



BY JOHN P. CALAMOS, SR.
CEO AND GLOBAL CO-CIO

Evolving Emerging Market Strategies: A Tactical or Core Component of Asset Allocation?

The growth of the middle class—particularly in emerging markets (EMs)—is fueling global economic expansion. This growth scenario presents many opportunities for investors. Accelerating demand for technology, consumer products, infrastructure, health care and education creates new revenue streams for companies that meet those needs. However, the economic and political uncertainties in EMs can produce unwelcome volatility for investors. There are ways for investors to incorporate emerging markets exposure into their asset allocations while potentially dampening the risks associated with EM investing. The question facing investors is whether emerging markets should be considered a tactical component or core holding within their asset allocations.

TABLE OF CONTENTS

Perspectives on Long-Term Opportunity	4
Emerging Markets as a Core Allocation.	7
Managing Emerging Market Risk	8
Calamos Evolving World Growth Fund*	10
Conclusion	12

ABOUT THE AUTHOR

John P. Calamos, Sr. is chairman, chief executive officer and global co-chief investment officer of the firm he founded in 1977, which he took public as Calamos Asset Management in 2004 (Nasdaq: CLMS). A recognized authority on convertible securities, he has pioneered investment strategies and techniques to help manage risk for major institutional and individual investors for more than 40 years.

He has shared his expertise in two books, *Convertible Securities: The Latest Instruments, Portfolio Strategies, and Valuation Analysis* (McGraw-Hill, 1998) and *Investing in Convertible Securities: Your Complete Guide to the Risks and Rewards* (Longman Financial Services Publishing, 1988). He has also authored numerous articles in various financial journals and is a frequent guest on nationally syndicated financial networks, including CNBC, Bloomberg TV and Fox Business Channel.

*The fund data has been updated through the most recent quarter.

As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities, including fluctuations in currency exchange rates, increased price volatility and difficulty obtaining information. In addition, emerging markets may present additional risk due to potential for greater economic and political instability in less developed countries.

Past performance is no guarantee of future results.

Before investing carefully consider the fund's investment objectives, risks, charges and expenses. Please see the prospectus and summary prospectus containing this and other information or call 1-800-582-6959. Read it carefully before investing.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

Evolving Emerging Market Strategies: A Tactical or Core Component of Asset Allocation?

Over recent quarters, short-term volatility in the financial markets has kept many investors and the financial media preoccupied with near-term investment issues. We've seen rallies and retreats—both of which underscore the dangers inherent in timing strategies.

Looking forward, we expect that political volatility and conflicting economic data will contribute to ongoing market volatility, globally. Sideways-moving markets could persist for the next few years, given the crosscurrents influencing the global economy. The U.S. looks poised to continue on a course of slow growth, but the fiscal cliff and potential policy shifts cast uncertainties on what the business environment will look like a few quarters out. Meanwhile, the euro zone still must address significant structural impediments to long-term growth. Economic expansion in China is slowing, leading some to question the thesis that emerging markets (EMs) can be the engine of global economic growth.

Especially in the midst of these unknowns, we believe that investors' asset allocations should primarily reflect longer-term opportunities and secular influences. And as it relates to the emerging markets, despite the recent moderation of growth in China, we believe that economic progress in EMs can continue creating opportunities for companies worldwide.

Because of the volatility of emerging markets, many investors look to EM equities as tactical allocations rather than core positions. We ourselves can see tactical asset allocation roles for EM strategies, particularly those that focus on a narrower sector or region. However, we believe that investors should also consider strategic (or "core") allocations to EM strategies.

Strategic asset allocations should position an investor to capitalize on durable, or secular, themes. In our view, there are many such secular growth themes centered on the EMs, most notably, the rise of the EM consumer. We see the global economy as being at the beginning of a very long cycle or mega trend, which will play out with increasing consumption worldwide by a growing middle class. In our view, the successful companies of tomorrow will be serving these consumers. Asset allocations should seek to capitalize on this trend.

