

Calamos Timpani Small Cap Growth Fund

Quarterly Commentary

CALAMOS[®]
INVESTMENTS

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

The US equity market soared in the fourth quarter of 2023, mainly as investors grew hopeful that the dramatic rise in interest rates may be over. During the quarter, the Fed paused for a second and third time, with the last pause not coming as much of a surprise to the market. But in mid-December, Chairman Powell did surprise investors with a pivot—speaking to the potential for proactive cuts to rates. As measured by the S&P 500 Index, the US equity market climbed an impressive 11.69%. Overall equity performance continued to be tightly linked to 10-year US Treasury bond yields. When yields rose in October, stocks fell sharply. When yields collapsed in November and December, stocks rallied. Positive data such as a monthly decline in headline PCE (the first negative reading since early 2020), higher-than-expected durable goods orders, and continued strength in the labor market also boosted investors' moods. Oil prices declined for the quarter despite the military conflict in the Middle East. In late December, the S&P 500 Index was within 0.06% of a new all-time high, narrowly missing the mark that it hadn't crossed in nearly two years. Despite small caps delivering a strong quarter and year, the Russell 2000 Index is still 14% from its high of early November 2021. For the quarter, cyclicals, value

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DATA AS OF 12/31/23

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

	QTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE I SHARE INCEPTION	SINCE A SHARE INCEPTION
Calamos Timpani Small Cap Growth Fund							
I Shares - at NAV (Inception—3/23/11)	7.05	7.57	-9.72	7.71	6.57	9.48	N/A
A Shares - at NAV (Inception—1/6/14)	7.02	7.33	-9.94	7.43	N/A	N/A	6.33
A Shares Load adjusted	1.94	2.22	-11.39	6.39	N/A	N/A	5.81
Russell 2000 Growth Index	12.75	18.66	-3.50	9.22	7.16	8.75	7.16
Morningstar Small Growth Category	11.49	16.68	-2.29	10.99	8.09	8.76	7.55

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

stocks, and small caps led the way when viewed through S&P's size and style indices, in a reversal of leadership from the prior three quarters.

For the quarter, small caps beat mid caps, which beat large caps. The Russell 2000 Index's gain of 14.03% outpaced the Russell Midcap Index's increase of 12.82% and the Russell 1000 Index's 11.96% return. While the broadening of market participation during Q4 was positive, it did not outstrip the leadership of mega caps and, most notably, mega-cap tech-related companies for the year. For the year, the Russell 1000 Index's 26.53% return far outpaced the Russell Midcap Index's 17.23% gain, the Russell 2000 Index's 16.93% return, and the Russell Microcap Index's 9.33% return. Within small-cap stocks for the quarter, value led growth, with the Russell 2000 Value Index's 15.26% return beating the Russell 2000 Growth Index's 12.75% return as cyclicals recovered during the quarter.

Within the Russell 2000 Growth Index, every sector saw sizable gains except energy, which fell -7.8%. Real estate (+21.1%) and health care (+15.7%) led the way, though both sectors remain laggards for the calendar year. Communication services (+14.6%), consumer discretionary (+14.1%), information technology (+13.9%), consumer staples (+13.6%), and materials (+13.2%) outgained the index for the quarter. Industrials (+12.6%), financials (+12.3%), and utilities (+8.6%) all lagged the index but delivered strong performance.

Performance Review

For the quarter ended December 31, 2023, the fund returned 7.05% (Class I shares at NAV) versus the Russell 2000 Growth Index return of 12.75%. Attribution analysis of the portfolio indicates relative performance on a gross basis was driven principally by security selection rather than sector allocations.

Positive Influences on Performance

Industrials. The fund benefitted from security selection and an average overweight stance in industrials, as holdings in electrical components & equipment, construction & engineering, and building products added to relative returns. The sector finished in the black for the portfolio, while the sector itself was market-like and in the red for the quarter.

Utilities. A lack of representation in utilities added to the portfolio's performance.

Consumer Staples. A modest overweight to consumer staples boosted performance as well. Issue selection was also additive, with significant strength in the soft drinks industry.

Negative Influences on Performance

Health Care. Security selection in health care, specifically in the biotechnology and life sciences tools & services industries, lagged on a relative basis. Health care industries struggled as positive feedback on weight loss drugs led many to believe that other health care needs would diminish significantly.

Energy. A modest overweight to the energy sector detracted from relative performance, as declining oil prices caused a dramatic performance differential from the broad index.

Information Technology. Over the quarter, security selection and an average overweight allocation within the information technology sector was also a relative drag. Holdings in application software, communications equipment, and semiconductors notably lagged.

