CALAMOS®

# Strategic Total Return Fund (CSQ)

ANNUAL REPORT OCTOBER 31, 2012


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CALAMOS®

# Experience and Foresight

## About Calamos Investments

For nearly 35 years, we have helped investors like you manage and build wealth to meet their long-term individual objectives by working to capitalize on the opportunities of the evolving global marketplace. We launched our first open-end mutual fund in 1985 and our first closed-end fund in 2002. Today, we manage five closed-end funds. Three are enhanced fixed income offerings, which pursue high current income from income and capital gains. Two are income-oriented total return offerings, which seek current income, with increased emphasis on capital gains potential. Calamos Strategic Total Return Fund (CSQ), falls into this category. Please see page 5 for a more detailed overview of our closed-end offerings.

**We are dedicated to helping our clients build and protect wealth.** We understand when you entrust us with your assets, you also entrust us with your achievements, goals and aspirations. We believe we best honor this trust by making investment decisions guided by integrity, by discipline, and by our conscientious research.

**We believe that an active, risk-conscious approach is essential for wealth creation.** In the 1970s, we pioneered strategies that seek to participate in equity market upside and mitigate some of the potential risks of equity market volatility. Our investment process seeks to manage risk at multiple levels and draws upon our experience investing through multiple market cycles.

**We have a global perspective.** We believe that globalization offers tremendous opportunities for countries and companies all over the world. In our view, this creates significant opportunities for investors. In our U.S., global and international portfolios, we are seeking to capitalize on the potential growth of the global economy.

**We believe there are opportunities in all markets.** Our history traces back to the 1970s, a period of significant volatility and economic concerns. We have invested through multiple market cycles, each with its own challenges. Out of this experience comes our belief that the flipside of volatility is opportunity.

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**JOHN P. CALAMOS, SR.**
CEO and Global Co-CIO

Dear Fellow Shareholder:

Welcome to your annual report for the period ended October 31, 2012. This report includes commentary from our investment team, as well as a listing of portfolio holdings, financial statements and highlights, and detailed information about the performance and allocation of your fund. I invite you to read it carefully.

Calamos Strategic Total Return Fund (CSQ) is an income-oriented total return fund. This means we are focused not only on delivering a competitive stream of distributions, but also on total return.

## Steady and Competitive Distributions

During the annual period, CSQ provided steady monthly distributions, with an increase of 33.3%—from $0.0525 to $0.0700—in February. We believe this was a factor in reducing the Fund's discount to net asset value from 12.5% on January 30, 2012 to 2.9% on October 31, 2012.

We believe the Fund's distribution rate, which was 8.20% on a market price basis as of October 31, 2012, was very competitive, given the low interest rates in many segments of the bond market. In our view, the Fund's distributions illustrate the benefits of a global, multi-asset class approach and flexible allocation strategy.

We understand that many closed-end fund investors seek steady, predictable distributions instead of distributions that fluctuate. Therefore, this Fund has a level rate distribution policy. As part of this policy, we aim to keep distributions consistent from month to month, and at a level that we believe can be sustained over the long term. In setting the Fund's distribution rate, the investment management team and the Fund's Board of Trustees consider the interest rate, market and economic environment. We also factor in our assessment of individual securities and asset classes. (For additional information on our level rate distribution policy, please see "The Calamos Closed-End Funds: An Overview" on page 5 and "Level Rate Distribution Policy" on page 34.)

## Market Environment

Global markets advanced impressively over the 12-month period, even as stop-and-go rallies and persistent volatility combined to keep investors in a heightened state of uncertainty. For every positive development like strong corporate earnings, an improving U.S. housing market and the ongoing liquidity measures of the world's central banks,

the markets were given pause by continued economic instability in Europe, slowing growth in China and a still lackluster U.S. employment market. As the period ended, investors were also confronted with the uncertainty of the pending fiscal cliff.

Overall for the 12-month period, however, investors seemed to focus more on the positives than the negatives as U.S equity, high yield bond and convertible securities markets all enjoyed significant gains. Equities performed the strongest, with the S&P 500 Index gaining 15.21%. Convertible securities returned 9.42%, as measured by the BofA Merrill Lynch All U.S. Convertibles Ex-Mandatory Index. High yield bonds also performed well, as measured by the Credit Suisse High Yield Index, up 12.86%. Within the high yield market, new issuance continued at a robust pace. However, even as market pressures intensified, the number and volume of defaults remained low. Convertible issuance was steady but muted throughout the period, as a low rate environment encouraged companies to issue non-convertible, rather than convertible debt.

## Outlook: Slow Growth Amid Uncertainty

We believe that the U.S. economy is positioned to stay on its slow-growth course. Despite the significant challenges of the fiscal cliff and the ever-changing situation in the euro zone, consumers have remained relatively resilient and some manufacturing data, including a healthier auto industry, is pointing in a better direction. Businesses have improved their balance sheets and have plenty of cash on hand, ready to invest and grow in the coming year. The recovery of the housing market, however gradual, can also provide a boost to the economy as rising prices contribute to increased consumer confidence.

Nonetheless, we are also cautious. We expect market volatility to continue, stoked in part by a range of near-term political uncertainties, including the recent leadership change in China and ongoing partisan contentiousness in the U.S. While quantitative easing has proven to an effective short-term balm for the markets, the long-term effectiveness of the government continuing to pump money into the economy is far less assured. In the U.S., job growth continues to be uninspiring, and while money supply has soared, the velocity of money has not. Although large companies have benefitted from low rates and have accumulated capital, smaller businesses face persistent hurdles as banks keep the purse strings tight.

We maintain our view that sustained global growth requires a greater commitment to pro-business policies and reduced government intervention. A strong private sector can set the stage for better wages and national prosperity, but rising government debt without rising personal income is a roadmap to economic stagnation.

In selecting investments for this Fund, we seek to balance yield and risk considerations. We therefore favor companies that we believe offer reliable debt servicing, respectable balance sheets and strong cash flows. As part of our active approach, we subject each investment to our rigorous fundamental credit research.

## Our Use of Leverage

We have the flexibility to utilize leverage in this Fund. Over the long term, we believe that the judicious use of leverage provides us with opportunities to enhance total return and support the Fund's distribution rate. Leverage strategies typically entail borrowing at short-term interest rates and investing the proceeds at higher rates of return. During the reporting period, we believed the prudent use of leverage would be advantageous given the economic environment, specifically the low borrowing costs we were able to secure. Overall, our use of leverage contributed favorably to the returns of the Fund, as the performance of the Fund's holdings exceeded the costs of our borrowing activities.

Consistent with our focus on risk management, we have employed techniques to hedge against a rise in interest rates. We have used interest rate swaps to manage the borrowing costs associated with our leverage activities. Interest rate swaps allow us to "lock down" an interest rate we believe to be attractive. Although rates are at historically low levels across much of the fixed income market, history has taught us that rates can rise quickly, in some cases, in a matter of months. We believe that the Fund's use of interest rate swaps is beneficial because it provides a degree of protection should a rise in rates occur.

## Opportunities: Global Equities Remain Compelling

Reflecting our outlook for continued slower growth and our wariness about inflation, we maintain a constructive view on equities. We believe that global secular themes—including growing consumer strength in the emerging markets, global demand for technology innovations and global infrastructure build-out—can continue to power a wide range of companies across the globe, even against the headwind of slower-growth outlook.

Valuations continue to be attractive, particularly in this low interest rate environment. Moreover, there is money sitting on the sidelines that we believe could move into motion quickly, providing a tailwind to equities. In our opinion, the opportunities are most pronounced for multinational growth-oriented companies, particularly those poised to capitalize on the strengthening consumer power in the emerging markets. These companies have the flexibility to go where capital is treated best. Further, while interest rates remain historically low for now, equities can act as a hedge against the potential risk of inflation.

Within fixed income, we see opportunity in the mid-grade corporate sector. As yields in the government bond market have all but evaporated, this segment of the market continues to demonstrate attractive risk-reward characteristics for income-oriented investors. We are especially vigilant about interest rate risk, knowing from history how quickly inflation can sometimes arise.

The past year has been encouraging, but the sustainability of the markets' positive performance is yet to be seen. This is an environment that requires patience and long-term, global perspective. We believe our dynamic

allocation approach has been instrumental to the results we have achieved over full market cycles and will continue to be, particularly given the low rates currently available in many segments of the fixed income marketplace.

If you would like any additional information about this Fund or our other closed-end offerings, please contact your financial advisor or our client services team at 800.582.6959 (Monday through Friday from 8:00 a.m. to 6:00 p.m., Central Time), or visit us at calamos.com. We thank you for your continued trust.

Sincerely,

John P. Calamos, Sr.
CEO and Global Co-CIO,
Calamos Advisors LLC

*This report is for informational purposes only and should not be considered investment advice.*

In our closed-end funds, we draw upon decades of investment experience, including a long history of opportunistically blending asset classes in an attempt to capture upside potential while managing downside risk. We launched our first closed-end fund in 2002.

Closed-end funds are long-term investments. Most focus on providing monthly distributions, but there are important differences among individual closed-end funds. Calamos closed-end funds can be grouped into multiple categories designed to produce income while offering exposure to various asset classes and sectors.

Portfolios Positioned to Pursue High Current Income from Income and Capital Gains

**OBJECTIVE: U.S. ENHANCED FIXED INCOME**

Calamos Convertible Opportunities and Income Fund
(Ticker: CHI)
Invests in high yield and convertible securities, primarily in U.S. markets

Calamos Convertible and High Income Fund
(Ticker: CHY)
Invests in high yield and convertible securities, primarily in U.S. markets

**OBJECTIVE: GLOBAL ENHANCED FIXED INCOME**

Calamos Global Dynamic Income Fund
(Ticker: CHW)
Invests in global fixed income securities, alternative investments and equities

Portfolios Positioned to Seek Current Income, with Increased Emphasis on Capital Gains Potential

**OBJECTIVE: GLOBAL TOTAL RETURN**

Calamos Global Total Return Fund
(Ticker: CGO)
Invests in equities and higher yielding convertible securities and corporate bonds, in both U.S. and non-U.S. markets

**OBJECTIVE: U.S. TOTAL RETURN**

Calamos Strategic Total Return Fund
(Ticker: CSQ)
Invests in equities and higher yielding convertible securities and corporate bonds, primarily in U.S. markets

## Our Level Rate Distribution Policy

Closed-end fund investors often look for a steady stream of income. Recognizing this, Calamos closed-end funds have a level rate distribution policy in which we aim to keep monthly income consistent through the disbursement of net investment income, net realized short-term capital gains and, if necessary, return of capital. We set distributions at levels that we believe are sustainable for the long term. Our team is focused on delivering an attractive monthly distribution, while maintaining a long-term focus on risk management. The level of the funds' distributions can be greatly influenced by market conditions, including the interest rate environment. The funds' distributions will depend on the individual performance of positions the funds hold, our view of the benefits of retaining leverage, fund tax considerations, and maintaining regulatory requirements.

