

Economic Review and Outlook

CALAMOS®

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IN THIS COMMENTARY

We explain why we believe:

- > U.S. and European equities with multinational strategies look most appealing to us today.
- > Although many assets are overvalued, U.S. growth-oriented equities remain attractive on the whole.
- > Secular trends—such as globalization and the rise of a middle class in emerging economies—provide reasons to stay invested, and we also see cyclical opportunities.
- > The end of QE2 will likely reveal weakness in the U.S. economy. If so, we expect continued intervention by the Fed.
- > U.S. currency devaluation, uncoordinated monetary policy among governments and trade wars are among the greatest threats to the global economy.
- > China and other emerging markets, as well as developed markets, will benefit from appreciation in emerging market currencies.

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“Fat, drunk and stupid is no way to go through life, son.”

—Dean Wormer, *Animal House*, 1978

At times, it appears that the residents of Animal House are running the G3 governments. If a sensible adult doesn't step in with discipline and common sense, it's a road to ruin. In this case, the fat is bloated budgets and debt, the intoxicants are power and control. Policies of promise, spend, print and tax may please constituencies in the moment, but over the long-term do a great disservice.

The Middle East is in turmoil and oil prices are above \$100 a barrel. Food price inflation is wreaking havoc on the developing world while developed economies struggle with higher energy costs and exploding deficits. The March euro zone summit in Brussels was a non-event as leaders passed on the opportunity to address some of the sovereign risks their countries face. But the U.S. and European equity markets marched upward, ending with one of the best first quarters since the late 1990s. The S&P 400 Industrials Index also reached an all-time high (see Figure 1). And why not? After all, it is certainly more palatable to believe that food and energy price hikes will prove temporary, as weather patterns settle down and the Middle East resolves this current round of issues.

As we consider the current environment, stocks look more enticing than bonds. Emerging economies are applying the brakes and fighting back the riotous impact of high food price inflation. Will the emerging markets be able

FIGURE 1. S&P 400 INDUSTRIALS TOTAL RETURN INDEX

DECEMBER 1994–MARCH 2011



Source: Bloomberg. The S&P 400 Industrials Index is a measure of U.S. industrial stock performance.

to navigate a soft landing? Meanwhile, Japan is reeling from the devastation of an earthquake, tsunami, and nuclear crisis—three low-probability, high-negative-impact events. Yes, on the whole, the U.S. and European equity markets look like a better alternative to all others. Everywhere else looks more forbidding, at least over the short-term.

Risk management is an essential part of what we do because it allows us to identify the investments we believe offer the best prospects for growth.

In this commentary, we'll take a closer look at some of the risks we see in the global economy and how we're approaching them. As we've mentioned in past commentaries, risk management is an essential part of what we do because it allows us to identify the investments we believe offer the best prospects for growth. We believe that we are well-positioned in this regard, drawing on an active approach guided by proprietary research. We see considerable growth potential coming out of global secular trends, including demographic shifts and the expansion of technology. We are finding valuation opportunities in growth-oriented equities.

Assessing the recovery

There are many indications that economic recovery is underway in the U.S. The Institute of Supply Management's PMI Index reached its highest level since 2007, indicating strength in the manufacturing sector and suggesting that export strength should follow (Figure 2). We've seen a rebound in the ECRI Weekly Leading Index (Figure 3); there

are signs on the employment front that suggest economic momentum is better; and liquidity and financial markets remain strong on the whole.

Turning to the global economy, world trade and industrial production have reached all-time highs. Global economic growth is still very dependent on the emerging market economies, as industrial production is more than 18% above the 2008 peak level while the developed economies are still 6% below the 2008 peak industrial production level.

In past commentaries, we've written that the Great Recession of 2008 and 2009 was not normal, and that we didn't expect the recovery would be either. The U.S. housing market is horrible and proving to be very stubborn, even with government support. In their study of financial crises, *This Time Is Different: Eight Centuries of Financial Folly* (2009, Princeton University Press), Carmen M. Reinhart and Kenneth S. Rogoff analyze causes and impacts of financial crises. On average, in the wake of severe postwar financial crises, they found "unemployment increases and housing price declines have extended for five and six years, respectively. Real government debt has increased by an average of 86 percent after three years." This seems to be playing out.

QE: Getting in is easier than getting out

Since the announcement of QE2* in August 2010 through March 31, 2011, the S&P 500 Index gained 23.2%. Some may take this as a sign that government policies have worked and all will be well when the training wheels come off. However, market-based indicators are not reliable with government stimulus and liquidity at such extremes. Over

the past two years, U.S. deficit spending has exceeded 10% of GDP and is expected to approach that level in 2011. This spending, along with near-zero short rates and Fed liquidity injections may be the main support of a weak economy. The removal of QE2 in June will test the economy's strength in the second half of the year, as did the end of QE1 this past summer. So far, the U.S. government and world banks have purchased almost all of the net new U.S. debt issuance of QE2, as was case with QE1. It will be interesting to see what rates clear the market to fund future refinancing if the government is no longer the buyer!

