

# Global Opportunities 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. 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 markets were influenced by a softer patch in economic data, periods of 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.

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, as the BOJ reiterated it would keep rates extremely low for an extended period as inflation levels remained below target. In other regions, Australia's unemployment rate remained at 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 had to navigate global trade disputes, mixed economic data and weaker currencies. Chinese stocks declined in the quarter, reflecting currency depreciation and an escalation in trade friction with the U.S., as both sides increased the scope of import tariffs.

Global convertibles delivered moderate gains with regional returns considerably mixed, as the ICE BofAML Global 300 Convertible Index returned 2.20% in the quarter.

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

	QTR ENDING 9/30/18	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (10/96)
<b>Calamos Global Opportunities Composite</b>						
Gross of Fees	2.56%	8.86%	10.45%	7.41%	8.24%	9.52%
Net of Fees	2.44	8.12	9.59	6.59	7.36	8.54
MSCI ACWI Index	4.40	10.34	14.01	9.25	8.77	7.03
MSCI ACWI Index (Local)	4.80	11.72	13.99	11.06	9.50	7.29

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 INDEX**

THIRD QUARTER 2018

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Health Care	39	
Information Technology	36	
Utilities	7	
Real Estate	7	
Energy	4	
Materials		-17
Consumer Staples		-21
Consumer Discretionary		-28
Financials		-28
Telecom Services		-49
Industrials		-53

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

Past performance is no guarantee of future results.

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

## Performance Review

During the quarter, the strategy pursued our risk-managed investment approach and participated in the return in global equities but trailed the performance in the all-equity index due to relative security selection and aspects of our top-down positioning.

## Positive Influences on Performance

**Health Care.** Security selection in health care added to the portfolio's performance. The main contributors within this sector were health care technology and pharmaceuticals.

**Information Technology.** The portfolio's leading security selection and an overweight position in information technology boosted relative results. In particular, our holdings in semiconductors and application software positively contributed to return.

## Negative Influences on Performance

**Industrials.** Over the period, trailing selection and an underweight position within the industrials sector curbed relative returns, as holdings in the industrial machinery and construction machinery & heavy trucks industries weakened relative performance.

**Telecom Services.** Security selection in telecom services lost ground on a relative basis. In particular, trailing selection within the wireless telecom services industry hampered return.

## Geographic Performance

From a regional standpoint, the portfolio benefitted from security selection in Canada. Also, the portfolio was buoyed by a lack of representation in EMEA, the worst-performing region.

On the other hand, trailing selection in Europe negatively impacted the portfolio's performance, especially those in Germany and Switzerland. Moreover, security selection and an underweight allocation in the United States tamped down relative results.

## Positioning and Portfolio Changes

In terms of economic sectors, the largest allocations reside in information technology and financials on an absolute basis, whereas the smallest allocations are found within utilities and real estate; and the portfolio did not participate in telecom services. On a relative basis, application software and internet software & services constitute the most significant relative overweights. Relative to the index, the portfolio holds underweight allocations to financials and industrials, with diversified banks (financials) and railroads (industrials) among the underweight industries. We trimmed the portfolio allocation to consumer discretionary, scaling back in the automotive retail and automobile manufacturers industries.

From a regional standpoint, the portfolio's largest weights are in the United States and Europe. In contrast, Emerging Latin America and Canada represent the smallest absolute weights. We maintain relative overweight positions in Emerging Asia and Europe. The portfolio is underweight to the United States and Japan. We modestly increased weights to the United States. We offset these moves by trimming weights in Emerging Asia and Japan.

## Positioning Discussion

- We have a moderate underweight position in the U.S., reflecting our view of tightening liquidity, relatively high valuations and

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

SECTOR	REPRESENTATIVE PORTFOLIO %	MSCI ACWI INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 6/30/18 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	28.2	20.0	-0.1	8.3
Financials	16.4	17.1	1.0	-0.7
Consumer Discretionary	11.1	12.3	-2.3	-1.2
Health Care	10.9	11.8	1.8	-1.0
Energy	10.2	6.7	3.9	3.5
Consumer Staples	7.4	7.9	-1.5	-0.5
Industrials	6.8	10.7	-0.9	-3.9
Materials	5.0	5.0	-0.6	0.0
Real Estate	2.8	2.8	-1.3	0.0
Utilities	1.1	2.8	0.0	-1.7
Telecom Services	0.0	2.8	0.0	-2.8

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 3. LARGEST 10 COUNTRY WEIGHTS VERSUS THE MSCI ACWI INDEX**

COUNTRY	REPRESENTATIVE PORTFOLIO %	MSCI ACWI INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 6/30/18 (PCT. POINTS)	UNDER/OVERWEIGHT %
United States	54.0	54.0	5.2	0.0
China	8.7	3.0	-1.6	5.7
United Kingdom	6.1	4.9	2.5	1.1
Germany	4.9	2.9	-1.5	2.0
Switzerland	4.2	2.9	-0.5	1.3
Japan	4.2	7.6	-1.8	-3.4
France	3.4	3.4	-0.4	0.0
Netherlands	2.7	1.5	-0.1	1.2
India	2.4	0.9	-0.2	1.5
Canada	2.2	3.0	-0.4	-0.8
Developed Markets	85.8	89.3	1.6	-3.5
Emerging Markets	14.2	10.7	-1.6	3.5

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 indexes the portfolio may hold.

