

# Opportunistic Value Fund Third Quarter 2014 Report

# CALAMOS®

## OVERVIEW

The fund invests in the equities of small, midsize and large U.S. companies that we believe are undervalued according to certain financial measurements of their intrinsic values.

## KEY FEATURES

- » **Bottom-up stock picking and benchmark agnostic approach** with a focus on good businesses with solid cash flow trading at value prices
- » **Trading focus** where positions are frequently monitored, investment assumptions are often questioned, and losing investments are quickly sold to protect capital
- » **Options strategies** to potentially generate income and lower risk

## INVESTMENT TEAM

Jeff Miller  
SVP, Co-Portfolio Manager

Ariel Fromer  
VP, Co-Portfolio Manager

Tammy Miller  
VP, Co-Portfolio Manager

John P. Calamos, Sr.  
Global Co-Chief Investment Officer

Gary D. Black  
Global Co-Chief Investment Officer

## FUND TICKER SYMBOLS

A Shares C Shares I Shares  
CVAAX CVACX CVAIX

Effective March 1, 2014, the Calamos Value Fund changed its name to the Calamos Opportunistic Value Fund. The principal investment strategies of the fund did not change. For further information see the fund prospectus.

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

There can be no assurance that the professionals currently employed by Calamos Financial Services will continue to be employed by Calamos Financial Services or that the past performance or success of any such professional serves as an indicator of such professional's future performance or success.

## Key Drivers of Performance

- » The fund's results reflected a flat market where stocks struggled at the beginning and end of the quarter as equities faced higher volatility due to geopolitical tensions and weakness in Europe.
- » The fund benefited from shares of Time Warner, a holding since 2012, that rose on a takeover bid by Fox. We exited the position by the end of the quarter as the risk/reward did not seem favorable following the significant stock price increase. Seadrill, a provider of offshore deep water drilling, hindered performance as lower oil prices hurt demand.
- » As the bull market continues, we are focused on our process of buying high quality companies that trade at attractive prices versus sustainable cash flows. We believe that as the market exhibits more volatility or downside, our long term process will show its strengths.

## Market and Portfolio Overview

- » After a very calm second quarter with positive returns across sectors, volatility returned to the markets in the third quarter. Equity results were mixed, as the Russell 1000 Value Index had a slight loss and the S&P 500 Index returned 1.1%.
- » As a reflection of the flat performance of value stocks in the quarter, five Russell 1000 Value Index sectors ended the quarter in positive territory while five were down.

## Positioning

- » The fund significantly reduced exposure in the consumer discretionary sector during the quarter, although it continues to be a large overweight.
- » We increased exposure to regional banks, boosting our position in the financials sector. Financials was a slight overweight at the end of the quarter from an underweight at the beginning.

AVERAGE ANNUALIZED RETURNS	QTD	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE I SHARE INCEPTION	SINCE A SHARE INCEPTION
<b>Calamos Opportunistic Value Fund</b>								
I shares - at NAV (Inception 3/1/02)	-0.71%	2.33%	10.51%	17.76%	9.18%	6.14%	5.88%	N/A
A shares - at NAV (Inception 1/2/02)	-0.80	2.11	10.21	17.47	8.91	5.86	N/A	5.39%
A shares - Load adjusted	-5.49	-2.73	4.95	15.58	7.85	5.34	N/A	4.99
<b>Russell 1000 Value Index</b>	<b>-0.19</b>	<b>8.07</b>	<b>18.89</b>	<b>23.93</b>	<b>15.26</b>	<b>7.84</b>	<b>7.33</b>	<b>7.31</b>

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. 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. As of the prospectus dated 3/1/14, the Fund's gross expense ratios for Class A shares is 1.54%; Class I Shares is 1.29%, respectively.

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.

