

# Global Opportunities Strategy

CALAMOS  
INVESTMENTS

## Market Overview

Global equities confronted a challenging quarter amid higher volatility, as investors weighed the potential impact of diverging monetary policies and escalating trade tensions against a backdrop of strong corporate earnings, reasonable equity valuations, and mostly benign inflation. Developed markets decreased -1.15%, as measured by the MSCI World Index. U.S. equities also retreated in the period, as the S&P 500 Index slipped -0.76%. Emerging markets outperformed developed markets and delivered modest gains, as the MSCI Emerging Markets Index returned 1.47% in the period. The broad MSCI ACWI Index dipped -0.84%, reflecting the mixed conditions across regions.

U.S. stocks confronted multiple sell-offs and higher volatility, as markets balanced mostly positive economic data and strong corporate earnings against higher interest rates, a pickup in inflation, and escalating trade tensions with China. Although economic data presented a more mixed profile as the quarter progressed, it still pointed to solid economic growth and expansion. Recent figures indicated moderating demand in retail sales, housing transactions, and non-manufacturing services, though overall economic activity remains firmly in expansion territory. Employment remained quite strong, with significant payroll additions, low unemployment, and average hourly earnings up 2.6% year over year. In his first meeting as Chair of the Federal Reserve, Jerome Powell and the Fed increased benchmark interest rates by a quarter point, as widely expected. Later in the period, markets reacted negatively to the Trump

administration's proposals to impose tariffs on select imports, which ratcheted up concerns of a potential trade war with China.

European equities returned -1.86% for the quarter, as represented by the MSCI Europe Index. Shares were decidedly mixed across individual European markets as risk-off trends re-emerged in global markets. The wave of positive economic surprises cooled in Europe, and investors weighed the impacts of more fractured election outcomes and escalating global trade tensions. Although retail sales and employment exhibited generally positive conditions, gauges of manufacturing activity and inflation showed near-term deceleration in demand. Many analysts believe the ECB will use recent softer economic data and the potential for increased global trade barriers as support for a continued policy of accommodation. In other key developments, UK and EU negotiators reached an agreement in principle on the Brexit transition.

Asian equities also declined in the period, as the MSCI Pacific index dipped -0.57%. The balance of data in Japan points to continued moderate growth. Conversely, Japan's unemployment rate of 2.5% was lower than expected amid extraordinarily tight labor markets. Japanese industrial production was weaker than expected reflecting near-term deceleration. The Bank of Japan kept monetary policy on hold at its latest meeting and remains further behind global central banks in approaching its 2% inflation target and potentially normalizing policy measures. However, inflation was not altogether absent as consumer prices rose 1.5% in the latest figures reflecting higher transport and food inflation costs.

**FIGURE 1. CALAMOS GLOBAL OPPORTUNITIES STRATEGY RETURNS**

	QTR ENDING 3/31/18	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (10/96)
<b>Calamos Global Opportunities Composite</b>						
Gross of Fees	0.89%	16.11%	7.33%	7.68%	6.35%	9.61%
Net of Fees	0.71	15.21	6.48	6.84	5.47	8.62
MSCI ACWI Index	-0.84	15.44	8.70	9.79	6.15	6.95
MSCI ACWI Index (Local)	-1.75	11.79	7.95	11.02	7.15	7.10

Source: Calamos Advisors LLC

Past performance is no guarantee of future results.

Data as of 3/31/18.

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**FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS THE MSCI ACWI INDEX**  
FIRST QUARTER 2018

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Financials	42	
Industrials	41	
Information Technology	19	
Telecom Services	15	
Consumer Discretionary	14	
Real Estate	13	
Utilities	6	
Materials	5	
Energy	0	
Consumer Staples		-3
Health Care		-36

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 3/31/18.

Emerging markets delivered modest gains and outperformed developed markets, as the MSCI Emerging Markets Index returned 1.47% in the quarter. Emerging market equities encountered escalating trade tensions between the U.S. and China, less accommodative Fed policies, and mounting risk-off sentiment among investors. Despite these challenges, emerging markets have benefited from a pickup in earnings growth, increased policy flexibility, and an expanding global economy. China's President Xi laid out an economic growth target of 6.5% for the next year, representing a deceleration from the 6.9% growth rate in 2017. Russian stocks declined recently but had been among the top performers in the quarter, reflecting improved economic conditions, a credit rating upgrade by S&P, and stabilization in oil prices.