The ECRI leading indicators chart (Figure 3) shows weakness in the economy when QE1 ended the past summer, as well as the rebound that occurred as a result of the announcement of QE2. We would not be surprised to see renewed weakness in the economy as this monetary stimulus is removed. But we'd also not be surprised to see another round of QE come to the rescue if that were the case. The debt monetization process and deleveraging cycle will go on for many more years.

If the current high inflation in food and energy prices lasts, we expect a negative impact on the economy. This sort of inflation acts as a very regressive tax on the most vulnerable in society. Since the end of World War II, oil price hikes above 50% have been at the forefront of most recessions, so further oil price pressure will be something to worry about.

Figure 4 shows another direct impact of inflation—emerging market stocks underperforming the S&P 500 Index. As the ISM Manufacturing Prices Paid Index moves above the 75% threshold, there has been a decline in the relative price

FIGURE 2. ISM MANUFACTURING: PMI COMPOSITE INDEX

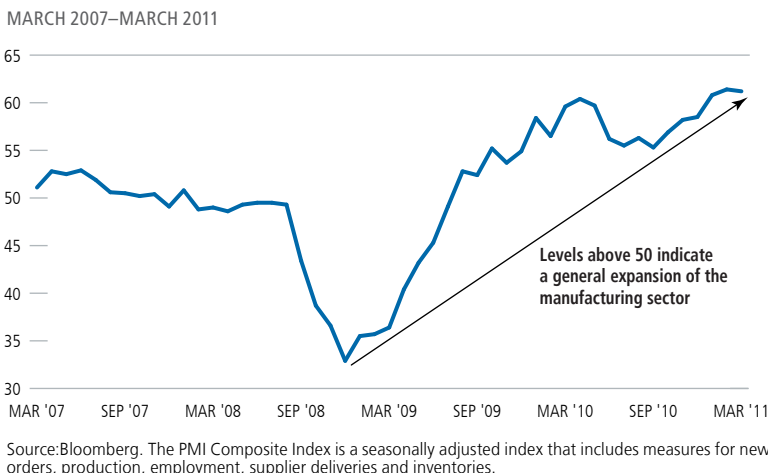


FIGURE 3. S&P 500 INDEX TOTAL RETURN, LESS 10-YEAR TREASURY VS. ECRI INDEX

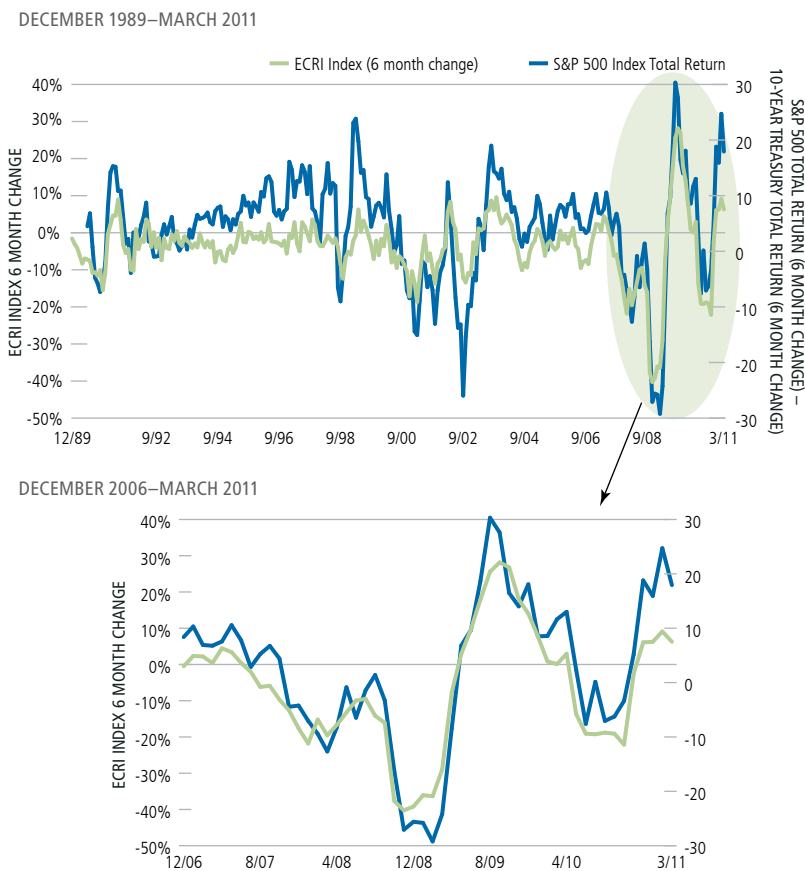
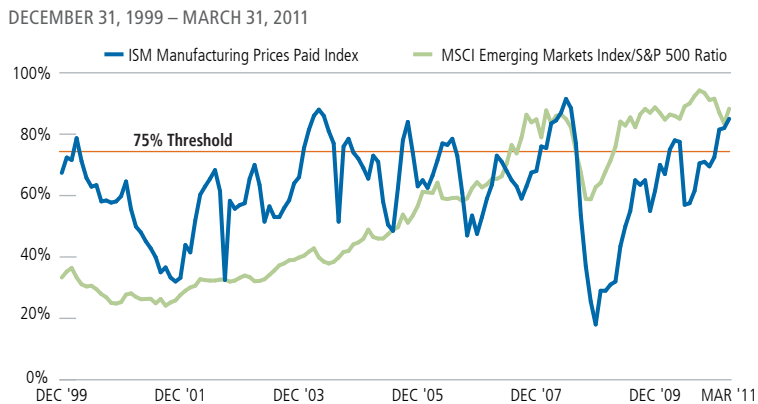


