

Calamos Timpani Small Cap Growth Fund

Quarterly Commentary

CALAMOS
INVESTMENTS

Summary

- Calamos Timpani Small Cap Growth Fund invests in the equity securities of small capitalization companies with high, sustainable growth potential, which may exceed market expectations.
- We're encouraged to see the market focus less on the macro and more on the micro (i.e., company-specific fundamentals).
- We see an excellent set up for small caps, supported by our expectations of Fed rate cuts, investor buying power and M&A activity.
- Stocks with strong fundamental momentum—the bread and butter of our funds— are positioned to outperform, in our view.

Investment Manager Discussion

Continuing the momentum from the fourth quarter of 2023, stocks advanced during the first quarter. Large caps rose by 10% while small caps ticked higher by 5% as measured by the Russell 1000 Index and Russell 2000 Index, respectively. Interestingly, this advance occurred despite a rise in 10-year US Treasury bond yields.

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DATA AS OF 3/31/24

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)	19.20	21.66	-7.29	8.10	8.57	10.78	N/A
A Shares - at NAV (Inception—1/6/14)	19.09	21.30	-7.52	7.82	8.22	N/A	8.00
A Shares Load adjusted	13.41	15.55	-9.00	6.77	7.70	N/A	7.48
Russell 2000 Growth Index	7.58	20.35	-2.68	7.38	7.89	9.19	7.75
Morningstar Small Growth Category	7.49	18.05	-1.95	9.06	8.83	9.18	8.11

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 3/1/2024 are as follows: A Shares 1.37%, C Shares 2.12%, I Shares 1.12% and R6 Shares 0.99%.

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

This breaks a pattern and is an encouraging sign that the markets are getting more comfortable with the current interest rate environment. While the Federal Reserve is still important and will be watched closely, the market has become less obsessed with it, perceiving the interest rate tightening cycle to be largely complete. The bigger question now seems to relate to the timing of when the Fed will begin cutting interest rates.

This more benign interest rate backdrop has enabled the market to focus less on the macro and more on the micro, company-specific traits of each security. For several months prior to the March quarter, many stocks with strong company-specific fundamentals had been left in the dust. The first quarter proved to be a bit of a catch-up period during which some of those stocks were disproportionately rewarded for continued strong fundamental execution.

For instance, positive company-specific data points relating to generative AI (Gen-AI) drove excitement for many technology stocks. There is a tidal wave of Gen-AI related spending coming, especially tied to the build-out of data center infrastructure, something we've been highlighting for several months. But it wasn't just Gen-AI related names that rallied during the quarter. Several industrial, health care, and consumer discretionary stocks with fundamental momentum also saw sharp increases in stock prices.

What does all of this mean for small and SMID cap stocks? We believe the set-up is excellent and that unlike large caps, the small cap bull market is just beginning. While the past cannot predict the future, we do believe it can provide valuable insights, and historically, a typical small cap bull market has lasted 34 months and has generated returns of 131%.¹ We are only five months into this one, and valuations versus large caps continue to look extremely low (10th percentile).² We expect the Fed will cut interest rates later in 2024, which typically has provided a disproportionate tailwind to small caps. Finally, heavy 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 usually has been relatively strong) add to the optimism.

With the small and SMID cap asset classes teed-up and the market focused more on companies with fundamental momentum (i.e., fast growth and underestimated growth), we believe the outlook for Calamos Timpani Small Cap Growth Fund (CTSIX) is exceptional. The fund is loaded with exposure to companies with fundamental momentum. It's been a sloppy couple of years as the markets were disproportionately fixated on macro issues. But now, the pendulum has swung back our way and a new upcycle has begun. We were ready for it and are beginning to reap the rewards.

Brandon Nelson, CFA

SVP and Senior Portfolio Manager

April 4, 2024

¹ Source: 22V Research, "Who's Next?" February 11, 2024. Data from 1980.

² Source: Jefferies, as of March 31, 2024, valuations of small caps versus large caps, lower percentiles indicate more favorable relative valuations for small caps.