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

Sector Allocations and Country Weights are based on end weights, while commentary weightings can be based on average weights. Sector Allocation and commentary may use different sector assignments. Likewise, Country Weights and commentary may use different country assignments. All weightings are as of 09/30/2018.

potentially more challenging earnings comparisons ahead. We favor companies with secular growth tailwinds along with a set of cyclical opportunities, in addition to select defensive growth businesses.

- The portfolio's weight in Europe is relatively in line with the index, though we emphasize a blend of market capitalizations and end markets. The region offers attractive valuations and supportive liquidity, though we are mindful of softer economic data and multiple political risks.

- We are underweight in Japan but see continued opportunities there based on the economy's progress toward higher growth and inflation, accommodative policy, reasonable valuations and the potential for margin expansion.
- We continue to be selective in emerging markets, favoring companies exhibiting higher growth and quality fundamentals in key demand areas such as software & services, internet retail, insurance, and oil & gas.

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- We continue to own a significant position and overweight in technology. We favor technology leaders in software & services, gaming, consulting and select hardware areas due to excellent growth fundamentals, large addressable markets and alignment with our secular themes.
- Consumer Discretionary is among the larger sector weights in the portfolio. We own positions in diverse industries, including media & entertainment, apparel and luxury goods, footwear, food & beverage, and internet retail.
- We hold a number of positions in financials, with relatively more weight in U.S. financials. We believe that the sector offers better business fundamentals, less onerous regulations and attractive valuations.
- We take an underweight stance in more defensive, rate-sensitive areas such as utilities and real estate, while we favor exposure to diversified growth opportunities in health care and consumer staples with more consistent growth opportunities and key demand verticals.
- In energy, we hold a blend of opportunities that have the potential to capitalize on attractive global supply and demand fundamentals and earnings growth potential.

## Outlook

Global corporate and macroeconomic data has been mixed versus expectations but, on balance, continues to reflect positive global growth. Global monetary policy remains accommodative overall, though multiple central banks are normalizing policy and we have seen a pivot toward fiscal stimulus. 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, reflective of 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 with targeted areas of demand, and a set of more cyclical companies with improving fundamentals. Our active, risk-managed investment approach and long-term perspective positions us to take advantage of the volatility and opportunities in global markets.

Past performance does not guarantee or indicate future results. 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. There is no guarantee that the investment goals/objectives will be met. Indices are unmanaged and one cannot invest directly in an index.

The information portrayed is for Calamos Global Opportunities Composite and as such only relate to the representative portfolio shown. 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.

The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

Performance returns presented reflect, unless otherwise noted the Calamos Global Opportunities Composite which is an actively managed composite primarily investing in a globally diversified portfolio of equity, convertible and fixed-income securities, with equal emphasis on capital appreciation and current income. The Composite was created February 16, 2006, calculated with an inception date of October 1, 1996 and includes all fully discretionary fee paying accounts, including those no longer with the Firm.

Country Return Statistics: Unless otherwise noted, country equity returns are based on the appropriate MSCI Index for the country listed.

The ICE BofAML Global 300 Convertible Index (VG00) is a global convertible index composed of companies representative

of the market structure of countries in North America, Europe and the Asia/Pacific region. The ICE BofAML Investment Grade Global 300 Convertibles Index comprises issues of investment-grade convertible bonds and preferreds in North America, Europe and the Asia/Pacific Region. The ICE BofAML Speculative Grade Global 300 Convertibles Index comprises speculative grade convertible bonds and preferreds in North America, Europe and the Asia/Pacific Region. Source ICE Data Indices, LLC, used with permission. ICE permits use of the ICE BofAML indices and related data on an 'as is' basis, makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE BofAML Indices or data included in, related to, or derived therefrom, assumes no liability in connection with the use of the foregoing and does not sponsor, endorse or recommend Calamos Advisors LLC or any of its products or services.

The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The index is calculated in both U.S. dollars and local currencies. 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 S&P 500 Index is a market-value weighted index and is widely regarded as the standard for measuring U.S. stock-market performance. The MSCI indices are calculated in both U.S. dollars and local currencies.

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 Sources: Calamos Advisors LLC.

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

Calamos Advisors LLC is a federally registered investment advisor. Form ADV Part 2A, which provides background information about the firm and its business practices, is available upon written request to:

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