

International Growth Strategy

CALAMOS
INVESTMENTS

Market Overview

Global equities continued their upward trend and delivered gains across regions in the second quarter. Rising equities reflected a positive environment characterized by generally improved global economic data, an upside in corporate earnings and continued accommodation in central bank monetary policies. Equities generated positive results across almost all major country indexes, reflecting broad participation in the period. The MSCI ACWI ex-U.S. Growth Index rose 7.74%*.

European equities delivered a strong gain of 7.73% for the quarter, as represented by the MSCI Europe Index. European shares benefited from growth in economic data and corporate earnings, attractive valuations, and some resolution of looming political risks. Emmanuel Macron's election victory in France provided much-needed support for the pro-European Union establishment, free trade and labor deregulation, even as the unexpected results of the UK's snap election in early June will complicate Brexit negotiations and Prime Minister Theresa May's ability to implement her agenda. The European Central Bank left interest rates unchanged at its June meeting, suggesting confidence in the euro zone's recovery. In terms of key economic data, readings on euro zone PMI, business confidence and German inflation all pointed to improved economic momentum, driving bond yields higher across the region toward quarter-end.

Asian equities also rose in the period, as the MSCI Pacific index returned 3.95%. Japan's economy continues to grind higher but recent data pointed to lackluster overall demand and inflation levels well below the Bank of Japan's target. However, manufacturing PMI expanded further and core CPI hit a two-year high, albeit at a still low 0.4%. The BOJ held monetary policy steady at its June meeting, underscoring its intent to maintain accommodation.

The MSCI Emerging Markets Index delivered its strongest start to date since 2009, gaining 6.38% to boost the first-half total return to 18.60%. EM regions continued to outperform developed markets, supported by leading earnings growth, improving economic data, and stronger currencies versus the U.S. dollar. In China, services and manufacturing data remained in expansionary territory, although there has been recent deceleration and private data has been marginally softer than official government statistics. Mexico's equity market generated additional gains in the quarter, even as Mexico's central bank raised interest rates for the seventh time to combat higher inflation. Mexico continues to be among the strongest performing countries year-to-date.

FIGURE 1. CALAMOS INTERNATIONAL GROWTH STRATEGY RETURNS

	QTR ENDING 6/30/17	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (4/05)
Calamos International Growth Composite						
Gross of Fees	8.56%	17.79%	2.77%	7.31%	4.85%	8.68%
Net of Fees	8.30	16.66	1.77	6.30	3.84	7.63
MSCI ACWI ex-U.S. Growth Index	7.74	17.76	2.91	8.41	2.24	6.06

Source: Calamos Advisors LLC

Past performance is no guarantee of future results.

Data as of 6/30/17.

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FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS THE MSCI ACWI EX-U.S. GROWTH INDEX
SECOND QUARTER 2017

	CONTRIBUTORS	DETRACTORS
Information Technology	93	
Consumer Discretionary	18	
Consumer Staples	15	
Telecom Services	10	
Real Estate	10	
Utilities	8	
Health Care	0	
Materials	0	
Financials		-9
Energy		-14
Industrials		-20

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.

Performance Review

The portfolio generated a strong quarterly advance and outperformed the 7.74% return of the MSCI ACWI ex-US Growth index. Portfolio performance benefited from sector positioning, leading security selection and market dynamics that rewarded companies with stronger growth and capital efficiency fundamentals.

Information Technology. The portfolio's overweight allocation to and relative security selection in information technology contributed the most to relative performance, as strong growth characteristics drove gains in the Internet software and services industry as well as in data processing and outsourced services. The portfolio's active overweight in the technology sector reflects our view of positive fundamentals, reasonable valuations and compelling secular tailwinds.

Consumer Discretionary. Security selection in consumer discretionary, especially in the apparel, accessories and luxury goods industry also provided lift.

Industrials. Selection in industrials weighed on return. Notably, industrial machinery names were a disappointment.

