Core Plus Fixed Income Strategy

CALAMOS® INVESTMENTS

Market Overview

The U.S. investment grade bond market, as represented by the Bloomberg Barclays U.S. Aggregate Bond Index, returned 3.08% during the first quarter.

The constituents of the S&P 500 delivered positive revenue and earnings results again in the first quarter of 2019, with over 75% besting analyst expectations for earnings. However, only 57% reported revenue above analyst expectations, which is slightly below the long-term average and continues a downward trend from the previous quarter. While earnings growth from a year prior was only 1.6%, it was the first time that the prior year's quarter was also affected by the Tax Cuts and Jobs Act. We expect this will significantly moderate earnings growth in 2019 from what had been a much stronger pace through 2018. Increased international tensions exacerbated by the trade war between the U.S. and China have interrupted supply chains and led to indications of manufacturing activity slowing around the globe. However, risk assets valuations seem to have continued market support, as domestic stock markets are near all-time highs and credit spreads have been well behaved.

The Federal Reserve met twice during the quarter, maintaining its benchmark overnight rate at 2.25% to 2.50% at meetings in May and June. The statement following the June meeting took on an increasingly dovish tone. The Fed indicated that the U.S. economy was facing headwinds related to international trade and a global growth slowdown. Fed expectations shifted from a median estimate of zero hikes to a median estimate of one rate cut before the end of 2019. The futures market on the federal funds rate, however, is pricing in a 100% certainty that the Fed will cut rates by the end of the year, while the odds of multiple rate cuts have increased to over 50%. It is important to note that the European Central Bank has stated that additional stimulus will be needed "in the absence of any improvement" in growth and inflation measures, and several other developed and emerging market central banks have cut rates to support economic growth in their countries.

Lower interest rates across the United States yield curve drove the majority of the quarter's positive return, while credit spreads in both the investment-grade and high yield markets closed the quarter tighter. The yield spread between 3-month Treasury bills and 10-year notes inverted into negative territory during the quarter. Historically, an inversion of this measure has been viewed by economists as a leading indicator of recession.

Performance Review

For the quarter, the portfolio had a strong positive return of 3.02%, in line with the Bloomberg Barclays U.S. Aggregate Bond Index gain of 3.08%.

CALAMOS CORE PLUS FIXED INCOME STRATEGY RETURNS

	QTR ENDING 6/30/19	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (7/07)
Calamos Institutional Core Plus Fixed Income Composite						
Gross of Fees	3.02%	8.24%	3.07%	3.53%	4.39%	5.06%
Net of Fees	2.88	7.65	2.51	2.97	3.82	4.49
BBgBarc U.S. Aggregate Bond Index	3.08	7.87	2.31	2.95	3.90	4.34

Source: Calamos Advisors LLC

Past performance is no guarantee of future results.

Data as of 6/30/19.

Calamos Core Plus Fixed Income Strategy

REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS BLOOMBERG BARCLAYS U.S. AGGREGATE BOND INDEX
SECOND QUARTER 2019

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Treasury	32	
MBS Passthrough	12	
Financial Institutions	9	
Agency	2	
Supranational	1	
CMBS	0	
Utility		-1
Local Authority		-1
Sovereign		-2
ABS		-10
Industrial		-44

Attribution based on gross of fee performance with dividends reinvested.
Past performance is no guarantee of future results.
Source: Bloomberg. Data as of 6/30/19.

Duration/Yield Curve

Positioning

The team shortened duration from neutral to 0.3 years short of the benchmark ending the quarter at 5.4 years compared to the benchmark at 5.7 years.

Market Activity

With two-year yields closing at 1.76%, down from 2.26%, and 10-year yields closing at 2.01%, down from 2.41%, the 2y10y curve steepened 10 basis points during the first quarter to close at 25 basis points, representing the steepest month-end close for the U.S. yield curve in 2019.

Results

The shorter duration positioning detracted from performance. In particular, an overweight to bonds with durations under one year diminished return.

Security Type

Positioning

The portfolio was overweight to corporate securities and asset-backed securities and underweight both Treasuries and mortgage-backed securities. Within the corporate bond asset class, the largest overweights were in the insurance and consumer non-cyclical sectors.

Market Activity

Within the Bloomberg Barclays U.S. Aggregate Bond Index, corporate bonds delivered the highest return for the first quarter at 4.5%, government-related bonds (for example, agencies) returned 3.0%, followed by Treasuries at 3.0% and finally securitized products at 2.0%.

