

# Growth Fund First Quarter 2019 Report



## OVERVIEW

The fund invests in the equities of U.S. companies with a range of market capitalizations that we believe offer the best potential for growth.

## KEY FEATURES

- » **Utilizes more than two decades** of extensive research experience in growth investing
- » **Active management** focuses on top-down views and bottom-up fundamentals
- » **Research-driven approach** identifies opportunities by combining top-down analysis with a focus on key growth characteristics

## FUND TICKER SYMBOLS

|          |          |          |
|----------|----------|----------|
| A Shares | C Shares | I Shares |
| CVGRX    | CVGCX    | CGRIX    |

## Key Drivers of Performance

- » For the quarter ended March 31, 2019, the fund generated a positive return of 15.71% (A shares at NAV) outperforming the S&P 1500 Growth Index return of 14.84%.
- » The fund's security selection and an underweight position in health care added to return. Specifically, biotechnology and pharmaceuticals assisted relative performance. Favorable security selection in information technology also contributed to performance.
- » Over the period, an underweight allocation within the real estate sector lagged on a relative basis, as holdings in the specialized REITs and industrial REITs industries trailed. An overweight allocation in financials also underperformed.

## Market Overview

- » The U.S. equity market rebounded strongly during the quarter, gaining 13.65% as measured by the S&P 500 Index.
- » The market's rally appeared to be driven by the Fed's increasingly dovish stance. In January, the Fed changed their expectation to zero rate increases for 2019 while announcing they would reduce the amount of balance sheet normalization, a series of actions that emboldened risk appetite in markets.
- » The U.S. economy continued to grow and added fuel to the period's gains, with most companies surpassing corporate earnings estimates. However, these results were tempered by downward earnings revisions for the next quarter and relatively conservative guidance for the year.
- » Growth stocks outperformed value stocks during the quarter, with the S&P Composite 1500 Growth Index return of 14.84% besting the 12.32% return of the S&P Composite 1500 Value Index.

## AVERAGE ANNUAL RETURNS

|                                      | QTD    | YTD    | 1-YEAR | 3-YEAR | 5-YEAR | 10-YEAR | SINCE A SHARE INCEPTION (9/4/90) | SINCE I SHARE INCEPTION (9/18/97) |
|--------------------------------------|--------|--------|--------|--------|--------|---------|----------------------------------|-----------------------------------|
| <b>Calamos Growth Fund</b>           |        |        |        |        |        |         |                                  |                                   |
| I shares – at NAV                    | 15.80% | 15.80% | 6.91%  | 12.24% | 8.78%  | 14.23%  | N/A                              | 10.82%                            |
| A shares – at NAV                    | 15.71  | 15.71  | 6.66   | 11.97  | 8.51   | 13.94   | 12.67%                           | N/A                               |
| A shares – Load adjusted             | 10.22  | 10.22  | 1.60   | 10.16  | 7.46   | 13.39   | 12.48                            | N/A                               |
| <b>S&amp;P 1500 Growth Index</b>     | 14.84  | 14.84  | 11.78  | 15.62  | 12.94  | 17.2    | N/A                              | 7.77                              |
| <b>S&amp;P 500 Index</b>             | 13.65  | 13.65  | 9.50   | 13.51  | 10.91  | 15.92   | 10.18                            | 7.22                              |
| <b>Russell Midcap Growth Index</b>   | 19.62  | 19.62  | 11.51  | 15.06  | 10.89  | 17.60   | 11.07                            | 8.24                              |
| <b>Morningstar Large Growth Cat.</b> | 15.67  | 15.67  | 10.71  | 15.35  | 11.26  | 15.94   | 9.23                             | 6.46                              |

The Russell Midcap Growth Index return "Since A share Inception" date is 8/31/90.

Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted. You can obtain performance data current to the most recent month end by visiting [www.calamos.com](http://www.calamos.com).

The principal value and return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Performance reflected at NAV does not include the Fund's maximum front-end sales load of 4.75%. Had it been included, the Fund's return would have been lower.

