U.S. Opportunities Strategy

CALAMOS INVESTMENTS

Market Overview

The U.S. equity market delivered its best first half of the year performance since 2013 with the S&P 500 Index's second quarter gain of 3.09%. This result is indicative of a trend that began in November 2016 as investors were assuaged by both the removal of uncertainty after U.S. elections and overall improvements in U.S. and global economic data. However, while the year-to-date performance gives the appearance of a benign backdrop for the markets, the period was filled with potentially jarring events, including the continued debate over Russian involvement in U.S. elections and politics, a hastily submitted-then-pulled Republican-sponsored national health care bill, the start of Brexit negotiations, a special election in the UK that went against the very party that called it, two increases in the fed funds rate, international acts of terrorism, and a flurry of missile tests by North Korea. Yet despite these events, political wrangling and modifications to monetary and potential fiscal policy, U.S. equity market volatility—as measured by the CBOE Volatility Index (VIX)—largely traded at historically low levels, providing support for equity investors. Based on the S&P 500 Index, U.S. equities saw Q4 2016 earnings growth of approximately 4.9%—the first time the index has seen two consecutive quarters of year-over-year earnings growth in nearly two years.

Leadership broadened during Q2 2017, and the rotation back into some reflation stocks differed from the market leadership witnessed in Q1 2017. U.S. GDP growth for Q1 was revised upward for a second time during the quarter, bringing the rate to 1.4% growth, which does not measure up to a full-speed-recovery rate of growth. Stock markets around the world have performed well, suggesting synchronized global growth that could continue to support the U.S. economy and U.S. markets.

Growth stocks easily outperformed value stocks, as evidenced by the Russell 3000 Growth Index's 4.65% return versus the Russell 3000 Value Index's 1.29% gain for the quarter. Within the S&P 500 Index, health care (+7.1%), industrials (+4.73), financials (+4.25%) and information technology (+4.14%) led the market, while telecom services (-7.05%), energy (-6.36%), consumer staples (+1.57%) and utilities (+2.21%) lagged.

The convertible market continued to benefit from narrowing credit spreads, richening convertible valuations and the strong performance of underlying stocks. Convertibles showing the strongest economic sector results in this environment included consumer discretionary (+11.10%), health care (+4.83%), and financials (+4.28%). Convertibles that most lagged the benchmark included energy (-10.53%), materials (-3.79%) and

FIGURE 1. CALAMOS U.S. OPPORTUNITIES STRATEGY RETURNS

	QTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	15-YEAR	SINCE INCEPTION (1/91)
Calamos U.S. Opportunities Composite							
Gross of Fees	3.06%	15.40%	7.30%	10.01%	6.84%	8.67%	12.97%
Net of Fees	2.88	14.64	6.59	9.29	6.13	7.94	12.19
S&P 500 Index	3.09	17.90	9.61	14.63	7.18	8.35	10.07

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 S&P 500 INDEX
SECOND QUARTER 2017

	CONTRIBUTORS	DETRACTORS
Industrials	17	
Telecom Services	12	
Utilities	11	
Consumer Discretionary	8	
Real Estate	8	
Consumer Staples	0	
Financials	0	
Materials		-4
Cash		-6
Information Technology		-8
Energy		-9
Health Care		-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.

telecommunications (-3.35%). Investment grade convertibles (+4.02%) outperformed speculative grade issues (+1.44%). Convertibles with the most equity sensitivity (+2.84%) strongly outperformed convertibles with more balanced risk-reward attributes (+2.13%) and credit sensitivity (+2.47%).

Performance Review

In this strategy, we own equities and equity-sensitive securities, such as convertible bonds, that we believe can take advantage of upward equity movements and potentially limit losses on the downside. During the second quarter's solid gain, the risk-conscious strategy aligned well with the all-equity S&P 500 Index.

While the quarter was broadly characterized by gains, the portfolio showed its resilience during market weakness in mid-April and mid-May. Portfolio sector allocations were beneficial during the quarter, while security selection and cash were a slight drag during the equity market's rapid rise.

Consumer Discretionary. Portfolio holdings in consumer discretionary outperformed those of the sector as well as the broad market. Notably, convertible holdings within the automobile manufacturers and the movies and entertainment industries supported the return. Strong selection in housewares and specialties also proved additive. The sector is diverse and opportunities may arise where securities are priced based on end-of-cycle fears.

