

Calamos Global Funds PLC  
Market Perspectives

CALAMOS®

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**We expect ongoing volatility spikes, but we believe we can capitalize on them.**

**Finding Growth Opportunities in Volatile Markets**

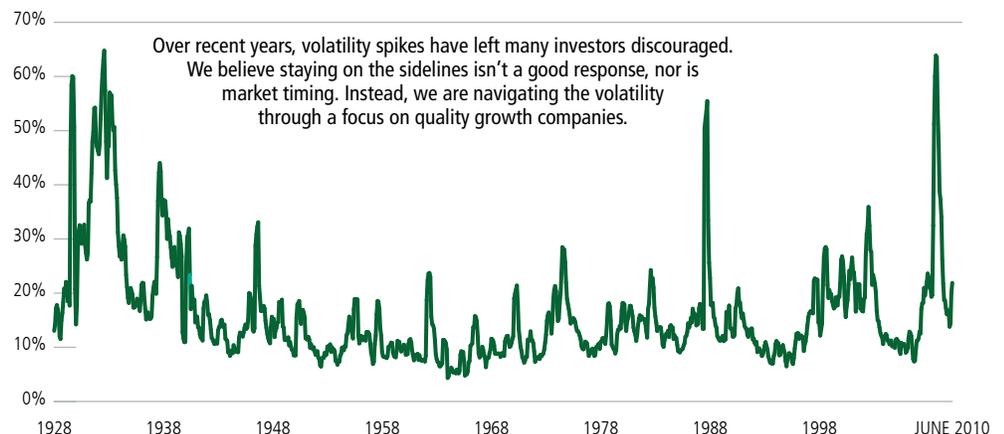
Investors have found themselves confronted with new and longer-standing uncertainties in recent months—the slowing of the economic recovery in the United States and the looming shadow of a debt crisis in Europe figuring most prominently. Against this backdrop, volatility spikes in the market have become the norm.

We do not believe that volatility and uncertainty are reasons for staying out of the markets. If that were the case, there would never be a good time to invest! What matters is finding the opportunities amid the volatility and developing asset allocations that address the reality of the markets. Not all securities will fare equally well (quality will matter!), but we believe that active managers with highly selective strategies will continue to add value.

In this piece, we will outline where our investment team is finding opportunity. We expect volatility to continue, but we believe we can capitalize on it. We're excited about growth stocks. We continue to believe that companies in a variety of sectors—most notably, information technology—offer compelling, sustainable prospects due to their participation in secular trends, such as global demographic shifts.

**FIGURE 1. STOCK VOLATILITY, S&P 500 INDEX, 90-DAY VOLATILITY**

APRIL 1928 TO JUNE 2010



Source: Bloomberg

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Past performance is no guarantee of future results.

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NO BANK GUARANTEE**

## I. Positioning

Broadly, we are favoring high-quality multi-national companies that have worldwide presence and sustainable competitive advantages. As competition increases across the globe and economic growth remains tepid, we believe higher-quality growth businesses with strong balance sheets, globally diversified revenues and the ability to fund their own growth internally will be best positioned.

**We do not believe that volatility and uncertainty are reasons for staying out of the markets.**

Even in challenging times, there are a number of secular themes that can help select companies prosper and profit. As we consider the current environment, we believe that information technology companies are especially well positioned. IT companies are providing innovations and services to corporations that are enabling them to maximize productivity and profits in an increasingly competitive global environment. IT companies are also helping individuals stay connected to each other and information. We believe that people will continue to want innovative and increasingly affordable technology, regardless of the economy.

One of the most important trends that we see in the global markets is economic progress in emerging markets. (Recently, I had the opportunity to visit Asia. The growth and transformation I saw was truly inspiring.) Companies in many sectors—and in many countries—are positioned to benefit. One such sector is industrials. We continue to see opportunities among industrials that are participating in global infrastructure building.

We're keeping a close eye on financials and health care. These are areas where regulation and the political environment are giving us plenty to think about. As new financial regulations provide more clarity to the financial services sector, we are taking a look at who the winners and losers might be. Within health care, regulatory changes have created attractive valuation opportunities in certain industries.

In the consumer discretionary sector, we are favoring low-cost producers with global reach and brand focus. Meanwhile, in the energy sector, U.S. dollar devaluation should help support energy prices over the long term. Also, the BP oil spill and global slowdown have devastated stock prices in the sector. As heavy liability risks and global slowdown weigh on valuations, we expect to consider selective additions to our energy holdings.

