

# Emerging Economies Strategy

# CALAMOS®

## PERFORMANCE SUMMARY THROUGH 12/31/12

	1-YEAR	ANNUALIZED	
		3-YEAR	SINCE INCEPTION (12/1/08)
<b>Calamos Emerging Economies</b>			
Gross of Fees	10.83%	8.12%	19.86%
Net of Fees	9.48	6.88	18.51
MSCI Emerging Markets Index (USD)	18.63	4.98	21.74
MSCI Emerging Markets Index (Local)	17.40	5.54	18.52

Source: Calamos Advisors LLC and Mellon Analytical Solutions LLC

Past performance is no guarantee of future results. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest.

## Market Review

Emerging markets delivered strong gains for the year with an 18.63% increase in the MSCI Emerging Markets Index. During 2012, considerable attention was given to changes in China's economic growth. Some of the concern surrounding China and the other BRIC economies dissipated as the year progressed due to stronger economic data and the completion of a leadership change. We believe investors may lose sight of the sheer size of China's economy, which is about 50% of the U.S. economy, as measured by projected 2012 GDP data. Even a 7% growth rate would translate to a doubling in size of the Chinese economy in approximately 10 years.

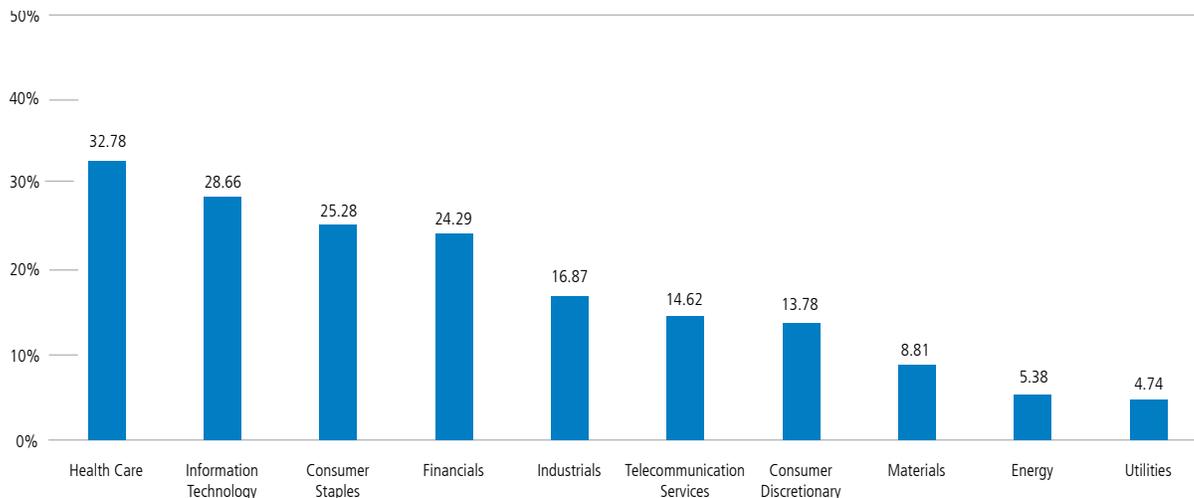
All sectors were positive in the index for 2012, with health care and information technology delivering the largest gains while energy and utilities also rose but lagged other sectors.

Within individual emerging markets, Turkey (+64.87%) and the Philippines (+47.56%) were among the top performing countries for the year. Brazil (+0.34%) and the Czech Republic (+3.48%) were among the most significant underperformers. Among the BRIC economies, India delivered the strongest gain (+25.97%) while Brazil was the relative laggard with the flat return noted above. Economic data and policy initiatives in India, along with more contained inflation, have supported the market rally.

With respect to broad regional performance, the MSCI Europe Index delivered a strong +19.93% return for the full year. Belgium led European markets with a +40.72% gain, while Spain (+4.73%) and Portugal (+4.98%) were relative laggards despite better strength during the second half of the year as credit concerns eased.

## 2012 SECTOR PERFORMANCE: MSCI EMERGING MARKETS INDEX

DECEMBER 31, 2011 TO DECEMBER 31, 2012



Source: Capital IQ

Unless otherwise indicated all performance and portfolio attribution/characteristics information is quoted in USD. Please see page six for additional information.

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In the Asia/Pacific region, markets also performed well with a +14.60% return, as measured by the MSCI Pacific Index. The best performing country in the region was Singapore (+30.99%) while Japan (+8.36%) lagged other markets amid continue sluggishness in the economy.

Within North America, the MSCI U.S. Index performed well, with a +16.13% gain, while Canada lagged global markets with a +9.90% return.

## Performance Review

For the full year, the Emerging Economies strategy returned 10.83% gross of fees (9.48% net of fees), underperforming the MSCI Emerging Markets Index return of 18.63%. The portfolio delivered solid gains but captured less of the benchmark gains than it has historically. This is attributable to a combination of factors including security selection, developed market exposure, and the use of more defensive equity-sensitive securities, such as convertibles bonds.

