Phineus Long/Short Fund First Quarter 2019 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 process 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

Global equities rebounded sharply in Q1 as financial markets celebrated the suspension of the Fed's agenda of monetary normalization, supplemented by similar initiatives in China. This monetary inflection combined with an imminent truce in U.S.-China trade tensions drove a price recovery from the December lows that is extraordinary by historical standards. The S&P 500 Index rose 13.7% in Q1, while the MSCI Europe and MSCI Asia Pacific Indices rose 10.7% and 9.7% respectively in U.S. dollar terms.

The rapid and forceful reversal from monetary normalization to neutrality by the U.S. Federal Reserve was in response to the market turmoil of late 2018. Policymakers were unnerved not just by gathering weakness of economies abroad, but by the effective shutdown of U.S. credit markets in December. This turmoil compelled a "monetary truce," which allows the more optimistic investor to believe that the worldwide slowdown in economic activity has been adequately discounted.

While sentiment around U.S. economic activity has improved through Q1, our view is that the data is more consistent with stabilization than a broad-based recovery. Economic growth remains the crux of the question.

There is a tendency in our industry to assume that economic trends will validate the prior performance of financial markets, as the latter are better leading indicators than most forecasters. But markets can overshoot and anticipate fundamental outcomes that are less conclusive than implied by price alone. For example, the severe Q4 sell-off appears to have incorrectly anticipated the risk of U.S. recession in 2019.

Much of the upgraded U.S. setting reflects recent employment data, where momentum appears resilient. Outside of this, the picture is mixed. Most business surveys and capex intentions in particular have stalled from the robust pace of 2018. We believe U.S. firms did not anticipate the unfolding global slowdown and are struggling to maintain margins amidst higher labor costs, sticky interest expense and the reversal of global supply chains.

Investors have welcomed signs of more moderate growth because it sustains their belief in "Goldilocks" expansion: not too hot, not too cold and aligned with an accommodative Fed. The consensus assumes the Fed's agenda to normalize U.S. monetary policy is not just suspended—it has ended, with no further rate hikes anticipated through 2020. The comprehensive nature of this reversal message has merited celebration, though the context of the Q4 collapse should not be overlooked.

Periods of "Fed neutrality"—where the Fed pauses to assess the impact of prior tightening—have historically proven ephemeral. More often, they have foreseen a recession and embarked on an eventual and full-scale easing cycle, or they have pre-emptively eased (such as 1995 and 1998) and, thus, extended the economic cycle. We expect financial markets to rejoin this debate between May and early autumn. The ongoing flattening of the U.S. Treasury yield curve could be the alibi for the Fed to preemptively ease in H2 of 2019.

In addition to this inflection in monetary sentiment, investors have been encouraged by abating trade tensions between the U.S. and China. While some deal appears imminent, as neither side desires escalating to a more strategic and costly confrontation, the trade resolution should be viewed more as a truce than a full conclusion of the issues at stake. In particular, the mechanisms regarding how to monitor and enforce China's compliance could prove problematic, as could overseeing the longer-term competition across key technological industries.

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TOP 5 FUND CONTRIBUTORS FOR 1Q19