For more information about any of these funds, we encourage you to contact your financial advisor or Calamos Investments at 800.582.6959 (Monday through Friday from 8:00 a.m. to 6:00 p.m., Central Time). You can also visit us at calamos.com.

For more information on our level rate distribution policy, please see page 34.

**TOTAL RETURN* AS OF 10/31/12**

**Common Shares – Inception 3/26/04**

| | 1 Year | Since Inception** |
|---|---|---|
| On Market Price | 28.08% | 4.01% |
| On NAV | 12.97% | 4.93% |

* Total return measures net investment income and net realized gain or loss from Fund investments, and change in net unrealized appreciation and depreciation, assuming reinvestment of income and net realized gains distributions.
** Annualized since inception.

**SECTOR WEIGHTINGS**

| | |
|---|---|
| Information Technology | 19.6% |
| Energy | 16.4 |
| Health Care | 15.8 |
| Industrials | 11.7 |
| Consumer Discretionary | 8.2 |
| Consumer Staples | 6.2 |
| Materials | 5.7 |
| Financials | 5.6 |
| Telecommunication Services | 4.1 |
| Utilities | 2.1 |

Sector Weightings are based on managed assets and may vary over time. Sector Weightings exclude any government/sovereign bonds or options on broad market indexes the Fund may hold.

# STRATEGIC TOTAL RETURN FUND

## INVESTMENT TEAM DISCUSSION

The Fund's Investment Team discusses strategy, performance and positioning for the 12-month period ended October 31, 2012.

### Q. To provide a context for its performance, please discuss the Fund's strategy and role within an asset allocation.

A. Calamos Strategic Total Return Fund (CSQ) is an income-oriented total return offering that seeks to provide a steady stream of income paid out on a monthly basis. We invest in a diversified portfolio of equities, convertible securities and high yield securities. The allocation to each asset class is dynamic, and reflects our view of the economic landscape as well as the potential of individual securities. By combining these asset classes, we believe that we are well positioned over the long term to generate capital gains as well as income. This broader range of security types also provides us with increased opportunities to manage the risk and reward characteristics of the portfolio over full market cycles. Through this approach, we seek to offer investors an attractive monthly distribution, as well as equity participation.

While we invest primarily in securities of U.S. issuers, we favor those companies that are actively participating in globalization with geographically diversified revenue streams and global business strategies. We emphasize companies that we believe offer reliable debt servicing, respectable balance sheets and good prospects for sustainable growth.

### Q. How did the Fund perform over the reporting period?

A. The Fund gained 12.97% on a net asset value (NAV) basis for the 12-month period ended October 31, 2012, while the S&P 500 Index gained 15.21%. On a market price basis, the Fund returned 28.08% for the same period.

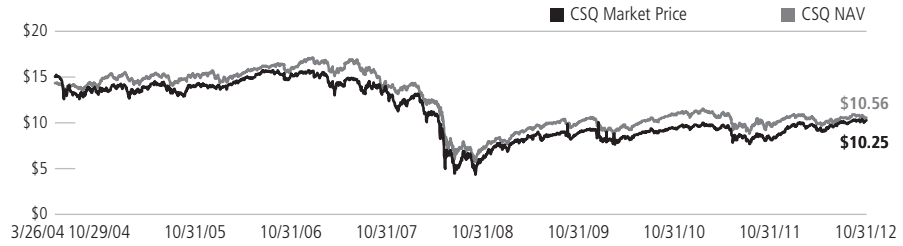
### Q. How do NAV and market price return differ?

A. Closed-end funds trade on exchanges, where the price of shares may be driven by factors other than the value of the underlying securities. The price of a share in the market is called market value. Market price may be influenced by factors unrelated to the performance of the fund's holdings. A fund's NAV return measures the return of the individual securities in the portfolio, less fund expenses. It also measures how a manager was able to capitalize on market opportunities. Because we believe closed-end funds are best utilized as a long-term holding within asset allocations, we believe that NAV return is the better measure of a fund's performance.

### Q. Please discuss the Fund's distributions during the annual period.

A. We employ a level rate distribution policy within this Fund with the goal of providing shareholders with a consistent distribution stream. The Fund provided a steady distribution stream over the period. Monthly distributions increased from $0.0525 to $0.0700 in February. The Fund's annual distribution rate was 8.20% of market price as of October 31, 2012.

## SINCE INCEPTION MARKET PRICE AND NAV HISTORY THROUGH 10/31/12




**Performance data quoted represents past performance, which is no guarantee of future results.** Current performance may be lower or higher than the performance quoted.

We believe that both the Fund's distribution rate and level remained attractive and competitive, as low interest rates limited yield opportunities in much of the marketplace. For example, as of October 31, 2012, the dividend yield of S&P 500 Index stocks averaged 2.36%. Yields also remained low within the U.S. government bond market, with 10-year U.S. Treasurys and 30-year U.S. Treasurys yielding 1.72% and 2.85%, respectively.

### Q. The Fund is currently trading at a discount to its NAV. Please discuss this discount.

A. As of the close of the reporting period, the Fund was trading at a discount of 2.94%. This means that its market share price is 2.94% less than its NAV price. At the beginning of the reporting period, the Fund was trading at a discount of 14.38%. The distribution increase played a significant role in narrowing the discount. As we have noted in the past, we believe that this may be favorable for long-term investors seeking to purchase shares because investors can buy shares of the portfolio at a price that is lower than the fair value of the portfolio, as measured by its NAV.

The portfolio has wide set of investment parameters that allow us to take advantage of investment opportunities across the world through many different types of investment vehicles. By optimizing the advantages of such flexibility, the fund was able to increase its monthly distribution to shareholders in February from $0.0525 to $0.07 per share, constituting an increase of over 33%. We believe that this had a favorable impact on the share price while providing shareholders with greater monthly income.

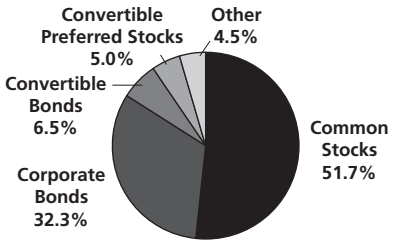
### Q. What factors influenced performance over the reporting period?

A. Both convertibles and bonds provided income to the portfolio over the 12-month period, but in general convertibles did not provide as much equity upside as we would have preferred. Security selection within the energy sector was a drag on performance, as was an overweight position and selection within the materials sector, where our holdings within the metals and mining industry lagged.

An underweight position in financials also hindered returns. Given our concerns about the uncertain mortgage exposure on the balance sheets of many banks, coupled with the increasing costs of government regulation, we mostly eschewed this sector during the period.

Security selection and an overweight position in the health care sector—the top-performing area in the S&P 500 Index during the period—was additive to returns for

**ASSET ALLOCATION AS OF 10/31/12**




**Fund asset allocations are based on total investments and may vary over time.**

the period. We continue to hold names in this area that we believe are best suited to capitalize on the world's changing demographics. Although underweight in utilities, our selection enabled us to realize stronger-than-average returns in the sector for the period.

## Q. How is the Fund positioned?

A. We continue to seek out securities in sectors that offer the best prospects for income-oriented total return. During the period, the Fund was overweight the health care, materials and information technology sectors, and underweight consumer discretionary, industrials and financials. Our focus continues to be on multinational companies that are able to participate in global growth opportunities, regardless of where they are domiciled. We expect these opportunities to occur in conjunction with a growing middle class in many of the developing economies across the globe.

The Fund is currently positioned with large absolute allocations to the information technology and health care sectors. We see firms within the technology sector as offering high growth prospects with strong cash flows and healthy balance sheets. With respect to health care, we view health care spending overall as typically more resilient in the context of low economic growth. Within the sector, we continue to favor select companies in the pharmaceutical and biotechnology industries, which offer a compelling combination of growth, high cash flows and solid fundamentals.

Relative to the S&P 500 Index, the Fund's largest absolute underweight allocation is to the financials sector. We have generally exercised caution in this area due to our expectation that increased regulations globally and persistent capital risks will decrease future returns on equity. We have marginally increased our exposure to the sector during the period, and continue to favor investment in globally diversified asset managers with visible revenues and relatively low underlying credit risk.

The average credit quality of the portfolio is higher than that of the index. This is typical for the Fund, as our credit process tends to guide us away from the most speculative corporate securities. We currently view the lowest credit tiers of the market as less attractive given their pricing and our outlook for a slower-growth global economy.

## Q. What is your outlook for the Fund?

A. Our outlook for global growth equities remains favorable and we have positioned the Fund accordingly. In our view, equities continue to offer compelling risk-reward characteristics and we are finding companies with attractively valued fundamentals in many industries. Although we anticipate periods of heightened volatility, we also see significant growth potential in our secular themes related to innovation, mobility and productivity enhancement within technology, as well as the expanding middle class in emerging economies driving growth in consumer and health care areas, in particular. Additionally, continued global central bank reflation measures and infrastructure build-out are providing support to select companies in more cyclical sectors such as energy and materials, areas in which we have meaningful exposure.

We believe large multinational companies with globally diversified revenues and access to capital are poised to capitalize on both secular and cyclical trends. In our estimation, valuations of global equities are attractive, as investors continue to discount the growth of future cash flows. Equity and equity-sensitive securities have delivered solid gains during the last year but continue to offer attractive risk-reward characteristics from a

long-term perspective. We continue to pursue our strategic objective to participate in a significant portion of equity market upside while aiming to reduce volatility versus global equities across a complete market cycle.