Global convertibles delivered an attractive total return in the period, as the ICE BofAML Global 300 Convertible Index advanced 3.12% in the quarter. New convertible issuance reached a total of \$27.8 billion globally for the quarter, compared to the \$24.5 billion pace of a year ago, per ICE BofAML figures.

## Performance Review

During the quarter, the portfolio outperformed the return in global equities in pursuit of our risk-managed investment approach.

**Financials.** The portfolio's security selection in financials added the most value in the quarter. In particular, holdings in diversified banks, regional banks, and investment banking all performed well. Portfolio names in the sector are positioned to benefit from improving business fundamentals, higher interest rates, and the prospect of decreased regulations and related tailwinds.

**Industrials.** Favorable security selection in industrials also added value to performance. Holdings in the industrial machinery industry outperformed due to increasing global demand and excellent earnings fundamentals. We see many opportunities in the sector and own positions in machinery, construction and engineering, and aerospace & defense, reflecting a boost in demand and cyclical growth opportunities.

**Health care.** The portfolio's weaker security selection in health care detracted the most value in the period. In particular, holdings in the biotechnology and pharmaceuticals industries underperformed due to increased policy risk in health care, in addition to security-specific factors. We have a selective view of opportunities in the sector and maintain an underweight position overall. We emphasize opportunities that provide attractive innovation pipelines, higher return on invested capital, and alignment with our key secular themes.

**Consumer Staples.** Security selection in consumer staples also hampered quarterly return. Holdings in the hypermarkets & super centers and distillers & vintners industries lagged due to some deceleration in growth fundamentals. Within the sector, we own a set of companies with long-term growth potential and attractive cash flow characteristics in multiple consumer categories.

**Geographic.** The portfolio's positioning in the U.S. added significant value in the period, driven by stronger security selection. We hold a lower weight in the U.S. reflecting our view of policy risks, less accommodative monetary policy, and relatively less attractive valuation, though corporate earnings and tax reforms are positive catalysts. We own a blend of holdings in core secular growth areas and a set of more cyclical businesses reflecting our view of a pickup in the economy and inflation expectations.

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**FIGURE 3. SECTOR ALLOCATIONS VERSUS THE MSCI ACWI INDEX**

SECTOR	REPRESENTATIVE PORTFOLIO %	MSCI ACWI INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 12/31/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	27.3	18.8	1.4	8.5
Financials	16.6	18.7	1.5	-2.1
Consumer Discretionary	12.7	12.3	1.9	0.4
Health Care	10.6	10.6	-0.3	0.0
Industrials	9.8	10.8	-2.1	-1.0
Consumer Staples	6.5	8.4	-0.6	-1.9
Energy	5.9	6.2	-0.1	-0.3
Materials	5.2	5.4	-0.3	-0.2
Real Estate	4.3	3.0	1.0	1.3
Utilities	1.1	2.9	0.1	-1.8
Telecom Services	0.0	2.9	-2.5	-2.9

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. Source: Calamos Advisors LLC. Data as of 3/31/18.

**FIGURE 3. LARGEST 10 COUNTRY WEIGHTS VERSUS THE MSCI ACWI INDEX**

COUNTRY	REPRESENTATIVE PORTFOLIO %	MSCI ACWI INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 12/31/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
United States	47.6	51.2	0.5	-3.6
China	11.4	3.2	4.0	8.2
Japan	8.6	8.0	-0.6	0.6
France	4.7	3.5	-1.3	1.2
Germany	4.2	3.2	0.0	1.0
Switzerland	3.6	3.0	-1.4	0.6
United Kingdom	3.6	5.3	0.4	-1.7
Netherlands	2.7	1.5	-1.1	1.2
India	2.5	1.0	-0.2	1.5
Taiwan	1.7	1.4	0.2	0.3
Developed Markets	82.2	88.3	-3.3	-6.1
Emerging Markets	17.8	11.7	3.3	6.1

Excludes cash weighting. Companies are classified geographically according to their country of domicile. This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Geographical distribution tables exclude any options on broad market indexes the portfolio may hold. Source: Calamos Advisors LLC. Data as of 3/31/18.

The portfolio's relative security selection in Europe trailed the index in the period. We hold a relatively neutral weight in Europe reflecting our view of favorable liquidity, attractive valuations, and upside in corporate margins and earnings, while near-term macro data has shown some deceleration. We favor a combination of small-mid capitalization opportunities benefiting from improving economic conditions in addition to select multinationals with global demand exposure.

