

Market Neutral Income Fund

Fourth Quarter 2018 Report

CALAMOS[®]
INVESTMENTS



MORNINGSTAR OVERALL RATING™†

among 122 Market Neutral Funds

The fund's load-waived Class I shares received 4 stars for 3 years, 4 stars for 5 years, and 5 stars for 10 years out of 122, 98 and 31 Market Neutral funds, respectively, for the period ended 12/31/18.

OVERVIEW

The fund's core market strategies include covered call writing and convertible arbitrage. Together, these strategies are intended to provide the fund with an enhanced potential for risk-managed returns due to their differing responses to volatility.

KEY FEATURES

- » **One of the first alternative mutual funds**, capitalizing on experience in the convertible space going back more than four decades
- » **Low correlation** with most fixed income benchmarks
- » **Risk management is a primary focus**, as the fund's primary strategies are managed together with the intent of maximizing risk/reward characteristics

FUND TICKER SYMBOLS

A Shares C Shares I Shares
CVSIX CVSCX CMNIX

† Morningstar ratings shown are for Class I shares and do not include any front-end sales load. Not all investors have access to or may invest in the share class shown. Other share classes with front-end or back-end sales charges may have different ratings than the ratings shown. There can be no assurance that the Fund will achieve its investment objective.

**NOT FDIC INSURED | MAY LOSE VALUE |
NO BANK GUARANTEE**

Summary

During a volatile fourth quarter in which equity markets suffered steep declines, Calamos Market Neutral Income Fund showed its risk-managed mettle with a return of -1.84% (A shares at NAV)—That's 1,168 basis points better than the all-equity S&P 500 Index, which plummeted -13.52%.

Hedged Equity Strategy Performance Drivers

Equity Performance. While our option positioning helped protect on the downside, the negative return of the S&P 500 Index (-13.52%) challenged the hedged equity strategy performance during the quarter, as the value of our equity basket declined more than the option returns. The tracking error of the equity basket was significantly below the goal of 0.5% and was closer to 0.1% during the period. The equity basket return of -13.62% slightly lagged the S&P 500 Index.

Volatility. Volatility increased significantly during the fourth quarter. The CBOE Volatility Index (VIX) finished the quarter at 25.42, much higher than where it began (12.12) and above its long-term average near 20. Higher volatility was supportive to premium capture and trade rebalancing opportunities during the quarter, though these opportunities generated less return than the outsized equity market decline.

AVERAGE ANNUAL RETURNS

	QTD	YTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE I SHARE INCEPTION (5/10/00)	SINCE A SHARE INCEPTION (9/4/90)
Calamos Market Neutral Income Fund								
I shares – at NAV	-1.81%	1.80%	1.80%	3.85%	3.01%	4.88%	4.42%	N/A
A shares – at NAV	-1.84	1.54	1.54	3.60	2.76	4.62	N/A	6.14%
A shares – Load adjusted	-4.03	-0.71	-0.71	1.92	1.76	4.11	N/A	5.96
BBgBarc U.S. Government/Credit Bond Index	1.46	-0.42	-0.42	2.19	2.53	3.46	4.96	5.91
Citigroup 30-Day T-Bill Index	0.56	1.82	1.82	0.94	0.57	0.32	1.52	2.50
Morningstar Market Neutral Category	-0.47	-0.26	-0.26	1.05	0.49	1.30	1.81	3.79

The Bloomberg Barclays U.S. Government/Credit Bond Index and Citigroup 30-Day T-Bill Index return "Since A share Inception" start date is 8/31/90. The Bloomberg Barclays U.S. Government/Credit Bond Index and Citigroup 30-Day T-Bill Index return "Since I share Inception" start date is 4/30/00.

Performance data quoted represents past performance, which is no guarantee of future results. You can obtain performance data current to the most recent month end by visiting www.calamos.com. Current performance may be lower or higher than the performance quoted. The principal value of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Load-adjusted returns take into account the Fund's maximum 2.25% front-end sales load. Returns for periods greater than 12 months are annualized.

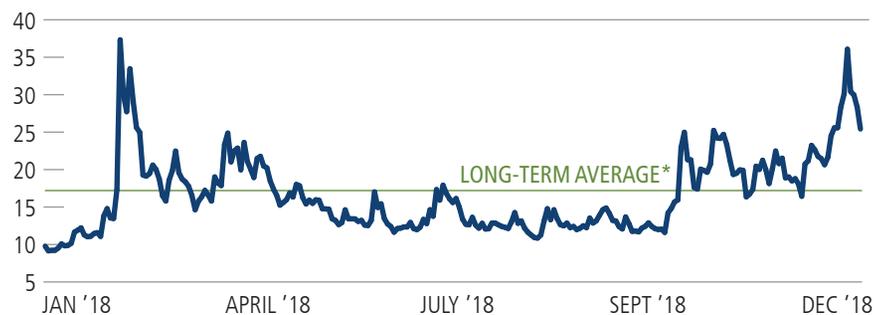
Performance may reflect waivers or reimbursement of certain expenses. Calendar year returns measure net investment income and capital gain or loss from portfolio investments for each period specified. Average annual total return measures net investment income and capital gain or loss from portfolio investments as an annualized average. All performance shown assumes reinvestment of dividends and capital gains distributions. In calculating net investment income, all applicable fees and expenses are deducted from the returns. As of the prospectus dated 3/1/18, the Fund's gross expense ratio for Class A shares is 1.28% and Class I shares is 1.02%.

