Emerging Market Equity Strategy

CALAMOS®

Market Overview

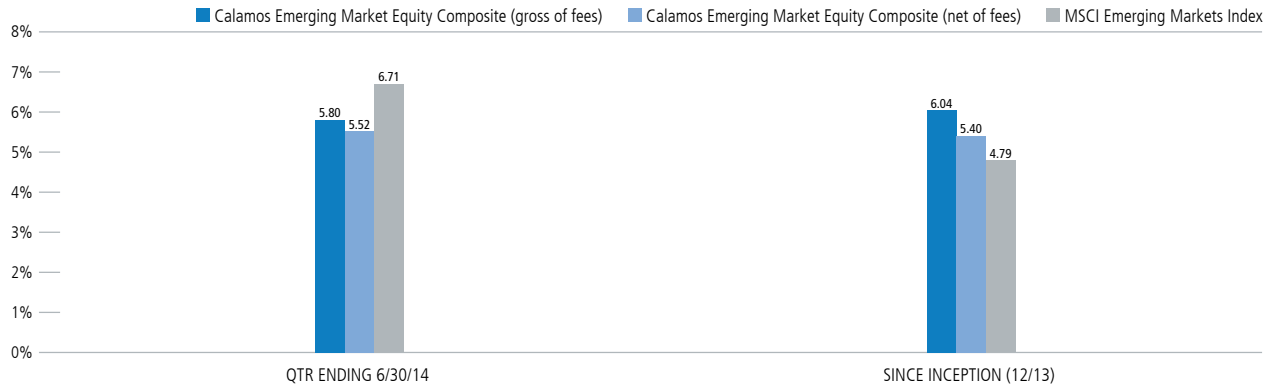
While developed markets posted respectable gains, the emerging markets led the way. As U.S. interest rates defied widespread expectations and declined, appetite for the emerging markets grew as the carry trade returned to favor. Improving economic data, continued global liquidity, and some de-escalation between Russia and Ukraine boosted demand for EM equities. China announced a series of pro-growth measures during the quarter and economic data generally showed growth. Activity in China's manufacturing sector rose to its highest level in six months and the country's services sector also posted gains.

The shadow of rising geopolitical tension in the Middle East was offset by enthusiasm elsewhere, such as the election of Prime Minister Modi in India, who ran on a platform focused on economic development. Investor optimism about emerging markets was broad-based, with rebounds that extended to economies with weaker balance sheets, including Brazil, Turkey and South Africa.

Performance Review

The strategy delivered solid gains but trailed the index return due to relative security selection and holdings in the consumer staples and consumer discretionary sectors which underperformed the emerging market index. With respect to specific sector contributions, an overweight position and strong security selection in technology contributed the most to performance, as holdings in the semiconductors industry added value. Technology was the top-performing sector in emerging markets in the quarter, reflecting high growth rates, solid balance sheets and strong underlying demand trends. We continue to hold a positive view in the sector and expect global and emerging market businesses to benefit from secular growth themes, including productivity enhancement, enhanced mobility and connectivity, and demand for information.

FIGURE 1. CALAMOS EMERGING MARKET EQUITY STRATEGY RETURNS

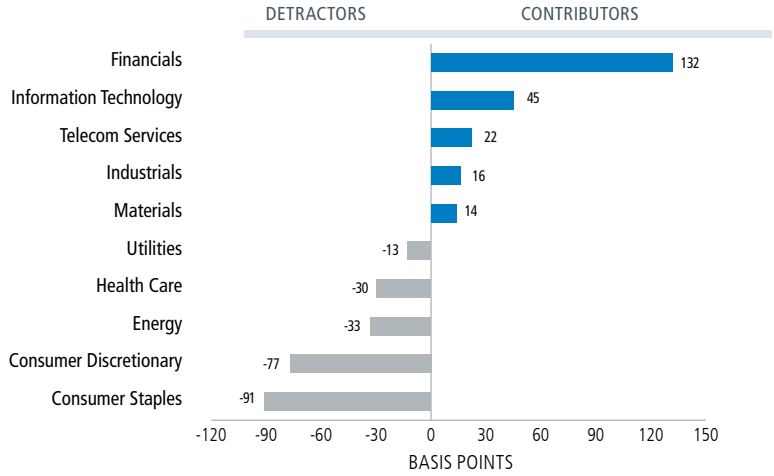


Source: Calamos Advisors LLC and Mellon Analytical Solutions LLC.
Past performance is no guarantee of future results.
Data as of 6/30/14.

All portfolio positioning and sector information is for a representative portfolio. Please see page five for additional information.

Calamos Emerging Market Equity Strategy

FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS THE MSCI EMERGING MARKETS INDEX
SECOND 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 6/30/14.

During the quarter, the areas that impacted performance were:

Financials. The strategy's's underweight position and relative security selection in financials also contributed positively, as stronger selection in the diversified banks industry was additive. We have increased our allocation to the sector as we believe rising loan growth, attractive valuations, and increased incomes in emerging markets support a more positive view of financials.

Consumer Staples. In regard to consumer staples, we continue to be opportunistic and seek to invest in companies that are able to deliver unit growth despite a slow-growth global economy, and those well-positioned to benefit from increased consumption trends in the emerging market middle class. However, security selection in the sector detracted the most value from performance during the period as holdings in the packaged foods industry underperformed those in the index.

Consumer Discretionary. Relative security selection in and an overweight position to consumer discretionary also dampened returns. Specifically, strategy holdings in the casinos-and-gaming industry detracted. We favor consumer companies with strong growth fundamentals, solid balance sheets, a global footprint, and access to rising consumption trends in emerging economies.

