

Global Sustainable Equities Strategy



Market Overview

In a wild 1Q 2022, markets contended with a broad range of concerns, most notably a hawkish pivot from the Fed and Russia's invasion of Ukraine. In the span of three months, investors saw the 10-year US Treasury yield climb 83 basis points, the US bond market pricing nine interest rate hikes, a dramatic spike in commodity prices, an unsettling increase in inflation, and a temporary inversion of the 2-year/10-year yield curve. All the while, re-openings as well as shutdowns associated with Covid weighed on investors' assessments of economic potential, though Covid somehow moved from the headline story to lower front-page news. To be sure, some quarters feel like much longer than three months, and this was one of them.

Despite the heavy doses of economic and financial concerns, the broad-based MSCI ACWI Index was down only -5.26% for the three-month period, though in early March it dropped more than 13% to its low for the quarter. From a regional perspective, developed markets returned -5.04%, as measured by the MSCI World Index, while US equities slipped -4.60% as reflected in the S&P 500 Index. Emerging markets also retreated in the quarter—the MSCI Emerging Markets Index returned -6.92%—underperforming developed markets.

Within the MSCI ACWI Index, leadership was centered in energy (+21.4%), materials (+2.7%), utilities (+1.2%), financials (-0.4%), health care (-3.6%) and consumer staples (-3.9%)—largely commodity related and skewed toward defensiveness. Sectors finishing in the bottom half included real estate (-5.3%), industrials (-5.9%), information technology (-10.2%) communication services (-10.3%) and consumer discretionary (-11.3%).

Performance Review

For the quarter ended March 31, 2022, the portfolio returned -8.03%, underperforming the MSCI ACWI Index (Net) return of -5.36%.

Positive Influences on Performance

Communication Services. The portfolio's favorable security selection and an average underweight allocation in communication services assisted relative returns. Holdings in interactive media & services helped relative performance. Additionally, our lack of exposure to movies & entertainment assisted return.

Consumer Staples. Security selection and an average overweight stance in consumer staples added to the portfolio's performance.

The main contributors within this sector were personal products and agricultural products.

Negative Influences on Performance

Materials. Over the period, security selection within the materials sector dampened return, as holdings in the specialty chemicals and diversified metals & mining industries hurt relative performance.

Industrials. Selection and an average overweight allocation in industrials lagged, especially in the electrical components & equipment and trading companies & distributors industries.

Geographic Performance

The portfolio's favorable security selection and overweight position in Emerging Latin America delivered gains. Positions in Argentina helped relative performance. Additionally, our lack of exposure in

FIGURE 1. CALAMOS GLOBAL SUSTAINABLE EQUITIES STRATEGY RETURNS (%)

	QTR ENDING 3/31/22	1-YEAR	3-YEAR	SINCE INCEPTION (1/19)
Calamos Global Sustainable Equities Composite				
Gross of Fees	-8.03	5.78	16.46	19.38
Net of Fees	-8.31	4.47	15.03	17.92
MSCI ACWI Index (Net)	-5.36	7.28	13.75	16.67

Source: Calamos Advisors LLC. Past performance is no guarantee of future results.
Data as of 3/31/22.

All portfolio positioning and sector information is for a representative portfolio. All values are in USD terms unless otherwise indicated. Please see last page for additional information.

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Brazil assisted return. Similarly, the portfolio benefitted from a lack of representation in EMEA.

In contrast, the portfolio's security selection in the United States detracted from relative returns. In addition, security selection in Europe lagged. Specifically, Spain and France were sources of underperformance.

Positioning Discussion

In terms of economic sectors, the largest portfolio weights are in information technology and financials on an absolute basis. Conversely, utilities and real estate represent the smallest absolute sector weights with holdings. The portfolio had no exposure to the energy sector. We maintain overweight allocations to industrials and materials versus the index. Electrical components & equipment and specialty chemicals represent the largest industry overweights within the respective sectors. The portfolio is underweight to communication services and information technology, with interactive media & services and technology hardware, storage & peripherals comprising industry underweight positions in these sectors.

Allocations to consumer staples and financials rose during the period with increased weights in personal products and diversified banks. By contrast, allocations to industrials and health care decreased over the period with reductions to electrical components & equipment and health care equipment.

From a regional standpoint, the portfolio's largest weights are in the United States and Europe. Contrarily, Emerging Latin America and Canada represent the smallest absolute weights. We maintain overweight allocations to Europe and Emerging Latin America, while the portfolio has an underweight stance in Emerging Asia and the United States versus the index. Allocations to Emerging Latin America rose during the period, with increased weights in Brazil. By contrast, the allocations to the United States decreased over the period.

Outlook

With the daily horrors in Ukraine as a somber backdrop, global equities endured a volatile start to 2022, with most markets finishing Q1 well into the red. The combination of supply chain issues, inflation and rising interest rates unnerved investors, who found safe havens hard to come by. Some of the worst performing stocks for the quarter included former pandemic superstars, reminding investors that indiscriminately loading up on what's in favor under certain market conditions can result in painful losses when the wind shifts.

