Phineus Long/Short Fund Fourth Quarter Report

CALAMOS® INVESTMENTS

OVERVIEW

The fund seeks strong risk-adjusted and absolute returns across the global equity universe. The fund uses a global long/short strategy to invest in publicly listed equity securities.

KEY FEATURES

- Fundamental global approach blends top-down and bottom-up considerations
- Flexible asset allocation allows for all investment styles, market caps and geographic regions depending on the market environment
- Comprehensive approach assesses stock, industry, style, country and market factors
- Knowledge-based industry concentration includes technology, communications, media, financials and health care

PORTFOLIO FIT

The fund seeks to provide strong risk-adjusted returns via an alternative solution that complements and diversifies a global or U.S. equity allocation.

FUND TICKER SYMBOLS

A Shares	C Shares	I Shares
CPLSX	CPCLX	CPLIX

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.

Key Drivers of Performance

U.S. equities declined materially in Q4 with especially steep moves in December and, unusually, over the holidays—due to valid fears over global economic momentum and slower earnings growth. The S&P 500 Index declined by 13.5%, while the MSCI World Index lost 13.3% for the quarter. December is rarely a month of crisis, but this was one of the worst on record. It marks the conversion of the investment community to a more cautious interpretation of the outlook.

The December mini-crash engendered signs of investor capitulation and technical evidence of a major market bottom, which has encouraged some to assume the worst is past. However, the structural forces behind the bear market in corporate credit have not decisively reversed—and this is our primary concern. While the derating of equities is advanced, the corporate credit cycle will struggle to improve as long as corporate profit expectations are weakening globally.

The U.S. Federal Reserve (Fed) raised interest rates in December, or the fourth hike for the year. This move was interpreted badly by financial markets despite widespread stability in U.S. economic data. This response to the Fed move supports our view that there will be no further increases in the funds rate in the current monetary cycle. While the U.S. economy is not slowing rapidly, the divergence between rising U.S. dollar interest rates and slowing world (non-U.S.) growth has reached its limit.

This shift in expectations has been rapid: the U.S. monetary outlook has apparently reached a "tipping point." The Fed has arrived at the moment when U.S. monetary policy is "tight" and, thus, equity prices were too high in relation to interest rates. While the U.S. economy remains an island of relative strength, the global business cycle is proving a more powerful influence than domestic demand. The obvious question is how fast and far the global economy decelerates through 2019.

By raising interest rates in December on the precipice of an economic slowdown, some argue that the Fed has made a "policy error." Of course, the Fed is always slow to reduce rates into any downturn, just as it is too slow to raise them into any upturn. The Fed believes that many of today's structural and cyclical concerns are the consequence of keeping rates artificially low for too long. There is an institutional commitment to monetary normalization even if the U.S. economy decelerates.

In the context of the post-2008 era, central banks are no longer the suppressors of volatility, which was the logical consequence of capital subsidization. Instead, today's bias toward a return-to-more-normal monetary has become the source of volatility, as exemplified by the markets' reaction to Powell's message of December 19. This is why this disruption in risk assets is principally a story of the reversal of financial repression by the central banks.

Warnings from several high profile firms—particularly in technology and most notably from Apple—fanned fears that the U.S. earnings cycle has reached an inflection. For the January reporting season, we expect management teams to take cover under Apple's softer guidance and shave their own outlooks for profits as the reporting season gets into gear. Already, consensus earnings growth for the S&P 500 has been reduced to 6.6% year-over-year from over 10% just a few months ago. For calendar 2019, we expect U.S. earnings growth of mid-to-high single digits.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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TOP 5 FUND CONTRIBUTORS FOR 4Q18