With respect to fixed income, we view the mid-grade credit space as particularly well-priced, offering both attractive levels of income with less exposure to potential inflation and higher interest rates. In addition, the mid-grade credit space also offers far healthier companies than are available in the most speculative credit tiers. While the lowest-quality securities can offer higher yields, we find the healthier companies with improving credit profiles to be more suitable investments amid the current economic environment. As noted above, the Fund therefore maintains a higher average quality than the index as a result of this outlook.

| PRINCIPAL AMOUNT | | VALUE |
|---|---|---|
| **CORPORATE BONDS (43.6%)** | | |
| | Consumer Discretionary (7.7%) | |
| 5,500,000 | American Axle & Manufacturing, Inc.<br>6.625%, 10/15/22 | $ 5,465,625 |
| 15,500,000 | DISH Network Corp.<br>5.875%, 07/15/22 | 16,352,500 |
| 3,300,000 | Dufry Finance SCA*<br>5.500%, 10/15/20 | 3,374,250 |
| | Goodyear Tire & Rubber Company | |
| 9,286,000 | 8.250%, 08/15/20 | 10,133,347 |
| 4,500,000 | 7.000%, 05/15/22μ | 4,741,875 |
| | Icahn Enterprises, LP | |
| 8,374,000 | 8.000%, 01/15/18μ | 9,043,920 |
| 2,500,000 | 8.000%, 01/15/18* | 2,700,000 |
| 10,045,000 | J.C. Penney Company, Inc.<br>7.125%, 11/15/23 | 9,906,881 |
| | Jaguar Land Rover, PLC* | |
| 10,000,000 | 8.125%, 05/15/21 | 10,825,000 |
| 2,250,000 | 7.750%, 05/15/18 | 2,407,500 |
| 5,000,000 | Liberty Media Corp.μ<br>8.250%, 02/01/30 | 5,375,000 |
| 3,006,000 | Limited Brands, Inc.μ<br>5.625%, 02/15/22 | 3,257,753 |
| | Meritage Homes Corp. | |
| 4,350,000 | 7.000%, 04/01/22 | 4,719,750 |
| 2,500,000 | 7.150%, 04/15/20 | 2,750,000 |
| 4,885,000 | MGM Resorts Internationalμ<br>7.500%, 06/01/16 | 5,202,525 |
| 13,000,000 | Royal Caribbean Cruises, Ltd.<br>7.500%, 10/15/27 | 14,007,500 |
| 5,955,000 | Ryland Group, Inc.<br>5.375%, 10/01/22 | 6,059,212 |
| 2,120,000 | Sally Holdings, LLC<br>5.750%, 06/01/22 | 2,276,350 |
| 4,000,000 | Service Corp. International<br>7.000%, 05/15/19 | 4,400,000 |
| 2,000,000 | Toll Brothers Finance Corp.<br>5.875%, 02/15/22 | 2,263,072 |
| 243,000 | Wolverine World Wide, Inc.*<br>6.125%, 10/15/20 | 254,239 |
| | | 125,516,299 |
| | Consumer Staples (2.4%) | |
| 5,650,000 | Darling International, Inc.μ<br>8.500%, 12/15/18 | 6,448,063 |
| 14,709,000 | Post Holdings, Inc.*μ<br>7.375%, 02/15/22 | 15,683,471 |
| 16,500,000 | Smithfield Foods, Inc.<br>6.625%, 08/15/22 | 17,325,000 |
| | | 39,456,534 |
| | Energy (11.7%) | |
| 25,000,000 NOK | Aker Solutions, ASA‡<br>6.290%, 06/06/17 | 4,516,514 |

| PRINCIPAL AMOUNT | | VALUE |
|---|---|---|
| 4,369,000 | Atwood Oceanics, Inc.μ<br>6.500%, 02/01/20 | $ 4,718,520 |
| 11,000,000 | Berry Petroleum Company<br>6.375%, 09/15/22 | 11,522,500 |
| 4,946,000 | Bristow Group, Inc.<br>6.250%, 10/15/22 | 5,193,300 |
| 12,500,000 | Calfrac Holdings, LP*<br>7.500%, 12/01/20 | 12,437,500 |
| | Calumet Specialty Products, LP | |
| 5,000,000 | 9.375%, 05/01/19μ | 5,400,000 |
| 4,000,000 | 9.625%, 08/01/20* | 4,370,000 |
| | Carrizo Oil & Gas, Inc. | |
| 3,035,000 | 7.500%, 09/15/20 | 3,110,875 |
| 2,800,000 | 8.625%, 10/15/18μ | 3,031,000 |
| 11,000,000 | Cimarex Energy Company<br>5.875%, 05/01/22 | 11,797,500 |
| 7,100,000 | Drill Rigs Holdings, Inc.*<br>6.500%, 10/01/17 | 7,100,000 |
| 4,480,000 | Frontier Oil Corp.<br>6.875%, 11/15/18 | 4,793,600 |
| 11,000,000 | GulfMark Offshore, Inc.*<br>6.375%, 03/15/22 | 11,495,000 |
| 8,000,000 | Holly Energy Partners, LP*<br>6.500%, 03/01/20 | 8,440,000 |
| 2,540,000 | HollyFrontier Corp.μ<br>9.875%, 06/15/17 | 2,781,300 |
| 4,800,000 | Hornbeck Offshore Services, Inc.<br>5.875%, 04/01/20 | 4,908,000 |
| 13,000,000 | Linn Energy, LLC*<br>6.250%, 11/01/19 | 13,065,000 |
| | Oasis Petroleum, Inc. | |
| 4,965,000 | 6.500%, 11/01/21μ | 5,275,313 |
| 1,500,000 | 6.875%, 01/15/23 | 1,597,500 |
| 6,000,000 | Parker Drilling Company<br>9.125%, 04/01/18 | 6,450,000 |
| 3,000,000 | Pioneer Drilling Company<br>9.875%, 03/15/18 | 3,262,500 |
| 11,000,000 | Samson Investment Company*<br>9.750%, 02/15/20 | 11,660,000 |
| 6,500,000 | SEACOR Holdings, Inc.<br>7.375%, 10/01/19 | 7,062,945 |
| | SESI, LLC | |
| 4,000,000 | 7.125%, 12/15/21 | 4,480,000 |
| 2,500,000 | 6.875%, 06/01/14 | 2,504,675 |
| 3,000,000 | SM Energy Company<br>6.500%, 11/15/21 | 3,172,500 |
| 6,500,000 | Swift Energy Company<br>8.875%, 01/15/20 | 7,052,500 |
| 2,700,000 | Tesoro Logistics, LP*<br>5.875%, 10/01/20 | 2,808,000 |
| 3,340,000 | Trinidad Drilling, Ltd.*<br>7.875%, 01/15/19 | 3,598,850 |
| 12,650,000 | W&T Offshore, Inc.<br>8.500%, 06/15/19 | 13,377,375 |
| | | 190,982,767 |



See accompanying Notes to Schedule of Investments

| PRINCIPAL AMOUNT | | VALUE |
|---|---|---|
| | **Financials (2.1%)** | |
| 5,100,000 | AON Corp.<br>8.205%, 01/01/27 | $ 6,409,859 |
| 2,370,000 | Legg Mason, Inc.*μ<br>5.500%, 05/21/19 | 2,605,497 |
| 11,000,000 | Neuberger Berman Group LLC*<br>5.875%, 03/15/22 | 11,770,000 |
| | Nuveen Investments, Inc.* | |
| 3,300,000 | 9.500%, 10/15/20 | 3,341,250 |
| 3,300,000 | 9.125%, 10/15/17 | 3,312,375 |
| 6,080,000 | Omega Healthcare Investors, Inc.<br>5.875%, 03/15/24 | 6,505,600 |
| | | 33,944,581 |
| | **Health Care (5.9%)** | |
| 366,000 | AMERIGROUP Corp.<br>7.500%, 11/15/19 | 429,135 |
| 14,000,000 | Community Health Systems, Inc.<br>7.125%, 07/15/20 | 14,822,500 |
| 5,500,000 | Endo Pharmaceuticals Holdings, Inc.<br>7.000%, 07/15/19 | 5,967,500 |
| 1,750,000 | Fresenius Med*μ<br>5.875%, 01/31/22 | 1,870,312 |
| 19,000,000 | Grifols, SA<br>8.250%, 02/01/18 | 21,185,000 |
| 7,920,000 | Hologic, Inc.*<br>6.250%, 08/01/20 | 8,434,800 |
| 4,165,000 | Mylan, Inc.*<br>7.625%, 07/15/17 | 4,664,800 |
| | Valeant Pharmaceuticals International, Inc.* | |
| 10,000,000 | 7.250%, 07/15/22 | 10,875,000 |
| 9,000,000 | 7.000%, 10/01/20 | 9,731,250 |
| 1,500,000 | 6.750%, 10/01/17 | 1,616,250 |
| 15,000,000 | Warner Chilcott Company, LLC<br>7.750%, 09/15/18 | 15,900,000 |
| | | 95,496,547 |
| | **Industrials (4.4%)** | |
| 11,000,000 | Belden, Inc.*<br>5.500%, 09/01/22 | 11,247,500 |
| 4,500,000 | H&E Equipment Services, Inc.*<br>7.000%, 09/01/22 | 4,702,500 |
| 6,070,000 | Monaco SpinCo, Inc.*<br>6.750%, 04/30/20 | 6,229,337 |
| 11,000,000 | Rexel, SA*μ<br>6.125%, 12/15/19 | 11,330,000 |
| | Terex Corp. | |
| 8,000,000 | 6.500%, 04/01/20 | 8,440,000 |
| 2,000,000 | 8.000%, 11/15/17 | 2,092,500 |
| 1,395,000 | TransDigm Group, Inc.<br>7.750%, 12/15/18 | 1,544,963 |
| | Triumph Group, Inc. | |
| 6,220,000 | 8.625%, 07/15/18 | 7,013,050 |
| 2,020,000 | 8.000%, 11/15/17 | 2,227,050 |
| 11,500,000 | UR Financing Escrow Corp.*<br>7.625%, 04/15/22 | $ 12,635,625 |
| 5,000,000 | WESCO Distribution, Inc.<br>7.500%, 10/15/17 | 5,093,750 |
| | | 72,556,275 |
| | **Information Technology (3.9%)** | |
| | Amkor Technology, Inc. | |
| 4,500,000 | 6.625%, 06/01/21μ | 4,308,750 |
| 3,080,000 | 6.375%, 10/01/22* | 2,872,100 |
| 3,000,000 | 7.375%, 05/01/18μ | 3,037,500 |
| 10,135,000 | Audatex North America, Inc.*<br>6.750%, 06/15/18 | 10,920,463 |
| 900,000 | Fidelity National Information Services, Inc.μ<br>7.875%, 07/15/20 | 1,010,250 |
| 15,030,000 | iGATE Corp.<br>9.000%, 05/01/16 | 16,495,425 |
| 6,500,000 | Nuance Communications, Inc.*<br>5.375%, 08/15/20 | 6,662,500 |
| 2,243,000 | Sanmina-SCI Corp.*<br>7.000%, 05/15/19 | 2,209,355 |
| | Seagate Technology | |
| 3,500,000 | 6.875%, 05/01/20 | 3,666,250 |
| 1,000,000 | 7.000%, 11/01/21 | 1,050,000 |
| 3,520,000 | SunGard Data Systems, Inc.*†<br>6.625%, 11/01/19 | 3,568,400 |
| 7,000,000 | ViaSat, Inc.<br>6.875%, 06/15/20 | 7,350,000 |
| | | 63,150,993 |
| | **Materials (2.4%)** | |
| 12,500,000 | FMG Resources*<br>8.250%, 11/01/19 | 12,562,500 |
| 5,500,000 | Inmet Mining Corp.*<br>8.750%, 06/01/20 | 5,733,750 |
| 8,000,000 | New Gold, Inc.*<br>7.000%, 04/15/20 | 8,520,000 |
| 5,230,000 | Sealed Air Corp.*<br>8.125%, 09/15/19 | 5,739,925 |
| | Steel Dynamics, Inc. | |
| 2,823,000 | 6.125%, 08/15/19* | 2,964,150 |
| 1,400,000 | 7.625%, 03/15/20 | 1,541,750 |
| 1,250,000 | 6.375%, 08/15/22* | 1,312,500 |
| | | 38,374,575 |
| | **Telecommunication Services (0.9%)** | |
| 14,530,000 | Qwest Communications International, Inc.μ<br>7.750%, 02/15/31 | 15,367,887 |
| | **Utilities (2.2%)** | |
| 2,900,000 | AES Corp.<br>7.375%, 07/01/21 | 3,255,250 |
| 16,000,000 | AmeriGas Finance Corp.<br>7.000%, 05/20/22 | 17,460,000 |

