US All Cap Growth Strategy Quarterly Commentary

CALAMOS INVESTMENTS

Summary

- A broad, flexible strategy enables Calamos US All Cap Growth Strategy to invest in the equities of US companies across all market capitalizations and sectors to attain the best potential for long-term capital growth.
- Our investment process seeks companies with quality growth criteria and exposure to powerful thematic growth trends, including the mega-cap “Magnificent Seven” as well as growth opportunities in different sectors, across market caps.
- In 2025, we see continued upside for select growth stocks, with a broadening of market leadership.
- However, we expect gains to be driven by bottom-up improvements in fundamentals rather than broad multiple expansion. We would also not be surprised to see a greater divergence of fortunes within the Magnificent Seven.

Investment Manager Discussion

Charting Growth Through Changing Tides

US equities had a second straight year of strong gains, overcoming with surprising ease a “wall of worry” about an aging economic cycle, geopolitical tensions, and the election outcome. While this positive backdrop supported equity markets broadly, growth stocks once again led the way for a second straight year.

The US economy displayed surprising strength in 2024, especially compared to Europe and China. At the same time, the Fed surprised the markets with a 50-basis point cut in September, which re-ignited confidence in the “Fed put,” should the market need it. The most significant news, however, was Donald Trump’s re-election and a narrow Republican sweep of Congress, which sparked market excitement about additional tax cuts and a more business-friendly regulatory environment.

The remarkable market strength demonstrated throughout 2024 appears poised to extend into 2025 as corporate earnings maintain their upward momentum. However, as the closing days of 2024 remind us, there will surely be choppiness along the way. With valuations already reflecting considerable optimism, we believe further equity gains will depend more heavily on improving corporate fundamentals, rather than broad multiple expansion. This environment demands heightened selectivity going forward, namely the ability to identify companies capable of exceeding elevated expectations.

The consumer foundation remains sturdy, supported by healthy employment trends and moderating inflation pressures. This environment, coupled with renewed corporate confidence and a more favorable regulatory environment, sets the stage for a renaissance in capital markets activity, particularly in mergers and acquisitions and initial public offerings. The broadening of market leadership suggests a more diverse opportunity set for investors.

All portfolio positioning and sector information is for a representative portfolio. Please see additional information that follows commentary.

Nevertheless, several policy imperatives warrant vigilant monitoring, including the trajectory of trade negotiations, the economic implications of immigration policies, the execution of government efficiency initiatives, and inflation trends that are still above Fed targets. The new administration has promised to tackle problems that have burdened the economy for decades, but Congress is deeply divided, and the obvious solutions have long been exhausted. Market volatility will likely remain an inherent feature of the 2025 landscape, yet the dual cushion of accommodative monetary policy and business-friendly fiscal measures should contain the magnitude of market drawdowns.

Matt Freund, CFA
Co-CIO and Senior Co-Portfolio Manager
Michael Kassab, CFA
SVP and Associate Portfolio Manager

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Market Environment

The fourth quarter of 2024 saw US equity markets move forward with a 2.41% return for the S&P 500, but not without some bouts of volatility driven by several key factors. The Fed began cutting rates in mid-September, just ahead of this quarter, with a 50 basis points drop, setting the stage for more accommodative monetary policy as inflation appeared largely tamed. The most significant news may have been Donald Trump's re-election and a narrow Republican sweep of Congress, which sparked market excitement about additional tax cuts and a more business-friendly regulatory environment. After a 25 basis point cut to Fed funds in November and December, the markets saw a late-December dip due to the Fed signaling fewer rate cuts in 2025. Despite the Fed cutting, the US 10-year bond yield continued climbing from September lows of 3.60% to ending the quarter (and year) at 4.57%, steepening the yield curve. AI continued to garner attention, but a quick rise in Bitcoin also dominated the quarter's market headlines.

Growth stocks resumed their leadership over value stocks after lagging in Q3 2024. The S&P 500 Growth Index gained 6.17% during Q4, while the S&P 500 Value Index declined with a -2.67% return. The "Mag 7" stocks continued their dominance with a collective gain of 15% for the quarter.

Within the S&P 1500 Growth Index (+5.6%), consumer discretionary (+17.1%), communication services (+10.7%), financials (+6.7%), and information technology (+5.7%) outpaced the benchmark. Utilities (+1.2%) and energy (0.4%) were in positive territory, while industrials (-2.8%), consumer staples (-4.8%), real estate (-6.3%), health care (-10.2%) and materials (-11.6%) lagged and were in negative territory for the quarter.

Performance Review

For the quarter ended December 31, 2024, the portfolio returned 6.90% (gross of fees) and 6.66% (net of fees), outperforming the S&P 1500 Growth Index return of 5.63%.