Industrials. Portfolio holdings in the industrials sector outperformed thanks to a strong selection of equities in both the airlines and the construction machinery and heavy trucks industries. The portfolio weighting to industrials sector names is in line with the S&P 500 Index weighting as of quarter end.

Health Care. Portfolio holdings in health care lagged those of the all equity benchmark, and the underweight to the S&P 500 Index also detracted from relative performance. Portfolio management is concerned about potential headwinds to investments caused by rising medical costs, political debacles and regulatory risks, which could potentially lead to increased volatility. Portfolio selection in health care equipment as well as not owning select biotechnology stocks detracted from relative performance.

Information Technology. Portfolio selection within information technology, the largest sector within the S&P 500 Index, detracted from relative performance. Relative underperformance in the semiconductors industry and not owning several high-performing common stocks also detracted from returns.

Positioning

The portfolio's largest sector weights remain in the information technology and consumer discretionary sectors. Consumer

All portfolio positioning and sector information is for a representative portfolio. Please see last page for additional information.

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FIGURE 3. SECTOR ALLOCATIONS VERSUS S&P 500 INDEX

SECTOR	REPRESENTATIVE PORTFOLIO %	S&P 500 INDEX %	PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 3/31/17 (PCT. POINTS)	UNDER/OVERWEIGHT %
Information Technology	23.0%	22.4%	0.3%	0.6%
Consumer Discretionary	18.5	12.3	1.2	6.2
Health Care	12.4	14.5	0.6	-2.1
Financials	12.3	14.5	-0.3	-2.2
Industrials	11.0	10.3	0.0	0.7
Consumer Staples	8.2	9.0	-0.6	-0.8
Energy	5.9	6.0	-0.5	-0.1
Utilities	3.1	3.2	-0.4	-0.1
Real Estate	2.7	2.9	0.0	-0.2
Telecom Services	1.9	2.1	-0.3	-0.2
Materials	1.0	2.8	0.0	-1.8

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.

discretionary represents a diverse set of industries and the portfolio's largest overweight to the S&P 500 Index. The portfolio is underweight health care, which reflects concerns about potential changes to national health care and drug pricing. The portfolio is also underweight materials and financials, which reflect cautious views on the reflation trade and how quickly the market has climbed relative to fundamental economic improvements. We will monitor the changes in fundamental improvements and the potential for policy changes that lend upside to economic growth forecasts and increase sensitivity to the reflation trade. The portfolio's tilt to stable-yet-high growth and use of convertible securities in an effort to manage risks should place the portfolio in good standing during a volatile political environment.

Outlook

We are constructive overall to the equity market, but are keenly aware of market multiples relative to long-term history. After many years of sluggish EPS growth, we expect 2017 and 2018 to offer improved EPS growth as margin improvements in many areas such as energy, information technology and financials can be meaningful contributors to market growth. Top line growth may prove to be a bit more difficult for outsized growth going forward. Valuations may be difficult to assess relative to history, as the mix of global monetary policy has brought global interest rate levels to abnormally low rates for a considerable length of time. As such, managing the risk/reward in a highly rotational market that has begun to witness stronger differentiation between winners and losers may be even more important than has been the case in recent history. Utilizing a mix of common stock and equity linked instruments to tailor investments within sectors and individual companies should provide an advantage for fund investors in current market conditions. While optimistic about the opportunities for economic growth, we will continue to keep an eye toward market risk and volatility, as we have through the long history of this strategy.

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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.

For Institutional Use Only

The information portrayed is for the Calamos U.S. Opportunities 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 U.S. Opportunities Composite which is an actively managed composite investing in equity, convertible and high yield securities seeking long term total return through growth and current income. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest.

The **BofA Merrill Lynch All U.S. Convertibles Index (VXA0)** measures the return of all U.S. convertibles.

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. The **Russell 3000 Growth Index** measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indexes. The **Russell 3000 Value Index** measures the performance of the broad value segment of the U.S. equity universe. It includes those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values. The **Chicago Board Options Exchange Volatility Index (VIX)** shows the market's expectation of 30-day volatility by using the implied volatilities of a wide range of S&P 500 index options. 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. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest. 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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