The offering price for Class I shares is the NAV per share with no initial sales charge. There are no contingent deferred sales charges or distribution or service fees with respect to Class I shares. The minimum initial investment required to purchase each Fund's Class I shares is \$1 million. Class I shares are offered primarily for direct investment by investors through certain tax-exempt retirement plans (including 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit sharing and money purchase pension plans, defined benefit plans and non-qualified deferred compensation plans) and by institutional clients, provided such plans or clients have assets of at least \$1 million. Class I shares may also be offered to certain other entities or programs, including, but not limited to, investment companies, under certain circumstances.

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CBOE VOLATILITY INDEX

Daily Closing Price



* From 2004, since the VIX instituted new methodology, through the present. The CBOE Volatility Index (VIX) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

Option Skew. Option skew discussed in previous commentaries flattened during the quarter. A statistic that is useful for evaluating option skew is the Credit Suisse Fear Barometer (CSFB). Using premium captured by writing 90-day S&P 500 Index call options that are 10% out of the money, the CSFB value is determined by understanding how far out of the money 90-day index puts are purchased to construct a zero-cost collar around the S&P 500 Index. The higher the index value, the more skew is seen in the options market. The CSFB began the quarter at 29.34 and finished at 18.80. The current level is below the CSFB long-term average near 20. Flatter skew has made our traditional “North Star” positioning more appealing and we have added more “North Star” option trades to this strategy. At the same time, option spreads constructed when skew was steeper remain favorable. Should skew and volatility be sustained at normal levels, we will look to supplement our “North Star” approach.

Positioning

The use of call and put spreads remained opportunistic during the quarter, though an increase in volatility and a reduction in option skew began to make our traditional “North Star” positioning (which consists of writing 80% calls and buying 40% puts) more attractive. Our call spread positioning involved writing calls that were in the money while at the same time purchasing out of the money calls. In addition to the long

puts that we always maintain in the portfolio, we also found it attractive to utilize put spreads by selling deep out of the money puts and buying closer to the money puts. This positioning provided an attractive upside/downside risk portfolio that was beneficial as the market sold off during the fourth quarter.

Our notional hedge positioning is best reflected in the table below and reflects a snapshot of the portfolio on the last trade date of the quarter and is subject to revision as it is actively managed.

Positioning can change quickly dependent on market conditions.

OPTION POSITIONING

12/31/18							
Short Calls	%	Short Calls Avg Strike	Long Calls	%	Long Calls Avg Strike	Net Calls	%
-6,750	-46%	2,696	9,000	62%	2,878	2,250	15%
Long Puts	%	Long Puts Avg Strike	Short Puts	%	Short Puts Avg Strike	Net Puts	%
12,900	88%	2,457	-1,000	-7%	2,150	11,900	82%

Source: Calamos.

Convertible Arbitrage Strategy Performance Drivers

Interest Rate Environment. Rising interest rates and widening credit spreads provided mixed results for convertible arbitrage during the quarter. From a positive standpoint, the Federal Reserve announced another 25 basis points increase to the fed funds rate (the range is now at 2.25% to 2.50%) during the quarter. As short-term interest rates move higher, the overnight interest received on the cash received from our short stock positions moves higher. From a challenging standpoint, wider credit spreads adversely impacted the bond value of our long convertible holdings. JPMorgan reported a 201 basis points increase to 567 basis points over U.S. Treasuries during the quarter.

Volatility. Convertible Arbitrage tends to thrive in periods of higher volatility. Higher volatility observed during the quarter provided several opportunities to rebalance our hedges and lock in trading profits.

Alpha is the measurement of performance on a risk adjusted basis. A positive alpha shows that performance of a portfolio was higher than expected given the risk. A negative alpha shows that the performance was less than expected given the risk. **Volatility Skew** is the difference in implied volatility between out-of-the-money options, at-the-money options, and in-the-money options. Volatility skew, which is affected by sentiment and the supply and demand relationship, provides information that helps fund managers determine whether to write calls or puts. **In the Money** means that a call option's strike price is below the market price of the underlying asset or that the strike price of a put option is above the market price of the underlying asset. **Out of the Money** describes a call option with a strike price that is higher than the market price of the underlying asset, or a put option with a strike price that is lower than the market price of the underlying asset.

