

Timpani Small Cap Growth Strategy Quarterly Commentary

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INVESTMENTS

Summary

- Small-cap stocks extended their leadership over the quarter.
- We see significant and sustained upside for small caps from here, supported by fundamental earnings growth momentum, with attractive valuations increasing the appeal of the asset class.
- The Calamos Timpani Small Cap Growth Strategy outperformed its benchmark over the quarter, demonstrating the value of our process and security selection, which rewards companies with sustainably fast and underestimated growth.

Investment Manager Discussion

Despite continued high geopolitical tensions and the perception of a more hawkish US Federal Reserve, small caps, as measured by the Russell 2000 Index, rose each month of the quarter and led the overall stock market by a wide margin. This small-cap leadership is a surprise to many and a continuation of a trend that started about 14 months ago, following the longest stretch of small-cap relative underperformance on record (more than 8 years).

Specifically, for the quarter, the Russell 2000 Index outperformed the Russell 1000 Index by 635 basis points. Since the small-cap rally started on April 9, 2025, the Russell 2000 Index has outperformed by 1,614 basis points. Micro caps, the smallest of the small, outperformed large caps by over 4,000 basis points.¹

After several years of mega-cap dominance, the market is showing an appetite to broaden into other areas, including small caps. And why not? Small caps are relatively inexpensive and, importantly, are showing an accelerating earnings growth trajectory projected to last into 2027.² This strong earnings profile should support continued small-cap outperformance.

Speaking of performance, the Calamos Timpani Small Cap Growth Strategy had an excellent quarter in absolute and relative terms. The strategy rose meaningfully and outperformed the Russell 2000 Growth Index by a wide margin during the quarter. Even more impressive, it was a difficult quarter for the average small-cap growth and SMID-cap growth active manager. Small-cap growth managers clocked in average underperformance of 114 basis points versus the Russell 2000 Growth Index.³

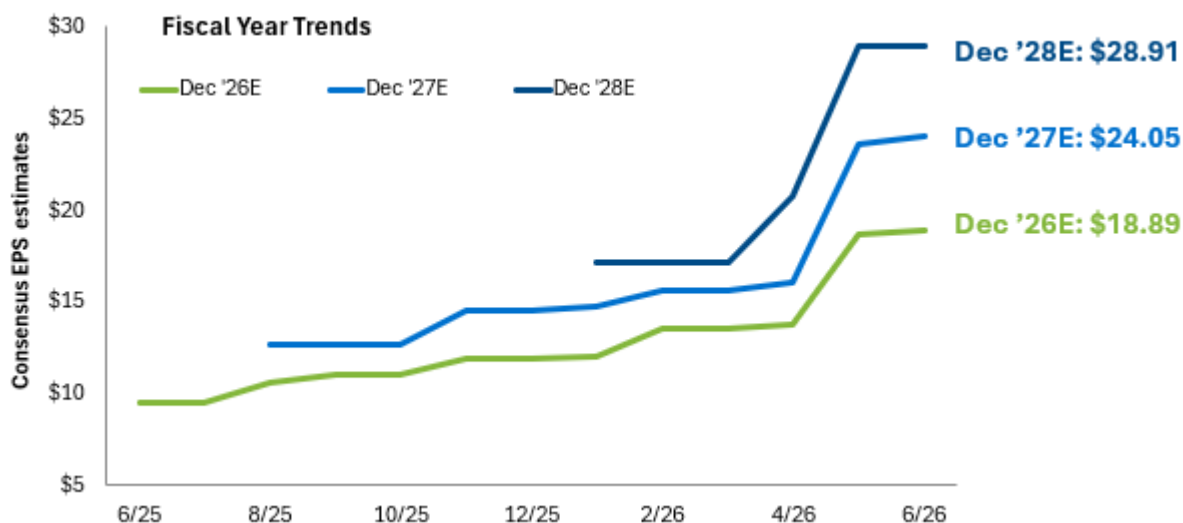
The strong strategy performance was driven by a combination of our fundamental momentum investment style (i.e., sustainably fast and underestimated growth), along with our stock picking and positioning within that investment framework. Our ratio of big winners to big losers was skewed toward winners, driven by niche positioning across a variety of themes and by company-specific factors.