FIRM NAME	% RETURN	% OF FUND	FIRM PROFILE	ANALYSIS
SPDR Trust Series 1 (SPY)	7.54%	-45.04% Short as of 12/31/18	S&P 500 Companies	This is a market hedge on general U.S. large-cap equities. Reflecting our emphasis on capital preservation through 2018, the Fund has maintained significant hedges on the S&P 500 Index (SPY), adjusting them up or down on a tactical basis. At the start of 2018, investors were broadly bullish because of their "global synchronized growth" conviction as well as the tailwinds of deregulation and tax cuts. As the year progressed, the impact of higher U.S. interest rates appeared to impact global liquidity, and evidence of a deceleration of global economic activity gathered through H2. While rates stabilized and actually declined through Q4, corporate credit has deteriorated. This will pressure corporate profitability through 2019 as debt is refinanced at higher interest rates. Given the precipitous decline in the S&P 500 Index in Q4, the index hedge was beneficial to performance.
Walmart, Inc. (WMT)	0.34%	0.22% Long Call as of 10/31/18*	U.S. Consumer Staples	We regard Walmart as an attractive staple-like retailer with defensive factor characteristics. Walmart's U.S. store base is comping at a steady 2% (ex-fuel), buoyed by broadening domestic activity and the resilience of the U.S. consumer in particular. Walmart's digital acquisitions and free two-day delivery initiatives are boosting traffic to its e-commerce offerings, which grew 43% in the quarter. Online sales have reached sufficient scale to impact overall metrics, adding 140 basis points to domestic sales growth versus 80 basis points a year ago, and now account for 41% of growth. Walmart is positioned to compete online in overseas markets with its JD.com and New Dada partnerships in China and the recent acquisition of flipkart in India. More generally, Walmart remains one of few price leaders in food and general merchandise that can gain market share through its scale advantages. It is one of the few broad retailers capable of competing successfully with Amazon.
VanEck Vectors Semiconductor ETF (SMH)	0.26%	5.26% Short as of 10/1/18*	U.S. Semi-Conductor Companies	This short position performed well as semiconductor fundamentals weakened further on the back of order cuts from Apple suppliers related to iPhone demand. Other headwinds include declines in memory pricing as some large buyers stockpiled inventory earlier in the year. After years of impressive global demand growth, the semiconductor food chain is again learning its cyclical characteristics. Specifically, the broad inventory build relates to weakening demand in certain end markets as well as preemptive ordering ahead of possible supply chain issues resulting from trade politics between the U.S. and China. This short position was closed in Q4 after a 10% move lower.
Workday, Inc. (WDAY)	0.26%	0.39% Long as of 11/30/18	U.S. Information Technology Company	Workday is among the higher-quality SaaS companies and ultimately the one with the largest market opportunity: HCM and Financial solutions with primarily legacy competition. Nonetheless, we reduced our exposure to software and SaaS names in mid-2018 as they had become overcrowded and vulnerable to a de-rating amid a slower global economy. Formerly a core long position, the fund has adopted a more tactical approach to Workday due to rising bear risks for the momentum growth sector. We re-established a position in October after the stock corrected 20%. When strong November earnings propelled the shares to new highs, we again exited the position. We will look to own Workday either at the right price (below $130, 9x forward sales) or when our view of the broader market becomes less cautious.
McDonalds Corp (MCD)	0.18%	0.87% Long as of 11/30/18	U.S. Consumer Discretionary	We regard McDonald's as an attractive staple-like restaurant chain with defensive style characteristics. Under CEO Easterbrook, McDonald's has undertaken several positive strategic moves, including the transition to a mostly franchised model that's driving $500 million in net annual SG&A reductions. McDonald's average unit volume ($2.4 million) and cash-on-cash returns for new restaurants (exceeding 25%) still exceed most QSR chains. With a dividend yielding more than 2% and a three-year $22 billion–$24 billion capital-return program in place for 2017–2019, we view McDonald's as attractive for investors looking for global middle-class consumer exposure. The long position reflects our desire to own some defensive non-cyclical growth to balance the more domestic U.S. cyclical long positions.

*Sold during period.

Past performance does not guarantee future results. Please see additional disclosures on last page.

