

Emerging Economies Strategy

CALAMOS
INVESTMENTS

Market Overview

Emerging markets navigated a volatile second quarter and ultimately advanced, as the MSCI Emerging Markets Index returned 0.74%, in USD terms. Emerging markets rallied back in June after May's significant sell-off, responding positively to loosening financial conditions, more dovish central banks, a weaker U.S. dollar and increased investor risk appetite.

China and the U.S. announced multiple tit-for-tat trade actions during the quarter. However, share prices rose late in the period following signs of progress in the talks between Trump and Xi at the G20 Summit. In terms of macro data, China's manufacturing and industrial production figures have been disappointing and reflect a growth slowdown, while key gauges of services activity and consumption paint a brighter picture for retail sales, domestically focused companies, and the beneficiaries of targeted stimulus.

India saw slight gains in the quarter as the country digested the results of this spring's national elections. Prime Minister Modi faced his first test after re-election, with the economy slowing to 5.8% in the latest GDP figures amid weaker consumer demand and fixed investment. Mexican equities faced bouts of volatility in the wake of President Trump's proposed tariff on Mexican imports, though the sides ultimately agreed on measures

addressing the immigration crisis to avoid near-term punitive actions. Brazilian stocks performed well in the second quarter despite relatively weaker data on employment and GDP growth, as the government offered some signs of compromise in order to implement key public reforms. The top-performing EM countries in the period included Argentina (+31.85%) and Russia (+17.28%) in USD terms, while the laggards included Pakistan (-20.54%) and Chile (-4.90%).

Performance Review

The portfolio pursued its risk-managed approach to emerging markets opportunities and generated a positive return of 3.42% strongly outperforming the MSCI Emerging Markets return of 0.74%. The portfolio's investments in higher-quality growth businesses were rewarded with stronger market performance.

Positive Influences on Performance

Industrials. The portfolio's security selection in industrials promoted return. Specifically, our holdings in airlines and trucking were sources of strength.

Information Technology. Security selection and an average overweight allocation in information technology added to performance. The main contributing industries within this sector were application software and IT consulting & other services.

FIGURE 1. CALAMOS EMERGING ECONOMIES STRATEGY RETURNS

	QTR ENDING 6/30/19	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (12/08)
Calamos Emerging Economies Composite						
Gross of Fees	3.42%	1.88%	8.40%	1.61%	7.21%	9.51%
Net of Fees	3.18	0.99	7.38	0.55	6.05	8.32
MSCI Emerging Markets Index	0.74	1.59	11.06	2.86	6.17	9.73

Source: Calamos Advisors LLC

Past performance is no guarantee of future results.

Data as of 6/30/19.

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FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS THE MSCI EMERGING MARKETS INDEX

SECOND QUARTER 2019

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Industrials	58	
Information Technology	43	
Financials	32	
Health Care	26	
Materials	22	
Consumer Staples	21	
Consumer Discretionary	15	
Real Estate	9	
Communication Services	7	
Utilities		-6
Energy		-53

Attribution based on gross of fee performance with dividends reinvested. Performance attribution excludes any government/sovereign bonds or options on broad market indices the portfolio may hold.

Past performance is no guarantee of future results.

Source: Calamos Advisors LLC. Data as of 6/30/19.

Negative Influences on Performance

Energy. Over the period, security selection within the energy sector weakened relative results, as holdings in the integrated oil & gas and oil & gas exploration & production industries trailed.

Utilities. Our lack of participation within the utilities sector also held back return.

Geographic Performance

From a geographic perspective, the portfolio's security selection within EM Asia and EM Latin America outperformed the benchmark and added considerable value to returns, owing to improved fundamentals and demand in several key holdings. The portfolio's holdings in developed market companies with significant revenues in emerging markets also contributed to results due to security-specific factors. From a risk-management perspective, the portfolio's holdings in convertible bond securities trailed equities but added attractive risk-adjusted return and provided a wider opportunity set of investment candidates.

Positioning and Portfolio Changes

We have a positive view of the opportunities in EM and we own significant positions in the technology, consumer discretionary, financials, and communication services sectors. We favor businesses in internet retail, interactive media & services, diversified banks and insurance, and select semiconductor areas based on their sound growth fundamentals, large addressable markets and alignment with our key secular themes.

We own diverse holdings in financials, with relatively more investments in higher quality emerging market banking and insurance businesses that offer expanding opportunities and attractive valuations.

We hold moderate weight in energy and materials, with a blend of opportunities due to more attractive global supply-and-demand fundamentals and earnings growth potential.

We have an underweight stance in more defensive, highly regulated areas such as utilities and real estate, while we favor exposure to diversified consumer staples opportunities addressing key areas of demand.