| PRINCIPAL AMOUNT | | VALUE |
|---|---|---|
| | Calpine Corp.* | |
| 11,700,000 | 7.875%, 01/15/23 | $ 12,987,000 |
| 2,457,000 | 7.500%, 02/15/21μ | 2,684,273 |
| | | 36,386,523 |
| | **TOTAL CORPORATE BONDS** (Cost $684,368,017) | 711,232,981 |

**CONVERTIBLE BONDS (8.7%)**

| | | |
|---|---|---|
| | Consumer Discretionary (2.2%) | |
| 2,275,000 | Jarden Corp.* 1.875%, 09/15/18 | 2,286,375 |
| 15,000,000 | Liberty Media Corp. (Time Warner, Inc.)§ 3.125%, 03/30/23 | 20,671,875 |
| 13,164,000 | Liberty Media Corp. (Viacom, CBS Corp. - Class B)§ 3.250%, 03/15/31 | 12,209,610 |
| | | 35,167,860 |
| | Financials (1.4%) | |
| 20,020,000 | Affiliated Managers Group, Inc.μ 3.950%, 08/15/38 | 22,384,863 |
| 655,000 | Ares Capital Corp. 5.750%, 02/01/16 | 697,984 |
| | | 23,082,847 |
| | Industrials (0.6%) | |
| 9,500,000 | Trinity Industries, Inc. 3.875%, 06/01/36 | 10,123,437 |
| | Information Technology (3.9%) | |
| 26,750,000 | Intel Corp.μ 2.950%, 12/15/35 | 29,157,500 |
| 8,755,000 | Lam Research Corp.μ 1.250%, 05/15/18 | 8,585,372 |
| 9,900,000 | Linear Technology Corp.μ 3.000%, 05/01/27 | 10,320,750 |
| 15,000,000 | Nuance Communications, Inc.μ 2.750%, 11/01/31 | 16,415,625 |
| | | 64,479,247 |
| | Materials (0.6%) | |
| 9,000,000 | AngloGold Ashanti, Ltd. 3.500%, 05/22/14 | 9,468,900 |
| | **TOTAL CONVERTIBLE BONDS** (Cost $135,276,822) | 142,322,291 |

**U.S. GOVERNMENT AND AGENCY SECURITY (0.9%)**

| | | |
|---|---|---|
| 15,000,000 | United States Treasury Note~ 1.375%, 02/15/13 (Cost $15,050,352) | 15,054,495 |

**SOVEREIGN BONDS (1.8%)**

| PRINCIPAL AMOUNT | | | VALUE |
|---|---|---|---|
| | | Federative Republic of Brazil | |
| 4,463,100 | BRL | 10.000%, 01/01/14 | 23,320,892 |
| 1,000,000 | BRL | 10.000%, 01/01/13 | $ 5,112,272 |
| | | **TOTAL SOVEREIGN BONDS** (Cost $30,130,492) | 28,433,164 |

| NUMBER OF SHARES | | VALUE |
|---|---|---|
| **CONVERTIBLE PREFERRED STOCKS (6.8%)** | | |
| | Consumer Staples (0.7%) | |
| 111,900 | Bunge, Ltd. 4.875% | 11,378,831 |
| | Energy (3.7%) | |
| 560,000 | Apache Corp.μ 6.000% | 26,129,600 |
| 35,112 | Chesapeake Energy Corp.μ* 5.750% | 33,400,658 |
| | | 59,530,258 |
| | Financials (0.5%) | |
| 165,000 | MetLife, Inc. 5.000% | 7,670,850 |
| | Industrials (1.3%) | |
| 395,000 | United Technologies Corp. 7.500% | 21,480,100 |
| | Utilities (0.6%) | |
| 200,000 | NextEra Energy, Inc. 5.599% | 10,274,000 |
| | **TOTAL CONVERTIBLE PREFERRED STOCKS** (Cost $125,050,799) | 110,334,039 |

**COMMON STOCKS (69.9%)**

| | | |
|---|---|---|
| | Consumer Discretionary (1.1%) | |
| 400,000 | Carnival Corp.μ | 15,152,000 |
| 89,912 | General Motors Companyμ# | 2,292,756 |
| 22,573 | Motors Liquidation Company# | 450,331 |
| | | 17,895,087 |
| | Consumer Staples (5.2%) | |
| 403,776 | Archer-Daniels-Midland Companyμ | 10,837,348 |
| 1,600,000 | Coca-Cola Companyμ | 59,488,000 |
| 365,000 | Companhia de Bebidas das Americas | 14,888,350 |
| | | 85,213,698 |
| | Energy (6.8%) | |
| 800,000 | BP, PLCμ | 34,312,000 |
| 325,000 | Chevron Corp.μ | 35,818,250 |
| 60,000 | Diamond Offshore Drilling, Inc.μ | 4,154,400 |
| 100,000 | EOG Resources, Inc. | 11,649,000 |
| 165,000 | Schlumberger, Ltd. | 11,472,450 |
| 50,000 EUR | Technip, SA | 5,639,545 |
| 150,000 EUR | TOTAL, SA | 7,555,531 |
| | | 110,601,176 |



See accompanying Notes to Schedule of Investments

| NUMBER OF SHARES | | | VALUE |
|---|---|---|---|
| | | **Financials (3.6%)** | |
| 42,000 | | American International Group, Inc.μ# | $ 1,467,060 |
| 500,000 | | Bank of America Corp.μ | 4,660,000 |
| 172,745 | | Citigroup, Inc.μ | 6,458,936 |
| 860,000 | | JPMorgan Chase & Companyμ | 35,844,800 |
| 158,074 | | Lincoln National Corp.μ | 3,918,654 |
| 116,457 | | MetLife, Inc. | 4,133,059 |
| 71,676 | | Wells Fargo & Company | 2,414,764 |
| | | | 58,897,273 |
| | | **Health Care (15.5%)** | |
| 300,000 | | Eli Lilly and Companyμ | 14,589,000 |
| 835,000 | | Johnson & Johnsonμ | 59,134,700 |
| 2,112,707 | | Merck & Company, Inc.μ | 96,402,821 |
| 3,300,000 | | Pfizer, Inc.μ | 82,071,000 |
| | | | 252,197,521 |
| | | **Industrials (9.5%)** | |
| 230,000 | | Boeing Companyμ | 16,201,200 |
| 245,000 | | Caterpillar, Inc. | 20,778,450 |
| 440,000 | | Eaton Corp.μ | 20,776,800 |
| 200,000 | | Fluor Corp. | 11,170,000 |
| 3,135,000 | | General Electric Companyμ | 66,023,100 |
| 450,000 | | Masco Corp.μ | 6,790,500 |
| 135,000 | EUR | Siemens, AG | 13,602,456 |
| | | | 155,342,506 |
| | | **Information Technology (18.7%)** | |
| 340,000 | | Accenture, PLC - Class A | 22,919,400 |
| 28,000 | | Apple, Inc. | 16,662,800 |
| 1,550,000 | | Applied Materials, Inc.μ | 16,430,000 |
| 425,000 | | CA, Inc.μ | 9,571,000 |
| 250,000 | | Canon, Inc.μ | 8,037,500 |
| 575,000 | | Cisco Systems, Inc.μ | 9,855,500 |
| 415,000 | | eBay, Inc.μ# | 20,040,350 |
| 430,000 | | EMC Corp.μ# | 10,500,600 |
| 1,136,000 | | Intel Corp.μ | 24,566,000 |
| 1,625,000 | | Microsoft Corp.μ | 46,369,375 |
| 300,000 | | Nintendo Company, Ltd.μ | 4,822,980 |
| 2,200,000 | | Nokia Corp.μ | 5,874,000 |
| 875,000 | | QUALCOMM, Inc.μ | 51,253,125 |
| 630,000 | | SAP, AGμ | 45,927,000 |
| 4,200,000 | TWD | Taiwan Semiconductor Manufacturing Company, Ltd. | 12,797,651 |
| | | | 305,627,281 |
| | | **Materials (4.8%)** | |
| 572,800 | | Barrick Gold Corp. | 23,198,400 |
| 400,000 | | Dow Chemical Companyμ | 11,720,000 |
| 300,000 | | Goldcorp, Inc.μ | 13,569,000 |
| 190,000 | | Mosaic Company | 9,944,600 |
| 175,000 | | Newmont Mining Corp.μ | $ 9,546,250 |
| 210,000 | | Rio Tinto, PLCμ | 10,495,800 |
| | | | 78,474,050 |
| | | **Telecommunication Services (4.7%)** | |
| 1,225,000 | | AT&T, Inc.μ | 42,372,750 |
| 450,000 | EUR | France Telecom, SAμ | 5,029,881 |
| 639,000 | | Verizon Communications, Inc.μ | 28,524,960 |
| | | | 75,927,591 |
| | | **TOTAL COMMON STOCKS** (Cost $1,367,112,729) | 1,140,176,183 |

**RIGHTS (0.0%)#**

| | | |
|---|---|---|
| | **Consumer Discretionary (0.0%)** | |
| 280,000 | Escrow General Motors Corp. Rights | 280 |
| 150,000 | Escrow General Motors Corp. Rights | 150 |
| | **TOTAL RIGHTS** (Cost $0) | 430 |

**WARRANTS (0.1%)#**

| | | |
|---|---|---|
| | **Consumer Discretionary (0.1%)** | |
| 81,739 | General Motors Company 07/10/19, Strike $10.00 | 839,459 |
| 81,739 | General Motors Company 07/10/16, Strike $18.33 | 1,344,607 |
| | **TOTAL WARRANTS** (Cost $12,672,791) | 2,184,066 |

**SHORT TERM INVESTMENT (3.3%)**

| | | |
|---|---|---|
| 54,519,232 | Fidelity Prime Money Market Fund - Institutional Class (Cost $54,519,232) | 54,519,232 |
| | **TOTAL INVESTMENTS (135.1%)** (Cost $2,424,181,234) | 2,204,256,881 |
| | LIABILITIES, LESS OTHER ASSETS (-35.1%) | (572,832,522) |
| | **NET ASSETS (100.0%)** | $1,631,424,359 |

**NOTES TO SCHEDULE OF INVESTMENTS**

* Securities issued and sold pursuant to a Rule 144A transaction are excepted from the registration requirement of the Securities Act of 1933, as amended. These securities may only be sold to qualified institutional buyers ("QIBs"), such as the fund. Any resale of these securities must generally be effected through a sale that is registered under the Act or otherwise exempted from such registration requirements. At October 31, 2012, the value of 144A securities that could not be exchanged to the registered form is $206,555,011 or 12.7% of net assets applicable to common shareholders.