Perspectives on Long-Term Opportunity

We, along with market participants worldwide, are closely monitoring the data coming out of emerging markets. China, for example, has seen seven consecutive quarters of declining gross domestic product growth. However, as we discussed in our most recent Global Economic Review and Outlook (“Climbing the Wall of Worry,” October 2012), we must not lose sight of the forest for the trees. We wrote, “Although economic expansion has slowed, the growth prospects of the Chinese economy remain compelling on an absolute basis and the more so on a relative basis, with gross domestic product growth still projected to exceed 7%. ... The impacts of China’s more accommodative stance will take time to ripple through the Chinese and global economies.”

It is not unreasonable, nor unexpected, that the pace of growth in emerging markets will ebb and flow. This happens in all economies. These shifts can impact markets and individual companies, particularly in the near term. However, we encourage investors to maintain focus on secular trends, which by definition, transcend the ups and downs of market volatility.

Secular Growth Themes Center on the EMs

Infrastructure build-out is an important trend worldwide, and especially in the emerging markets. As the massive electricity outage in India underscored, demands on existing infrastructure have grown as urban economies have expanded. BofA Merrill Lynch projects that emerging markets could spend more than \$6 trillion on infrastructure from 2010 through 2012, representing around 6% of annual GDP. Among these projects, the Chinese government has announced a massive infrastructure build-out, including subway systems, waterways, highways, ports, airplanes and power plants. Global companies around the world are capitalizing on these EM infrastructure needs by providing resources, equipment and industrial expertise.

Another global theme relates to the shift in manufacturing, which means jobs and wealth shifting to the places where that manufacturing occurs. In his book, *Make It In America: The Case for Reinventing the Economy* (John Wiley and Sons, 2011), Dow Chemical CEO Andrew Liveris explains why manufacturing is essential for a robust economy. This holds true for EMs, just as it would for America. The migration of manufacturing to EMs is a highly charged issue, given the relatively slower growth and employment levels in the United States and other developed markets. But, the shift will likely continue, as businesses seek to enhance productivity and margins. We see the evolution of manufacturing around the world as an important investment opportunity that can be incorporated into asset allocation decisions.

Yet, while the expansion of manufacturing sector is an exciting element of the EM growth story, it feeds into an even more far-reaching, globally transformational trend—the rise of middle class in emerging markets.

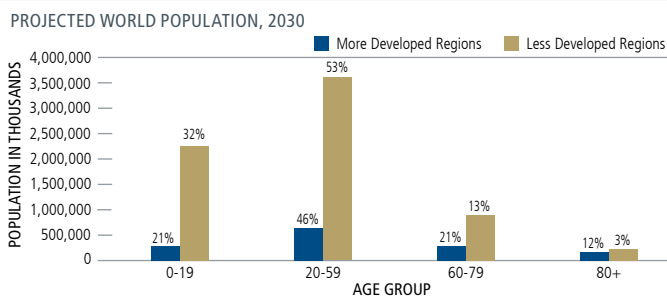
Economic Prosperity and the Rise of Middle Class

Since World War II, the United States has created the largest economy in the world and, in the process, the concept of the hard-working and upwardly mobile middle class. This vision of a middle class is something the United States has exported to the entire world, and emerging economies are working hard to emulate it—on a scale unprecedented in recorded history.

In the next 20 years, the world population is expected not only to grow, but to grow younger, as measured by average age. This global youth boom is being led by the EMs (Figure 1). This demographic shift should lead to an increasingly larger population of young and middle-aged adults who will want middle class lifestyles for themselves. This would include having better access to higher-quality foods, staples and health care, as well as owning homes, driving cars and building businesses. Reflecting the breadth of this trend, we believe a wide array of global companies can benefit, in industries such as food and beverages, agricultural products, personal products, health care equipment and pharmaceuticals, and mobile communications.

Research from the OECD (Figure 2) estimates that the majority of the middle class is currently made up of residents of the U.S., Europe, and Japan. Projections show that 40 years from now, those groups from the current developed nations will only comprise about 25% of the total world middle class population. India, China and other Asian nations are expected to represent more than half of the world’s middle class.

