## U.S. Mid Cap Growth Strategy

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#### **Market Overview**

During the quarter, the S&P 500 Index reached a record high on the heels of encouraging economic data. Performance stayed on an upward trend throughout the period, with each month contributing to the quarter's advance of 10.61%. Growth stocks captured most of the broad market upside, with the Russell 3000 Growth Index advancing 9.82%. Housing figures continued to show steady improvement, manufacturing data remained in expansion mode and GDP estimates were on the rise. The potential implications of the sequestration and the muddled bailout of Cyprus gave investors pause, yet concerns largely dissipated as no major consequences came to pass immediately.

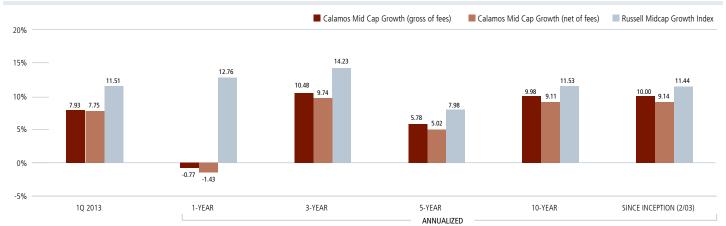
Sector performance within the Russell Midcap Growth Index was largely positive for the quarter. Energy, consumer staples and utilities gained the most. Telecommunication services was the only sector to decline, while materials and information technology posted positive returns but trailed the strongest sectors within the index. As in previous quarters, performance by sector varied significantly. Energy led the index with a 21.04% return, while telecommunication services declined -2.40%, a difference of more than 23 percentage points.

U.S. multinational businesses are exhibiting strong profit growth. Nearly three-quarters of the market recently beat earnings expectations. In addition, many of the dislocations resulting from the 2008 credit crisis have been reduced. We have seen a pick-up in loan growth, falling housing inventories and a reduction in delinquent loans. In our view, equity valuations continue to be attractive relative to cash flows and the fixed income market, and growth equity premiums are even more appealing. Investors continue to favor yield over growth, but we believe that may begin to change as the Federal Reserve starts to reduce its balance sheet and longer-term rates rise.

#### Performance Review

We recognize that our role as a portfolio manager is to understand and adapt to the markets we are in, and we remain committed to improving performance. During the quarter, security selection decisions within the consumer discretionary sector, as well as positioning decisions within the information technology sector, accounted for most of the portfolio's underperformance. As we stated in our previous commentary, adjustments to the portfolio continue, corresponding to our more optimistic outlook and commitment to improving performance.





Source: Calamos Advisors LLC and Mellon Analytical Solutions LLC

Past performance is no guarantee of future results.

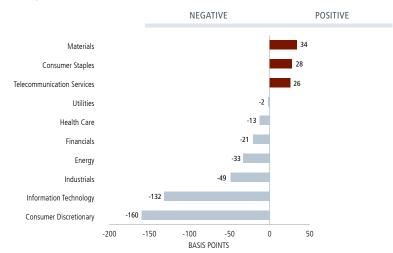
Data as of 3/31/13.

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

### Calamos U.S. Mid Cap Growth Strategy

FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS RUSSELL MIDCAP GROWTH INDEX

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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 3/31/13.

> During the quarter, the areas that had the most significant impact on performance were:

> Consumer Discretionary. Security selection within the sector detracted from performance. In particular, holdings within the Internet retail industry held back returns, as did the portfolio's positioning within the retail and apparel, accessories and luxury goods industries. Shares of some select retailers declined in the wake of sales forecasts that fell short of expectations. Although the U.S. consumer remains a bit guarded, confidence levels have been stable and retail spending continues to move higher and above expectations. We strive to build positions in companies with well-known brands, global business strategies and those that have the ability to reach a geographically diversified customer base. Current holdings within the sector extend across a number of industries, including Internet retail, apparel retail, restaurants, footwear and home improvement.

**Information Technology.** The information technology sector was one of the worst performing areas within the index for the

quarter, and the portfolio's overweight allocation detracted from performance. Security selection within the sector also trailed on a relative basis. Positioning within the computer hardware, information technology consulting and semiconductors industries hampered performance. Within the sector, we continue to focus on companies with solid balance sheets, globally diversified revenue bases and productivity enhancement capabilities. We believe many companies in the technology sector stand to benefit from long-term secular growth themes, including persistent innovation, enhanced mobility and global connectivity.

Industrials. The portfolio's underweight positioning and relative security selection within the sector detracted from performance. Specifically, holdings within the electronic components and industrial machinery industries underperformed. Many companies in the sector remain compelling from both valuation and fundamental perspectives.

