

Calamos Phineus Long/Short Fund (CPLIX) Q4 2023 Quarterly Commentary

Michael Grant, Co-Chief Investment Officer

2024: Tempered Hopes and Fears

The Calamos Phineus Long/Short Fund (CPLIX) rose 4.22% in Q4 (Class I shares at NAV) compared with returns of 11.69% and 10.57% for the S&P 500 Index and MSCI World Ex USA Indices, respectively. Tactically managing the fund's net equity exposure was our primary consideration for performance in Q4. Beginning in late July, we adjusted the net equity exposure lower as our emphasis turned to avoiding any deleterious outcome into autumn.

After managing the net equity exposure in the 10% to 30% range through the correction, we pivoted and reduced short exposures (S&P 500 hedges, select industrial, semiconductor, and financial shorts). However, because of the ambiguity around the disinflation narrative, this pivot was too modest in the context of the subsequent sharp equity recovery. In the absence of a more aggressive net long positioning entering November combined with the dominance of the mega-caps across benchmark returns, the fund's return of 8.04% (I shares) was underwhelming in 2023

Looking to 2024, the script has flipped from a year ago because the path of inflation or disinflation, perhaps even deflation is opaque. Meanwhile, a broad consensus is coalescing around immaculate disinflation amidst a soft landing for the economy. The latest rally in equities and bonds has eased financial conditions and reduced the likelihood of imminent policy easing, even as rising expectations of easing are partly fueling this rise in risk appetite.

We see tempered upside for corporate earnings, the likelihood that rates do not go lower, and full valuations (20x 2024 S&P 500 earnings) amidst a backdrop of normalized real rates. The sharp rally of the past quarter has left markets with little room to maneuver amidst fragile convictions. This ambivalence argues for focusing on stock and industry dispersion rather than a material repricing of the equity benchmarks.

Positioning Summary

- ▶ Pivots by central bankers are typically positive for financial asset prices, but the Fed's forecasts have been miserably wide of the mark.
- ▶ Recession will come later than many expect. We see economic growth, inflation, and Fed policy all proving stickier than implied by the latest easing of financial conditions.
- ▶ The revived bullish mood is likely to climax in Q1. We see little upside for the S&P 500 but opportunities for rotation as the mega-caps perform less uniformly.
- ▶ What stands out across today's equity landscape is how little stands out. Financial markets are anticipating a sustained economic setting for 2024 and this appears likely.

Nothing Is Obvious

2023 was an uncommon year. The US economy turned out to be much stronger than most forecasters expected, equity returns were dominated by the so-called “Magnificent 7,” the rebound of cryptocurrencies implied speculative liquidity remains abundant, and interest rate volatility was the highest since the Global Financial Crisis. To cap this, the Federal Reserve wrote itself an impressive encore in December that surprised many.

Pivots by central bankers are typically positive for financial asset prices, and investors have learned as much. However, Powell’s deterministic influence on markets in the absence of any economic breakage has raised eyebrows. The end of deflation created conditions that should enable the Federal Reserve to leave center stage and let other factors play the leading role in determining asset prices. Nonetheless, it feels as if the impulse for interventionist central banking remains endemic to the financialized welfare state.

Chair Powell did highlight a dramatic change in thinking about the 2024 outlook. Not only has US inflation declined rapidly, but the Fed’s Beige Book survey of regional economic conditions drawn from businesses around the country points to moderating activity. On the other hand, the Fed’s preferred inflation index, the core personal consumption expenditure (PCE) deflator still rose 3.5% in October, substantially above the 2% target. What happened to looking at the “totality of the data?”

Powell did add the caveat that further rate increases could still be required, perhaps acknowledging that the Fed’s own forecasts have been miserably wide of the mark. Even so, many forecasters have underestimated the resilience of the US economy, which implies they still may not see what is actually driving events. And yet, confidence is high that the inflation dragon has been slayed. Amidst all of this, Powell suggested that quantitative tightening (QT) would continue even after the Fed gets to the point of reducing policy rates.

EQUITY MARKET PERFORMANCE	Q4 2023	2023
S&P 500	11.2%	24.2%
S&P 500 Equal Weight	11.3%	11.6%
MSCI World ex-USA	10.1%	14.8%
NASDAQ Comp	13.6%	43.4%
Russell 2000	13.6%	15.1%
MSCI EM	7.4%	7.0%
MSCI Europe	11.0%	16.4%
UK (FTSE 100)	6.3%	9.5%
Germany (DAX)	13.9%	24.3%
France (CAC 40)	10.6%	20.4%
Australia (ASX)	14.3%	8.1%
Italy (FTSE MIB)	12.4%	32.2%
China (Shanghai Stock Exchange)	-1.7%	-6.4%
Hong Kong (Hang Seng)	-4.0%	-13.9%
Mexico (IPC)	15.8%	36.3%
India (SENSEX)	9.6%	18.0%
Brazil (Bovespa)	18.7%	33.1%

Data through 12/31/23. Note: Returns are price only in USD. Past performance is no guarantee of future results. Source: Bloomberg. Indexes are unmanaged, do not include fees or expenses, and are not available for direct investment. Please see “Index Definitions” for additional information. 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.

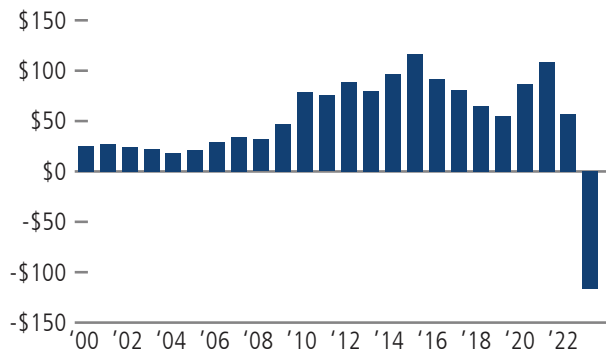
Was the “Christmas Pivot” politically motivated? In one peculiar sense, possibly. By raising interest rates paid on excess reserves held by commercial banks at the central bank, the Fed’s interest expense rises by ~\$30 billion per annum for each 100-basis-points rise in the policy rate.¹ This sharp rise in expenditures adds directly to the fiscal deficit by reducing the profits that the Fed has been remitting to the Treasury since it commenced its Quantitative Easing (QE) program under Bernanke.

This sway by the Fed’s unelected technocrats over what is considered the citizens’ remit could become an election issue. Some will wonder if a central bank directly impacting the

¹ The Federal Reserve ran an operating loss of \$114 bn in 2023, its largest ever. These losses will continue if short rates remain near current levels. Through much of the post-2009 era, the Fed typically generated positive income of \$75 to \$100 bn per annum.

US Federal Reserve: Another Profitless Growth Enterprise?

Federal Reserve Net Income (\$ bil)



Source: Wall Street Journal, Nick Timiraos, "Fed Posts Largest-Ever Annual Operating Loss," January 12, 2024. Data from Federal Reserve. Amounts for 2000-2021 reflect transfers made to US government; 2022 shows transfer of net loss.

nation's finances can be allowed to remain independent if there is no way for voters to influence its decisions. In this light, Powell is purchasing valuable time. The economy needs to stay out of trouble long enough for the remaining few trillion dollars of excess reserves to be mopped up.

The Fed may therefore have no more insight into 2024 than the rest of us, but its political underbelly is hoping that "Fed independence" is not part of the political debate. The wild card is the inflation dynamic, which could boomerang on the Fed. Key shortages in labor and housing point to sustained US demand with greater-than-usual financial flexibility across the private sector. This contrasts with the Fed's prior mantra that it would not relent until economic growth moved below trend in a sustained fashion.

If 2023 can be summarized as a year of disinflation amidst a resilient economy, how might 2024 be characterized?