FIRM NAME	% RETURN	% OF NET ASSETS	FIRM PROFILE	ANALYSIS
Facebook, Inc. (FB)	1.17%	5.04% Long as of 3/31/19	U.S. Communication Services Company	Facebook operates the dominant social media platform with very high margins on top of incremental growth opportunities from Instagram, WhatsApp, and Messenger. The stock outperformed this quarter driven by solid earnings, despite a backdrop of investor angst and concerns regarding user engagement. Daily active users increased sequentially in each geography. US engagement increased sequentially while international user engagement held constant. Mark Zuckerberg indicated more focus on new growth initiatives in 2019, which includes commerce on Instagram and Watch (video) reaching critical mass, though the near-term driver remains Stories. Management continues to expect margin stabilization into 2019. We see strong revenue and profit growth prospects for the company and find the current valuation compelling.
Alexion Pharmaceuticals, Inc. (ALXN)	0.83%	2.89% Long as of 3/31/19	U.S. Pharmaceuticals 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. We believe there is revenue durability following the success of its Phase 3 Ultomiris study for treatment-naïve and switch PNH patients, which showed non-inferiority across all primary and secondary endpoints and treating physicians intend to switch patients to the drug based on this data. In our view, Ultomiris has set a high bar for future competition, which 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 just 15x forward earnings, we consider the stock too cheap given visibility on several years of double-digit EPS growth.
First Solar, Inc. (FSLR)	0.68%	2.52%* Long as of 2/28/19	U.S. Information Technology Company	First Solar designs and manufactures solar modules and provides EPC services for the construction of utility-scale PV power plants in the U.S. and internationally. The stock outperformed in the quarter as demand and visibility in the space continue to improve. Mid-to-late stage booking opportunities remain significant, and recent orders suggest we could see additional customers looking to take advantage of the ITC safe harbor (tax credit) before year end. Execution in their Series 6 product should become increasingly important, as they have incurred issues in the past few quarters. Additionally, China policy remains important for sentiment and customer behavior. Upgraded manufacturing capacity and an expanded project pipeline support upside to EPS estimates.
The Goldman Sachs Group, Inc. (GS)	0.63%	4.23% Long as of 3/31/19	U.S. Financials 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. The stock outperformed in the quarter, driven by better-than-feared earnings, particularly in their Investing-and-Lending and Investment Banking segments. 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 capital markets franchises.
SLM Corp. (SLM)	0.51%	1.66%* Long as of 2/28/19	U.S. Financials Company	Sallie Mae is the largest provider of private student loans to families and students for college. The stock outperformed in Q1 driven by strong earnings, increased 2019 guidance, the company's first stock buyback, and activist interest in student lending peer Navient. It trades at a discounted valuation despite ~20% EPS/balance sheet growth and high-teens ROE (in the low-risk private student loan business) as well as a huge lead in brand awareness/market share in the core student loan market. The company is also a viable take-out candidate.

*Only top 10 holdings of longs or shorts show % of net assets as of 3/31/19. All other holdings not within the top 10 show the % of net assets as of 2/28/19. This is in accordance with the firm's disclosure of portfolio information policy.

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

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TOP 5 FUND DETRACTORS FOR 1Q19

FIRM NAME	% RETURN	% OF NET ASSETS	FIRM PROFILE	ANALYSIS
SPDR Trust Series 1 (SPY)	-9.26%	-75.42% Short as of 3/31/19	S&P 500 Companies	This is a market hedge on general U.S. large-cap equities. Reflecting our emphasis on capital preservation, the fund has maintained significant hedges on the S&P 500 Index (SPY), adjusting them up or down on a tactical basis. As the Fed pivoted to a more dovish stance and a U.S.-China trade deal has become increasingly more likely, this market hedge detracted from our performance in Q1. However, despite the strong rally from the December lows, into summer, we expect economic and earnings data will broadly deteriorate further, capping upside for equities.
Ishares USA Min (USMV)	-0.20%	-1.77% Short as of 3/31/19	U.S. Min Vol ETF	Our portfolio hedge on this low-volatility ETF detracted value in the quarter as the Fed's pivot toward a dovish stance led to positive performance for bond proxies in Q1. This position reflected our negative bias toward passive strategies that have attracted significant fund flows. The fund exited the position early in Q2.
Humana, Inc. (HUM)	-0.16%	1.48%* Long as of 2/28/19	U.S. Pharmaceuticals Company	Humana has the largest exposure to the most attractive segments of the health insurance market among its managed care peers. Financial flexibility has been significantly enhanced through tax reform and the HIF moratorium. Accelerating growth in the Medicare Advantage market over the next few years combined with the most favorable rate environment in recent memory should sustain growth. The stock underperformed in the quarter, driven down by increasing political rhetoric around replacing private medical benefits with a government-run single payer "Healthcare-for-all" system. In our view, this is an unlikely outcome. We see share gains in Medicare Advantage set to reaccelerate, supporting double-digit annual EPS growth over the long-term.
Financial Select Sector SPDR (XLF)	-0.15%	0.06%* Short as of 2/28/19	U.S. Financials ETF	Our tactical hedge on the financials sector detracted value in the quarter. We are still positive strategically, but have implemented tactical hedges to limit the downside, reflecting our macro outlook.
Industrial Select Sector SPDR (XLI)	-0.07%	-4.08% Short as of 3/31/19	U.S. Industrials ETF	Our tactical hedge on the industrials sector detracted value in the quarter. We are still positive strategically, but have implemented tactical hedges to limit the downside, reflecting our macro outlook.