μ Security, or portion of security, is held in a segregated account as collateral for note payable aggregating a total value of $970,251,026. $546,919,868 of the collateral has been re-registered by the counterparty.

‡ Variable rate or step bond security. The rate shown is the rate in effect at October 31, 2012.

† Security or a portion of the security purchased on a delayed delivery or when-issued basis.

§ Securities exchangeable or convertible into securities of one or more entities that are different than the issuer. Each entity is identified in the parenthetical.

~ Security, or portion of security, is segregated as collateral (or potential collateral for future transactions) for swaps. The aggregate value of such securities is $10,432,765.

# Non-income producing security.

**FOREIGN CURRENCY ABBREVIATIONS**

BRL Brazilian Real
EUR European Monetary Unit
NOK Norwegian Krone
TWD New Taiwanese Dollar

Note: Value for securities denominated in foreign currencies is shown in U.S. dollars. The principal amount for such securities is shown in the respective foreign currency.

**INTEREST RATE SWAPS**

| COUNTERPARTY | FIXED RATE (FUND PAYS) | FLOATING RATE (FUND RECEIVES) | TERMINATION DATE | NOTIONAL AMOUNT | UNREALIZED APPRECIATION/ (DEPRECIATION) |
|---|---|---|---|---|---|
| BNP Paribas, SA | 2.535% quarterly | 3 month LIBOR | 03/09/14 | $90,000,000 | $ (2,973,765) |
| BNP Paribas, SA | 2.970% quarterly | 3 month LIBOR | 07/03/14 | 75,000,000 | (3,460,307) |
| BNP Paribas, SA | 3.355% quarterly | 3 month LIBOR | 06/09/14 | 60,000,000 | (3,169,696) |
| BNP Paribas, SA | 0.934% quarterly | 3 month LIBOR | 07/05/17 | 52,000,000 | (473,180) |
| BNP Paribas, SA | 1.009% quarterly | 3 month LIBOR | 06/12/17 | 47,000,000 | (594,996) |
| | | | | | $(10,671,944) |



See accompanying Notes to Financial Statements

# Statement of Assets and Liabilities October 31, 2012

| | |
|---|---|
| **ASSETS** | |
| Investments in securities, at value (cost $2,424,181,234) | $2,204,256,881 |
| Receivables: | |
| Accrued interest and dividends | 17,858,936 |
| Investments sold | 1,656,704 |
| Prepaid expenses | 16,077 |
| Other assets | 243,326 |
| Total assets | 2,224,031,924 |
| **LIABILITIES** | |
| Unrealized depreciation on interest rate swaps | 10,671,944 |
| Payables: | |
| Note payable | 576,000,000 |
| Investments purchased | 3,554,488 |
| Affiliates: | |
| Investment advisory fees | 1,888,342 |
| Deferred compensation to trustees | 243,326 |
| Financial accounting fees | 21,553 |
| Trustees' fees and officer compensation | 6,372 |
| Other accounts payable and accrued liabilities | 221,540 |
| Total liabilities | 592,607,565 |
| NET ASSETS | $1,631,424,359 |
| **COMPOSITION OF NET ASSETS** | |
| Common stock, no par value, unlimited shares authorized 154,514,000 shares issued and outstanding | $2,046,371,172 |
| Undistributed net investment income (loss) | (29,373,047) |
| Accumulated net realized gain (loss) on investments, foreign currency transactions and interest rate swaps | (154,962,611) |
| Unrealized appreciation (depreciation) of investments, foreign currency translations and interest rate swaps | (230,611,155) |
| NET ASSETS | $1,631,424,359 |
| Net asset value per common shares based upon 154,514,000 shares issued and outstanding | $ 10.56 |

See accompanying Notes to Financial Statements

# Statement of Operations Year Ended October 31, 2012

| | |
|---|---|
| **INVESTMENT INCOME** | |
| Interest | $ 54,185,110 |
| Dividends | 44,702,957 |
| Securities lending income | 408,060 |
| Dividend taxes withheld | (743,720) |
| Total investment income | 98,552,407 |
| **EXPENSES** | |
| Investment advisory fees | 21,762,717 |
| Interest expense and related fees | 7,433,589 |
| Printing and mailing fees | 266,704 |
| Financial accounting fees | 248,233 |
| Registration fees | 159,334 |
| Accounting fees | 128,775 |
| Custodian fees | 108,422 |
| Audit fees | 107,876 |
| Legal fees | 88,013 |
| Trustees' fees and officer compensation | 83,506 |
| Transfer agent fees | 31,994 |
| Other | 158,716 |
| Total expenses | 30,577,879 |
| NET INVESTMENT INCOME (LOSS) | 67,974,528 |
| **REALIZED AND UNREALIZED GAIN (LOSS)** | |
| **Net realized gain (loss) from:** | |
| Investments, excluding purchased options | 36,229,406 |
| Purchased options | 3,321,200 |
| Foreign currency transactions | 57,469 |
| Interest rate swaps | (9,006,557) |
| **Change in net unrealized appreciation/(depreciation) on:** | |
| Investments, excluding purchased options | 78,328,233 |
| Purchased options | 1,871,073 |
| Foreign currency translations | (4,259) |
| Interest rate swaps | 6,452,890 |
| NET GAIN (LOSS) | 117,249,455 |
| NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS RESULTING FROM OPERATIONS | $185,223,983 |



See accompanying Notes to Financial Statements

| | YEAR ENDED OCTOBER 31, 2012 | 2011 |
|---|---|---|
| **OPERATIONS** | | |
| Net investment income (loss) | $ 67,974,528 | $ 70,326,067 |
| Net realized gain (loss) | 30,601,518 | (9,501,962) |
| Change in unrealized appreciation/(depreciation) | 86,647,937 | 17,431,402 |
| Net increase (decrease) in net assets applicable to shareholders resulting from operations | 185,223,983 | 78,255,507 |
| **DISTRIBUTIONS FROM** | | |
| Net investment income | (103,822,713) | (77,683,237) |
| Return of capital | (17,857,062) | (19,660,583) |
| Net decrease in net assets from distributions | (121,679,775) | (97,343,820) |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 63,544,208 | (19,088,313) |
| **NET ASSETS** | | |
| Beginning of year | $1,567,880,151 | $1,586,968,464 |
| End of year | 1,631,424,359 | 1,567,880,151 |
| Undistributed net investment income (loss) | $ (29,373,047) | $ (22,943,300) |

See accompanying Notes to Financial Statements

# Statement of Cash Flows Year Ended October 31, 2012

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | |
| Net increase/(decrease) in net assets from operations | $ 185,223,983 |
| Adjustments to reconcile net increase/(decrease) in net assets from operations to net cash provided by operating activities: | |
| Purchase of investment securities | (1,029,827,778) |
| Net purchases of short term investments | (27,009,486) |
| Proceeds from disposition of investment securities | 1,123,481,821 |
| Amortization and accretion of fixed-income securities | (127,949) |
| Net realized gains/losses from investments, excluding purchased options | (36,229,406) |
| Net realized gains/losses from purchased options | (3,321,200) |
| Change in unrealized appreciation or depreciation on investments, excluding purchased options | (78,328,233) |
| Change in unrealized appreciation or depreciation on purchased options | (1,871,073) |
| Change in unrealized appreciation or depreciation on interest rate swaps | (6,452,890) |
| Net change in assets and liabilities: | |
| (Increase)/decrease in assets: | |
| Accrued interest and dividends receivable | (3,974,950) |
| Prepaid expenses | 23,148 |
| Other assets | (7,370) |
| Increase/(decrease) in liabilities: | |
| Payables to affiliates | 163,185 |
| Other accounts payable and accrued liabilities | (62,027) |
| Net cash provided by/(used in) operating activities | $ 121,679,775 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | |
| Distributions to shareholders | (121,679,775) |
| Net cash provided by/(used in) financing activities | $ (121,679,775) |
| Cash at beginning of year | $ — |
| Cash at end of year | $ — |
| Supplemental disclosure | |
| Cash paid for interest and related fees | $ 7,458,131 |



See accompanying Notes to Financial Statements

## Note 1 – Organization and Significant Accounting Policies

**Organization.** Calamos Strategic Total Return Fund (the "Fund") was organized as a Delaware statutory trust on December 31, 2003 and is registered under the Investment Company Act of 1940 (the "1940 Act") as a diversified, closed-end management investment company. The Fund commenced operations on March 26, 2004. The Fund's investment objective is to provide total return through a combination of capital appreciation and current income. Under normal circumstances, the Fund invests primarily in common and preferred stocks and income producing securities such as investment grade and below investment grade debt securities.

**Fund Valuation.** The valuation of the Fund's investments is in accordance with policies and procedures adopted by and under the ultimate supervision of the board of trustees.

Fund securities that are traded on U.S. securities exchanges, except option securities, are valued at the last current reported sales price at the time a Fund determines its net asset value ("NAV"). Securities traded in the over-the-counter market and quoted on The NASDAQ Stock Market are valued at the NASDAQ Official Closing Price, as determined by NASDAQ, or lacking a NASDAQ Official Closing Price, the last current reported sale price on NASDAQ at the time the Fund determines its NAV.