Returns for periods greater than 12 months are annualized. Calendar year returns measure net investment income and capital gain or loss from portfolio investments for each period specified. Average annual total return measures net investment income and capital gain or loss from portfolio investments as an annualized average. In calculating net investment income, all applicable fees and expenses are deducted from the returns. All performance shown assumes reinvestment of dividends and capital gains distributions. The Fund also offers Class C shares, the performance of which may vary. As of the prospectus dated 3/1/19, the Fund's total expense ratio for Class A shares is 1.29% and Class I shares is 1.04%.

The offering price for Class I shares is the NAV per share with no initial sales charge. There are no contingent deferred sales charges or distribution or service fees with respect to Class I shares. The minimum initial investment required to purchase each Fund's Class I shares is \$1 million. Class I shares are offered primarily for direct investment by investors through certain tax-exempt retirement plans (including 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit sharing and money purchase pension plans, defined benefit plans and non-qualified deferred compensation plans) and by institutional clients, provided such plans or clients have assets of at least \$1 million. Class I shares may also be offered to certain other entities or programs, including, but not limited to, investment companies, under certain circumstances.

There can be no assurance that the Fund will achieve its investment objective.

**NOT FDIC INSURED | MAY LOSE VALUE |  
NO BANK GUARANTEE**

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## FUND HOLDINGS – CONTRIBUTORS

| FIRM NAME             | % OF FUND         | FIRM PROFILE  | ANALYSIS   |
|-----------------------|-------------------|---|--|
| Facebook, Inc.        | 5.4%              | Facebook is a Menlo Park, California business that operates a social networking platform allowing users to connect via computers and mobile devices. Facebook also runs Instagram, Messenger and WhatsApp services. As of the end of 2018, Facebook had approximately 1.5 billion daily active users worldwide. | Facebook shares, which outperformed the broad market throughout the quarter, got a strong boost from the company's quarterly earnings announcement in late January. Company revenues beat street estimates and user growth was stronger than expected. |
| Paycom Software, Inc. | 1.3% <sup>†</sup> | Paycom Software is an Oklahoma City-based software business that provides cloud-based services for human capital management. Paycom's software assists HR management in small to midsized companies with needs ranging from talent acquisition to retirement benefits administration.                           | Paycom common stock rose dramatically during the quarter with a gain of approximately 49%. Shares received a boost in early February when the company announced 30%+ revenue growth and strong margin improvement.                                     |

## FUND HOLDINGS – DETRACTORS

| FIRM NAME                       | % OF FUND | FIRM PROFILE  | ANALYSIS  |
|---------------------------------|-----------|---|---|
| UnitedHealth Group, Inc.        | 1.6%*     | UnitedHealth Group is a Minnesota-based diversified healthcare company that owns and manages organized health systems in the U.S. and abroad. The company offers health benefit plans and services for businesses and individuals. The firm also offers additional services to address the needs of older health care recipients. | UnitedHealth's stock struggled during the quarter, finishing relatively level while the market posted strong gains. UnitedHealth reported earnings per share above consensus in mid-January. Later in the quarter, Congress proposed a Medicare for All program, which precipitated a broad sell-off of managed care companies. We believe this may have been an overreaction, though we acknowledge political risk and potential changes are part and parcel to the space. |
| Intercontinental Exchange, Inc. | 1.5%*     | Intercontinental Exchange (ICE) is an Atlanta-based financial services business that operates regulated exchanges, clearing and listing for commodity, financial, equity and fixed income markets globally.   | Shares of ICE lagged the broad market, posting a 1.4% gain for the quarter. ICE reported earnings per share slightly above consensus, with better-than-expected revenue growth, but guidance was less than what the market was expecting. The stock in our view should still benefit from secular growth opportunities in the derivatives market and increasing data consumption.   |

\*as of 2/28/19

†as of 1/31/19

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## Positioning and Portfolio Changes

From a sector perspective, the largest portfolio weights are in information technology and health care on an absolute basis. On the contrary, real estate and energy represent the smallest absolute weights. We maintain overweight allocations to industrials and financials versus the index.