FIGURE 4. ISM MANUFACTURING PRICES PAID INDEX



Source: Bloomberg. MSCI Emerging Markets Index is a measure of the performance of emerging market equity performance. The ISM Manufacturing Prices Paid Index is a measure of business sentiment about future inflation; higher figures indicate stronger expectations of inflation.

performance of the MSCI Emerging Markets Index versus the S&P 500 Index.

We are favoring U.S. global businesses at this point, as we expect emerging markets will continue to fight inflation while the U.S. manufacturing sector grows for the next few months or quarters. Over the first quarter of 2011, we reduced exposure to the emerging markets because we were concerned about the influence of “hot money” flows, inflationary pressures, and what emerging market governments might do to slow inflation. Still, from a longer-term strategic perspective, we believe emerging markets offer considerable opportunities for investors.

Global rebalancing act: currency chaos and trade wars

The currency wars continue to heat up as the U.S.–China managed peg and all associated fixed-rate regimes come under severe inflation and political pressures. The trade wars are on. The European Central Bank (ECB) has decided not to fight and has not rushed to devalue the euro, at least for now. The current hard-line stance of the ECB is causing

additional global stress, as it opposes a U.S. policy that embraces the Phillips curve trade-off between inflation and employment.* The ECB does not believe in, or at least is not currently pursuing, the Phillips curve theory today. Instead, it is focusing on higher rates to combat inflation. It appears that Germany is experiencing inflation and is holding the ECB at bay to offset inflation, even though this monetary tightening will add to the stresses on the PIIGS** and euro-zone banks.

Uncoordinated efforts between the largest currency blocs increase pressures on the global markets. These pressures, together with the devastation in Japan and the questionable yen intervention, leaves the developed world in a messy situation and adds a degree of volatility to the global financial and trade markets. Of course, the U.S.–China quasi-currency peg is also under severe strain as the collapse in U.S. manufacturing jobs remains a favorite topic for politicians, with a finger pointing to China’s entrance to the World Trade Organization as a culprit for U.S. manufacturing unemployment woes. China and all soft-pegged trade competitors are feeling the inflationary heat. Currency pegs are at the heart of the issue, and these tensions are only intensified by emerging markets’ defense of their trade positions and currency foreign exchange rates. On March 31, U.S. Treasury Secretary Timothy Geithner argued in an international financial summit in China that the mismatch between the fixed and floating exchange rates was, “the most important problem to solve in the international monetary system today.” No doubt, he was targeting China, but also signaling the Fed’s and Treasury’s policies for pressuring these fixed-rate or managed-peg regimes.

*The Phillips curve is a historical inverse relationship between the rate of unemployment and the rate of inflation. This has not always been a strong relationship, as the 1970s showed.
 **PIIGS is an abbreviation for Portugal, Italy, Ireland, Greece and Spain.

China, with its huge trade surplus and strong growth, should allow its currency to appreciate and find a market rate that helps to rebalance the global trade, savings and consumption differences. We believe this will benefit China as well as the rest of the global economy. Unless fixed-rate emerging markets allow their own currencies to appreciate against the dollar, yen and euro, the G3 debt deflation cycle will continue to be the major underpinning of their economies with an inflationary impact on the developed world. China is the main issue here, but other countries competing for global export business are following China's lead.

