U.S. EQUITY DATA AS OF 12/31/12 calamos.com

# Discovery Growth Fund Fourth Quarter 2012 Report

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### **FUND INFORMATION**

I share ticker:

A share ticker: CADGX

Category: Small/Mid Cap

Growth

CIDGX

Inception date: 6/1/2010

Net assets: \$34.5 million

Objective: Long-term capital

growth

### **BENCHMARK**

Russell 2500 Growth Index

#### **FUND STRATEGY**

The fund invests primarily in equity securities issued by small, midsize and large U.S. companies that we believe offer the best opportunities for growth.

- » Active management blending global investment themes and fundamental research
- » Seeks quality companies with sustainable growth
- » Small and mid cap growth opportunities leveraging 20 years of growth investing

### **Key Drivers of Performance**

- » The fund underperformed its benchmark in the quarter, as investors preferred industrials and financials, with health care stocks seeing the largest sell-off.
- » The environment in the fourth quarter was not favorable to our higher growth bias, as companies that we believe demonstrate the highest expected long-term growth underperformed lower earners and those with slower growth projections.
- » Positioning and security selection within the information technology and consumer discretionary sectors detracted from relative performance.

### Market and Portfolio Overview

- » The U.S. equity market declined by a slim margin during the fourth quarter, with the S&P 500 Index falling 0.38%, but small/mid cap growth stocks fared better as evidenced by the 1.78% advance in the Russell 2500 Growth.
- » During the quarter, investors were challenged to cope with presidential and congressional elections, the ramifications of a hurricane in the northeast and uncertainty regarding fiscal cliff negotiations; all the while, broad U.S. equities only slightly declined in the period.
- » Despite macro concerns, we believe markets are returning to more of a bottom-up focus, with greater distinctions being made on fundamentals.

AVERAGE ANNUAL RETURNS	3-MONTH	1-YEAR	SINCE INCEPTION
Calamos Discovery Growth Fund			
I shares – at NAV (Inception 6/1/10)	-4.17%	5.28%	7.26%
A shares – at NAV (Inception 6/1/10)	-4.19	4.94	6.97
A shares – Load adjusted	-8.75	-0.08	4.97
Russell 2500 Growth Index	1.78	16.13	15.20

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 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. 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.

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

### **Quarterly Attribution Analysis**

### **CONTRIBUTORS**

**Materials**: Positioning and security selection within the sector added to performance in the quarter. Most notably, selection within the paper and forest products industry helped returns. We continue to believe that coordinated global monetary stimulus and infrastructure growth can support select companies in the sector.

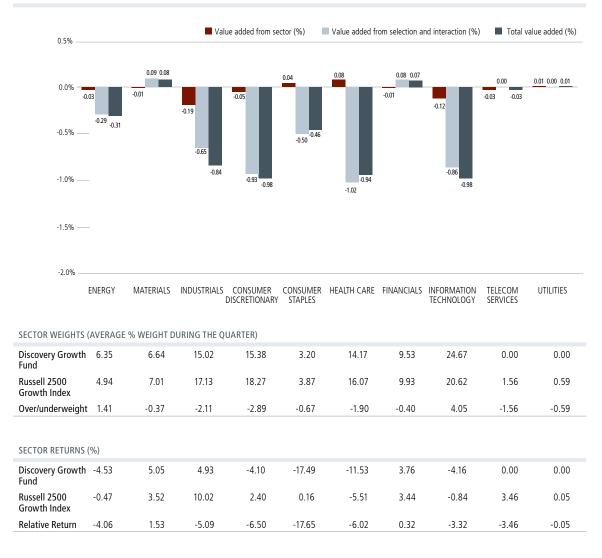
**Financials**: Selection within the sector outperformed in the period. Specifically, holdings within the consumer finance and diversified financial services industries were strong. While there are still questions about the unresolved global economic debt problems, we believe the relative merits of the sector have improved. Better prospects in the housing market and consumer resiliency support a more constructive view on the sector going forward.

### **DETRACTORS**

Information Technology: Our overweight allocation to one of the worst performing areas within the index for the quarter hampered returns. Security selection within the sector also detracted on a relative basis. Specifically, exposure and selection within the semiconductors and Internet software and services industries held back returns.

Consumer Discretionary: An underweight allocation and trailing security selection within the sector detracted from performance. In particular, exposure and holdings within the specialty retail industry held back returns. Slower economic conditions globally have contributed to a more cautious outlook for some retailing names.

