

# Growth Fund Fourth Quarter 2017 Report



## OVERVIEW

The fund invests in the equities of U.S. companies with a range of market capitalizations that we believe offer the best potential for growth.

## KEY FEATURES

- » **Utilizes more than two decades** of extensive research experience in growth investing
- » **Active management** focuses on top-down views and bottom-up fundamentals
- » **Research-driven approach** identifies opportunities by combining top-down analysis with a focus on key growth characteristics

## FUND TICKER SYMBOLS

A Shares	C Shares	I Shares
CVGRX	CVGCX	CGRIX

## Key Drivers of Performance

- » For the quarter, the fund lagged the Russell 3000 Growth Index, but posted a solid absolute return performing more in line with the broad US equity market. The portfolio holds a mix of traditional growth as well as reflatory growth opportunities.
- » Financials stocks within the benchmark sector slightly lagged the growth index but delivered strong results. Moreover, holdings within the portfolio strongly outperformed those of the benchmark.
- » The market favored industrials during Q4 as U.S. and global economic growth continued to surprise to the upside. Portfolio holdings in industrials outperformed those of the benchmark. Our names in airlines recovered well from the previous quarter and added to the portfolio's relative performance.
- » Information technology holdings within the portfolio detracted from performance. Tech stocks benefitted from strong global growth and potential tax cuts/dollar repatriation. Portfolio selections within hardware, storage & peripherals as well as system software disappointed.
- » Biotechnology, as the largest industry within health care, dragged the sector down, and the portfolio's biotech selection finished behind benchmark constituents.

## Market Overview

- » The S&P 500 Index's quarterly gain of 6.64% marked the ninth-straight quarter of positive returns. Equally impressive, the rally was broad-based as all of the major U.S. equity indices reached new highs.
- » Markets cheered a myriad of positives, including an upward revision to 3.1% for Q2 U.S. GDP. Strong corporate earnings and the successful passage of corporate and individual tax reform also boosted investors' positive view of equity markets.
- » Additionally, markets reacted calmly to the Fed raising short-term rates for the third time in 2017, and to the announcement that Jerome Powell would replace Janet Yellen as Fed Chair.
- » The growth market, as measured by the Russell 3000 Growth Index, climbed 7.61% for the quarter. Consumer discretionary (+10.26%), industrials (+9.81%), consumer staples (+9.42%) and information technology (+8.26%) set the pace for gains. Health care (+1.16%), real estate (+5.23%) and materials (+5.44%), though positive, trailed for the quarter.

## AVERAGE ANNUAL RETURNS

	QTD	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE I SHARE INCEPTION (9/18/97)	SINCE A SHARE INCEPTION (9/4/90)
<b>Calamos Growth Fund</b>								
I shares – at NAV	6.66%	26.90%	26.90%	8.74%	13.28%	5.51%	11.04%	N/A
A shares – at NAV	6.59	26.59	26.59	8.47	13.00	5.25	N/A	12.94%
A shares – Load adjusted	1.52	20.56	20.56	6.73	11.91	4.74	N/A	12.73
<b>Russell 3000 Growth Index</b>	7.61	29.59	29.59	13.51	17.16	9.93	6.79	9.93
<b>S&amp;P 500 Index</b>	6.64	21.83	21.83	11.41	15.79	8.50	7.24	10.33
<b>Russell Midcap Growth Index</b>	6.81	25.27	25.27	10.30	15.30	9.10	8.07	11.07
<b>Morningstar Large Growth Category</b>	6.44	27.67	27.67	11.06	15.29	8.31	6.22	9.17

The Russell Midcap Growth Index and Russell 3000 Growth Index return "Since A share Inception" date is 8/31/90.

Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted. You can obtain performance data current to the most recent month end by visiting [www.calamos.com](http://www.calamos.com).

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.

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. In calculating net investment income, all applicable fees and expenses are deducted from the returns. All performance shown assumes reinvestment of dividends and capital gains distributions. The Fund also offers Class C shares, the performance of which may vary. As of the prospectus dated 8/31/17, the Fund's gross expense ratio for Class A shares is 1.35% and Class I shares is 1.10%.