During 2012, the most significant contributors and detractors were:

**Information Technology.** An overweight allocation added value as the sector return was one of the strongest in the index for the year. We believe our holdings in the sector are well positioned to benefit as companies and individuals seek

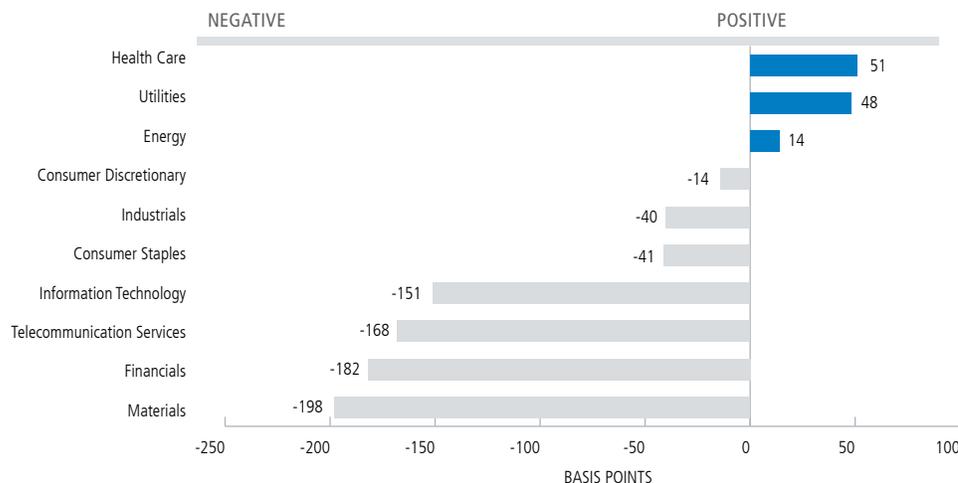
solutions to improve productivity. The sector also boasts strong fundamentals including relatively high cash flow, low debt and leading long-term growth potential.

**Health Care.** Our overweight exposure to the sector also added value to performance for the year as the sector delivered the top return in the index. We remain especially attracted to select companies within the pharmaceutical industry due to their strong innovation and long-term growth potential.

**Materials.** Security selection within the sector was negative and detracted from performance for the year. Most notably, a higher relative allocation within the gold mining and production industry negatively impacted performance. We are looking to opportunistically reduce our exposure to gold positions, which were used as a global hedge against financial crises and further dollar debasement.

**Financials.** An underweight allocation and relative selection within the sector also detracted value. We have been cautious and have generally held a low weight in financials due to our concern regarding margin pressure, persistent capital risks, and complex global regulations. While macro concerns remain relevant, we believe the relative merits of the sector have improved. We see improving loan growth and attractive valuations and are actively analyzing opportunities to invest.

**REPRESENTATIVE PORTFOLIO ATTRIBUTION VS. MSCI EMERGING MARKETS INDEX**  
DECEMBER 31, 2011 THROUGH DECEMBER 31, 2012



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

# Calamos Emerging Economies Strategy

## Positioning

We believe recent market movements indicate that investors are returning to more of a bottom-up focus, with greater distinctions being made on corporate fundamentals. Due to our focus on owning companies with solid fundamentals, the portfolio characteristics reflect higher return on invested capital, lower debt-to-capital and higher long-term earnings potential.

We have positioned the portfolio to invest in higher secular growth businesses, such as those in information technology and health care. We are favoring companies with strong global businesses and, in particular, those companies accessing growth within emerging market economies. While we believe global economic growth will continue, we also anticipate periods of heightened volatility within the markets and therefore maintain a strong focus on risk management.

During recent months, we decreased our exposure to the materials sector, and more specifically, our positions in gold mining and production which had been viewed as a hedge against financial crisis and currency debasement. According to our view of relative risk-reward, we expect to continue to opportunistically reduce exposure to the gold mining industry.

We increased exposure to the information technology and health care sectors during the year. Details surrounding our view of opportunities in these sectors have been outlined above.

