

International 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%.

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 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.

FIGURE 1. CALAMOS INTERNATIONAL GROWTH STRATEGY RETURNS

	QTR ENDING 9/30/18	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (4/05)
Calamos International Growth Composite						
Gross of Fees	0.94%	4.95%	11.46%	6.84%	9.15%	9.03%
Net of Fees	0.70	3.94	10.38	5.82	8.10	7.98
MSCI ACWI ex-U.S. Growth Index	-0.21	3.44	10.98	5.69	6.19	6.24

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 EX-U.S. GROWTH INDEX
THIRD QUARTER 2018

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Information Technology	94	
Health Care	75	
Materials	31	
Real Estate	21	
Energy	10	
Utilities	4	
Financials		-8
Consumer Staples		-11
Telecom Services		-18
Consumer Discretionary		-22
Industrials		-46

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.

Performance Review

For the quarter ended September 30, 2018, the portfolio generated a positive return of 0.94%, outperforming the MSCI ACWI ex-US Growth Index return of -0.21%.

Positive Influences on Performance

Information Technology. The portfolio's favorable security selection in information technology added to relative performance. Specifically, our holdings in semiconductors and application software represented major contributors.

Health Care. Security selection in health care added to the portfolio's performance, especially in the pharmaceuticals and health care equipment industries.

Negative Influences on Performance

Industrials. Over the period, security selection and an underweight stance within the industrials sector lagged, as holdings in the construction machinery & heavy trucks and human resource & employment services industries lagged on a relative basis.

Consumer Discretionary. Trailing selection in consumer discretionary, specifically in the footwear and leisure products industries, dampened return.

Geographic Performance

Favorable security selection in Emerging Asia assisted relative performance. In particular, our holdings in Australia and Hong Kong represented major contributors. Moreover, the portfolio benefitted from leading security selection in Canada.

In contrast, security selection in Japan negatively impacted the portfolio's performance. Additionally, trailing selection in the United States underperformed.

Positioning and Portfolio Changes

From a sector perspective, the largest portfolio weights are in information technology and industrials on an absolute basis.

Conversely, real estate and telecom services represent the smallest absolute weights, and we have no exposure to utilities. On a relative basis, distillers & vintners and home entertainment software are our largest overweight industries. Packaged foods & meats and personal products are among the underweight industries.

We pared back the portfolio's allocation to information technology through reductions in the internet software & services and home entertainment software industries.

From a regional standpoint, the portfolio's largest weights are in Europe and Emerging Asia. Contrarily, EMEA and Emerging Latin America represent the smallest absolute weights. We maintain overweight allocations to Europe and the United States, while the portfolio takes an underweight stance in Japan and EMEA versus the index. We increased Europe positions for the period, notably in the United Kingdom and Ireland. We decreased the portfolio allocation to Emerging Asia by reducing exposures in China and Singapore.

Positioning Discussion

The portfolio's regional and country positioning reflects the combined inputs from our top-down global framework and our bottom-up security analysis. Our investment team evaluates macroeconomic factors and growth opportunities and actively integrates these into the investment decision-making process.

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FIGURE 3. SECTOR ALLOCATIONS VERSUS THE MSCI ACWI EX-U.S. GROWTH INDEX

SECTOR	REPRESENTATIVE PORTFOLIO %	MSCI ACWI EX-U.S. GROWTH INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 6/30/18 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	31.1	18.5	-3.1	12.5
Industrials	14.2	16.2	0.6	-2.0
Consumer Staples	11.8	14.9	1.8	-3.2
Consumer Discretionary	11.4	13.8	-2.7	-2.4
Financials	10.4	10.2	-0.1	0.2
Health Care	8.8	10.0	1.3	-1.2
Energy	5.4	3.0	1.4	2.4
Materials	4.1	8.3	-0.6	-4.2
Real Estate	1.9	1.7	0.3	0.1
Telecom Services	1.0	2.2	1.0	-1.2
Utilities	0.0	1.1	0.0	-1.1