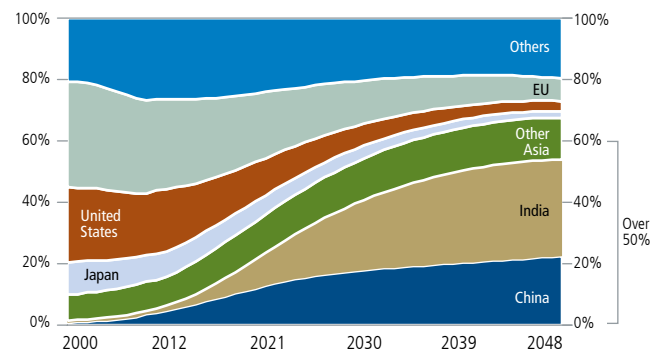
FIGURE 1. YOUTH BOOM IN EMERGING MARKETS



More developed regions comprise Europe, Northern America, Australia/New Zealand and Japan. Less developed regions comprise all regions of Africa, Asia (excluding Japan), Latin America and the Caribbean plus Melanesia, Micronesia and Polynesia.

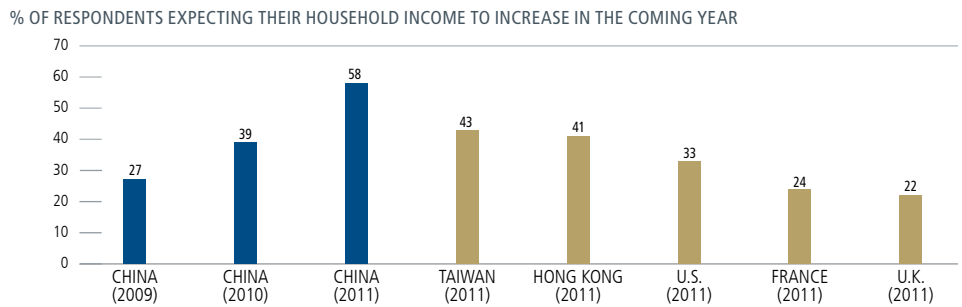
Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2010 Revision.

FIGURE 2. MEGA TREND: EMERGING MARKETS DRIVE CONSUMPTION



Other Asia is defined as Asia excluding Japan, India and China. Source: Homi Kharas, “The Emerging Middle Class in Developing Countries.” OECD Development Centre. 26 Jan. 2010. Web. Mar. 2011. <http://www.oecd-ilibrary.org>.

FIGURE 3. CHINA'S CONSUMERS: A DRIVING FORCE FOR ECONOMIC GROWTH



Source: McKinsey & Company, McKinsey Consumer & Shopper Insights, "2011 Annual Chinese Consumer Study: The New Frontiers of Growth," by Yuval Atsmon, Max Magni, Molly Liu, Lihua Li, October 2011, using data from McKinsey Insights China - Annual Chinese Consumer Studies (2009-2011); Online Benchmark Survey (2011)

This reduction in relative proportion is not bad news for the middle class in developed nations. As the middle class grows around the world, the proverbial pie grows; and we believe this is good for the global economy as a whole. More global affluence can result in a higher level of disposable income, greater personal consumption, individual freedoms, and a more real and lasting degree of peace around the world. Additionally, the spirit of entrepreneurship can flourish with a growing global middle class. Out of this can come a new generation of companies to meet the new consumer demands, creating investment opportunities in the process.