Energy. The portfolio's relative selection in energy also detracted value in the period, as select holdings in the oil and gas equipment and services industry trailed index positions. We have a generally neutral view of opportunities in energy, weighing some price stabilization against persistent excess global supply.

Positioning

The portfolio'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.

We take a relatively positive stance on Europe, indicative of our view of improving economic data, reasonable valuations, favorable liquidity and upside in corporate margins. The portfolio's positioning in Europe added value in the quarter, as our security selection slightly outpaced the index. We own select multinationals domiciled in Europe, with a greater emphasis on global revenue exposures.

The portfolio's investments in emerging markets generated strong returns and added the most value in the second quarter. Holdings in Emerging Asia performed particularly well, bolstered by improving fundamentals and beneficial positioning. The outlook for EM earnings growth is strong, and markets are benefitting from the stabilization in many currencies and the acceleration in global demand.

The portfolio's holdings in Japan also generated strong gains in the period, but slightly trailed the index and, therefore, detracted modest value. We have a relatively even-weight view of opportunities in the market. Despite continued monetary

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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 3/31/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	23.2%	16.4%	-2.7%	6.8%
Industrials	15.3	15.1	-0.9	0.2
Consumer Staples	13.6	16.7	2.3	-3.1
Financials	13.3	9.0	-0.5	4.3
Consumer Discretionary	12.4	14.3	0.8	-1.9
Health Care	12.3	10.1	2.1	2.2
Materials	4.6	8.5	-1.0	-3.9
Energy	2.9	3.6	-0.7	-0.7
Telecom Services	1.5	2.7	0.5	-1.2
Real Estate	0.9	2.2	0.1	-1.3
Utilities	0.0	1.4	0.0	-1.4

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 ACWI EX-U.S. GROWTH INDEX

COUNTRY	REPRESENTATIVE PORTFOLIO %	MSCI ACWI EX-U.S. GROWTH INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 3/31/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
Japan	13.1%	16.6%	-2.2%	-3.5%
United Kingdom	12.5	10.8	1.7	1.7
China	10.9	6.6	0.8	4.3
Switzerland	10.7	7.3	-2.1	3.4
France	9.2	7.0	1.8	2.2
India	6.9	2.1	-1.4	4.8
Germany	6.0	6.9	1.2	-0.9
Denmark	4.4	2.0	0.6	2.4
United States	3.4	0.8	0.3	2.6
Australia	2.8	4.9	-0.7	-2.1
Developed Markets	73.5	76.2	-1.0	-2.7
Emerging Markets	26.5	23.8	1.0	2.7

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.

accommodation and the weaker yen's shoring up global trade, Japan's macroeconomic fundamentals remain lackluster. However, equity valuations are attractive, and we favor exporters positioned to benefit from the improvement in global growth.

With respect to strategic shifts in the portfolio, allocations across sectors remained relatively stable during the quarter. We modestly

increased the weight in consumer discretionary and staples, reflecting a combination of stable and core growth opportunities. We offset these additions by slightly reducing exposure to technology, energy and materials, driven primarily by security-specific rationale and market performance.

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Outlook

Recent corporate and economic data points to a synchronized pickup in growth across global regions. Monetary policy remains accommodative overall and a pivot to greater fiscal stimulus also supports global activity. We see continued opportunities in global equities, reflective of sound fundamentals and valuations. In terms of broad positioning, we favor an optimal blend of investments in secular and core growth companies, complemented by active allocations to more economically sensitive cyclical businesses. Additionally, we view significant opportunities in companies with earnings growth catalysts, solid cash flow generation and improving-to-strong balance sheets. In terms of thematic and sector perspectives, we see investable opportunities in the information technology sector, consumer companies with targeted areas of demand, and an expanding set of more cyclical companies in the industrials and financials sectors. Given the global mandate, our risk-managed, active investment approach and long-term perspective, we believe your portfolio will benefit from strategic positioning and tactical adjustments as the investment landscape unfolds in the quarters ahead.

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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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. 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 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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