CALAMOS INVESTMENTS

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3Q 2023 Global Investment Themes Spotlight:

India, Obesity Treatments, Chinese Electric Vehicles, and Energy

Our investment process marries bottom-up fundamental analysis with the identification of top-down considerations. In this commentary, we highlight four themes represented in our portfolios:

1. In India, pro-growth policies are bearing fruit on the vine of the country's long-term growth story, with stocks across sectors benefitting.
2. Demand for obesity treatments creates growth opportunities not only for biopharmaceuticals but also for companies solving supply chain challenges.
3. Supported by policy tailwinds, China continues to extend its global leadership in electric vehicles.
4. In the energy sector, favorable supply/demand trends support our positive but selective outlook.

Theme 1: India's Pro-Growth Policies

For a number of years, we've shared our view that India is one of the most compelling long-term growth stories in emerging markets (see our 2021 post, "India's Stealth Bull Market"). We are now seeing clear signs of that story unfolding, translating into strong performance in the equity market and economy.

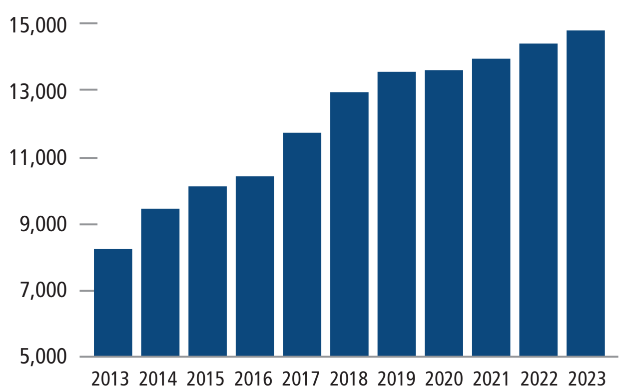
The Indian equity market has been one of the strongest performing markets over the past few years, with the MSCI India Index returning 27.0% (USD terms) since the end of 2020. This strength began in the large-cap space, where financials, technology and energy-heavy companies dominated but has broadened this year to include more small-cap and mid-cap companies in the harder-asset areas of the economy, such as consumer discretionary and manufactured goods. We believe these small-cap and mid-cap companies are in a good position to benefit from the capex cycle and re-leveraging that we believe will continue to take hold throughout India.

We believe India's growth story has plenty of runway ahead. Many reforms have taken root and are bearing fruit (see our 2016 post, "India: Tax Reform Paves the Way for Investment Opportunity"), and the execution of additional pro-growth policies pushes on. All of this comes as India establishes itself as a regional manufacturing hub through its "Make in India" program, Production Linked Incentive scheme, and friendshoring, while leveraging its massive lower-cost workforce and strengthening its consumer base. These forces are coming together to drive capex and housing upcycles. Job and wage growth remain robust across the country, consumer balance sheets have been bolstered post-Covid, and corporate balance sheets are in stronger shape after a multiyear deleveraging cycle.

The positive economic effects of India's pro-growth policy execution include:

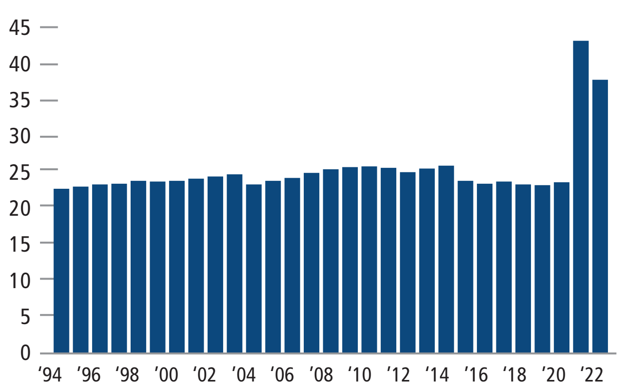
Logistics. Logistics costs have historically impeded India's aspiration of becoming a large-scale challenger in global manufacturing. To remove these impediments, the government has implemented a policy target to cut India's logistics costs to about 8% of GDP from 14%–17%, tax reforms have enabled infrastructure and transport efficiencies across the country, and significant government outlays have lowered logistics costs and improved manufacturing efficiency. And there's much more ahead: in the last fiscal year, the Indian government has allocated \$120 billion, or 3.3% of GDP, toward infrastructure capital projects. Planned investments include highways, rails, maritime ports, and airfields. Together, these measures position India to deliver on its longer-term manufacturing target, raise overall economic productivity, and expand its importance in global trade.