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TOP 5 FUND DETRACTORS FOR 4Q18

FIRM NAME	% RETURN	% OF FUND	FIRM PROFILE	ANALYSIS
Goldman Sachs Group (GS)	-0.97%	4.04% Long as of 12/31/18	U.S. Financial Institutions Company	We view Goldman as a core franchise with a record of success in higher-volume, lower–margin trading businesses; this capability should prove resilient in adapting to derivatives reform and changes in the fixed income landscape. Unfortunately, Goldman shares fell 26% in Q4, primarily in early November as revelations came to light about its role in the 1MDB scandal. The Malaysian government is suing for damages, though we believe Goldman's liability will be materially less than the $11 billion in market cap lost in two days. Goldman is viewed as a proxy for global economic activity and sentiment here clearly deteriorated in Q4. We are sticking with the position: Goldman remains best in class with some of the top talent in capital markets. While its fundamental outlook has softened, the stock discounts far worse than warranted (at less than 8x earnings) for one of the world's premier franchises.
Facebook, Inc. (FB)	-0.90%	4.88% Long as of 12/31/18	U.S. Information Technology Company	Facebook remained under pressure as the company transitions from News Feed to Stories ad formats and concerns linger regarding potential regulation of social media platforms. Management upticked its near-term outlook with a more positive view on fourth-quarter revenue and also provided an initial 2019 expense growth outlook in line with expectations. While margins will remain under pressure through 2019 as the company invests to improve the integrity of its platform, management is now signaling that these incremental costs will normalize exiting 2019. We see strong revenue and profit growth prospects for the company and find the current valuation compelling. While large-cap technology shares succumbed to the bearish mood in Q4, we suspect the bulk of de-rating of these former growth leaders will be complete by mid-2019 at the latest.
Laboratory Corp. of America (LH)	-0.77%	1.07% Long as of 11/30/18	Health Care Company	LabCorp is an undervalued diversified health services provider that provides non-cyclical long exposure for the Fund. We view the national labs as cost leaders in a fragmented industry ripe for consolidation, with LabCorp having the most attractive business mix given its higher-growth Covance segment (38% of sales). LabCorp underperformed in Q4 following a negative preannouncement due to lower testing volumes from 23andMe, weaker health system referrals, and an early transition of business to its largest competitor. Organic growth could be challenged for the company in 2019 due to a volume headwind from new nonexclusive payer arrangements with UnitedHealth and Aetna; a second round of Medicare reimbursement cuts could also have an impact. However, we are sticking with the name given a valuation of 12X 2019 earnings, which largely discounts these headwinds. We believe growth can re-accelerate in 2020 due to lab volume share gains and further strong execution at Covance under new management.
Alexion Pharmaceuticals, Inc. (ALXN)	-0.67%	0.92% Long as of 11/30/18	U.S. Pharmaceutical Company	Alexion is the leader in therapies that inhibit the complement system, a part of the immune system that removes damaged cells from the body and causes inflammation. Alexion's core product, Soliris, has been on the market since 2007 and is the only approved drug for several ultra-rare diseases. Recent pipeline wins over the last year increase the addressable market for the company and enhance the durability of its cash flows. Despite strong execution and better than expected 3Q earnings, the stock underperformed in 4Q due to concerns surrounding competition, and Alexion's decision to price Ultomiris (the successor to Soliris) at a 10% discount. In our view, Alexion's Ultomiris has set a high bar for future competition, whom we believe is several years away from catching up and not an immediate threat. Additionally, its current valuation fails to reflect the potential for greater patient volume capture, given Ultomiris' significant dosing advantage along with better efficacy. At 13x forward earnings, we consider the stock too cheap given visibility on several years of 15-20% top line growth.
Mohawk Industries, Inc. (MHK)	-0.65%	0.68% Long as of 11/30/18	U.S. Consumer Discretionary Company	Along with other building-related names, Mohawk (a manufacturer of flooring products) suffered from a series of preannouncements in H2. The macro catalysts of higher interest rates and higher labor costs have clouded the outlook despite healthy industry fundamentals, as have the negative headlines on China trade tariffs. We have historically preferred housing exposure through home improvement spending, such as flooring, an industry with limited competition where MHK has meaningful scale advantages. Q3 results fell short due to a strengthening U.S. dollar, a slowdown in housing demand and unfavorable product mix. We view these issues as temporary rather than structural and expect sales growth to improve over 2019; margins should recover on improved capacity utilization. At 10x forward EPS, the position is a good value, and we will reconsider the position in the context of other housing-related opportunities in early 2019.

