Market Overview

Global equities declined significantly in the quarter as investors navigated a landscape of elevated inflation, tighter monetary policy, and moderating economic growth. The broad-based MSCI ACWI Index returned -15.53% for the quarter with markets down across most regions. Developed markets returned -16.05%, as measured by the MSCI World Index, and US equities returned -16.10% based on the S&P 500 Index. Emerging markets also retreated in the quarter, with the MSCI Emerging Markets Index down -11.34%, but outperformed developed markets.

The volatility in US markets reflected the impact of higher interest rates, persistent inflation, and signs of slowing economic growth. Inflation remained the foremost issue for investors and policymakers, as consumer and producer prices remained stubbornly elevated, and recent inflation data was the highest it has been in 40 years. The labor market gave off mixed signals with strong payrolls and wage data offset by increased hiring freezes and job cuts at large corporations. From a policy perspective, the Federal Reserve hiked interest rates multiple times in the quarter, the most recent a 75-basis point hike, marking the largest single increase since 1994. Chair Powell and multiple Fed governors underscored the need for price stability in the economy when discussing the Fed’s aggressive stance, including its policy stance and quantitative tightening. As more companies recently cited cost pressures, moderating demand, and the strong dollar as headwinds, US corporate earnings will be a key signpost for investors.

European equities returned -14.17% in the quarter as reflected in the MSCI Europe Index (USD terms, -8.34% in local currency). European markets and macro conditions reflected the punishing headwinds of high energy prices, supply chain constraints, and the rippling impacts from the war in Ukraine. Eurozone headline inflation data increased by more than 8% in the period, touching a record high with elevated prices for both producers and consumers. In terms of monetary policy, the ECB became gradually more hawkish during the period, and is widely expected to raise interest rates in July, which would mark the first hike since 2011. The ECB also discussed the design of a new instrument that aims to prevent unwarranted spikes in euro-area bond yields, with a particular focus on the periphery economies. The UK also saw mixed economic data recently, with high inflation readings appearing alongside signs of moderating confidence and demand. To stem rising prices, the Bank of England has several times raised interest rates, which may soon reach their highest level in over a decade.

Asia Pacific equities sold off in the quarter, as the MSCI Pacific Index returned -14.41% (in USD terms, -6.00% in local currency). Japanese equities saw negative returns in the period, reflecting mixed economic data and a weaker yen. The yen continued to depreciate to 20-year lows versus the dollar, as the Bank of Japan has adhered to ultra-loose monetary policy, while most major central banks are hiking rates to stem inflation. Business sentiment diverged in Japan recently, as services activity touched a multi-year high, while manufacturing demand softened, reflecting supply chain hurdles and input costs. Australian shares also sold off significantly in the period, though the economy has remained quite strong in the first half of the year. Export volume rose to new record highs recently with both manufacturing and service industries benefiting from high commodity prices and global demand. From a policy standpoint, the Reserve Bank hiked interest rates in the quarter to combat inflation, which...
recently marked a two-decade high. Hong Kong shares edged lower but outperformed most global markets in the quarter. Private sector growth eased slightly in June, but overall activity increased at a strong pace over the quarter as Covid restrictions eased and demand accelerated. However, Hong Kong retail sales have been lackluster, despite receding Covid cases and the disbursement of consumption vouchers.

Although emerging markets retreated in the quarter, they outperformed developed markets, as the MSCI Emerging Markets Index returned -11.34% (in USD terms). Emerging markets continued to experience a wide range of returns between countries, reflecting differences in growth and inflation conditions, currencies, and commodity exposures. Chinese shares rose in the quarter, the only region delivering a positive return among emerging markets. As the period progressed, China eased its stringent zero-Covid policy approach, making positive changes across major cities and key industries. Government officials announced a series of stimulus measures aimed at the economy and financial markets, including tax incentives and cuts in the reserve rate. Brazilian shares performed poorly in the quarter, while still generating slightly positive returns in the first half. Brazil had benefited from strong commodities demand and improving consumer morale as unemployment reached the lowest level in years. Private sector growth continued, spurring healthy demand in multiple parts of the economy but also contributing to inflation nearing its highest level since 2003.

Global convertibles declined in the quarter -12.86%, as measured by the ICE BofA Global 300 Index (in USD terms), reflecting the lower prices of their underlying equities and wider spreads. US convertibles, as represented by the ICE BofA All US Convertibles Index, returned -15.65% second quarter. European convertibles returned -15.27%, while Japanese euro convertibles also declined -12.84% (both in USD terms). Asia ex-Japan convertibles sold off -3.41% and held up relatively better than other regions in the quarter.

Given the challenging markets’ backdrop, global convertible issuance remained modest in the quarter, totaling $3.3 billion per ICE BofA data, bringing the year-to-date total to $11.2 billion. From a regional perspective, the US led year-to-date issuance with $8.3 billion, Europe raised $1.2 billion in volume, Asia ex-Japan issued $1.5 billion, and Japan saw $145 million.

Performance Review
For the quarter ended June 30, 2022, the portfolio returned -15.85%, in line with the MSCI ACWI return of -15.53%.