The script has flipped from a year ago. 2024 will be different because the path of inflation or disinflation, perhaps even *deflation* is opaque. Meanwhile, a broad consensus is coalescing around immaculate disinflation amidst a soft landing for the economy. The latest rally in equities and bonds has eased financial conditions and reduced the likelihood of

imminent policy easing, even as rising expectations of easing are partly fueling this rise in risk appetite.

Powell could be proven right in his outlook and actions—even the blind squirrel finds a nut. However, the varied moving pieces that underpin these debates could just as well lead to investor skittishness. We suspect the revived bullish mood climaxes in coming months, giving way to consolidation into spring. ***We see US economic growth, inflation, and monetary policy all proving "sticky" through H1, pointing to little upside for the S&P 500 Index beyond winter and into summer.***

Immaculate Resilience

We have written extensively about the unusual health of the US private sector and its immediate consequence – economic resilience. It is still hard to see what might cause a retrenchment across US employment markets outside of an external shock. Fiscal and now monetary levers are geared to be supportive. In this light, the case for an outright defensive positioning in financial assets is weak.

Equally, investors may be underestimating the potential for some renewed impulse for economic activity. Although durable goods sectors have muddled through the last year, green shoots are appearing. The latest Fed beige book conveyed this sentiment and noted housing's return to modest growth, stabilization of auto production, the normalization of inventory dynamics, and fading problems across supply chains. As goods prices have deflated, consumer demand has begun to revive.

The broad consensus for a looming recession which entered the zeitgeist in late 2022 has prompted caution in many parts of the business world, enabling the economy to weather the gradual slowdown in demand. It is striking how many of the excesses historically associated with late-cycle risk are absent. Ironically, the surge of inflation in recent years appears to have prevented an overextension of spending in real or unit terms.

Absent some geopolitical shock, it is too early to premise our strategy on an imminent economic downturn. Instead, the germane concern may relate to the nostalgia for low and stable inflation, which may be a forlorn hope given the loss of supply elasticity across the Western economies, due partly to labor shortages and partly to the new dynamics of onshoring. Finally, it is rare across economic history for large spikes in inflation not to be followed by “echo” albeit smaller waves.

We see tempered upside for corporate earnings, the likelihood that rates do not go lower, and full valuations (20x 2024 S&P500 earnings) amidst a backdrop of normalized real rates. The sharp rally of the past quarter has left markets with little room to maneuver amidst fragile convictions in how much of this plays out. This ambivalence argues for focusing on stock and industry dispersion rather than a material repricing of the equity benchmarks.

A Very Different Decade

We have been reticent through the post-pandemic era to rely upon past precedents to inform our forecasts. These differences start with the extraordinary financial health of the US private sector, which in part mirrors the fiscal deficit. Equally, there are new structural dynamics, such as the shortage of labor, the tailwinds of public and private non-residential investment, and the emerging primacy of industrial policy.

Many are inclined to conceptualize their experiences of prior decades and apply these today. One example relates to how forecasters have incorrectly stressed the impact of higher rates, leading to undue pessimism toward the economy. Overemphasizing the rate sensitivity overlooks how it is different this time: consumers and corporates refinanced their liabilities² near the pandemic lows in rates *and they were historic lows*.

One corollary may be that existing monetary policy is not as restrictive as widely imagined. On the surface, aggregate nominal US income growth of 6% is unlikely to be derailed by a 5% policy rate and a 4% 10-year Treasury yield. Housing has clearly been impacted, but with negligible spillover effects. While this debate can only be answered in retrospect, it highlights why expectations around the economy and corporate profits may be too dour.

Another example of trusting a past precedent that should be questioned is the hope that reductions in Fed policy rates can spur equities higher. After all, this has been the normal pattern for decades. Yet, prior easings took place in the context of economic stress, low utilizations that lessened inflation, and tight financial conditions. None of these circumstances are present today. Instead, policy cuts might turn the focus back to inflation tensions and thus lead to negligible improvement in financial conditions.

The relationship between policy rates and banks, which have traditionally benefited from rate cuts that steepen the yield curve, is revealing. Rate cuts will ease some of today's pressures for banks, yet the pandemic rates were so low that benign policy is only a palliative. A few rate cuts cannot upright the disorder of upside-down balance sheets. With returns on asset portfolios “marked” or fixed near the historic pandemic levels, Powell is throwing the banks a life buoy, not pulling them out of the water.

The muted drag of higher interest rates for consumers and corporates alike should imply that there is equally less benefit from lower policy rates. If the Fed decides to ease in the absence of tighter financial conditions, the largest delta of these policy shifts may be perceptions of inflation risk later in 2024. This is why we expect any upside in financial asset prices following Fed cuts to be muted versus the historical experience.

² Much of the private sector benefits from mismatched balance sheets. Consumer and corporate fixed income assets are more tied to the short end of the curve, while their liabilities are largely fixed and tied to the long end. All of this has helped to mitigate the impact of higher rates on final demand.

No Fat Tails

What stands out across today's equity landscape is how little stands out. Financial markets are anticipating a sustained economic setting for 2024 and this appears likely. Equity behavior has been typical of the "middle part" of a business cycle of indeterminate length. The early cycle re-sorting of industries and styles is behind us, yet it is too early to assume an economic downturn.

In these circumstances, investors typically get behind the winners of the existing expansion. This combined with the current valuation paradigm suggests we should not be betting heavily on the tails of the distribution. This leads to quality GARP,³ cyclical growth, and select cyclical value as the dominant themes for the fund's positioning. Across most of the equity universe, there is little that is provocative in terms of opportunities.

What happens from here largely relates to the inflation data.

The Fed's inflation forecast of 2.4% in 2024 is possible but markets could be anticipating a more orderly disinflation than will materialize. Nostalgia for the inflation and real rate

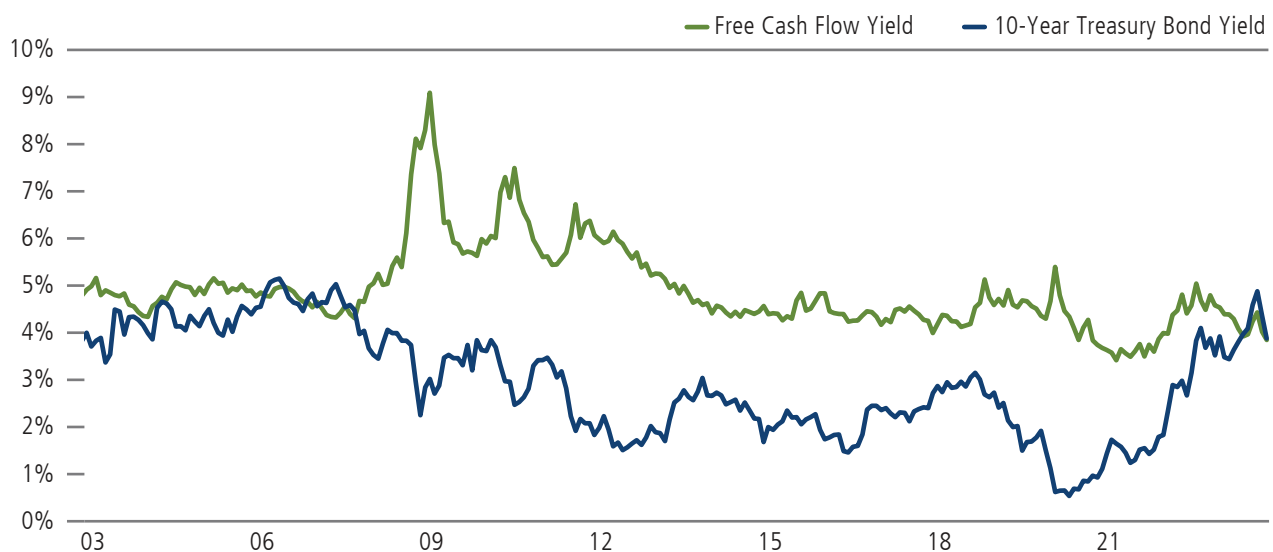
outcomes of the post-2008 era seems misplaced. The obvious culprit is cost-push pressures centered on the resilience of US labor⁴ as well as geopolitical dynamics. *We assume that inflation gets stuck closer to the 3% level than the Fed's official target of 2%.*

