

# Global Growth Strategy

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INVESTMENTS

## Market Overview

Global equities delivered broad-based gains for the quarter as investors balanced positive data on the global economy and corporate earnings against divergences in central bank monetary policy and geopolitical uncertainty. Equities generated gains across almost all major country indices, reflecting the extensive participation in the period. Developed markets returned 4.96%, as measured by the MSCI World Index. U.S. equities steadily added to year-to-date gains, as the S&P 500 Index returned 4.48% in the quarter. Emerging markets built on their strong gains this year, as the MSCI Emerging Markets Index rose 8.04% in the period. The broad MSCI ACWI Index returned 5.31%, reflecting the overall upside across global markets.

Each of the major U.S. equity indices reached new highs at quarter-end, with the S&P 500 Index marking its eighth straight quarter of gains. Market participants were heartened by strong corporate earnings, continued health in manufacturing and services data as well as moderate gains in employment and wages, which held inflation low. Stocks endured intermittent tension with North Korea and the catastrophic damage of multiple hurricanes, but found encouragement in the potential for broad-based tax reform. The Federal Reserve has left interest rates on hold since the June meeting, but announced that it would begin balance sheet normalization in October. The Fed also predicted of one more interest rate hike before year-end.

European equities returned 6.49% for the quarter, as represented by the MSCI Europe Index (3.49% in local currency). The region's strong

gains reflected mostly positive euro zone economic data and continued accommodative monetary policies. Manufacturing data showed robust domestic demand and a pickup in exports as well, while euro zone inflation remained benign, prompting little concern of pricing pressure. Unemployment continued to decline across many of the region's economies, though retail sales and select housing metrics show a mixed recovery picture.

Asian equities also rose in the period, as the MSCI Pacific Index returned 3.97% (3.58% in local currency). Japanese stocks reflected the heightened tensions with North Korea in multiple brief sell-offs during the quarter. Recent data showed Japan's economy is continuing to improve, bolstering Prime Minister Abe's support ahead of the upcoming general election. After nearly five years of Abenomics, the economy has seen six straight quarters of expansion. Despite this, a lack of wage growth and relatively low consumer confidence still weigh on the economy.

Emerging markets posted their first monthly decline this year in September, but outperformed developed markets for the quarter, supported by strong earnings growth, improving economic data, and appreciating currencies. In terms of key macro data, China's manufacturing and services PMI data continued to show broad expansion through a combination of domestic demand and increased exports, while overall Chinese GDP increased 6.9%. India's economy grew 5.7% in the last quarter, reflecting some deceleration due to lower consumer spending and investment following last year's

**FIGURE 1. CALAMOS GLOBAL GROWTH STRATEGY RETURNS**

	QTR ENDING 9/30/17	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (4/07)
<b>Calamos Global Growth Composite</b>						
Gross of Fees	8.87%	22.01%	10.87%	10.51%	7.67%	9.10%
Net of Fees	8.60	20.75	9.69	9.31	6.52	7.94
MSCI ACWI Growth Index	5.84	19.52	9.58	11.56	5.36	6.37

Source: Calamos Advisors LLC

Past performance is no guarantee of future results.

Data as of 9/30/17.

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**FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS THE MSCI ACWI GROWTH INDEX**  
THIRD QUARTER 2017

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Information Technology	113	
Consumer Staples	63	
Consumer Discretionary	45	
Materials	36	
Health Care	30	
Industrials	22	
Real Estate	17	
Financials	10	
Energy	9	
Utilities	3	
Telecom Services	3	

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 9/30/17.

demonetization policies. Stocks in Brazil rallied as the recent upturn in growth benefited from a rebound in consumer spending, lower unemployment and a more settled political environment for now. Russia also outperformed thanks to stabilizing oil prices and better economic data.

## Performance Review

The portfolio delivered strong returns and outperformed the MSCI ACWI Growth Index in the quarter, as favorable security selection and sector positioning contributed positively to relative results.

The portfolio areas that had the greatest impact on quarterly performance included:

**Information Technology.** The portfolio's overweight allocation to and security selection in technology added the most relative value, as strong earnings growth propelled holdings in the Internet software & services and semiconductor equipment industries. The portfolio's active overweight in the technology sector reflects our view of positive fundamentals, reasonable valuations, and compelling secular tailwinds.

**Consumer Staples.** Strong security selection in consumer staples also contributed to return, as holdings in the distillers & vintners and food retail industries performed well in the quarter. Within this sector, we continue to own global leaders in multiple consumer categories, with an emphasis on long-term growth potential and attractive cash flow characteristics.

**Telecom Services.** Selection in telecom services weighed modestly on return, specifically selection in wireless telecom services.

**Cash.** A modest cash balance held back returns slightly, given strong gains in equities.

**Geographic.** Portfolio holdings in the U.S. performed strongly in the quarter and added relative value versus benchmark constituents. We held an active underweight allocation to the U.S., reflecting our view of relatively expensive valuations and less accommodative monetary policies. We own a blend of holdings in core secular growth areas and cyclical businesses and investment opportunities, the latter framed by a pickup in the economy and reasonable inflation expectations. Ironically, selection in Canada, though positive, trailed distantly on a relative basis.

