

Emerging Economies Strategy

CALAMOS
INVESTMENTS

Market Overview

Emerging markets delivered strong returns in the second quarter, as the MSCI Emerging Markets Index gained 6.38%*, boosting the first-half total return to 18.60%, the strongest start to a year since 2009. EM regions continued to outperform developed markets year-to-date, supported by leading earnings growth, improving economic data, and stronger currencies versus the U.S. dollar.

China's services and manufacturing data remained in expansionary territory, although there has been recent deceleration and private data has been softer than official government statistics. In two widely followed decisions, MSCI announced it would begin adding China-listed A shares to the MSCI Emerging Markets Index in June 2018, while Moody's downgraded China's credit rating to A1, citing China's rising liabilities and reduced financial strength.

Korea's market reached all-time highs in the period as Moon Jae-in was elected President following the ouster of his predecessor embroiled in a corruption scandal. Moon Jae-in is viewed as a liberal leader, and his handling of potential corporate reforms and heightened tensions with North Korea will be closely scrutinized.

Mexico's equity market generated additional gains and continued to be among the strongest performers year-to-date. Mexico's equity market generated additional gains in the quarter, and continued to be among the strongest performing countries year-to-date. Mexico's ruling party notched a narrow victory in a key state election, and the central bank raised interest rates for the seventh time to combat higher inflation.

Brazilian equities declined mid-quarter as President Temer was implicated in a corruption scandal, endangering the government's reform agenda and the fragile economic recovery. Markets recovered relatively quickly, but uncertainty surrounding leadership and potential reforms remains. The top performing EM countries in the period included Greece (+34.01%) and Turkey (+19.79%), while laggards included Qatar (-10.88%) and Russia (-9.81%).

Performance Review

The portfolio delivered strong gains, finishing in line with the MSCI EM index during the period. Portfolio performance benefited from positioning and strong security selection in local emerging market holdings while the portfolio's positions in select convertible bond securities trailed the more robust gains in the EM equity index. Our investments in higher quality, growth-oriented businesses performed well in the period as the market rewarded leading fundamentals.

FIGURE 1. CALAMOS EMERGING ECONOMIES STRATEGY RETURNS

	QTR ENDING 6/30/17	1-YEAR	3-YEAR	5-YEAR	SINCE INCEPTION (12/08)
Calamos Emerging Economies Composite					
Gross of Fees	6.64%	13.46%	-1.18%	3.70%	10.36%
Net of Fees	6.41	12.26	-2.32	2.50	9.11
MSCI Emerging Markets Index	6.38	24.17	1.44	4.33	10.85

Source: Calamos Advisors LLC

Past performance is no guarantee of future results.

Data as of 6/30/17

*All values are in USD terms unless otherwise indicated.

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FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS THE MSCI EMERGING MARKETS INDEX

SECOND QUARTER 2017

	CONTRIBUTORS	DETRACTORS
Telecom Services	77	
Health Care	42	
Financials	25	
Utilities	23	
Consumer Staples	9	
Materials	4	
Industrials		-5
Information Technology		-6
Real Estate		-15
Cash		-16
Energy		-31
Consumer Discretionary		-32

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 6/30/17.

During the quarter, the areas that had the most significant impact on performance were:

Telecom Services. The portfolio's security selection in telecom services, traditionally a more defensive market area, added the most value to performance. Specifically, holdings in the wireless telecom services industry outperformed those in the index due to better financial results. We continue to invest in select growth opportunities in the sector, including those that exhibit significant addressable markets and earnings potential in key markets.

Health care. The portfolio's security selection in health care also added value in the period, as portfolio holdings in the pharmaceuticals and biotechnology industries performed particularly well. We have emphasized opportunities that offer attractive fundamental profiles and closely align with our secular themes.

Consumer Discretionary. The portfolio's relative security selection in the consumer discretionary sector had a negative

impact on results. Specifically, holdings in the education services industry trailed those in the index as growth fundamentals slowed. We have a positive view on the consumer opportunity in emerging markets and own a diverse collection of companies in the Internet retail, automotive, cable and satellite, and casinos and gaming industries.

Energy. The portfolio's selection in energy also detracted value in the period. Holdings in the oil and gas equipment and services industry underperformed due to lower oil prices and concerns about a glut in global supply. We have a selective stance in energy reflecting some stabilization in prices weighed against persistent excess inventories relative to global demand.

Positioning and Portfolio Changes

Our positioning favors economies benefiting from domestic demand trends, pro-growth fiscal reforms, and a blend of secular demand and more cyclical opportunities. We favor investments in China, India, South Korea and select opportunities in Brazil, Mexico, South Africa, Indonesia and the Philippines.