All of this leads back to the widespread expectation for Fed easing. In our view, the Fed should be reticent about easing because premature cuts may need to be reversed later (and at the height of the election cycle). Yet, they may nonetheless ease. In prior cycles, this would normally be supportive of financial asset prices and investors have consequently "front-run" the Fed. **Yet today's circumstances are sufficiently different to question past precedents.**

The S&P 500 is trading near 20x our estimate of 2024 operating earnings of \$240. There are windows when a high valuation setting rightly discounts an earnings recovery, yet most industries are operating near full capacity and earnings are broadly above trend. An optimistic outcome for corporate profits is still a muted one, though an equity market that advances in line with earnings growth is not an outlandish forecast.

The New Normal for Rates Versus Equity Yields

Free Cash Flow and 10-Year Treasury Bond Yields (%), 2003 Through 2023



Past performance is no guarantee of future results. Source: Empirical Research Partners using Federal Reserve Board, Corporate Reports, Empirical Research Partners Analysis. Large-capitalization stocks excludes financial and utilities; capitalization-weighted data.

³ Growth at a reasonable price

⁴ The Atlanta Fed's wage tracker has remained at 5.2% for the past three months.

Rather than Fed policy, index outcomes may be governed more by the direction of the mega-caps into autumn and this points to a trading range into summer. Of course, policy rate cuts could encourage a more dramatic rotation into other parts of the equity landscape. The mega-caps are 50% of the benchmark's earnings base and have been 60% of the delta over the past five quarters. The odds are that this changes in 2024.

A total return of 10% for 2024 is plausible, though much may await early autumn when markets get a sense of the election outcome. The actions of the Fed may count for less and equities will remain (and have been) more sensitive to the weight of data evidence as it has unfolded. Central bankers have not been especially right on much in the current decade. The odds are that this does not change in 2024.

Fund Exposures

Tactically managing the fund's net equity exposure was our primary consideration in Q4. Beginning in late July, we adjusted the net equity exposure lower on the expectation of greater downside volatility into autumn. As the equity pullback accelerated into October, our emphasis turned to avoiding any deleterious outcome for calendar 2023.

From August into October, we managed the delta-adjusted net exposures in the 10%–30% range, with additional put protection that would reduce exposures further in a severe market outcome. We did not turn more outright bearish because the US remains in a disinflation rather than deflation setting. Following the FOMC meeting on November 1, we pivoted and reduced our short exposures by ~20%, led by reductions in the S&P 500 hedges and select industrial, semiconductor, and financial shorts.

This pivot was too modest in the context of the subsequent sharp equity recovery, partly because we were perplexed by the Fed's sudden shift in outlook and partly because its more complete pivot in December pointed to rate cuts unlikely to materialize. Our hesitation to embrace the unfolding bullish action mainly concerned ambiguity toward the controlling narrative of disinflation and whether it would extend through 2024.

The market has it right. The business cycle will be sustained and most stocks fairly reflect this. We see opportunities for rotation when the mega-caps perform less uniformly. The free cash flow yield of equities is roughly equal to the US 10-year yield for the first time since 2007, implying that investors assume that interest rates have further to decline because inflation will further decelerate.

Again, it all comes back to inflation.

Michael Grant, Co-CIO

January 15, 2024

In the absence of a far more aggressive net long positioning entering November, combined with the dominance of the mega-caps across benchmark returns, the fund's return of 8.04% was underwhelming in 2023.

Is a diversified portfolio still appropriate in an era of mega-cap dominance?

Despite the large long positions in Microsoft[†], Google[†], and Amazon[†] through 2023, fund performance struggled to keep pace as nearly 60% of benchmark returns were driven by just seven stocks. Our guidelines limit the largest individual positions to 5% of NAV. The premise of this diversification is reasonable: the future is uncertain and excessive concentration can create permanent losses for clients.

The dominance of the mega-caps is hardly accidental. They remain some of the most remarkable businesses on the planet. To wit, Microsoft generates free cash flow margins (~30%) that are three times the margins of the S&P 500 Index. In the wake of the post-pandemic digestion of technology spend, the recovery of mega-cap fundamentals over the past five quarters has been uniformly stark versus the broader equity universe.

2023 highlighted how powerful secular themes like AI (where Microsoft and Google are early leaders) can overcome traditional industry and style behavior. In a later-cycle environment where the rate of change of corporate fundamentals grinds to less exciting levels, investors can overly discount the perceived winners and losers. This misreading is as true for the hopes and fears around obesity drugs (GLP-1) as it is around generative AI.

We expect the performance leadership of the mega-caps to climax (at least tactically) in Q1 as their earnings releases draw more scrutiny. The valuations of the strongest names like Microsoft and Nvidia[†] will grapple with the reality that the progression of AI across the economy takes time. In 2023, the best outcome came from simply owning all of these names. In 2024, rotation within the mega-caps may be decisive. The fund remains short Apple[†] and Tesla.[†]

Generative AI will likely be a big deal, but most of the early studies of how this technology will evolve are not worth the paper they are written on. It is too early and uncertain. Historically, technology eliminates blue-collar work and increases white-collar productivity. If AI can accelerate productivity gains across service industries, the more advanced economies that have a higher proportion of services within GDP will benefit, possibly with structurally higher growth rates.

The mega-caps have enjoyed an extraordinary run, but their fundamentals have advanced at an equally impressive pace. Compared with prior technology bubbles, traditional valuation metrics do not appear egregious. On the other hand, the sheer scale of these businesses is unprecedented and mirrored in their multi-trillion-dollar capitalizations. Where is the incremental liquidity to drive these stocks higher?

For example, for Microsoft to repeat its 2023 share performance (+60%) translates into an incremental gain of market capitalization of \$1.7 trillion. The combined market caps of the “Magnificent 7” exceed \$12 trillion, or greater in aggregate than the Fed’s balance sheet. A price change of 10% in these names is roughly equivalent to the reduction in the Fed’s balance sheet under Quantitative Tightening over the past year.

Portfolio Attribution and Stock Positioning

The crescendo in long-term interest rates inflected at the end of October, coinciding with the bottom in equities. With the conclusion of fiscal yearend tax selling and the FOMC signaling that it may be finished raising policy rates, the stage was set for some respite. Technology, financials, and real estate paced the S&P 500 Index’s 11.6% gain, with all sectors participating except energy.

Returns by Strategy

STRATEGY	CONTRIBUTION TO PERFORMANCE
Long	11.79%
Short	-7.69%
Cash	0.00%
Net	4.11%

The fund’s long book gained 1179 basis points, largely in line with the S&P 500 Index, while hedges and shorts detracted 769 basis points. The net 411 basis points return was modestly ahead of what our 30% average net long exposure in Q4 would imply relative to the benchmark’s gains. As discussed, the limitation to performance was due to not pivoting more aggressively long on November 1.

Apart from the direction of monetary policy, investor focus has remained squarely on the impact of 2023’s two most prominent themes: obesity drugs and AI. As fears of GLP-1-induced demand destruction spread across pharma, medical devices, orthopedic implants, cardiovascular intervention, and sleep apnea treatment, we increased the fund’s long positions in health care from 10% to 15% by adding to positions in Danaher,[†] Zimmer Biomet,[†] and Medtronic.[†]

The fund’s primary AI exposure remains the major cloud providers Amazon, Microsoft, and Alphabet, with the renewed addition of Nvidia late in the quarter. All stand to benefit as enterprises look for cloud partners as they plot their AI strategies. The fund maintains full positions in all four names and tactically added to Oracle,[†] which is increasingly seen as an AI beneficiary and cloud provider. Taiwan Semi,[†] a more indirect beneficiary, was also increased—it remains one of the cleanest setups in semis in 2024.

