

Q&A

Riding a Rising Global Middle Class

An emerging middle class offers a potent path to profits say John Calamos and Nick Niziolek of the Calamos Evolving World Growth Fund.

(The following has been excerpted.)

By **BRENDAN CONWAY**

Searching for promising “emerging markets” is yesteryear’s task. You’re better off hitching a ride with the rising global middle class.

That’s according to John Calamos and Nick Niziolek, who see investing opportunity not just in rosy growth stories in once-poor regions such as China and India, but also in the ugly spread of wealthy-world problems like diabetes. The pair’s Calamos Evolving World Growth Fund (ticker: CNWGX) has a wider mandate than a conventional emerging-markets fund: It often buys into American or European companies deemed to be well-positioned to benefit from the rise of consumers around the world.

The Morningstar-rated four-star fund, launched in August 2008, boasts a three-year annualized return of 7.1%, comfortably ahead of the 5.7% average return of both the emerging-markets funds tracked by Morningstar and the total return of the MSCI Emerging Markets Index. Dampening volatility has been key. During a tough 2011, the Calamos fund was down just 8.6%, whereas the typical emerging-markets fund dropped nearly 20%. The avoidance of a big loss is what has kept the fund’s long-term returns ahead despite lagging an 18% 2012 emerging-markets bounce-back. This year, the MSCI Emerging Markets Index is down 9.6% as of June 12, while the Calamos fund is down just 2.3%. Take note that hitching a ride isn’t cheap: The fund charges a 4.75% sales load.

Calamos and Niziolek lately are especially positive on technology stocks and consumer companies with exposure to the rising global middle class, even as valuations in those areas have increased.

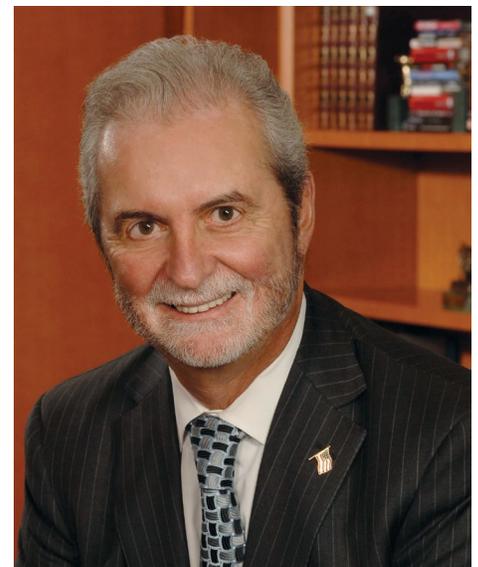
Read on for excerpts of the pair’s interview with Barrons.com.

Barrons.com: It’s been a tough year for emerging markets. How can investors avoid getting stuck in these declines?

Calamos: “Emerging markets” is almost a misnomer. The emerging markets have arrived. They are a significant part of the global economy. In the past, investors would sort of be in the emerging markets, and then get out of the emerging markets, as more of a tactical play. But there’s a long-term theme here. I think people underestimated the growth of the middle class around the world. This fund is for companies that access those consumers. And we try to make it a low volatility equity strategy. Our holdings don’t have to be within emerging markets. They can be multinationals with significant revenues from there.

I see you own Apple (AAPL). What’s the emerging-markets angle?

Niziolek: Apple generates more than 20% of its revenues in the emerging markets. Demand for electronic devices is very strong, and we think ultimately Apple will participate in the growth of the “low-end” smartphone market. It’s not just Apple. We have other smartphone manufacturers, such as Samsung (SSNLF), one of the largest companies in the emerging markets. The strong theme we are see-



Manager’s Bio

Name: John P. Calamos Sr.
Title: CEO and global co-chief investment officer
Age: 72
Education: B.A. in economics and M.B.A. in finance, Illinois Institute of Technology
Hobbies: Flying, golf

Manager’s Bio

Name: Nick Niziolek
Title: Vice president, co-portfolio manager
Age: 33
Education: B.S. in finance, DePaul University
Hobbies: Basketball, running

(over please)

Fund Facts

(as of March 31, 2013)

Calamos Evolving World Growth Fund (CNWGX)

Assets: \$424 million

Expense Ratio: 1.6%

Front Load: 4.75%

Annual Portfolio Turnover: 50%

Yield: None

Top 10 Holdings

(as of March 31, 2013)

Taiwan Semiconductor Manufacturing

(TSM)

Ambev Companhia de Bebidas das Americas

(ABV)

Novo Nordisk

(NVO)

Samsung

(SSNLF)

Tata Consultancy Services

(TCS.India)

Genomma Lab

(GNMLF)

Qualcomm

(QCOM)

Pegatron

(N/A)

HCL Technologies

(HCLT.India)

Temasek Financial

(TMSK)

Source: Morningstar

ing recently is demand in what they call the “white box” segment of the Chinese smartphone market.

What is “white box”?

Niziolek: You have higher-end devices, the iPhones and the Galaxies. Then you have the midtier. Then you have a “white box” segment at the bottom, the lowest 20%. It’s a lot of brands you’ve never heard of. They develop smartphones at extremely low prices that are of high quality, but they are not name brands. That’s the seg-

ment of the Chinese market that’s growing the strongest right now. Once they’re able to develop a smartphone that can sell for below \$100, there’s incredible pent-up demand among low-end consumers. We’ve been identifying companies like MediaTek (2454.Taiwan) in Taiwan that participate.

Investors are much more aware of the “emerging-markets consumer” theme lately. How do you deal with rich valuations?

Niziolek: We try to take advantage of it. There’s strong demand for higher-end baby formula in China. Buying non-Chinese-made baby food is really important to these consumers. Tie it in part to

the “one child” policy, which makes parents more willing to provide the best that they can for their children.