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Fund Information

CREDIT QUALITY ALLOCATION OF BONDS	%
AAA	1.6
AA	0.0
A	2.9
BBB	4.7
BB	8.5
B	12.5
CCC and below	0.4
Unrated Securities	69.5

Bond credit quality allocation reflects the higher of the ratings of Standard's & Poor's or Moody's Investors Service. Ratings are relative, subjective and not absolute standards of quality, represent the opinions of the independent, Nationally Recognized Statistical Rating Organizations (NRSRO), and are adjusted to the Standard & Poor's scale shown. Ratings are measured using a scale that typically ranges from AAA (highest) to D (lowest). The table excludes equity securities, cash and cash equivalents. For more information about securities ratings, please see the Fund's Statement of Additional Information at www.calamos.com. Additional information on ratings methodologies are available by visiting the NRSRO websites: www.standardandpoors.com and www.moody.com.

RISK MEASURES SINCE FUND INCEPTION

	FUND	S&P 500 INDEX
Alpha	3.53%	N/A
Beta	0.24	1.00
Sharpe Ratio	0.72	0.50
Annualized Standard Deviation	4.69%	14.10%
R-Squared	54.04	N/A
Upside Capture	30.22	N/A
Downside Capture	19.11	N/A
Tracking Error	11.12%	N/A

MORNINGSTAR RATINGS (MARKET NEUTRAL CATEGORY)

Load-waived I shares (CMNIX)

		NUMBER OF FUNDS
Overall Morningstar Rating™	★★★★★	122
10-Year Morningstar Rating™	★★★★★	31
5-Year Morningstar Rating™	★★★★	98
3-Year Morningstar Rating™	★★★★	122

Morningstar Ratings™ are based on risk-adjusted returns for Class I shares and will differ for other share classes. Morningstar Ratings based on a risk-adjusted return measure that accounts for variation in a fund's monthly historical performance (reflecting sales charges), placing more emphasis on downward variations and rewarding consistent performance.

Within each asset class, the top 10%, the next 22.5%, 35%, 22.5%, and the bottom 10% receive 5, 4, 3, 2, or 1 star, respectively. Each fund is rated exclusively against U.S. domiciled funds. The information contained herein is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Source: © 2018 Morningstar, Inc. All Rights Reserved.

Morningstar ratings shown are for load-waived shares that do not include any front-end sales load. Not all investors have access to or may invest in the load-waived share class shown. Other share classes with front-end or back-end sales charges may have different ratings than the ratings shown. Additionally, some A-share mutual funds for which Morningstar calculates a load-waived A-share star rating may not waive their front-end sales load.

FUND FACTS

	FUND
Total Net Assets	\$6,817,285,677
Portfolio Turnover (12 months)	71.18%

STRATEGY ALLOCATION

	%
Convertible Arbitrage	45.1
Hedged Equity	54.9

FUND INFORMATION	A SHARES	C SHARES	I SHARES
Sales Load/Maximum Sales Charge	Front-End/2.25%	Level-Load/1.00%	N/A
Total Expense Ratio†	1.28%	2.03%	1.02%
Total Expense Ratio Excluding Dividend & Interest Expense	1.08%	1.83%	0.82%

†As of prospectus dated 3/1/18

Convertible Valuations. Convertible valuations richened slightly during the quarter. The average convertible in the ICE BofAML All U.S. Convertibles Index (VXA0) traded at a 1.69% discount, slightly richer than the 1.83% discount at the beginning of the quarter.

Outlook

We continue to expect heightened volatility from a variety of sources going forward. Investor speculation regarding the effects of trade disputes, the government shutdown over border security, and a lack of clarity surrounding Fed policy will help fuel volatility. The fund derives benefits from "volatility in volatility," whether from the rebalancing opportunities higher volatility provides to convertible arbitrage or the potential to receive higher call premiums in the hedged equity allocation. Although a backdrop of rising interest rates has somewhat diminished given the recent decelerating economic data and Fed policy pivot, we continue to see diversification benefits of including the Market Neutral Income Fund within a fixed income allocation. Investors are likely not owning fixed income based on the amount of yield provided by the asset class. Rather, investors look to the stability of bonds during increased market volatility. With uncertainty over global central bank interest rate policies, including the fund in an investment portfolio should provide a means to reduce equity sensitivity. An allocation to the fund can also provide stability in a market environment that turns increasingly volatile for both stocks and bonds. As the markets move later into the economic cycle, investors are facing a dilemma in terms of how to reduce equity sensitivity without embracing the interest-rate sensitivity of the bond market. The Market Neutral Income Fund has historically provided bond-like returns with bond-like risk without having bond-like interest rate sensitivity. The fund also has lower correlations to other asset classes.