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We question whether this U.S.-China deal will lead to a resumption of trade activity and a revival of global economic growth. Trump seems highly committed to the reversal of global supply chains in favor of more regional economic blocs in order to boost long-term investment in U.S. manufacturing. For this reason, we struggle to believe the eventual deal can be comprehensively positive for sentiment. Once Trump claims victory over China, the trade squeeze will be turned upon Europe.

The resurgence of Chinese equities in Q1 played much the same role in encouraging investors to assume that global output and trade will shortly revive. The scale of Chinese stimulus in January was impressive and helped underpin signs of stabilization after a shaky Q4. Nonetheless, many indicators remain consistent with weak demand; none of China's most important trading partners (Germany, Korea and Japan) are mirroring any notable pickup. As we write this note, the Politburo has revealed there will be an adjusted, slower pace of stimulus going forward.

Amidst all of these headlines induced by policymakers, we should not overlook that market volatility has a fundamental source: U.S. earnings releases have highlighted a sharp deceleration from last year's tax-induced bumper growth. We expect a steady wave of forecast downgrades in sales and profit margins across all of the major markets into autumn. In the context of this deterioration, the obvious question is whether the structural forces driving last year's contraction in liquidity have been genuinely reversed.

Putting all of this together, the market's performance in Q1 should be judged as a *"rebound, not revival"*—rebound from the turmoil of late 2018 rather than a revival of the bull market in risk assets. This distinction is captured by the dichotomy between the worlds of equity and credit and their respective assessment of the outlook. As one example: the flattening of the U.S. Treasury curve has been arrested since December, but it has not reversed as one would hope with a risk revival.

Equities are discounting a degree of improvement in economic activity commencing this summer and extending through 2020. This outcome is in line with past U.S. election cycles and assumes managements can rapidly adjust their business models for slower growth ahead. Credit markets anticipate a prolonged period of slower growth, though they are agnostic about recession. If credit markets are correct, equities have limited upside. If credit markets are wrong, the implication is renewed upward pressure on U.S. interest rates.

The lesson of 2018 is that the 3% threshold for shorter-dated U.S. dollar rates is the ceiling, regardless of Fed projections. Prolonged capital subsidization has reduced the rate thresholds for financial stress, which is why the U.S. yield curve remains stubbornly flat. Entering 2019, the Fed has aggressively encouraged an overshoot to the downside of U.S. dollar yields. Any improvement in the global business cycle amidst full employment in the U.S. should produce an upward displacement of the entire Treasury curve.

Positively, economic recession in the U.S. is unlikely in 2019 and probably 2020. Our central forecast is that global activity will muddle through, largely supported by the resilience of Western consumer incomes. However, some mix of mild recession or financial crisis could be an accidental by-product of what we (later) describe as a transition to a different economic setting. We are acutely sensitive to this scenario, while remaining open to the higher likelihood of a softer landing.

Turning to Europe, investors have finally embraced the stagnant economic outlook that seems to be the continent's destiny in coming years. Sadly, the ECB is becoming Japanese in the sense of "QE forever" with the associated malaise and decline in productivity. The failure to resolve Brexit will weigh upon the entire region, but we are intrigued by the longer-term upside for Sterling-based assets. Global investors appear structurally underweight the latter, while UK cash flow yields are compelling. Contrary to the common dogma, we believe the productivity upside for Britain is greater outside than inside the EU.

There is widening consensus that the strength of the U.S. dollar has reached its limits. This assumes the Fed has done its tightening cycle, which has been an underpinning of dollar strength. We question how much weakness in the U.S. dollar can unfold as long as the U.S. economy remains a relative source of strength, even if it too is slowing. Until we see circumstances where 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 could be peaking. But this view is debatable given the mediocre outlook in much of the non-U.S. world. We believe real weakness in the U.S. dollar must await further pressure on risk assets, partly because the world expects America to respond with reflation, sooner or later as it always does.

Positioning and Portfolio Changes

In our view, the 2018 to 2020 period represents a liquidity-driven deflation of financial prices in the context of a global cyclical slowdown. While the Fed's pivot represents insurance against the more deleterious risks, we believe the economic slowdown is still underestimated by investors and will be more apparent in corporate releases through the middle quarters of 2019.