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One risk is that investors are confronting a wave of forecast downgrades in terms of economic activity, sales and profit margins across all of the major markets. While the pressure of rising U.S. dollar interest rates will be relieved as the Fed pauses, the global contraction in liquidity could extend as earnings growth weakens. Entering 2019, the problem for investors is no longer higher U.S. dollar rates, it is the reluctance of the Fed to envision a reduction in rates anytime soon.

Economic recession in the U.S. is still unlikely, and is not a necessary consequence of the nascent deflation in asset prices. However, some mix of recession or financial crisis could be an accidental by-product of today's transition to a different economic environment. We are acutely sensitive to this scenario, while remaining open to the possibility of a softer landing.

In the eurozone it was also a poor quarter for equities, with the MSCI Europe Index declining 12.9% in U.S. dollar terms. The slowdown visible in almost all coincident data implies European GDP will struggle to grow more than 1% in 2019. We expect earnings growth to slow for the pan-European indices from approximately 7% in 2018 to flattish or modestly negative in the 2019-2020 period. Sadly, Europe's relative international decline is accelerating. A new economic agenda, not yet on the horizon, is required.

While U.S. investors speak of "policy error" by the Fed, the reality is that policy failure has been imposed upon Europe on a much greater scale. Large parts of Europe are trapped in a setting of negligible growth, low interest rates and low inflation. Its central banks are reducing their monetary support and there is little in the way of policy initiatives to offset this. Demographic trends are becoming more challenging. The public's exhaustion with EU policies was evident in the spontaneous and extensive disturbances on the streets of France.

Emerging markets also lost value in Q4 as the U.S.-China trade dispute persisted and concerns over global growth gathered. That said, the region's underperformance in relative terms was arrested as Wall Street finally succumbed to the bearish mood. The MSCI Asia Pacific Index declined 11% in U.S. dollar terms through the quarter. In our view, it is still too early to buy EM. We see little shift of significance in China's economic policy, while policymakers are attempting to reconcile several conflicting objectives. China's position is not as secure as many in the investment world tend to assume.

The widely watched U.S. yield curve, including the spread between the 10-year and 2-year Treasury yields, has so far avoided an inversion as we write this note, though trends imply an inversion is possible in coming quarters. In the context of end-cycle anxiety, the yield curve will remain relatively flat. The Fed is unlikely to reduce rates anytime soon and there is controversy over the definition of monetary neutrality (whether the Fed policy is truly easy or tight) after a decade of capital subsidization.

Our view is that the 3% threshold for yields of shorter dated U.S. dollar rates is the ceiling, regardless of Fed projections. The prolonged practice of capital subsidization by the central banks has almost certainly reduced the rate thresholds for financial stress relative to historic norms. **The critical question for investors, and what will not be known for some time, is: what is the scale of misallocated capital due to the combination of cheap debt and inflation in asset prices?**

There is growing consensus that the strength of the U.S. dollar has reached its limits. This assumes the Fed has done its tightening cycle, which is the underpinning of dollar strength. We question how much weakness in the U.S. dollar can develop as long as the U.S. economy remains a relative source of strength, even if it too is slowing. Until we reach the moment when the Fed begins to panic and ease aggressively, we are skeptical that U.S. dollar weakness will emerge in force.

The negative case for the U.S. dollar is straightforward, although it may take time to emerge: the world is overinvested in U.S. dollar denominated assets at a time when the rate differentials in favor of the dollar are reversing. Eventually, as risk assets come under further pressure, the U.S. dollar will decline decisively, partly because the world expects America to respond with reflation, sooner or later as it always does.

Positioning and Portfolio Changes

Our focus through 2018 has been capital preservation. This has been reflected in the fund's U.S. versus non-U.S. exposure, the index hedging activities and the composition of our long portfolio. In retrospect, peak multiples for this bull market occurred in Q1 2018: equities have been derated since then despite healthy corporate fundamentals. In early 2019, the global cyclical downturn could be entering its most challenging phase; the performance of risk assets in the past quarter was a clear casualty.