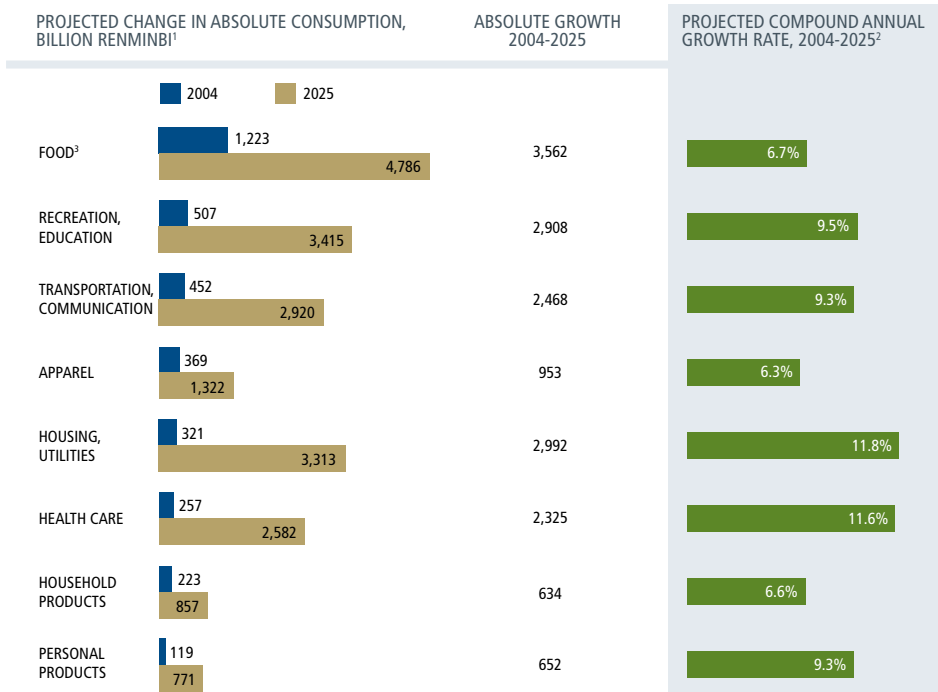
China: Relative Slowdown, Absolute Volume

Many market participants have been particularly worried about more recent data pointing to slowing consumer demand within China. We're watching this carefully as well, but this is an area in particular where we believe longer-term perspective may be particularly valuable.

The average household income in China has soared by more than 300% over the past 10 years, according to the *Financial Times*; and the wealth effect among Chinese consumers is growing in strength. According to a McKinsey & Company study published in October 2011, well over half of surveyed Chinese consumers anticipated a rise in income during 2011, a marked upswing from 39% in 2010 (Figure 3). About one-third reported upgrading to more expensive products, while 60% said they were buying more or more frequently. We believe this rising confidence and spending, on such a massive scale, can provide tremendous growth opportunities to companies worldwide while also helping to reshape the Chinese economy.

Research by McKinsey & Company further illustrates the expected magnitude of the EM middle class evolution. According to these projections, China's middle class will grow from 39% of the population in 2005 to more than 65% of the total population by 2025. Data suggests that this

FIGURE 4. AFFLUENCE AND DISPOSABLE INCOME SHOULD DRIVE INCREASED CONSUMPTION



¹ Some figures do not sum to 100% because of rounding; disposable income = after-tax income, including savings; 1 renminbi = \$0.12.
² Base case forecast, Q1 2006.
³ Figures do not sum to total because of rounding. Sources: National Bureau of Statistics of China; McKinsey Global Institute analysis, as published in "The McKinsey Quarterly, 2006 Special Edition: The value of China's emerging middle class," June 2006, Diana Farrell, Ulrich A. Gersch, Elizabeth Stephenson.

demographic shift will likely result in significant changes to consumer spending patterns as well. Experts predict a greater portion of Chinese consumers will be purchasing food, recreational and educational goods and services, as well as cars and communication devices. A notable increase in spending—about 10 percent—is expected for housing and health care as consumers work to build more comfortable lives.

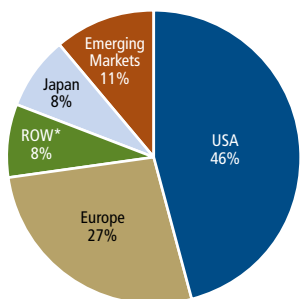
Emerging Markets as a Core Allocation

Even with more moderate growth expectations for EMs, we believe that EM secular trends remain strong today and even more compelling over the longer term. If the goal of strategic asset allocation is to participate in durable themes, then our focus would turn to how to incorporate EM exposure within a portfolio. Asset allocation, of course, is based on an individual investor's goals and objectives, with risk tolerance being a key consideration. But broadly speaking, how much emerging market exposure would be appropriate?