Please see "Sector Outlook and Positioning" (page 5) for more sector-specific commentary.

## II. How We Are Managing Risk

As active investment managers, our job is to analyze the existing and potential risks in the market, and to develop proactive and flexible strategies that address and even capitalize on this reality. As always, we are focusing on security, industry and sector risks. We are also increasingly focused on the complex inter-relationships among events, sectors and economies. We are closely analyzing changes in wages, salaries, savings, imports and exports, and consumer trends around the world.

As we noted in our July "Economic Review and Outlook," we strongly believe that downside risk should be reduced in

most asset classes. We are utilizing a number of strategies to lower exposure to potential risks, including disciplined valuation analysis and an emphasis on high-grade balance sheets. We also are using put protection, where we purchase index put options with the aim of limiting losses from significant market corrections.

### III. The Case for Growth

As we have noted, we believe that in a period of uncertain economic growth, not all companies will enjoy the same good fortunes. In our view, the companies that will be best positioned to succeed are those with strong balance sheets and the ability to grow without needing quick and easy access to the credit markets. Additionally, global presence and know-how are extremely important for two major reasons. First, we want to invest in companies that are not overly dependent on one economy (and its potential missteps). Second, economic and societal progress are occurring all

over the world, with Asia serving as a particularly exciting example. In this environment, we believe established multi-nationals have a decided advantage.

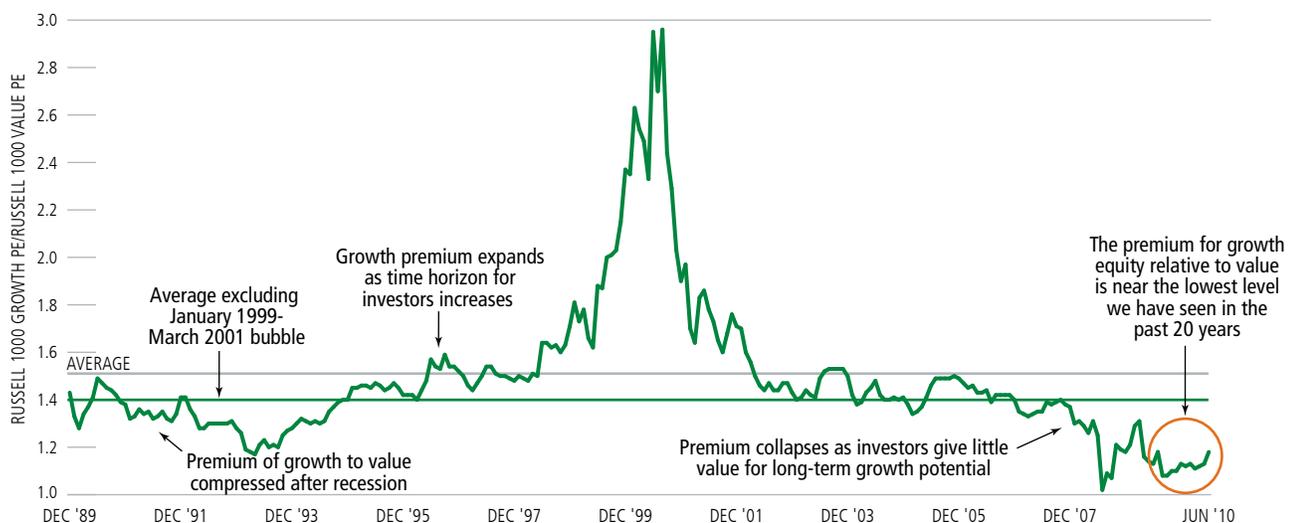
Moreover, what makes the growth opportunity particularly attractive in the current environment are the valuations we are finding. The premium for growth equity relative to value is near the lowest level we have seen in the past 20 years.

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Growth-oriented firms typically command a premium for their ability to generate stronger growth in areas such as revenues, earnings or margin improvement. Yet today, based on one-year forward P/E ratios, growth companies are trading at little premium to the rest of the market. The Russell 1000 Growth Index has a P/E of 13.7, compared to

**FIGURE 2. LITTLE PREMIUM FOR GROWTH**

RUSSELL 1000® GROWTH INDEX P/E RELATIVE TO RUSSELL 1000® VALUE INDEX P/E, DECEMBER 1989–JUNE 2010  
Source: FactSet and Cap IQ



the Russell 1000 Value Index's P/E of 11.6—meaning growth is trading at a multiple of just 1.2 times the value market (see Figure 2).