We have been selective in the mega-cap U.S. growth space since late 2017, partly due to our forecasted reversal of 'growth momentum' in the context of higher long-term interest rates. Another concern was the overcrowding or excess positioning that is typical of a late-stage bull market. Finally, many passive strategies that have increasingly influenced equity behavior since 2016 appeared ripe for disruption. With money flows focused on a few mega-cap leaders through much of 2018, our avoidance of Amazon and options strategy in Apple contributed positively to performance in Q4.

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In our view, the bear market in these mega-cap growth leaders marks a fundamental change in the investment environment. Equities are being repriced for a world of less capital subsidization by the central banks, higher labor costs and a shrinking contribution by globalization to corporate profitability. While many parts of the equity space such as EM were under pressure through much of the year, the significance of October 2018 is that it signaled a bear market in the strong part of the equity landscape: America's growth leaders.

When the strongest leaders of the bull market finally succumb to the pressures of higher interest rates, "late-cycle" becomes "end-cycle". Market action through Q4 confirms our view that we are entering a very different equity environment in 2019.

Our market hedges, which hampered returns earlier in the year, proved highly additive in Q4 as equity losses became substantial, geographically widespread and more severe by reference to individual stocks versus the major equity indices. As part of the avoidance of high-duration assets within the information technology sector, the fund's short position across the semiconductor industry delivered positive results. Good stock selection in several earlier stage businesses such as Workday was also additive in the period. Our remaining technology positions lean toward secular names such as Google and Facebook, which can be supported with traditional valuation metrics. In spite of being underweight relative to the S&P 500 Index and having some positions, such as Workday, that contributed positively, our overall holdings in information technology stocks were detrimental to performance, as the sector was one of the poorer performers for the period.

The counterpart of this selectivity was the overweight in financials, where valuations make sense and fundamentals are benefiting from the tailwind of the Fed's tightening cycle. This positioning envisioned a gradual market transition from higher momentum growth to domestic cyclical and noncyclical equity. Our overweight in financials was detrimental to performance as this sector, in spite of what we believe are its solid values and optimistic economic dynamics, declined in sync with the general market for the period. However, the fund added put structures across several long positions, which proved additive to performance in Q4.

The critical assumption of this long financials exposure, albeit less than the prior quarter, remains the end of deflation risk in the U.S. economy, underpinned by a sound U.S. consumer. As valuations suggest, this is somewhat contrarian and offers insight into our 2018 attribution. In our view, the likelihood of a "soft landing" for the U.S. economy implies select financials remain attractive opportunities.

We have maintained our exposure to the industrials area. We emphasize businesses less exposed to the very different economic landscape abroad. New additions here include Honeywell, Harris, Raytheon and Fluor. We suspect industrials that are U.S.-biased, with an emphasis on quality and late-cycle businesses will benefit accordingly. The fund reduced its exposure to Delta Airlines after strong relative performance and sold its long position in United Airlines. We began exiting the position in October and were completely out of it by October 19.

We have maintained our presence in health care, preferring diversified companies such as Johnson & Johnson and LabCorp rather than traditional pharmaceuticals. We believe this offers more upside for the same types of risk. Drug pricing remains vulnerable to a variety of political clouds. Moreover, the industry will struggle to emerge unscathed from the secular spending pressures that are an outcome of demographic realities. We view the group as a defensive rather than a genuine growth class.

We have exited much of our long exposure in consumer staples. Many of these stocks have performed well of late as investors have sought more defensive positioning, yet corporate fundamentals remain structurally unattractive. The fund remains selective here, focused on more discretionary names such as McDonald's which is in the middle innings of a multi-year turnaround as it shifts to an asset-light franchise model; from which we expect a more predictable earnings stream and accelerated free cash flow growth. Conversely, our consumer discretionary holdings were detrimental to return for the period, led by our exposure to homebuilding and housing supply companies, which were affected by the housing market downdraft.