The offering price for Class I shares is the NAV per share with no initial sales charge. There are no contingent deferred sales charges or distribution or service fees with respect to Class I shares. The minimum initial investment required to purchase each Fund's Class I shares is \$1 million. 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.

There can be no assurance that the Fund will achieve its investment objective.

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

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## FUND HOLDINGS – CONTRIBUTORS

FIRM NAME	% OF FUND	FIRM PROFILE	ANALYSIS
Canada Goose Holdings, Inc.	0.9%*	Canada Goose is a premium outerwear clothing company based in Canada, which falls within the consumer discretionary sector. Canada Goose is known for upscale and high-end winter clothing, such as jackets, vests and other accessories.	Canada Goose Holdings delivered an impressive quarter on the heels of strong second-quarter results announced in early November 2017. Revenue growth was up 35%, but also impressive was the growth in direct retail sales, which provide higher margins.
Zendesk, Inc.	1.9%	Based in the U.S., Zendesk produces software tools that enhance a company's existing customer service platform, thereby enabling a business to sift and analyze large amounts of data efficiently.	Zendesk is a strong competitor in cloud-based application software. It continues to see strong demand and trades at an attractive valuation to peers. Zendesk's stock experienced tremendous gains in the quarter, receiving a boost from quarterly earnings that beat the street's expectations. Looking ahead, Zendesk showed acceleration in billings and stood by its aggressive revenue growth goals.

## FUND HOLDINGS – DETRACTORS

FIRM NAME	% OF FUND	FIRM PROFILE	ANALYSIS
Tesla, Inc.	1.6%*	Tesla, Inc. is widely known for designing, manufacturing and selling electric vehicles. Formerly known as Tesla Motors, the company also installs and maintains solar energy and energy storage systems. Tesla is a U.S.-based company that resides in the consumer discretionary sector.	Tesla's stock struggled a bit during the quarter, as auto deliveries showed relatively tepid growth. Tesla cited production challenges as the cause for delivery issues and argued that demand remains strong, despite a significant miss in the delivery of its Model 3 cars. Tesla has offered assurances that it can overcome Model 3 production issues and points to growth in other areas, such as commercial vehicles and energy storage.
Regeneron Pharmaceutical	1.1%*	Regeneron Pharmaceutical is a biopharma/biotechnology company based in the U.S. that produces medicines to treat inflammatory conditions, elderly eye and blindness concerns, cholesterol and cancers. Regeneron has partnerships and collaborative agreements with other pharmaceutical businesses.	Regeneron shares had a difficult quarter as a competitor announced promising test data for an eczema treatment that could be a threat to Regeneron's Dupixent. In terms of more bad news, Regeneron received less-optimistic results for their own eye-disease medicine, Eylea. While these announcements were a setback, we believe Regeneron's stable of medicines and strong pipeline offer compelling opportunities for the company and the stock moving forward.

\*as of 11/30/17

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## Positioning

During the quarter, the portfolio's sector positioning modestly changed with additions to information technology within the high-growth potential fintech industry and semiconductors space. For the three-month period, the portfolio transitioned from a modest underweight to a modest overweight in technology, looking to take advantage of higher-growth and potentially disruptive technologies. We reduced the industrials sector by selling winners during the year or the stocks of companies with diminishing growth outlooks. The portfolio continues to hold a mix of high-growth businesses as well as cyclical growth opportunities that may benefit from improved global growth and changes to their tax treatment.

## Outlook

We believe that 2018 will not mark the end of the post-financial crisis global economic recovery, but is unlikely to deliver the same measures of upside surprises for growth and downside surprises for inflation. The process of monetary normalization is still in its early stage, and while economic growth has been in place for many years now, the pace of growth has not been strong enough to push markets to the end of the cycle. Perhaps it is appropriate to think of the current scenario as a long-cycle growth phase.

