

# Global Growth Strategy

CALAMOS  
INVESTMENTS

## Market Overview

Global equities advanced during a choppy quarter even as investors confronted escalating trade disputes, divergent monetary policy and mixed economic growth versus generally positive corporate earnings and attractive equity valuations. Equities delivered moderate gains across most regions, offset by weakness in emerging markets. Developed markets returned 5.10%, as measured by the MSCI World Index. U.S. stocks outperformed and drove much of this gain, with the S&P 500 Index returning 7.71% in the quarter, while the MSCI World ex-US Index returned 1.38%. Confronting multiple challenges, emerging markets trailed other regions, as the MSCI Emerging Markets Index dipped -0.95%.

The broad MSCI ACWI Index returned 4.40%, reflecting the relatively widespread advance across most regions. Sectors within the MSCI ACWI Index delivered mixed returns in the quarter. Health care (+10.53%) and technology (+5.78%) led index gains, while real estate (-2.31%) and materials (-0.62%) trailed the other sectors.

U.S. markets outperformed international markets, supported by positive economic data, strong earnings growth, and investor positioning with respect to the stronger dollar and gradual tightening by the Federal Reserve. Economic data continued to reflect a strong domestic expansion. Recent reports showed solid gains in payrolls, extremely low unemployment and moderate wage inflation. The Federal Reserve continued on its path of normalization and raised interest rates a quarter point at its September meeting. Trade disputes with China remained contentious, with both sides escalating the size

and scope of proposed tariffs during the quarter. Conversely, the U.S., Mexico and Canada announced a new trade agreement to replace NAFTA.

European equities returned 0.84% for the quarter, as represented by the MSCI Europe Index (+1.24% in local currency). European markets were influenced by a softer patch in economic data, periods of higher trade tension with the U.S. and multiple political risks. Economic data indicated mixed conditions across the region, with manufacturing and industrial production figures coming in slightly below expectations, while consumer confidence and employment data were mostly positive. In terms of monetary policy, the ECB left interest rates unchanged at its recent meeting and held to the target to end QE asset purchases in December, with potential interest rate increases expected in mid-2019. The Bank of England raised interest rates during the quarter, increasing the benchmark rate a quarter point despite a mixed macro environment and the still uncertain Brexit outcome. The U.K.'s economic data and corporate releases continue to show mixed signals, with very low unemployment offset by declining home prices and waning business confidence.

Asian developed markets also rose in the period, with the MSCI Pacific index returning 2.37% (+4.53% in local currency). Japan's benchmark Nikkei index approached a multi-decade high in the quarter, aided by improving corporate profits, a healthier economy and a weaker yen benefiting exporters. From a policy perspective, the Bank of Japan (BOJ) left rates unchanged and held to its highly accommodative stance overall. In other regions, Australia's unemployment rate remained at

**FIGURE 1. CALAMOS GLOBAL GROWTH STRATEGY RETURNS**

	QTR ENDING 9/30/18	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (4/07)
<b>Calamos Global Growth Composite</b>						
Gross of Fees	4.10%	12.22%	15.37%	11.11%	12.42%	9.37%
Net of Fees	3.83	11.07	14.15	9.93	11.24	8.21
MSCI ACWI Growth Index	4.62	15.11	15.66	11.09	9.97	7.10

Source: Calamos Advisors LLC. Past performance is no guarantee of future results.  
Data as of 9/30/18.

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**FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS THE MSCI ACWI GROWTH INDEX**  
THIRD QUARTER 2018

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Health Care	88	
Consumer Discretionary	50	
Real Estate	16	
Materials	9	
Utilities	4	
Telecom Services		-6
Energy		-15
Information Technology		-28
Consumer Staples		-31
Industrials		-49
Financials		-61

Attribution based on gross of fee performance with dividends reinvested. Performance attribution excludes any government/sovereign bonds or options on broad market indices the portfolio may hold.

Past performance is no guarantee of future results.

Source: Calamos Advisors LLC. Data as of 9/30/18.

5.3%, the lowest level since 2012, and the country's overall economic growth of 0.9% reflected healthy domestic demand and foreign trade.

Emerging markets underperformed during the period, as the MSCI Emerging Markets Index slipped -0.95%. Emerging markets navigated multiple cross-currents in the period, including global trade disputes, mixed economic data, and weaker currencies. Chinese stocks declined in the quarter, reflecting currency depreciation and an escalation in the trade dispute with the U.S., as both sides increased the scale and scope of import tariffs. Mexican shares continued their relative outperformance in the month and quarter, as the U.S., Mexico and Canada reached agreement on a new trade pact update to NAFTA, spurring equities and the peso higher.

