

Global Opportunities Strategy

CALAMOS
INVESTMENTS

Market Overview

Global equities navigated a choppy quarter but finished with broad gains, as investors responded to more dovish signals from global central banks, moderate earnings growth and a modicum of progress with trade negotiations. Developed markets saw broad gains 4.20%, as measured by the MSCI World Index (in USD terms), with U.S. stocks also advancing meaningfully, as the S&P 500 returned 4.30% in the quarter. Emerging markets faced a volatile quarter but finished higher, as the MSCI Emerging Markets Index increased 0.74%. The broad MSCI ACWI Index returned 3.80%, reflecting the trends across regions.

U.S. equities rallied in response to a more dovish Fed policy outlook and lower bond yields, while many investors maintained higher cash levels due to earnings growth uncertainty and repercussions from the trade war with China. Market projections have changed dramatically since the start of the year, and multiple rate cuts are now priced into the second half of the year. U.S. economic data has been considerably mixed with generally better readings in consumption, services and employment, offset by slowing growth in manufacturing. Corporate earnings also remain a mixed picture domestically, with year-over-growth only slightly positive yet most companies are beating estimates.

European stocks rose despite a backdrop of mixed macroeconomic data and uncertainty concerning global trade discussions and Brexit. European data was relatively weak last month as evident in select eurozone manufacturing PMI readings below the key 50 level in addition to continued softness in German industrial production and

business sentiment. European Central Bank (ECB) officials announced that they expect to keep rates on hold at ultra-low levels through the first half of 2020. As UK politics and multiple Brexit scenarios swirl about, recent economic data on UK business confidence and manufacturing have shown tepid demand, and the pound has depreciated notably. Even so, overall UK aggregate GDP growth and unemployment remain healthy.

Asian developed markets also finished higher for the quarter. Japanese stocks rose modestly amid some signs of progress on global trade highlighted during the G20 Summit in Osaka. Japan's macro data remains lukewarm with consumer price inflation ticking down to 0.7% in the latest year-on-year reading. Japan's unemployment rate held steady at 2.4% recently and remains historically low due to healthy labor demand. Japan's economy grew 0.6% quarter-on-quarter in the latest reading. Australian stocks outperformed in the quarter as the central bank cut interest rates to a record low 1.25%. Hong Kong equities battled through a volatile quarter, ultimately finishing higher along with many Asia ex-Japan markets.

Emerging markets rallied back in June after May's significant sell-off, responding to loosening financial conditions, dovish central banks, a weaker U.S. dollar and increased investor risk appetite. China and the U.S. announced multiple tit-for-tat trade barriers during the quarter. However, share prices rose in response to signs of progress in talks between Trump and Xi at the G20 Summit in late June. In terms of macro data, China's manufacturing and industrial production figures have been disappointing, while services activity and retail sales show relatively better demand for domestically focused companies and the

FIGURE 1. CALAMOS GLOBAL OPPORTUNITIES STRATEGY RETURNS

	QTR ENDING 6/30/19	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (10/96)
Calamos Global Opportunities Composite						
Gross of Fees	4.08%	4.47%	9.53%	5.52%	8.80%	9.28%
Net of Fees	3.95	3.97	8.79	4.76	7.96	8.32
MSCI ACWI Index	3.80	6.32	12.22	6.73	10.73	6.88

Source: Calamos Advisors LLC. Past performance is no guarantee of future results.
Data as of 6/30/19.

Calamos Global Opportunities Strategy

FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS THE MSCI ACWI INDEX
SECOND QUARTER 2019

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Communication Services	56	
Consumer Staples	28	
Financials	13	
Health Care	8	
Utilities	4	
Real Estate	3	
Industrials	0	
Materials		-18
Information Technology		-33
Energy		-35
Consumer Discretionary		-68

Attribution based on gross of fee performance with dividends reinvested. Performance attribution excludes any government/sovereign bonds or options on broad market indexes the portfolio may hold. Past performance is no guarantee of future results. Source: Calamos Advisors LLC. Data as of 6/30/19.

beneficiaries of stimulus. India saw slight gains in the quarter as the country digested the results of this spring's national elections. 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.

Global convertibles also advanced in the quarter, as the ICE BofAML Global 300 Convertible Index (G300) returned 2.00%. U.S. convertibles generated positive returns, reflecting higher underlying equity prices, with the ICE BofAML All U.S. Convertible Index returning 3.85%. European convertibles saw more moderate gains, returning 2.60%, while Japanese euro convertibles returned 1.73%, both in USD terms. Globally, investment-grade convertibles returned 3.21% versus the 1.57% return in below-investment-grade issues, as measured by the ICE BofAML Investment Grade Global Index and ICE BofAML Below-Investment-Grade Global Index. Global convertible issuance of approximately \$18.3 billion in the quarter showed a slight slowdown relative to the first quarter.

Performance Review

For the quarter ended June 30, 2019, the portfolio returned 4.08% in

line with the MSCI ACWI return of 3.80%.

Positive Influences on Performance

Communication Services. The portfolio's security selection in communication services promoted return. In particular, our holdings in movies & entertainment and interactive home entertainment represented major contributors.

Consumer Staples. Security selection in consumer staples added to the portfolio's performance. The main contributors within this sector were packaged foods & meats and hypermarkets & super centers.

Negative Influences on Performance

Consumer Discretionary. Over the period, security selection and an average underweight position within the consumer discretionary sector lagged. Specifically, holdings in the automobile manufacturers and internet & direct marketing retail industries fell short on a relative basis.

Energy. An average overweight allocation and selection in energy held back performance, especially in the oil & gas exploration & production and oil & gas equipment & services industries.

