

International Growth Strategy



Market Overview

Global equities delivered broad-based gains in the fourth quarter and for the full year as markets reflected positive data on the global economy and corporate earnings, framed in the context of modest inflation and generally accommodative central banks. Developed market equities, as measured by the MSCI World Index, posted a 5.62% quarterly return, indicating broad participation across all major regions. Emerging markets built on their leading returns for the year, with the MSCI Emerging Markets Index climbing 7.50% in the quarter. The broad MSCI ACWI Index, which includes EM exposures, returned 5.84%, highlighting the upside throughout global markets. The MSCI World Index generated gains across all sectors but one in the quarter, with technology (+8.41%) and consumer discretionary (+7.88%) leading the way. Conversely, utilities (-0.25%) and health care (+0.95%) trailed.

European equities returned 2.26% for the quarter, as represented by the MSCI Europe Index (1.32% in local currency). Shares were somewhat mixed across countries, but the region reflected generally positive economic data, solid earnings growth, and the effects of relatively accommodative monetary policy. The European Central Bank (ECB) left key short-term interest rates unchanged at its latest meeting, indicating it will continue its bond-buying program, though it remains on track to reduce the amount of monthly purchases in

2018. The ECB upgraded economic growth forecasts for several years ahead, but it expects inflation to fall short of its stated 2% target. In this regard, euro zone inflation remains quite muted, with a recent 1.4% year-over-year increase, supportive of the central bank's still accommodative measures. Moreover, euro zone manufacturing and services data continued to show expansion, and export orders picked up due to a surge in global demand. Euro-area business confidence and corporate lending activity reached multi-year highs recently, and the region's latest GDP figures point to broad-based growth across countries. The UK's Brexit negotiations continued under the umbrella of mixed economic data for the country, including healthy exports offset by recent weakness in job markets. The Bank of England raised interest rates in the period and indicated the path of increases could hasten in 2018, as more central banks edge toward tightening. From a country perspective, Austria and the UK were the leading markets during the period, returning 5.83% and 5.74%, while Sweden and Finland trailed the index, declining -3.72% and -2.55%.

Asian equities surged in the period, as the MSCI Pacific index returned 8.02% (8.11% in local currency). Japan's recent PMI data revealed continued strength in the manufacturing and services sectors, while more sluggish retail sales point to lackluster consumer demand and wage growth. The Bank of Japan left its

FIGURE 1. CALAMOS INTERNATIONAL GROWTH STRATEGY RETURNS

	QTR ENDING 12/31/17	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (4/05)
Calamos International Growth Composite						
Gross of Fees	7.31%	41.08%	11.86%	8.98%	5.71%	9.78%
Net of Fees	7.05	39.75	10.78	7.95	4.70	8.72
MSCI ACWI ex-U.S. Growth Index	5.80	32.44	9.66	8.34	2.75	6.80

Source: Calamos Advisors LLC

Past performance is no guarantee of future results.

Data as of 12/31/17.

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FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS THE MSCI ACWI EX-U.S. GROWTH INDEX

FOURTH QUARTER 2017

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Information Technology	148	
Consumer Discretionary	76	
Industrials	45	
Utilities	8	
Materials	6	
Real Estate	6	
Telecom Services		-1
Consumer Staples		-2
Energy		-10
Financials		-12
Health Care		-54

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 12/31/17.

negative interest rate unchanged at its last meeting, and modestly upgraded its GDP growth forecasts to 1.8% for next year. The central bank is expected to maintain highly accommodative policy rates until it approaches its inflation target and domestic demand is more robust. Japan's moderate economic recovery and export growth are providing support for Prime Minister Abe's ruling coalition, built upon the platform of fiscal spending and easy monetary policy. Australia delivered strong returns in the period owing to higher stock prices and currency appreciation. Australian economic data remained mixed as the unemployment rate hovered at a multi-year low of 5.4%, while income growth and consumer price inflation finished below estimates. In terms of select country performance, Japan returned 8.52%, while Hong Kong and Australia returned 6.58% and 6.85%, respectively.

Emerging market equities, as represented by the MSCI Emerging Markets Index, advanced 7.50% in the quarter. These markets produced leading returns of 37.75% for the full year, benefitting from strong earnings growth, appreciating currencies, upbeat investor sentiment and capital inflows. China's economic data

continued to be positive, showing both healthy domestic demand and increased exports. Recent PMI data on Chinese manufacturing and services activity landed in expansion territory, industrial production increased over 6% year-over-year, and retail sales grew over 10%. India's asset prices rallied following a Moody's credit rating upgrade, their first since 2004, thanks to progress on a series of economic reforms. In a key election, India's ruling Bharatiya Janata Party (BJP) retained power in Prime Minister Modi's home state of Gujarat. The BJP won a majority of the seats available in the key state election, while an opposition party also performed well, reflecting some dissatisfaction with Modi's economic policies. South Africa incurred bouts of high volatility but rallied over 21% in the quarter. Investors expressed optimism when pro-reform candidate Cyril Ramaphosa secured victory in the ruling ANC's leadership vote. South Africa (+21.46%) and Greece (+13.55%) were among the top-performing EM countries in the period, while the laggards included Pakistan (-5.23%) and Mexico (-8.02%).