In my commentaries over the years, I've described the Timpani investment process as "fundamental momentum," but what does it look like in practice? The following chart illustrates the idea with an (unnamed) portfolio example. It shows the one-year trend of consensus analyst earnings-per-share estimates (EPS) for 2026, 2027, and 2028. Notice two things:

1. The lines are far apart from one another, indicating fast growth (27% growth in 2027 versus 2026 and 20% growth in 2028 versus 2027); and
2. The lines all rise over time, indicating positive revisions (implying the growth had been underestimated) for each year.

Fundamental momentum, as we define it, is sustainably fast and underestimated growth, both of which are on full display in this chart. This is the exact outcome we consistently seek.

Case Study in Fundamental Momentum: Fast Growth and Positive Revisions Year Over Year



Past performance is no guarantee of future results. Source: Calamos Investments. For illustrative purposes only.

What's not shown on the chart is the performance of this individual stock over the past year. We can see that the 2026 and 2027 EPS estimates each rose by about 100%. Logically, one would think the stock would also rise by about 100% over this same period. In fact, in this case, the stock rose by about 250%! The market was so impressed with the fundamental momentum profile that it decided the stock shouldn't only rise in sync with the revision profile but instead deserved a higher valuation multiple on that earnings profile. This combination of fundamental momentum along with rising valuation multiples is normal and precisely why we utilize this strategy. We specifically look for setups with this profile and sell when we see early signs of fatigue in the fundamental momentum profile, which is often a leading indicator of negative analyst revisions and compression in valuation multiples.

We've been good at consistently finding fundamental momentum, and since early 2024, the market has been embracing it and disproportionately rewarding many of the stocks in our strategy. We've seen similar upcycles before and suspect this one could continue. That, along with our exposure to an improving small-cap asset class, keeps me upbeat about the future.

Brandon Nelson, CFA

SVP and Senior Portfolio Manager

July 1, 2026

Market Overview

The second quarter of 2026 delivered a remarkable turnaround for US equities, with the S&P 500 surging 15%—the strongest quarterly performance in six years and, notably, the best second-quarter return of any midterm election year on record. After a difficult first quarter dominated by fears surrounding the Iran conflict, markets found their footing as talk of ceasefires and agreements eased pressure on energy prices and gave interest rates room to stabilize. The rally was refreshingly broad-based. While technology led the way, all size and style segments advanced, with small and mid caps outpacing large caps. Underpinning it all was exceptional earnings strength and forward-looking 2026 and 2027 earnings estimates revised meaningfully higher across nearly every sector, evidence that this rally is being driven by fundamentals rather than multiple expansion alone.

Looking at the quarter within the Russell 2000 Growth Index (+25.71%), information technology (+46.8%) was the big winner after being last quarter's laggard. Industrials (+28.0%), real estate (+25.4%), and health care (+25.1%) all showed strong performance, with communication services (+20.8%), financials (+20.3%), consumer discretionary (+16.3%), and consumer staples (+14.0%) also delivering double-digit returns but lagging the index. Utilities (+4.7%) and materials (+1.6%) finished in positive territory for the quarter, but energy (-2.3%) trailed with a negative return after leading the index last quarter.

Performance Review

For the quarter ended June 30, 2026, the portfolio returned 39.79% (gross of fees) and 39.53% (net of fees), strongly outperforming the Russell 2000 Growth Index return of 25.71%.

Positive Influences on Performance

Information Technology. The portfolio's security selection and an average overweight stance in information technology promoted relative returns. Semiconductor materials & equipment holdings notably helped, as did semiconductors.

Financials. Security selection and an average underweight stance in financials added to the portfolio's results. Consumer finance was a leading contributor. In addition, our lack of exposure to regional banks was beneficial.

Negative Influences on Performance

Health Care. Security selection and an average underweight allocation within health care sector negatively affected performance. Specifically, positions in the biotechnology industry and the managed health care industry lagged.

Consumer Discretionary. An average overweight allocation in consumer discretionary, specifically in the other specialty retail and restaurants industries, weighed on relative results.

