

# Emerging Market Equity Strategy



## Market Overview

Emerging-markets equities declined in the third quarter with a significant selloff in September amid concerns over a stronger U.S. dollar, the prospect of higher interest rates, and escalating geopolitical tension. China stepped up targeted monetary and fiscal stimulus to support economic growth, in reaction to select weaker data on consumer spending and manufacturing. Chinese consumer inflation continued to ease, but factory production numbers came in below expectations. Hong Kong’s pro-democracy demonstrations reflected deep-rooted tensions with respect to political representation and contributed to bouts of higher market volatility late in the quarter.

Reflecting mixed conditions in Latin America, Brazil’s markets declined significantly on weak economic growth and jobs data ahead of October’s presidential election while Mexico’s economy benefited from the strong North American recovery and retail sales rose to the highest level this year.

India was the top-performing market among the BRICs during the quarter and stood out due to its positive momentum.

Prime Minister Narendra Modi vowed to remove the political red tape in doing business in India as he was able to secure \$55 billion in investment pledges from China and Japan. Modi has promised to create a robust labor market and is making an ambitious push to make India a manufacturing hub.

## Performance Review

The strategy’s results reflected a selloff in emerging-markets equity and unfavorable security selection toward higher relative growth companies. The stronger performers in the benchmark were value-oriented, slower-growth companies in the telecommunications sector, state-owned banks, and industrial conglomerates. We continue to position the fund to reflect our optimistic market outlook and our view that selectivity is critical in the current environment. While we expect moderate global growth will continue, we also anticipate periods of

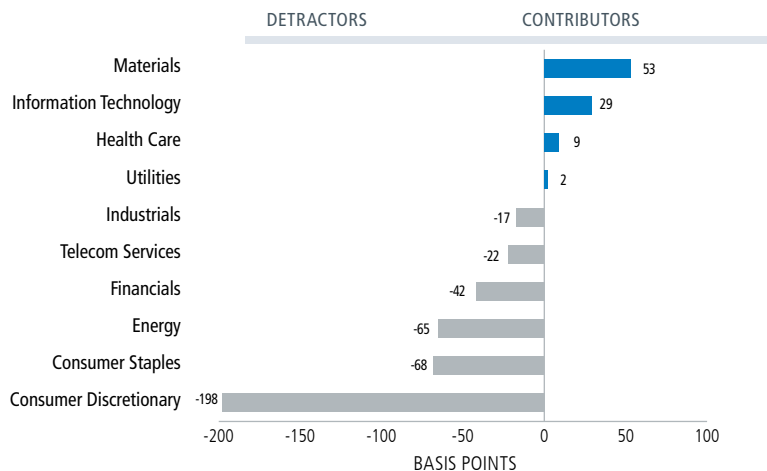
**FIGURE 1. CALAMOS EMERGING MARKET EQUITY STRATEGY RETURNS**



Source: Calamos Advisors LLC and Mellon Analytical Solutions LLC.  
**Past performance is no guarantee of future results.**  
 Data as of 9/30/14.

# Calamos Emerging Market Equity Strategy

**FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS THE MSCI EMERGING MARKETS INDEX**  
THIRD QUARTER 2014



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 9/30/14.

heightened volatility within emerging markets and maintain a strong focus on risk management.

An underweight position and better relative selection in the materials sector added the most value. Specifically, holdings in the metals and mining industry outperformed those in the MSCI Emerging Markets Index. We have held a lower weight in materials reflecting our view of low global inflation, and weak commodity price trends we have preferred investment in areas with stronger growth fundamentals. We are favoring select companies well-positioned to access demand for infrastructure and real estate development. Selection in information technology, in particular in the Internet software and services and technology hardware industry, also added value.

Selection in and an overweight toward the consumer discretionary sector detracted the most from performance. Specifically, holdings in the casinos and gaming and education services industries underperformed. Current holdings within the sector span a number of industries including autos, cable and satellite, education services, and apparel and luxury

goods. We own companies with strong growth fundamentals well-positioned to benefit from rising emerging market consumption.