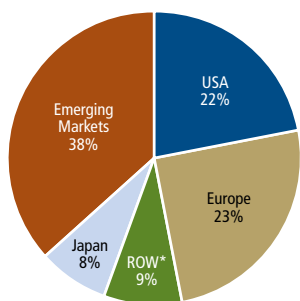
As a starting point, we can use GDP as one guidepost in asset allocation analysis. According to the International Monetary Fund, emerging markets represented 38% of global GDP in 2013. Investors may wish to consider a proportional EM allocation within their equity allocations. If a

FIGURE 5. EMs: UNDER-REPRESENTED IN ALLOCATIONS?

EMs account for only 11% of global allocations as represented by the MSCI ACWI, but over one-third of global GDP.



% OF MSCI ALL COUNTRY WORLD INDEX

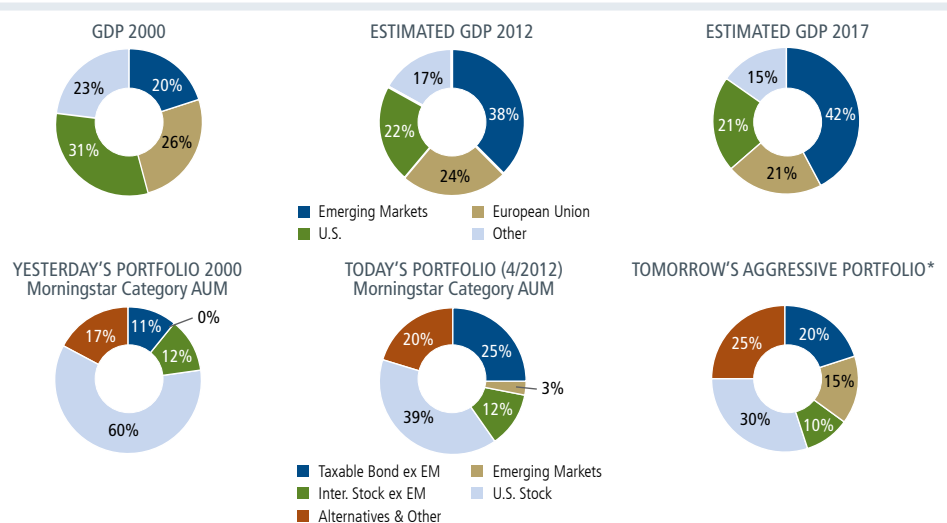


ESTIMATED % OF 2013 GLOBAL GDP

Source: International Monetary Fund World Economic Outlook Database, October 2013 and Calamos, December 2013.

*Rest of world

FIGURE 6. SHIFTING GDP SUPPORTS USING EMs AS A CORE ALLOCATION



*Tomorrow's portfolio reflects the opinions of Calamos Investments as of the date of publication. Sources: International Monetary Fund World Economic Outlook Database, April 2012, Morningstar Direct

portfolio had a 50% allocation to equities, a total allocation to emerging markets would then be 19%. Yet, emerging markets represent only 11% of global market capitalization, as measured by the MSCI All Country World Index (Figure 5)—far less than the EM contribution to GDP. In our view, this disparity signals potentially missed investment opportunities.

Data from Morningstar and the International Monetary Fund further supports our concern that investors' allocations to EM equities are not keeping pace with the expanding role of EMs in the global economy (Figure 6). From 2000 until 2012, emerging markets' contribution to global GDP grew from 20% to 38%. The aggregate retail mutual fund portfolio allocation to emerging markets has been more modest—around 3%, having increased only slightly over time.

To commensurately reflect GDP and GDP growth over time, investors may choose to make a larger, core allocation as opposed to a tactical allocation alone. The IMF predicts EMs reaching 42% of estimated global GDP by 2017. This could suggest an EM allocation in the range of 15% for some investors with higher risk tolerances.

