

Emerging Market Equity Strategy

CALAMOS[®]
INVESTMENTS

Market Overview

Emerging markets delivered strong returns in the second quarter, as the MSCI Emerging Markets Index gained 6.38%*, boosting the first-half total return to 18.60%, the strongest start to a year since 2009. EM regions continued to outperform developed markets year-to-date, supported by leading earnings growth, improving economic data, and stronger currencies versus the U.S. dollar.

China's services and manufacturing data remained in expansionary territory, although there has been recent deceleration and private data has been softer than official government statistics. In two widely followed decisions, MSCI announced it would begin adding China-listed A shares to the MSCI Emerging Markets Index in June 2018, while Moody's downgraded China's credit rating to A1, citing China's rising liabilities and reduced financial strength.

South Korea's market reached all-time highs in the period as Moon Jaein was elected President following the ouster of his predecessor embroiled in a corruption scandal. Moon Jae-in is viewed as a liberal leader, and his handling of potential corporate reforms and heightened tensions with North Korea will be closely scrutinized.

Mexico's equity market generated additional gains and continued to be among the strongest performers year-to-date. Mexico's

equity market generated additional gains in the quarter, and continued to be among the strongest performing countries year-to-date. Mexico's ruling party notched a narrow victory in a key state election, and the central bank raised interest rates for the seventh time to combat higher inflation.

Brazilian equities declined mid-quarter as President Temer was implicated in a corruption scandal, endangering the government's reform agenda and the fragile economic recovery. Markets recovered relatively quickly, but uncertainty surrounding leadership and potential reforms remains. The top performing EM countries in the period included Greece (+34.01%) and Turkey (+19.79%), while laggards included Qatar (-10.88%) and Russia (-9.81%).

Performance Review

The portfolio delivered strong gains, outperforming the MSCI EM index during the quarter. The portfolio benefited from positioning and strong selection in local emerging market holdings. Our investments in higher-quality, growth-oriented businesses performed well in the period as the market rewarded leading fundamentals.

Information Technology. The portfolio's overweight allocation to and relative security selection in information technology

FIGURE 1. CALAMOS EMERGING MARKET EQUITY STRATEGY RETURNS

	QTR ENDING 6/30/17	1-YEAR	3-YEAR	SINCE INCEPTION (12/13)
Calamos Emerging Market Equity Composite				
Gross of Fees	7.68	14.48	-1.59	0.30
Net of Fees	7.40	13.24	-2.66	-0.79
MSCI Emerging Markets Index	6.38	24.17	1.44	2.53

Source: Calamos Advisors LLC. Past performance is no guarantee of future results.
Data as of 6/30/17.

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FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS THE MSCI EMERGING MARKETS INDEX
SECOND QUARTER 2017

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Information Technology	62	
Health Care	39	
Consumer Staples	28	
Utilities	23	
Financials	18	
Industrials	14	
Telecom Services	14	
Energy	2	
Materials		-5
Real Estate		-6
Consumer Discretionary		-8

Attribution based on gross of fee performance with dividends reinvested. Performance attribution excludes any government/sovereign bonds or options on broad market indexes the portfolio may hold.

Past performance is no guarantee of future results.

Source: Calamos Advisors LLC. Data as of 6/30/17.

contributed the most to relative performance, as strong growth characteristics drove gains in the Internet software and services as well as the electronic equipment and Instruments industries. The portfolio's active overweight in the technology sector reflects our view of positive fundamentals, reasonable valuations and compelling secular tailwinds.

Health care. The portfolio's security selection in health care also added value in the period, as portfolio holdings in the pharmaceuticals and biotechnology industries performed particularly well. We have emphasized opportunities that offer attractive fundamental profiles and closely align with our secular themes.

Consumer Discretionary. The portfolio's relative security selection in the consumer discretionary sector had a negative impact on results. Specifically, holdings in the education services industry trailed those in the index as growth fundamentals slowed. We have a positive view on the consumer opportunity in emerging markets and own a diverse collection of companies in the Internet retail, automotive, cable and satellite, and casinos and gaming industries.

Energy. The portfolio's selection in energy also detracted value in the period. Holdings in the oil and gas equipment and services industry underperformed due to lower oil prices and concerns about a glut in global supply. We have a selective stance in energy reflecting some stabilization in prices weighed against persistent excess inventories relative to global demand.

Positioning

Our positioning favors economies benefiting from domestic demand trends, pro-growth fiscal reforms, and a blend of secular demand and more cyclical opportunities. We favor investments in China, India, South Korea, and select opportunities in Brazil, Mexico, South Africa, Indonesia and the Philippines. We maintained relatively stable sector weights during the quarter with changes at the margin driven mainly by bottom-up security rationale. From a sector perspective, the largest portfolio weight is in opportunities in information technology, consumer discretionary, financials and industrials, while the portfolio has an underweight stance in consumer staples, utilities, telecom services, energy and materials versus the index.