To create an environment for lasting global growth, we believe the mercantilist export-driven emerging markets will have to give way to an internally driven consumption engine, while the G3 relies even more heavily on exports to the emerging markets. If the U.S. dollar remains weak relative to the Chinese renminbi over the next decade or so, this would, in effect, reduce the U.S. debt burden, one that is substantially held by China and Japan, while helping to drive U.S. exports. Although Figure 5 shows the dollar is very weak against major trade partners, the emerging market economies are the current target for the dollar trade advantage via currency depreciation. Because of this, we believe investors should continue to favor non-G3 currency exposure.

The underlying debt cycle is unwinding, with a deflation bias

Emerging markets' short-term monetary tightening may present headwinds, but if China allows currency appreciation to offset inflationary pressures, we should see a strong global response in the financial markets. China will need to drive the consumption portion of GDP back up to 50%, which is

FIGURE 5. U.S. DOLLAR VS. MAJOR TRADING PARTNERS*

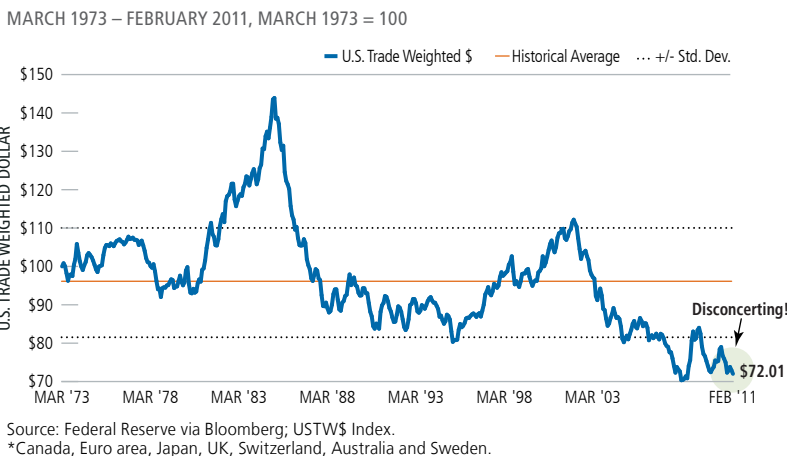
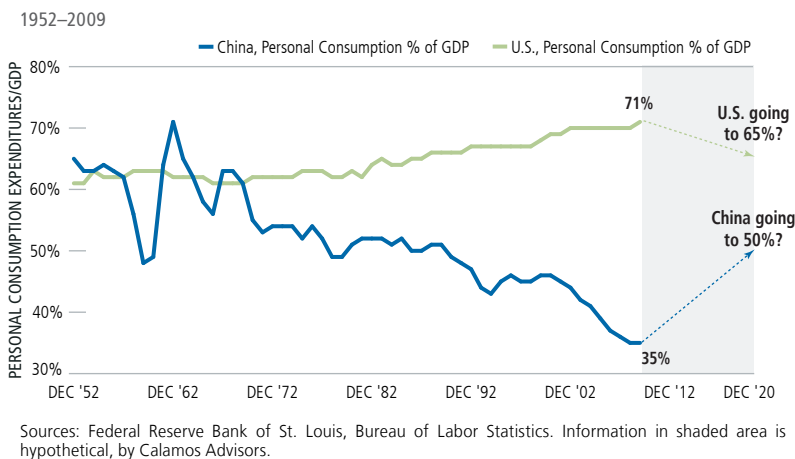


FIGURE 6. U.S. AND CHINA PERSONAL CONSUMPTION, AS A % OF GDP



close to levels of 20 years ago (Figure 6), and the U.S. will likely see consumption drop to near 65% as savings increase along with exports and government and business spending. China is fast becoming independent of the U.S. As the "new Bretton Woods" regime implodes, China will be looking for a reasonable return on their huge stash of U.S. dollar reserves. U.S. government bonds do not offer a reasonable risk-reward given the U.S. government's propensity to inflate out of debt, the huge government support of bonds now, and the likelihood that foreign investors are going to require some additional yield to offset the impact of a weak dollar policy on their return.

The G3 is in a secular real wealth decline as it monetizes excess debt and fights continuing deflationary effects caused by the bursting of credit bubbles and bloated governments. We believe the emerging markets will be forced to abandon the mercantilist export model or be subject to inflation as they continue to sterilize G3 monetization of debt and defend trade balances.

The G3 is fighting off a deflationary debt cycle collapse with expansive monetary policy and record post-WWII deficit spending. This course has flooded the world with liquidity, caused global asset and commodity inflation, masked market signals and made it difficult to clearly understand the actual underlying economic strength as “normal” capital allocation signals are distorted. This is not capitalism, but instead global government-controlled market manipulation. China and any country competing for exports with China will need to allow their currencies to appreciate against the G3 to relieve inflationary pressures. This is an essential component of the global rebalancing and wealth shifts that we believe need to occur. In our view, higher currency values in the emerging markets will lead to increased wealth for their populations and shift growth to a more balanced internal consumption model. It would also allow G3 countries to shift toward a more export-driven growth model.