Fund Holdings - Contributors

RxSight Inc. (RXST)

2.8% of fund as of 12/31/23

Profile: RxSight Inc. (RXST) is an ophthalmic medical company that produces the “Light Adjustable Lens,” which is the first (and only) light-adjustable intraocular lens that can be customized for patients after cataract surgery. RxSight’s lenses are sold in the US and Canada and allow doctors to customize visual acuity for patients. Headquartered in Aliso Viejo, California, RxSight is listed in the health care supplies industry of the health care sector.

Analysis: During the quarter, RxSight’s stock rallied 45% on strong quarterly results, continuing its run from the previous quarter. The company also raised revenue and margin guidance.

Vertiv Holdings Company (VRT)

2.2% of fund as of 12/31/23

Profile: Based in Westerville, Ohio, Vertiv Holdings designs, builds, and services infrastructure equipment for data centers, such as cooling systems for computers, servers, and critical process systems. Vertiv is listed in the electronic components & equipment industry under the industrials sector.

Analysis: During the quarter, Vertiv climbed 29% as the company delivered another quarter of strong results, with earnings beating expectations and revenues showing year-over-year growth of 18%. The increased demand for Artificial Intelligence (AI) has given a boost to Vertiv, as AI requires more electricity and, therefore, cooling systems.

Fund Holdings - Detractors

Avita Medical Inc. (RCEL)

Sold

Profile: Avita Medical (RCEL) is a medical company focusing on regenerative skin restoration products for treating burns, vitiligo (an autoimmune disorder that causes patches of skin to lose pigment), and skin grafts. Avita Medical created a Spray-On Skin using a patient’s skin to create regenerative cells. Avita Medical is a biotechnology company within the health care sector and is based in Valencia, California.

Analysis: Avita Medical’s stock fell early in the quarter when the company announced that the FDA requested more information before approving a new technology that should eventually improve their products’ usage and adoption. The company has a secular growth opportunity but has stumbled a bit, does not hold a great balance sheet, and now carries high expectations relative to its growth and valuation. As such, we exited the position during the quarter.

Kinsale Capital Group (KNSL)

1.9% of fund as of 11/30/23

Profile: Kinsale Capital Group (KNSL) is based in Richmond, Virginia. Kinsale Capital Group is a specialty insurance company focused on the excess and surplus lines market in the US, meaning more obscure businesses that many other insurance companies don't cover. These specialty areas can be more complicated but also more profitable than other traditional insurance areas. Kinsale Capital Group is listed as a property & casualty insurance company within the financials sector.

Analysis: Kinsale Capital Group's stock fell with a -19% decline for the quarter, although the company's earnings announcement was solid and came in better than consensus estimates while net income and gross written premiums both showed substantial increases. That said, while gross written premiums grew, the growth was less than the prior quarter and investors may have decided to take some profits on the stock, despite the fact the company has strong growth potential going forward. We reduced the fund's stake in Kinsale Capital Group during the quarter but maintained an investment as of quarter end.

Positioning and Portfolio Changes

We believe the portfolio is well positioned, favoring stocks with above-average growth prospects and visible fundamental strength. Stocks with these characteristics sometimes lag at critical market turning points but tend to play catch-up as new stock market upcycles mature. We see this scenario playing out again and thus have high hopes for absolute and relative-to-benchmark returns for the portfolio in 2024.

During the quarter, we increased our investment in health care, bringing the sector from an underweight to a slight overweight. The sector has been quite volatile because the potential of GLP-1 drugs has created quite a stir as investors look for potential winners and losers. Additionally, we increased our overweight to information technology stocks in pursuit of strong growth opportunities. On the opposite side of the ledger, we reduced our investments in industrials names yet maintained an overweight at period end.

Outlook

The implications of Chairman Powell's pivot in rhetoric could be extremely bullish for stocks overall, especially for small-cap stocks. Think back to November 2021 when Powell made hawkish comments for the first time, telegraphing higher federal funds rates down the road. Stocks took notice and sold off sharply for several months, even before the first actual Fed funds rate hike in mid-March 2022. Small cap stocks were hit especially hard during this time and are still in recovery mode, unlike large caps, which fell less and rallied more off the overall market bottom.

The mid-December dovish pivot seems to have marked the inverse of the November 2021 pivot. Therefore, logic would suggest small caps could disproportionately benefit from this pivot, especially given how attractive we believe valuations have become relative to large caps in recent years.

Things can always change, but it seems likely to us that the Fed will be cutting interest rates in 2024. Historically speaking, stocks tend to perform very well after the first rate cut, especially small-cap stocks, and the set-up for small caps seems highly favorable, in our view. For several years, small caps have looked cheap. With the Fed changing its tune, a specific catalyst has created urgency to invest in small

caps. Combine this urgency with unusually high levels of cash on the sidelines (buying power), a robust M&A environment (where takeover premiums are likely), and presidential-cycle tailwinds (the fourth year of a presidential term is usually relatively strong), and the outlook gets even better.

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.

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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