Outlook

We have a positive view of investment opportunities in emerging markets. A pickup in global growth, positive capital flows and strong earnings growth are supporting demand for emerging market assets. In addition, emerging markets are benefiting from stabilization in many currencies versus the U.S. dollar.

Emerging market valuations and growth characteristics are favorable and offer the potential to benefit from enhanced focus on corporate fundamentals versus broad macro topics. While we do not expect a rapid acceleration in economic growth, we see improving trends in emerging market data and perhaps a greater appreciation of the divergent conditions among economies. We have also seen notable improvements in current account and fiscal measures, for both net commodity consumers and producers,

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FIGURE 3. SECTOR ALLOCATIONS VERSUS THE MSCI EMERGING MARKETS INDEX

SECTOR	REPRESENTATIVE PORTFOLIO %	MSCI EMERGING MARKETS INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 3/31/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	31.0	26.6	3.7	4.4
Financials	25.1	23.6	-1.7	1.5
Consumer Discretionary	13.8	10.5	0.1	3.3
Consumer Staples	7.9	6.8	1.3	1.1
Materials	6.2	7.1	-0.6	-0.9
Industrials	4.9	5.7	-1.7	-0.8
Energy	4.7	6.6	-1.3	-1.9
Real Estate	2.6	2.7	0.5	-0.1
Telecom Services	2.1	5.4	-0.2	-3.3
Health Care	1.7	2.4	-0.1	-0.7
Utilities	0.0	2.6	0.0	-2.6

Source: Calamos Advisors LLC.

Data as of 6/30/17.

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Sector weightings exclude cash or cash equivalents, any government/sovereign bonds or broad based index hedging securities/options the portfolio may hold.

FIGURE 4. COUNTRY WEIGHTS VERSUS THE MSCI EMERGING MARKETS INDEX*

COUNTRY	REPRESENTATIVE PORTFOLIO %	MSCI EMERGING MARKETS INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 3/31/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
China	26.7	23.7	-0.3	3.0
South Korea	14.6	15.6	2.0	-1.0
India	10.5	8.8	-1.1	1.7
Taiwan	7.6	12.5	1.4	-4.9
Brazil	6.4	6.6	-1.9	-0.2
Hong Kong	6.1	3.8	0.9	2.3
South Africa	4.3	6.5	0.1	-2.2
Russia	4.2	3.2	-1.0	1.0
United States	4.0	0.3	0.1	3.7
Mexico	3.1	3.7	-0.4	-0.6
Developed Markets	10.1	4.1	0.1	6.0
Emerging Markets	89.9	95.9	-0.1	-6.0

Source: Calamos Advisors LLC

*Excludes cash weighting. Companies are classified geographically according to their country of domicile.

Data as of 6/30/17.

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Companies are classified geographically according to their country of domicile. Geographical distribution tables exclude any options on broad market indexes the portfolio may hold.

which has significantly reduced vulnerability to external currencies and capital flows.

Companies with higher quality fundamentals and more sustainable growth characteristics are outperforming within emerging markets index year-to-date. We expect this trend to persist, in contrast

to last year when much of the gains in emerging market equities were driven by a relatively narrow set of lower-quality, higher-beta companies. We believe our active and risk-aware investment approach will position us to take advantage of the improving opportunity set while also provide the potential for downside resilience should market volatility spike in emerging economies.

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

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It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest.

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

The results portrayed on the preceding pages are for the Calamos Emerging Market Equity Composite. Representative holdings and portfolio characteristics are specific only to the portfolio shown at that point in time. Other portfolios will vary in composition, characteristics, and will experience different investment results. The representative portfolio shown has been selected by the advisor based on account characteristics that the advisor feels accurately represents the investment strategy as a whole.

The Calamos Emerging Market Equity Composite is an actively managed composite investing predominantly in common stocks of emerging market domiciled companies. Under normal market conditions, portfolios in the strategy will invest at least 80% of net assets in equity issuers whose principle activities are in a developing market or economically tied to a developing market country. The Composite was created December 1, 2013 calculated with an inception date of December 1, 2013 and includes all fully discretionary fee paying accounts, including those no longer with the Firm.

Fees include the investment advisory fee charge by Calamos Advisors LLC. Returns greater than 12 months are annualized. Chart Data Sources: Mellon Analytical Solutions, LLC and Calamos Advisors LLC.

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 index is calculated without dividends, with net or with gross dividends reinvested, in both U.S. dollars and local currencies. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect any fees, expenses or sales charges. Investors cannot invest directly in an index.

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