Performance Review

The portfolio delivered strong returns and outperformed in the quarter relative to the 5.80% return of the MSCI ACWI ex-US Growth index. Portfolio performance benefited from sector positioning and leading relative security selection as markets rewarded companies with stronger earnings growth and capital efficiency characteristics.

An overweight and security selection in information technology (data processing and outsourced services) lifted return, as did selection in consumer discretionary (apparel, accessories & luxury goods). Security selection within health care (biotech and pharmaceuticals) weighed down performance, as did selection in energy (oil & gas equipment and services).

Positioning and Portfolio Changes

The portfolio's regional and country positioning reflects the combined inputs from our top-down global framework and our

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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 9/30/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	22.3	19.0	-3.6	3.3
Industrials	17.5	15.4	2.3	2.1
Financials	15.9	10.3	0.5	5.6
Consumer Discretionary	14.0	13.1	3.3	0.9
Consumer Staples	9.5	15.6	-2.2	-6.1
Health Care	8.0	10.2	-2.1	-2.2
Materials	6.1	8.7	1.0	-2.6
Energy	3.9	2.8	0.4	1.1
Real Estate	1.8	2.0	0.7	-0.2
Telecom Services	1.0	1.8	-0.3	-0.8
Utilities	0.0	1.1	0.0	-1.1

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 12/31/17.

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 SECTOR WEIGHTING CHANGE SINCE 9/30/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
Japan	18.8	16.5	4.1	2.3
China	11.2	7.3	0.7	3.9
Switzerland	10.4	7.1	0.3	3.3
United Kingdom	9.7	10.4	-0.2	-0.7
France	8.1	7.2	-0.2	0.9
India	7.4	2.2	0.3	5.2
Germany	6.1	7.1	2.2	-1.0
Canada	3.2	6.5	1.0	-3.3
United States	2.9	0.5	-0.6	2.4
Netherlands	2.9	2.4	-1.2	0.5
Developed Markets	73.4	75.4	1.7	-2.0
Emerging Markets	26.6	24.6	-1.7	2.0

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 12/31/17.

bottom-up security analysis. Our investment team dynamically evaluates macroeconomic factors and growth opportunities and actively integrates these into the investment decision-making process.

We take a positive stance in Europe based on improving economic data, reasonable valuations, favorable liquidity and an upside in corporate margins. We own select multinationals domiciled in Europe

with greater global revenue exposure, in addition to more cyclical continental opportunities.

The portfolio holds an overweight position in Japan, with our exposure focused on companies more levered to global growth than domestic demand. Security selection was beneficial in the quarter as holdings delivered strong gains and outpaced those of the index.

Liquidity conditions continue to be highly accommodative, with the

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BOJ being the only major central bank not discussing reduced accommodation in the medium-term, which should continue to limit the appreciation of the yen and benefit exporters.

The portfolio's investments in emerging markets added value in the period as our positions generated strong returns. Holdings in Emerging Asia contributed the most due to leading earnings growth and strategic positioning in key industries, while holdings in Emerging Europe and Latin America also advanced. Emerging markets are benefiting from a pickup in global demand, stabilization in many currencies, and favorable valuations. We own a combination of secular growth-oriented and cyclical companies benefiting from economic tailwinds.

With respect to portfolio shifts, allocations across sectors remained relatively stable during the quarter, with changes driven primarily by bottom-up factors. We modestly increased the weights in consumer discretionary and industrials, reflecting a combination of secular growth and cyclical opportunities. We slightly reduced the exposure to technology, consumer staples and health care, driven primarily by security-specific rationale.

Outlook

Global corporate and macroeconomic data points to continued synchronized growth across regions. Global monetary policy remains accommodative overall, though multiple central banks are edging toward policy tightening and we are seeing a pivot toward fiscal stimulus. We see continued opportunities in global equities, reflective of positive fundamentals, benign inflation 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 positioning in defensives overall. 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, we see opportunities in the information technology sector, consumer companies with targeted areas of demand, and a set of cyclical companies in the financials and industrials sectors with improving fundamentals and multiple catalysts. Our active investment approach and long-term perspective positions us to take advantage of the opportunities in international 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 International 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 International Growth Composite, which is an actively managed composite primarily investing in common stocks issued by companies outside the United States. The composite includes all fully discretionary fee-paying accounts, including those no longer with the firm. The Composite was created February 16, 2006 calculated with an inception date of April 1, 2005. Quarterly returns exclude the impact of management advisory fees, which would reduce actual performance results. Net return is presented after the deduction of the actual management fee. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest.

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. The index is calculated on a total return basis, which includes reinvestment of gross dividends before deduction of withholding taxes. 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 Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity-market performance in the global emerging markets. 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 indices are calculated on a total return basis, which includes reinvestment of gross dividends before deduction of withholding taxes. 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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