Emerging Economies Strategy Quarterly Commentary

CALAMOS INVESTMENTS

Strategy Overview

A risk-managed, emerging market equity strategy that seeks to gain exposure to emerging economies and outperform the MSCI Emerging Markets Index over a full market cycle, with lower volatility and downside risk.

Market Overview

Emerging markets experienced multiple crosscurrents in the quarter including China's sustained reopening, tighter global monetary policy, and a weaker US dollar. Emerging market equities continued to experience significant dispersion in country returns, reflecting a range of macro conditions, earnings and capital flows.

Owing to multiple influences, Chinese equities declined in the quarter and trailed other markets. China's key data showed mixed results over the period, with manufacturing activity and fixed investment generally subpar while services and travel saw relatively higher demand. Geopolitical tensions also persisted between China and the US, although meetings between key corporate and political leaders from the two countries reflected incremental progress. Secretary of State Blinken met with President Xi and key cabinet members in June. Based on reports, the officials had substantive discussions on a range of issues and emphasized the need for open communication, although concrete results in the end were limited.

Stocks in India delivered strong returns in the second quarter. Prime Minister Modi met with President Biden in June, joining business executives to support increased cooperation in the development of artificial intelligence and semiconductors, along with other initiatives. In terms of macro data, India's economy showed solid growth over recent months with the expansion driven by both private consumption and services exports. Amid moderating inflation, the Reserve Bank of India held its benchmark rate unchanged in its last two meetings, although it remained open to additional hikes if warranted.

Brazil's equities rose over 20% in the quarter and significantly outperformed peer markets. Brazil benefited from a combination of moderating inflation, better private sector growth, and improved confidence among both businesses and consumers. Among larger emerging markets, the relative leaders in the period included Brazil (+20.81%) and India (+12.36%) in USD terms, while lagging markets included China (-9.65%) and South Africa (-4.71%).

Performance Review

Emerging markets experienced a seesaw-type quarter that was highly rotational and showed significant return dispersion between countries and sectors. The portfolio returned -2.05% (gross of fees) and -2.31% (net of fees) in the quarter versus the 1.04% return of the MSCI Emerging Markets Index. The portfolio's underperformance was primarily due to its growth-oriented holdings that trailed value-oriented index positions in sectors such as energy, financials and utilities.

On a year-to-date basis through June 30, the portfolio returned 2.99% (gross of fees) relative to the 5.10% return of the index.

Positive Influences on Performance

Information Technology. The portfolio benefitted from favorable security selection and an average overweight stance in the information technology sector where holdings in semiconductors and IT consulting & other services added to relative returns.

Materials. Leading security selection and an average underweight stance in materials added to the portfolio's performance. Specifically, holdings in construction materials and our lack of exposure to commodity chemicals promoted relative returns.

Negative Influences on Performance

Consumer Discretionary. Over the period, security selection and an average overweight allocation within the consumer discretionary sector hampered performance. Broadline retail lagged as did apparel, accessories & luxury goods.

Communication Services. Security selection within the interactive home entertainment and interactive media & services industries of the communication services sector lost ground on a relative basis.

Geographic Performance

From a country perspective, the portfolio’s relative security selection in Mexico and India led the benchmark and added value to portfolio returns in the quarter. The portfolio’s relative security selection in Brazil and China trailed the index and detracted from returns, while the portfolio’s average underweight position in China was a positive factor.

Positioning and Portfolio Changes

We see increased opportunities in emerging markets in the second half of the year. Our strategy positioning favors a blend of secular growth and cyclical companies, in addition to reopening opportunities and select defensives. From a sector perspective, the largest weights are in technology, consumer discretionary, higher-quality financials, industrials, consumer staples and communication services. We own holdings within key areas including semiconductors, broadline retail, interactive media & services, casinos & gaming, and diversified banks. We are underweight in utilities, energy, financials and traditional telecoms, reflecting our view of lesser opportunities in these areas.

We made certain changes to sector weights during the quarter. We increased the weight in technology and consumer staples due to attractive bottom-up opportunities, while we reduced the weight within consumer discretionary and energy to pursue more compelling investments in other sectors. From a geographic perspective, we favor investments in markets including India, Mexico, Brazil, China, Taiwan, South Korea, Indonesia and the Philippines.

Outlook

We see increased opportunities ahead for investors in emerging markets. We are analyzing multiple factors including evolving central bank policy, the path of the US dollar, corporate earnings, and the geopolitical backdrop. Considering tighter global monetary policy and mixed inflation dynamics, the financial markets remain uncertain, and we expect volatility will continue until these risks resolve. Despite the complex backdrop, we continue to identify ways to capitalize on volatility, including a range of opportunities at the sector, thematic and market-cap levels.

For additional information please visit the strategy's profile page:
https://www.calamos.com/strategies/emerging-economies/

CALAMOS EMERGING ECONOMIES COMPOSITE RETURNS (%)

	QTR	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (12/08)
Calamos Emerging Economies Composite						
Return Gross	-2.05	-2.27	1.60	4.60	4.78	8.33
Return Net of Fees	-2.31	-3.31	0.52	3.52	3.67	7.17
MSCI Emerging Markets Index	1.04	2.22	2.72	1.31	3.33	7.33

Source: Calamos Advisors LLC

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 information portrayed is for the Calamos Emerging Economies Strategy. 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.

Returns and risk/reward presented reflect the **Calamos Emerging Economies Composite**, which is an actively managed composite that invests in a globally diversified portfolio of equity, convertible and debt securities. In general, at least 35% of constituent portfolio assets are 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. The Composite results include all fully discretionary 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 US-only strategy. These risks are generally intensified for investments in emerging markets.

Foreign, Emerging Markets Risk: Investments in these types of securities have considerable risks. Risks associated with investing in foreign securities include fluctuations in the exchange rates of foreign currencies that may affect the US dollar value of a security, the possibility of substantial price volatility as a result of political and economic instability in the foreign country, less public information about the issuers of securities, different securities regulation, different accounting, auditing and financial reporting standards and less liquidity than in the US markets. **Emerging Market Country Risk:** Some of the exchanges in which a strategy may invest may be less well-regulated than those in developed markets and may prove to be illiquid, insufficiently liquid or highly volatile from time to time. This may affect the price at which a strategy may liquidate positions to meet redemption requests or other funding requirements. Investment in emerging markets may also give rise to currency risks. Emerging market countries involve risks such as immature economic structures, national policies restricting investments by foreigners, and different legal systems. The marketability of quoted shares in emerging market countries may be limited as a result of wide dealing spreads, the restricted opening of stock exchanges, a narrow range of investors and limited quotas for foreign investors. Therefore, a strategy may not be able to realize its investments at prices and times that it would wish to do so. Some emerging market countries may also have different clearance and settlement procedures, and in certain countries there have been times when settlements have been unable to keep pace with the volume of securities transactions, making it difficult to conduct transactions. Costs associated with transactions in developing country or emerging market country securities are generally higher than those associated with transactions in developed country securities. **Growth Investing Risks:** Growth companies are generally more susceptible than established companies to market events and sharp declines in value. Additionally, growth stocks typically lack the dividend yield that can cushion stock prices in market downturns**. Equity Securities Risk:** The securities markets are volatile, and the market prices of the securities may decline generally. The price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions. If the market prices of the securities owned fall, the value of your investment will decline.

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The index is calculated on a total return basis, which includes reinvestment of gross dividends before deduction of withholding taxes.

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. Chart Data Source: 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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