

# Calamos Convertible Fund

# CALAMOS®

## Q&A: Calamos Closes Convertible Fund to New Investments

Effective as of the close of business on January 28, 2011, the Calamos Convertible Fund ("Fund") will be closed to all purchases of shares and exchanges, with limited exceptions. If you are a current shareholder and you close your existing account in the Fund, you will not be able to reopen it. The following is a Q&A to answer some of the most common questions.

### Why are you closing the Fund?

As part of our risk management process, Calamos continually assesses the opportunities in the convertible market. Our aim is to protect our current shareholders in the Fund.

Some of the trends observed in the convertible market are:

- > New convertible issuance has been light because of low interest rates, which favor straight bond issuance.
- > Convertible issuance predominantly has come from companies with non-investment grade credit ratings. Since we view risk management as a high priority, we tend to be biased toward securities with higher credit quality. The size of that market has declined relative to the lower grade market.
- > Redemptions are exceeding issuance in the U.S., which reduces the size of the market.
- > While the amount of new convertible issuance outside the U.S. had exceeded issuance in the U.S., the Fund participates in non-U.S. issues to a much smaller extent given its investment guidelines.

### After limiting purchases to existing shareholders in October, what has changed that prompted closing the Fund to all purchases now?

Our intent was to curtail new flows into the Fund. However, new investments have continued to increase significantly since that time. We feel that taking the further step of closing the Fund will better help achieve our objective to manage the Fund in the best interest of shareholders.

### Does this mean you have a negative view toward the convertible market?

No. Calamos still believes that convertible securities remain undervalued and can play a meaningful part in one's asset allocation. We continue to see a lot of great opportunities, albeit in a more limited market. About 34% of convertibles are trading with so-called hybrid characteristics. We consider these types of convertibles to be positioned for upside participation and potential downside protection, as opposed to convertibles with less upside opportunity or highly equity-sensitive convertibles with less downside protection. The Fund closure is a proactive step to protect existing shareholders in the Fund.

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.

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### Which criteria must be met for additional investments?

A full list is in the prospectus supplement. Briefly, criteria include, but are not limited to, the following:

- > Reinvestment of dividends and capital gains distributions
- > Existing and new participants in employer-sponsored retirement plans, including employees of Calamos Advisors LLC, the Fund's investment advisor, and any of its affiliates, that offer the Fund as an investment option as of January 28, 2011, may direct contributions to the Fund through their plan, regardless of whether the participant invested in the Fund prior to its closing.
- > The Fund reserves the right to modify the extent to which sales of shares are limited. The determining factors are if new sales have a detrimental effect on the portfolio management of the Fund and are in the best interests of existing Fund shareholders.

### You have other funds that use convertibles. Why aren't you closing those too?

We have taken action to limit purchases in the Calamos Market Neutral Income Fund for similar reasons that we have outlined. Other funds have more flexibility than the Convertible Fund in their investment guidelines and available investment opportunities. Some of our other equity funds – including Growth and Income Fund, Global Growth and Income Fund and Evolving World Growth Fund – utilize a combination of U.S. and non-U.S. convertible securities, common stocks and other equity-linked securities, and remain open to both current and new investors.

### Will the close have any impact on the management of Calamos closed end funds?

Convertibles used in the Calamos closed-end funds are primarily securities that display high-yield characteristics and thus represent a different opportunity set from the Fund.

### Has Calamos closed the Convertible Fund before?

The Fund was previously closed to new investors in April 2003 and reopened in October 2008. We closed the Fund in 2003 because of limited opportunities in the convertible market. This is not the case today. In 2003, the convertible market was coming off a 3-year bear market in equities. At that time, more than two-thirds of securities in the convertible market were credit sensitive and did not offer an attractive risk/reward versus the underlying stock.

As discussed above, today we see a market in which more convertibles have what we consider more compelling risk/reward characteristics.

### I need more information. What do I do?

Call us at 800.582.6959 and we'd be glad to assist you with any questions. Please read the Fund's prospectus supplement posted on calamos.com for a detailed and complete description of these changes.

**Important Fund 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(s) 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 Calamos Market Neutral Income Fund include: convertible securities 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 and portfolio selection risk.

The principal risks of investing in the Calamos Convertible Fund include: convertible securities risk, synthetic convertible instruments risk, foreign securities risk, equity securities risk, interest rate risk, credit risk, high yield risk and portfolio selection risk.

The principal risks of investing in the Calamos Growth and Income Fund include: convertible securities risk, synthetic convertible instruments risk, equity securities risk, growth stock risk, small and mid-sized company risk, interest rate risk, credit risk, high yield risk and portfolio selection risk.

The principal risks of investing in the Calamos Global Growth and Income Fund include: convertible securities risk, synthetic convertible instruments risk, foreign securities risk, emerging markets risk, equity securities risk, growth stock risk, interest rate risk, credit risk, high yield risk and portfolio selection risk.

The principal risks of investing in the Calamos Evolving World Growth Fund include: equity securities risk, growth stock risk, foreign securities risk, emerging markets risk, convertible securities risk and portfolio selection risk.

As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities, including fluctuations in currency exchange rates, increased price volatility and difficulty obtaining information. In addition, emerging markets may present additional risk due to potential for greater economic and political instability in less developed countries.

*Before investing, carefully consider the Fund's investment objectives, risks, charges and expenses. Contact 800.582.6959 for a prospectus containing this and other information.*

**CALAMOS**<sup>®</sup>

Calamos Financial Services LLC, Distributor  
2020 Calamos Court  
Naperville, IL 60563-2787  
800.582.6959  
www.calamos.com  
caminfo@calamos.com

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