Results

The portfolio's overweight to corporate bonds, the best-performing sector of the market, enhanced performance.

Credit Quality

Positioning

The portfolio was underweight the AAA credit tier and had heavier exposure to the A, BBB, BB and B credit tiers.

Market Activity

For the quarter, BBB credits were the best performing with a return of 4.8%, followed by 4.2% for A rated bonds, 3.3% for AA rated securities, and 2.6% for top-rated AAA bonds.

Result

The overweight allocation to the BBB rating categories and the portfolio's out-of-index high yield bond exposure lifted performance for the quarter, but these were more than offset by security selection effects across those rating categories.

All portfolio positioning and sector information is for a representative portfolio. Please see last page for additional information.

Calamos Core Plus Fixed Income Strategy

SECTOR ALLOCATIONS VERSUS BLOOMBERG BARCLAYS U.S. AGGREGATE BOND INDEX (SECOND QUARTER 2019)

SECTOR	REPRESENTATIVE PORTFOLIO %	BBGBARC U.S. AGGREGATE BOND INDEX %	UNDER/OVERWEIGHT %
ABS	8.8	0.5	8.3
Agency	0.0	2.6	-2.6
CMBS	2.6	2.0	0.6
Covered	0.0	0.0	0.0
Financial Institutions	21.2	8.0	13.2
Industrial	30.1	15.2	14.9
Local Authority	0.0	0.9	-0.9
MBS Passthrough	16.3	27.0	-10.7
Sovereign	0.0	1.0	-1.0
Supranational	0.0	1.4	-1.4
Treasury	14.8	39.6	-24.8
Utility	4.0	1.8	2.2

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Source: Bloomberg. Data as of 6/30/19.

Conclusion

While we expect the rate of domestic economic growth to slow, Calamos views the risk of an imminent recession as low. We would characterize the economy as being in the late innings of expansion, and corporate credit fundamentals are beginning to show early signs of weakening. The significant shift in Fed statements and expectations leave us believing that the next monetary policy move will be a cut in the federal funds rate. We expect the timing of that event to be shaped by incoming domestic economic data, but also influenced by global macroeconomic developments. We continue to maintain strict discipline to our rigorous, fundamentally driven investment process, as we believe it is critical to pick spots wisely and appropriately balance risk/reward.

Calamos Core Plus Fixed Income Strategy

Past performance does not guarantee or indicate future results. Current performance may be lower or higher than the performance quoted. 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.

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The results portrayed on the preceding pages are for the Calamos Institutional Core Plus Fixed Income Composite (Inception date: 7/2007). Representative holdings and portfolio characteristics are specific only to the portfolio shown at that point in time. Other portfolios will vary in composition, characteristics, and will experience different investment results. The representative portfolio shown has been selected by the advisor based on account characteristics that the advisor feels accurately represents the investment strategy as a whole.

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.

The information provided in this report should not be considered a recommendation to purchase or sell any industry, sector or particular security. There is no assurance that any industry, sector or security discussed herein will remain in a client's account at the time of reading this report or that industry, sectors or securities sold have not been repurchased. The industries, sectors, or securities discussed herein do not represent a client's entire account and in the aggregate may represent only a small percentage of an account's holdings.

It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

The **Calamos Institutional Core Plus Fixed Income Composite** is an actively managed composite that invests primarily in a diversified portfolio of investment-grade debt securities that generally have a dollar-weighted average portfolio duration between three to ten years. Results include all fully discretionary accounts, including those no longer with the Firm.

The **Bloomberg Barclays U.S. Aggregate Bond Index** covers the U.S. denominated, investment-grade, fixed-rate, taxable bond market of SECregistered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed rate and hybrid ARM pass throughs), ABS, and CMBS sectors. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect any fees, expenses or sales charges. Investors cannot invest directly in an index.

Fees include the investment advisory fee charged by Calamos Advisors LLC. Returns greater than 12 months are annualized. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest. Chart Data Sources: Calamos Advisors LLC.

Average annual total return measures net investment income and capital gain or loss from portfolio investments as an annualized average assuming reinvestment of dividends and capital gains distributions.

Calamos Advisors LLC is a federally registered investment advisor. Form ADV Part 2A, which provides background information about the firm and its business practices, is available upon written request to:

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