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This interpretation has biased our long selections towards more resilient areas of the equity world. At the margin, it implies more U.S. versus non-U.S.; it supports our bias towards the Western consumer rather than the global producer industries.

Our sense is that this slowdown can avoid an outright recession in the U.S., largely due to the resilience of consumer incomes. Nonetheless, we are entering a vulnerable phase and markets will struggle over the correct "valuation" applied to late-cycle equities. For this reason, the steady recovery in U.S. equities through Q1 was used to reduce net exposure and preserve the year-to-date gains.

Into April, the Fund's long and short exposure is roughly balanced; positioning shifts are largely occurring at the industry and stock level. For example, the Fund has modestly reduced its exposure to U.S. financials where the group's beta implies some vulnerability to "late-cycle" perception. That said, valuations are compelling and fundamentals are solid, which explains their impressive bounce after the December lows. Core longs here include **JP Morgan, Bank of America (3.3%)** and **Morgan Stanley (4.0%)**.

Technology has been a tactical source of alpha in recent months, but crowded positioning is a concern; according to some data, investor positioning in software is near multi-year highs. Equally, the industry is exposed to maturing corporate profitability, which implies weaker tech capex. **Facebook (5.0%)** and **Google (4.1%)** remain core longs partly because they sell into markets (via advertising) more dependent upon the health of the consumer than corporates.

The Fund added modestly to its health care positioning **Humana (1.5%*),** though we prefer diversified companies such as **Johnson & Johnson (2.3%*)** and **LabCorp (3.2%)** rather than traditional pharmaceuticals. Drug pricing remains vulnerable to a variety of political clouds and little of the health care food chain will 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 remain highly selective in other defensive areas such as consumer staples, where valuations are high after the 2018 turmoil across markets. We are focused on discretionary names such as **McDonald's (2.4%*),** which is in the middle innings of a multi-year turnaround as it shifts to an asset-light franchise model. **Wal-Mart (2.0%*)** was added as a staple-like opportunity benefiting from the resilience of the Western consumer.

With regard to our industrials positions **Honeywell (1.3%*), Emerson Electric (2.4%*)** as well as the military/defense positions **Harris (1.4%*)** and **Raytheon (2.5%*)**, we emphasize businesses less exposed to the very different economic landscape abroad. The fund has tactically adjusted its exposure to airlines, where **Delta Airlines (3.0%)** remains our preferred long and **Air Lease (1.0%*)** is an attractively valued contrary play on global travel demand.

Emerging markets remain uncompelling despite their valuation attraction. The rise of "global growth led by China" has been inextricably linked to the Pacific supply chains which are being unwound. China's debt cycle is extreme, while the confrontation with the U.S. is substantial and limiting the options of policymakers. Recent fiscal initiatives have been more modest than prior episodes, and we continue to avoid the region.

The reappraisal of the outlook for USD interest rates is usually the signal to upgrade EM risk assets. Yet, MSCI Asia Pacific underperformed in Q1 despite the Fed's pivot, confirming our disbelief in a sustained EM cycle. With globalization in retreat, these economies will struggle to compete for capital. We think investors have not incorporated this risk into their long-term expectations for GDP and earnings growth across much of the EM world.

In Europe, there is no political visibility and equities are virtually uninvestible until these markets become much cheaper. Sponsors of European integration are paralyzed by a defensive and doctrinaire mentality, taking refuge in the culture wars against liberalism. Europe's combination of budgetary austerity coupled with monetary subsidization is following a Japan-like trajectory. Europe has been reduced to the protector of a stagnant status quo.

Outlook

What explains the uncommon reversal of fortunes into 2019? More than anything, it reflects the comprehensive capitulation by the U.S. Federal Reserve and the message that central banks have the back of investors.

Through the course of 2018, investors came to realize that central bank policy was no longer aligned with the post-2008 cycle of financial asset price inflation. The latter was the derivative of the Fed's extensive policies of capital subsidization: the suppression of U.S. interest rates, credit risk and, thus, the corporate cost of capital. We characterize these policies as the monetary equivalent of opioids.

Into 2019, the performance of equities has been remarkable. Naturally, we should ask whether these gains foreshadow an improving economic cycle and the revival of the bull market in risk assets. Our interpretation is more nuanced.