Managing Emerging Market Risk

We share in expectations that emerging markets will claim a rising percentage of global GDP in the future. Capital moves very quickly across borders to where it is treated best, and a number of emerging markets are moving in the right direction in regard to embracing economic freedoms, such as developing more transparent and orderly capital markets. This should provide additional opportunities for EMs to finance their growth and for investors to participate in

these companies' prospects. In India, we view proposed tax reforms and the opening of more sectors to direct foreign investment as favorable signs. Similarly, the creation of the Hong Kong offshore dim sum bond market is a very encouraging event, as this fast-growing market can potentially change the way companies finance their growth.

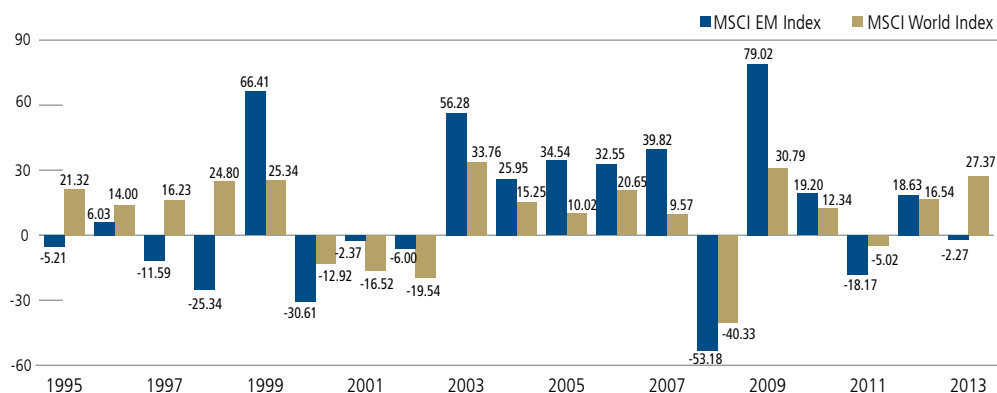
Despite the progress that is occurring, participating in EM growth by exclusively buying companies located in those countries entails higher risk, due to the uncertain economic and political environments in many nations. Economies are evolving rapidly, but often against the backdrop of significant political and social conflict. There are many possible routes to take—free market, controlled economy or something in between. The course each country chooses sets the stage for different risks and growth outcomes. Among the possibilities, we view the rise of state capitalism in EMs as one area of concern. Time will tell, and investors need to be both well-informed and ready to capitalize on the opportunities as they arise.

Emerging markets have been more volatile than the global equity market as a whole, as illustrated by Figure 7. This volatility is one of the reasons that some investors favor the use emerging markets allocations as shorter-term tactical positions. However, this volatility is to be expected and is not necessarily a bad thing, if managed well.

Let us return to our question of tactical or core. The answer may hinge on how a particular EM strategy is managed. Tactical asset allocations require accurate market timing to achieve investment results, and this can be very difficult to execute. As core, a strategy would avoid market timing by utilizing a risk-managed approach. There are times when a higher-risk tactical

FIGURE 7. EMs ARE VOLATILE

MSCI EMERGING MARKETS INDEX AND MSCI WORLD INDEX
CALENDAR YEAR RETURNS, 1995-2013



Source: Morningstar. Annual from 1/1/1995 to 12/31/2013.

allocation will outperform core, but those returns are very dependent on market timing. The wrong decision can very well leave the investor chasing returns.

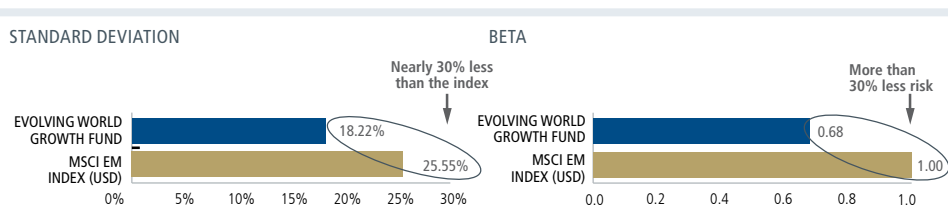
Calamos Evolving World Growth Fund

We created Calamos Evolving World Growth Fund to access EM opportunity—particularly the growth of the global middle class—while seeking to manage the risk and volatility that EMs entail. The fund is designed to participate in EM equity growth, with potentially reduced volatility versus the EM equity universe as a whole. We believe this focus on risk is essential for a core allocation. The fund’s name reflects the fact that the world is continually changing. Our goal is to adapt to the changing opportunity set, wherever those opportunities may be.