## Performance Review

The portfolio generated a positive return during the quarter but trailed the index due to geographic positioning, while the portfolio's relative security selection added value versus the benchmark. Specifically, the portfolio gained 4.10% versus the 4.62% return of the MSCI ACWI Growth Index.

## Positive Influences on Performance

**Health Care.** The portfolio's leading security selection in health care assisted return. In particular, pharmaceuticals and health care technology represented major contributors.

**Consumer Discretionary.** Security selection in consumer discretionary added to the portfolio's performance, especially in the internet & direct marketing retail and apparel, accessories & luxury goods industries.

## Negative Influences on Performance

**Financials.** Over the period, trailing selection and an overweight allocation within the financials sector curbed relative returns, as holdings in the financial exchanges & data and investment banking & brokerage industries lagged.

**Industrials.** Security selection and an underweight stance within the construction machinery & heavy trucks and human resource & employment services industries underperformed.

## Geographic Performance

From a regional standpoint, favorable security selection in Canada contributed to return. Similarly, the portfolio benefitted from selection and an underweight allocation in EMEA. Israel was a leading contributor. In addition, our nonparticipation in South Africa assisted return.

Contrarily, the portfolio's underweight stance in the United States curbed relative returns. In addition, trailing selection and an underweight stance in Japan weakened relative performance.

## Positioning and Portfolio Changes

In terms of economic sectors, the largest portfolio weights are in information technology and financials on an absolute basis. Conversely, real estate and materials represent the smallest absolute sector weights; we were absent utilities and telecom during the quarter. We maintain overweight allocations to financials and energy versus the index. Diversified banks (within financials) and integrated oil & gas (within energy) constitute the most significant relative overweights. Systems software and aerospace & defense constitute the most significant underweight industries.

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

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**FIGURE 3. SECTOR ALLOCATIONS VERSUS THE MSCI ACWI GROWTH INDEX**

SECTOR	REPRESENTATIVE PORTFOLIO %	MSCI ACWI GROWTH INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 6/30/18 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	34.9	30.4	1.5	4.4
Consumer Discretionary	13.0	16.7	-0.4	-3.7
Financials	12.8	8.4	-1.5	4.4
Health Care	12.8	12.0	4.5	0.8
Industrials	10.1	13.3	-3.0	-3.2
Consumer Staples	8.1	8.2	0.1	-0.1
Energy	5.4	3.0	0.7	2.4
Materials	1.5	4.6	-1.9	-3.1
Real Estate	1.4	1.8	0.1	-0.4
Telecom Services	0.0	1.1	0.0	-1.1
Utilities	0.0	0.5	0.0	-0.5

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Sector weightings exclude cash or cash equivalents, any government/sovereign bonds or broad-based index hedging securities/options the portfolio may hold.  
Source: Calamos Advisors LLC. Data as of 9/30/18.

**FIGURE 4. LARGEST 10 COUNTRY WEIGHTS VERSUS THE MSCI ACWI GROWTH INDEX**

COUNTRY	REPRESENTATIVE PORTFOLIO %	MSCI ACWI GROWTH INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 6/30/18 (PCT. POINTS)	UNDER/OVERWEIGHT %
United States	44.5	54.8	5.2	-10.3
China	9.0	3.1	-3.1	5.9
Japan	6.4	7.5	-2.7	-1.1
United Kingdom	6.2	4.3	1.4	1.9
Canada	4.8	3.0	-0.5	1.8
Germany	4.5	3.4	-1.7	1.0
Netherlands	3.4	1.2	-0.3	2.2
Australia	3.1	2.0	0.3	1.2
Italy	2.8	0.3	-0.2	2.5
Switzerland	2.8	3.0	-0.5	-0.2
Developed Markets	86.9	89.4	4.4	-2.5
Emerging Markets	13.1	10.6	-4.4	2.5

Excludes cash weighting. Companies are classified geographically according to their country of domicile. This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Geographical distribution tables exclude any options on broad market indices the portfolio may hold.  
Source: Calamos Advisors LLC. Data as of 9/30/18.

We increased the allocation to health care during the period by adding weights within the pharmaceuticals and health care services industries. In information technology, we scaled back the internet software & services and home entertainment software industries.