[†] Please see page 17 for additional details regarding securities referenced.

Mega-cap Exposure at the End of Q423

STOCK	Q4 RETURN	AVERAGE WEIGHT	NET CONTRIBUTION (IN BPS)
Alphabet	6.8%	5.1%	38
Amazon	19.5%	5.3%	84
Microsoft	19.3%	5.4%	109
Apple	12.6%	-2.9%	-1
Total		12.9%	230

After consolidating in the prior quarter, the mega-caps resumed their march higher led by nearly 20% moves in Amazon and Microsoft. Apple moved higher along with the major indices, but our short position was hedged by a call option spread. Alphabet was comparatively sluggish after outperforming in the prior quarter. All told the fund captured 230 basis points in contribution from 12.9% average net long exposure in these names, a return of 17.8%.

Wary of the gathering dominance of these few favored stocks, the fund added call option spreads to capture further upside momentum into the New Year without exposing clients to concentration risk. As noted, Nvidia, Taiwan Semiconductor, and Oracle were added to this mix of full long positions.

Semiconductors also reversed in late October and rallied 20% for the quarter. Fund positions contributed 125 basis points with an average net long exposure of 4.1%, including the propitious exits of some hedges (SMH ETF) and rotation among names held. We exited Advanced Micro (AMD) and Intel on strength and allocated the proceeds into Nvidia, which had marked time in recent quarters despite two more significant boosts to the fiscal 2024 earnings outlook.

We are sensitive to the possibility that the AI-fueled demand for GPUs is unsustainable. Nonetheless, AMD's CEO pitched a \$400 billion TAM (total addressable market) for AI datacenter chips in 2027, convincing many that the revolution had begun. This kind of spending implies incremental revenues from generative AI of \$800 billion plus (assuming a 50% contribution margin). Whether or not this is plausible, it has huge implications and a range of stocks have ridden higher on its coattails.

Nvidia is the emblematic leader and its revenues in 2024 will be 10x higher than its revenues in 2018. Investor sentiment has swung from viewing Nvidia as an effective monopoly on AI processing to worrying about share loss to AMD, Intel, and application-specific ICs (ASICs) - and then back again to concluding that Nvidia retains the lion's share of the market. We faded these moves and made money in all three names. The fund re-established a full long position in Nvidia entering the New Year.

The \$400 billion TAM for AI data center chips by 2027 may prove wildly optimistic, but it is the direction of travel for now. The outlook will become clarified as the year progresses. Investors will eventually understand AMD and ASICs for what they are: challengers at best traveling along with Nvidia. Even Nvidia can become unattractive at a price above \$650/share or 30x the 2025 earnings estimate of \$22. Much of this sunny optimism may climax later in Q1.

Taiwan Semiconductor is the fund's other core long position in semis. It is an indirect beneficiary of AI buildouts but more generally is the driving force behind continued node migrations and the cost efficiencies that create industry demand; it enjoys an effective monopoly on leading-edge capacity. Elsewhere, inventory corrections in automotive semis grew more apparent, and ongoing excess equipment shipments to China masked broader weakness elsewhere.

We sold the long position in Analog Devices above \$200/share on the former inventory concerns and increased our short position in KLA Corp.† on the latter. We maintain small short positions in Microchip† and Lam Research† but closed the 5%

SMH (VanEck Semi ETF) short hedge in late October based on the view that investors would look through these issues in any revived risk-on setting.

The high multiple, long-duration software names predictably rallied with everything, yet we question the durability of the moves beyond a thematic rate trade. Businesses that had once grown 50%–100% are now growing 20%–30%, and we struggle to justify valuations based on 15x–20x sales with profits scarce. Software will remain a more heterogeneous selection exercise as growth opportunities narrow and AI segregates the “haves” from the “have-nots.”

We maintain a short position in Salesforce because its maturing core product and low salesforce productivity are limiting profitability after excessive stock compensation. Investors are embracing management targets for 30% profit margins, yet these exclude M&A, stock comp, and other costs that will become relevant once the structural deceleration in growth is understood. Management has done well to hype the AI opportunity, but these initiatives only drive ~15% of its business.

We exited the disappointing long position in Paycom (detracting 94 basis points, detailed later), which posted a major earnings disappointment that undermined its long-term targets. We maintain a core long position in Oracle, which is an underappreciated AI beneficiary and a share gainer in cloud infrastructure. Monetization should improve as large database customers migrate to the Oracle cloud.

Outside the mega-caps and technology, long exposures favor businesses that will benefit from sustained US demand on the assumption that fears of an imminent recession are unfounded. Among cyclicals, industrials remain the largest sector exposure at ~25% and contributed 342 basis points to performance in Q4. Much of this was sourced from the recovery in transports, with airlines and railroads contributing 90 basis points and 92 basis points respectively.

The outlook for airfares remains constructive because of changes on the capacity front and the problems at Boeing in particular. Higher financing costs, pilot shortages, and equipment delays imply the lowest-cost players can no longer add undisciplined capacity. The recovery in corporate and international travel is gaining steam. We favor the legacy carriers but took a tax loss in Delta in late October and switched to American Airlines[†] and JETS (US Global Jets ETF)[†] while maintaining the position in United Airlines.[†]

The railroads (combined exposure of 6.2%) are US-centric beneficiaries of supply chain normalization and onshoring but with limited exposure to labor or energy costs. 2024 should see a new freight cycle emerge with a volume recovery driving high incremental margins. The industry structure is oligopolistic, and we prefer its stable pricing features relative to traditional consumer staples. Our favored names remain Union Pacific[†] and CSX Corp.[†]

Honeywell[†] remains a core long position in diversified industrials and trades at a material discount to peers despite a higher-quality portfolio of businesses. In materials, the fund retains a small position in Linde PLC,[†] a European industrial gas producer with strong pricing power. By our estimates, less than one-half of Biden’s infrastructure stimulus has been spent. That said, the further we progress the more valuations should compress. We are wary of cyclical businesses overinvesting at this point.

L3Harris Technologies[†] recovered in Q4, partly due to activist involvement that spurred a change of the CFO. The move was also buoyed by an escalation in military conflicts and a growing sense that the pressure on margins due to the post-pandemic inflation surge is normalizing. The stock was a top contributor (detailed later), adding 103 basis points to performance as a full position. We look to add more defense names as the share of fixed-price contracts established pre-pandemic decreases.

In consumer discretionary, we remain biased in favor of services versus goods, and larger longs include Hyatt[†] and Marriott.[†] We maintain a long position in food-services distributor Sysco,[†] a

[†] Please see page 17 for additional details regarding securities referenced.

beneficiary of restaurant spend and back-to-office trends. Our enthusiasm for consumer staples is constrained because they face a more difficult comparator: measures of financial stability are increasingly populated by technology businesses, which are more profitable and grow much faster.

Despite underperformance in 2023, many defensives like consumer staples, utilities, and REITs must become cheaper yet to appear “statistically cheap” versus the rest of the equity universe. We are not there yet. Another problem is higher real interest rates, which have demoted the relative attractiveness of their stable earnings and dividend yield. All this fits with the logic that the time value of money is more important in this decade versus the prior.

Elsewhere in consumer and across retail we remain selective. We traded Nike and CarMax around earnings without a material performance impact and closed short positions in late November in defensive retailers Walmart and Costco. We maintain the 2% short position in Tesla[†] on the view that EV adoption is slowing and Tesla is losing share to rivals due to its tired product line-up. We expect the Cybertruck to flop commercially and see a 20% downside to 2024 earnings estimates.