It appears that the debt monetization in the U.S. will continue, along with a policy to increase exports via a weak currency. Indeed, President Obama has called for the U.S. export component of GDP to double by 2015, and the Fed is wholeheartedly supporting this approach.

The pressure is on the emerging markets, especially China, to let their currencies float and appreciate, with the expectations that trade surpluses would erode while consumption and wealth increase. The labor and capital boost that the U.S. expects from a combination of currency depreciation relative to China’s, rising Chinese wages and currency, sounds compelling. It is a path often traversed by debtor countries in the aftermath of a banking crisis.

The historical model involves first nationalizing private debt problems and then if possible, internationalizing them. If the debtor country has a significant debt denominated in its own currency but held by foreigners, as the U.S. does, then the next step will be taken. If the debtor was unfortunate and had debt in another country’s currency then the devaluation/inflation option is not available; this is the situation that Greece, Ireland and the other PIIGS face. The U.S. has the inflation/devaluation option and as a matter of course and history, foreign debt holders will get paid back in currency worth considerably less. Of course, ultimately the cost to refinance or roll the debt over will go up; but at the same time, exports will increase and the economy will grow, offsetting at least marginal rate hikes. The U.S. may feel especially confident of this course because the world, as of today, does not have a viable alternative reserve currency to the dollar.

Profit margins and the road ahead

Profit margins are mean reverting due to competitive pressures and business cycles. We believe they may be peaking in the U.S. as higher energy and commodity prices, slowing productivity gains, increases in capital spending and firming employment trends begin to weigh on margins. Profit

margins are very high but productivity has been pushed hard, and pressures are mounting on many businesses (Figure 7).

There's not much room left for further cost cutting to drive up productivity and margins. Capital spending expenses and wage pressures start to squeeze margins unless top-line growth accelerates. Profits as a percentage of GDP are near 9.2% and well above the past 60-year average of 6.1% (Figure 8). Historically, stocks on the whole do not perform as well in periods of declining profit margins, relative to periods of expanding margins. This is one series to keep an eye on as the direction of profit margins impacts stock valuations.

In their recent commentary "A Hundred and Eleven Bucks?" (March 22, 2011), Douglas Cliggott, Michael Kassab and Matthew Cabral of Credit Suisse observed, "During the past 50 years, when the profit share of U.S. national income has been rising, the S&P 500 has averaged 14% annual total returns. When profit share is declining, average total returns have been just 3% per year."

Business margin pressures are coming from all directions. Health care costs are not under control, regulatory burdens are increasing, cost cutting may have run its course and there is more in the unemployment picture than meets the eye. Although unemployment is very high, it is not equally distributed among educational levels and skill sets. The unemployment rate for college-educated workers is only 4.3%, versus 9.5% for high-school graduates and 13.9% for high-school dropouts (Figure 9). We would be willing to bet that the distribution of "discouraged workers" (those not counted in the unemployment rate) is also skewed heavily toward those with less formal education. The unemployment

FIGURE 7. U.S. CORPORATE PROFITS AND U.S. LABOR PRODUCTIVITY

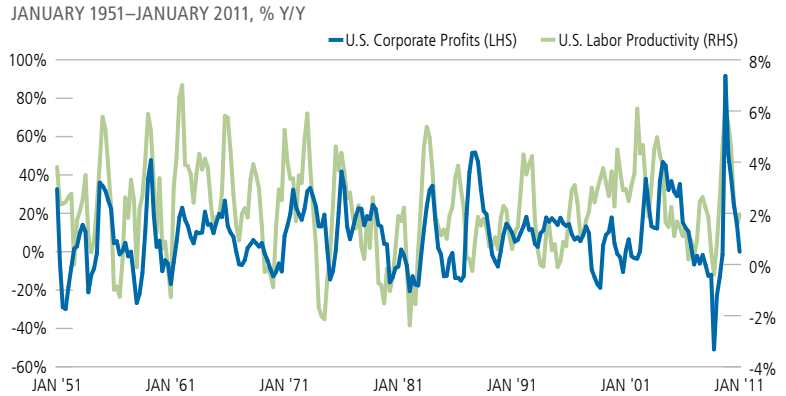


FIGURE 8. U.S. AFTER-TAX CORPORATE PROFITS PERCENTAGE OF U.S. GDP (\$)