INDIA'S HIGHWAY NETWORK HAS EXPANDED RAPIDLY
Length of national highway network, kms



Source: Gavekal Research, Udith Sikand, "India's Infrastructure Binge," August 3, 2023 using CMIE and Gavekal Research/Macrobond.

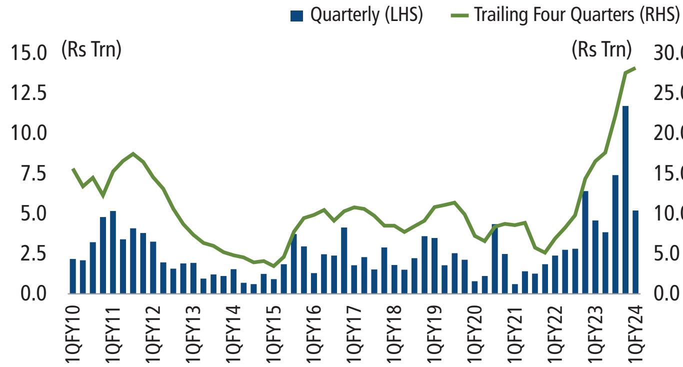
INDIA'S FREIGHT TRAINS ARE SPEEDING UP
Average speed of freight trains, kph



Source: Gavekal Research, Udith Sikand, "India's Infrastructure Binge," August 3, 2023 using CMIE and Gavekal Research/Macrobond.

Private markets. Pro-growth policies are taking hold in private markets. After having moved sideways over the past decade, the size of total private project announcements has now reached a new decade high.

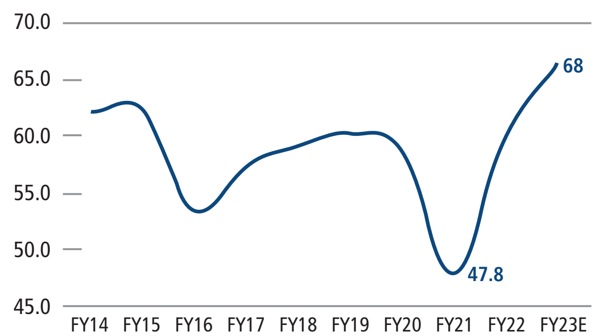
PRIVATE NEW PROJECTS RAMP UP IN INDIA
Private new projects announcements, Rs Trn



Source: Jefferies, India Equity Strategy, September 21, 2023, using CMIE and Jefferies

Consumer strength. India's population is also becoming more prosperous. Rural wage growth strength continues, evidence of the tailwinds that pro-growth policies are providing to the employment market. Against this backdrop, we've seen a ramp-up in investment into households as a share of savings. This household investment revival can have longer-lasting positive knock-on effects on economic growth.

INDIA: HOUSEHOLD INVESTMENT AS A % OF HOUSEHOLD SAVINGS



Source: "Ecowrap," Issue No. 27, FY24, September 21, 2023, using SBI Research.

We remain vigilant to the impact of rising energy prices (as India is a net importer of oil) and elevated equity valuations. Although energy prices and equity valuations both add some risk of near-term volatility to India's equity market, we believe there is abundant opportunity that will only increase in the medium and long term, supported by a confluence of growth in the manufacturing and consumer sides of the economy. In terms of recent positioning, over the past quarter, we've increased positions in India's electronics manufacturing, railways, transport, autos, online travel, food delivery, and jewelry industries.

Theme 2: Obesity Treatments

One secular theme our team has monitored for years is therapeutic developments for the treatment of obesity. Today, there are 650 million obese people worldwide—a population that has nearly tripled over the past 50 years, bringing with it substantial health and financial costs to individuals as well as societies. In the US alone, the total medical cost of obesity is more than $170 billion, and the total economic cost is more than five times that amount.

