U.S. TOTAL RETURN DATA AS OF 12/31/13 www.calamos.com

Strategic Total Return Fund (CSQ) Commentary

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FUND

- » CSQ is a total return offering that seeks to provide an attractive monthly distribution, as well as equity market participation.
- » Invests in equities and higher yielding convertible securities and corporate bonds, issued primarily by U.S. companies.

Market Price \$10.89

NAV \$12.29

Current Annualized Distribution Rate 7.71%

ASSET ALLOCATION'

Common Stock	51.5%
Convertible Bonds	18.0
Corporate Bonds	17.0
Convertible Preferred Stock	6.3
Synthetic Convertibles	6.0
Warrants	0.2
US Government Securities	0.1
Cash and Receivables/Payables	0.9

The portfolio is actively managed. Holdings and weightings are subject to change at any time without notice. Asset Allocation Weightings are calculated as a percentage of Managed Assets. The tables exclude cash or cash equivalents, any government / sovereign bonds or broad based index hedging securities the portfolio may hold.

There is no assurance that the Fund will achieve or maintain its investment objective.

Overview

The Federal Reserve's announcement that it would begin tapering its quantitative easing program in January was interpreted largely as a positive sign, but it served to add continued pressure to fixed income markets, as yields on the 10-year Treasury closed at 3.04% for the year. Despite the Fed's intent to keep interest levels low, rates at the lower end of the Treasury yield curve also increased with the 6-month and 1-year finishing with yields at 0.10% and 0.13%, respectively. With the U.S. economic recovery seeming poised to continue, fostered by improving GDP growth, low inflation, a healthier manufacturing sector and robust corporate balance sheets, the S&P 500 Index rallied 10.51% for the quarter to finish up 32.39% for the year. Convertible securities also participated in the equity rally, as the BofA ML All U.S. Convertibles Index returned 6.02% during the quarter and 24.92% for the year. Meanwhile, the Credit Suisse High Yield Index posted a 3.45% gain for the fourth quarter.

Against this backdrop, the fund returned 11.79% on market price basis and 11.25% on an NAV basis in the fourth quarter.

During the quarter, the fund's monthly distribution remained at \$0.070. The fund's current annualized distribution rate was 7.71% of market price as of December 31, 2013. We believe that the fund's monthly distributions are very competitive, given that the very low interest rates and yields remain the norm throughout much of the global marketplace. For example, the 10-year U.S. Treasury bond yield was 3.04% and the 30-year yield was 3.96% as of December 31, 2013.*

ANNUALIZED TOTAL QUARTER	RETURN AS OF 12/31/ 1-YEAR	13 3-YEAR	5-YEAR	SINCE INCEPTION (03/26/04)
On Market Price 11.79%	20.22%	14.13%	21.34%	5.25%
On NAV 11.25	26.52	13.28	19.73	7.06

Source: State Street Corporation

Returns of less than 12 months are cumulative returns. Returns for periods greater than 12 months are annualized returns. Total return measures net investment income and capital gain or loss from portfolio investments as an annualized average. In calculating net investment income, all applicable fees and expenses are deducted from the returns.

Performance data quoted represents past performance, which is no guarantee of 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.

You can purchase or sell common shares daily. Like any other stock, market price will fluctuate with the market. Upon sale, your shares may have a market price that is above or below net asset value and may be worth more or less than your original investment. Shares of closed-end funds frequently trade at a market price that is below their net asset value.

Please refer to back page for important notes.

¹ Current Annualized Distribution Rate is the Fund's most recent distribution, expressed as an annualized percentage of the Fund's current market price per share. The Fund's most recent distribution was \$0.0700 per share. Based on our current estimates, we anticipate that approximately \$0.0405 is paid from ordinary income and \$0.0295 of the distribution represents a return of capital. Estimates are calculated on a tax basis rather than on a generally accepted accounting principles (GAAP) basis, but should not be used for tax reporting purposes. Distributions are subject to re-characterization for tax purposes after the end of the fiscal year. This information is not legal or tax advice. Consult a professional regarding your specific legal or tax matters. Under the Fund's level rate distribution policy, distributions paid to common shareholders may include net investment income, net realized short-term capital gains and return of capital. When the net investment income and net realized short-term capital gains are not sufficient, a portion of the level rate distribution will be a return of capital. In addition, a limited number of distributions per calendar year may include net realized long-term capital gains. Distribution rate may vary.