The divergence of U.S. versus non-U.S. equities was striking in 2018, but we regard this as fundamentally driven. The fund has less than 5% of its long portfolio outside of the U.S. Within the U.S., we are sensitive to any overseas exposure, particularly Asian demand or the global producer industries. With respect to the latter, for example, the fund continues to avoid the Energy sector.

We are not succumbing to the argument that EM equities must be attractive because they have gone down so much. The return of credit risk implies an ongoing monetary squeeze for the emerging economies, which remain the weakest links. Rising concern over Chinese growth had a rippling effect throughout Q4, having a detrimental impact on U.S. stocks that rely on emerging markets for a meaningful portion of business. That said, we believe China is willing to make substantial concessions to Trump to avoid the aggravation of strategic confrontation and some kind of rapprochement in March is likely.

Europe continues to struggle. Longer term, we expect the EU to gradually splinter, and political uncertainty could weigh on growth for years. Sponsors of European integration are paralyzed by a defensive and doctrinaire mentality taking refuge in the cultural wars against illiberalism. Europe has become a zone of perpetual instability for investors and equity undervaluation is the only sensible grounds for long exposure. Thus, we remain highly selective in the eurozone.

The message of 2018 is quite clear: we are not just witnessing more of the same in the equity world. The derating of late 2018 should be viewed as one phase of a more extended transition from the post-2008 era of capital subsidization to a very different economic and financial climate.

The fund's approach to capital protection reflects this inflection, and we have actively managed a hedge on both the S&P 500 and the NASDAQ Composite Indices, taking these up or down on a tactical basis, through 2018. The fund's performance in Q4 relative to the general market indexes and the average of our peer competitors offers testimony to our success.

Outlook

2018 was the year of fiscally enhanced, underestimated, late-cycle American expansion. Yet, the period concluded with widespread concern that the global business cycle would prove a more powerful influence than U.S. domestic conditions. Through all of this, our interpretation is unchanged: the monetary tide in the West is turning, and central banks are no longer the friend of the investment cycle.

The U.S. economy is inflecting from a long period of monetary easing, which suppressed the cost of debt and pushed U.S. asset prices higher, to monetary tightening which has raised asset yields and lowered asset prices. This shift in the monetary environment was reflected in equity markets in 2018 and should be increasingly evident across the major economies in 2019. The question for investors is straightforward: how fast does the global economy slow and when will the Fed and other central banks respond?

This peak of financial prices across global markets occurred one year ago, in January 2018. To varying degree, that peak was initially disguised by robust U.S. corporate profits and the parabolic outperformance of U.S. growth stocks. Only as the bear market extended to these former leaders has the true nature of this new paradigm appeared: credit risk in many parts of the world has been camouflaged by a decade of financial repression. The development of the corporate credit cycle will be decisive for the outlook.

Measures of financial conditions imply that global liquidity is shrinking, although this is more apparent in measures of money than measures of actual credit. In 2019, the severity of this tightening will depend on whether the flow of credit can be sustained in the context of tighter monetary conditions. We assume that credit growth will gradually slow through 2019 (it remained robust in the U.S. through Q4), and the risk is that we see further reinforcing weakness in asset prices.

This traditional interpretation of the outlook assumes that economic cycles, up and down, are self-reinforcing until they hit turning points. The question today is whether the self-reinforcing support of credit expansion, led by the U.S. economy since 2009, is finally reversing. In other words, are we about to witness the self-reinforcing drag of a credit contraction? Markets are unsettled by this possibility of cycle juncture.

By nature, inflection points are rarely clear. We suspect the U.S. and other major economies will slow further in 2019, which implies we could eventually see easing efforts by the major central banks. The risk is that these come too late and are too modest to avoid a lengthy period of slow economic growth, although a recession could still be avoided in the U.S.

The U.S. Fed almost certainly sees much of this and, thus, the Fed tightening cycle is over. The more difficult question is when does the Fed actually reverse course and commence an easing cycle. The conundrum for equities is that the Fed cannot justify easing anytime soon because activity in America is not slowing rapidly. In particular, labor compensation will continue to strengthen through H1 because the labor market is unlikely to display evident weakness before late spring.

