CALAMOS INVESTMENTS

CALAMOS ANTETOKOUNMPO US SUSTAINABLE EQUITIES FUND

Risk in the Rally?

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Summary Points:

» We remain wary of chasing highly valued stocks and are vigilant to the potential for elevated volatility after a long rally in the US stock market.

» Our use of alternative data, particularly environmental factors, gives us a more complete view of the risk/reward opportunities in sectors, industries, and individual companies.

Nothing slowed equities in the first quarter as market participants accentuated the positive and pushed the S&P 500 Index nearly 30% above its October 2023 lows. Liquidity continued to play a large part in massive gains across most asset classes, as it has since the end of the Great Financial Crisis. Markets seem to be pricing in a high probability of a soft landing, and risk aversion is taking a back seat. We believe the resulting lack of fear and volatility leaves room for negative surprises to roil the markets with relatively high valuations likely to exacerbate drawdowns.

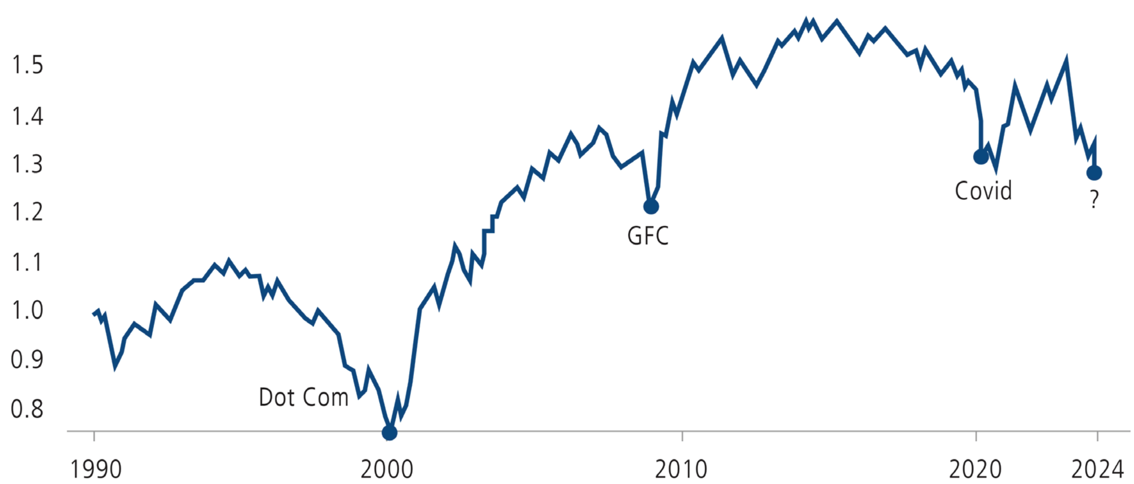
> "The longer the expansion and the longer the bull market, the more intense the speculation at the end of it is. People's sense of disbelief gets eroded, and their skepticism gets eroded the longer things go on. They begin to realize that traditional metrics of value don't count."
>
> —Jim Chanos

So far in 2024, a small group of AI-related tech names continue to contribute outsized performance to market-cap weighted indexes, like the S&P 500. And just four of these stocks accounted for nearly half of the S&P 500's gain for the quarter.

To put this in perspective, during the first quarter, the market-cap weighted S&P 500 gained 10.6% while the S&P 500 Equal Weighted Index gained 7.9%. History has shown that when the equal-weighted index underperforms meaningfully, there's usually been a negative reason.

When the average stock lags, it's been due to a bubble or crisis. Why now?

Ratio, S&P 500 Equal Weight/S&P 500 (cap weighted)



Past performance is no guarantee of future results. Source: Bloomberg, "Magnificent or Marxist: Passive Investing Is Back on Trial," John Authors, February 8, 2024.

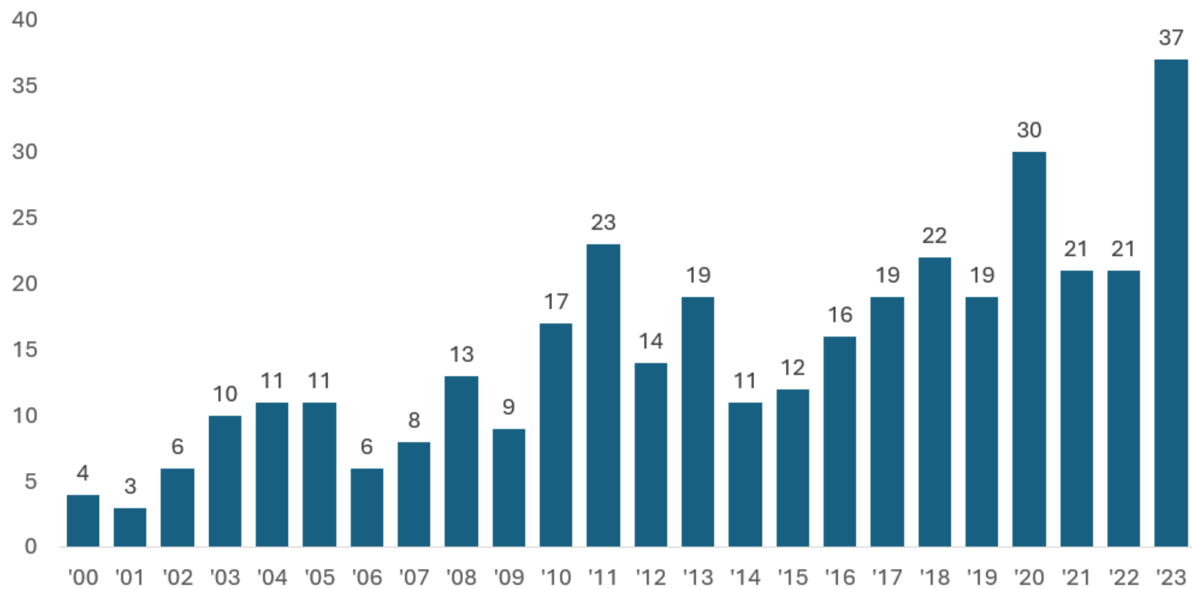
Whatever the reason, equity diversification has not worked well during this rally. Despite the current environment, we continue to believe that holding a high-quality, diversified basket of stocks is the best way to achieve outperformance with less volatility over the long term.

We're often asked to weigh in on the intensifying debates about ESG, which are getting more political by the day. The issues are complicated, but our answer is simple: As stewards of investors' capital, we are concerned with the financial not the political. We follow how and where capital is flowing, and carefully consider all available data about potential risks.

Alternative data is an essential part of the risk/reward equation. For example, we are highly selective in our approach to insurance companies because environmental factors (weather) are creating challenging capital implications for that industry. Traditional analysts who don't take environmental risks into account may miss important risks. Consider that in 2023, there were 37 insured billion-dollar economic loss events because of extreme weather, which set a new record, according to Aon.

Extreme weather, extreme balance sheet risks

Billion-dollar losses from extreme weather



Source: Aon, "2024, Climate and Catastrophe Insight."

These numbers are too big to ignore if you are trying to understand the industry and companies in it. This is why, for more than 25 years, the Calamos Sustainable Equities Team has incorporated alternative data, especially environmental data, into our investment decisions.

Opinions, estimates, forecasts, and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. The views and strategies described may not be appropriate for all investors. References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations.

Indexes are unmanaged, do not include fees or expenses and are not available for direct investment. The **S&P 500 Index** is considered generally representative of the US equity market and is market cap weighted. The **S&P 500 Equal Weighted Index** includes these same companies but is not market cap weighted.

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