S&P CAPITAL IQ

Calamos Global Funds - Calamos Emerging Markets Fund

Sub-fund of Ireland-domiciled open-ended investment company; Ucits III

S&P CAPITAL IQ | Silver FUND GRADING

Latest grade issued February 2012

(Review period 12 months to February 2012)

Simon Ong, Analyst at S&P Capital IQ Fund Research, prepared and is responsible for this report; the Grading Committee is responsible for the grading.

The following report is based on information taken direct from the group either via interview or as a written document and augmented by information in the public domain. The sources of performance data are provided within the report. All opinions are our own.

Fund Research opinion (February 2012)

This fund differs from many others in the peer group in that it can invest in any company that generates at least 20% of its sales in emerging markets. This absence of domicile constraints is reflected in a portfolio that includes sizeable exposure to larger-caps in developed markets, such as Danone, ABB and Swatch, which benefit significantly from emerging markets exposure. The resulting regional exposures often deviate significantly from peers and benchmark.

The fund is managed in the characteristic house style by an experienced and stable investment team based in Naperville, Illinois. Having no analytical presence in emerging markets, the team's focus is on mid- and larger-caps.

Calamos analyses a company's entire capital structure. Proprietary screens reduce the stock universe to a more manageable level for detailed analysis of company cashflows, balance sheet strength, earnings etc to determine the quality and sustainability of any perceived growth. Potential holdings are then assessed to decide the most appropriate means of investing - equity, bond or convertible - and the timing of any such decision. Risk control focuses on detailed company research.

Although this Dublin-listed fund has less than 12 months' track record, it has outperformed its MSCI Emerging Markets benchmark over this period and is managed as a near clone of a US mutual fund with a solid three-year track record.

There will be times when this growth approach will not be supported by the underlying markets, but the stylistic consistency and our high regard for the team support an S&P Capital IQ Silver grading.

Fund manager & team

Calamos Investments of Naperville, Illinois, is a Nasdaq-listed, family-controlled business founded in 1977 by John Calamos Sr. (CEO) as a specialist convertible fund manager. It has since diversified and now manages $33bn across US equity (32%), US opportunities (21%), global (15%), US convertibles (13%), high yield (8%), alternative investments (7%), non-US equity (3%) and other (1%) strategies.

John Calamos focuses on the business and top-down views. Co-CIO Nick Calamos is responsible for the process and team, comprising heads of research Jeff Scudieri (17 years experience) and John Vacko (20 years), five strategy/sector analysts (average 18 years), three sector analysts (12 years) and eight intermediate analysts (11 years). Staff turnover is very modest.

While there is no separate emerging markets team, Scudieri is designated lead manager, a result of his greater experience with non-US companies. Decisions remain team-based and a result of team consultation and debate.

Jeff Scudieri - MBA finance (DePaul University), BA finance (Northern Illinois University), CFA, joined Calamos in 1997 and is directly involved in the fundamental analysis of companies, while also investigating opportunities that meet the firm's long-term philosophy and process. Prior to joining Calamos, Scudieri worked in shareholder services at Zurich Kemper Investments.

Management style

Although benchmarked to the MSCI Emerging Markets index, deviations at sector and country level can be significant.

The fund is managed in a team-driven fashion with the co-CIOs providing a top-down framework of macroeconomic, secular and cyclical themes. An initial investment universe is reduced through quantitative screens (focus is on credit, valuation, growth metrics and technicals) to allow for more detailed analysis.

The Calamos approach is to focus on a company's entire capital structure, where fundamental analysis is conducted on earnings expectations, balance sheet and cashflow strength, management quality and industry dynamics. Fair value is estimated using cashflow measures under various risk/reward scenarios, with stocks ranked on a relative and absolute basis. Investments are made through both equity and convertible securities.

Risk is managed through detailed knowledge of the 60-80 holdings, with single-stock exposure kept under 5%. Derivatives may be used, while cash is typically limited to 5% and currency exposures remain unhedged.

Portfolio & performance analysis (January 2012)

Calamos's strength is in its analysis of the entire capital structure of prospective holdings, which it uses to understand those that, regardless of their domicile, are best positioned to benefit from the anticipated rapid growth in emerging economies. Nearly 52% is currently allocated to companies domiciled in developed markets but which satisfy the criteria of demonstrating a minimum 20% of sales/assets in emerging markets. In reality, the team has advised that this is likely to be closer to 50%.