### **DISCOVERY GROWTH FUND VERSUS RUSSELL 2500 GROWTH INDEX**



### 2012 Attribution Analysis

### **CONTRIBUTORS**

Information Technology: While this was one of the worst performing areas within the index for the year, and our overweight allocation hampered returns, security selection within the sector was very strong on a relative basis and the overall sector added to performance. Specifically, positions in the software and computers and peripherals industries outperformed.

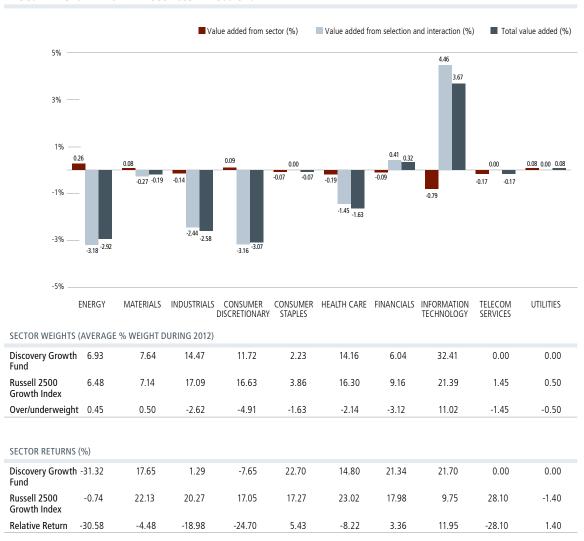
**Financials:** Selection within the sector outperformed in the period. Specifically, holdings within the consumer finance and diversified financial services industries were strong. Better prospects in the housing market and consumer resiliency support a more constructive view on the sector going forward.

#### **DETRACTORS**

Consumer Discretionary: Trailing security selection within the sector detracted from performance during the year. In particular, exposure and holdings within the specialty retail industry held back returns. Slower economic conditions globally have contributed to a more cautious outlook for some retailing names.

**Energy**: Security selection within the sector was negative and lagged the index return, detracting from performance in the period. Despite challenges, we maintain a favorable view of the long-term opportunities within the sector. We believe the fund's holdings within the sector should continue to benefit from long-term secular themes, such as persistent global demand for resources, especially within emerging economies.

#### **DISCOVERY GROWTH FUND VERSUS RUSSELL 2500 GROWTH INDEX**



PORTFOLIO	) HOLDINGS –	CONTRIBUTORS

FIRM NAME	DESCRIPTOR	% OF FUND	FIRM PROFILE	ANALYSIS
Louisiana-Pacific Corp.	Contributor	1.5%	Louisiana-Pacific is a manufacturer of building products. The company is a leading manufacturer of quality engineered wood building materials including OSB, structural framing products and exterior siding for use in residential, industrial and light commercial construction.	The company demonstrated strong fundamentals during the period, including consensus revised upward EPS estimates for the year.  Bullish sentiment surrounding prospects in the housing market, and the uptick in housing starts in particular, has given a boost to many related companies.
3D Systems Corp.	Contributor	0.5%*	3D Systems Corp. is a holding company that operates through subsidiaries in the United States, Europe and the Asia-Pacific region. The company is a provider of three-dimensional (3D) content-to-print solutions including 3D printers, print materials and on-demand custom parts services for professionals and consumers. It also provides creative content development and design productivity tools.	With an earnings surprise of 15% and a solid outlook for 2013, shares of 3D Systems have been on the rise. The firm witnessed positive estimate revisions in quarter and also is set to benefit from the strategic acquisition of Rapidform Products, which we believe should drive further momentum.

<sup>\*</sup> as of 11/30/12

### PORTFOLIO HOLDINGS – DETRACTORS

FIRM NAME	DESCRIPTOR	% OF FUND	FIRM PROFILE	ANALYSIS
Align Technology, Inc.	Detractor	1.3%*	Align Technology, Inc. designs, manufactures and markets a system of clear aligner therapy, intra-oral scanners and computer-aided design and computer-aided manufacturing (CAD/CAM) digital services used in dentistry, orthodontics and dental records storage.	The dental device company reported a weak quarterly outlook due to softness in demand for its Invisalign System. Shares of the stock were sold in the period.
TIBCO Software, Inc.	Detractor	1.4%**	TIBCO Software, Inc. is a provider of middleware and infrastructure software. The company's software platform enables customers to create applications from infrastructure and deliver real-time and actionable insights. TIBCO provides these capabilities across a range of environments, including physical and virtualized hardware, standards-based and computing grids and public or private clouds.	The company released disappointing earnings data in the period. Management cited government spending pullbacks, deal delays caused by Hurricane Sandy, and company-specific sales execution issues in North America as reasons for the earnings miss. Shares of the stock were sold in the period.