Much of the economic risk lies in China and Europe, with the latter possibly already in recession. The uncertainty of Brexit tensions and China trade politics are reinforcing this slowdown. In China, there is recognition that slower growth is inevitable, with any reacceleration in activity unlikely before the latter part of 2019. The reassessment of Asia's interconnected supply chains is detrimental to its producers, particularly in the context of China's unsustainable credit expansion.

Every cycle has its own vulnerabilities and these typically lie in the areas of excessive growth in debt, especially in the shadow banking system. Corporate borrowing has been very aggressive through these channels, with some of this money going into equities in the form of share buybacks. Cutting off the source of funding for equities could have a direct impact on equity markets and an indirect impact on the economy.

The good news is that much of this risk is borne by the private equity world, not the public banking industry. U.S. banks have delevered and are principally exposed to the healthiest global cohort: the U.S. consumer. What is confusing for many is that the U.S. economy could remain a source of relative strength and avoid recession through 2020. Unlike 2008, today's problems are more in the non-U.S. economic bloc than here in America.

While investor capitulation invariably signals a market bottom, and there was evidence of this in December. However, the troubles in corporate credit appear incomplete. While the derating of equities is advanced, the real question is when will we see a decisive reversal in the forces driving corporate credit? As long as corporate profit growth decelerates through coming quarters, it is hard to imagine why corporate credit will notably improve.

Equally, it is hard to envision a sustained equity recovery until the nascent process of downward revision of expectations is more mature. For this reason, we view the 2600 threshold on the S&P 500, or the equity lows recorded in Q1 2018 and October as the ceiling until this transition is complete. The silver lining is that the acceleration of the derating of equities implies the downtrend could be exhausted by the middle of 2019. It could be exhausted by March if we see a breakthrough in the China/U.S. confrontation.

If equities succumb to another move lower, say near 2300 for the S&P 500 (a retest of the 200 weekly-moving-average), we anticipate increasing our net equity exposures. At 2300, the S&P500 would trade near 13X 2019 earnings. This is a modest valuation versus recent history, though we are entering an environment when derating should be expected. In our view, investor returns in 2019 could witness "a year of two halves": capital protection through much of H1, but tradable recovery in H2.

FUND NET EXPOSURE (LONG - SHORT)

	SECTOR WEIGHTINGS AS OF 12/31/18	OVER/UNDERWEIGHT VS. MSCI WORLD INDEX	QUARTER TO QUARTER CHANGE
Communication Services	8.6%	0.3%	0.0%
Consumer Discretionary	14.4	3.9	-1.4
Consumer Staples	0.0	-8.7	-0.1
Energy	0.0	-5.9	0.0
Financials	38.8	22.6	-4.1
Health Care	6.1	-7.1	-0.3
Industrials	13.8	2.9	6.6
Information Technology	7.1	-7.9	0.3
Materials	3.0	-1.6	1.4
Real Estate	0.0	-3.2	0.0
Utilities	0.0	-3.4	0.0
Other	-42.6	-42.8	-9.8

Sector weightings, which are subject to change daily, are calculated as a percentage of Net Assets. The table excludes cash or cash equivalents, and any government / sovereign bonds the portfolio may hold. Exchange traded funds and index options are included in the Other category. You can obtain a complete listing of holdings by visiting www.calamos.com.

As long as the global economy remains within its 2% to 4% trajectory, we do not see a sustainable transition of market leadership from the growth to the value style. Therefore, we think investors will return to the growth leaders of the past decade once this current phase of derating is exhausted. We assume the underperformance of the growth style that began in September of last year will be exhausted by the middle of this year.

For risk assets in general, the global cyclical downturn has entered its most challenging phase. The consensus has been too slow to downgrade its expectations for economic growth and for profits, especially overseas. In the U.S., the downgrades of output and earnings are still in their infancy. For now, we are patient and looking for opportunities to increase equity exposure as this down cycle matures.