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 EX-U.S. GROWTH INDEX

COUNTRY	REPRESENTATIVE PORTFOLIO %	MSCI ACWI EX-U.S. GROWTH INDEX %	PORTFOLIO COUNTRY WEIGHTING CHANGE SINCE 6/30/18 (PCT. POINTS)	UNDER/OVERWEIGHT %
Japan	12.3	17.0	0.5	-4.7
China	12.3	6.9	-4.2	5.4
United Kingdom	11.4	8.7	2.2	2.7
Canada	8.0	6.6	0.4	1.4
France	6.3	8.0	-2.5	-1.7
Germany	6.0	7.7	-0.7	-1.7
Australia	6.0	4.4	-0.1	1.6
Ireland	5.9	0.8	2.0	5.1
Switzerland	5.5	6.8	-0.9	-1.4
Sweden	3.9	2.3	1.4	1.6
Developed Markets	79.9	76.2	3.7	3.7
Emerging Markets	20.1	23.8	-3.7	-3.7

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.

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 9/30/18.

The portfolio's relative security selection in Europe outperformed the index in the quarter. We hold a modest overweight in Europe, emphasizing a blend of market capitalizations and end markets. In addition, we own a combination of companies who either successfully address domestic demand or export beyond their borders. The region offers attractive valuations and supportive liquidity, though it is challenged by some deceleration in economic data and multiple political risks.

Security selection in emerging markets also added value to relative returns for the portfolio. We continue to be selective in emerging markets positioning, favoring companies exhibiting higher growth and quality fundamentals in key demand areas such as software & services, internet retail, and insurance. We are balancing attractive earnings growth and valuations against the impact of tighter global liquidity, a stronger US dollar, and persistent trade disputes.

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The portfolio positioning in Japan negatively impacted performance in the quarter. Holdings underperformed as markets favored more domestically oriented companies. We are underweight in Japan but see continued opportunities, reflecting the economy's progress toward higher growth and inflation, accommodative policy, reasonable valuations and potential margin expansion. As mentioned earlier, our selection in the U.S. also lagged.

The following describes our sector and industry positioning rationale:

- » We hold an overweight position in technology in the portfolio. We favor technology positions in software & services, gaming, consulting and select hardware areas. In terms of tech companies, we look for leading growth fundamentals, large addressable markets and alignment with our secular themes.
- » Industrials and consumer discretionary also represent key sector weights in the portfolio. We own a number of positions in diverse industries including aerospace, industrial machinery, apparel and luxury goods, footwear and internet retail.

- » 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, which provide more consistent growth opportunities and key demand verticals.
- » We own selective positions in energy and materials, and see more opportunities developing due to supply and demand fundamentals and earnings growth potential.

Outlook

International macroeconomic data and corporate fundamentals have been divergent and mixed versus expectations but, on balance, reflect continued economic growth and moderate inflation. 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 international equities are at a key juncture where important headwinds and tailwinds are colliding, and we will be looking to additional data to provide more confirmation of direction from here. We see continued opportunities in foreign markets, distinguished by positive earnings growth, fairly benign inflation and attractive valuations.

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 International 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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It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Performance returns presented reflect, unless otherwise noted, the Calamos International Growth Composite, which is an actively managed composite primarily investing in common stocks issued by companies outside the United States. The composite includes all fully discretionary fee-paying accounts, including those no longer with the firm. The Composite was created February 16, 2006 calculated with an inception date of April 1, 2005. Quarterly returns exclude the impact of management advisory fees, which would reduce actual performance results. Net return is presented after the deduction of the actual management fee. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest.

The MSCI ACWI ex-U.S. Growth Index is a free float-adjusted market capitalization weighted index that is designed to measure the growth equity stock market. The index is calculated on a total return basis, which includes reinvestment of gross dividends before deduction of withholding taxes. 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 Emerging Markets 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 indices are calculated on a total return basis, which includes reinvestment of gross dividends before deduction of withholding taxes. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect any fees, expenses, or sales charges. Investors cannot invest directly in an index.

Fees include the investment advisory fee charged by Calamos Advisors LLC. Returns greater than 12 months are annualized. Chart Data Sources: Mellon Analytical Solutions LLC and 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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