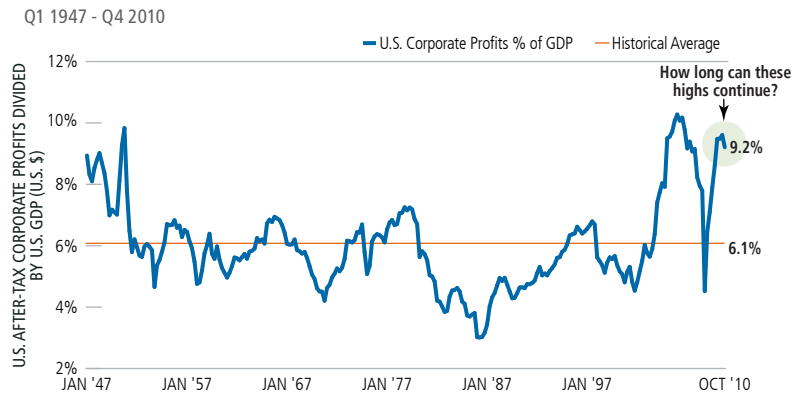


FIGURE 9. U.S. UNEMPLOYMENT RATES BY EDUCATION LEVEL

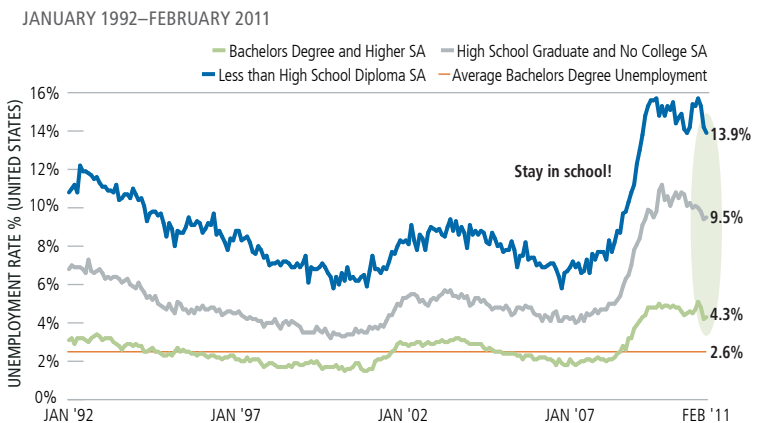
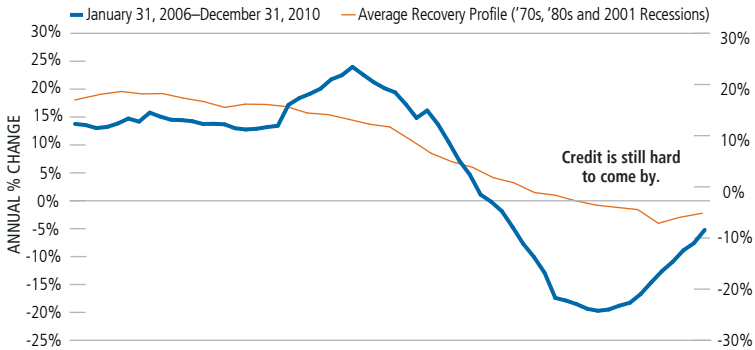


FIGURE 10. COMMERCIAL AND INDUSTRIAL LOANS OUTSTANDING



Source: Federal Reserve Bank of St. Louis and Calamos Advisors (identifying the recovery periods of the past).

rates in the building trades and local government are high, and many of these workers' skills don't transfer directly to the information technology and health care industry groups that are looking to hire more people. Given this, we believe wage pressures are likely to increase in areas that have high skill levels and educational requirements, while wage pressures in other areas will remain low.

In our view, it is unlikely that profit margins will collapse as a result of the factors we've outlined above, but we expect that they will come under stress. Margin pressures, coupled with some inflationary pressures, are not going to provide an expanding P/E ratio backdrop for stock prices. We believe earnings gains will be the sole fuel that keeps equity values rising in the U.S. from this point.

Global growth over the near-term has become more tenuous. The emerging market economies are still applying the brakes to slow their economies, the G3 faces energy inflation, the U.S. is burdened with a weaker looking housing market, Japan has experienced a devastating series of crises with negative longer-term implications for wealth, and Europe is still struggling with banking quality concerns and sovereign debt issues.

We expect the equity markets in the U.S. will still be supported by huge liquidity flows, merger-and-acquisition activity and high productivity in labor and capital. But as we noted, market pricing mechanisms are fraught with government intervention and therefore, may be unreliable or misleading. Near-zero interest rates, quantitative easing and huge amounts of deficit spending have flooded the financial markets, providing stimulus that masks and delays the normal capitalist corrective measures. The collapse in the housing market after support measures were removed points to the vulnerability of the economy.