When a last sale or closing price is not available, equity securities, other than option securities, that are traded on a U.S. securities exchange and other equity securities traded in the over-the-counter market are valued at the mean between the most recent bid and asked quotations in accordance with guidelines adopted by the board of trustees. Each option security traded on a U.S. securities exchange is valued at the mid-point of the consolidated bid/ask quote for the option security, also in accordance with guidelines adopted by the board of trustees. Each over-the-counter option that is not traded through the Options Clearing Corporation is valued based on a quotation provided by the counterparty to such option under the ultimate supervision of the board of trustees.

Fixed income securities, certain convertible preferred securities, and non-exchange traded derivatives are normally valued by independent pricing services or by dealers or brokers who make markets in such securities. Valuations of such fixed income securities, certain convertible preferred securities, and non-exchange traded derivatives consider yield or price of equivalent securities of comparable quality, coupon rate, maturity, type of issue, trading characteristics and other market data and do not rely exclusively upon exchange or over-the-counter prices.

Trading on European and Far Eastern exchanges and over-the-counter markets is typically completed at various times before the close of business on each day on which the New York Stock Exchange ("NYSE") is open. Each security trading on these exchanges or over-the-counter markets may be valued utilizing a systematic fair valuation model provided by an independent pricing service approved by the board of trustees. The valuation of each security that meets certain criteria in relation to the valuation model is systematically adjusted to reflect the impact of movement in the U.S. market after the foreign markets close. Securities that do not meet the criteria, or that are principally traded in other foreign markets, are valued as of the last reported sale price at the time the Fund determines its NAV, or when reliable market prices or quotations are not readily available, at the mean between the most recent bid and asked quotations as of the close of the appropriate exchange or other designated time. Trading of foreign securities may not take place on every NYSE business day. In addition, trading may take place in various foreign markets on Saturdays or on other days when the NYSE is not open and on which the Fund's NAV is not calculated.

If the pricing committee determines that the valuation of a security in accordance with the methods described above is not reflective of a fair value for such security, the security is valued at a fair value by the pricing committee, under the ultimate supervision of the board of trustees, following the guidelines and/or procedures adopted by the board of trustees.

The Fund also may use fair value pricing, pursuant to guidelines adopted by the board of trustees and under the ultimate supervision of the board of trustees, if trading in the security is halted or if the value of a security it holds is materially affected by events occurring before the Fund's pricing time but after the close of the primary market or exchange on which the security is listed. Those procedures may utilize valuations furnished by pricing services approved by the board of trustees, which may be based on market transactions for comparable securities and various relationships between securities that are generally recognized by institutional traders, a computerized matrix system, or appraisals derived from information concerning the securities or similar securities received from recognized dealers in those securities.

When fair value pricing of securities is employed, the prices of securities used by a Fund to calculate its NAV may differ from market quotations or official closing prices. In light of the judgment involved in fair valuations, there can be no assurance that a fair value assigned to a particular security is accurate.

**Investment Transactions.** Investment transactions are recorded on a trade date basis. Net realized gains and losses from investment transactions are reported on an identified cost basis. Interest income is recognized using the accrual method and includes accretion of original issue and market discount and amortization of premium. Dividend income is recognized on the ex-dividend date, except that certain dividends from foreign securities are recorded as soon as the information becomes available after the ex-dividend date.

**Foreign Currency Translation.** Values of investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using a rate quoted by a major bank or dealer in the particular currency market, as reported by a recognized quotation dissemination service.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Reported net realized foreign currency gains or losses arise from disposition of foreign currency, the difference in the foreign exchange rates between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the ex-date or accrual date and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes (due to the changes in the exchange rate) in the value of foreign currency and other assets and liabilities denominated in foreign currencies held at period end.

**Allocation of Expenses Among Funds.** Expenses directly attributable to the Fund are charged to the Fund; certain other common expenses of Calamos Advisors Trust, Calamos Investment Trust, Calamos Convertible Opportunities and Income Fund, Calamos Convertible and High Income Fund, Calamos Strategic Total Return Fund, Calamos Global Total Return Fund and Calamos Global Dynamic Income Fund are allocated proportionately among each fund to which the expenses relate in relation to the net assets of each fund or on another reasonable basis.

**Use of Estimates.** The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Income Taxes.** No provision has been made for U.S. income taxes because the Fund's policy is to continue to qualify as a regulated investment company under the Internal Revenue Code of 1986, as amended, and distribute to shareholders substantially all of the Fund's taxable income and net realized gains.

Dividends and distributions paid to shareholders are recorded on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains is determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. To the extent these "book/tax" differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax-basis treatment. These differences are primarily due to differing treatments for foreign currency transactions, contingent payment debt instruments and methods of amortizing and accreting for fixed income securities. The financial statements are not adjusted for temporary differences.

The Fund recognized no liability for uncertain tax positions. A reconciliation is not provided as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions or settlements. Tax years 2008 – 2011 remain subject to examination by the U.S. and the State of Illinois tax jurisdictions.

**Indemnifications.** Under the Fund's organizational documents, the Fund is obligated to indemnify its officers and trustees against certain liabilities incurred by them by reason of having been an officer or trustee of the Fund. In addition, in the normal course of business, the Fund may enter into contracts that provide general indemnifications to other parties. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. Currently, the Fund's management expects the risk of material loss in connection to a potential claim to be remote.

## Note 2 – Investment Adviser and Transactions With Affiliates Or Certain Other Parties

Pursuant to an investment advisory agreement with Calamos Advisors LLC ("Calamos Advisors"), the Fund pays an annual fee, payable monthly, equal to 1.00% based on the average weekly managed assets. "Managed assets" means a fund's total assets (including any assets attributable to any leverage that may be outstanding) minus total liabilities (other than debt representing financial leverage).

Pursuant to a financial accounting services agreement, during the year the Fund paid Calamos Advisors a fee for financial accounting services payable monthly at the annual rate of 0.0175% on the first $1 billion of combined assets, 0.0150% on the next $1 billion of combined assets and 0.0110% on combined assets above $2 billion (for purposes of this calculation "combined assets" means the sum of the total average daily net assets of Calamos Investment Trust, Calamos Advisors Trust and the total average weekly managed assets of Calamos Convertible and High Income Fund, Calamos Strategic Total Return Fund, Calamos Convertible Opportunities and Income Fund, Calamos Global Total Return Fund and Calamos Global Dynamic Income Fund). Financial accounting services include, but are not limited to, the following: managing expenses and expense payment processing; monitoring the calculation of expense accrual amounts; calculating, tracking and reporting tax adjustments on all assets; and monitoring trustee deferred compensation plan accruals and valuations. The Fund pays its pro rata share of the financial accounting services fee payable to Calamos Advisors based on its relative portion of combined assets used in calculating the fee.

The Fund reimburses Calamos Advisors for a portion of compensation paid to the Fund's Chief Compliance Officer. This compensation is reported as part of "Trustees' fees and officer compensation" expense on the Statement of Operations.

A trustee and certain officers of the Fund are also officers and directors of Calamos Advisors. Such trustee and officers serve without direct compensation from the Fund.

The Fund has adopted a deferred compensation plan (the "Plan"). Under the Plan, a trustee who is not an "interested person" (as defined in the 1940 Act) and has elected to participate in the Plan (a "participating trustee") may defer receipt of all or a portion of his compensation from the Fund. The deferred compensation payable to the participating trustee is credited to the trustee's deferral account as of the business day such compensation would have been paid to the participating trustee. The value of amounts deferred for a participating trustee is determined by reference to the change in value of Class I shares of one or more funds of Calamos Investment Trust designated by the participant. The value of the account increases with contributions to the account or with increases in the value of the measuring shares, and the value of the account decreases with withdrawals from the account or with declines in the value of the measuring shares. Deferred compensation of $243,326 is included in "Other assets" on the Statement of Assets and Liabilities at October 31, 2012. The Fund's obligation to make payments under the Plan is a general obligation of the Fund and is included in "Payable for deferred compensation to trustees" on the Statement of Assets and Liabilities at October 31, 2012.

## Note 3 – Investments

The cost of purchases and proceeds from sale of long-term investments for the year ended October 31, 2012 were as follows:

| | |
|---|---|
| Cost of purchases | $1,009,995,700 |
| Proceeds from sales | 1,065,762,962 |

The following information is presented on a federal income tax basis as of October 31, 2012. Differences between the cost basis under U.S. generally accepted accounting principles and federal income tax purposes are primarily due to temporary differences.

The cost basis of investments for federal income tax purposes at October 31, 2012 was as follows:

| | |
|---|---|
| Cost basis of investments | $2,543,894,715 |
| Gross unrealized appreciation | 80,169,731 |
| Gross unrealized depreciation | (419,807,565) |
| Net unrealized appreciation (depreciation) | $ (339,637,834) |

## Note 4 – Income Taxes

For the fiscal year ended October 31, 2012, the Fund recorded the following permanent reclassifications to reflect tax character. The results of operations and net assets were not affected by these reclassifications.

| | |
|---|---|
| Paid-in capital | $(54,155,969) |
| Undistributed net investment income/(loss) | 47,275,500 |
| Accumulated net realized gain/(loss) on investments | 6,880,469 |

The Fund intends to make monthly distributions from its income available for distribution, which consists of the Fund's dividends and interest income after payment of Fund expenses, and net realized gains on stock investments. At least annually, the Fund intends to distribute all or substantially all of its net realized capital gains, if any. Distributions are recorded on the ex-dividend date. The Fund

distinguishes between distributions on a tax basis and a financial reporting basis. Accounting principles generally accepted in the United States of America require that only distributions in excess of tax basis earnings and profits be reported in the financial statements as a return of capital. Permanent differences between book and tax accounting relating to distributions are reclassified to paid-in-capital. For tax purposes, distributions from short-term capital gains are considered to be from ordinary income. Distributions in any year may include a return of capital component.

Distributions were characterized for federal income tax purposes as follows:

| | YEAR ENDED OCTOBER 31, 2012 | YEAR ENDED OCTOBER 31, 2011 |
|---|---|---|
| **Distributions paid from:** | | |
| Ordinary income | $103,822,713 | $77,683,237 |
| Return of capital | 17,857,062 | 19,660,583 |

As of October 31, 2012, the components of accumulated earnings/(loss) on a tax basis were as follows:

| | |
|---|---|
| Undistributed ordinary income | $ — |
| Undistributed capital gains | — |
| Total undistributed earnings | — |
| Accumulated capital and other losses | (64,414,275) |
| Net unrealized gains/(losses) | (350,324,636) |
| Total accumulated earnings/(losses) | (414,738,911) |
| Other | (207,902) |
| Paid-in capital | 2,046,371,172 |
| Net assets applicable to common shareholders | $1,631,424,359 |

The Regulated Investment Company Modernization Act of 2010 (the "Act") modernized various tax rules for regulated investment companies, and was effective for taxable years beginning after the enactment date of December 22, 2010. One significant change is to the treatment of capital loss carryforwards. Now, any capital losses recognized will retain their character as either short-term or long-term capital losses, will be utilized before the pre-Act capital loss carryforwards, and will be carried forward indefinitely, until applied in offsetting future capital gains.