What’s Novo Nordisk (NVO) doing in your portfolio?

Niziolek: That one is about the incredible growth of diabetes, unfortunately, and their significant market share with in China. They’re benefiting from that growth [of diabetes]. It shows up as a “defensive” exposure in our fund, but at the same time we think that’s a great

growth company and a great play on the emerging consumer. It has been a great core holding for us in recent years.

Ambev (ABV) is your top holding in the latest disclosure. What’s the attraction?

Niziolek: That’s a company that is controlled by Anheuser-Busch InBev (BUD), so it’s a subsidiary. It has over 70% of the Latin American beer and beverage market share. It’s really just a great company. Great management. It has been able to grow its presence in Latin America. As the emerging consumer becomes wealthier, and has a desire to consume, [alcohol is] one of the items they are obviously gravitating towards. This is a company that is well positioned to benefit from the continued growth we expect in Latin America.

Being a subsidiary of a U.S. or European company – does that lend some reassurance?

Niziolek: It definitely helps.

What are your next big areas of focus?

Niziolek: We’ve been looking incrementally at our financial exposure. It’s just another way to benefit from rising consumer demand. With our overweight in the information technology sector, [we think] productivity enhancers are very important. Consumers and businesses will continue to pay for increases in productivity.

Thank you, gentlemen.

Evolving World Growth Fund

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Fund Ticker Symbols

A Shares CNWX
B Shares CNWZX
C Shares CNWDX
I Shares CNWIX

GROSS EXPENSE RATIOS

Class A Shares	1.60%
Class B Shares	2.35
Class C Shares	2.36
Class I Shares	1.36

Calamos Evolving World Growth Fund (Class A Shares) as of 6/30/2013

Number of Holdings: 86 Total Net Assets: \$410.0 million Asset Allocation (% of Net Assets):

Common Stock: 78.9% Convertible Bonds: 18.5% Cash and Receivables/Payables: 2.6%

AVERAGE ANNUAL RETURNS

	1-YEAR	3-YEAR	SINCE INCEPTION
Calamos Evolving World Growth Fund			
I shares – at NAV (Inception 8/15/08)	2.43%	5.73%	5.45%
A shares – at NAV (Inception 8/15/08)	2.28	5.52	5.20
A shares – Load adjusted	-2.56	3.80	4.15
MSCI Emerging Markets Index	3.23	3.72	2.07
Lipper Emerging Markets Funds	4.59	3.31	0.88

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 www.calamos.com.

TOP 10 HOLDINGS*

	SECURITY DESCRIPTION	COUNTRY	
Taiwan Semiconductor Mfg. Company, Ltd.	Common Stock	Taiwan	4.7%
Samsung Electronics Company, Ltd.	Common Stock	South Korea	4.6
Companhia de Bebidas das Americas	Common Stock	Brazil	4.4
MediaTek, Inc.	Common Stock	Taiwan	2.6
Tencent Holdings, Ltd.	Common Stock	China	2.6
Pegatron Corp.	0% Cv Due 2017	Taiwan	2.6
Genomma Lab Internacional, SAB de CV	Common Stock	Mexico	2.3
ITC, Ltd.	Common Stock	India	2.1
Novo Nordisk, A/S - Class B	Common Stock	Denmark	2.1
QUALCOMM, Inc.	Common Stock	United States	2.0
TOTAL			30.0

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.

* Top 10 Holdings and Sector Weightings 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.

Important Risk Information: An investment in the Fund is subject to risks, and you could lose money on your investment in the Fund. There can be no assurance that the Fund 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 can increase during times of significant market volatility. The Fund 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 Evolving World Growth Fund include: equity securities risk, growth stock risk, foreign securities risk, emerging markets risk, convertible securities risk and portfolio selection risk.

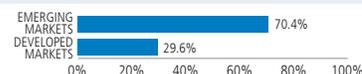
MSCI Emerging Markets Index is a free float adjusted market capitalization index.

Lipper Emerging Markets Funds represents funds that seek long-term capital appreciation by investing at least 65% of total assets in emerging market equity securities, where "emerging market" is defined by a country's GNP per capita or other economic measures.

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.

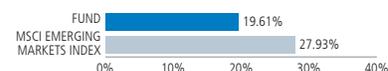
Before investing, carefully consider the Fund's investment objective, risks, charges and expenses. Contact 800.582.6959 for a prospectus containing this and other information. Read it carefully.

FUND REVENUE BREAKDOWN*



Source: Bloomberg

STANDARD DEVIATION SINCE INCEPTION



BETA SINCE INCEPTION



*As of the prospectus dated 3/1/31- Region of revenue and region of domicile are calculated as a percentage of the portfolio excluding cash. Revenue calculations exclude sales denoted in Bloomberg as "unassigned." The unassigned category represented the following percentages of sales that could not be identified to one of the specific regions cited: Evolving World Growth Fund 13.3%. The unassigned portion of emerging markets and developed markets revenue/domicile breakdown is 19.5%. Illustration As of 6/30/13.

*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.

SECTOR WEIGHTINGS*

	FUND	MSCI EMERGING MARKETS INDEX
Information Technology	29.1%	14.7%
Consumer Staples	15.1	9.4
Financials	14.8	27.6
Energy	8.7	11.3
Health Care	8.2	1.5
Consumer Discretionary	7.7	8.3
Industrials	6.5	6.4
Telecommunication Services	3.8	7.9
Materials	3.5	9.5
Utilities	0.0	3.4

FUND DOMICILE VS REVENUE SOURCES

	DOMICILE	REVENUE
Middle East/Africa	3.2%	6.2%
North America	9.0	13.9
Latin America	13.5	14.2
Europe	23.4	11.6
Asia/Pacific	51.2	54.1

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