We maintained relatively stable sector weights during the quarter with changes at the margin driven mainly by bottom-up security rationale. From a sector perspective, the largest portfolio weights went toward opportunities in technology, consumer discretionary, financials and industrials, while the portfolio has an underweight stance in consumer staples, utilities, telecom services, real estate and resource areas versus the index.

Outlook

We have a positive view of investment opportunities in emerging markets. A pickup in global growth, positive capital flows and strong earnings growth are supporting demand for emerging market assets. In addition, emerging markets are benefiting from stabilization in many currencies versus the U.S. dollar.

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FIGURE 3. SECTOR ALLOCATIONS VERSUS THE MSCI EMERGING MARKETS INDEX

SECTOR	REPRESENTATIVE PORTFOLIO %	MSCI EMERGING MARKETS INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 3/31/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	24.5%	26.6%	-3.9%	-2.1%
Financials	21.8	23.6	-1.8	-1.8
Consumer Discretionary	14.8	10.5	1.5	4.3
Telecom Services	8.4	5.4	4.7	3.0
Industrials	7.5	5.7	-1.1	1.8
Energy	6.3	6.6	-1.0	-0.3
Materials	5.9	7.1	-1.0	-1.2
Consumer Staples	5.4	6.8	1.0	-1.4
Real Estate	3.0	2.7	1.5	0.3
Health Care	2.4	2.4	0.1	0.0
Utilities	0.0	2.6	0.0	-2.6

Source: Calamos Advisors LLC.
Data as of 6/30/17.

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.

FIGURE 4. COUNTRY WEIGHTS VERSUS THE MSCI EMERGING MARKETS INDEX*

COUNTRY	REPRESENTATIVE PORTFOLIO %	MSCI EMERGING MARKETS INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 3/31/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
China	22.7%	23.7%	0.2%	-1.0%
India	17.3	8.8	-0.1	8.5
South Korea	12.3	15.6	2.7	-3.3
Taiwan	6.9	12.5	1.0	-5.6
Brazil	6.2	6.6	-1.5	-0.4
Hong Kong	6.0	3.8	-0.2	2.2
South Africa	4.6	6.5	0.6	-1.9
Russia	3.8	3.2	-0.5	0.6
Indonesia	2.2	2.5	-0.7	-0.3
Philippines	2.1	1.2	0.8	0.9
Developed Markets	12.6	4.1	-2.5	8.5
Emerging Markets	87.4	95.9	2.5	-8.5

Source: Calamos Advisors LLC

*Excludes cash weighting. Companies are classified geographically according to their country of domicile.

Data as of 6/30/17.

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Companies are classified geographically according to their country of domicile. Geographical distribution tables exclude any options on broad market indexes the portfolio may hold.

Emerging market valuations and growth characteristics are favorable and offer the potential to benefit from enhanced focus on corporate fundamentals versus broad macro topics. While we do not expect a rapid acceleration in economic growth, we see improving trends in emerging market data and perhaps a greater

appreciation of the divergent conditions among economies. We have also seen notable improvements in current account and fiscal measures, for both net commodity consumers and producers, which has significantly reduced vulnerability to external currencies and capital flows.

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Companies with higher quality fundamentals and more sustainable growth characteristics are outperforming within emerging markets index year-to-date. We expect this trend to persist, in contrast to last year when much of the gains in emerging market equities were driven by a relatively narrow set of lower quality, higher beta companies. We believe our active and risk-aware investment approach will position us to take advantage of the improving opportunity set while also provide the potential for downside resilience should market volatility spike in emerging economies.

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 Emerging Economies 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 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.

Returns presented reflect the Calamos Emerging Economies Composite, which is an actively managed Composite investing in a globally diversified portfolio of equity, convertible or debt securities, with at least 35% of constituent portfolio assets invested in securities of issuers that are organized in emerging market countries. Investments in securities of developed market companies are generally limited to those companies which derive 20% or more of assets or revenues from emerging market countries. The composite was created December 1, 2010, calculated with an inception date of December 1, 2008 and includes all fully discretionary, fee-paying accounts, including those no longer with the firm.

Investments in overseas markets pose special risks, including currency fluctuation and political risks, and the strategy is expected to be more volatile than that of a U.S. only strategy. These risks are generally intensified for investments in 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.

Unless otherwise noted, index returns reflect the reinvestment of income dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. Investors may not make direct investments into any 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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