

# International Growth Strategy



## 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. 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.

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 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.

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

	QTR ENDING 9/30/17	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (4/05)
<b>Calamos International Growth Composite</b>						
Gross of Fees	10.48%	21.89%	8.05%	7.72%	4.96%	9.37%
Net of Fees	10.21	20.72	7.00	6.70	3.95	8.31
MSCI ACWI ex-U.S. Growth Index	6.39	18.07	6.80	8.24	2.24	6.46

Source: Calamos Advisors LLC

Past performance is no guarantee of future results.

Data as of 9/30/17.

# Calamos International Growth Strategy

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

THIRD QUARTER 2017

	CONTRIBUTORS (BPS)	DETRACTORS (BPS)
Information Technology	99	
Industrials	85	
Financials	70	
Consumer Staples	61	
Consumer Discretionary	41	
Health Care	32	
Real Estate	20	
Material	13	
Utilities	8	
Telecom Services	1	
Energy		-4

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.

## Performance Review

The portfolio delivered strong returns and outperformed the MSCI ACWI ex-U.S. Growth Index in the quarter. The strategy's performance benefited from sector positioning and strong relative security selection as markets rewarded companies with robust growth and capital efficiency characteristics.

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 application software industries. The portfolio's active overweight in the technology sector reflects our view of positive fundamentals, reasonable valuations, and compelling secular tailwinds. The portfolio's relative security selection in industrials added value to performance. Holdings in the industrial machinery was especially helpful given strong demand fundamentals. We see increased opportunities in the sector and own positions in machinery, construction & engineering, and defense, reflecting a pickup in global demand and specific cyclical growth opportunities in emerging markets.

The portfolio's underweight and selection in energy detracted value in the period. Our holdings delivered gains but trailed certain higher-beta, more oil price-sensitive companies in the index that experienced even higher returns in the period. We take a selective stance in energy, weighing some stabilization in prices against excess inventories relative to global demand. Our selection in telecom services, namely in wireless telecommunication services, also lagged.

## Positioning and Portfolio Changes

The strategy's regional and country positioning reflects the combined inputs from our top-down global framework and our bottom-up security analysis. Our investment team dynamically evaluates macroeconomic factors and growth opportunities and actively integrates these into the investment decision-making process.

The portfolio's selection in Europe added the most value in the period. Although a slight drag for the quarter, we have an overweight stance in Europe reflecting our view of improving economic data, reasonable valuations, favorable liquidity and upside in corporate margins. We own select multinationals domiciled in Europe with greater global revenue exposure, in addition to more cyclical continental opportunities.

Leading selection within emerging markets also added significant value in the quarter. Holdings in Emerging Asia contributed the most due to leading earnings growth and positioning in key industries, while holdings in Emerging Europe and Latin America also advanced, though the underweight in Latin America was an impediment. 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.

The modest underweight stance and individual holdings in Japan also contributed to positive performance. Our exposure

# Calamos International Growth Strategy

**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 6/30/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	25.9%	17.4%	2.7%	8.5%
Financials	15.4	8.9	2.1	6.5
Industrials	15.2	14.7	-0.1	0.5
Consumer Staples	11.7	16.4	-1.9	-4.7
Consumer Discretionary	10.7	14.3	-1.7	-3.6
Health Care	10.1	10.0	-2.2	0.1
Materials	5.1	8.7	0.5	-3.6
Energy	3.5	3.6	0.6	-0.1
Telecom Services	1.3	2.6	-0.2	-1.3
Real Estate	1.1	2.1	0.2	-1.0
Utilities	0.0	1.3	0.0	-1.3

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 EX-U.S. GROWTH INDEX**

COUNTRY	REPRESENTATIVE PORTFOLIO %	MSCI ACWI EX-U.S. GROWTH INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 6/30/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
Japan	14.7%	16.2%	1.6%	-1.5%
China	10.5	7.5	-0.4	3.0
Switzerland	10.1	7.0	-0.6	3.1
United Kingdom	9.9	10.7	-2.6	-0.8
France	8.3	7.0	-0.9	1.3
India	7.1	2.0	0.2	5.1
Netherlands	4.1	2.7	2.1	1.4
Germany	3.9	7.0	-2.1	-3.1
United States	3.5	0.7	0.1	2.8
Denmark	3.2	2.1	-1.2	1.1
Developed Markets	71.7	75.5	-1.8	
Emerging Markets	28.3	24.5	1.8	

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.

is focused on companies more levered to global growth than domestic demand. Liquidity conditions continue to be very accommodative, with the BOJ 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.

With respect to portfolio shifts, allocations across sectors remained relatively stable during the quarter. We modestly increased the weight in financials and technology, reflecting a combination of more cyclical and secular growth opportunities. We slightly reduced the exposure to consumer and health care holdings, driven primarily by security-specific rationale.

# Calamos International Growth Strategy

## Outlook

The balance of corporate and macroeconomic data points to continued synchronized global growth across regions. Global monetary policy remains accommodative overall, though multiple central banks are edging toward tightening and we are seeing a pivot toward fiscal stimulus.

We see continued opportunities in global equities, reflective of 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 positioning in defensive market areas due to 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, we see opportunities in the information technology sector, consumer companies with targeted areas of demand, and a set of more cyclical companies in the financials and industrials sectors with improving fundamentals and 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.

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.

The information provided in this report should not be considered a recommendation to purchase or sell any industry, sector or particular security. There is no assurance that any industry, sector or security discussed herein will remain in a client's account at the time of reading this report or that industry, sectors or securities sold have not been repurchased. The industries, sectors, or securities discussed herein do not represent a client's entire account and in the aggregate may represent only a small percentage of an account's holdings.

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.

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:

Calamos Advisors LLC  
2020 Calamos Court  
Naperville, IL 60563-2787  
Attn: Compliance Officer

**CALAMOS**  
INVESTMENTS

Calamos Advisors LLC  
2020 Calamos Court | Naperville, IL 60563-2787  
800.582.6959 | www.calamos.com/institutional  
Calamos Investments LLP  
62 Threadneedle Street | London, EC2R 8HP, UK  
Tel: +44 (0)20 3744 7010 | www.calamos.com

© 2017 Calamos Investments LLC. All Rights Reserved.  
Calamos® and Calamos Investments® are registered trademarks of Calamos Investments LLC.