

# International Growth Concentrated Strategy

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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.

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 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

**FIGURE 1. CALAMOS INTERNATIONAL GROWTH CONCENTRATED STRATEGY RETURNS**

	QTR ENDING 6/30/19	1-YEAR	3-YEAR	5-YEAR	SINCE INCEPTION (12/13)
<b>Calamos International Growth Concentrated Composite</b>					
Gross of Fees	6.53%	0.98%	8.90%	4.10%	4.55%
Net of Fees	6.31	0.14	7.90	3.12	3.56
MSCI ACWI Ex U.S. Growth Index	4.55	3.03	10.19	4.36	5.01

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 ACWI EX U.S. GROWTH INDEX**

SECOND QUARTER 2019

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Health Care	89	
Financials	47	
Materials	39	
Information Technology	32	
Real Estate	10	
Communication Services	6	
Industrials	4	
Utilities	2	
Consumer Staples	2	
Energy		-16
Consumer Discretionary		-36

Attribution represented in basis points and is 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.

proposed tariff on Mexican imports, though the sides ultimately agreed on measures addressing the immigration crisis to avoid near-term punitive actions.

## Performance Review

For the quarter ended June 30, 2019, the portfolio generated a positive return of 6.53%, strongly outperforming the MSCI ACWI Ex U.S. Growth Index return of 4.55%.

## Positive Influences on Performance

**Health Care.** The portfolio's leading security selection in health care helped buoy return. In particular, positions in the pharmaceuticals industry and names in the health care supplies industry outperformed.

**Financials.** Security selection and an average overweight stance in financials added to the portfolio's performance, especially in the financial exchanges & data industry and life & health insurance industry.

## Negative Influences on Performance

**Consumer Discretionary.** Over the period, selection and an average overweight allocation within the consumer discretionary sector curbed

return, as holdings in the internet & direct marketing retail and auto parts & equipment industries lagged.

**Energy.** Security selection and an average overweight stance in energy also hindered relative performance. Specifically, integrated oil & gas and our lack of representation in oil & gas equipment & services held back return.

## Geographic Performance

From a regional standpoint, leading security selection in Emerging Asia added value to the portfolio. Specifically, Australia and our lack of participation in South Korea promoted return. In addition, favorable security selection and an underweight stance in Japan boosted portfolio performance.

On the contrary, selection in Europe dragged on return, particularly our holdings in Sweden and the UK. Moreover, security selection and an underweight stance in EMEA lost ground on a relative basis. In particular, our lack of exposure in Russia and South Africa held back return.

## Positioning Discussion

From a sector standpoint, we made incremental adjustments to allocations during the quarter. We modestly increased the portfolio weight in technology and industrials, reflecting mainly bottom-up decisions. We offset these moves by trimming weights in consumer discretionary and consumer staples.

We own diversified holdings in Europe with a range of end markets, including 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.

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**FIGURE 3. SECTOR ALLOCATIONS VERSUS THE MSCI ACWI EX U.S. GROWTH INDEX**

SECTOR	REPRESENTATIVE PORTFOLIO %	MSCI ACWI EX U.S. GROWTH INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 3/31/19 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	25.6	13.0	10.4	12.5
Financials	16.0	11.0	0.0	5.0
Health Care	14.5	11.7	-1.5	2.8
Consumer Discretionary	12.3	14.0	-0.4	-1.6
Industrials	10.0	15.0	3.8	-5.0
Consumer Staples	9.8	16.5	-9.8	-6.7
Communication Services	4.1	7.0	-4.7	-2.9
Materials	4.1	5.7	1.3	-1.6
Energy	3.6	2.8	0.9	0.8
Real Estate	0.0	2.1	0.0	-2.1
Utilities	0.0	1.3	0.0	-1.3

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 ACWI EX U.S. GROWTH INDEX**

COUNTRY	REPRESENTATIVE PORTFOLIO %	MSCI ACWI EX U.S. GROWTH INDEX %	PORTFOLIO COUNTRY WEIGHTING CHANGE SINCE 3/31/19 (PCT. POINTS)	UNDER/OVERWEIGHT %
United Kingdom	16.7	8.3	2.6	8.4
China	11.2	7.8	-5.1	3.4
Germany	9.7	6.0	3.3	3.7
Canada	9.2	6.7	-2.5	2.5
Australia	8.0	4.5	-0.7	3.4
Switzerland	7.3	9.3	-0.6	-2.0
Japan	5.5	15.6	-2.0	-10.1
France	5.3	8.2	3.7	-2.9
Netherlands	4.7	3.0	3.3	1.7
Ireland	4.5	0.7	0.3	3.8
Developed Markets	80.4	74.5	5.3	5.9
Emerging Markets	19.6	25.5	-5.3	-5.9

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.

We are underweight in Japan. Valuations are reasonable and monetary conditions remain highly accommodative, though tepid global growth and trade pressures are headwinds for the Japanese economy.

Technology, consumer discretionary, health care, financials and industrials are the largest sector weights in the portfolio, reflecting

aspects of secular growth and attractive demand segments. Key industries include interactive media & services, internet retail, entertainment, travel & leisure, luxury goods, and biotechnology.

We see opportunities in financials, with companies reflecting improving business fundamentals, less onerous regulations in some regions, solid balance sheets and attractive valuations.

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

We are underweight materials, yet own select companies benefiting from 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 recently. 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 turnout for global stocks. We see opportunities in global equities, 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 investment approach and long-term perspective positions us to take advantage of the volatility and opportunities in global equities.

**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 results portrayed on the preceding pages are for the Calamos International Growth Concentrated 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 Calamos International Growth Concentrated Composite is an actively managed composite investing in a concentrated number of equity securities of non-U.S. domiciled companies. The Composite was created December 1, 2013 calculated with an inception date of December 1, 2013 and includes all fully discretionary fee paying accounts, including those no longer with the Firm.

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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 MSCI ACWI Ex U.S. Growth Index is a free float-adjusted market capitalization weighted index that is designed to measure the growth equity stock market performance of developed markets, excluding the United States, and 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. The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe. With 446 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe. The MSCI Pacific Index captures large- and mid-cap representation across five Developed Markets (DM) countries in the Pacific region. With 470 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. 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 consisting of 500 stocks chosen for market size, liquidity, and industry group representation. 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 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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