

Calamos Timpani Small Cap Growth Fund Quarterly Commentary



Fund Overview

The fund invests in the equity securities of small capitalization companies with high, sustainable growth potential, which may exceed market expectations.

Market Overview

US stocks delivered strong results with the S&P 500 Index returning 8.74% for the second quarter. Moreover, growth stocks continued their robust recovery in the quarter. With lingering concerns about the economic impact of higher interest rates and tighter lending standards following the March bank failures, investors gravitated to the relative safety of mega-cap companies with reliable growth profiles and fully funded capital needs. The S&P 500 Growth Index's 10.59% return handily outpaced the S&P 500 Value Index's still strong gain of 6.64% for the quarter. Against this backdrop, the largest seven market-cap companies in the S&P 500 Index (often called the "Magnificent Seven") accounted for 80% of the index's year-to-date gains, and are also represented in growth indices.

The economy has remained surprisingly resilient throughout the Federal Reserve's aggressive rate hike cycle, which may finally be close to its conclusion. Fears of a significant slowdown in bank lending have mostly faded and the much-anticipated recession continues to get pushed out further. Although the lagged effects of higher rates may weigh on growth in 2024, employment data is holding remarkably steady with historically low layoffs and healthy consumer spending. Americans of all income levels

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CALAMOS TIMPANI SMALL CAP GROWTH FUND AVERAGE ANNUAL RETURNS (%)

	QTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE I SHARE INCEPTION (3/23/11)	SINCE A SHARE INCEPTION (1/16/14)
Calamos Timpani Small Cap Growth Fund							
I shares at NAV	6.49	12.37	2.75	5.01	9.65	10.27	N/A
A shares at NAV	6.40	12.12	2.50	4.72	N/A	N/A	7.17
A shares load adjusted	1.36	6.78	0.85	3.71	N/A	N/A	6.61
Russell 2000 Growth Index	7.05	18.53	6.10	4.22	8.83	8.73	7.06
Morningstar Small Growth Category	5.33	15.18	7.47	6.69	9.75	8.75	7.49

Index and Morningstar category data shown reflects full month periods only. If share class inception date is on or before the 15th of the month, the index or category calculation inception date begins on the first day of that month. If share class inception date is after the 15th of the month, the index or category calculation inception date begins on the first day of the following month.

The funds' gross expense ratios as of the prospectus dated 3/1/2023 are as follows: A Shares 1.37%, C Shares 2.12%, I Shares 1.12% and R6 Shares 1.00%.

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. Performance reflected at NAV does not include the Fund's maximum front-end sales load of 4.75%. Had it been included, the Fund's return would have been lower. You can obtain performance data current to the most recent month end by visiting www.calamos.com.

Class I shares are offered primarily for direct investment by investors through certain tax-exempt retirement plans and by institutional clients, provided such plans or clients have assets of at least \$1 million. For eligibility requirements and other available share classes see the prospectus and other Fund documents at www.calamos.com.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

continue to play “catch-up” on the activities they skipped during the pandemic lockdowns, including family vacations, concerts, and dining out.

The second quarter’s market performance can best be explained by examining it as two halves. During the first half, concerns about US and global economic activity dominated everyone’s attention, with many investors particularly worried about the US regional banking system. During the second half, investors focused on the momentum of artificial intelligence (AI).

Although each half had unique catalysts, both led investors to buy the same types of stocks—mega-cap growth. In the first half, investors bought them for defense as a safe haven in a murky macro environment. In the second half, investors bought mega caps for offense because AI will likely be a revenue and profit driver for most mega-cap growth names.

Though small caps didn’t keep pace with large and mega caps, they did deliver strong absolute performance for the quarter with growth stocks leading the way. The Russell 2000 Growth Index’s 7.05% return handily outpaced that of the Russell 2000 Value Index’s 3.18% gain. Within the Russell 2000 Growth Index, health care (+13.2%) was the leader, recovering from a negative return in the previous quarter and far outpacing the overall benchmark. Industrials (+9.3%) information technology (+7.8%) and consumer staples (+7.3%) also outpaced the benchmark, whereas real estate (+6.6%), energy (+5.8%), financials (+3.2%), consumer discretionary (+1.7%), communication services (+1.1%), materials (-0.3%) and utilities (-2.1%) lagged.