The U.S. monetary base is now increasing as bank reserves expand; this should lead to further growth in money supply. Credit, as well as commercial and industrial loans are inching their way back, but overall, the credit creation process is still impaired (Figure 10).

As a result of the weak credit picture and high unemployment, we expect the reflation trade will continue. Most likely, there will be another round of hotter flows into the emerging markets. Short-term, we have added to more defensive and less cyclical sectors, as the emerging markets fight off high inflation and hot money flows. However, we still believe that the correct cyclical play is to overweight the industrials, materials, technology and energy sectors as G3 deflationary effects lead to further reflationary responses and as emerging markets continue to build infrastructure.

The Fed's lack of concern for food and energy inflation is a result of a domestically focused policy, despite the dollar's still-dominant role as the world reserve currency and the inflationary impact that current policy is having on the

emerging markets and our trade partners. The high price of oil is also partially due to current Fed policy. As we are seeing once again in the current Middle East turmoil, high oil and food prices create geopolitical instability and currency market risks. The Fed understands that high food and energy inflation act as a regressive tax hike on consumers and in turn are deflationary. The central bank also recognizes that high oil prices also weigh heavily on GDP growth. Even so, no simple solution exists to the thinking of Fed policymakers. The Fed will continue to find itself in a box as the debt burden and associated reflation policies contribute to interest rates and inflationary pressures—pressures that can derail the recovery process, prompt more stimuli that increase debt, and on and on.

The Fed's thinking seems to be that if rates are raised to slow the inflation, the rate hike will also put the brakes on the economy. Of course, this assumes that low rates are stimulating business spending and financial market wealth creation, a dubious assumption in our view. The near-zero interest rate appears to be in support of bank balance sheet rebuilding and/or a means to force investors out on the risk spectrum. Otherwise, QE could be in effect with a more normal short end of the yield curve. But for the Fed, clearly the longer-term debt burden calls for devaluation, pressuring all countries to act or else be in the path of this secular trend.

Creative destruction is on hold everywhere around the globe. Virtually no country is allowing markets to clear, large businesses to fail or change to take hold. The focus is on better utilization of labor or capital within the existing infrastructure and industry. The U.S. is in the midst of regulating energy, health care, financials and the Internet into a utility-like

control. This entrenches many of the large competitors, drives down the productivity of capital and labor, and stifles market competition. Meanwhile, large debt levels and deficit spending are also a tax on future income, which we believe will likely lower future productivity and living standards.

We have positioned our portfolios to reflect our view that innovation is a powerful force that can persevere and thrive in difficult environments.

While the Federal government lacks fiscal discipline and has chosen monetary debasement as one of its main tools, state and local governments are beginning to deal with excess spending and deficits. Without the power to print money, choices are clearer, albeit painful. We see difficult realities playing out in Wisconsin, Ohio and New Jersey as legislatures confront unfinanced promises made by power-hungry politicians who opted for a kick-the-can approach with little regard for the consequences that would inevitably come home to roost.

Opportunities in the midst of volatility and global rebalancing

As an investor, you have to wonder what assets you should hold to protect wealth in the aftermath of a banking crisis and in the midst of a deflationary debt deleveraging. Fixed-rate government debt of a debtor country is generally a poor choice. Given the drive to reduce debt via inflation and the current low interest rates, the risk/reward of investing in this type of asset is horrible, in our view. We caution investors against relying on U.S. dollar-, euro- and yen-denominated government debt for safety and stability. We believe

investors with fixed-rate G3 government debt allocations should favor short-maturity issues because this provides more flexibility to extend maturities in response to inflation and higher interest rates.

The case for commodity investing may make sense because the emerging markets are rapidly expanding, while the G3 will be inflating to offset the deflationary impact of the debt bubble and the excesses. Unfortunately, price matters in investing and the current run-up in commodity prices leave small room for error. Commodity markets have also become highly correlated with equity markets, and this reduces some of their attractiveness (Figure 11). The last time stock and commodities were this correlated was at the end of the commodity price run in the 1970s.

But we believe commodity companies offer a more viable risk/reward advantage relative to spot commodities, and it is easier to determine their intrinsic value. Historically,