As of October 31, 2012, the Fund had pre-Act capital loss carryforwards which, if not used, will expire as follows:

| | |
|---|---|
| 2017 | $(34,615,980) |
| 2018 | (29,798,295) |

## Note 5 – Common Shares

There are unlimited common shares of beneficial interest authorized and 154,514,000 shares outstanding at October 31, 2012. Calamos Advisors owned 28,832 of the outstanding shares at October 31, 2012. Transactions in common shares were as follows:

| | YEAR ENDED OCTOBER 31, 2012 | YEAR ENDED OCTOBER 31, 2011 |
|---|---|---|
| Beginning shares | 154,514,000 | 154,514,000 |
| Shares issued through reinvestment of distributions | — | — |
| Ending shares | 154,514,000 | 154,514,000 |

Notice is hereby given in accordance with Section 23(c) of the 1940 Act that the Fund may from time to time purchase its shares of common stock in the open market.

The Fund also may offer and sell common shares from time to time at an offering price equal to or in excess of the net asset value per share of the Fund's common shares at the time such common shares are initially sold.

## Note 6 – Derivative Instruments

**Foreign Currency Risk.** The Fund may engage in portfolio hedging with respect to changes in currency exchange rates by entering into forward foreign currency contracts to purchase or sell currencies. A forward foreign currency contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include, among other things, movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The net unrealized gain, if any, represents the credit risk to the Fund on a forward foreign currency contract. The contracts are valued daily at forward foreign exchange rates. The Fund realizes a gain or loss when a position is closed or upon settlement of the contracts. There were no open forward foreign currency contracts at October 31, 2012.

**Equity Risk.** The Fund may engage in option transactions and in doing so achieves similar objectives to what it would achieve through the sale or purchase of individual securities. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller of the option the obligation to sell, the underlying security, index or other instrument at the exercise price. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the seller the obligation to buy, the underlying security, index, or other instrument at the exercise price.

To seek to offset some of the risk of a potential decline in value of certain long positions, the Fund may also purchase put options on individual securities, broad-based securities indexes or certain exchange traded funds ("ETFs"). The Fund may also seek to generate income from option premiums by writing (selling) options on a portion of the equity securities (including securities that are convertible into equity securities) in the Fund's portfolio, on broad-based securities indexes, or certain ETFs.

When a Fund purchases an option, it pays a premium and an amount equal to that premium is recorded as an asset. When a Fund writes an option, it receives a premium and an amount equal to that premium is recorded as a liability. The asset or liability is adjusted daily to reflect the current market value of the option. If an option expires unexercised, the Fund realizes a gain or loss to the extent of the premium received or paid. If an option is exercised, the premium received or paid is recorded as an adjustment to the proceeds from the sale or the cost basis of the purchase. The difference between the premium and the amount received or paid on a closing purchase or sale transaction is also treated as a realized gain or loss. The cost of securities acquired through the exercise of call options is increased by premiums paid. The proceeds from securities sold through the exercise of put options are decreased by the premiums paid. Gain or loss on written options and purchased options is presented separately as net realized gain or loss on written options and net realized gain or loss on purchased options, respectively.

As of October 31, 2012, the Fund had no outstanding purchased options or written options.

**Interest Rate Risk.** The Fund engages in interest rate swaps primarily to hedge the interest rate risk on the Fund's borrowings (see Note 7 – Borrowings). An interest rate swap is a contract that involves the exchange of one type of interest rate for another type of interest rate. If interest rates rise, resulting in a diminution in the value of the Fund's portfolio, the Fund would receive payments under the swap that would offset, in whole or in part, such diminution in value; if interest rates fall, the Fund would likely lose money on the swap transaction. Unrealized gains are reported as an asset, and unrealized losses are reported as a liability on the Statement of Assets and Liabilities. The change in value of swaps, including accruals of periodic amounts of interest to be paid or received on swaps, is reported as change in net unrealized appreciation/depreciation on interest rate swaps in the Statement of Operations. A realized gain or loss is recorded in net realized gain (loss) on interest rate swaps in the Statement of Operations upon payment or receipt of a periodic payment or termination of the swap agreements. Swap agreements are stated at fair value. Notional principal amounts are used to express the extent of involvement in these transactions, but the amounts potentially subject to credit risk are much smaller. In connection with these contracts, securities may be identified as collateral in accordance with the terms of the respective swap contracts in the event of default or bankruptcy of the Fund.

Premiums paid to or by a Fund are accrued daily and included in realized gain (loss) when paid on swaps in the accompanying Statement of Operations. The contracts are marked-to-market daily based upon third party vendor valuations and changes in value are recorded as unrealized appreciation (depreciation). Gains or losses are realized upon early termination of the contract. Risks may exceed amounts recognized in the Statement of Assets and Liabilities. These risks include changes in the returns of the underlying instruments, failure of the counterparties to perform under the contracts' terms, counterparty's creditworthiness, and the possible lack of liquidity with respect to the contracts.

As of October 31, 2012, the Fund had outstanding interest rate swap agreements as listed on the Schedule of Investments.

As of October 31, 2012, the Fund had outstanding derivative contracts which are reflected on the Statement of Assets and Liabilities as follows:

| | LIABILITY DERIVATIVES |
|---|---|
| | FAIR VALUE |
| Interest rate swaps[1] | $10,671,944 |

(1) Generally, the balance sheet location for Interest rate swaps is Unrealized appreciation (depreciation) on swaps.

For the twelve months ended October 31, 2012, the volume of derivative activity for the Fund is reflected below:*

| | DERIVATIVE TYPE |
|---|---|
| Option purchased | 1,120 |
| Interest rate swaps | $99,000,000 |

* Activity during the period is measured by opened number of contracts for options purchased and opened amount for swap contracts (measured in notional).

## Note 7 – Borrowings

The Fund, with the approval of its board of trustees, including its independent trustees, has entered into a financing package that includes a Committed Facility Agreement (the "Agreement") with BNP Paribas Prime Brokerage, Inc. ("BNP") that allows the Fund to borrow up to $735,000,000, and a Lending Agreement, as defined below. Borrowings under the Agreement are secured by assets of the Fund that are held with the Fund's custodian in a separate account (the "pledged collateral"). Interest is charged at the quarterly LIBOR (London Inter-bank Offered Rate) plus .65% on the amount borrowed and .55% on the undrawn balance. For the year ended October 31, 2012, the average borrowings under the Agreement and the average interest rate were $576,000,000 and 1.13%, respectively. As of October 31, 2012, the amount of such outstanding borrowings was $576,000,000. The interest rate applicable to the borrowings on October 31, 2012 was 0.96%.

The Lending Agreement is a separate side-agreement between the Fund and BNP pursuant to which BNP may borrow a portion of the pledged collateral (the "Lent Securities") in an amount not to exceed the outstanding borrowings owed by the Fund to BNP under the Agreement. The Lending Agreement is intended to permit the Fund to significantly reduce the cost of its borrowings under the Agreement. BNP may re-register the Lent Securities in its own name or in another name other than the Fund, and may pledge, re-pledge, sell, lend or otherwise transfer or use the Lent Securities with all attendant rights of ownership. (It is the Fund's understanding that BNP will perform due diligence to determine the creditworthiness of any party that borrows Lent Securities from BNP.) The Fund may designate any security within the pledged collateral as ineligible to be a Lent Security, provided there are eligible securities within the pledged collateral in an amount equal to the outstanding borrowing owed by the Fund. During the period in which the Lent Securities are outstanding, BNP must remit payment to the Fund equal to the amount of all dividends, interest or other distributions earned or made by the Lent Securities.

Under the terms of the Lending Agreement, the Lent Securities are marked to market daily, and if the value of the Lent Securities exceeds the value of the then-outstanding borrowings owed by the Fund to BNP under the Agreement (the "Current Borrowings"), BNP must, on that day, either (1) return Lent Securities to the Fund's custodian in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings; or (2) post cash collateral with the Fund's custodian equal to the difference between the value of the Lent Securities and the value of the Current Borrowings. If BNP fails to perform either of these actions as required, the Fund will recall securities, as discussed below, in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings. The Fund can recall any of the Lent Securities and BNP shall, to the extent commercially possible, return such security or equivalent security to the Fund's custodian no later than three business days after such request. If the Fund recalls a Lent Security pursuant to the Lending Agreement, and BNP fails to return the Lent Securities or equivalent securities in a timely fashion, BNP shall remain liable to the Fund's custodian for the ultimate delivery of such Lent Securities, or equivalent securities, and for any buy-in costs that the executing broker for the sales transaction may impose with respect to the failure to deliver. The Fund shall also have the right to apply and set-off an amount equal to one hundred percent (100%) of the then-current fair market value of such Lent Securities against the Current Borrowings.

## Note 8 – Fair Value Measurements

Various inputs are used to determine the value of the Fund's investments. These inputs are categorized into three broad levels as follows:

- Level 1 – Prices are determined using inputs from unadjusted quoted prices from active markets (including securities actively traded on a securities exchange) for identical assets.
- Level 2 – Prices are determined using significant observable market inputs other than unadjusted quoted prices, including quoted prices of similar securities, fair value adjustments to quoted foreign securities, interest rates, credit risk, prepayment speeds, and other relevant data.
- Level 3 – Prices reflect unobservable market inputs (including the Fund's own judgments about assumptions market participants would use in determining fair value) when observable inputs are unavailable.

Debt securities are valued based upon evaluated prices received from an independent pricing service or from a dealer or broker who makes markets in such securities. Pricing services utilize various observable market data and as such, debt securities are generally categorized as Level 2. The levels are not necessarily an indication of the risk or liquidity of the Funds' investments. Transfers between the levels for investment securities or other financial instruments are measured at the end of the reporting period.