Health care is a sector where the fund added exposure in 2023 and comprised 15% of the long book at yearend. We maintain a full position in Merck,[†] added to Medtronic and Zimmer Biomet, and rotated from Thermo Fisher (to crystallize tax losses in late October) into a larger Danaher position. We like the recovery growth characteristics of the sector and see opportunity in the wake of weakness caused by speculation that GLP-1 obesity drugs will disrupt the industry.

Combined with the recovery in elective procedure volumes post-pandemic, tailwinds for medical device names like Zimmer and Medtronic should become more apparent in 2024. In contrast, higher medical losses are weighing on managed care names. We sold United Healthcare and have decided to step away from this area altogether. We maintain small short positions in Mettler Toledo and ResMed as hedges to the medical device long positions.

The bottom in financials naturally coincided with the peak in interest rates as the sector has traditionally been a prime beneficiary from any steepening in the yield curve. Despite the ensuing 20% rally, any reduction in short rates may not prove as supportive as suggested by history. The easing of pressure is helpful, yet the pandemic low in rates was so low that most of the industry’s headwinds (i.e., cap rates for commercial real estate) will not properly dissipate for years to come.

Banks are cheap, but they remain challenged. Tepid loan demand, higher regulatory burdens, and competition from private credit all remain structural headwinds. Late in the quarter, we exited Huntington Bancshares and maintain a long position in Wells Fargo[†] that is partially hedged by a short position in Bank of America. We maintain a core long in Morgan Stanley[†] for a potential recovery in capital markets activity and further progress in its Wealth Management division.

The fund added a long position in British Petroleum[†] in November, given its compelling earnings and cash flow yield. Oil prices are subdued despite war tensions and supply cuts from Saudi Arabia, probably because non-OPEC producers can comfortably meet the growth in demand. This leaves a tricky balancing act for other suppliers. China’s economic problems imply it is no longer a major source of incremental demand. As the fund’s only oil exposure, BP is an attractively yielding placeholder until more clarity emerges.

We have written little about the non-US outlook in part because the opportunities overseas pale in comparison. In addition, the global business cycle has historically ebbed and flowed in unison, yet this appears broken. US economic resilience is juxtaposed with deflationary conditions in China and Europe. Put simply, the bar for engaging risk abroad is high. US dollar strength is unlikely to reverse as long as US nominal GDP outperforms everything else.

China remains in a deep balance-sheet recession. While this crisis parallels the US experience in 2008, there are two key differences. First, it appears to be twice the size of the US problem relative to the size of the respective economies.

Second, China's crisis has been neither diagnosed nor treated correctly. Part of the problem is political, as President Xi has openly campaigned against the kind of remedies applied by US institutions post-2008.

Until balance sheets across the property sector (20%–30% of the economy) have been repaired, it is hard to see an end to this. And it is hard to deflate a housing bubble painlessly when it comprises 75% of household wealth. This explains why standard fiscal and monetary measures have failed to revive the patient. As Chinese exports stagnate⁵ against the backdrop of the US-Sino rivalry, it is harder for China to grow its way out of the asset bubble.

The investment implications are straightforward: avoid Chinese plays and multinationals that are unduly sensitive to this deflationary impulse. Industries like energy and commodities may struggle to gain the kind of traction we normally anticipate amid a brighter US economic setting. By adding some deflationary impulse to the global landscape, the good news is that the prospects for less-inflationary US outcomes are reinforced.

Top 5 Fund Contributors for Q4 2023

NAME	SYMBOL	CONTRIBUTION	% OF FUND NAV	FIRM PROFILE
Microsoft Corp.	MSFT US	1.09%	4.9% long as of 12/31/23	US Software
L3Harris Technologies Inc.	LHX US	1.03%	5.0% long as of 12/31/23	US Industrials
Amazon.com Inc.	AMZN US	0.84%	4.2% long as of 12/31/23	US Consumer Discretionary
Wells Fargo and Co.	WFC US	0.79%	2.3% long as of 12/31/23	US Financials
Hyatt Hotels Corp.	H US	0.76%	3.7% long as of 12/31/23	US Consumer Discretionary

Microsoft Corp. is a premier global technology franchise and the second-largest public cloud-computing provider. It has distinguished itself as a thought leader in the generative artificial intelligence (AI) industry with its Open AI (creator of ChatGPT) partnership. Integrating AI into its workforce productivity solutions, including Office, could drive an additional 5 points of annual top-line growth over the next five years, making Microsoft an early beneficiary of this promising technology.

Microsoft's share price resumed its march higher in Q4, rising 19%. It had marked time since late spring as investors debated where the Azure Cloud Services business would bottom in terms of its growth rate. Here, the October report proved a catalyst as Azure revenue reaccelerated to 28% versus 27% year-over-year (Y/Y) in the prior quarter with AI workloads contributing 300 basis points to Azure growth versus 100 basis points in Q3. Elsewhere, the impact of cloud optimizations appears to be waning as non-AI revenues grew 25% in Q4 versus 26% Y/Y in the prior quarter. Finally, the drama that played out at Open AI when Sam Altman was fired and many of its employees threatened to resign left Microsoft in a stronger position after it led efforts to strengthen governance and gained a board seat.

Microsoft is positioned to benefit from two major themes. First, it is our preferred play on the normalization of enterprise technology spending, with Azure continuing to gain share. Second, Microsoft should maintain its AI relevance and obtain a price premium with the rollout of Copilot for Office, and its 50% ownership of Open AI should provide exposure to the broader adoption of ChatGPT and AI-powered search. By our estimate, every 2% upside in Azure revenue growth combined with 10 million new Copilot users leads to a 2.5% incremental upside in earnings per share (EPS). As AI increasingly dominates the landscape of technology thought, Microsoft benefits from both scale and relevance and thus remains a core long holding.

⁵ China is no longer gaining share of the world export market after having done so for the prior 20 years.

[†] Please see page 17 for additional details regarding securities referenced.

The merger of Harris and L-3 has transformed **L3Harris Technologies Inc.** into the sixth-largest defense contractor, providing products and solutions for customers' mission-critical needs while ensuring technologies are well-aligned to the growing line items within the DOD budget.

LHX outperformed the market and the industrial sector in Q4, rising 21%. This respectable recovery followed a lengthy period of underperformance in 2023. Prior to Q4, LHX's upside revenue surprises were offset by the detrimental impact on margins from post-pandemic inflationary pressures and supply chain disruptions. For much of the industry, margins have been under pressure due to the legacy of fixed-price development contracts that were signed in a very different pre-pandemic cost setting. These contracts have been progressing to completion while new contracts are being priced for today's higher-cost setting. Management's capital allocation priorities have also raised questions, leaving the shares attractively valued but lacking a positive catalyst. Activist involvement in Q4 spurred a CFO change and Board upgrade, coinciding with gathering evidence that the worst of the margin pressure is behind the company.

Selective changes at the management level should improve execution and prioritize capital return, resulting in valuation improvement as free cash flow (FCF) and earnings start growing again. This combined with the persistence of global military threats and the normalization of costs point to 2024 as a year when LHX can again act as a stable, defensive name. As its share price multiple has contracted 25% in the past year on the above concerns, we see limited downside and base case upside of 15% to \$238, based on 17x our 2025 expected free cash flow per share of \$14.

Amazon.com Inc. is the largest online retailer, third-party retail platform, and cloud service provider globally. Through the pandemic, it invested heavily to expand its distribution and fulfillment footprint to support same-day and next-day delivery and to be less reliant on UPS and FedEx. Margins and cash flow were significantly affected by this elevated capex, but these investments have been curtailed. This reduction in capex points to material margin upside, which is why Amazon earnings could realize the most upside relative to consensus expectations among the mega caps.

