

# Calamos International Growth A CIGRX

There's a bit of uncertainty here, but still plenty to like.

3-14-13 | by Greg Carlson

A change at the top bears watching, but Calamos International Growth remains an appealing holding.

On Aug. 23, 2012, Calamos Investments announced that Nick Calamos, a lead manager of this fund since its 2005 inception and the firm's co-CIO, was leaving. His departure is a big loss. Taking Nick Calamos' place is Gary Black, a veteran who served as Janus' CIO and then president and CEO from 2004-09. As Nick Calamos did, Black joins founder John Calamos Sr. on the firm's investment committee that develops a macro point of view and investment themes. (This committee includes several other senior managers.) These help determine the fund's regional, country, and industry weightings. John Calamos Sr. and Black also oversee risk and trading.

It's too soon to say whether this change will have a positive impact. At Janus, Black bolstered the analyst team, but several key portfolio managers also left on his watch. Calamos' stability and the depth of its investment team inspire confidence. Two of the seven portfolio managers other than Calamos Sr. and Black were recently replaced on most of the funds (including this one) in a March 2013 prospectus and now each focus on a single fund. But the firm says that change reflected what was already happening in practice, and the other managers remain in place and are backed by 23 analysts.

The team has generated strong performance here. True, the fund had a so-so 2012 as emerging-markets picks such as telecom firms TIM and Cielo in Brazil went awry. But it has outpaced all but one of its peers from its 2005 inception through March 6, 2013, and it's comfortably ahead of both its benchmark, the MSCI EAFE

Growth Index, and the MSCI All Country World ex USA Growth Index (to which the fund's returns have been more correlated) over that span. The fund also has been a very consistent performer, beating its typical peer and both benchmarks over more than 80% of 36-month rolling periods.

The hiring of an outsider into a top position creates some uncertainty, but this is still a worthy choice.

**Process Pillar:** Positive | Greg Carlson 03/14/2013

Employing quantitative models and bottom-up fundamental analysis, this fund's seven day-to-day managers—led by Jeff Scudieri and Jon Vacko—search for companies growing faster than their industry and sector peers as measured by earnings growth and returns on invested capital. They then dig deeply into company balance sheets to understand the underlying businesses, while also looking for strong free cash flows and sustainable growth. They're assisted by nearly two dozen sector analysts in this work.

Meanwhile, in constructing the portfolio, firm founder John Calamos Sr. and new co-CIO Gary Black lead the investment committee (also composed of several other senior managers) in using top-down macroeconomic analysis to identify promising sectors, regions, and themes to exploit with higher or lower weightings.

The fund typically sports an outsized weighting in technology, which the team regards as a core area of expertise. Many of the fund's other growth plays land in the consumer-cyclical and health-care sectors. The fund also tends to own a slug of more cyclical industrial and materials firms; the weighting for these varies depending on the outlook for and valuations of the more-traditional growth plays.

## Morningstar's Take CIGRX

<b>Morningstar Rating</b>	★★★
<b>Morningstar Analyst Rating</b>	Bronze
<b>Morningstar Pillars</b>	
Process	Positive
Performance	Positive
People	Positive
Parent	Neutral
Price	Neutral

## Fund Performance CIGRX

Year	Total Return (%)	+/-Category
2012	13.24	-4.46
2011	-5.65	6.65
2010	20.66	5.88
2009	56.72	18.70

Data through 12-31-12

The fund's emerging-markets stake typically has been a bit above-average, in part due to the committee's favorable opinion of their growth prospects.

The technology sector has long been a favorite of Calamos' investment committee at both this fund and its U.S.-focused charges. Since tech firms comprise a smaller part of non-U.S. markets in aggregate, the tech bet is more pronounced at this fund—32% of assets compared with just 10% for the typical foreign large-growth fund. The fund's top holdings in the sector are a diverse lot: German software makers Sap and Software, consulting firms Accenture in the U.S. and Tata Consultancy Services in India, consumer electronics giant Samsung of South Korea, and contract manufacturer Hon Hai Precision of Taiwan. And tech firms in general have had flush balance sheets of late, a big reason why this portfolio's average debt/capital ratio is the category's lowest. But when tech gets hit hard, this fund can suffer—witness its subpar showing in 2008's sharp decline.

The fund has treaded much more lightly in financials (2% of assets versus the 16% category norm) and industrials (3% versus 16%). The managers haven't found much to like about the growth prospects in those sectors.

The managers' taste for growth has also led to lighter stakes in slower economies such as Japan and bigger-than-average weightings in Latin America, India, and Taiwan.

**Performance Pillar:**  Positive | Greg Carlson  
03/08/2013

This fund has posted an impressive record. From its April 2005 inception through March 6, 2013, the fund has beaten all but one of its 44 foreign large-growth peers. It has beaten the category norm by 2.6 annualized percentage points and the MSCI EAFE Growth Index (its benchmark) and the MSCI ACWI ex USA Growth Index (to which its returns have been a bit more correlated) by a respective 4.0 and 3.1 annualized percentage points. It's been a bit more volatile than the category norm, but the fund is ahead of 90% of its peers on a risk-adjusted basis.