^{*} Source: U.S. Treasury

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Performance Review

In pursuit of income-oriented total return, the fund employs a dynamic approach to asset allocation. During the period, high yield corporate bonds underperformed equities. Over full market cycles, we believe that our multi-asset class approach provides advantages in providing both competitive distributions and total return.

In terms of specific sector performance, selection within the financials sector was supportive to returns, as fund holdings in the asset management and bank custody industries added value. Improvements in consumer balance sheets and a healthy housing market have led us to favor financials. In addition, our more constructive outlook for the sector is a reflection on improved company fundamentals, reasonable valuations and an improving global growth outlook. The fund's underweight allocation toward and selection within the utilities sector also aided returns for the quarter.

Security selection in the information technology sector detracted from performance, as fund names in the Internet software and services industry underperformed. We continue to favor technology, however, where we expect many of our holdings to benefit from secular growth themes, including productivity enhancement, more mobility and connectivity and demand for information and content. Security selection within energy also slightly held back performance, as fund holdings in the oil-and-gas refining and marketing industry lagged.

Positioning

The fund's holdings reflect our positive market outlook and preference for cyclical growth sectors. We continue to focus on higher-growth businesses in sectors such as information technology, consumer discretionary, industrials, financials and health care. We believe companies with strong growth fundamentals and increasing returns on invested capital are

especially appealing. While we expect modest, but higher, U.S. economic growth, we also understand that future market prices are apt to experience volatility and therefore we maintain a keen focus on risk.

Among positioning changes during the quarter, we increased the fund's allocation to U.S. equities and convertibles in light of the strong equity market, and accordingly continued to take a slight reduction in bonds. As of December 31, 2013, approximately 82% of the fund's portfolio was comprised of convertibles and common stocks. This increased exposure to the equity markets served to improve returns relative to the fixed income market.

Leverage

We believe that this is an environment that is conducive to the prudent use of leverage as a means of enhancing total return and supporting the fund's distribution rate. Over the quarter, the fund's use of leverage enhanced returns. We were able to borrow at rates we believe were attractive, and invested the proceeds to achieve a greater return than the cost of leverage. We believe our enhanced leverage facilities through employing BNP Bank and State Street Bank have been beneficial to the fund. We believe this enhancement will continue to provide diversity and increased capacity to our borrowing capabilities, while presenting the opportunity to reduce interest-related costs. As of December 31, 2013, 26.8% of the fund's total assets were leveraged. We have also embarked on risk management strategies with respect to using interest rate swaps in order to protect the fund from sudden rises in interest rates.

Conclusion

Entering 2014, we expect another good year for equity markets and the U.S. economy appears positioned to show faster growth. Historically, the conditions we see today have

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benefited equities and convertibles, especially cyclical growth opportunities. We are encouraged by the emergence of more fundamentally driven markets across asset classes and believe that our active approach is well suited to this environment.

We believe that growth equities are especially attractive and cheap versus value. We have found opportunities in technology companies that are benefiting from secular shifts to mobile, the cloud, and Internet and social media; consumer discretionary names tied to housing and autos; industrials benefiting from innovations in the U.S. energy sector (the "energy renaissance") and infrastructure spending; and

financials that may benefit from the upward slope in the yield curve, increased lending and stronger equity markets. These types of pro-cyclical investments have tended to perform well in similar environments, such as 1994, when long-term interest rates rose, but short-term rates did not in a low-

inflation clime.

