U.S. All Cap Growth Strategy

CALAMOS INVESTMENTS

Market Overview

U.S. equities, as represented by the S&P 500 Index, delivered a strong 4.48% return in the period. The market's rally was broad based, as each of the major U.S. equity indices reached new highs at quarter-end, with the S&P 500 Index marking its eighth straight quarter of gains. Market participants were heartened by strong corporate earnings, continued manufacturing and services data vitality, as well as moderate gains in employment and wages, which held inflation low. Stocks endured intermittent tension with North Korea and the catastrophic damage of multiple hurricanes, but found encouragement in the potential for tax reform. The Federal Reserve had left interest rates on hold since the June meeting, but announced its widely anticipated decision to begin balance sheet normalization in October, unwinding the multi-year program of quantitative easing. However, the more significant news was the Fed's prediction of one more interest rate hike before year-end, and potentially three or more rate increases in 2018.

Market leadership rotated somewhat from the second to the third quarter with small caps, as represented by the Russell 2000 Index (+5.67%), besting the S&P 500 Index. Value stocks rallied in September, as reflationary sectors improved—the Russell 1000 Value Index (+2.96%) was up more than double that of the Russell 1000 Growth Index (+1.30%) for the month. For the quarter, growth stocks (+5.93%) outperformed value stocks (+3.27%). Information technology was the leading S&P 500 sector, gaining 8.65% in the quarter, this after dominating for the first half of 2017. Energy (+6.84%) and telecom services (+6.78%) also delivered strong quarterly returns after lingering in negative territory for the first half of 2017. Materials (+6.05%) and financials (+5.24%) were also laggards through the first six months of 2017, but outperformed the broad market in the third quarter. Industrials (+4.22%), health care (+3.65%), utilities (+2.87%), real estate (+0.93%) and consumer discretionary (+0.84%) all lagged the aggregate market but delivered positive returns, while consumer staples (-1.35%) was the only down sector for the quarter.

Performance Review

For the quarter, the strategy trailed the Russell 3000 Growth Index, but posted a solid absolute return. The portfolio holds a mix of traditional growth as well as reflationary growth opportunities. Relative performance benefitted from sector allocations, while individual selection detracted from relative performance.

FIGURE 1. CALAMOS U.S. ALL CAP GROWTH STRATEGY RETURNS

	QTR ENDING 9/30/17	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (1/91)
Calamos U.S. All Cap Growth Composite						
Gross of Fees	4.44%	18.85%	8.81%	11.90%	5.96%	14.36%
Net of Fees	4.23	17.90	8.00	11.06	5.14	13.46
Russell 3000 Growth Index	5.93	21.87	12.65	15.18	9.04	9.66

Source: Calamos Advisors LLC

Past performance is no guarantee of future results.

Data as of 9/30/17.

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FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS RUSSELL 3000 GROWTH INDEX
THIRD QUARTER 2017

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Consumer Staples	68	
Financials	29	
Materials	9	
Real Estate	8	
Utilities	0	
Telecom Services		-5
Energy		-12
Information Technology		-42
Industrials		-50
Consumer Discretionary		-51
Health Care		-77

Attribution based on gross of fee performance with dividends reinvested. Performance attribution excludes any government/sovereign bonds or options on broad market indices the portfolio may hold.
Past performance is no guarantee of future results.
Source: Calamos Advisors LLC. Data as of 9/30/17.

Sectors and Industries. Consumer staples was the market's laggard during the quarter, bearing the unfavorable distinction of being the only sector to land in the red. The portfolio's active underweight to the sector was additive to relative performance, and consequently, the portfolio's high-conviction holdings also outperformed the benchmark's consumer staples constituents.

Financial stocks showed strength in the third quarter and outperformed the Russell 3000 Growth Index. The Fed raised short-time rates in the second quarter and subsequently clarified plans to begin normalizing its balance sheet. The Fed also indicated that a December rate hike was a distinct possibility. Selection within investment banking and brokerage as well as thrift and mortgage finance were significantly beneficial to relative performance. The portfolio's overweight to the sector was additive as well.

Health care outperformed the overall growth index, largely on the strength of biotechnology names. However, portfolio selection within biotechnology and pharmaceuticals lagged. Although there is still no resolution to changing the Affordable Care Act, health care names rallied as perhaps the intense regulatory concerns may be lessening going forward.

