US Opportunities Strategy Quarterly Commentary

CALAMOS INVESTMENTS

Summary

- Calamos US Opportunities Strategy invests primarily in US equities, convertibles, fixed-income securities and options, endeavoring to balance risk/reward while providing growth and income.
- The Covid pandemic led to significant monetary and fiscal measures still being unwound. We predict that 2024 will mark the start of the return to regular conditions.
- Labor productivity has experienced above-average growth in recent years, a trend we anticipate will persist. This increase in productivity can boost corporate profit margins and real wage growth.
- We expect positive economic growth over the next year, and our assessment of opportunities focuses on industries and companies positioned for real growth and return improvement. Over the short- and intermediate-term, improved real returns on capital should drive higher equity prices.

Investment Manager Discussion

Over the past six months, we have outlined our framework, which emphasizes the economy entering the end of the normalization process as the extraordinary measures put in place in response to the pandemic unwound. Real GDP and employment growth have, in aggregate, slowed to more normal levels, although growth dispersion continues across industries. Inflation continues to slow but not to a normalized level, again exhibiting dispersion across consumption categories. We believe central banks will start to normalize short-term interest rates over the next year, one of the last pieces of the normalization process. As we look across the world, we can also see signs of future economic improvement, including in Europe, and a possible stabilization of economic growth in China.

Although many aspects of the economy are reverting to more normal levels, we believe the improvement in labor productivity over the past several years has staying power. Companies have become more efficient with their use of labor and have deployed efficiency-producing capital. We expect these trends to continue, especially as we expect many of the recent technology investments to pay off over the next several years. Productivity can drive both higher corporate profit margins and real wage growth. Furthermore, the steady improvement in the US working-age population growth over the past few years should be a key driver of overall GDP growth.

In a normal economic growth environment, certain economic areas generally exhibit above-trend growth. In the current environment, we believe these include areas exposed to:

- Above-average corporate spending in select IT categories
- Ongoing infrastructure spending in select materials and industrials categories
- Sustained spending by higher-end consumers, supported by the wealth effect of rising markets and home prices
- Improved discretionary spending by middle- and lower-income households, supported by growth in real wages

- New products and geographic growth opportunities (examples can be found in health care and AI-related infrastructure and software)

Of course, we remain vigilant to the fact that these growth drivers may be counterbalanced by upcoming tighter US fiscal budgets, continued higher interest rates, and the impact of ongoing global conflicts.

Given our expectation of positive economic growth over the next year, we are assessing investment opportunities with our long-standing focus on real growth and return improvement areas. In addition to areas with favorable cyclical factors, we believe companies that can improve profitability in a slower-growth environment are favorable investments. Many companies are focused on boosting their returns on capital through improved efficiencies, normalized supply chains, and revised investment strategies based on the current interest-rate environment. The pace of corporate cost-cutting and restructuring has increased recently in several areas, providing more opportunities to identify companies with improving returns on capital. Over the short- and intermediate-term, improved real returns on capital should drive higher equity prices.

Calamos Growth and Income Strategy pursues lower-volatility equity participation through a multi-asset-class approach. We believe the best positioning for this environment is a focus on specific areas that have real growth tailwinds, on companies with improving returns on capital in 2024, and on equities and fixed income assets with valuations at favorable expected risk-adjusted returns. We selectively use options and convertible bonds to gain exposure to higher-risk industries in this low-volatility environment. From an asset-class perspective, cash and short-term Treasuries remain useful tools to lower volatility in a multi-asset-class portfolio, given their yields.

John Hillenbrand, CPA

Co-CIO and Senior Co-Portfolio Manager

April 4, 2024

Market Environment

While the calendar may have flipped to 2024, US growth stocks remain on the same upward trajectory that characterized the final months of last year. During the quarter, the S&P 500 Index rose 10.56%, with the S&P 500 Growth Index achieving a 12.75% gain. Meanwhile, the S&P 500 Value Index also showed strength, increasing by 8.05%. The major themes dominating financial headlines are also largely unchanged, with investors still favoring companies benefiting from game-changing artificial intelligence (AI) technologies and groundbreaking obesity therapeutics known as GLP-1 drugs.

While traditional growth sectors have outperformed thus far in 2024, market participation has broadened further, as expected, with energy, financials, and industrials stocks joining technology stalwarts with strong returns. At the same time, the market is starting to become more discerning each day, even within some themes. The “Magnificent Seven,” which dominated the market for the past 18 months, are no longer moving in lockstep. Instead, individual companies are trading on their own merits, with some clear outperformers and notable laggards.

