

Calamos Convertible and High Income Fund (CHY) Commentary

CALAMOS®

Fund: CHY is an enhanced fixed income offering that seeks to provide an attractive monthly distribution, with a secondary objective of capital appreciation.

Invests in: high yield and convertible securities, issued primarily by U.S. companies

Market Price: \$12.76

NAV: \$13.01

Current Annualized Distribution

Rate: 7.99%

ASSET ALLOCATION

Corporate Bonds	63.9%
Convertible Bonds	13.3
Convertible Preferred Stock	7.5
Synthetic Convertibles	5.9
Sovereign Bonds	1.3
Common Stock	1.0
U.S. Government Securities	0.5
Cash and Receivables/Payables	6.6

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 additional 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

Strong earnings, improving economic data and reflation activities by the Federal Reserve and the European Central Bank boosted investor confidence during the first quarter, and high yield bonds and convertibles performed strongly. All credit subsets of the high yield and convertible market advanced, but speculative rated securities performed much better than their investment grade counterparts. As we have discussed in the past, our investment process is highly risk-aware and long-term in its focus, leading us to underweight these speculative tiers. During the first quarter, the fund returned 11.86% on a market price basis and 6.50% on an NAV basis. The Credit Suisse High Yield Index returned 5.03% during the quarter.

Distributions Remained Competitive. The fund maintained a monthly distribution of \$0.085 throughout the quarter. The fund's current annualized distribution rate was 7.99% 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 (5/28/03) ³
ON MARKET PRICE	11.86%	1.53%	26.48%	4.24%	8.01%
ON NAV	6.50%	5.69%	24.56%	6.37%	8.82%

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

The fund benefited from our overweight to and security selection within information technology. We continue to view the sector as a beneficiary of multiple long-term trends, including the force of global competition which leads businesses everywhere to seek ongoing cost reduction and productivity enhancement. Our selection within energy contributed to our active return in the first quarter, though our overweight to the sector was a drag on performance. We have found attractive opportunities in some of the smaller exploration and production firms. These and others in the sector also benefit from operating in a supply-constrained environment and the global effort to inflate asset prices. We believe it is important to maintain exposure to the sector and we remain overweight.

Security selection in the materials sector was the biggest drag on relative performance during the quarter, though our holdings did post a positive absolute return. Our positions in the metal and mining industry, particularly those that are gold-related, have seen some short-term underperformance. We remain invested in the industry, however, as we see metals benefiting from the monetary tailwind provided by global central bank efforts to keep interest rates at extreme lows. Security selection in the industrials sector also detracted from relative returns. We

continue to believe that the global infrastructure build-out is an ongoing need that offers a number of attractive credit opportunities, and we therefore continue to have an overweight to the sector.

From a quality standpoint, our overall profile relative to the Credit Suisse High Yield index benefited performance. We focus on higher-quality names and have an overweight to the BBB and BB segment of the market. In our enhanced fixed income approach, we carefully balance yield considerations with potential risks. As we have stated, our view is that a higher income stream over the short term would not be sufficient compensation for a default.

In pursuit of income-oriented total return, the fund employs a dynamic approach to asset allocation, including high yield securities and convertible securities. Over the long term, we believe this is an important differentiator in our ability to provide competitive distributions and total return. In our view, this multi-asset class approach also enhances our ability to manage the risk/reward characteristics of the portfolio through diversification decisions. During the period, the fund's investments in convertible securities improved relative performance, as these asset classes outperformed high yield debt.

Positioning

From a sector standpoint, the main active decisions remain the same as last quarter. We are positioned with overweight exposure to the information technology and energy sectors and underweight exposure to consumer discretionary, financials, and utilities. Fundamentally, our portfolio holdings have performed very well and we believe the portfolio is positioned properly given the macroeconomic uncertainty that remains.

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

Economic data in the U.S. supports the view that a mild recovery is underway. There have been improvements in leading indicators, as well as signs of a bottom in the housing market. Overall, the U.S. economic engine—excluding the government portion of GDP—is demonstrating resilience. However, higher oil prices, inventory surges, weak velocity of money and a drawdown in savings during the fourth quarter are headwinds, heightened by uncertainty surrounding taxes, health care costs and other regulations. We maintain our expectation for quarters that feel like recovery, followed by periods that feel like retreat. Asia and Europe are showing signs of healing, though less robust than in the U.S. And, as in the U.S., the trajectory remains unclear. In Europe, real progress toward structural change has been elusive, Japan continues to struggle with soaring debt, and China faces increased financial strain and inflation. We would not be surprised to see the yen and euro weaken in the next year.

The global markets have responded to quantitative easing and the liquidity surge, but until the major world economies get back to more reasonable debt levels, we see global economic growth remaining below historic averages. We believe that in the U.S., the Fed

will do anything to avoid a debt devaluation cycle. This means printing money, repurchasing debt and holding government rates below inflation and GDP growth. The implications of this include inflation in oil prices and imported goods as dollar devaluation occurs, and the potential for exporting inflation to emerging economies tied to the U.S. dollar or the Chinese yuan. Currency wars will not go away in this environment, creating hindrances to free trade and other economic liberties.

Nonetheless, we remain optimistic about the growth potential afforded by globalization. Our active and independent approach is leading us to opportunities supported by secular trends, such as the growth of an emerging market middle class and the ongoing push for enhanced business productivity in a globally competitive environment. Cyclical trends, notably deflation, also provide a tailwind for a range of commodity companies. We believe large multinationals with global access to capital, distribution networks, marketing and production should command premium business valuations. We expect companies in technology and energy to be particularly well-positioned over the next decade.

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 25% 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. Please refer to the fund's prospectus for a full description of risks.

The Credit Suisse High Yield Index is an unmanaged index of high yield debt securities. 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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