The portfolio's relative selection in Europe also benefited quarterly returns. We maintain an overweight stance based on the region's improving economic data, reasonable valuations, favorable liquidity and upside in corporate margins. We own select multinationals domiciled in Europe, emphasizing greater global revenue exposure, complemented by more cyclical continental opportunities.

The portfolio's investments in emerging markets contributed significantly as these positions generated strong gains in the quarter. Our selection in Emerging Asia contributed the most to relative outperformance, propelled by leading earnings growth and positioning in key industries, while portfolio companies in Emerging Europe and Latin America also advanced, though Latin America underperformed on a relative basis. Emerging markets are benefiting from accelerating global demand, stabilization in many currencies and favorable

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

SECTOR	REPRESENTATIVE PORTFOLIO %	MSCI ACWI GROWTH INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 6/30/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	33.4%	26.7%	2.7%	6.7%
Financials	14.7	7.1	2.1	7.6
Industrials	13.1	13.6	0.3	-0.5
Consumer Discretionary	10.5	17.0	-1.2	-6.5
Health Care	10.0	12.1	-1.7	-2.1
Consumer Staples	9.0	11.0	-1.1	-2.0
Materials	4.6	5.1	-1.0	-0.5
Energy	3.4	2.9	-0.2	0.5
Real Estate	0.8	2.5	0.1	-1.7
Telecom Services	0.5	1.4	0.0	-0.9
Utilities	0.0	0.6	0.0	-0.6

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.  
Source: Calamos Advisors LLC. Data as of 9/30/17.

**FIGURE 4. LARGEST 10 COUNTRY WEIGHTS VERSUS THE MSCI ACWI GROWTH INDEX**

COUNTRY	REPRESENTATIVE PORTFOLIO %	MSCI ACWI GROWTH INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 6/30/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
United States	42.8%	51.7%	0.9%	-8.9%
China	8.4	3.5	1.6	4.9
Switzerland	7.6	3.3	-0.2	4.3
Japan	7.4	7.7	0.9	-0.3
United Kingdom	6.2	5.6	-0.6	0.6
India	5.3	1.0	-0.5	4.3
France	3.1	3.3	-1.4	-0.2
Denmark	2.5	1.0	-0.6	1.5
Netherlands	2.3	1.3	0.5	1.0
Australia	2.2	2.2	0.0	0.0
Developed Markets	80.7	88.4	-2.1	
Emerging Markets	19.3	11.6	2.1	

Excludes cash weighting. Companies are classified geographically according to their country of domicile. This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Geographical distribution tables exclude any options on broad market indices the portfolio may hold.  
Source: Calamos Advisors LLC. Data as of 9/30/17.

valuations. We own a combination of secular growth-oriented and cyclical companies benefiting from the economic updraft.

The portfolio maintains a slight underweight to Japan, with exposure focused on companies more levered to global growth than domestic demand. These holdings delivered gains in the quarter, outpacing those in the index. Liquidity conditions continue to be very accommodative, as the BOJ is the only major central bank not discussing reduced

accommodation in the medium-term. This policy should continue to limit the appreciation of the yen while benefiting exporters.

In terms of individual country results, the portfolio's holdings in the U.S. and overweight in China contributed most significantly to returns, while trailing security selection in Canada and Denmark hampered relative results.

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## Positioning and Portfolio Changes

In terms of largest absolute allocations, the global equity portfolio holdings reflect a combination of core growth and cyclical opportunities in key sectors, including information technology, consumer discretionary, financials, industrials and health care. From a sector standpoint, we maintained relatively stable weights during the quarter; weights in financials and industrials were increased modestly, based on our view of an increase in cyclical and interest rate-sensitive opportunities. The boost in these aforementioned allocations were offset by trimming consumer staples and discretionary, owing to security-specific rationale.

## Conclusion

The virtuous balance of corporate and macroeconomic data points continues to promote synchronized global growth across regions. Global monetary policy remains accommodative overall, though multiple central banks are edging toward tightening. We also believe that a pivot toward fiscal stimulus is underway. We continue to identify attractive

opportunities in global equities, bolstered by positive fundamentals and relatively attractive valuations. In terms of broad positioning, we favor a blend of investments in secular and cyclical growth companies, with a relative underweight in defensive market areas exhibiting less attractive fundamentals and relative valuations. We see significant opportunities in companies with earnings growth catalysts, solid cash flow generation and improving-to-strong balance sheets. From a thematic and sector perspective, our investment process continues to focus on opportunities in the information technology sector, consumer companies with targeted areas of demand, and a select set of more cyclical financials and industrials offering improving fundamentals and catalysts. We believe our active investment approach and long-term perspective position us and the portfolio to capitalize on these growth 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 information portrayed is for the Calamos Global 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 Global Growth Composite which is an actively managed composite primarily investing in a globally-diversified portfolio of equity securities. The composite includes all fully discretionary fee-paying accounts. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest. The Composite inception date is April 1, 2007.

The MSCI ACWI Growth Index is a free float-adjusted market capitalization weighted index that is designed to measure the growth equity market performance of developed 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 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 U.S. dollars and local currencies. The S&P 500 Index is a market-value weighted index and is widely regarded as the standard for measuring U.S. 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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