Within the S&P 500 Index (+12.75%) for the quarter, growth and cyclically oriented sectors led the way, with defensives lagging. Communication services (+15.8%), energy (+13.6%), information technology

(+12.7%), financials (+12.5%), and industrials (+11.0%) all outperformed the benchmark. Materials (+8.9%), health care (+8.8%), consumer staples (+7.5%), consumer discretionary (+5.0%), and utilities (+4.6%) all performed well yet lagged. Real estate (-0.6%) was the lone sector posting a negative quarterly return.

Performance Review

For the quarter ended March 31, 2024, the portfolio returned 8.54% (gross of fees) and 8.35% (net of fees), participating in most of the S&P 500 Index's 10.56% gain.

Positive Influences on Performance

Health Care. The portfolio's security selection and an average underweight position in health care promoted relative returns. Biotechnology notably helped, as did life sciences tools & services.

Real Estate. An average underweight stance in real estate helped relative performance. In particular, a lack of exposure to industrial REITs and self-storage REITs was a leading contributor.

Negative Influences on Performance

Industrials. Over the period, security selection and an average underweight stance within the industrials sector negatively affected performance. Holdings in industrial conglomerates hurt relative performance. Additionally, our lack of exposure to construction machinery & heavy transportation held back relative returns.

Information Technology. Security selection and an average underweight position in information technology, specifically in the semiconductors and internet services & infrastructure industries, lagged on a relative basis.

Positioning and Portfolio Changes

In terms of economic sectors, the portfolio's largest allocations reside in information technology and financials on an absolute basis, whereas the smallest sector weight allocations with holdings are found within real estate and materials. Communication services and utilities are the portfolio's largest relative overweights, with movies & entertainment (communication services) and multi-utilities (utilities) comprising the largest industry overweight positions. Relative to the index, the portfolio holds underweight allocations to information technology and financials, with semiconductors (information technology) and financial exchanges & data (financials) among the underweight industries.

Both communication services and consumer staples allocations increased modestly, whereas consumer discretionary and industrials allocations decreased modestly.

For additional information, please visit the strategy's profile page:
https://www.calamos.com/strategies/us-opportunities/

All portfolio positioning and sector information is for a representative portfolio. Please see additional information that follows commentary.

DATA AS OF 3/31/24

US OPPORTUNITIES AVERAGE ANNUAL RETURNS (%)

	QTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (1/91)
US Opportunities (gross of fees)	8.54	24.19	8.33	13.41	11.12	12.88
US Opportunities (net of fees)	8.35	23.34	7.59	12.64	10.38	12.10
S&P 500 Index	10.56	29.88	11.49	15.05	12.96	10.88
ICE BofA All US Convert Ex Mand Index	2.29	11.71	-1.78	10.59	9.21	10.07

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.

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The information portrayed is for the Calamos US Opportunities 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.

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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 and Risk/Reward statistics presented reflect the **Calamos US Opportunities Composite**, which is an actively managed Composite that invests in equity, convertible and fixed-income securities seeking long term total return through growth and current income. The Composite was created August 31, 2013, calculated with an inception date of January 1, 1991. The Composite results include all fully discretionary accounts, including those no longer with the Firm.

Convertible Securities Risk: The value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also may have an effect on the convertible security's investment value.

Equity Securities Risk: The securities markets are volatile, and the market prices of the securities may decline generally. The price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions. If the market prices of the securities owned fall, the value of your investment will decline.

The **ICE BofA All US Convertibles Index** (VXA0) is comprised of approximately 700 issues of only convertible bonds and preferreds of all qualities and measures the return of all US convertibles. The **ICE BofA All US Convertibles Ex Mandatory Index** (V0A0) represents the US convertible market excluding mandatory convertibles. 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 **Cboe Volatility Index** or **VIX** (based on its Cboe ticker symbol) shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 Index options. The **Russell 3000 Growth Index** measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 or the Russell 2000 Growth Indexes. The **Russell 3000 Value Index** measures the performance of those companies in the Russell 3000 Index with lower price-to-book ratios and lower forecasted growth values. The **S&P 500 Index** is a market value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation. It is widely regarded as the standard for measuring US stock market performance. The **S&P 500 Growth Index** measures the performance of stocks within the S&P 500 Index that have growth-oriented characteristics, such as higher earnings growth rates and higher price-to-earnings ratios. The **S&P 500 Value Index** measures the performance of stocks within the S&P 500 Index that have value-oriented characteristics, such as lower price-to-earnings ratios and price-to-book ratios. 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 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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