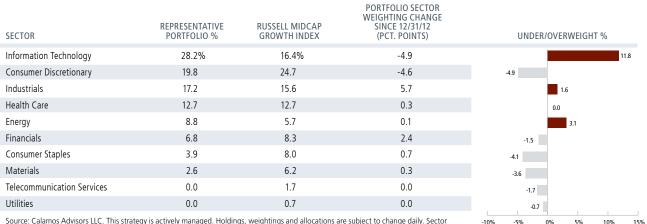
Materials. An underweight allocation to and security selection within the sector enhanced relative performance. Specifically, lower exposure to and selection within the diversified chemicals and specialty chemicals industries helped returns. In the period, we further reduced exposure within the gold mining industry, as many of these companies have been particularly challenged by higher costs of extraction and production, as well as by the rising prices of mining infrastructure. We continue to believe the sector will be supported by increased demand for resources from emerging market regions, however.

#### **Positioning**

We expect the U.S. economy to maintain a slow growth trajectory as it benefits from continued global accommodative policy. In this environment, we maintain a preference for higher quality, higher growth investments in the portfolio. Despite near-term concerns

### Calamos U.S. Mid Cap Growth Strategy

FIGURE 3. SECTOR ALLOCATIONS VERSUS RUSSELL MIDCAP GROWTH INDEX



Source: Calamos Advisors LLC. This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Sector weightings exclude any government/sovereign bonds or options on broad market indexes the portfolio may hold.

Data as of 3/31/13.

and heightened choppiness in the global markets, we believe that our focus on multinational businesses remains appropriate for long-term investors. We are favoring businesses that we believe are capable of succeeding within a slower growth environment. Portfolio characteristics reflect higher free cash flows and lower debt-to-capital than the benchmark.

We continue to focus on secular themes related to mobility and connectivity within technology, and on strong global brands within the consumer sectors. We are also attracted to companies tied to the global infrastructure build-out, as well as those that are considered productivity enhancers. Growth prospects remain compelling for multinational firms whose businesses are closely tied to emerging market consumer spending and the evolution of high-tech manufacturing.

Among positioning changes during the quarter, we reduced the portfolio's allocation to the information technology sector. This primarily came about through the sale of companies where we believed that fundamentals and near-term growth catalysts had deteriorated. We remain committed to the vast growth opportunities within the sector overall, some of which are described above, and maintain an overweight allocation. We also

pared the portfolio's allocation to the consumer discretionary sector. We sold select holdings within the specialty stores, consumer electronics and home furnishing retail industries in the quarter, primarily resulting from poor earnings and guidance, as well as our desire to add names with improving growth opportunities.

Based on the strength we see in infrastructure build-out and high-tech manufacturing trends, we increased the portfolio's allocation to the industrials sector, adding companies broadly across industries such as construction and engineering, industrial machinery, railroads and airlines. Many companies in the sector are compelling from both valuation and fundamental perspectives. Our focus is on companies capitalizing on global manufacturing, especially in areas such as machinery and construction and engineering industries, where the project pipeline is attractive. We also increased the portfolio's allocation to financials, adding positions within the investment banking and brokerage and real estate services industries.

As of the end of the quarter, the portfolio's largest allocations in absolute terms include the information technology, consumer discretionary and industrials sectors. Relative to the Russell

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Midcap Growth Index, the portfolio's largest overweight allocation is to the information technology sector. Details regarding the portfolio's positioning in these sectors have been discussed above.

### Outlook

We believe that investors need to look through the near-term choppiness and maintain a long-term perspective. We expect financial market volatility to persist, fueled by global political uncertainties. The equity markets may correct as markets bounce off new highs, but timing when to get in or out is always difficult.

Without uncertainty, however, there would not be investment opportunities. Equity valuations are in the lowest 20% over the past 60 years (as measured by earnings yield less inflation), but margins and cash flow ROICs are near historic highs. Companies are prudently returning excess capital to shareholders rather than spending it on ill-conceived acquisitions.

For a more detailed review of our macro thoughts, please read our latest Global 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.

The information portrayed is for the Calamos Mid 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 experienced 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.

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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.

Returns presented reflect the Calamos Mid Cap Growth Composite which is an actively managed composite investing in common stocks, primarily in high-growth industries and companies. Ordinarily, constituent portfolios are primarily invested in equities of medium capitalization U.S. companies with market capitalizations between \$1 billion and the capitalization of the largest company in the Russell Midcap Growth Index at time of purchase. The Composite was created September 1, 2009 calculated with an inception date of February 1, 2003 and includes all fully discretionary, fee paying accounts including those no longer with the Firm.

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 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 Midcap Growth Index measures the performance of those Russell Midcap companies with higher price to book ratios and higher growth values.

Unless otherwise noted, index returns reflect the reinvestment of income dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing.

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 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:

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



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