*as of 2/28/19

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By releasing its financial squeeze, the Fed confirms the end of monetary restriction, and investors have rejoiced. But equally, we have learned that the withdrawal of the monetary drugs is starkly difficult. The Fed has not just suspended its agenda of monetary normalization—it has abandoned it. We have witnessed the sober reality that prolonged application of capital subsidies creates dependency.

The message of the past six months, as exhibited by the schizophrenic swing between recession fear and recovery optimism, is that the behavior of risk assets virtually defines financial conditions and confidence across the U.S. economy. In effect, the Fed has committed itself to be the manager of global risk assets.

Policymakers are now prisoners of the very inflation in financial asset prices that they created. While some argue the Fed is more concerned about the risks of recession than they are willing to admit, our perspective lies in the Fed's own fallibility as demonstrated by its unconventional policies. Capital subsidization has created economic and social costs that are associated with permanent dependency.

The apprehension surrounding these costs, which include the encouragement of excessive indebtedness, explains the rare display of disarray at the Federal Reserve. In our view, this reflects genuine fear of policy error and the politicization of the institution itself. Financial markets understand the direction of policy bias at the Fed because the threshold of pain is low.

Conventional wisdom is that central banks can manage financial markets and even have a duty to manage them in order to 'benefit the economy'. The rise of new schools of thought, such as Modern Monetary Theory (MMT), are manifestations of the decline of belief in free markets and the abandonment of anchors. All of this can be traced back to the hyper activism of central banks and their commitment to support asset prices.

Of course, central banks can suppress financial volatility and support 'market liquidity', which has been the theme in 2019. But there are still absolute anchors relating to rate levels, balance sheet structures and the productive allocation of capital. As Hyman Minsky, the famed economist noted, "The more stable things remain, the more unstable they will be when crisis occurs; success breeds a disregard of the possibility of failure."

Investors are comforted by the absence of the familiar end-cycle dynamic of rising inflation and monetary restriction. Yet, the last two recessions in the West were not the consequence of inflation as traditionally defined: they were the consequence of instability produced by different forms of asset price inflation. In Minsky terms, investors are confusing the ascendancy of financial assets in 2019 with stability.

For this reason, central banks appear to be displacing problems rather than addressing them. Financial markets have calmed decisively since December in response to central bank assurances. Yet, the inversion of the most widely monitored versions of the U.S. Treasury yield curve has amplified perceptions of late-cycle vulnerability. These vulnerabilities combined with increased leverage have reduced the threshold for financial stress.

The strategic question is whether "Fed neutrality" is enough. Does the pivot by the central banks halt the downturn in the global business cycle and remove the risk that this downturn could be prelude to recession?

Slower U.S. growth seems inevitable due to the fading influence of the Trump tax bill and the structural recession across the global producer industries. There are pockets of late-cycle exhaustion in key areas of consumer demand such as housing and autos. The risk of outright U.S. recession remains low because employment markets are firm, though some slackening has also emerged here. For example, monthly U.S. payrolls averaged 40,000 less per month in Q1 versus the prior quarter.

The corporate earnings cycle is symptomatic of these late-cycle dynamics. In December, investors effectively "priced in" an earnings recession for 2019. Profit growth has quickly turned negligible in Q1 (~ 0%) and the second derivative of growth is what matters now. Cost structures may be too high for slower sales and profits, which usually elicits cost-cutting. These costs can be the hardest to cut: admin costs, depreciation of existing assets and debt service.

Compared to the rest of the world, the U.S. slowdown is recent and still modest. While Europe can avoid recession due to the resilience of domestic demand, GDP growth in Euroland seems unlikely to exceed 1% in 2019 and the political setting remains unfriendly to investors. The silver lining could be an authentic ("no deal") Brexit, but the British political class has never believed in this. Here and once again, fear of economic disruption is the defining characteristic of Western policymakers due to apprehension of social repercussions.

The outlook for China is more opaque. Chinese policymakers are aiming for stabilization and the nascent signs here are positive. Yet, deleveraging remains the strategic priority because excessive credit growth is perceived as the longer term threat. Real GDP has likely stabilized after last year's doldrums, but the absence of any recovery in nominal GDP growth implies little benefit for the rest of the world. China faces considerable challenges in coming years: the old theme of "global growth led by China" is over.