Similarly, versus corporate bonds, growth equities also look compelling. Investors have “paid-up” for bonds and other debt instruments, which have enjoyed a strong rally. By our estimates, growth stocks look very favorable relative to government bonds, where profligate spending has led to high deficits that could lead to higher interest rates. As higher-quality growth investors, we believe current growth equity valuations are appealing and offer compelling long-term investment opportunities.

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## APPENDIX: SECTOR OUTLOOK AND POSITIONING

This chart originally appeared in our July “Economic Review and Outlook” and provides an outline of our general positioning.

SECTOR	POSITIONING*	KEY CONSIDERATIONS
FINANCIALS	Equal/ Underweight	<p>Banks will be under pressure to pay for the FDIC’s huge insurance liability, while new regulations, lower ROEs and ROAs continue to make the banking sector less attractive.</p> <p>Current 20-25% correction has improved the risk/reward in the money center banks but they most likely present utility-like business models in the future.</p> <p>Mid-size banks should benefit from local bank consolidation and government loss share.</p> <p>Asset managers and insurers look reasonable from valuation- and business-model perspectives while offering better balance sheets and equity risk/reward.</p>
TECHNOLOGY	Significant Overweight	<p>Capital spending as a percentage of GDP is near a 40-year low, and we expect that this trend will reverse. Technology companies are positioned well for a rebound in the capital spending cycle and are very used to competing in a deflationary environment.</p> <p>Productivity enhancement and cost controls should help technology spending.</p> <p>We see consumers remaining willing to purchase certain “special” products such as cell phones, laptops and flat-screens.</p> <p>The sector will benefit from global infrastructure stimulus spending.</p> <p>Stock valuations are attractive and the risk/reward is compelling.</p> <p>The sector may be re-establishing its leadership position in the equity market for the first time since last decade’s collapse.</p>
CONSUMER STAPLES	Equal weight	<p>We favor low-cost producers with global reach and brand focus.</p> <p>Recent weakness presents buying opportunity.</p>
INDUSTRIALS	Equal/ Overweight	<p>Valuations again imply a weak economic cycle for the next decade.</p> <p>Global infrastructure stimulus spending will benefit many companies in this sector, so we expect that overall growth should be above the average global growth rate.</p>
MATERIALS	Underweight	<p>As commodity prices have declined, valuations are reasonable again, but near-term economic weakness in Asia may present headwinds.</p> <p>We favor commodity businesses over raw material businesses.</p> <p>Further U.S. dollar devaluation and global stimulus spending should help boost commodity prices over the long term.</p>
ENERGY	Equal weight	<p>U.S. dollar devaluation should help support energy prices over the long term.</p> <p>Mid-East turmoil adds to the attractiveness of this sector as it can hedge unforeseen energy price spikes.</p> <p>The BP oil spill and global slowdown have devastated stock prices in the sector. As heavy liability risks and global slowdown weigh on valuations, we are looking to selectively add.</p>
CONSUMER DISCRETIONARY	Underweight	<p>Stocks offer significant discrepancies in values and opportunities, with a widening divide between winners and losers.</p> <p>High-end and trendy products still selling well.</p>
HEALTH CARE	Equal weight	<p>This sector may be undergoing some significant changes with the government taking on a more activist approach and by becoming a major player and insurer. It is important to follow government actions and adjust accordingly.</p> <p>Valuations in most industry groups reflect utility-like pricing environment, so the risk/reward is reasonable.</p>

\* Sector overweights and underweights are general indications for the broad sectors. Each portfolio may hold different overweights or underweights due to characteristics particular to individual asset classes utilized.

The Fund may seek to purchase index put options to help reduce downside exposure however, the effectiveness of the Fund's index option-based risk management strategy may be reduced if the Fund's portfolio does not correlate to the performance of the underlying option positions. The Fund also risks losing all or part of the cash paid for purchasing index options. Unusual market conditions or lack of a ready market of any particular option at a specific time may reduce the effectiveness of the Fund's option strategies, and for these and other reasons, the Fund's option strategies may not reduce the Fund's volatility to the extent desired. From time to time, the Fund may reduce its holdings of put options, resulting in an increased exposure to a market decline.

**Past performance does not guarantee or indicate future results. Current performance may be lower or higher than the performance quoted.**

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