<sup>\*</sup> as of 10/31/12

<sup>\*\*</sup> as of 11/30/12

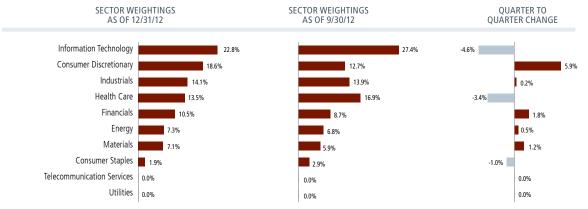
### **Positioning**

The fund's largest allocations in absolute terms, are to the information technology and consumer discretionary sectors.

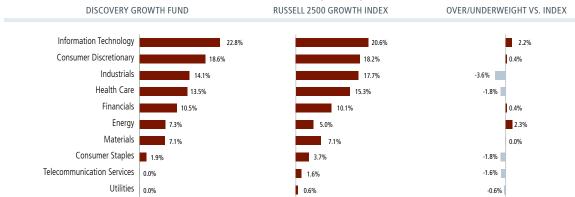
Within technology, we believe our holdings in the sector are well positioned to benefit as companies and individuals seek solutions to improve productivity. Long-term secular growth themes include demand for products and services that provide access to information, enable mobility and promote innovation. The sector also boasts higher cash flows, lower debt levels and cleaner balance sheets. With respect to consumer discretionary, we continue to maintain a positive overall outlook regarding the fundamentals of these companies, which include stable balance sheets, strong global brands, and global business strategies.

Relative to the Russell 2500 Growth Index, the fund's largest underweight allocation is to the industrials sector. On the whole, we have found opportunities among those companies most closely tied to the global infrastructure build-out, especially with the emerging markets.

### FUND SECTOR WEIGHTING QUARTER TO QUARTER CHANGE



#### OVER/UNDERWEIGHT SECTOR VERSUS RUSSELL 2500 GROWTH INDEX (12/31/12)



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**

### **FUORTH QUARTER REVIEW**

The U.S. equity market declined by a slim margin during the fourth quarter, with the S&P 500 Index falling 0.38%, but small/mid cap growth stocks fared better as evidenced by the 1.78% advance in the Russell 2500 Growth Index. Performance fluctuated throughout the period, with an initial drop in October, followed by modest market gains in the final two months of the year. Broad market returns were boosted by a late gain in the final day of trading, primarily due to optimism on a resolution to the fiscal cliff. Late in the quarter, market performance largely took its cues from headlines and daily commentary coming out of fiscal policy negotiations.

Sector performance within the Russell 2500 Growth Index was mostly positive for the quarter. Industrials, financials and materials gained the most, while health care was negative and trailed within the index. As in previous quarters, performance by sector varied significantly in the period. For example, industrials led the index with a 10.2% return, while health care declined by 5.4%, a difference of more than 15 percentage points.

### OUTLOOK

Going into 2013, our global economic outlook is cautiously optimistic. The overhang of debt in developed nations and the ongoing impact of political decisions (and indecision) remain causes for concern, of course. However, there are many favorable signs, including accommodative monetary policy around the world and a U.S. fiscal cliff in the rearview mirror. Also, long-term secular growth trends, such as those related to emerging market consumers, can support companies across sectors and around the world. Financial market volatility persists, but has led to valuation opportunities.

The U.S. economy appears set to maintain its slow-growth path. The upcoming debt ceiling debate will produce more volatility and uncertainty, but we believe that Washington theatrics aside, Congress recognizes the U.S. must pay its bills for programs already approved by legislation. Additionally, consumers have demonstrated resilience on the whole. The recovery of the housing market and equity market performance have provided boosts to consumer confidence, and we have seen strength in areas such as auto sales. Among corporations, operating cash margins remain near historic highs and balance sheets are strong. With the fiscal cliff behind us, we believe we are likely to see more capital spending and acquisition activity. In addition, unemployment data is inching in the right direction, if ever so slowly.

Our investment teams are finding opportunities across many asset classes. In our view, short-term events (often political) have prevented investors from appropriately valuing the equity markets. By many of our measures, equities are attractively valued, particularly growth equities. Equity risk premia (expected returns on equities versus government bonds) are in the top decile based on rates over the past 50 years.