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

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## REPRESENTATIVE FUND HOLDINGS – CONTRIBUTORS

FIRM NAME	% OF FUND	FIRM PROFILE	ANALYSIS
<b>Time Warner, Inc.</b>	0.0%	Time Warner is a media and entertainment company that operates in three different segments: Turner, Home Box Office (HBO), and Warner Brothers.	Time Warner, a fund holding since late 2012, is well positioned to benefit from HBO, the Warner Brothers studio, and its cable channels as demand for premium television content has increased. Fox made a takeover bid during the quarter for Time Warner, which significantly pushed up the stock price. We decided to exit our position as the risk/reward of the stock appeared unfavorable at the price level that primarily was being supported by the bid. Time Warner rejected the takeover as the firm preferred to continue as a stand-alone company and the stock price returned to its pre-bid level.
<b>Team Health Holdings, Inc.</b>	2.4%	Team Health is one of the nation's largest providers of hospital-based clinical outsourcing. Originally founded to bring outsourced emergency medicine to hospitals, the company expanded to anesthesia and hospital medicine as well. Team Health is focused on a patient-centric model of health care delivery in working collaboratively with hospitals and physician groups to deliver effective, efficient and safe patient care.	After meeting with management at a health care conference, we were impressed by the ability of this mid-cap company to meet the needs of hospital executives who are facing enormous challenges including financial performance, health care reform, government mandates, safety and quality, physician relations, patient satisfaction, personnel shortages and the uninsured. The company offers a large pool of resources, infrastructure, best practices, and accountability to its customer base, and the strength of the company's offerings to hospitals is demonstrated by a 97% average annual client retention rate and 93% physician retention rate. We bought our position on a pullback in the stock in mid-June, which was timed perfectly as our purchase price was at the low for the period.

## REPRESENTATIVE FUND HOLDINGS – DETRACTORS

FIRM NAME	% OF FUND	FIRM PROFILE	ANALYSIS
<b>Seadrill, Ltd.</b>	2.3%	Seadrill provides offshore deep water drilling and has a fleet of 69 rigs includes semi-submersible rigs, deep water drill ships, jack-ups, and tender rigs, which are operated in deep, ultra-deep, and harsh environments. It serves oil and gas exploration and production companies, including integrated oil companies, independent oil and gas producers, and government-owned oil and gas companies.	Seadrill has a state-of-the-art fleet focused on the ultra-deep water and deep water segments of the market as well as vessels for harsh environments. While we see a lot of growth occurring in the shale drilling market, we believed there was also a lot of opportunity in offshore drilling. While we believe Seadrill has one of the best fleets of the offshore drilling companies, the pullback in oil prices has decreased demand across the offshore industry. We have seen contract renewals at lower pricing for other offshore drillers and Seadrill management has confirmed that a similar pullback for Seadrill's rates is likely. We reduced our position during the quarter.
<b>Smith &amp; Wesson Holding Corp.</b>	0.9%	Smith & Wesson is a leading manufacturer of small arms, including pistols, rifles and firearm related products.	We initially purchased Smith & Wesson after the stock fell nearly 10% on a downward revision to its earnings outlook. We thought that the company's long-term fundamentals were strong and that this was a temporary inventory issue. However, the industry as a whole was suffering from weak demand and over-production, which was weighing on sales. Despite a very low valuation, the stock continued to decline steadily throughout the quarter.

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## Market Commentary

### THIRD QUARTER REVIEW

After a very calm second quarter with reduced volatility and broadly positive returns, volatility returned in the third quarter. The Russell 1000 Value Index declined slightly with geopolitical concerns related to Russia and the Ukraine, uncertainty with Federal Reserve policy, and deflationary worries out of Europe. As a reflection of the flat performance, five economic sectors in the index ended the quarter in positive territory while the other five fell.

Our performance during the quarter slightly trailed the benchmark. Our underperformance came primarily from our security selection in energy and our use of options during the quarter. Selection in energy was primarily the result of weakness in one of our top names SeaDrill, which sold off as a result of weakness in pricing and later fears of a dividend cut. We used hedges to protect the portfolio as we saw increased macro risk as we entered September, but the hedges expired without value. The fund will occasionally use hedges to protect the portfolio when we feel the market macro risks are not reflected in the price of the protection. While these hedges will not always work, we continue to focus our efforts on protecting clients during down markets.

On the positive side, security selection in the consumer discretionary sector helped performance.