Allocations to North America (20.7%) and Europe (23.1%) represent the largest overweight regional exposure, with Asia/Pacific the greatest underweight (25.8% against 59.1% in the benchmark). This reflects concerns around corporate governance and explains the considerable underweight to China and zero-weight to Russia.

Since inception, relative performance has been strong (-11% against -15% for the benchmark to end-December 2011) - a product of a successful top-down framework, which has seen a +13.6% overweight in consumer staples (mainly within beverages) and a -22.5% underweight to financials. Within consumer staples, Coca-Cola, Diageo and Anheuser-Busch InBev were the major contributors to performance. The team continues to have a negative view on financials, but recognises that their low weighting represents a significant bet.

Sector-wise, the key detractors were IT, energy and materials. IT exposure was cut over the past year (Baidu, Tencent and MercardoLibre all divested) as focus shifted to a greater emphasis on valuation. The team continues to hold no exposure to utilities, citing a lower growth profile and high levels of regulation as barriers.

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Geographical allocation

	%
Asia/Pacific	25.8
Caribbean	0.6
EMEA	31.0
Latin America	15.1
North America	20.6
Cash	6.9

Investment style

	Value	Blend	Growth
Large-cap			■
Mid-cap			■
Small-cap			■

Fund profile

ISIN	IE00B4QR1M12
Launch date	February 2011
Fund owner	Calamos Investments
Fund manager/adviser	Calamos Advisors LLC
Named portfolio manager/adviser(s)	Team
Location	Naperville, Illinois
Sector	global emerging markets
Peer group	Global Emerging Markets Equities
Fund benchmark	-
Fund size	US$95m (January 2012)
No. of holdings	69
% in top 10	29.6
Turnover ratio (%)	-
Contact group	+1 630 245 1363 or www.calamos.com

Source: Calamos Advisors LLC

Grading Process

To qualify for an interview and potential grading, a fund must have a minimum two-year performance track record (three years for funds-of-hedge-funds). New funds, funds with less than two years' performance record and specialist funds can be analysed and included providing independent verifiable performance data is supplied.

The starting point for a grading is an initial quantitative screen based on performance data obtained from Lipper Inc or elsewhere. For long-only funds, discrete annual performance comparisons are made, as opposed to cumulative returns over a three-year period. Relative performance of funds within each sector is ranked by decile.

This quantitative screen captures approximately the top 20% of funds in each sector, depending on the size of the sector. For funds-of-hedge-funds the screen is based on the fund's risk/reward objective.

For more information on the fund grading process please visit our website at www.funds-info.standardandpoors.com.

Symbols and Definitions

Grading bands for long-only funds

Platinum	The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
Gold	The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
Silver	The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
Bronze	A previously graded fund where a newly appointed fund manager or team does not yet have the required 12 months' relevant investment management experience.

Fund-of-hedge-funds / Absolute return / Specialist fund gradings

Platinum	The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
Gold	The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
Silver	The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
Bronze	A previously graded fund where a newly appointed fund manager or team does not yet have the required 12 months' relevant investment management experience.

Grading bands for Ucits III flexible beta funds and fund-of-hedge-funds

Platinum	The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
Gold	The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
Silver	The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
Bronze	A previously graded fund where a newly appointed fund manager or team does not yet have the required 12 months' relevant investment management experience.

Applicable to all fund types

Grading On Hold	A grading is placed On Hold when a significant change occurs at the fund manager or fund management team level and S&P Capital IQ has not yet had the opportunity to evaluate the impact on the qualitative appraisal.
Grading Removed	A previously rated fund is classified Grading Removed when a significant change occurs at the fund manager or fund management team level sufficient for the fund to no longer meet the standards to achieve a grading.
LTG recognition	A long-term grading (LTG) denotes a fund that has achieved an S&P Capital IQ fund grading at Platinum, Gold or Silver level in each of the last five consecutive years.

Bond gradings

V	Bond fund volatility gradings of V1 to V6 reflect S&P Capital IQ's current opinion of a fund's sensitivity to changing market conditions. A volatility grading evaluates a fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For the V1 to V4 categories, risk is considered relative to a portfolio composed of government securities denominated in the base currency of the fund.

Absolute return gradings

N	The N grading is S&P Capital IQ's indication of a fund's potential capital stability in normal markets. It is a qualitative grading but is based on annualised weekly downside deviation. N1 is the most stable, and N9 the least stable grading.

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