Aerospace & defense and investment banking & brokerage represent the largest industry overweights within the respective sectors. The largest industry underweight positions are pharmaceuticals and semiconductors.

Allocations to health care and energy rose during the period with increased weights in pharmaceuticals and integrated oil & gas. By contrast, allocations to information technology and financials decreased over the period with reductions to technology hardware, storage & peripherals and investment banking & brokerage.

The portfolio is positioned to optimize opportunities based on the health of U.S. consumers, who are doing reasonably well as inflation, interest rates, and employment data all look favorable. Specifically, we are emphasizing buying opportunities created by the rolling de-rating of risk assets through 2020.

The portfolio is positioned to both preserve capital and gains. In this environment, we would hope to achieve low double-digit returns in 2019, by only assuming a fraction of the overall market risk and exposure. We hope to achieve this by largely avoiding major sell-offs and investing tactically when opportunities arise.

| SECTOR POSITIONING     | SECTOR WEIGHTINGS<br>AS OF 3/31/19 | OVER/UNDERWEIGHT VS.<br>S&P 1500 GROWTH INDEX | QUARTER TO<br>QUARTER CHANGE |
|------------------------|------------------------------------|---|------------------------------|
| Information Technology | 20.1                               | -5.0  | -5.0                         |
| Health Care            | 15.4                               | -1.9  | 3.2                          |
| Communication Services | 15.3                               | 2.1   | 0.4                          |
| Consumer Discretionary | 15.3                               | 2.7   | 0.0                          |
| Industrials            | 12.4                               | 3.2   | -1.0                         |
| Financials             | 6.8                                | 1.1   | -3.8                         |
| Consumer Staples       | 2.4                                | -2.8  | 0.3                          |
| Materials              | 1.5                                | -0.7  | -2.2                         |
| Energy                 | 1.1                                | -2.5  | 1.0                          |
| Real Estate            | 0.0                                | -3.9  | 0.0                          |
| Utilities              | 0.0                                | -2.0  | -0.1                         |

Sector weightings exclude cash or cash equivalents, any government/sovereign bonds or instruments on broad indexes the portfolio may hold. Holdings and weightings are subject to change daily. You can obtain a complete list of holdings by visiting [www.calamos.com](http://www.calamos.com). Please see additional disclosures on last page.

## Outlook

The rapid changes in investor sentiment and dramatic moves in asset prices certainly provide strong reasons for taking a cautiously optimistic approach to the equity markets. In a few months' time, the market's pricing of the likelihood of further Fed rate hikes went from near certainty to near certainty of no hike. Volatility, as measured the VIX Index, spiked dramatically in December 2018 but has since returned to a more benign level. The Fed has indicated a more dovish and supportive stance for liquidity, and despite strong returns for U.S. equities, money flows do not point to a crowded trade. We maintain our view that the U.S. economy does not appear to be at risk of an economic recession in the near term. However, there are signs of a slow-down in fundamentals and perhaps an earnings recession. We may have seen the market attempt to price that risk during the 4Q sell-off. The U.S. is still home to the most attractive growth stocks and growth businesses globally, in our view. Even so, we will need to be tactical with regard to the valuations and opportunities present in the U.S. equity market.