Amazon's share price rebounded an impressive 20% in Q4. Like Microsoft, Amazon's October earnings report proved a positive catalyst as its cloud services revenues (AWS) stabilized near 12% Y/Y growth after six prior quarters of deceleration. AWS has been an important indicator for the temperature of the "technology recession," and evidence of its bottoming was a catalyst for the entire industry. With AWS contributing two-thirds of operating profits, our anticipated recovery to mid-teens growth exiting fiscal year 2024 (FY24) will have a meaningful impact on overall earnings.

This growth is unfolding while an emerging margin recovery in Amazon's retail business could double consensus operating profit estimates. In the past, this business operated near 20% gross margins, and a recovery to half that level would represent an upside of more than \$20 billion. Finally, Amazon's high-margin advertising segment is growing ~20% and could do even better with ads launching on Prime Video. Amidst this latent potential across many of Amazon's businesses, the stock trades at a comparatively reasonable 13x forward EBITDA, well below Apple and Microsoft at 17x-18x. In sum, Amazon remains a core long holding as one of the best businesses on the planet, with likely upside from both earnings growth and valuation rerating.

The fund's financials exposure has been reduced in the past year, though we continue to maintain a long position in **Wells Fargo & Co.**, as it is less exposed to many of the excesses and missteps of its peers. Equally, street expectations are modest relative to peers due to the company's regulatory entanglements with the Consumer Financial Protection Bureau. The silver lining of the latter is that it has encouraged management to 'high grade' the quality of its loan portfolio instead of pursuing asset growth. This combined with the consequent focus on cost efficiencies suggests that Wells Fargo will be one of the more defensive names in any economic downturn.

Most of this did not matter in Q4 when the key driver behind the stock's 20% move higher was the sharp reversal in interest rates. Banks moved higher in sympathy, though many including WFC have guided to poor NII (Net Interest Income) growth because the forward curve for fed funds includes six rate cuts. We think earnings estimates will move higher into 2025/26 as management targets

a 15% Return on Tangible Common Equity (versus 13% today) based on less drag from home lending operations, the seasoning of the credit card portfolio in the wake of CECL accounting, and an estimated \$12 billion in stock buybacks. The latter could result in a 7% reduction in shares outstanding.

Regulators will eventually lift their restrictions on balance sheet expansion, leaving the share price unduly cheap at 9x 2025 earnings estimates and 1x book value. Of course, banks remain in the regulatory crosshairs in the wake of last Spring's failures, and those with risky capital markets exposure via mismatched funding and loan book duration are structurally disfavored. A few like Wells Fargo will fare better because they are already operating above regulatory minimums and thus retain the flexibility for aggressive share repurchases. We are cautious on banks in general, and the WFC position is hedged with other industry short positions.

Hyatt Hotels Corp. is one of the world's top operators of luxury hotels and is a favored play on sustained global demand for travel. While strength in leisure travel over the summer benefited hotels broadly, Hyatt is further benefiting from delayed re-openings in Asia, particularly China, and the continued recovery in global corporate travel. The North American Group business is gradually returning to pre-Covid levels as conventions and large company meetings resume. We like Hyatt due to peer-leading unit and revenue per available room (RevPAR) growth, while its EBITDA margins and cash flow should outperform as management executes the targeted shift toward an asset-light model. Progress on the latter should narrow the 15% to 20% EBITDA valuation gap to Hilton and Marriott.

Shares of Hyatt rose 23% in Q423, largely driven by travel demand pushing room rates above pre-Covid levels. Despite a headline miss on Q3 earnings in November, Hyatt's underlying results were solid. Just as importantly, the company made tangible progress on asset disposals with the sale of one property, a signed Letter of Intent on another, and the announced intention to sell a third. This paring back adds to our confidence that the company can reach its \$2 billion asset disposal target by the end of 2024, lessening the pressures of a normalized interest rate setting. As Hyatt becomes more asset-light over time—with a network of hotels that are increasingly managed by Hyatt rather than "owned and operated"—we see a valuation upside of 20% plus.

Top 5 Stock Detractors for Q4 2023

NAME	SYMBOL	CONTRIBUTION	% OF FUND NAV	FIRM PROFILE
Paycom Software Inc.	PAYC US	-0.94%	Sold—1.6% average long in Q4	US Software
KLA Corp.	KLA US	-0.67%	-2.6% short as of 12/31/23	US Semiconductor
Delta Air Lines	DAL US	-0.62%	Sold—1.0% average long in Q4	US Transports
Salesforce Inc.	CRM US	-0.42%	-2.8% short as of 12/31/23	US Software
Thermo Fischer Scientific Inc.	TMO US	-0.38%	Sold—0.7% average long in Q4	US Health Care

Paycom Software Inc. sold off significantly on the back of its Q3 earnings report when the severity of the headwinds related to its self-service payroll offering (Beti) came to light. In the prior quarter, management had alluded to the opportunity costs associated with Beti and in one example noted that the salesforce had been focusing on selling Beti rather than more highly monetizing products and services. In October, we learned that the problem extends beyond sales execution: Beti is driving lower payroll runs at customers due to fewer first-time errors (i.e., Beti is effective for customers). Management had failed to foresee this efficiency and neither priced its licensing strategy accordingly nor planned how to recapture the lost revenue. Thus, PAYC backed away from its long history of delivering >20% Y/Y sales growth—guiding fiscal 24 revenue to rise a modest 10% to 12%.

The share price decline on this news was shocking (down 38% on the results release) and a vote of no confidence in management as much as concern over the slowing growth trajectory. As two-thirds of Paycom's customers have not yet transitioned to their Beti upgrade, the inevitable conclusion is that these headwinds have only started and will weigh heavily through 2024. Our original long

thesis was that Paycom enjoyed a highly recurring and thus stable and profitable business—unlike many other SaaS names. In a world of steady employment, we expected its business model to remain resilient amidst an uncertain landscape for technology spending. However, the balance of the Q3 earnings season highlighted this to be a Paycom-specific issue as other payroll software peers did not see similar revenue weakness. We therefore chose to sell the stock.

KLA Corp. is one of several equipment suppliers to the semiconductor industry. The company specializes in “Process Control,” a step in the manufacturing process focused on inspection and measurement to remove defects and increase yields. Its stock outperformed in Q4 as investors looked past the near-term cyclical dynamics toward a more promising 2024.

Investors continued to bid up semi-cap companies despite what we view as full valuations and an uncertain and tepid spending outlook for 2024. A key contributor to this uncertainty is the elevated demand from Chinese customers, which are spending at levels that are 4x the pre-pandemic rates and almost 2x the prior highs of 2021/22. Most of this spending is strategic and political rather than justified by current business needs. Thus, we question the sustainability of this Chinese investment, which is serving to mask weakness elsewhere. For example, Taiwan’s spending on semi-cap equipment was down nearly 20% quarter-over-quarter in Q3, and Korea/North America were down almost 50%.

Another important debate is when this elevated spending by Chinese firms could lead to material oversupply across the lagging-edge semiconductor industry, thereby delaying expansion for other segments of the global customer base. We would be willing to look past these points if the stocks were trading at historical lows as they were in late-2022 or if they were only expensive on “trough” estimates. However, when looking beyond an uncertain 2024 to a more normalized 2025, KLAC is still trading at a 23% premium relative to its through-cycle (last 7-year) historical average.

Delta Air Lines is a global network airline with strong market share in its core domestic hubs in Atlanta, Minneapolis-St. Paul, Detroit, and Salt Lake City. DAL has differentiated itself from peers by diversifying its revenue stream beyond basic airline ticket sales and focusing on customer experience and services to improve brand perception and increase customer loyalty.