We entered the quarter with a significant overweight, and reduced that significantly as we trimmed positions that approached their price targets. Time Warner was the largest contributor as share jumped on an acquisition bid from Fox during the quarter. The bid was rejected, but we sold our holdings before the price decline after Time Warner rejected the offer. Entering the fourth quarter, consumer discretionary holdings still represent the largest overweight. As the bull market continues, we continue to seek high quality companies that trade at attractive prices versus sustainable cash flows. We think that as the market exhibits more volatility or downside, our long-term process will show its strengths.

### OUTLOOK

We remain bullish on the U.S. equity market, although some near-term volatility would not be out of the norm. After more than five years of a strong bull market, we still believe there's room for stocks to advance, as valuations remain reasonable. Global monetary conditions remain accommodative and inflation is almost non-existent. With the Federal Reserve unlikely to raise short-term rates until mid-2015 and European investors pushing down U.S. long-term yields in a quest for income, we expect acquisition and buyback activity to remain robust. When the Federal Reserve does raise interest rates (likely no sooner than mid-2015), the markets may well experience short-term angst. Longer-term, however, equities have typically performed well when rates have been modestly higher, provided that the economy is also expanding.

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## Fund Information

TOP 10 HOLDINGS<sup>1</sup>

Exxon Mobil Corp.	3.7%
Raytheon Company	3.6
Chevron Corp.	3.4
JPMorgan Chase & Company	3.4
Zions Bancorporation	3.4
Goldman Sachs Group, Inc.	3.0
Gap, Inc.	2.9
Johnson & Johnson	2.8
Merck & Company, Inc.	2.8
Berkshire Hathaway, Inc. - Class B	2.8
TOTAL	31.8

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.

<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](http://www.calamos.com).

## Term Definitions

**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. **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.

## Index definitions

**The Russell 1000 Value Index**—Measures the performance of those companies in the **Russell 1000 Index** with lower price-to-book ratios and lower forecasted growth values. The **S&P 500 Index** is generally considered representative of the U.S. stock market. The **Morningstar Large Value** category consists of large value portfolios invested primarily in big U.S. companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow). 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.

## FUND FACTS

	FUND	RUSSELL 1000 VALUE INDEX
Number of Holdings	47	690
Total Net Assets	\$104.8 mil	N/A
Weighted Average Market Cap	\$118.4 bil	\$111.5 bil
Median Market Cap	\$33.9 billion	\$6.9 bil
PEG Ratio	1.83x	2.08x
ROIC	13.8%	11.8%
Portfolio Turnover (12 months)	156.6%	N/A

## Additional Information

Past performance does not indicate future results. No investment strategy or objective is guaranteed and a client's account value can fluctuate over time and be worth more or less than the original investment. 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.

## Important Fund 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 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 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 Calamos Opportunistic Value Fund include: equity securities risk consisting of market prices declining in general, value stock risk consisting of the potential that a company will never reach its calculated intrinsic

## 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 <sup>*</sup>	1.54%	2.30%	2.29%	1.29%
Net Expense Ratio <sup>**</sup>	1.16%	1.91%	1.91%	0.91%

<sup>\*</sup>The Fund's investment advisor has contractually agreed to reimburse Fund expenses through March 31, 2015 to the extent necessary so that Total Annual Fund Operating Expenses (excluding taxes, interest, short interest, short dividend expenses, brokerage commissions, acquired fund fees and expenses, and extraordinary expenses, if any) of Class A, Class B, Class C and Class I are limited to 1.15%, 1.90%, 1.90% and 0.90% of average net assets, respectively.

<sup>\*\*</sup>As of prospectus dated 3/1/14

value, small and mid-sized company risk, foreign securities risk and portfolio selection risk. As a result of political or economic instability in foreign countries, there 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.

Options Risk is the Fund's ability to close out its position as a purchaser or seller of an over-the-counter or exchange-listed put or call option is dependent, in part, upon the liquidity of the option market. There are significant differences between the securities and options markets that could result in an imperfect correlation among these markets, causing a given transaction not to achieve its objectives. The Fund's ability to utilize options successfully will depend on the ability of the Fund's investment adviser to predict pertinent market movements, which cannot be assured. 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®

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