Beyond the short term, or certainly by early March, our focus will be the buying opportunities that are created by this derating of risk assets globally.

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AVERAGE ANNUAL RETURNS

	QTD	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (5/1/02)
Calamos Phineus Long/Short Fund							
I shares – at NAV	-4.03%	-5.94%	-5.94%	5.06%	4.11%	10.74%	10.54%
A shares – at NAV	-4.16	-6.16	-6.16	4.75	3.82	10.46	10.25
A shares – Load adjusted	-8.72	-10.60	-10.60	3.06	2.83	9.93	9.92
S&P 500 Index	-13.52	-4.38	-4.38	9.26	8.49	13.12	7.31
MSCI World Index	-13.31	-8.20	-8.20	6.91	5.14	10.29	6.67
Morningstar Long/Short Equity Category	-8.60	-6.29	-6.29	2.34	1.64	5.88	2.25

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.

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. For the most recent month-end fund performance information visit www.calamos.com.

The performance shown for periods prior to 4/6/16 is the performance of a predecessor investment vehicle (the "Predecessor Fund"). 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. All performance shown assumes reinvestment of dividends and capital gains distributions. In calculating net investment income, all applicable fees and expenses are deducted from the returns. The Fund also offers C shares, the performance of which may vary. As of the prospectus dated 3/1/18, the Fund's total expense ratio for Class A shares is 2.80% and Class I shares is 2.54%. The Fund's total expense ratio excluding dividend and interest expense for Class A shares is 1.82% and Class I shares is 1.56%.

For more information, please visit www.calamos.com or contact us at 800.582.6959.

IMPORTANT PERFORMANCE STATEMENT

The performance shown for periods prior to 4/6/16 is the performance of a predecessor investment vehicle (the "Predecessor Fund"). The Predecessor Fund was reorganized into the Fund on 4/6/16, the date upon which the Fund commenced operations. On 10/1/15 the parent company of Calamos Advisors, purchased Phineus Partners LP, the prior investment adviser to the Predecessor Fund ("Phineus"), and Calamos Advisors served as the Predecessor Fund's investment adviser between 10/1/15 until it was reorganized into the Fund. Phineus and Calamos Advisors managed the Predecessor Fund using investment policies, objectives, guidelines and restrictions that were in all material respects equivalent to those of the Fund. Phineus and Calamos Advisors managed the Predecessor Fund in this manner either directly or indirectly by investing all of the Predecessor Fund's assets in a master fund structure. The Predecessor Fund performance information has been adjusted to reflect Class A and I shares expenses. However, the Predecessor Fund was not a registered mutual fund and thus was not subject to the same investment and tax restrictions as the Fund. If it had been, the Predecessor Fund's performance may have been lower. 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.

NOTES

The **S&P 500 Index** is generally considered representative of the U.S. stock market. The **Morningstar Long/ Short Equity Category** funds take a net long stock position, meaning the total market risk from the long positions is not completely offset by the market risk of the short positions. Total return, therefore, is a combination of the return from market exposure (beta) plus any value-added from stock-pickingor market-timing (alpha). 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 Asia/Pacific region. 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. Gross exposure is calculated by adding the total value of the long and short positions. Net exposure is calculated by subtracting the value of the short positions from the long positions. For funds that takes idiosyncratic risk (i.e., stock specific) on both long and short positions, gross exposure can be a valuable depiction of investments at risk in addition to net exposure (market risk).

Important Risk Information. An investment in the Fund is subject to risks, and you could lose money on your investment in the Fund. There can be no assurance that the Fund 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 can increase during times of significant market volatility. The Fund also has specific principal risks, which are described below. More detailed information regarding these risks can be found in the Fund's prospectus.

The principal risks of investing in the Calamos Phineus Long/Short Fund include: equity securities risk consisting of market prices declining in general, short sale risk consisting of the potential for unlimited losses, leverage risk, and foreign securities risk.

As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities, including fluctuations in currency exchange rarates, increased price volatility and difficulty obtaining information. In addition, emerging markets may present additional risk due to the potential for greater economic and political instability in less-developed countries.

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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