Airline stocks suffered notably into autumn as jet fuel prices rose faster than the airlines could adjust ticket prices. Fears of ticket discounting in certain domestic leisure routes and economic concerns were also factors. Higher interest rates are generally viewed as negative for an industry with heavily indebted balance sheets. With the sharp turn in investor sentiment through the final two months of 2023, Delta’s shares recovered accordingly (rising 29% in November and December) as travel demand remained resilient and industry capacity restrained. The November pullback in jet fuel prices helped to relieve margin fears.

We remain positive on legacy carriers like Delta, given the sustainable near-term supply-demand imbalance across the air travel industry; the Fund maintains a larger position in United Airlines and American Airlines. We sold the long position in Delta at year-end October and switched into a larger long position in JETS, the exchange-traded fund that tracks a composition of airline stocks. This crystallized tax losses from the Delta holding while capturing 100 basis points on the upside as airline stocks rallied in November and December.

Salesforce Inc. is a leading cloud-based software business pieced together over the years through a series of acquisitions that included ExactTarget, Demandware, Mulesoft, Tableau, and Slack. Whereas most premier tech companies have a product that dominates a niche and is the main driver of its financial results, Salesforce’s oft-highlighted customer relationship franchise now comprises only 20% of its total revenue.

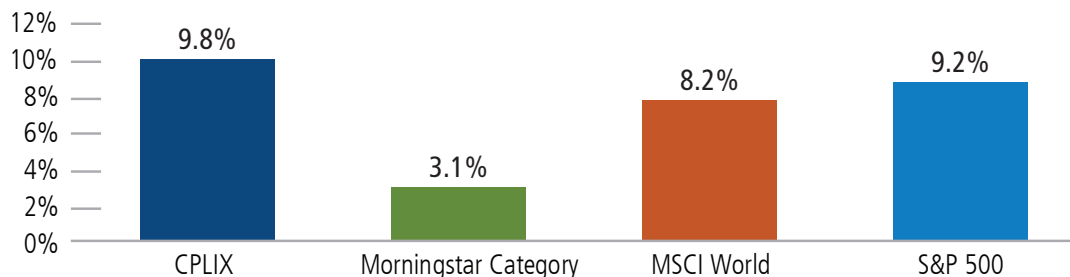
After being rangebound for the past two quarters, Salesforce enjoyed a 9% jump on the back of its Q3 earnings report, which included commentary about recovery “green shoots” and rising confidence in the large deal pipeline. Actual financial results were largely in line with expectations: revenue growth was muted at 11% Y/Y, and earnings quality was low, while the improved focus on cost control resonated with investors who liked the higher operating margin, up 850 basis points Y/Y. Management hype over strong customer interest in Salesforce’s generative AI roadmap was supported by an acceleration in Data Cloud revenue growth from 16% to 22%.

The stock gets the benefit of the doubt for now, but our negative thesis is unchanged: the core CRM market is highly penetrated, resulting in low selling efficiency. From our analysis, the scope of Salesforce’s AI initiatives are modest compared to Microsoft and Google, while CRM is in the direct crosshairs of Microsoft’s AI initiatives. At current levels, the stock appears to be assuming nearly \$45 billion in revenue in FY26 versus the consensus estimate of \$43 billion, with a 35% operating profit margin versus the consensus at 33%. While that level of revenue and margins are not entirely unachievable, we view upside potential as limited, with the shares valued at 24x FY26 pro-forma earnings and 30x on a GAAP basis. We therefore view Salesforce as a likely laggard versus more favored names like Microsoft as investors transition their focus from margins and the “Year of Efficiency” to deliverable sales and earnings.

Thermo Fischer Scientific Inc. is a global market leader in the life sciences tools industry. The company supplies consumables and instruments for research and development functions within pharma, biotech, academia, diagnostics, and industrial companies; they also offer clinical trial services. The life sciences tools industry, including TMO has been under pressure throughout 2023 due to inventory destocking and pressure in biotech funding amidst a higher interest rate setting. More recently, economic problems in China, which contributes about 7% of revenues for TMO, have weighed further on the company and added to these pressures.

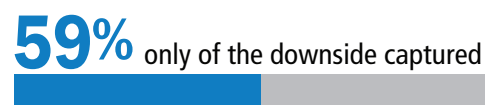
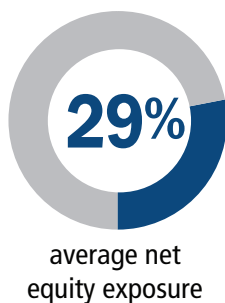
Our losses on TMO during Q4 were primarily the consequence of tax considerations, we exited the long position at the end of October and replaced it with a long position in Danaher Corp. (DHR). Danaher has business dynamics similar to TMO and both share prices recovered strongly in November and December. Our thesis in life sciences tools is unchanged, and we expect a gradual recovery through 2024 that should benefit both DHR and TMO. That said, we prefer DHR over TMO. We believe DHR is well positioned for long-term growth post the Veralto Corp. spin-off because it is now a pure life sciences and diagnostics focused business with considerable exposure to favorable secular growth dynamics. The growth dynamics in the bioprocessing market were impacted by over stocking post-Covid, but DHR is now better positioned to capitalize on the return to growth as the core underlying driver of increasing demand for bioprocessing equipment and consumables returns. Our price target on DHR is \$252 based on our discounted cash flow estimate and a 2025 PE ratio of 28x. Our price target on TMO is \$582, based on a 2025 PE ratio of 24x.

Phineus Long/Short Fund Has Delivered What an Alternative Should 2002 through 12/31/23: Historical Outperformance Over Market Cycles



Past performance is no guarantee of future results. Source: Morningstar. Inception as of 5/1/2002. Data is as of 12/31/23.

A History of Higher Return and Higher Risk-Adjusted Return



Past performance is no guarantee of future results. Sources: Calamos and Morningstar. Fund inception date is 5/1/2002. Data as of 12/31/23. All data shown for the since inception period. *1 of 16 funds. For the period ending 12/31/23, the fund ranked 95 of 167 funds; 68 of 158 funds, 64 of 147 funds, and 19 of 85 funds for the one-year, three-year, five-year, and ten-year periods, respectively. 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. Upside downside capture versus S&P 500 Index. Average net exposure is on a cash basis, not delta adjusted basis. Net equity exposure is on cash basis, not delta-adjusted basis.

Please see pages 17 and 19 for important information about risks and for standardized performance information through the most recent quarter end.

LARGEST POSITIONS (CASH BASIS), LONG AND SHORT AS OF 12/31/23 (% OF NET ASSETS)

L3Harris Technologies Inc.	Long	5.0%
Microsoft Corp.	Long	4.9%
Alphabet Inc. - Class A	Long	4.9%
United Airlines Holdings Inc.	Long	4.8%
Amazon.com Inc.	Long	4.2%
SPDR S&P 500 ETF Trust	Short	-48.3%
Apple Inc.	Short	-2.9%
Salesforce Inc.	Short	-2.8%
KLA Corp.	Short	-2.6%
Bank of America Corp.	Short	-2.4%

Holdings and weightings are subject to change daily. Holdings are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned.