Market Environment

Within the Russell 2000 Growth Index (+7.58%), growthier and cyclical sectors tended to outperform defensive areas of the market. Information technology (+16.6%), energy (+11.0%), industrials (+9.2%), and consumer staples (+8.0%) outperformed the benchmark. Consumer discretionary (+6.3%), health care (+3.5%), and financials (+3.2%) all performed well yet lagged. Real estate (-1.1%), materials (-4.8%), communication services (-4.8%), and utilities (-9.8%) each posted negative returns for the quarter.

Performance Review

For the quarter ended March 31, 2024, the fund returned 19.20% (Class I shares at NAV), strongly outperforming the Russell 2000 Growth Index return of 7.58%.

Positive Influences on Performance

Industrials. The fund benefited from security selection and an average overweight allocation in industrials. Electrical components & equipment holdings notably helped, as did trading companies & distributors.

Health Care. Security selection and an average underweight allocation in health care, specifically in the biotechnology and health care supplies industries, contributed to performance.

Negative Influences on Performance

Real Estate. Over the period, security selection within the real estate sector weakened return. Holdings in real estate operating companies and our lack of representation in other specialized REITs held back relative returns.

Energy. An average underweight allocation within the energy sector underperformed. Oil & gas equipment & services was a leading detractor. In addition, our lack of representation in oil & gas exploration & production hindered relative returns.

Fund Holdings - Contributors

Super Micro Computer Inc.

4.2% of fund as of 3/31/24

Profile: Based in San Jose, California, Super Micro Computer offers server and storage solutions. Per their own website, Super Micro Computer “designs and builds an environmentally friendly and energy-saving portfolio of servers, storage systems, switches, software, along with global support services.” Super Micro Computer is listed as a technology hardware, storage & peripherals company within the information technology sector.

Analysis: Super Micro Computer’s stock (SMCI) shot up an eye-popping +253% for the quarter. Early in the quarter, SMCI reported another strong beat to earnings and revenues with demand for AI servers and storage solutions continuing to drive business and investor attention. Perhaps more importantly, SMCI raised revenue guidance for its fiscal year (ending in June) by a stunning 38%.

Vertiv Holdings Company (VRT)

2.3% of fund as of 3/31/24

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 (VRT) climbed +70% as the company delivered another quarter of strong results. Earnings came in ahead of expectations and the company raised guidance for revenues and margins. The increased demand for Artificial Intelligence (AI) has been a boon to Vertiv, as AI demand increases the need for electricity and, therefore, cooling systems.

Fund Holdings - Detractors

Blackbaud Inc. (BLKB)

Sold

Profile: Blackbaud Inc. is a software company based in Charleston, South Carolina, that provides cloud software solutions to nonprofits, foundations, education institutions, and other community organizations. Blackbaud's products assist with fundraising, analytics, websites, and financial management. Blackbaud is listed among application software companies within the information technology sector.

Analysis: Blackbaud's stock (BLKB) fell -14% for the quarter, stumbling mid-quarter after its earnings announcement. The company beat expectations for earnings, but revenues missed consensus. The company's guidance for future earnings suggested slower growth, and we exited the position during the quarter.

LuxUrban Hotels Inc.

Sold

Profile: LuxUrban Hotels is a Miami-based company that leases hotels long term and rents out rooms, focusing on major metropolitan cities in the United States. The business model entails acquiring hotels at distressed pricing in an asset-light fashion and turning them into profitable properties. LuxUrban Hotels is categorized among real estate operating companies within the real estate sector.

Analysis: Stock in LuxUrban (LUXH) fell -77% during the quarter, although the portfolio exited the position well before quarter end. LuxUrban's stock was hit by a report issued by a short seller early in the quarter. Although the company responded quickly and cited how the report reflected "a fundamental lack of understanding of its operations and industry" and that the report "relies heavily on speculation and mischaracterizations," the stock continued to weaken. We exited the position in light of increased risks.

Positioning and Portfolio Changes

We believe the portfolio is well positioned, favoring stocks that we believe offer above-average growth prospects and very visible fundamental strength. We are pleased that the market has been less macro-focused, correlations have decreased, and businesses with fundamental momentum have begun to be rewarded.

During the first quarter, we increased our investments in industrials, adding to the overweight position from the beginning of the period. Conversely, we reduced information technology holdings from a significant overweight to a more modest overweight. Additionally, we reduced our modest overweight to health care stocks to bring it to a modest underweight, as holdings strongly outperformed during the quarter.

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

[CTSI - 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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