Conclusion

Global corporate and macroeconomic data has been mixed versus expectations and reflects moderate global growth conditions. Global monetary policy remains accommodative, and multiple central banks have pivoted toward a more dovish policy stance in recent communications. Markets continue to confront a set of headwinds and tailwinds, and we have seen developments with respect to earnings and policy resulting in mixed conditions for global businesses. We are actively monitoring key macro factors for emerging markets including global trade negotiations, the trajectory of central bank policy, and consumption and the industrial economy in China.

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FIGURE 3. SECTOR ALLOCATIONS VERSUS THE MSCI EMERGING MARKETS INDEX

SECTOR	REPRESENTATIVE PORTFOLIO %	MSCI EMERGING MARKETS INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 3/31/19 (PCT. POINTS)	UNDER/OVERWEIGHT %
Financials	22.1	25.2	-1.0	-3.1
Consumer Discretionary	19.0	13.5	2.7	5.6
Information Technology	17.5	13.8	1.4	3.7
Industrials	8.8	5.3	2.3	3.4
Communication Services	8.6	11.7	-4.5	-3.0
Energy	7.7	7.9	-0.9	-0.3
Consumer Staples	6.6	6.6	-0.4	0.1
Materials	3.9	7.6	-1.2	-3.7
Health Care	3.2	2.6	1.1	0.6
Real Estate	2.5	3.0	0.5	-0.5
Utilities	0.0	2.7	0.0	-2.7

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Sector weightings exclude cash or cash equivalents, any government/sovereign bonds or broad-based index hedging securities/options the portfolio may hold. Sector allocations in table are based on end weights, while commentary weightings can be based on average weights. Therefore, the sector allocations table and commentary text may reference different sector assignments.

Source: Calamos Advisors LLC. Data as of 6/30/19.

FIGURE 4. LARGEST 10 COUNTRY WEIGHTS VERSUS THE MSCI EMERGING MARKETS INDEX

COUNTRY	REPRESENTATIVE PORTFOLIO %	MSCI EMERGING MARKETS INDEX %	PORTFOLIO COUNTRY WEIGHTING CHANGE SINCE 3/31/19 (PCT. POINTS)	UNDER/OVERWEIGHT %
China	29.7	27.6	-9.0	2.1
India	13.0	9.0	4.5	4.0
Brazil	9.9	7.6	1.4	2.2
Taiwan	6.1	10.8	-0.8	-4.8
United Kingdom	5.7	0.0	-0.4	5.7
South Korea	3.9	12.4	-1.4	-8.5
France	3.5	0.0	1.0	3.5
Hong Kong	3.4	3.9	-0.8	-0.4
Indonesia	3.0	2.1	0.3	0.9
South Africa	2.6	5.8	0.1	-3.3
Developed Markets	23.2	4.0	3.9	19.2
Emerging Markets	76.8	96.0	-3.9	-19.2

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Largest country weights table excludes cash and any broad index options, and are based on end-of-period weights. Additionally, companies are classified geographically according to their country of domicile. Country weightings referenced in the commentary are based on average weights and are classified geographically according to their country of risk. Therefore, country assignments referenced in the table versus the commentary text may differ.

Source: Calamos Advisors LLC. Data as of 6/30/19.

Full-year earnings growth remains positive in emerging markets, equity valuations are attractive, and some depreciation in the dollar has eased financial conditions in many emerging markets. Many companies with higher-quality fundamentals and sustainable growth characteristics are being rewarded for strong profiles, even as investors continue to sharply focus on global trade and policy issues. From a thematic and sector perspective,

we see opportunities in consumer sectors, communication services, and technology, in addition to higher quality financials and a set of more cyclical companies in multiple sectors. We believe our active and risk-managed investment approach positions us well to navigate the headwinds and opportunities in emerging markets.

The representative portfolio information described in both charts above represents a representative account managed in the Emerging Economies strategy. Other clients' portfolios may differ mainly due to individual restrictions and timing of purchases and sales. All portfolio positioning and sector information is for a representative portfolio. Please see last page for additional information.

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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.

The information portrayed is for the Calamos Emerging Economies Composite. 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.

Returns presented reflect the **Calamos Emerging Economies Composite**, which is an actively managed Composite investing in a globally diversified portfolio of equity, convertible or debt securities, with at least 35% of constituent portfolio assets invested in securities of issuers that are organized in emerging market countries. Investments in securities of developed market companies are generally limited to those companies which derive 20% or more of assets or revenues from emerging market countries. The composite was created December 1, 2010, calculated with an inception date of December 1, 2008 and includes all fully discretionary, fee-paying accounts, including those no longer with the firm.

Investments in overseas markets pose special risks, including currency fluctuation and political risks, and the strategy is expected to be more volatile than that of a U.S. only strategy. These risks are generally intensified for investments in emerging markets.

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Unless otherwise noted, index returns reflect the reinvestment of income dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. Investors may not make direct investments into any index.

Fees include the investment advisory fee charged by Calamos Advisors LLC. Returns greater than 12 months are annualized. Chart Data Sources: Mellon Analytical Solutions LLC and 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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