Over the past three years, a key biopharmaceutical breakthrough has paved the way for safe, convenient, and effective treatments for obesity. The leading approved treatment marketed today allows patients to lose approximately 15% of their body weight. Other products in development target weight loss of more than 25%, comparable to bariatric surgery.

The potential benefits of these drugs may be far broader than weight loss. This summer, a leading biopharmaceutical company reported that its top weight loss drug also reduces major adverse cardiovascular events, such as heart attack, stroke, and cardiovascular death by 20%. Although yet unproven, there are hopes that these drugs could also treat other diseases, such as Alzheimer's disease.

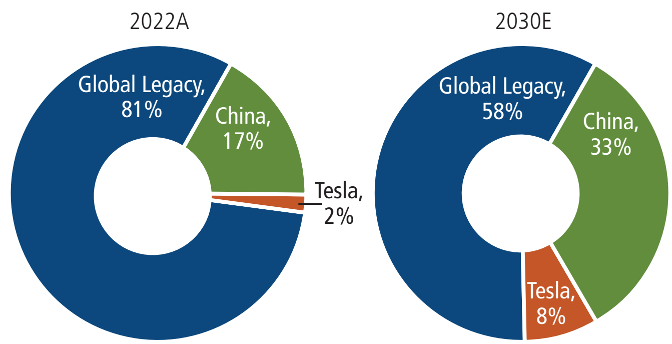
Disruption on this scale creates both opportunities and risks, and we are vigilant to both. One way we are participating in the opportunity is through investments in leading biotechnical firms. But we're also looking into other niches. Demand has been so strong for these drugs that manufacturers have been unable to keep up, leading to significant shortages. Businesses that are alleviating these pressures have a real edge. We maintain positions in companies addressing supply-chain bottlenecks, such as those making vials and autoinjectors that contain and deliver weight-loss medicine.

Meanwhile, as weight loss drugs gain traction, we are monitoring companies that potentially face growing longer-term risks. These include medical device makers, hospital operators as well as food and beverage producers. If an obese person can lose 15%, 25%, or even more of their body weight, that person is more likely to live a longer, healthier life. Because these treatments reduce appetite, the food and beverage industry may experience negative impacts, especially companies with substantial exposure to snacks and junk food.

Theme 3: China's Electric Vehicle Ecosystem

Chinese auto manufacturers are becoming more competitive not only in China but globally. It may come as a surprise to some that the world's largest electric vehicle (EV) manufacturer is a Chinese company that enjoys a global market share of 17% as of 2022 in addition to a 37% share in China. Although questions remain over protectionist policies and how successful Chinese auto manufacturers will be outside China, we have little doubt that Chinese companies will continue to gain domestic EV market share at the expense of multinationals.

CHINA: RAPIDLY EXPANDING DOMINANCE IN AUTO MANUFACTURING

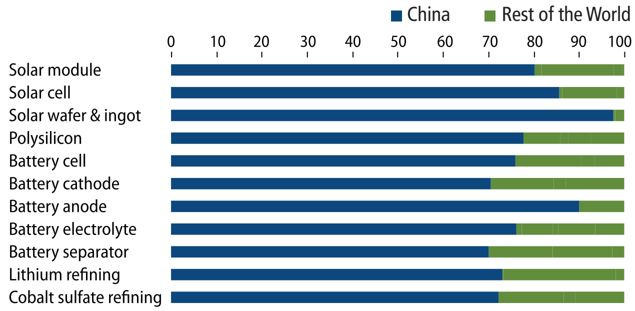


Source: UBS, Global Research and Evidence Lab, "Q-Series, BYD teardown: Will Chinese EVs win globally?' using IHS, UBS estimates.

China already leads the world in EV adoption, representing about 27% of global sales, a level which is expected to grow to about 38% and 65%, by 2025 and 2030, respectively. Chinese companies are at the forefront of EV innovation, with the lowest-cost battery production at the largest scale. Chinese companies are also making significant strides in areas such as autonomous driving, rapid charging, and battery swapping.

