U.S. Opportunities Strategy

CALAMOS INVESTMENTS

Market Overview

The U.S. equity market, as measured by the S&P 500 Index, rolled on with another quarterly gain, notching a 7.71% return. This increase, representing the best quarterly return in nearly five years (since 4Q 2013), marked a period in which the S&P 500 Index never closed with a daily gain or loss of 1% or greater. When considering the politically charged news cycle, worries around trade disputes, and seemingly perpetual angst regarding narrow yield curves, the 1% realized band around returns is quite an amazing feat. The Fed was active, raising rates 16 days before the start of the quarter, and again near the tail end of the period (September 27). In our view, a robust U.S. economy and strong business activity drove the markets, as it was reported in the quarter that U.S. GDP increased at an annual rate of 4.2% for 2Q18, while S&P 500 businesses announced earnings and sales growth of 25% and 11%, respectively. While the tax bill has been beneficial for corporate America, it is estimated that pre-tax profits grew 13% year-over-year for the quarter—so even absent the tax legislation, U.S. businesses benefited from a stronger economy.

In measuring the S&P 500 Index constituent returns for the quarter, all 11 GICS sectors posted positive performance, with health care (+14.5%), industrials (+10.0%), telecom services (+9.9%), information technology (+8.8%), and consumer discretionary (+8.2%) leading the aggregate index. Conversely, consumer staples (+5.7%), financials (+4.4%), utilities (+2.4%), real estate (+0.9%), energy (+0.6%) and materials (+0.4%) lagged the overall market.

With respect to lower-risk capital markets, higher-quality bonds struggled during the quarter. The Bloomberg Barclays U.S. Aggregate Bond Index posted a very modest 0.02% return, dramatically underperforming the equity market.

Performance Review

For the quarter ended September 30, 2018, the portfolio had a positive return of 6.27%. However, the portfolio trailed the S&P 500 Index, which returned 7.71% and realized more than half its gains from the information technology sector.

Positive Influences on Performance

Industrials. The portfolio's security selection and an underweight stance in industrials boosted relative performance. Industrial conglomerates notably helped, as did railroads.

Materials. An underweight allocation in materials contributed to performance. Specifically, our lack of participation in construction materials and paper packaging were sources of strength.

FIGURE 1. CALAMOS U.S. OPPORTUNITIES STRATEGY RETURNS

	QTR ENDING 9/30/18	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (1/91)
Calamos U.S. Opportunities Composite						
Gross of Fees	6.27%	15.37%	13.92%	10.74%	10.55%	13.08%
Net of Fees	6.09	14.61	13.17	10.01	9.82	12.29
S&P 500 Index	7.71	17.91	17.31	13.95	11.97	10.42

Source: Calamos Advisors LLC

Past performance is no guarantee of future results.

Data as of 9/30/18.

Calamos U.S. Opportunities Strategy

FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS S&P 500 INDEX
THIRD QUARTER 2018

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Materials	9	
Industrials	9	
Real Estate	7	
Consumer Staples	5	
Energy	4	
Telecommunication Services		-1
Utilities		-1
Financials		-14
Consumer Discretionary		-25
Health Care		-29
Information Technology		-35

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.

Negative Influences on Performance

Information Technology. Over the period, security selection and an underweight position within the information technology sector weakened relative returns, as holdings in the semiconductors and internet software & services industries hurt return.

Health Care. Trailing selection and an underweight stance within the health care equipment and biotechnology industries of the health care sector hindered relative results.

Positioning and Portfolio Changes

In terms of economic sectors, the largest portfolio weights are in information technology and consumer discretionary on an absolute basis. Conversely, materials and telecom services represent the smallest absolute sector weights. Consumer discretionary and utilities are the portfolio's largest relative overweights, with home improvement retail (consumer discretionary) and electric utilities (utilities) comprising the largest industry overweight positions. The portfolio maintains relative underweight positions in health care and information technology, with pharmaceuticals (health care) and data processing & outsourced services (information technology) comprising industry underweight positions.

Positioning Discussion

In your strategy, we seek to own equities and other corporate securities, including equity-sensitive convertible bonds or income-producing corporate bonds, we believe to be well positioned to take advantage of upward equity movements, while potentially limiting losses on the downside. During the quarter, this risk-conscious strategy lagged the all-equity S&P 500 Index—over half of the index's quarterly return came from the information technology sector. Portfolio sector allocations were modestly additive to returns, while security selection detracted from relative performance in the period.

