

U.S. All Cap Growth Strategy

CALAMOS[®]

INVESTMENTS

Market Overview

The U.S. equity market delivered another quarter of strong returns, albeit with considerable volatility. For the period, the S&P 500 Index gained 4.30%, adding to its best first half of any year (+18.5%) since 1997. While pundits love to talk about “bests” and “worsts,” it’s important to remember that this performance is coming off the heels of the worst December (-9.0%) and calendar year (-4.4%) since the Financial Crisis. During the quarter, market worries included concerns over domestic and global economic growth, global trade and tariffs, and an unnerving inversion of the U.S. yield curve. Even with this backdrop, the U.S. equity market rallied in response to a more accommodative Fed policy outlook, lower bond yields, and a seemingly positive, if not conclusive, meeting between the U.S. and China at the G20 Summit.

Growth stocks edged out value stocks during the quarter, with the S&P 1500 Growth Index gaining 4.44% and beating the 3.83% return of the S&P 1500 Value Index. Within the growth index, materials (+10.4%), financials (+8.0%) and information technology (+7.4%) were among the outperformers over the three-month period.

Performance Review

For the quarter ended June 30, 2019, the portfolio generated a positive return of 6.09%, strongly outperforming the S&P 1500 Growth Index return of 4.44%.

Positive Influences on Performance

Industrials. The portfolio’s leading security selection in industrials promoted relative results. Specifically, trading companies & distributors and industrial conglomerates represented major contributors.

Negative Influences on Performance

Financials. Over the period, security selection within the financials sector weighed on performance, as holdings in the consumer finance and insurance brokers industries lagged.

Positioning and Portfolio Changes

The portfolio is positioned to optimize opportunities based on the health of U.S. consumers, who are doing reasonably well as inflation, interest rates, and employment data all look favorable. Specifically, we are emphasizing buying opportunities created by the rolling de-rating of risk assets through 2020.

FIGURE 1. CALAMOS U.S. ALL CAP GROWTH STRATEGY RETURNS

	QTR ENDING 6/30/19	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (1/91)
Calamos U.S. All Cap Growth Composite						
Gross of Fees	6.09%	10.15%	15.80%	10.26%	13.74%	14.33%
Net of Fees	5.88	9.25	14.87	9.40	12.86	13.43
S&P 1500 Growth Index	4.44	10.96	16.80	12.72	16.06	N/A

Source: Calamos Advisors LLC

Past performance is no guarantee of future results.

Data as of 6/30/19.

*The S&P 1500 Growth Index since Inception start date is 6/30/95, representing the launch of the index.

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FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS S&P 1500 GROWTH INDEX
SECOND QUARTER 2019

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Industrials	53	
Information Technology	34	
Energy	23	
Consumer Staples	17	
Health Care	17	
Consumer Discretionary	14	
Real Estate	10	
Communication Services	8	
Materials	7	
Utilities	1	
Financials		-7

Attribution 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.

The fixed income markets and equity markets most recently have displayed very different opinions about future economic growth. We are tactical and positioned toward what we believe can be better growth opportunities in a low-growth world.

From a sector standpoint, information technology and health care represent the largest weights on an absolute basis as of June 30, 2019, while utilities and real estate represent the smallest weights. Industrials and consumer discretionary represent overweights, with aerospace & defense (industrials) and home improvement retail (consumer discretionary) comprising the largest industry overweight positions. We also maintain underweight allocations to information technology and real estate, with semiconductors (in information technology) and real estate services (in real estate) among the underweight industries.

Allocations to information technology and industrials rose during the period with increased weights in semiconductors and airlines. By contrast, allocations to financials and consumer discretionary decreased over the period with reductions to investment banking & brokerage and automotive retail.

Conclusion

Overall, we continue to believe the U.S. economy is in good standing. Framing our conviction is a strong U.S. consumer enjoying record employment, gains in personal income and modestly growing personal consumption. Stepping back, we do not foresee an imminent recession in the U.S., but acknowledge that global growth is slowing meaningfully. Investor nerves are a bit frayed, as evidenced by the dramatic moves to and from equity markets in the last nine months. In the S&P 500 Index, we witnessed a nearly perfect V-shaped equity market in Q4 2018 (-13.52%) through Q1 2019 (+13.65%), and again in May 2019 when a -6.35% decline was followed by a 7.05% comeback in June. Investor angst and the aforementioned market movement may be partially attributable to the Fed's attempt to thread the needle by managing interest rates, market expectations, employment and price stability. Moving forward, we believe equity opportunities will be more tactical versus structural, which will require adept and active management of holdings. We will continue to focus on higher-quality businesses more closely tied to the U.S. consumer and believe that companies offering growth in a low-growth environment will be most favored by the market.

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FIGURE 3. SECTOR ALLOCATIONS VERSUS S&P 1500 GROWTH INDEX

SECTOR	REPRESENTATIVE PORTFOLIO %	S&P 1500 GROWTH INDEX%	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 3/31/19 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	23.3	25.7	1.2	-2.4
Health Care	16.9	17.0	-0.2	-0.1
Communication Services	16.2	13.0	-0.7	3.2
Consumer Discretionary	15.5	12.7	-1.4	2.8
Industrials	14.8	9.1	1.0	5.7
Financials	6.6	5.9	-1.0	0.7
Consumer Staples	3.3	5.1	0.7	-1.8
Energy	1.9	3.2	0.7	-1.3
Materials	1.4	2.4	-0.3	-0.9
Utilities	0.0	2.0	0.0	-2.0
Real Estate	0.0	3.8	0.0	-3.8

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.

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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 All Cap Growth 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.

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Performance returns presented reflect, unless otherwise noted the Calamos All Cap Growth Composite, is an actively managed strategy that invests in common stocks, preferred stocks, securities convertible into U.S. common stocks, and U.S. dollar-denominated American Depository Receipts, primarily in high growth industries and companies across all market capitalizations. Results include all fully discretionary, fee-paying accounts, including those no longer with the Firm. The Composite inception date is January 1, 1991.

The S&P 1500 Growth Index consists of the growth segment of the securities found in the S&P 1500 Index. The S&P 1500 combines the S&P 500, S&P MidCap 400 and the S&P SmallCap 600. The S&P 500 Index is an unmanaged index generally representative of the U.S. stock market, without regard to company size.

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. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest. 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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