The case for convertible securities remains compelling. As equity-linked securities, convertibles are generally less sensitive to interest rates and provide the opportunity for upside equity participation with potential downside protection if equities decline. We believe these attributes may be particularly beneficial as long-term rates increase and given our expectation that after recent momentum, the equity markets may experience periods of volatility even as they rise. Issuance trends remain encouraging. In 2013, new convertible issuance of \$40 billion in the U.S. was the highest since 2008. In 2014, we expect rising rates in the U.S. to build upon this trend while redemption activity is expected to moderately taper.

As active, research-driven investors, we are encouraged by the more fundamentally driven markets that have emerged over recent months — a market climate which we expect will continue through 2014 against the backdrop of economic recovery. In an environment with the potential for highly divergent returns, we believe our ongoing commitment to specialized fundamental research will serve us well.

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Important Fund Information

The goal of the level-rate distribution policy is to provide investors a predictable, though not assured, level of cash flow. Monthly distributions paid may include net investment incense, net realized short-term capital gains and, if necessary, return of capital. Maintenance of this policy may increase transaction and tax costs associated with the fund.

A credit rating is a relative and subjective measure of a bond issuer's credit risk, including the possibility of default. Credit ratings are assigned to companies by third-party groups, such as Standard & Poor's. Assets with the highest ratings are referred to as "investment grade" while those in the lower tiers are referred to as "noninvestment grade" or "high yield." Ratings are measured using a scale that typically ranges from AAA (highest) to D (lowest).

Leverage creates risks which may adversely affect return, including the likelihood of greater volatility of net asset value and market price of common shares; and fluctuations in the variable rates of the leverage financing. The ratio is the percent of total managed assets.

The fund may invest up to 35% of its assets in foreign securities and invest in an array of security types and market-cap sizes, each of which has a unique risk profile. As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities. These include fluctuations in currency exchange rates, increased price volatility, and difficulty obtaining information.

There are certain risks associated with an investment in a convertible bond such as default risk—that the company issuing a convertible security may be unable to repay principal and interest—and interest rate risk—that the convertible may decrease in value if interest rates increase. Investments by the fund in lower-rated securities involve substantial risk of loss and present greater risks than investments in higher-rated securities, including less liquidity

and increased price sensitivity to changing interest rates and to a deteriorating economic environment.

Fixed income securities are subject to interest rate risk; as interest rates go up, the value of debt securities in the fund's portfolio generally will decline.

Owning a bond fund is not the same as directly owning fixed income securities. If the market moves, losses will occur instantaneously, and there will be no ability to hold a bond to maturity.

The fund may invest in derivative securities, including options. The use of derivatives presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. There is no assurance that any derivative strategy used by the fund will succeed. One of the risks associated with purchasing an option is that the fund pays a premium whether or not the option is exercised.

The fund may seek to purchase index put options to help reduce downside exposure however, the effectiveness of the fund's index option-based risk management strategy may be reduced if the fund's equity portfolio does not correlate to the performance of the underlying option positions. The fund also risks losing all or part of the cash paid for purchasing index options. Unusual market conditions or lack of a ready market of any particular option at a specific time may reduce the effectiveness of the fund's option strategies, and for these and other reasons the fund's option strategies may not reduce the fund's volatility to the extent desired. From time to time, the fund may reduce its holdings of put options, resulting in an increased exposure to a market decline.

Parties entering an interest rate swap take on exposure to a given interest rate; the exposure can be long or short depending on whether a counterparty is paying or receiving the fixed rate. At the same time, each party takes on the risk known as counterparty credit risk - that the other party will default at some time during the life of the contract.

The Credit Suisse High Yield Index is an unmanaged index of high yield debt securities. The S&P 500 Index is generally

considered representative of the U.S. stock market. The BofA ML All U.S. Convertibles Index (VXA0) is comprised of approximately 700 issues of only convertible bonds and preferreds of all qualities. 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.

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Terms

A Level Rate Distribution Policy is an investment company's commitment to common shareholders to provide a predictable, but not assured, level of cash flow. Market Price refers to the price at which shares of the fund trade in the market. NAV or Net Asset Value refers to the net value of all the assets held in the fund. IPO Price refers to the initial public offering price for shares of the fund.

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