EXPOSURES FOR HOLDINGS NOT INCLUDED IN LARGEST POSITIONS AS OF 12/31/23 (% OF NET ASSETS)

[†] Amazon.com Inc., 4.2%; American Airlines Group Inc., 2.3%; BP PLC, 2.9%; CSX Corp., 2.5%; Danaher Corp., 4.2%; Honeywell International Inc., 3.2%; Hyatt Hotels Corp., 3.7%; US Global Jets ETF, 3.2%; Linde PLC, 1.0%; Marriott International Inc., 2.8%; Medtronic PLC, 3.3%; Merck & Co. Inc., 3.6%; Mettler-Toledo International Inc., -0.5%; Morgan Stanley, 3.5%; NVIDIA Corp., 3.5%; Oracle Corp., 2.6%; ResMed Inc., -0.5%; Sysco Corp., 2.7%; Taiwan Semiconductor Manufacturing Co Ltd., 2.5%; Union Pacific Corp., 3.7%; Wells Fargo & Co., 2.3%; Zimmer Biomet Holdings Inc., 3.9%

AVERAGE ANNUAL TOTAL RETURN AS OF 12/31/23

	Q4 2023	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION (5/1/2002)
CPLIX	4.22%	8.04%	4.78%	7.46%	5.77%	9.82%

Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted. Please refer to Important Risk Information. The principal value and return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. You can obtain performance data current to the most recent month end by visiting www.calamos.com. The Fund's gross expense ratios as of the prospectus dated 3/1/2023 are as follows: A Shares 2.39%, C Shares 3.13% and I Shares 2.15%.

The total expense ratio is inclusive of the 1.24% management fee; dividend and interest expense on short sales (Class A: 0.74%, Class C: 0.73%, Class I: 0.75%); acquired fund fees and expenses (Class A: 0.01%, Class C: 0.01%, Class I: 0.01%); 12b-1 fees (Class A: 0.25%, Class C: 1.00%); and other expenses (Class A: 0.15%, Class C: 0.15%, Class I: 0.15%). The Adjusted Expense Ratio, which reflects the total expense ratio excluding the dividend and interest expense on short sales, is as follows: Class A: 1.65%, Class C: 2.40%, and Class I: 1.40%. "Dividend and Interest Expense on Short Sales" reflect interest expense and dividends paid on borrowed securities. Interest expenses result from the Fund's use of prime brokerage arrangements to execute short sales. Dividends paid on borrowed securities are an expense of short sales. Such expenses are required to be treated as a Fund expense for accounting purposes and are not payable to Calamos Advisors LLC. Any interest expense amount or dividends paid on securities sold short will vary based on the Fund's use of those investments as an investment strategy best suited to seek the objective of the Fund.



To learn more about the potential benefits of including Calamos Phineus Long/Short Fund in an asset allocation, please contact your Calamos Investment Consultants at 866-363-9219.

About the Author

Michael Grant,

*Co-CIO, Head of Long/Short Strategies,
and Senior Co-Portfolio Manager*

Michael Grant manages investment team members and leads the portfolio management team responsible for our Long/Short strategies. He is also a member of the Calamos Investment Committee, which is charged with providing a top-down framework, maintaining oversight of risk and performance metrics, and evaluating investment processes. He joined Calamos in 2015 and has more than 35 years of investment industry experience. Prior to joining Calamos, Michael founded Phineus Partners in 2002, where he launched a successful long/short strategy. Previously, he was a Managing Director of Schroder Investment Management with responsibilities over US equity mandates. During his tenure at Schrodgers, he also served as Head of the Global Technology Team and Head of the US Equity Team in London. Prior to that, Michael was a portfolio manager for the National Investment Trust Co. in Taipei, Taiwan and a US equity analyst for the Principal Group in Canada. Michael earned a master's degree from the London School of Economics, where he specialized in International History. He has Bachelor of Commerce from the University of Alberta, Canada.

The performance shown for periods prior to 4/6/16 is the performance of a predecessor investment vehicle (the "Predecessor Fund"). The Predecessor Fund was reorganized into the Fund on 4/6/16, the date upon which the Fund commenced operations. On 10/1/15 the parent company of Calamos Advisors, purchased Phineus Partners LP, the prior investment adviser to the Predecessor Fund ("Phineus"), and Calamos Advisors served as the Predecessor Fund's investment adviser between 10/1/15 until it was reorganized into the Fund. Phineus and Calamos Advisors managed the Predecessor Fund using investment policies, objectives, guidelines and restrictions that were in all material respects equivalent to those of the Fund. Phineus and Calamos Advisors managed the Predecessor Fund in this manner either directly or indirectly by investing all the Predecessor Fund's assets in a master fund structure. The Predecessor Fund performance information has been adjusted to reflect Class A and I shares expenses. However, the Predecessor Fund was not a registered mutual fund and, thus, was not subject to the same investment and tax restrictions as the Fund. If it had been, the Predecessor Fund's performance may have been lower.

Index Definitions:

The **S&P 500 Index** is considered generally representative of the US large cap stock market and is capitalization weighted. The **MSCI World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries excluding the United States. The **Bloomberg US Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency). The **MSCI ACWI ex USA Index** represents performance of large and mid cap stocks across developed and emerging markets excluding the United States. The **Nasdaq Composite** measures the performance of companies on the Nasdaq, technology and growth companies are well represented. The **Russell 2000 Index** is a measure of small cap US equity performance. The **MSCI Emerging Markets Index** is a measure of emerging market equity performance. The **MSCI Europe Index** is a measure of European developed market equity performance. Non-US single country equity markets are represented by the indexes listed parenthetically. The **STOXX Global 1800 Index** is the combination of three regional benchmark indices (STOXX Europe 600 Index, STOXX North America 600 Index and STOXX Asia/Pacific 600 Index). **Morningstar Long-Short Equity Category** funds hold sizeable stakes in both long and short positions in equities, exchange traded funds, and related derivatives. Unmanaged index returns assume reinvestment of any and all distributions and, unlike fund returns, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

EV/EBITDA ratio compares the value of a company, debt included, to the company's cash earnings less non-cash expenses. **Exposure** is shown as a percentage of fund net asset value. **Gross exposure** refers to the sum of the absolute value of a fund's long positions and short positions. **Net exposure** is the difference between a fund's long positions and its short positions. When the portfolio management team evaluates the fund's exposures and related risks, they include calculations based on a delta-adjusted basis, which measures the price sensitivity of an option or portfolio to changes in the price of an underlying security. **Delta-adjusted basis exposure** is calculated by Calamos Advisors LLC and is specific only to that point in time since a security's delta changes continuously with market activity. **EBITDA** stands for earnings before interest, taxes, depreciation, and amortization; it reflects a firm's short-term operational efficiency and is used to determine operating profitability. **Growth at a Reasonable Price (GARP)** investors look for companies that are showing consistent earnings growth above broad market levels while excluding companies that have very high valuations.

Source for stock performance: Bloomberg.

Before investing carefully consider the Fund's investment objectives, risks, charges and expenses. Please see the prospectus and summary prospectus containing this and other information which can be obtained by calling 1-866-363-9219. Read it carefully before investing.

Important Risk Information. An investment in the Fund is subject to risks, and you could lose money on your investment in the Fund. There can be no assurance that the Fund will achieve its investment objective. Your investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. The risks associated with an investment in the Fund can increase during times of significant market volatility. The Fund also has specific principal risks, which are described below. More detailed information regarding these risks can be found in the Fund's prospectus.

The principal risks of investing in the **Calamos Phineus Long/Short Fund** include: equity securities risk consisting of market prices declining in general, short sale risk consisting of the potential for unlimited losses, leverage risk, and foreign securities risk. As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities, including fluctuations in currency exchange rates, increased price volatility and difficulty obtaining information. In addition, emerging markets may present additional risk due to the potential for greater economic and political instability in less-developed countries.

Alternative investments may not be suitable for all investors. The Fund takes long positions in companies that are expected to outperform the equity markets, while taking short positions in companies that are expected to underperform the equity markets and for hedging purposes. The Fund may lose money should the securities the Fund is long decline in value or if the securities the Fund has shorted increase in value, but the ultimate goal is to realize returns in both rising and falling equity markets while providing a degree of insulation from increased market volatility.

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The portfolio is actively managed. Holdings, sector weightings, net exposures and geographic weightings subject to change daily.

CALAMOS[®]
I N V E S T M E N T S

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