Our risk management encompasses multiple factors. We focus on a company’s source of revenues, not where the company is domiciled. We believe the volatility risk of investing directly in EM companies needs to be actively managed. We proceed very cautiously in regard to these direct investments, and at times we will be underweighted EM-domicile companies. The fund can participate in EM growth by seeking opportunities in global companies that generate significant revenues in emerging markets, including U.S.-based companies. These companies may not have headquarters in developing nations, but they provide services and products that are in great demand in those markets.

To further manage risk, the investment team opportunistically uses equity-sensitive convertible securities. Because convertible securities combine the opportunity for equity participation with potential downside protection, we think of them as lower-volatility equity securities. While global convertible issuance is still modest, we hope that a developing bond market in Asia may create new opportunities as well. Additionally, we closely monitor individual sector and position weightings to ensure that the fund reflects a desired level of diversification.

FIGURE 8. BETA AND STANDARD DEVIATION SINCE INCEPTION THROUGH 9/30/14



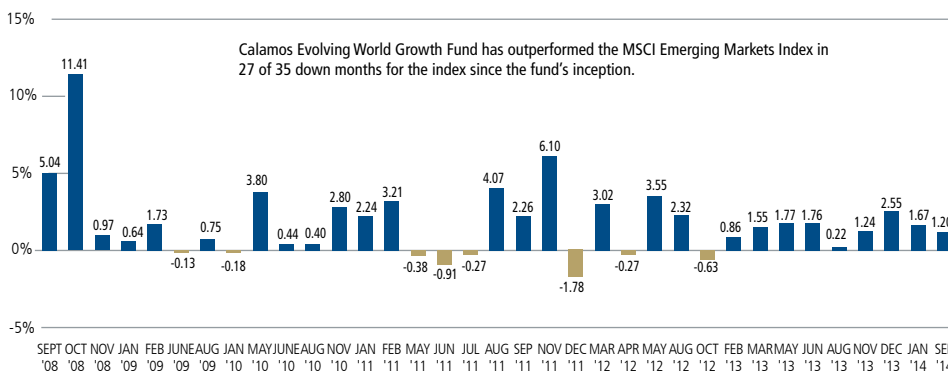
Source: Lipper Inc. Please see page 12 for definition of terms.

Fund Results

The fund has historically demonstrated lower-volatility characteristics* versus the broad emerging markets equity market, as represented by the MSCI Emerging Markets Index. Beta and standard deviation are two common measures of historic volatility, with lower values indicating less volatility (Figure 8). Also, consistent with our core positioning, the fund has been more resilient than the broad market during downturns (Figure 9 and 10).

FIGURE 9. RESILIENCE DURING DOWNTURNS

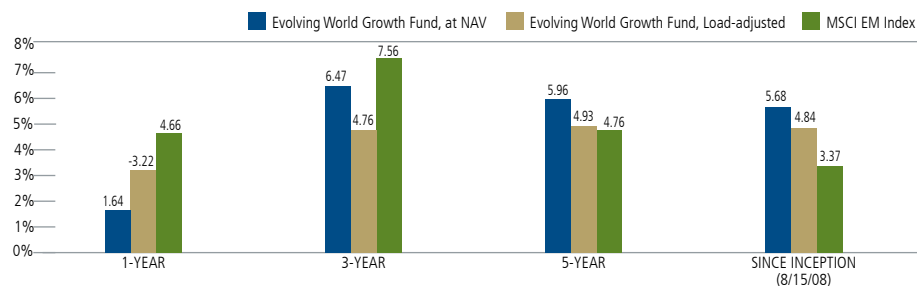
FUND'S EXCESS RETURNS (CLASS A SHARES AT NAV) DURING NEGATIVE MONTHS FOR THE MSCI EMERGING MARKETS INDEX SINCE INCEPTION, AS OF 9/30/14



Source: Morningstar. Returns shown are excess returns. Actual returns for the periods shown may have been negative.