Looking forward, central banks have a delicate balancing act to maintain with Inflation skyrocketing while growth shows signs of slowing. How much and how fast to raise rates have become the key questions given that monetary policy cannot support growth and fight inflation at the same time. US Fed Chairman Powell hinted at a more hawkish attitude in late March, and this time markets seemed to take him seriously. Yields spiked and bond prices fell as investors started adjusting to a new era.

Higher rates mean higher mortgage costs, which will impact the red-hot housing market. Higher rates also mean it is more expensive for companies to repay/refinance their debt. Rapid increases in the price of money have many known effects on an economy, but perhaps more concerning are the unintended consequences as the world moves away from easy money.

Nothing illustrated the volatility of the quarter like Chinese stocks. A year-long downturn was punctuated by a precipitous fall in mid-March, followed by a massive upturn as the Chinese government signaled support for its markets. Rally notwithstanding, there remain questions regarding the investability of numerous Chinese stocks.

A recent study from McKinsey & Co. estimates that the investment required to reduce the impact of greenhouse gas pollution to zero by 2050, in alignment with the Paris Agreement, could be \$9 trillion annually. Scientists agree that the cost of not meaningfully advancing toward this global climate goal will be much greater, so cooperation

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FIGURE 3. SECTOR ALLOCATIONS VERSUS THE MSCI ACWI INDEX (NET)

SECTOR	REPRESENTATIVE PORTFOLIO %	MSCI ACWI INDEX (NET) %	UNDER/OVERWEIGHT %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 12/31/21 (PCT. POINTS)
Information Technology	22.1	22.4	-0.2	0.4
Financials	15.1	14.6	0.5	0.7
Industrials	13.7	9.5	4.2	-0.9
Health Care	12.2	11.9	0.4	-0.8
Consumer Discretionary	11.1	11.7	-0.5	-0.4
Consumer Staples	8.2	6.9	1.3	0.8
Materials	6.7	5.0	1.7	-0.6
Communication Services	5.0	8.1	-3.1	0.3
Utilities	3.2	2.9	0.3	0.7
Real Estate	2.6	2.7	-0.2	-0.1
Energy	0.0	4.3	-4.3	0.0
Other	0.0	0.0	0.0	0.0

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Sector Allocation percentages are based on invested portfolio and are subject to change. Other includes securities that do not have a sector classification. 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 3/31/22.

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

COUNTRY	REPRESENTATIVE PORTFOLIO %	MSCI ACWI INDEX (NET) %	UNDER/OVERWEIGHT %	PORTFOLIO COUNTRY WEIGHTING CHANGE SINCE 12/31/21 (PCT. POINTS)
United States	56.3	59.9	-3.6	-1.4
Japan	4.3	5.4	-1.1	-0.7
United Kingdom	4.0	3.9	0.0	-1.0
France	3.7	2.7	1.1	1.0
Canada	3.6	3.2	0.4	1.1
Ireland	3.5	0.9	2.6	-0.5
Brazil	2.5	0.6	1.9	1.8
Denmark	2.5	0.7	1.8	0.0
Taiwan	2.5	1.8	0.7	-0.1
Switzerland	2.4	2.9	-0.4	-0.1
Developed Markets	91.7	89.1	2.6	88.3
Emerging Markets	8.3	10.9	-2.6	11.7

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 3/31/22.

by everyone from national leaders to individual citizens is essential.

Corporations will need to adjust business models, develop new products, retool supply chains, and make prudent long-term capital decisions to gain efficiencies and remain competitive. Investors that can navigate this transition successfully will be rewarded. The Calamos Sustainable Equities team is focused on doing just that.

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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 Global Sustainable Equities 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 or Risk/Rewards statistics presented reflect the Calamos Global Sustainable Equities Composite II, which is an actively managed, globally focused composite that seeks to achieve long-term capital appreciation. The Composite invests primarily in the common stock of companies around the world that excel at managing environmental risks and opportunities, societal impact and corporate governance (ESG) factors and exhibit attractive financial attributes and competitive advantages. On August 25, 2021 Calamos acquired Pearl Impact Capital LLC which has managed the strategy since its inception in 2019. Firm assets shown represent assets managed by Calamos Advisors and not assets managed by Pearl Impact Capital LLC. The Calamos Global Sustainable Equities Composite II was formerly named the PIC Global Opportunities Composite. This name change was effected August 25, 2021. The Composite was created August 31, 2021, calculated with an inception date of January 1, 2019. Results include all fully discretionary advisory accounts, including those no longer with the Firm. Past performance is no guarantee of future results.

The Firm maintains performance composites by "institutional" and "advisory" account types. Institutional portfolios, which include the Firm's co-mingled funds, generally provide the investment manager with a relatively high level of flexibility in trade direction, security types and asset classes, while advisory portfolios, which include bundled fee (or WRAP) sponsored accounts, may impose restrictions on trade direction as well as certain security types and asset classes.

The MSCI ACWI Index (Net) is a free float-adjusted market-capitalization-weighted index designed to measure the equity market performance of developed markets 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 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 MSCI indices are calculated in both US dollars and local currencies. The S&P 500 Index is a market-value weighted index and is widely regarded as the standard for measuring US stock-market performance.

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 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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