The fund has also been a consistent performer. Over 48 rolling three-year periods, the fund has beaten its typical peer 92% of the time (and spent 83% of the time in the top quartile), the MSCI EAFE Growth Index 90% of the time, and the MSCI ACWI ex USA Growth Index 81% of the time. It's also finished in the category's top 15% in four of its first seven calendar years of operation and in the third quartile in the other three.

The managers' pursuit of growth has led to strong performance when stocks thrive; it has captured 118% of the gains of the MSCI EAFE Growth Index and 111% of the MSCI ACWI ex USA Growth Index's upside. However, the fund's losses in downturns have been in line with the indexes'.

**People Pillar:**  Positive | Greg Carlson  
03/14/2013

At the end of August 2012, Nick Calamos, co-CIO of Calamos Asset Management and a comanager here, left the firm. He joined in 1983, played a

big role in the design of the quant models used here, and worked with founder John Calamos Sr. in formulating a macroeconomic view that helped inform the fund's sector and regional weightings.

Replacing Nick Calamos is Gary Black, who previously worked at AllianceBernstein, Goldman Sachs, and Janus. At Janus, Black oversaw the build-out of the analyst team, but several key portfolio managers left on his watch. Black then started his own firm, which Calamos has acquired.

Most of the rest of the team remains in place. Jeff Scudieri and Jon Vacko oversee day-to-day stock selection, but buy/sell decisions are made by not just that duo, but also John Calamos Sr., Black, and five other comanagers. Two of those other five—John Calamos Jr. and Chris Hartman—were recently removed from most of the funds (including this one) to focus on one fund each. Senior analysts Dennis Cogan and Nick Niziolek have taken their places. Meanwhile, comanagers Steve Klouda, John Hillenbrand, and Joe Wysocki remain on board. With the exception of the new additions and Wysocki (who was promoted from analyst in 2008), the others have been comanagers since the fund's 2005 inception. The managers have an average of 14 years' tenure at Calamos. They're supported by 23 analysts.

**Parent Pillar:**  Neutral | Greg Carlson  
11/02/2012

Calamos Asset Management has built a deep, experienced and stable investment team over the past 30 years, and it has focused on its strengths—convertible bonds and growth stocks. The firm has also done a solid job of closing its convertibles-heavy strategies to keep them flexible, and the managers invest heavily in their charges. The board of trustees that oversees the funds possesses relevant expertise and hasn't approved trendy fund launches.

However, an important change at the top creates uncertainty. In August 2012, co-CIO Nick Calamos left the firm and was replaced by Gary Black. Black is an industry veteran who's worked at

several large firms, while Calamos' culture has been insular. Black made significant changes during his 2004-09 tenure at Janus, which saw a number of portfolio-manager departures and a handful of new offerings. His impact on this firm, where he is now the heir apparent to founder and CEO John Calamos Sr., remains to be seen.

Meanwhile, other concerns balance out the positives. Investment performance has slipped a bit in recent years. All-cap growth vehicle Calamos Growth was allowed to balloon to \$20 billion in the mid-2000s, and that fund remains on the pricey side despite its still-considerable bulk. (Overall fees rank on the cusp between average and above-average.)

Calamos has its strengths, but the impact of its big personnel change bears watching.

**Price Pillar:**  Neutral | Greg Carlson  
03/14/2013

This fund's fees have edged downward as its asset base has slowly grown. The A shares hold 47% of the assets, charge 1.41%, and earn a Below Average fee level rank. (The A shares' expense ratio was 1.49% a year ago.) The I shares hold 43% of the assets, charge 1.16%, and earn an Above Average fee level rank. The other three share classes earn Average or Above Average ranks.

The fund's brokerage commission costs for its most recent fiscal year were equal to just 0.01% of its assets, while the category average was 0.16%.

**The following information is provided by Calamos Investments:**

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**Calamos International Growth Fund CIGRX (Class A Shares) as of 12/31/2012:**

<b>Average Annual Total Returns</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>Since Inception</b>	<b>Gross Expense Ratio</b>	<b>Net Expense Ratio</b>
International Growth Fund (Inception 3/16/05) A share Returns at NAV	13.24%	8.83%	0.91%	8.23%	1.58%	1.41%
International Growth Fund (Inception 3/16/05) A share Load-Adjusted Returns	7.89%	7.09%	-0.07%	7.55%	1.58%	1.41%

**Performance data quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. For performance current to the most recent month end, visit [www.calamos.com](http://www.calamos.com).**

**Calamos International Growth Fund CIGRX (Class A Shares) as of 12/31/2012:**

**Number of Holdings:** 79 **Total Net Assets:** \$1.0 billion

**Sector Weighting:** Information Technology, 31.6%; Health Care, 13.5%; Consumer Staples, 13.0%; Materials, 12.9%; Energy, 11.2%; Consumer Discretionary, 7.2%; Industrials, 3.2%; Financials, 1.6%; Telecommunication Services, 1.3%; Utilities, 0.0%. **Emerging Market Breakdown:** Emerging, 26.6%; Developed, 69.1%.

**Important Risk Information:** An investment in the Fund(s) is subject to risks, and you could lose money on your investment in the Fund(s). 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. The Fund also has specific principal risks, which are described below. More detailed information regarding these risks can be found in the Fund's prospectus.

The principal risks of investing in the Calamos International Growth Fund include: equity securities risk, growth stock risk, foreign securities risk, emerging markets risk, convertible securities risk, small and mid-sized company 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.

**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.**

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