FIGURE 10. SINCE INCEPTION, THE FUND HAS OUTPERFORMED THE EM EQUITY UNIVERSE

AVERAGE ANNUALIZED RETURNS, AS OF 9/30/14



Source: State Street Corporation and Mellon Analytical Solutions, LLC

Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted. The principal value and return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Performance reflected at NAV does not include the Fund's maximum front-end sales load of 4.75% had it been included, the Fund's return would have been lower. For the most recent fund performance information visit www.Calamos.com.

Average annual total return measures net investment income and capital gain or loss from portfolio investments as an annualized average. All performance shown assumes reinvestment of dividends and capital gains distributions. The Fund also offers Class B and C shares, the performance of which may vary. Performance shown reflects an expense reimbursement that improved results. As of the prospectus dated 3/1/14, the gross and net expense ratios for Calamos Evolving World Growth Fund, Class A shares is 1.64%.

*Please note that past performance is no guarantee of future results and there are many measures of risk. The fund's objective does not seek to reduce volatility, and as a result, the fund may experience volatility in some market conditions.

Conclusion

There are strong long-term investment themes coming from the emerging markets, most notably, those driven by the current and projected future growth of the middle class. This growth presents opportunities for investors, but is not without risks.

Investors may choose to utilize emerging markets equities as a tactical position or as core. However, to realize the benefits of tactical positioning, an investor must have very good timing. This is quite difficult to accomplish, especially in a volatile market environment.

At Calamos Investments, we believe there are ways for investors to access emerging market growth while mitigating some of the risk, thereby supporting the case for EMs as a core element within an asset allocation. More specifically, we believe EM risk can be managed through the careful selection of equities of companies that have revenue streams generated from the emerging markets, as well as through the selective use of convertible securities as part of an overall emphasis on portfolio diversification.

We believe the approach we utilize within Calamos Evolving World Growth Fund allows investors to create or increase a core allocation to EMs, providing risk-managed access to the long-term mega trend of global middle class consumption growth.

Important Information about Risk. An investment in Calamos Evolving World Growth Fund is subject to risks, and you could lose money on your investment in the Fund. There can be no assurance that the Fund will achieve its investment objective. Your investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. The risks associated with an investment in the Fund can increase during times of significant market volatility. More detailed information regarding these risks can be found in the Fund's prospectus. The principal risks of investing in the Calamos Evolving World Growth Fund include: equity securities risk, growth stock risk, foreign securities risk, emerging markets risk, convertible securities risk and portfolio selection risk. As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities, including fluctuations in currency exchange rates, increased price volatility and difficulty obtaining information. In addition, emerging markets may present additional risk due to potential for greater economic and political instability in less developed countries.

The MSCI Emerging Markets Index is a free float adjusted market capitalization index considered broadly representative of the emerging market equity market. The MSCI All Country World Index (ACWI) measures the performance of equities from developed and developing markets. 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 Asia/Pacific region.

Unless otherwise noted, index returns reflect the reinvestment of income dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. It is not possible to invest directly in an index.

Standard deviation is measure of volatility. **Beta** is an historic measure of a fund's relative volatility, which is one of the measures of risk; a beta of 0.5 reflects 1/2 the market's volatility as represented by the fund's primary benchmark, while a beta of 2.0 reflects twice the volatility.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

CALAMOS®

Calamos Financial Services LLC
2020 Calamos Court | Naperville, IL 60563-2787
800.582.6959 | www.calamos.com | caminfo@calamos.com

© 2014 Calamos Investments LLC. All Rights Reserved.
Calamos® and Calamos Investments® are registered trademarks of Calamos Investments LLC.

EMCORECOM 11048 0914Q R