We have an overweight stance in Japan, with our exposure focused on companies more levered to global growth than domestic demand. Liquidity conditions continue to be highly accommodative, earnings growth is healthy and equity valuations are attractive. Positioning in Japan added slightly to performance in the quarter, as holdings delivered modest gains and the overweight allocation benefited return.

# Calamos Global Opportunities Strategy

The portfolio's investments in emerging markets added significant value as these positions generated stronger relative returns versus global equities overall. Emerging markets are benefiting from a pickup in global demand, stabilization in many currencies, and favorable valuations. However, we are mindful of multiple policy risks and the potential impact of tighter global liquidity. We own a combination of secular growth-oriented and cyclical companies benefiting from economic tailwinds.

## Positioning and Portfolio Changes

We positioned the portfolio with the goal of providing upside equity participation along with downside resilience during periods of spiking market volatility. We favor company structures that offer compelling risk/reward characteristics relative to their underlying common stocks. The portfolio holdings reflect a combination of core growth and more cyclical opportunities in key sectors, including information technology, consumer discretionary, financials, industrials and health care, in terms of large absolute weights. From a sector standpoint, we maintained relatively stable weights during the quarter. We modestly increased the portfolio weight in consumer discretionary and financials, while we trimmed the weight in telecom services and industrials based on security-specific rationale.

## Outlook

Recent global macroeconomic data has been mixed versus expectations but, on balance, continues to reflect growth conditions. Global monetary policy remains accommodative overall, though multiple central banks are edging toward policy tightening and we are seeing a pivot toward fiscal stimulus. We see continued opportunities in global equities, reflective of positive fundamentals, low inflation and relatively attractive valuations. We also recognize that liquidity conditions have tightened at the margin, economic fundamentals may have peaked, and geopolitical risks have heightened. In terms of portfolio positioning, we favor a balance of investments in secular and cyclical growth companies, with a relative underweight in defensives overall. We see significant opportunities in companies with earnings growth catalysts, solid cash-flow generation and healthy balance sheets. From a thematic and sector perspective, we see opportunities in the information technology sector, cyclical companies in the financials and industrials sectors with improving fundamentals and catalysts, and select consumer companies with targeted areas of demand. Our active, risk-managed investment approach and long-term perspective positions us to take advantage of the opportunities in global markets.

Past performance does not guarantee or indicate future results. 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. There is no guarantee that the investment goals/objectives will be met. Indices are unmanaged and one cannot invest directly in an index.

The information portrayed is for Calamos Global Opportunities Composite and as such only relate to the representative portfolio shown. 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 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.

Performance returns presented reflect, unless otherwise noted the Calamos Global Opportunities Composite which is an actively managed composite primarily investing in a globally diversified portfolio of equity, convertible and fixed-income securities, with equal emphasis on capital appreciation and current income. The Composite was created February 16, 2006, calculated with an inception date of October 1, 1996 and includes all fully discretionary fee paying accounts, including those no longer with the Firm.

Country Return Statistics: Unless otherwise noted, country equity returns are based on the appropriate MSCI Index for the country listed.

The ICE BofAML Global 300 Convertible Index (VG00) is a global convertible index composed of companies representative

of the market structure of countries in North America, Europe and the Asia/Pacific region. The ICE BofAML Investment Grade Global 300 Convertibles Index comprises issues of investment-grade convertible bonds and preferreds in North America, Europe and the Asia/Pacific Region. The ICE BofAML Speculative Grade Global 300 Convertibles Index comprises speculative grade convertible bonds and preferreds in North America, Europe and the Asia/Pacific Region. Source ICE Data Indices, LLC, used with permission. ICE permits use of the ICE BofAML indices and related data on an 'as is' basis, makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE BofAML Indices or data included in, related to, or derived therefrom, assumes no liability in connection with the use of the foregoing and does not sponsor, endorse or recommend Calamos Advisors LLC or any of its products or services.

The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The index is calculated in both U.S. dollars and local currencies. 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 MSCI Europe Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. The MSCI Japan Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Japan. The MSCI Pacific Index captures large- and mid-cap representation across five Developed Markets (DM) countries in the Pacific region. The MSCI World Index is a market capitalization weighted index composed of companies representative of the market structure of developed market countries in North America, Europe, and the Asia/Pacific Region. The S&P 500 Index is a market-value weighted index and is widely regarded as the standard for measuring U.S. stock-market performance. The MSCI indices are calculated in both U.S. dollars and local currencies.

Unmanaged index returns assume reinvestment of any and all distributions and, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

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

Average annual total return measures net investment income and capital gain or loss from portfolio investments as an annualized average assuming reinvestment of dividends and capital gains distributions.

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:

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