Geographic Performance

Security selection and an underweight stance in Japan added value to the portfolio. Additionally, leading security selection and an overweight position in Europe also boosted portfolio performance. Specifically, Germany and Ireland were leading contributors.

Contrarily, an overweight stance in Emerging Asia held back relative performance. In particular, positions in China hurt relative performance. Additionally, our lack of exposure to Thailand held back return. Similarly, a lack of exposure in EMEA dampened relative results.

Positioning and Portfolio Changes

The portfolio pursued its risk-managed approach and generated solid absolute returns in the quarter, while also capturing most of the upside return in the all-equity index.

We have a moderate underweight in the U.S. This stance reflects our view of decelerating growth and relatively less attractive valuation risk/

Calamos Global Opportunities Strategy

FIGURE 3. SECTOR ALLOCATIONS VERSUS THE MSCI ACWI INDEX

SECTOR	REPRESENTATIVE PORTFOLIO %	MSCI ACWI INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 3/31/19 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	19.8	16.0	3.6	3.7
Communication Services	14.3	8.7	1.7	5.6
Health Care	14.1	11.4	0.9	2.6
Financials	13.9	16.9	0.1	-3.0
Consumer Staples	9.5	8.3	-1.4	1.2
Consumer Discretionary	9.4	10.8	-1.5	-1.4
Energy	8.1	5.9	-0.6	2.1
Industrials	4.8	10.5	0.8	-5.7
Utilities	3.1	3.3	0.0	-0.1
Real Estate	2.3	3.2	0.6	-1.0
Materials	0.9	4.9	-4.2	-4.0

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.

FIGURE 4. LARGEST 10 COUNTRY WEIGHTS VERSUS THE MSCI ACWI INDEX

COUNTRY	REPRESENTATIVE PORTFOLIO %	MSCI ACWI INDEX %	PORTFOLIO COUNTRY WEIGHTING CHANGE SINCE 3/31/19 (PCT. POINTS)	UNDER/OVERWEIGHT %
United States	48.3	53.6	-3.4	-5.3
China	11.2	3.3	-1.7	7.9
United Kingdom	7.5	5.1	1.0	2.4
France	4.5	3.3	1.2	1.1
Germany	4.5	2.6	0.0	1.8
Netherlands	3.6	1.5	1.5	2.2
Japan	3.0	7.1	0.1	-4.1
Canada	2.9	3.1	0.1	-0.2
Switzerland	2.5	3.1	-1.4	-0.6
Australia	2.2	2.2	1.1	0.0
Developed Markets	84.5	88.6	1.1	-4.1
Emerging Markets	15.5	11.4	-1.1	4.1

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.

reward. Our U.S. positions emphasize secular growth and higher-quality businesses with defensible business models.

We own diversified holdings in Europe with a range of end markets, combining areas of domestic demand and exporters. Positioning is largely in global secular growth opportunities and regionally exposed businesses with stable, less-cyclical characteristics.

We have a positive view of emerging markets and own investments within key demand areas such as interactive media & services, internet retail, higher quality banks and insurance. We favor select investments in China, India and Brazil.

We are underweight in Japan. Although valuations are reasonable and monetary conditions remain highly accommodative, tepid global

Calamos Global Opportunities Strategy

growth and trade volumes continue to act as headwinds for the Japanese economy.

Technology, communication services, health care and financials are among the largest sector weights in the portfolio, as they represent secular growth potential and attractive demand segments. Key industries include interactive media & services, internet retail, application software, pharmaceuticals, insurance, and luxury goods.

We have a moderate underweight in more defensive areas including utilities and real estate, while we favor exposure to opportunities in consumer staples that may provide consistent growth opportunities and key demand verticals.

We own select areas within energy and materials, preferring companies benefiting from relatively better supply-and-demand fundamentals and earnings growth potential.

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 stance in their recent

communications. Markets continue to confront a set of headwinds and tailwinds, and we have seen mixed developments with respect to corporate earnings and policy resulting in a disparate turn out for global stocks.

We see opportunities in global equities and convertibles, reflective of moderate earnings growth, benign inflation and attractive valuations. In terms of portfolio positioning, we favor a blend of investments in secular growth and select defensive growth businesses, in addition to a set of more cyclical companies. This positioning reflects our anticipation of moderate economic growth but also the potential for a pickup in demand conditions in the coming quarters. We favor investments in companies with earnings growth catalysts, solid cash flow generation and healthy balance sheets. From a thematic and sector perspective, we see opportunities in communications services, technology, consumer and health care companies with targeted areas of demand. Our active, risk-managed 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. There is no guarantee that the investment goals/objectives will be met. Indices are unmanaged and one cannot invest directly in an index.

The information portrayed is for Calamos Global Opportunities Composite 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 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.

Performance returns presented reflect, unless otherwise noted the Calamos Global Opportunities Composite which is an actively managed composite primarily investing in a globally diversified portfolio of equity, 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 and includes all fully discretionary fee paying 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 BofAML Global 300 Convertible Index (VG00) 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 BofAML 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 BofAML 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 BofAML 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 BofAML 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 U.S. 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 the 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 U.S. stock-market performance. The MSCI indices are calculated in both U.S. 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 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:

Calamos Advisors LLC
2020 Calamos Court
Naperville, IL 60563-2787
Attn: Compliance Officer

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Calamos Advisors LLC
2020 Calamos Court | Naperville, IL 60563-2787
800.582.6959 | www.calamos.com/institutional

Calamos Investments LLP
62 Threadneedle Street | London, EC2R 8HP, UK
Tel: +44 (0)20 3744 7010 | www.calamos.com

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