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## Fund Quarterly Attribution

|  | COMMUNICATION SERVICES | CONSUMER DISCRETIONARY | CONSUMER STAPLES | ENERGY | FINANCIALS | HEALTH CARE | INDUSTRIALS | INFORMATION TECHNOLOGY | MATERIALS | REAL ESTATE | UTILITIES |
|--|------------------------|------------------------|------------------|--------|------------|-------------|-------------|------------------------|-----------|-------------|-----------|
| GROWTH FUND VERSUS S&P 1500 GROWTH INDEX (%)         |                        |                        |                  |        |            |             |             |                        |           |             |           |
| Value Added from Sector                              | 0.02                   | 0.08                   | 0.10             | -0.07  | -0.16      | 0.31        | 0.16        | -0.09                  | -0.03     | -0.06       | 0.07      |
| Value Added from Selection & Interaction             | 0.34                   | -0.05                  | -0.10            | 0.08   | 0.14       | 0.55        | 0.06        | 0.75                   | 0.04      | 0.00        | 0.00      |
| Total Added Value                                    | 0.37                   | 0.03                   | 0.00             | 0.01   | -0.02      | 0.86        | 0.22        | 0.67                   | 0.01      | -0.06       | 0.06      |
| SECTOR WEIGHTS (AVERAGE % WEIGHT DURING THE QUARTER) |                        |                        |                  |        |            |             |             |                        |           |             |           |
| Growth Fund  | 15.25                  | 14.45                  | 1.96             | 0.68   | 9.01       | 13.97       | 12.93       | 23.23                  | 2.74      | 0.03        | 0.02      |
| S&P 1500 Growth Index                                | 13.34                  | 12.45                  | 5.08             | 3.61   | 5.95       | 17.73       | 9.32        | 24.50                  | 2.19      | 3.80        | 2.01      |
| Over/underweight                                     | 1.91                   | 2.00                   | -3.12            | -2.93  | 3.06       | -3.76       | 3.61        | -1.28                  | 0.56      | -3.77       | -1.99     |
| SECTOR RETURNS (%)                                   |                        |                        |                  |        |            |             |             |                        |           |             |           |
| Growth Fund  | 17.99                  | 14.88                  | 6.63             | 31.51  | 9.71       | 12.57       | 18.79       | 23.16                  | 18.92     | 20.90       | -2.16     |
| S&P 1500 Growth Index                                | 15.73                  | 15.43                  | 11.69            | 16.00  | 8.87       | 8.34        | 18.30       | 19.71                  | 15.66     | 16.39       | 11.63     |
| Relative Return                                      | 2.26                   | -0.55                  | -5.06            | 15.51  | 0.84       | 4.22        | 0.49        | 3.45                   | 3.26      | 4.51        | -13.79    |

Calculations may be subject to rounding.

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. Past performance does not guarantee future results.

### Index Definitions

**Morningstar Large Growth** category funds invest primarily in big U.S. companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries. The **S&P 1500 Growth Index** consists of the growth segment of the securities found in the S&P 1500 Index. The S&P 1500 combines the S&P 500, S&P MidCap 400 and the S&P SmallCap 600. The **S&P 1500 Value Index** consists of the value segment of the securities found in the S&P 1500 Index. The S&P 1500 combines the S&P 500, S&P MidCap 400 and the S&P SmallCap 600. The **Russell Midcap Growth Index** measures the performance of the midcap growth segment of the U.S. equity universe and includes companies with higher price-to-book ratios and higher forecasted growth values. The **S&P 500 Index** is a market-value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation. It is widely regarded as the standard for measuring U.S. stock-market performance. Unmanaged index returns assume reinvestment of any and all distributions and, unlike fund returns, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

### Important Risk Information

An investment in the Fund(s) is subject to risks, and you could lose money on your investment in the Fund(s). There can be no assurance that the Fund(s) will achieve its investment objective. Your investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. The risks associated with an investment in the Fund(s) can increase during times of significant market volatility. The principal risks of investing in the fund include: equity securities risk consisting of market prices declining in general, growth stock risk consisting of potential increased volatility due to securities trading at higher multiples, mid-sized company risk, foreign securities risk and portfolio selection risk. More detailed information regarding these risks can be found in the fund's prospectus.

*Before investing carefully consider the fund's investment objectives, risks, charges and expenses. Please see the prospectus and summary prospectus containing this and other information which can be obtained by calling 1-800-582-6959. Read it carefully before investing.*

**CALAMOS**  
INVESTMENTS

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