Positioning and Portfolio Changes

From a sector perspective, the largest absolute portfolio weights are in information technology and industrials. Conversely, materials and energy represent the smallest absolute sector weights. The portfolio had no exposure to the real estate, utilities, and communication services sectors. We maintain overweight allocations in information technology and industrials versus the index. Semiconductors (within information technology) and industrial machinery & supplies & components (within industrials) constitute the most significant relative overweights. The significant industry underweight positions are biotechnology and application software.

The portfolio's increased allocation in financials represented the largest absolute change, owing to strong performance and the addition of new names, elevating the portfolio's underweight at the start of the quarter to a market weight. By contrast, allocations to consumer discretionary and industrials decreased over the period with reductions to restaurants and aerospace & defense.

For additional information, please visit the strategy's profile page:

<https://www.calamos.com/strategies/timpani-small-cap-growth/>

DATA AS OF 6/30/26

TIMPANI SMALL CAP GROWTH AVERAGE ANNUAL RETURNS (%)

	QTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (4/08)
Timpani Small Cap Growth (gross of fees)	39.79	66.57	35.97	11.37	19.56	14.90
Timpani Small Cap Growth (net of fees)	39.53	65.28	34.94	10.53	18.81	14.22
Russell 2000 Growth Index	25.71	38.74	18.44	5.57	11.97	10.50
Russell 2000 Index	21.49	40.78	18.60	6.98	11.62	9.94

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.

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The results portrayed on the preceding pages are for the Calamos Timpani Small Cap Growth Strategy. Representative holdings and portfolio characteristics are specific only to the portfolio shown at that point in time. Other portfolios will vary in composition and 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 represent the investment strategy as a whole.

The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

Returns and Risk/Reward statistics presented reflect the **Calamos Timpani Small Cap Growth Composite**, which is an actively managed composite that invests in small market capitalization companies with sound growth potential. On May 31, 2019, Calamos acquired Timpani Capital Management LLC, which has managed the strategy since its inception in 2008. The Calamos Timpani Small Cap Growth Composite was formerly named the Timpani Small Cap Growth Composite. This name change was effected June 1, 2019. The Composite was created on April 1, 2008, calculated with an inception date of April 1, 2008. The Composite results include all fully discretionary accounts, including those no longer with the Firm.

Fees include the investment advisory fee charge by Calamos Advisors LLC. Returns greater than 12 months are annualized. Chart Data Source: Calamos Advisors LLC.

Equity Securities Risk: The securities markets are volatile, and the market prices of the securities may decline generally. The price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions. If the market prices of the securities owned fall, the value of your investment will decline.

Growth Investing Risk: Growth companies are generally more susceptible than established companies to market events and sharp declines in value. Additionally, growth stocks typically lack the dividend yield that can cushion stock prices in market downturns.

Small/Mid Cap Risk: Stocks of small or mid-cap companies may have less liquidity than those of larger, established companies and may be subject to greater price volatility and risk than the overall stock market.

The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the US equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000 Growth Index is published and maintained by FTSE Russell. 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. The **Russell 2000® Value Index** measures the performance of the small-cap value segment of the US equity universe and includes those Russell 2000 companies with relatively lower price-to-book ratios, lower forecasted medium term (2-year) growth and lower sales per share historical growth (5 years). The **S&P 500 Index** is generally considered representative of the US stock market. The **S&P 500 Value Index** measures the performance of stocks within the S&P 500 Index that have value-oriented characteristics, such as lower price-to-earnings ratios and price-to-book ratios. The **S&P 500 Growth Index** measures the performance of stocks within the S&P 500 Index that have growth-oriented characteristics, such as higher earnings growth rates and higher price-to-earnings ratios.

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.

¹ Source for index returns: FTSE Russell. The Russell 2000 Index returned 21.49% for the three months ending June 30, 2026; the Russell 1000 Index returned 15.14%, for a difference of 635 basis points. For the period from April 9, 2025, through June 30, 2026, the Russell 1000 Index returned 41.26%; the Russell 2000 Index returned 57.40% (a difference of 1,614 basis points); and the Russell Microcap Index returned 81.90% (4,064 basis points more than the Russell 1000 Index). ² Source for earnings growth projections: RBC. ³ Source for small-cap growth and SMID-cap growth manager performance: Jefferies.

Fees include the investment advisory fee charged by Calamos Advisors LLC. Returns greater than 12 months are annualized. 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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