Positive Influences on Performance

Information Technology. Selection in the information technology sector benefited the portfolio, as holdings in semiconductors and semiconductor materials & equipment helped drive relative results.

Industrials. Security selection and an average underweight stance in industrials added to the results. Names in aerospace & defense and building products were the main contributors within the sector.

Negative Influences on Performance

Health Care. An average overweight stance within the health care sector weighed on performance. In particular, positions in the life sciences tools & services and pharmaceuticals industries trailed.

Consumer Discretionary. Security selection within the consumer discretionary's automobile manufacturers and home improvement retail industries lagged.

Positioning and Portfolio Changes

The largest US companies, commonly called the "Magnificent Seven," turned in another stellar year, with all but one name outpacing the broader markets. The Calamos US All Cap Strategy investment process focuses on identifying companies with superior growth profiles shaping tomorrow's opportunities, which has led to meaningful allocations in each of these transformative pioneers. The strategy also benefited from positions across many industries and market caps, proving once again that growth comes in many forms.

An interesting development is unfolding within the Magnificent Seven stocks as these technology-driven titans begin charting increasingly independent courses. This divergence marks a mature phase of the digital transformation story, where individual execution and strategic positioning eclipse the broader thematic tailwind. 2025 appears positioned as an inflection point for artificial intelligence investments as beneficiaries transition from chip designers and manufacturers to early corporate adopters who should begin seeing tangible benefits from their earlier investments.

Regarding economic sectors, the largest portfolio weights reside in information technology and consumer discretionary on an absolute basis. Conversely, energy and real estate represent the smallest absolute sector weights with holdings. The portfolio had no exposure to the utilities sector. The portfolio takes an overweight stance in information technology and consumer discretionary versus the index; systems software (in information technology) and broadline retail (in consumer discretionary) comprise the largest industry overweight positions. The portfolio maintains relative underweight positions in financials and industrials, with diversified banks (financials) and building products (industrials) comprising industry underweight positions.

The consumer discretionary allocation increased during the period, while the weight to information technology also rose modestly with increased weights in broadline retail and application software. The health care allocation decreased during the period, and the weight of materials decreased modestly.

Outlook

While our 2025 outlook maintains a constructive bias, investment success will likely require a greater emphasis on fundamental analysis and active management. The convergence of supportive policy frameworks, technological innovation, and broadening market participation may create an attractive environment for tactical opportunities that well-positioned investors can take advantage of across industries and market caps. We believe a disciplined risk-management process will prove beneficial in navigating the periodic volatility.

We anticipate that market focus will continue to broaden from the largest mega-cap stocks to the next generation of disruptors, particularly as a supportive regulatory environment begins to emerge. In this environment, we will continue to focus on being well compensated for the risks taken. Over the long term, we believe that doing so will generate strong risk-adjusted returns.

For additional information, please visit the strategy's profile page:
https://www.calamos.com/strategies/us-all-cap-growth/

DATA AS OF 12/31/24

US ALL CAP GROWTH AVERAGE ANNUAL RETURNS (%)

	QTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INDEX INCEPTION (7/95)	SINCE COMPOSITE INCEPTION (1/91)
US All Cap Growth (gross of fees)	6.90	33.95	8.03	16.22	13.38	14.87	14.63
US All Cap Growth (net of fees)	6.66	32.76	7.06	15.19	12.43	13.96	13.71
S&P 1500 Growth Index	5.63	34.15	7.28	16.48	14.83	11.16	N/A
S&P 500 Index	2.41	25.02	8.94	14.53	13.10	10.42	N/A

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 information portrayed is for the Calamos All 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, 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.

Returns and Risk/Reward statistics presented reflect the **Calamos All Cap Growth Composite**, which is an actively managed composite that invests in common stocks, preferred stocks, securities convertible into US common stocks, and US dollar denominated American Depository Receipts, primarily in high growth industries and companies across all market capitalizations. The Composite was created July 1, 2010, calculated with an inception date of January 1, 1991. The Composite results include all fully discretionary accounts, including those no longer with the Firm.

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 Risks: 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.

The **S&P 1500 Growth Index** consists of the growth segment of the securities found in the S&P 1500 Index. The S&P 1500 combines the S&P 500, S&P MidCap 400 and the S&P SmallCap 600. The **S&P 500 Index** is generally considered representative of the US stock market.

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. 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:

Calamos Advisors LLC
2020 Calamos Court
Naperville, IL 60563-2787
Attn: Compliance Officer

Calamos Advisors LLC
2020 Calamos Court | Naperville, IL 60563-2787
866.363.9219 | calamos.com | calamos.com/institutional

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