Lagging selection in energy also negatively impacted performance in the period. Holdings in the oil and gas equipment and services industry trailed in particular. We currently have an underweight position in the sector, reflecting pressure from slower global growth and a stronger U.S. dollar, both resulting in depressed oil prices. Holdings are in areas relatively less tied to underlying price trends and we continue to be selective in opportunities.

## Positioning

We continue to position the strategy to reflect our optimistic market outlook and our view that selectivity is critical in the current environment. While we expect moderate global growth will continue, we also anticipate periods of heightened volatility within emerging markets and expect these to present opportunities.

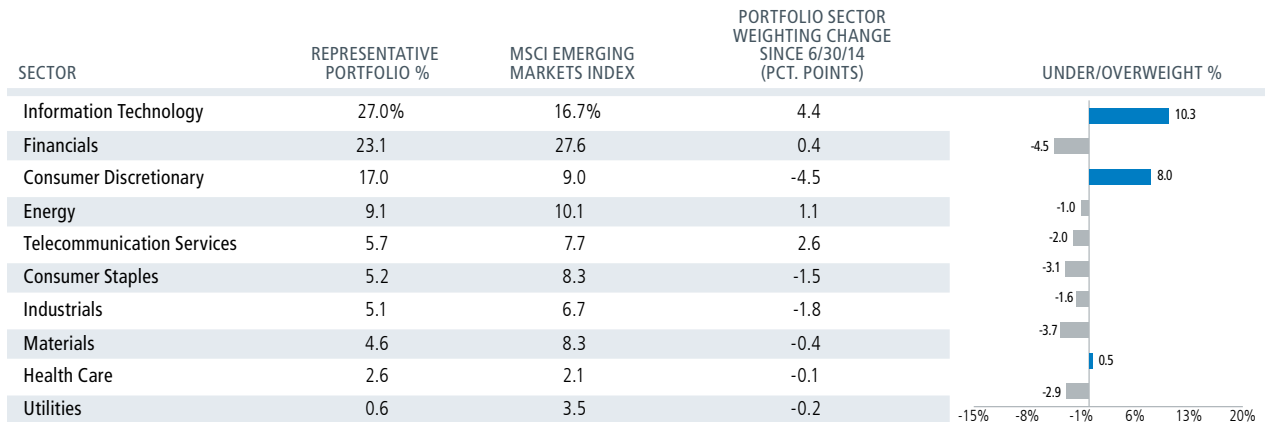
We own emerging market companies with higher current earnings growth, solid balance sheets and secular tailwinds including an expanding consumer class, rapid technological innovation, and growing infrastructure. The largest absolute weights continue to be in technology, financials, and consumer discretionary. Among select positioning changes during the quarter, we reduced weight in consumer discretionary and industrials due to bottom-up rationale. We added to holdings in technology and telecom services due to security-specific factors.

## Outlook

We expect continued choppiness in the emerging markets, as the market wrestles with global and economy-specific uncertainties. Earlier in the year, we were disappointed by the