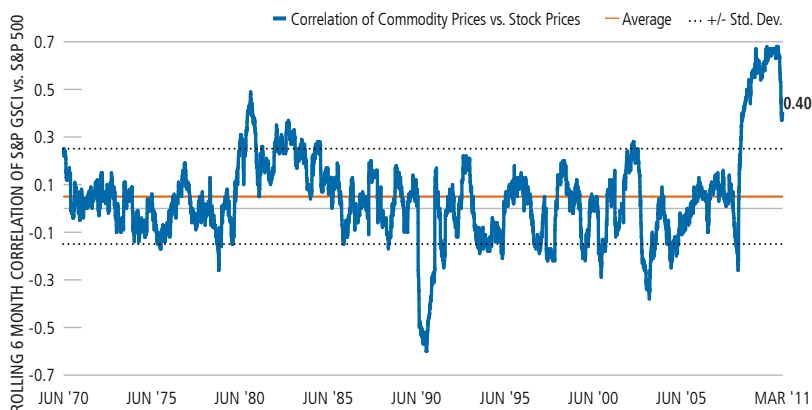
equities have generally done okay during periods of devaluation, especially equities in industries positioned to benefit from direct labor and capital cost advantages that in turn help procure new business and drive revenue and profits. The industry groups that we believe should benefit most from this U.S. dollar trend and emerging markets' growth include global manufacturing and industrials, metals and mining, most of the information technology sector, and energy companies. We believe many consumer product companies and specialty products companies will also benefit.

We also continue to favor companies that are positioned to benefit from secular themes in addition to the growth of emerging markets. These themes include corporations' focus on maintaining their positioning in a competitive global environment, which we believe can stoke investments in productivity-enhancing services and technology. Another theme reflected prominently in our portfolios is individuals' desire to stay connected to each other, to information and to entertainment at all times and price points. This has led us to information technology companies involved in consumer electronics, cell phones, tablet computers, and cloud computing.

We believe a more active valuation discipline and asset allocation strategy is extremely important because very few assets are inexpensive. However, there are significant exceptions. For example, we believe that the equities of many U.S. multinational growth companies are attractively valued relative to historical levels, to value equities and to corporate bonds. Across our equity portfolios, we are

FIGURE 11. COMMODITY PRICES VS. STOCK PRICES

ROLLING 6-MONTH CORRELATIONS BETWEEN DAILY % CHANGES IN S&P GSCI INDEX AND S&P 500 INDEX, JANUARY 2, 1970-MARCH 29, 2011



Source: Bloomberg. The S&P GSCI Index tracks the performance of commodity sector returns, based on commodity futures.

generally favoring companies with globally diversified revenues, strong brands, higher quality balance sheets and experienced management teams. We are emphasizing companies that are positioned to benefit from secular trends and global GDP growth, rather than those that are tied to G3 GDP growth and the U.S. consumer. We are also avoiding companies that may be more affected by government debt burdens and regulations.

We do see considerable opportunities for long-term investors in the global economy.

As we noted, we have been increasingly cautious about direct investments in emerging market companies. We would emphasize that this is a tactical shift, as we believe that the secular case for emerging markets remains compelling. We have instead favored companies in developed markets that are positioned to potentially benefit from emerging market trends, including a growing consumer base and massive infrastructure build out.

Over these past years, our portfolios have been significantly underweighted in Japan versus their benchmarks. We have long held concerns about Japan's decades of deflationary and debt burdens. As Japan rebuilds in the wake of its recent tragedies, our investment team will be analyzing the economic environment and individual companies on an ongoing basis, with a close focus on potential currency implications.

Conclusion

We believe the end of the great bull market in bonds is approaching. History teaches that major banking crises ultimately turn to sovereign debt crises and inflation. Japan is one country that has so far avoided this path, but the country is not yet on the road to recovery and debt levels are still rising while savings rates are declining (stay tuned). The U.S., Europe and Japan have some tough choices, most of which spell trouble for the fixed-income investor. The deflation option will be too painful and is rarely selected in a fiat money system. We believe the global currency markets will also come under pressures and volatility, leaving equities, precious metals, commodities and some real estate as the best alternative for investors.

At the outset of this commentary, we noted that our understanding of the risks in the markets guides us to the opportunities. In fact, we do see considerable opportunities for long-term investors in the global economy.

We have positioned our portfolios to reflect our view that geopolitical tensions have no easy resolution, and that both developed and developing markets must take steps, independently and together, to establish monetary and trade relationships that promote stability for both themselves and the global economy. We also believe that volatility in financial markets and currencies will remain high.

But equally important, we have positioned our portfolios to reflect our view that innovation is a powerful force that can persevere and thrive in difficult environments, globalization and long-term secular trends offer significant opportunities for wealth creation, and that the flipside of volatility is opportunity.

Sectors and countries mentioned are presented to show sectors and countries in which a portfolio may invest.

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

Hot money is used in economics to refer to funds which flow into a country to take advantage of a favorable interest rate, and therefore obtain higher returns.

The Eurozone is comprised of 12 countries: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxemburg, Netherlands, Portugal, Spain, and Greece.

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 MSCI Emerging Markets Index consisted of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

Unless otherwise noted, index returns reflect the reinvestment of income dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. Investors may not make direct investments into any index.

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