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Term Definitions

Alpha is the measurement of performance on a risk adjusted basis. A positive alpha shows that performance of a portfolio was higher than expected given the risk. A negative alpha shows that the performance was less than expected given the risk. **Annualized standard deviation** is a statistical measure of the historical volatility of a mutual fund or portfolio. **Beta** is a 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. **Downside capture ratio** measures manager's performance in down markets as defined by the named index. A down-market is defined as those periods (months or quarters) in which named index return is less than 0. In essence, it tells you what percentage of the down-market was captured by the manager. **R-squared** is a mathematical measure that describes how closely a security's movement reflects movements in a benchmark. **Sharpe ratio** is a calculation that reflects the reward per each unit of risk in a portfolio. The higher the ratio, the better the portfolio's risk-adjusted return is. **Tracking error** is a measure of the volatility of excess returns relative to a benchmark. **Upside capture ratio** measures a manager's performance in up markets relative to the named index itself. It is calculated by taking the security's upside capture return and dividing it by the benchmark's upside capture return.

Convertible Arbitrage involves buying convertible bonds and short selling their underlying equities to attempt to hedge against equity risk, while still providing the potential for upside returns. A **Covered Call Writing strategy** begins with a portfolio of stocks, most of which pay dividends. (Stock provisions include securities convertible into the underlying stocks.) We then write (sell) calls and buy protective puts against a portion of this basket. A **call option** gives the buyer the right to purchase stocks at a predetermined strike price. If these securities rise above the strike price, the buyer may exercise the option and the fund (seller) must pay the buyer the difference as determined by the option contract. By writing calls on securities held in the portfolio, the fund can generate income from option premiums. A **put option** gives the purchaser the right to sell a security to the writer at a predetermined price. Put options rise in value as the underlying securities decline in value. Through put options, the fund seeks to offset some of the risk of a potential decline in a portfolio holding.

Index Definitions

The **Bloomberg Barclays U.S. Government/Credit Bond Index** comprises long-term government and investment-grade corporate debt securities and is generally considered representative of the performance of the broad U.S. bond market. Unlike convertible bonds, U.S. Treasury bills are backed by the full faith and credit of the U.S. government and offer a guarantee as to the timely repayment of principal and interest. The **ICE BofAML All U.S. Convertibles Index (VXA0)** is comprised of approximately 700 issues of only convertible bonds and preferreds of all qualities and measures the return of all U.S. convertibles. Source ICE Data Indices, LLC, used with permission. ICE permits use of the ICE BofAML indices and related data on an 'as is' basis, makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE BofAML Indices or data included in, related to, or derived therefrom, assumes no liability in connection with the use of the foregoing and does not sponsor, endorse or recommend Calamos Advisors LLC or any of its products or services.

The **CBOE Volatility Index** or **VIX** (based on its CBOE ticker symbol) shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. The **Citigroup 30-Day T-Bill Index** is generally considered representative of the performance of short term money market instruments. The **Credit Suisse Fear Barometer** essentially tracks the willingness of investors to pay up for downside protection with collar trades on the S&P 500 Index. The **Morningstar Market Neutral Category** represents funds that attempt to eliminate the risks of the market by holding 50% of assets in long positions in stocks and 50% of assets in short positions. The **S&P 500 Index** is a market-value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation. It is widely regarded as the standard for measuring U.S. stock market performance.

Unmanaged index returns assume reinvestment of any and all distributions and, unlike fund returns, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

Additional Information

Past performance does not indicate future results. No investment strategy or objective is guaranteed and a client's account value can fluctuate over time and be worth more or less than the original investment. 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.

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(s) 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(s) can increase during times of significant market volatility. The Fund(s) 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 Market Neutral Income Fund include: equity securities risk consisting of market prices declining in general, convertible securities risk consisting of interest rate risk and credit risk, synthetic convertible instruments risk, convertible hedging risk, covered call writing risk, options risk, short sale risk, interest rate risk, credit risk, high yield risk, liquidity risk, portfolio selection risk, and portfolio turnover risk. In addition, emerging markets may present additional risk due to potential for greater economic and political instability in less developed countries.

Covered Call Writing Risk: As the writer of a covered call option on a security, the fund foregoes, during the option's life, the opportunity to profit from increases in the market value of the security, covering the call option above the sum of the premium and the exercise price of the call.

Convertible Securities Risk: The value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also may have an effect on the convertible security's investment value. **Convertible Hedging Risk:** If the market price of the underlying common stock increases above the conversion price on a convertible security, the price of the convertible security will increase. The fund's increased liability on any outstanding short position would, in whole or in part, reduce this gain.

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 which can be obtained by calling 1-800-582-6959. Read it carefully before investing.

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