From a regional standpoint, the portfolio's largest weights are in the United States and Europe. On the other hand, EMEA and Canada represent the smallest absolute weights; we were absent Emerging Latin America during the quarter. We maintain overweight allocations to Emerging Asia and Europe, while the portfolio has an underweight stance in the United States and EMEA versus the index. We modestly

increased weights to the United States and EMEA. We offset these moves by trimming weights in Emerging Asia and Japan.

## Positioning Discussion

- » We have an underweight position in the U.S., reflecting our view of tightening liquidity, relatively rich valuations and potentially more challenged earnings ahead. We favor companies with secular growth tailwinds as well as more cyclical opportunities, in addition to select defensive growth businesses.
- » We hold a small overweight in Europe, preferring small to mid-cap businesses and select exporters. Our view is informed by attractive

The representative portfolio information described in both charts above represents a representative account managed in the Global Growth strategy. Other clients' portfolios may differ mainly due to individual restrictions and timing of purchases and sales. All portfolio positioning and sector information is for a representative portfolio. Please see last page for additional information.

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- valuations, supportive liquidity, though we are mindful of softer economic data and multiple political risks.
- » We see a number of opportunities in Japan, reflecting the economy's progress toward higher growth and inflation, accommodative policy, reasonable valuations and potential margin expansion.
  - » We continue to be selective in our emerging markets positioning, favoring companies exhibiting higher growth and quality fundamentals in key demand areas such as software & services and insurance.
  - » Technology and consumer discretionary remain key sector weights in the portfolio. We favor technology positions in software & services, gaming, consulting and select hardware areas based on leading growth fundamentals, large addressable markets and alignment with our secular themes. We own a number of consumer positions in diverse industries including apparel and luxury goods, footwear, food & beverage, media, and internet retail.
  - » We hold a number of positions in financials (mostly U.S.) that are the beneficiaries of better business fundamentals, less onerous regulations and attractive valuations.
  - » We have an underweight stance in more defensive, rate-sensitive areas including utilities and real estate, while we favor exposure to defensive growth opportunities in health care and consumer staples.
  - » We own select positions in energy and materials where we see opportunities coming to fruition thanks to accretive supply and demand fundamentals as well as earnings growth.

## Conclusion

We continue to believe global equity markets are at a key juncture, with important headwinds and tailwinds colliding. We will be looking to additional data to provide more confirmation of direction from here. We see opportunities in global equities spurred by positive earnings growth, fairly benign inflation and attractive valuations. In terms of portfolio positioning, we favor a blend of investments in secular growth and more cyclical companies, in addition to select holdings in more defensive businesses. This positioning reflects our anticipation of moderate growth conditions but also the potential for economic re-acceleration in the next several quarters. We see significant opportunities in companies with earnings growth catalysts, solid cash flow generation and healthy balance sheets. From a thematic and sector perspective, we see opportunities in the information technology sector, consumer and health care companies.

Past performance does not guarantee or indicate future results. Current performance may be lower or higher than the performance quoted. Portfolios are managed according to their respective strategies which may differ significantly in terms of security holdings, industry weightings and asset allocation from those of the benchmark(s). Portfolio performance, characteristics and volatility may differ from the benchmark(s) shown.

The information portrayed is for the Calamos Global Growth Composite. Representative holdings and portfolio characteristics are specific only to the portfolio shown at that point in time. Other portfolios will vary in composition, characteristics, and will experience different investment results. The representative portfolio shown has been selected by the advisor based on account characteristics that the advisor feels accurately represents the investment strategy as a whole.

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Performance returns presented reflect, unless otherwise noted, the Calamos Global Growth Composite which is an actively managed composite primarily investing in a globally-diversified portfolio of equity securities. The composite includes all fully discretionary fee-paying accounts. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest. The Composite inception date is April 1, 2007.

The MSCI ACWI Growth Index is a free float-adjusted market capitalization weighted index that is designed to measure the growth equity market performance of developed and emerging markets. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. 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 Japan Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Japan. The MSCI Pacific Index captures large- and mid-cap representation across five Developed Markets (DM) countries in the Pacific region. 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 the Asia/Pacific region. The MSCI indices are calculated in both U.S. dollars and local currencies. The S&P 500 Index is a market-value weighted index and is widely regarded as the standard for measuring U.S. stock-market performance.

Unmanaged index returns assume reinvestment of any and all distributions and, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

Fees include the investment advisory fee charge by Calamos Advisors LLC. Returns greater than 12 months are annualized. Chart Data Source: Calamos Advisors LLC.

Average annual total return measures net investment income and capital gain or loss from portfolio investments as an annualized average assuming reinvestment of dividends and capital gains distributions.

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