# Calamos Emerging Market Equity Strategy

**FIGURE 3. SECTOR ALLOCATIONS VERSUS THE MSCI EMERGING MARKETS INDEX**

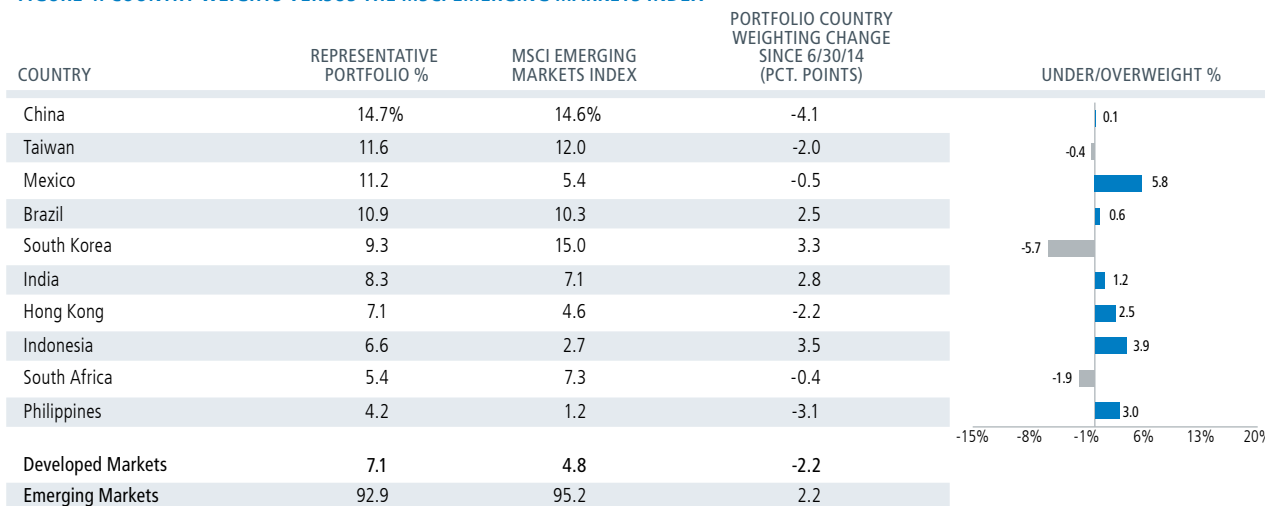


Source: Calamos Advisors LLC.

Data as of 9/30/14.

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\***



Source: Calamos Advisors LLC

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

Data as of 9/30/14.

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.

market’s preference to favor twin-deficit economies such as Brazil and Turkey, as well as state-owned enterprises (SOEs) with low growth potential. However, in recent weeks, we have been encouraged by what appears to be an increased focus on sustainable growth attributes, viewing this shift as a positive for our active and risk-conscious approach.

In regard to China, we expect a continued deceleration in growth as the economy shifts from SOE investment led growth to private enterprise, services, and domestic consumption-led growth. Manufacturing has not staged a sharp rebound but it hasn’t dipped to contraction levels. Non-manufacturing has given the economy a boost, demonstrating both the power of China’s growing consumer class and the ongoing maturation and diversification of the Chinese economy overall.

The representative portfolio information described in both charts above represents a representative account managed in the Emerging Market Equity Strategy. Other clients’ portfolios may differ mainly due to individual restrictions and timing of purchases and sales. All portfolio positioning and sector information is for a representative portfolio. Please see page five for additional information.

## Calamos Emerging Market Equity Strategy

In contrast, we are highly cautious regarding most commodity-producing economies, such as Russia, Brazil and South Africa, as these economies may be more vulnerable to a stronger dollar and the spillover from deteriorating euro zone growth. Russia also must contend with weighty sanctions meted out in response to its stance on Ukraine. While we are generally cautious about commodity-producing economies, we are more constructive on Mexico, due to its close ties to the U.S. economy and its reform agenda, both of which should help bolster its growth prospects.

For a more detailed review of our macro thoughts, please read our latest [Economic Review and Outlook](#) posted on [www.calamos.com](http://www.calamos.com).

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.

#### For Institutional Use Only

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.

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 US 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.

The information in this report should not be considered a recommendation to purchase or sell any particular security. There is not assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent the account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings.

Calamos Advisors LLC is a federally registered investment advisor. Form ADV Part 2A, which provides background information about the firm and its business practices, is available upon written request to:

Calamos Advisors LLC  
2020 Calamos Court  
Naperville, IL 60563-2787  
Attn: Compliance Officer

# CALAMOS®

Calamos Advisors LLC  
2020 Calamos Court | Naperville, IL 60563-2787  
800.582.6959 | [www.calamos.com/institutional](http://www.calamos.com/institutional)

© 2014 Calamos Investments LLC. All Rights Reserved.  
Calamos® and Calamos Investments® are registered trademarks of Calamos Investments LLC.