We favor a barbell approach to growth, which entails selective traditional higher-growth names led by information technology on one end of the bar and selective cyclical growth names led by financials on the other end. Technology stocks have benefited from impressive cash flow growth and strong operating leverage, while financials remain attractive thanks to earnings/dividend yield and improving fundamentals. There will be a time to shift more toward defensive growth, but we do not believe we

SECTOR POSITIONING	SECTOR WEIGHTINGS AS OF 12/31/17	OVER/UNDERWEIGHT VS. RUSSELL 3000 GROWTH INDEX	QUARTER TO QUARTER CHANGE
Information Technology	37.2	0.4	2.2
Consumer Discretionary	18.8	1.0	0.8
Health Care	12.6	-1.1	-2.5
Financials	12.2	8.6	0.2
Industrials	9.5	-3.8	-2.6
Consumer Staples	3.6	-2.9	1.4
Materials	2.3	-1.5	0.6
Energy	1.6	0.7	-0.7
Real Estate	0.0	-2.6	0.0
Telecom Services	0.0	-1.0	0.0
Utilities	0.0	-0.1	0.0

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 [www.calamos.com](http://www.calamos.com). Please see additional disclosures on last page.

are there yet. We continue to avoid the bond surrogate stocks including consumer staples, telecom services and utilities. Most stable stocks still appear overpriced, but less so than before.

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## Fund Quarterly Attribution

	CONSUMER DISCRETIONARY	CONSUMER STAPLES	ENERGY	FINANCIALS	HEALTH CARE	INDUSTRIALS	INFORMATION TECHNOLOGY	MATERIALS	REAL ESTATE	TELECOM SERVICES	UTILITIES
GROWTH FUND VERSUS RUSSELL 3000 GROWTH INDEX (%)											
Value Added from Sector	-0.05	-0.02	-0.04	-0.06	-0.04	-0.06	0.00	0.08	0.06	0.01	0.00
Value Added from Selection & Interaction	0.00	0.07	-0.10	0.36	-0.33	0.27	-0.39	-0.03	0.00	0.00	0.00
Total Added Value	-0.04	0.05	-0.14	0.30	-0.37	0.20	-0.39	0.05	0.06	0.01	0.00
SECTOR WEIGHTS (AVERAGE % WEIGHT DURING THE QUARTER)											
Growth Fund	17.08	2.96	1.61	12.13	14.40	10.14	37.24	1.49	0.00	0.00	0.00
Russell 3000 Growth Index	17.46	6.35	0.89	3.60	14.05	12.87	37.31	3.84	2.61	0.95	0.07
Over/underweight	-0.37	-3.40	0.72	8.53	0.36	-2.73	-0.07	-2.35	-2.61	-0.95	-0.07
SECTOR RETURNS (%)											
Growth Fund	10.55	13.03	1.54	9.45	-1.00	12.39	7.18	4.52	0.00	0.00	0.00
Russell 3000 Growth Index	10.26	9.42	6.33	6.72	1.16	9.81	8.26	5.44	5.23	6.87	6.88
Relative Return	0.29	3.60	-4.79	2.73	-2.16	2.59	-1.08	-0.91	-5.23	-6.87	-6.88

Calculations may be subject to rounding.

The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice. Past performance does not guarantee future results.

### Index Definitions

**Morningstar Large Growth** category funds invest primarily in big U.S. companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries. The **Russell 3000 Growth Index** measures the performance of those Russell 3000 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 1000 or the Russell 2000 Growth Indices. The **Russell 3000 Value Index** measures the performance of the broad value segment of the U.S. equity universe. It includes those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values. The **Russell Midcap Growth Index** measures the performance of the midcap growth segment of the U.S. equity universe and includes companies with higher price-to-book ratios and higher forecasted growth values. The **S&P 500 Index** is a market-value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation. It is widely regarded as the standard for measuring U.S. stock-market performance. 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 principal risks of investing in the fund include: equity securities risk consisting of market prices declining in general, growth stock risk consisting of potential increased volatility due to securities trading at higher multiples, mid-sized company risk, foreign securities risk and portfolio selection risk. More detailed information regarding these risks can be found in the fund's prospectus.

*Before investing carefully consider the fund's investment objectives, risks, charges and expenses. Please see the prospectus and summary prospectus containing this and other information or call 1-800-582-6959. Read it carefully before investing.*

**CALAMOS**  
INVESTMENTS

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