5.1
Facebook, Inc.	5.1
Google, Inc.	4.6
MasterCard, Inc Class A	4.1
eBay, Inc.	3.6
Starbucks Corp.	3.6
Cerner Corp.	3.6
Priceline.com, Inc.	3.3
Schlumberger, Ltd.	3.1
TOTAL	42.5

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.

FUND FACTS	FUND	RUSSELL 1000 GROWTH INDEX
Number of Holdings	36	610
Total Net Assets	\$63.2 million	N/A
Weighted Average Market Cap	\$100.9 billion	\$87.4 billion
Median Market Cap	\$54.9 billion	\$7.9 billion
PEG Ratio	1.42x	1.57x
Debt to Capital	27.3%	38.4%
ROIC	26.9%	21.2%
EPS Growth (5 Years)	20.0%	14.6%
Portfolio Turnover (12 months)	90.9%	N/A

FUND INFORMATION	A SHARES	B SHARES	C SHARES	I SHARES
Sales Load/Maximum Sales Charge	Front-End/4.75%	Back-End/5.00%	Level-Load/1.00%	N/A
Gross Expense Ratio°	1.58%	2.33%	2.33%	1.33%
Net Expense Ratio°	1.16%	1.91%	1.91%	0.91%

<sup>°</sup> As of prospectus dated 3/1/2013

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.

Notes (alphabetical)

PEG ratio is a stock's price/earnings ratio divided by estimated earnings growth rate in the next year; a lower PEG indicates that less is being paid for each unit of earnings growth. Price/book ratio is the stock's capitalization divided by its book value. Debt/ Capital Ratio is a measure of a company's financial leverage, calculated as the company's debt divided by its total capital. ROIC (return on invested capital) measures how effectively a company uses the money invested in its operations, calculated as a company's net income minus any dividends divided by the company's total capital. EPS growth (5 years) represents the historical weighted earnings per share growth of holdings. The Russell 1000 Growth Index measures the performance of those Russell

1000 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 Growth or the Russell 2000 Growth indexes. S&P 500 Index is generally considered representative of the U.S. stock market. Sharpe ratio is a calculation that reflects the reward per each unit of risk in a portfolio. The higher the ratio, the better the portfolio's risk-adjusted return is.

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(s) is not a deposit in a bank and is not insured or quaranteed 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 Fund(s) 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 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, value stock risk, foreign securities risk, forward foreign currency contract risk, portfolio selection risk, and options risk.

As a result of political or economic instability in foreign countries, their 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 potential for greater economic and political instability in less developed countries.

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 Financial Services LLC, Distributor 2020 Calamos Court | Naperville, IL 60563-2787 800.582.6959 | calamos.com | caminfo@calamos.com

© 2013 Calamos Investments LLC. All Rights Reserved. Calamos® and Calamos Investments® are registered trademarks of Calamos Investments LLC.

BCCOM 7780 0913Q R

<sup>&</sup>lt;sup>1</sup> Top 10 Holdings are calculated as a percentage of Net Assets. The tables exclude cash or cash equivalents, any government / sovereign bonds or broad based index hedging securities the portfolio may hold. You can obtain a complete listing of holdings by visiting www.calamos.com.