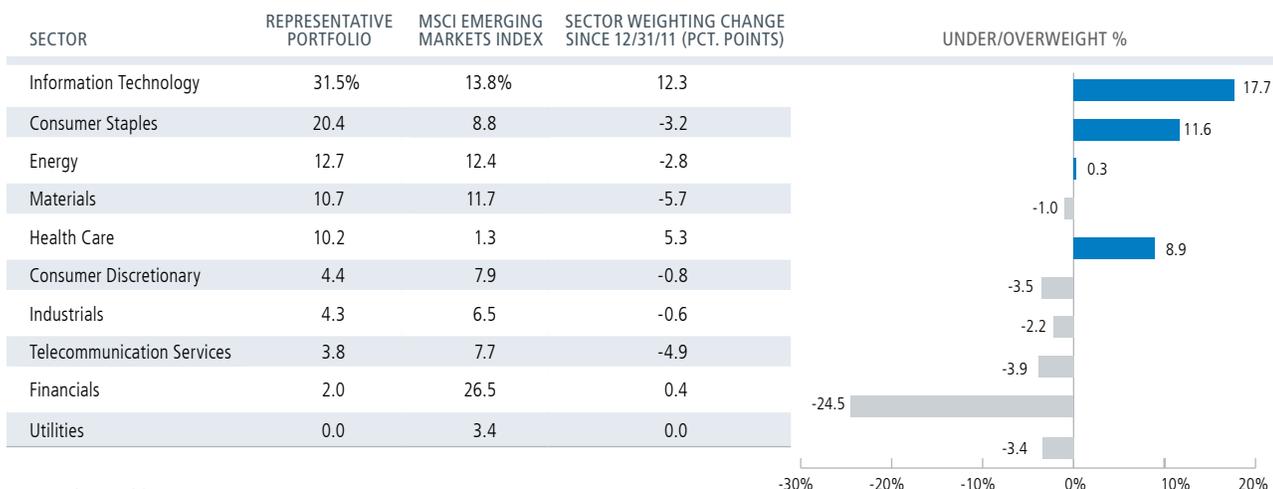
## Outlook

We believe the emerging markets will continue to make growing contributions to global GDP. The middle-class expansion in China and other EMs has long taken root and is a critical secular trend capable of driving long-term global growth. Central banks across EMs have taken steps to stimulate growth by reducing interest rates and lowering reserve requirements. With healthier balance sheet attributes (such as public debt-to-GDP levels) versus developed markets, many EMs also have more tools at their disposal to navigate economic cycles. For example, this flexibility may enhance China's ability to manage a soft landing within its real estate sector.

We believe markets are returning to more of a bottom-up focus, with greater distinctions made according to relative fundamentals. We continue to seek a blend of local and global companies accessing the favorable demographic trends and growth opportunities in emerging economies. Even with the recent strong performance of the global equity markets, we believe the valuations of many global growth equities remain attractive. There will continue to be near-term challenges, but we believe investors will be well served by not letting short-term policy uncertainty rule investment decisions.

### SECTOR ALLOCATION VS. MSCI EMERGING MARKETS INDEX

AS OF DECEMBER 31, 2012



Source: Calamos Advisors LLC.

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Sector weightings exclude any government/sovereign bonds or options on broad market indexes the portfolio may hold.

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## TOP 10 COUNTRY WEIGHTS

AS OF DECEMBER 31, 2012

SECTOR	REPRESENTATIVE PORTFOLIO	MSCI EMERGING MARKETS INDEX	COUNTRY WEIGHTING CHANGE SINCE 12/31/11 (PCT. POINTS)	UNDER/OVERWEIGHT %
India	14.0%	6.6%	4.0	7.4
Taiwan	13.5	10.6	10.3	2.9
United States	11.7	0.2	-3.1	11.5
Brazil	9.2	12.6	-0.3	-3.4
China	8.4	13.7	0.3	-5.3
United Kingdom	7.6	0.0	-1.1	-8.4
South Korea	6.9	15.3	2.4	7.6
Denmark	4.6	0.0	0.7	4.6
Canada	4.3	0.0	-1.8	4.3
Hong Kong	3.3	4.7	-2.7	-1.4
Developed Markets	40.6	4.9	-10.9	
Emerging Markets	59.4	95.1	10.9	

Source: Calamos Advisors LLC.

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Past performance does not guarantee or indicate future results. 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. There is no guarantee that the investment goals/objectives will be met. Indices are unmanaged and one cannot invest directly in an index.

The information portrayed is for the Calamos Emerging Economies Composite and as such only relate to the representative portfolio shown. 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.

This commentary is presented for informational purposes and should not be considered investment advice. The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings.

Returns presented reflect the Calamos Emerging Economies Composite, which is an actively managed Composite investing in a globally diversified portfolio of equity, convertible or debt securities, with at least 35% of constituent portfolio assets invested in securities of issuers that are organized in emerging market countries. Investments in securities of developed market companies are generally limited to those companies which derive 20% or more of assets or revenues from emerging market countries.

The composite was created December 1, 2010, calculated with an inception date of December 1, 2008 and includes all fully discretionary, fee-paying accounts, including those no longer with the firm. Investments in overseas markets pose special risks, including currency fluctuation and political risks, and the strategy is expected to be more volatile than that of a U.S. only strategy.

These risks are generally intensified for investments in emerging markets. Country Return Statistics: Unless otherwise noted, country equity returns are based on the appropriate MSCI Index for the country listed. The MSCI Canada Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. 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 Pacific Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in the Pacific region. The MSCI United States Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the United States. The 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 the 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. Investors may not make direct investments into any index. Fees include the investment advisory fee charge 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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