As the U.S. equity market has continued its climb domestic economic data appears to be supportive for business dynamics moving forward. While we have remained patient with our positioning overall, we have been actively managing the risk/reward profile within select names, industries and sectors. The portfolio's current overweights and underweights compared to the all-equity S&P 500 Index are relatively modest across the board, as we continue to favor companies that can exhibit improving top-line growth and margin improvement. Within our selection, we favor secular and cyclical growth names with pricing power, quality earnings and healthy balance sheets. We maintain lower allocations to more purely defensive segments of the market, namely consumer staples. Lastly, those sectors emphasized in the portfolio exhibit our preference for better relative growth potential, quality and stability.

Conclusion

We are obviously pleased with the U.S. equity market's resiliency in light of global economic concerns, a never-ending political

Calamos U.S. Opportunities Strategy

FIGURE 3. SECTOR ALLOCATIONS VERSUS S&P 500 INDEX

SECTOR	REPRESENTATIVE PORTFOLIO %	S&P 500 INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 6/30/18 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	26.6	26.2	0.1	0.3
Consumer Discretionary	15.1	13.1	-0.2	2.0
Health Care	14.1	15.0	1.2	-0.9
Financials	13.2	13.3	-0.1	-0.1
Industrials	10.3	9.7	-0.6	0.6
Consumer Staples	6.2	6.7	-0.2	-0.5
Energy	5.8	6.0	-0.5	-0.2
Utilities	3.2	2.8	-0.2	0.3
Real Estate	2.3	2.7	0.0	-0.4
Telecom Services	1.8	2.0	0.2	-0.2
Materials	1.6	2.4	0.2	-0.9

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.

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

news cycle, and the growing overhang of worry regarding U.S.-China trade relations. The fiscal backdrop has tightened as the Fed has now raised short-term rates twice within the last four months, and Chairman Powell appears more hawkish than his predecessors. In our view, the risk of a recession may be slightly higher than we believed it to be in January, but it remains at a low level, which should translate to further upside for the U.S. equity market. Earnings growth projections for U.S. companies remain compelling, and the benefits of tax adjustments have given U.S. businesses more confidence, as well as aiding U.S. consumers. Lower-volatility pricing still allows for opportunities to actively access industries and sectors. And should volatility rise, it could be to the benefit of your strategy's convertible bond holdings.

Calamos U.S. Opportunities Strategy

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.

For Institutional Use Only

The information portrayed is for the Calamos U.S. Opportunities 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.

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.

The information provided in this report should not be considered a recommendation to purchase or sell any industry, sector or particular security. There is no assurance that any industry, sector or security discussed herein will remain in a client's account at the time of reading this report or that industry, sectors or securities sold have not been repurchased. The industries, sectors, or securities discussed herein do not represent a client's entire account and in the aggregate may represent only a small percentage of an account's holdings.

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 U.S. Opportunities Composite** which is an actively managed composite investing in equity, convertible and high yield securities seeking long term total return through growth and current income. The Composite inception date is January 1, 1991.

The **ICE BofAML All U.S. Convertibles Index (VXA0)** is comprised of approximately 700 issues of only convertible bonds and preferreds of all qualities and measures the return of all U.S. convertibles. 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 **CBOE Volatility Index** or **VIX** (based on its CBOE ticker symbol) shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. The **Russell 3000 Growth Index** measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 or the Russell 2000 Growth Indexes. The **Russell 3000 Value Index** measures the performance of those companies in the Russell 3000 Index with lower price-to-book ratios and lower forecasted growth values. The **S&P 500 Index** is a market-value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation. It 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 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. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest. 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.

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:

Calamos Advisors LLC

2020 Calamos Court

Naperville, IL 60563-2787

Attn: Compliance Officer

CALAMOS® INVESTMENTS

Calamos Advisors LLC
2020 Calamos Court | Naperville, IL 60563-2787
800.582.6959 | www.calamos.com/institutional

Calamos Investments LLP
62 Threadneedle Street | London, EC2R 8HP, UK
Tel: +44 (0)20 3744 7010 | www.calamos.com

7732 0918Q II