Performance Review

For the quarter ended June 30, 2023, the fund had a respectable return of 6.49% (Class I shares at NAV), modestly trailing the Russell 2000 Growth Index return of 7.05%.

Positive Influences on Performance

Consumer Staples. The fund benefitted from holdings in soft drinks & non-alcoholic beverages in addition to personal care products within the consumer staples sector.

Health Care. Favorable security selection in health care, specifically in the health care equipment and health care supplies industries, contributed to performance.

Negative Influences on Performance

Information Technology. Over the period, security selection and an average overweight position within the information technology sector weakened return. Holdings in the application software and electronic equipment & instruments industries were a detriment to performance.

Consumer Discretionary. Security selection and an average overweight allocation within the leisure facilities and restaurants industries of the consumer discretionary sector lagged.

Fund Holdings - Contributors

Celsius Holdings Inc. (CELH)

4.8% of fund as of 6/30/23

Profile: Celsius Holdings is a beverage company that produces and distributes functional drinks and liquid supplements globally. Headquartered in Boca Raton, FL, Celsius is listed under the beverages industry of the consumer staples sector. Celsius markets a healthy, sugar-free energy drink that utilizes natural ingredients such as ginger root.

Analysis: During the quarter, Celsius' stock rallied +60% on strong quarterly results. Company earnings and sales each handily outpaced consensus estimates. The Celsius drink's market share has doubled year-over-year to 7.5%, and the company is showing strong velocity in its business, making inroads with new distribution channels and geographies.

Bel Fuse Inc. – Class B (BELFB)

3.2% of fund as of 6/30/23

Profile: Bel Fuse Inc. is a technology company founded in 1949 and based in Jersey City, NJ, although it recently announced a move to West Orange, NJ. Bel Fuse designs, manufactures and distributes a broad range of products that are used in networking, computing, telecommunications, data transmission and other areas. Bel Fuse is listed in the electronic components category of the information technology sector.

Analysis: During the quarter, Bel Fuse stock (BELFB) climbed +53% after the company delivered strong results with 26% year-over-year growth in revenues and a nearly 70% beat to consensus estimates for earnings per share. The report marked the company's 11th consecutive quarter of year-over-year sales growth with six straight quarters of gross margin improvement.

Fund Holdings - Detractors

Xponential Fitness Inc. (XPOF)

1.9% of fund as of 5/31/23 (Subsequently Sold)

Profile: Xponential Fitness Inc is based in Irvine, CA, and through its subsidiaries operates as a franchisor in North America for fitness clubs offering pilates, yoga, indoor cycling, barre and stretching. Brand names under the Xponential Fitness domain include Club Pilates, Pure Barre, CycleBar, StretchLab, Row House, YogaSix, Rumble, AKT, Stride and BFT brands. Xponential Fitness is included in the leisure facilities industry within the consumer discretionary sector.

Analysis: During the quarter, shares in Xponential Fitness (XPOF) fell -48% following the release of a report issued by a short seller. The short seller alleged that many of the brands were struggling, that the company was an "abusive franchisor that is a house of cards," and that the Founder/CEO of the company has a history of making misleading statements. In contrast, Xponential Fitness' management reported a strong beat in the previous quarter and guided to strong growth. In this most recent quarter, the company showed strong revenue growth and improvement in earnings, but we decided to sell out of the stock as the risk warranted our focusing attention elsewhere.

SoundThinking Inc. (SSTI)

0.2% of fund as of 5/31/23 (Subsequently Sold)

Profile: SoundThinking (formerly known as ShotSpotter until April 2023) is a Fremont, CA, technology company that offers solutions in public safety through its ShotSpotter, an acoustic gunshot detection system, as well as other software services to help direct patrols and anti-violence resources to where

they are needed. SoundThinking is listed as an application software business within the information technology sector.