We see continued growth potential in China's EV ecosystem, with domestic demand supported by tax incentives and China's slow economic recovery. Chinese EV manufacturers are enjoying tailwinds as local consumers increasingly favor domestic vehicles. A decade ago, German luxury and Japanese and Korean mass-market vehicles dominated the Chinese market. Now, however, global companies are losing market share in China, as domestic manufacturers bring more competitive products to market at compelling price points.

CHINA DOMINATES CLEAN-ENERGY MANUFACTURING
Share of factories by location, % of global total



Source:GavekalDragonomics, Dan Wang, "The US-China Clean Energy Competition," August 31, 2023, using BNEF and Gavekal Dragonomics/Macrobond.

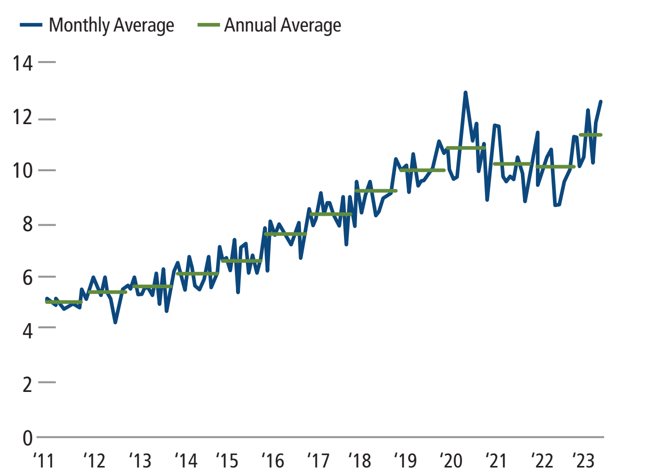
Increased domestic penetration and export growth suggest that China's share of global auto manufacturing could rise to more than 30% by 2030. Chinese companies have set their sights on widespread expansion into Europe, Australia, and ASEAN markets, and some estimates suggest that China could garner 15% of Europe's EV market by 2025 versus 8% last year. Our portfolios have exposure to China EV manufacturers we believe can not only be successful in China but in other parts of the world.

Theme 4: Energy

For the past several years, we've outlined the basis for an improved outlook for the energy sector (e.g., our 2022 post, "Perspectives on Quality in the Energy Sector.") After performing strongly in 2021 and 2022, energy shares generally consolidated and trailed the broader equity benchmarks during the first half of 2023. This coincided with declining oil prices driven by factors including the historic drawdown of the US Strategic Petroleum Reserve (SPR) and a slower-than-expected reopening in China. In response, we've seen production cuts by OPEC+ since May, with oil moving from $60 a barrel to above $90 a barrel more recently.

Global oil demand remains resilient, with China importing more oil in the first half of 2023 than it did before the pandemic, while constrained supply dynamics are likely to keep prices high. When energy prices spiked in 2022, the US government released excess inventory from the SPR to help balance the market. The SPR is now at its lowest level since the mid-1980s, so a move by the US to release more oil to offset the recent price spike wouldn't have the same impact. Additionally, as we noted, in response to the weaker oil prices seen in the first half of 2023, OPEC+ has reduced its oil output in recent months, causing upward pressure on prices as demand has outpaced supply. Looking further out to the medium term, we are unlikely to see a major rush of new supply coming to market to meet future demand, given underinvestment in oil-and-gas capital expenditures over the past decade.

IN 1H23, CHINA IMPORTED RECORD LEVELS OF CRUDE OIL
Crude oil imports into China (Jan 2011-Jun 2023), millions of barrels per day



Source: EIA. Data source: China General Administration of Customs, as compiled by Bloomberg, L.P.

The flipside of this capital discipline is improved balance sheet health and shareholder returns. We continue to view the sector positively and favor exposure to integrated oil and gas and exploration-and-production companies with direct exposure to underlying commodity price strength. Our portfolios also own equipment and service contractors that stand to benefit from strong activity growth in international and offshore markets.

For additional insights and information on our global and international capabilities, please visit www.calamos.com.

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The **MSCI India Index** is designed to measure the performance of the large and mid cap segments of the Indian market. The index covers approximately 85% of the Indian equity universe.

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.

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