Positive Influences on Performance
Industrials. The portfolio’s security selection in industrials helped drive relative returns. Specifically, construction & engineering and environmental & facilities services were leading contributors.

Financials. Security selection in financials, specifically in life & health insurance, and our lack of representation in asset management & custody banks also promoted return.

Negative Influences on Performance
Materials. Over the period, selection and an average overweight position within the materials sector weakened return, as holdings in the copper and aluminum industries lost ground on a relative basis.

Energy. Security selection within the oil & gas refining & marketing and integrated oil & gas industries of the energy sector also lagged on a relative basis.
Geographic Performance

From a regional standpoint, an overweight allocation and security selection in Europe lifted relative results. Specifically, our holdings in Denmark and Switzerland were sources of strength. Similarly, the portfolio benefitted from our nonparticipation in Emerging Latin America.

Conversely, the portfolio’s selection in Emerging Asia held back return. In particular, our holdings in China and Taiwan underperformed. Also, selection and an underweight allocation in Japan dampened relative performance.
Positioning Discussion

» We positioned the portfolio with a combination of secular and cyclical growth, commodities exposure, and select defenses.

» Technology, health care, industrials, financials, and consumer discretionary are the largest sector weights. Key industry positions include pharmaceuticals, semiconductors, diversified banks, aerospace and defense, software, and oil & gas.

» We own a range energy and materials holdings in companies positioned to benefit from favorable supply-and-demand dynamics and attractive capital efficiency.

» We have an underweight stance in more defensive areas including utilities, real estate, consumer staples and traditional telecoms.

» Through a geographic lens, we own a set of secular growth, cyclical, and commodity opportunities in the US based on our view of earnings growth potential and catalysts.

» We own diversified holdings in Europe with a blend of end markets and business types. Positioning largely consists of high-quality global businesses with strong balance sheets and relatively less reliance on growth in Europe.

» We have a modest weight in Japan. We own multiple companies that offer attractive business models and are positioned to benefit from improving supply chains and demand.

Outlook

Global equity markets continue to navigate numerous formidable crosscurrents. We are analyzing many aspects of economic activity, alongside key policy actions, corporate earnings, and the geopolitical backdrop. With inflationary pressures persisting and monetary policy tightening, the markets remain uncertain, and we expect global equity volatility will continue until these risks resolve. Despite this complicated backdrop, we continue to identify ways to capitalize on volatility, including opportunities at both the sector and thematic level.

In terms of portfolio positioning, we favor companies with advantaged business models, flexible balance sheets, supportive valuations, and the ability to grow earnings in the current environment. From a sector perspective, we see opportunities in technology, health care, industrials, energy, and consumer discretionary with compelling fundamentals. Our active investment approach and long-term perspective positions us to take advantage of the volatility and opportunities in global markets.

Past performance does not guarantee or indicate future results. 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 Calamos Global Opportunities Strategy and as such only relate to the representative portfolio shown. 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 may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

Returns and Risk/Reward statistics presented reflect the Calamos Global Opportunities Composite, which is an actively managed composite that invests in a globally diversified portfolio of convertible and fixed income securities, with equal emphasis on capital appreciation and current income. The Composite was created February 16, 2006, calculated with an inception date of October 1, 1996. The Composite results include all fully discretionary accounts, including those no longer with the Firm.

Country Return Statistics: Unless otherwise noted, country equity returns are based on the appropriate MSCI Index for the country listed.

The ICE BofA Global 300 Convertibles Index (VG0) is a global convertible index composed of companies representative of the market structure of countries in North America, Europe and the Asia/Pacific region. The ICE BofA Investment Grade Global 300 Convertibles Index comprises issues of investment-grade convertible bonds and preferreds in North America, Europe and the Asia/Pacific Region. The ICE BofA Speculative Grade Global 300 Convertibles Index comprises speculative grade convertible bonds and preferreds in North America, Europe and the Asia/Pacific Region. Source: ICE Data Indices, LLC, used with permission. ICE permits use of the ICE BofA Indices and related data on an “as is” basis, makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness and/or completeness of the ICE BofA Indices or data included in, related to, or derived therefrom, assumes no liability in connection with the use of the foregoing and does not sponsor, endorse or recommend Calamos Advisors LLC or any of its products or services.

The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The index is calculated in both US dollars and local currencies. 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 MSCI Europe Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets in Europe. The MSCI Japan Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Japan. The MSCI Pacific Index captures large- and mid-cap representation across five Developed Markets (DM) countries in the Pacific region. The MSCI World Index is a market capitalization weighted index composed of companies representative of the market structure of developed market countries in North America, Europe, and the Asia/Pacific Region. The S&P 500 Index is a market-value weighted index and is widely regarded as the standard for measuring US stock-market performance. The MSCI indices are calculated in both US dollars and local currencies. Unmanaged index returns assume reinvestment of any and all distributions and, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

Fees include the investment advisory fee charge by Calamos Advisors LLC. Returns greater than 12 months are annualized. 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 registered investment advisor. Form ADV Part 2A, which provides background information about the firm and its business practices, is available upon written request to: Calamos Advisors LLC 2020 Calamos Court Naperville, IL 60563-2787 Attn: Compliance Officer

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