Analysis: Shares in SoundThinking (SSTI) fell -44% during the quarter on investors' concerns that the company would lose the contract in one of its biggest markets, Chicago, should Brandon Johnson win the mayoral election. The city of Chicago was the company's second-largest customer and accounted for nearly 10% of sales in the prior year. While other leaders in Chicago and law enforcement have shown support for SoundThinking's services, we sold the position to pursue other opportunities.

Positioning and Portfolio Changes

We believe the portfolio is well positioned to take advantage of a broadening equity market. The portfolio is tilted toward stocks that we believe offer above-average growth prospects and very visible fundamental strength. Stocks with those characteristics were out of favor for most of 2022, but since early February 2023, many are back on track with the market. The portfolio has an especially strong representation in technology, where we have found several stocks poised to benefit from the emergence of AI.

During the quarter, the portfolio increased allocations to health care and industrials, while decreasing its consumer discretionary and information technology weights.

Outlook

While large-cap growth stocks were the star of the show during the quarter, many investors have commented on their discomfort with the concentration of the recent Nasdaq-led mega-cap growth rally, expressing concerns that the narrowness may be a sign of a flimsy, unsustainable rally. However, history shows that extreme Nasdaq leadership is often a leading indicator for broadening market strength.

We believe the second half of the year is setting up advantageously for small caps, and we expect that the narrow market leadership of 1H 2023 will broaden out to include small caps. Not only are small caps relatively inexpensive versus large caps currently, but they historically outperformed in the months after the S&P 500 Index has risen 20% above a bear market low. We believe the bear market low was in October 2022, and the index reached that 20% threshold gain on June 8, 2023. After past 20%+ rallies, small caps (as represented by the Russell 2000 Index) have historically outperformed large caps (as measured by the S&P 500 Index) by about 9% over the following six months and by about 20% over the following 12 months.

For additional information or to download a fact sheet please visit the fund's profile page:

[CTSIX - Timpani Small Cap Growth Mutual Fund | Calamos Investments](#)

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.

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.

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.

Class I shares are offered primarily for direct investment by investors through certain tax-exempt retirement plans and by institutional clients, provided such plans or clients have assets of at least \$1 million. For eligibility requirements and other available share classes see the prospectus and other Fund documents at www.calamos.com.

Index Definitions

Morningstar Small Growth Category includes small-growth portfolios that focus on faster-growing companies whose shares are at the lower end of the market-capitalization range. The **Russell 2000® Growth Index** measures the performance of the small-cap growth segment of the US equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000 Growth Index is published and maintained by FTSE Russell. The **Russell Top 200® Index** measures the performance of the largest cap segment of the US equity universe. The Russell Midcap® Index measures the performance of the mid-cap segment of the US equity universe. The Russell 2000® Index measures the performance of the small-cap segment of the US equity universe. The growth indices are constructed to provide a comprehensive and unbiased barometer of the growth market. The value indices are constructed to provide a comprehensive and unbiased barometer of the value market. **CUSIP** identifiers have been provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Global Market Intelligence LLC, and are not for use or dissemination in a manner that would serve as a substitute for any CUSIP service. The CUSIP Database, © 2011 American Bankers Association. "CUSIP" is a registered trademark of the American Bankers Association. The **S&P 500 Index** is generally considered representative of the US stock market. The **S&P 500 Value Index** measures the performance of stocks within the S&P 500 Index that have value-oriented characteristics, such as lower price-to-earnings ratios and price-to-book ratios. The **S&P 500 Growth Index** measures the performance of stocks within the S&P 500 Index that have growth-oriented characteristics, such as higher earnings growth rates and higher price-to-earnings ratios.

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.

Important Risk Information

An investment in the Fund(s) is subject to risks, and you could lose money on your investment in the Fund(s). There can be no assurance that the Fund(s) will achieve its investment objective. Your investment in the Fund(s) 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(s) can increase during times of significant market volatility. The Fund(s) 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 Timpani Small Cap Growth Fund include: equity securities risk consisting of market prices declining in general, growth stock risk consisting of potential increased volatility due to securities trading at higher multiples, and portfolio selection risk. The Fund invests in small capitalization companies, which are often more volatile and less liquid than investments in larger companies. 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 potential for greater economic and political instability in less developed countries.



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