Industrials rallied and outperformed the benchmark as global growth continued to strengthen over the quarter. Portfolio holdings within the airlines industry disappointed during the quarter, accounting for most of the portfolio's relative underperformance in the sector. The portfolio's weighting to the sector is broadly in line with the growth index. We focus on growth opportunities within industrials that may benefit with improving economic growth.

Positioning and Portfolio Changes

We continue to be constructive on equities because of the growing likelihood that global GDP growth is sustained and balanced through 2018. Corporate profits are visibly recovering from the mid-cycle recession in corporate profits of 2015–2016. This implies more growth opportunities beyond defensive growth sectors. We also see policy as a source of upside risk for markets.

Recent weakness in some of the favored large-cap growth Technology (FANG) names has dominated headlines, partly because of significant exposure that investors have to these names. We are therefore wary of positioning risk and have been more selective in these names. On balance, we see this bout of Tech weakness as part of a healthy consolidation that relieves short-term sentiment risk, leading to rocky sector rotation but not necessarily a broader market sell-off.

The portfolio remains overweight financials and mildly overweight the energy sector, which is a smaller percentage of the growth index. Seasonality factors and recent U.S. dollar weakness may help support reflationary trades and support the Fed's reasoning for a December rate hikes in their plans, despite clear signals

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

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FIGURE 3. SECTOR ALLOCATIONS VERSUS RUSSELL 3000 GROWTH INDEX

SECTOR	REPRESENTATIVE PORTFOLIO %	RUSSELL 3000 GROWTH INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 6/30/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	35.4	36.6	2.4	-1.2
Consumer Discretionary	18.4	17.4	-0.5	1.0
Health Care	15.4	14.6	0.0	0.8
Industrials	12.3	12.9	-1.1	-0.6
Financials	12.2	3.6	1.0	8.6
Energy	2.3	0.9	-0.2	1.4
Consumer Staples	2.3	6.4	-1.1	-4.1
Materials	1.7	3.9	-0.5	-2.2
Real Estate	0.0	2.6	0.0	-2.6
Telecom Services	0.0	1.0	0.0	-1.0
Utilities	0.0	0.1	0.0	-0.1

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 9/30/17.

of GDP and growth measures overheating. The portfolio's main underweight remains in consumer staples, which remains structurally overvalued in our view.

Conclusion

Framed by generally positive economic data in the U.S. and a broader synchronized and stable global growth story, U.S. stocks extended their advances over the quarter. Market volatility in the U.S. remained low despite heated political discourse, fiscal policy unknowns, elevated tensions surrounding North Korea, and devastating natural disasters. Instead, market participants focused on GDP growth data, strong corporate earnings, healthy consumer trends, muted inflation, and well-behaved long-term interest rates. Federal Reserve comments in September also supported a constructive near-term outlook for the U.S. economy.

The jury is still out on how brisk a clip of growth the U.S. can sustain, but a recession does not appear imminent. Optimism about tax reform has revitalized the reflation narrative, and we believe the passage of new tax policies could catalyze corporate spending and earnings, as well as another leg of the equity market rally. A stable-to-weaker dollar and accommodative central bank policies around the world could help sustain global economic expansion, providing additional support to the U.S. economy. When the Fed does move forward with its balance sheet reduction, it will be entering uncharted waters. Even so, we expect a gradual course shaped not only by U.S. economic data but also global conditions.

As we look to upcoming quarters, we see additional upside in stocks. However, risk management and active management are increasingly important in an environment where market participants have been quick to punish any company that disappoints.

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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.

The information portrayed is for the Calamos All Cap Growth 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.

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Performance returns presented reflect, unless otherwise noted the **Calamos All Cap Growth Composite**, is an actively managed strategy that invests in common stocks, preferred stocks, securities convertible into U.S. common stocks, and U.S. dollar-denominated American Depository Receipts, primarily in high growth industries and companies across all market capitalizations. Results include all fully discretionary, fee-paying accounts, including those no longer with the Firm. The Composite inception date is January 1, 1991.

The **Russell 3000 Growth Index** measures the performance of the broad growth segment of the U.S. equity universe and includes those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. 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 **S&P 500 Index** is an unmanaged index generally representative of the U.S. stock market, without regard to company size.

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.

Fees include the investment advisory fee charged by Calamos Advisors LLC. Returns greater than 12 months are annualized. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest. Chart Data Source: 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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