Positioning

We continue to position the strategy to reflect our cautiously optimistic market outlook. We see improving global economic fundamentals, reduced political uncertainty, and attractive emerging market equity valuations as important drivers. While we expect moderate global growth will continue, we also anticipate periods of heightened volatility within global and emerging markets and maintain a strong focus on risk management. We believe this market environment will require astute selectivity, comprehensive risk management and valuation discipline—providing a climate and investment opportunity set well-suited to our active management approach.

Changes in strategy weights and positioning were relatively minor during the period. Among positioning changes during the quarter, we added to holdings in the energy and consumer discretionary sectors, while trimming weight in consumer staples and health care, reflecting bottom-up rationale. We own businesses with compelling revenue growth, solid balance sheets and secular tailwinds including an expanding consumer class and rapid technological innovation.

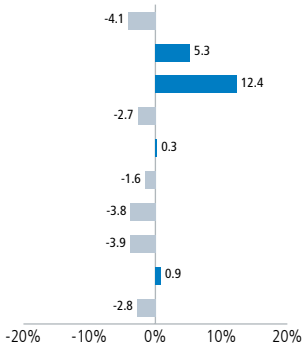
In regard to specific countries, new positions in the strategy are primarily bottom-up focused, but we have added to holdings in India, Brazil, and the Philippines. Overall, we continue to have a favorable outlook on opportunities in Taiwan, Mexico, China, South Korea, the Philippines and South Africa, among other markets.

All portfolio positioning and sector information is for a representative portfolio. Please see page five for additional information.

Calamos Emerging Market Equity Strategy

FIGURE 3. SECTOR ALLOCATIONS VERSUS THE MSCI EMERGING MARKETS INDEX

SECTOR	REPRESENTATIVE PORTFOLIO %	MSCI EMERGING MARKETS INDEX	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 3/31/14 (PCT. POINTS)
Financials	22.7%	26.8%	2.3
Information Technology	22.6	17.3	-1.8
Consumer Discretionary	21.5	9.1	0.6
Energy	8.0	10.7	2.9
Industrials	6.9	6.6	0.1
Consumer Staples	6.7	8.3	-2.6
Materials	5.0	8.8	-1.0
Telecommunication Services	3.1	7.0	-0.5
Health Care	2.7	1.8	-0.8
Utilities	0.8	3.6	0.8



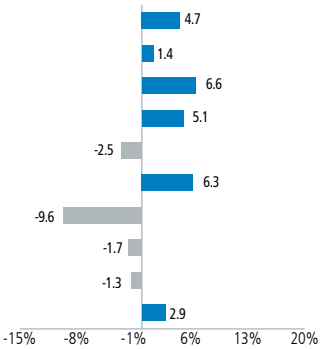
Source: Calamos Advisors LLC.

Data as of 6/30/14.

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*

COUNTRY	REPRESENTATIVE PORTFOLIO %	MSCI EMERGING MARKETS INDEX	PORTFOLIO COUNTRY WEIGHTING CHANGE SINCE 3/31/14 (PCT. POINTS)
China	18.8%	14.1%	2.0
Taiwan	13.6	12.2	0.0
Mexico	11.7	5.1	-1.0
Hong Kong	9.3	4.2	-1.9
Brazil	8.4	10.9	0.9
Philippines	7.3	1.0	-0.4
South Korea	6.0	15.6	-2.9
South Africa	5.8	7.5	-0.3
India	5.5	6.8	1.5
Peru	3.2	0.3	1.1
Developed Markets	9.3	4.3	5.0
Emerging Markets	90.7	95.7	-5.0



Source: Calamos Advisors LLC

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

Data as of 6/30/14.

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.

Outlook

Our near-term outlook on the EMs is becoming more optimistic and our long-term view remains positive. Structural reforms are occurring, and many countries have reduced their current account deficits and fiscal deficits. As the current election cycle has progressed, uncertainties have been reduced and the potential for reforms has increased.

Still, we expect continued volatility and uneven data from the EMs in 2014 and beyond. As we have discussed in past commentaries, EMs no longer share uniform growth, monetary policy and reform trajectories as they did in decades past. We believe this divergence is positive both for the global economy as well as for active investment managers and selectivity will remain key.

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

Looking to the second half of the year, an improving global economy has removed some of the headwinds faced by export-driven emerging markets. In regard to EM bellwether China, we continue to believe that a slow landing is the most likely outcome for that country's economy. Targeted stimulus measures, moderate monetary easing and seasonal effects have contributed to incrementally better data. We expect the government to continue to push forward with economic and market reforms; these may put downward pressure on near-term growth rates, but we ultimately believe these measures will support the soft landing scenario.

The property sector remains the wild card in the Chinese economy—housing and land prices have soared over the past decade, with some analysts pegging housing market spending at more than 10% of GDP. Still, the relatively low leverage in Chinese households will likely help prevent a collapse. Overall, we believe that after underperforming during the first half of 2014, the Chinese equity market could outperform during the second half of the year.

We have an increasingly positive outlook for India and believe the prospects are good that recently elected Prime Minister Modi can have a long-term transformative impact on that economy. Near term, we are selective in our exposure given the significant rally we've seen in that market. We are also watching Indonesia with great interest, as presidential election results are tallied. If Joko Widodo takes the reins as we expect he will, we would view that as a decisive positive for that economy, with increased opportunities for investors.

For a more detailed review of our macro thoughts, please read our latest Economic Review and Outlook posted on 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

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

137 0614Q II