In this environment, we encourage U.S. investors to think more globally about investment opportunities, adjusting asset allocations to reflect global long-term themes. Investors should also look beyond the near-term political uncertainty that will most likely continue to stoke short-term market volatility.

### **Fund Information**

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

Atwood Oceanics, Inc.	2.2%
Donaldson Company, Inc.	2.2
Immunogen, Inc.	2.1
Ultimate Software Group, Inc.	2.1
Westport Innovations, Inc.	2.1
iGate Corp.	1.9
Louisiana-Pacific Corp.	1.5
Sourcefire, Inc.	1.3
Achillion Pharmaceuticals, Inc.	1.2
DigitalGlobe, Inc.	1.2
TOTAL	17.8

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.

#### RISK MEASURES SINCE FUND INCEPTION

	FUND	RUSSELL 2500 GROWTH INDEX
Alpha	-7.11%	N/A
Beta	1.10	1.00
Sharpe Ratio	0.30	0.69
Annualized Standard Deviation	23.05%	20.19%
R-squared	96.07	100.00
Information Ratio	-1.12	N/A
Upside Capture	101.18	100.00
Downside Capture	122.98	100.00
Tracking Error	6.29%	N/A

FUND FACTS	FUND	RUSSELL 2500 GROWTH INDEX
Number of Holdings	105	1,390
Total Net Assets	\$34.5 million	N/A
Weighted Average Market Cap	\$3.1 billion	\$3.0 billion
Median Market Cap	\$3.0 billion	\$809 million
Price to Earnings Ratio	19.2x	18.0x
Price to Book Ratio	3.53x	3.34x
Price to Sales Ratio	2.07x	1.37x
PEG Ratio	1.41x	1.48x
Debt to Capital	32.3%	34.5%
ROIC	15.7%	15.1%
EPS Growth (5 Years)	18.4%	15.7%
Portfolio Turnover (12 months)	144.2%	N/A

## MORNINGSTAR RANKINGS (SMALL GROWTH CATEGORY)

	PERCENTILE	NUMBER OF FUNDS
1 year	95	743

Morningstar Ratings™ are based on risk-adjusted returns and are through 12/31/12 for Class A shares and will differ for other share classes. Morningstar Ratings based on a risk-adjusted return measure that accounts for variation in a fund's monthly historical performance (reflecting sales charges), placing more emphasis on downward variations and rewarding consistent performance.

Within each asset class, the top 10%, the next 22.5%, 35%, 22.5%, and the bottom 10% receive 5, 4, 3, 2, or 1 star, respectively. Each fund is rated exclusively against U.S. domiciled funds. The information contained herein is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Source: © 2013 Morningstar, Inc. All Rights Reserved.

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°	1.84%	2.61%	2.60%	1.55%
Net Expense Ratio°	1.51%	2.26%	2.26%	1.26%

<sup>°</sup> As of prospectus dated 2/29/12

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)

Alpha is the measurement of performance on a risk adjusted basis. A positive alpha shows that performance of a portfolio was higher than expected given the risk. A negative alpha shows that the performance was less than expected given the risk. Annualized Standard Deviation is a statistical measure of the historical volatility of a mutual fund or portfolio. Beta is a historic measure of a fund's relative volatility, which is one of the measures of risk; a beta of 0.5 reflects 1/2 the market's volatility as represented by the Fund's primary benchmark, while a beta of 2.0 reflects twice the volatility. Information ratio is the measurement of the performance returns of a portfolio against the performance volatility of an index or benchmark. The information ratio is generally used as a gauge to measure the ability of a portfolio to generate excess returns of the index or benchmark. 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. Price/earnings ratio is the current stock price over trailing 12-month earnings per share. Price/sales ratio is a stock's capitalization divided by its sales over the trailing 12 months. 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. R-squared is a mathematical measure that describes how closely a security's movement reflects movements in a benchmark. The Russell 2500 Growth Index measures the performance of those Russell 2500 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 2500 Growth or the Russell 2000 Growth Indexes. 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 riskadjusted 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 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 Discovery Growth Fund include: equity securities risk, value stock risk, small andmid-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.

Before investing, carefully consider the Fund's investment objectives, risks, charges and expenses. Contact 800.582.6959 for a prospectus containing this and other information. Read it carefully.

# $CALAMOS^{\circ}$

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<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 calamos.com.