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An era of transition: 2018 to 2020

The post-2008 bull market ended in October of last year. Our definition of "end" is not based upon the price behavior of the major equity benchmarks, but upon the driving logic of financial asset price inflation spurred by central bank policies of the past decade. This era is climaxing now: 2018 – 2020 should be viewed as one phase of a more extended transition from the investment environment of capital subsidization.

The challenge for investors is that this transition period is unlikely to correspond to the conventional perception of a bull or bear cycle. Instead, we expect a climate of rising financial instability, social and political fragmentation, and gathering evidence of late-cycle exhaustion. We see the S&P 500 Index range bound between the December lows of 2400 and the former highs around 3000.

Slower U.S. growth has been welcomed because it maintains the liquidity environment and a low cost of debt. The Fed is committed to avoiding the turmoil of late 2018. This persistence limits the downside for risk assets, as does the absence of familiar end-cycle logic of rising inflation and monetary restriction. As long as U.S. recession is avoided, we do not anticipate a severe bear move because the Powell "fear threshold" has been demarked.

Equally, we see the upside potential for equities as limited. Stronger U.S. growth would almost certainly prove disruptive for credit markets and, thus, would revive the monetary constraint for equities. Business investment is generally slowing, while U.S. corporate profitability is peaking. More generally, equities are grappling with a future of less capital subsidization, higher labor costs, higher interest rates and a diminished contribution of globalization to corporate profitability.

Investors should expect multiple reversals of trend perception in coming years. 2018 was the downward reversal of trend – it was not sustained. Similarly, today's gathering perception of an upward trend in risk assets is unlikely to be sustained. This framework of "neither bull nor bear" implies a tactical approach to equity exposure. When corrections occur, they are likely to be rapid as investors again fear trend reversal.

FUND NET EXPOSURE (LONG - SHORT)

	SECTOR WEIGHTINGS AS OF 3/31/19	OVER/UNDERWEIGHT VS. MSCI WORLD INDEX	QUARTER TO QUARTER CHANGE
Communication Services	9.3	1.0	0.7
Consumer Discretionary	9.7	-0.7	-4.6
Consumer Staples	2.0	-6.6	0.0
Energy	2.2	-3.8	0.0
Financials	29.8	14.2	-9.0
Health Care	12.2	-0.7	6.1
Industrials	13.0	1.9	-0.8
Information Technology	1.3	-14.5	-5.7
Materials	2.1	-2.4	-0.9
Real Estate	0.0	-3.3	0.0
Utilities	0.0	-3.3	0.0
Other	-77.5	-77.5	-34.9

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.

Conclusion

Our assumption is that global growth will remain sluggish through this year and into 2020, but avoid any traumatic debacle. This is good news for parts of the global landscape that are priced for mediocre growth, but creates challenges for components of the U.S. equity world that are priced for superior profitability. U.S. earnings are unlikely to grow in 2019, which implies that equities prices are sanguine relative to the downside risks.

We do not believe the wait-and-see neutrality of the Federal Reserve is sufficient to restore the bull market in risk assets. The challenge is not just the cyclical slowdown in global growth, but the declining effectiveness of monetary stimulus for the economic cycle. Markets will add their opinion to this debate between now and early autumn. The dispersion of views among investors is wide, but conviction attached to these views appears low.

Reflecting all of this, we are cautious about adding risk with U.S. markets back near all-time highs. We aim for healthy absolute returns in 2019 without forcing our clients to assume either the bullish or bearish side of these arguments.

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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	3.26%	3.26%	-4.55%	6.41%	4.43%	11.59%	10.59%
A shares – at NAV	3.28	3.28	-4.76	6.13	4.16	11.31	10.31
A shares – Load adjusted	-1.61	-1.61	-9.26	4.40	3.16	10.77	9.98
S&P 500 Index	13.65	13.65	9.5	13.51	10.91	15.92	8.01
MSCI World Index	12.65	12.65	4.67	11.31	7.38	13.01	7.32
Morningstar Long/Short Equity Category	5.88	5.88	-0.52	4.36	2.75	7.08	2.56

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 3/1/19, 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 1.68% and Class I shares is 1.44%.

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 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 AC Asia Pacific Index** captures large and mid cap representation across 5 Developed Markets countries and 9 Emerging Markets. 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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