

Calamos Strategic Total Return Fund (CSQ) Commentary

CALAMOS®

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: \$10.00

NAV: \$10.82

Current Annualized Distribution

Rate: 8.40%

ASSET ALLOCATION

Common Stock	51.7%
Corporate Bonds	27.9
Convertible Bonds	8.0
Convertible Preferred Stock	4.7
Synthetic Convertibles	3.8
Sovereign Bonds	1.2
U.S. Government Securities	0.6
Warrants	0.1
Cash and Receivables/Payables	2.0

¹Current Annualized Distribution Rate is the Fund's distribution, expressed as an annualized percentage of the Fund's current market price per share. Under the Fund's level rate distribution policy, distributions paid to common shareholders typically include net investment income and net realized short-term capital gains. 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. Distributions are subject to re-characterization for tax purposes after the end of the fiscal year.

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.

Overview

The first quarter saw equities and equity-sensitive securities, such as convertible bonds, produce strong overall gains as investors demonstrated a heightened appetite for risk assets. The U.S. equity market experienced its second consecutive double-digit quarterly gain, as the markets responded to the general improvement in domestic economic data, including better employment figures, rising manufacturing activity and renewed confidence among both individuals and businesses. During the first quarter, the fund returned 21.49% on a market price basis and 11.21% on an NAV basis. The S&P 500 Index returned 12.59% during the quarter.

Distributions Remained Competitive. During the quarter, the fund raised its monthly distribution from \$0.0525 to \$0.070. The fund's current annualized distribution rate was 8.40% of market price as of March 31, 2012. We believe that the fund's monthly distributions are very competitive, given that 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 2.23% and the 30-Year U.S. Treasury bond yield was 3.35% as of March 31, 2012*.

*Source: U.S. Treasury

ANNUALIZED TOTAL RETURN AS OF 3/31/12

	1Q 2012 ²	1 YEAR ²	3 YEAR ³	5 YEAR ³	SINCE INCEPTION (3/26/04) ³
ON MARKET PRICE	21.49%	10.59%	30.57%	0.92%	3.35%
ON NAV	11.21%	4.14%	26.07%	1.45%	4.97%

Source: State Street Corporation

²Total return measures net investment income and capital gain or loss from portfolio investments, assuming reinvestment of income and capital gain distributions.

³Average annual return measures net investment income and capital gain or loss from portfolio investments as an annualized average, assuming reinvestment of income and capital gain distributions.

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.

As do all five Calamos closed-end funds, this fund has adopted a level distribution policy. Our policy is to pay a distribution reflective of the fund's past results and projected earnings potential through income as well as capital gains. We focus on delivering an attractive monthly distribution, while maintaining a long-term focus on risk management.

Performance Review

During the quarter, the fund benefitted from an underweight allocation and strong security selection within the consumer staples sector. Although our absolute allocation to the sector is low, the companies we invested in performed particularly well in the quarter on the heels of strong relative growth fundamentals. Within the sector, we strive to invest in companies with leading brands and expanding global operations. The underweight and security selection within the utilities sector was also positive for the fund relative to the S&P 500 Index.

Unlike the previous quarter, security selection within the health care sector, particularly in pharmaceuticals, detracted from performance. Within health care, we favor innovative companies and those relatively less affected by government budgets and regulation. Our focus will remain on companies with improving financial performance, as earnings and volumes have been volatile in the sector. An underweight allocation and relative selection within the financial sector also detracted value in the quarter. Strong sector returns were boosted by companies within the diversified financial services and investment banking and brokerage industries. We remain cautious here and have generally avoided the sector due to increased regulations globally and significant business risks remaining in many financial institutions. Recently,

we have favored investment in globally diversified asset managers and selected insurers with lower underlying credit risk.

In pursuit of income-oriented total return, the fund employs a dynamic approach to asset allocation. During the period, equities outperformed convertible securities and high yield corporate bonds, broadly speaking, and the fund's allocation to these sectors hurt performance relative to the S&P 500 Index. Over full market cycles, we believe that our multi-asset class approach provides advantages in providing competitive distributions and total return.

Positioning

We continue to favor businesses with globally diversified revenues and compelling growth opportunities. After experiencing a strong and rapid market advance over the last several months, we believe an enhanced focus on risk management and valuation sensitivity is most appropriate. As such, during the period we increased valuation sensitivity and removed some cyclical exposure from the portfolio, in sectors such as industrials. We continue to believe deflation exposure will provide good long-term opportunities, given signals from the Federal Reserve and global central banks that they would remain accommodative and provide a backstop for the markets, if necessary.

Among the positioning changes during the quarter were increased allocations in consumer discretionary and health care. In these areas, we have continued to favor growth companies with strong global demand drivers, diversified customers and attractive valuations. Elsewhere, we reduced the portfolio's exposure to the financials.

The portfolio is currently positioned with large absolute allocations to the information technology, energy and health care sectors. We continue to hold conviction in technology due to its higher cash flows, stronger balance sheets and attractive valuations. The sector continues to benefit from many long-term themes we have identified, including the demand for the latest devices, the need for information and entertainment, as well as productivity enhancement in a lower-growth economy. In regard to energy, we believe that the companies in the sector may benefit from ongoing reflation efforts and growth trends in emerging markets. Within health care, we favor innovative companies and those relatively less affected by government budgets and regulation. Our focus will remain on companies with improving financial performance, as earnings and volumes have been volatile in the sector.

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, our 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.

Conclusion

While the first quarter saw strong performance in the equity, high yield and convertible markets, we believe that we remain in a slow, stop-and-go type of recovery. We are paying close attention to risk and reward characteristics, including valuations, equity sensitivity, credit quality, and balance sheets as we position the portfolio to reflect our view of secular and cyclical opportunities.

We remain optimistic about the prospects of globalization and we are positioned accordingly. Our active approach is uncovering opportunities supported by long-term secular trends such as the growth and maturation of the emerging middle class, as well as productivity enhancement capabilities in a globally competitive environment. We believe large multinational companies with globally diversified revenues and access to capital are poised to benefit from both secular and cyclical trends.

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 income, 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.

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.

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.

The S&P 500 Index is generally considered representative of the U.S. stock market. 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.

The information contained herein is based on internal research derived from various sources and does not purport to be statements of all material facts relating to the sectors, securities and markets mentioned. The information contained herein, while not guaranteed as to the accuracy or completeness, has been obtained from sources we believe to be reliable. Opinions expressed herein are as of the date of publication and are subject to change without notice due to various factors and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

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