The following is a summary of the inputs used in valuing the Fund's holdings at fair value:

| | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---|---|---|---|
| Assets | | | | |
| Corporate Bonds | $ — | $711,232,981 | $— | $ 711,232,981 |
| Convertible Bonds | | 142,322,291 | | 142,322,291 |
| U.S. Government and Agency Security | | 15,054,495 | | 15,054,495 |
| Sovereign Bonds | | 28,433,164 | | 28,433,164 |
| Convertible Preferred Stocks | 55,280,550 | 55,053,489 | | 110,334,039 |
| Common Stocks | 1,095,551,119 | 44,625,064 | | 1,140,176,183 |
| Rights | | 430 | | 430 |
| Warrants | 2,184,066 | | | 2,184,066 |
| Short Term Investment | 54,519,232 | | | 54,519,232 |
| Total | $1,207,534,967 | $996,721,914 | $— | $2,204,256,881 |
| Liabilities | | | | |
| Interest Rate Swaps | $ — | $ 10,671,944 | $— | $ 10,671,944 |
| Total | $ — | $ 10,671,944 | $— | $ 10,671,944 |

Selected data for a share outstanding throughout each period were as follows:

| | Year Ended October 31, | | | | |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| Net asset value, beginning of period | $10.15 | $10.27 | $9.39 | $7.92 | $16.92 |
| Income from investment operations: | | | | | |
| Net investment income (loss)** | 0.44 | 0.46 | 0.51 | 0.51 | 0.73 |
| Net realized and unrealized gain (loss) | 0.76 | 0.05 | 1.00 | 1.82 | (8.26) |
| Distributions to preferred shareholders from: | | | | | |
| Net investment income (common share equivalent basis) | — | — | — | (0.01) | (0.13) |
| Net realized gains (common share equivalent basis) | — | — | — | — | (0.08) |
| Total from investment operations | 1.20 | 0.51 | 1.51 | 2.32 | (7.74) |
| Less distributions to common shareholders from: | | | | | |
| Net investment income | (0.67) | (0.50) | (0.51) | (0.59) | (1.12) |
| Net realized gains | — | — | — | — | (0.14) |
| Return of capital | (0.12) | (0.13) | (0.12) | (0.26) | — |
| Total distributions | (0.79) | (0.63) | (0.63) | (0.85) | (1.26) |
| Capital charge resulting from issuance of common and preferred shares and related offering costs | — | — | — | —(a) | —(a) |
| Premiums from shares sold in at the market offerings | — | — | — | — | — |
| Net asset value, end of period | $10.56 | $10.15 | $10.27 | $9.39 | $7.92 |
| Market value, end of period | $10.25 | $8.69 | $9.06 | $8.11 | $6.94 |
| Total investment return based on:(b) | | | | | |
| Net asset value | 12.97% | 5.84% | 17.61% | 34.79% | (47.73)% |
| Market value | 28.08% | 2.72% | 20.13% | 32.85% | (47.28)% |
| Net assets, end of period (000) | $1,631,424 | $1,567,880 | $1,586,968 | $1,451,127 | $1,223,443 |
| Preferred shares, at redemption value ($25,000 per share liquidation preference) (000's omitted) | $— | $— | $— | $— | $200,000 |
| Ratios to average net assets applicable to common shareholders: | | | | | |
| Net expenses(c) | 1.91% | 1.93% | 2.24% | 2.81% | 2.35% |
| Gross expenses prior to expense reductions and earnings credits(c) | 1.91% | 1.93% | 2.24% | 2.81% | 2.35% |
| Net expenses, excluding interest expense | 1.45% | 1.41% | 1.46% | 1.69% | 1.72% |
| Net investment income (loss)(c) | 4.25% | 4.31% | 5.16% | 6.56% | 5.43% |
| Preferred share distributions | —% | —% | —% | 0.09% | 0.97% |
| Net investment income (loss), net of preferred share distributions from net investment income | 4.25% | 4.31% | 5.16% | 6.47% | 4.46% |
| Portfolio turnover rate | 48% | 30% | 25% | 11% | 53% |
| Average commission rate paid | $0.0171 | $— | $0.0113 | $0.0159 | $0.0495 |
| Asset coverage per preferred share, at end of period(d) | $— | $— | $— | $— | $177,949 |
| Asset coverage per $1,000 of loan outstanding(e) | $3,832 | $3,722 | $3,944 | $3,692 | $3,694 |

** Net investment income allocated based on average shares method.

(a) Amount equated to less than $0.005 per common share.

(b) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of the period reported. Dividends and distributions are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return is not annualized for periods less than one year. Brokerage commissions are not reflected. NAV per share is determined by dividing the value of the Fund's portfolio securities, cash and other assets, less all liabilities, by the total number of common shares outstanding. The common share market price is the price the market is willing to pay for shares of the Fund at a given time. Common share market price is influenced by a range of factors, including supply and demand and market conditions.

(c) Does not reflect the effect of dividend payments to Preferred Shareholders.

(d) Calculated by subtracting the Fund's total liabilities (not including Preferred Shares) from the Fund's total assets and dividing this by the number of Preferred Shares outstanding.

(e) Calculated by subtracting the Fund's total liabilities (not including Note payable) and preferred shares from the Fund's total assets and dividing this by the amount of note payable outstanding, and by multiplying the result by 1,000.

# Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of Calamos Strategic Total Return Fund

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Calamos Strategic Total Return Fund (the "Fund") as of October 31, 2012, the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2012, by correspondence with the Fund's custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Fund as of October 31, 2012, the results of its operations and cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Chicago, Illinois
December 14, 2012

The Board of Trustees of the Fund oversees the management of the Fund, and, as required by law, determines annually whether to continue the Fund's management agreement with Calamos Advisors under which Calamos Advisors serves as the investment manager and administrator for the Fund. The "Independent Trustees," who comprise more than 80% of the Board, have never been affiliated with Calamos Advisors.

In connection with their most recent consideration regarding the continuation of the management agreement, the Trustees received and reviewed a substantial amount of information provided by Calamos Advisors in response to detailed requests of the Independent Trustees and their independent legal counsel. In the course of their consideration of the agreement, the Independent Trustees were advised by their counsel and, in addition to meeting with management of Calamos Advisors, they met separately in executive session with their counsel.

At a meeting held on June 28, 2012, based on their evaluation of the information referred to above and other information, the Trustees determined that the overall arrangements between the Fund and Calamos Advisors were fair and reasonable in light of the nature, extent and quality of the services provided by Calamos Advisors and its affiliates, the fees charged for those services and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting, the Trustees, including all of the Independent Trustees, approved the continuation of the management agreement through July 31, 2013, subject to possible earlier termination as provided in the agreement.

In connection with its consideration of the management agreement, the Board considered, among other things: (i) the nature, quality and extent of the Adviser's services, (ii) the investment performance of the Fund as well as performance information for comparable funds and other comparable clients of the advisor, (iii) the fees and other expenses paid by the Fund as well as expense information for comparable funds and for other comparable clients of the Adviser, (iv) the profitability of the Adviser and its affiliates from their relationship with the Fund, (v) the extent to which economies of scale may apply, and (vi) other benefits to the Adviser from its relationship with the Fund. In the Board's deliberations, no single factor was responsible for the Board's decision to approve continuation of the management agreements.

*Nature, Extent and Quality of Services*. The Board's consideration of the nature, extent and quality of the Adviser's services to the Fund took into account the knowledge gained from the Board's meetings with the Adviser throughout the prior year. In addition, the Board considered: the Adviser's long-term history of managing the Fund; the consistency of investment approach; the background and experience of the Adviser's investment personnel responsible for managing the Fund; the Adviser's performance as administrator of the Fund, including, among other things, in the areas of brokerage selection, trade execution, compliance and shareholder communications; and frequent favorable recognition of the Adviser in the media and in industry publications. The Board also reviewed the Adviser's resources and key personnel involved in providing investment management services to the Fund, including the time that investment personnel devote to the Fund and the investment results produced by the Adviser's in-house research. The Board noted the personal investments that the Adviser's key investment personnel have made in the Fund, which further aligns the interests of the Adviser and its personnel with those of the Fund's shareholders. In addition, the Board considered compliance reports about the Adviser from the Fund's Chief Compliance Officer. The Board concluded that the nature, extent and quality of the services provided by the Adviser to the Fund were appropriate and consistent with the management agreements and that the Fund was likely to continue to benefit from services provided under its management agreement with the Adviser.

*Investment Performance of the Fund*. The Board considered the Fund's investment performance over various time periods, including how the Fund performed compared to the median performance of a group of comparable funds (the Fund's "Universe Median") selected by Lipper, Inc., an independent data service provider. The performance periods considered by the Board ended on March 31, 2012. Where available, the Board considered one-, three-, five- and ten-year performance.

The Board considered the Fund's net asset value performance, noting that the Fund underperformed its Universe Median during the one- and three-year periods. The Fund performed at the Universe Median for the five-year period.

For the reasons noted above, the Board concluded that continuation of the management agreement for the Fund was in the best interest of the Fund and its shareholders.

*Costs of Services Provided and Profits Realized by the Adviser*. Using information provided by Lipper, the Board evaluated the Fund's actual management fee rate compared to the median management fee rate for other mutual funds similar in size, character and

investment strategy (the Fund's "Expense Group"), and the Fund's total expense ratio compared to the median total expense ratio of the Fund's Expense Group.

The Board considered that the Fund's management fee rate is higher than the median of the Fund's Expense Group. The Board also noted that the Fund's total expense ratio, which reflects the total fees paid by an investor, is higher than the median of the Fund's Expense Group. The Board, in its consideration of expenses, also took into account its review of the Fund's performance.

The Board also reviewed the Adviser's management fee rates for its institutional separate accounts and for its sub-advised funds (for which the Adviser provides portfolio management services only). The Board took into account the Adviser's assertion that although, generally, the rates of fees paid by institutional clients were lower than the rates of fees paid by the Fund, the differences reflected the Adviser's greater level of responsibilities and significantly broader scope of services regarding the Fund, and the more extensive regulatory obligations and risks associated with managing the Fund.

The Board also considered the Adviser's costs in serving as the Fund's investment adviser and manager, including costs associated with technology, infrastructure and compliance necessary to manage the Fund. The Board reviewed the Adviser's methodology for allocating costs among the Adviser's lines of business. The Board also considered information regarding the structure of the Adviser's compensation program for portfolio managers, analysts and certain other employees and the relationship of such compensation to the attraction and retention of quality personnel. Finally, the Board reviewed information on the profitability of the Adviser in serving as the Fund's investment manager and of the Adviser and its affiliates in all of their relationships with the Fund, as well as an explanation of the methodology utilized in allocating various expenses among the Fund and the Adviser's other business units. Data was provided to the Board with respect to profitability, both on a pre- and post-marketing cost basis. The Board also reviewed the annual report of the Adviser's parent company and discussed its corporate structure.

After its review of all the matters addressed, including those outlined above, the Board concluded that the rate of management fee paid by the Fund to the Adviser, in light of the nature and quality of the services provided, was reasonable and in the best interests of the Fund's shareholders.

*Economies of Scale and Fee Levels Reflecting Those Economies*. In reviewing the Fund's fees and expenses, the Trustees examined the potential benefits of economies of scale and whether any economies of scale should be reflected in the Fund's fee structure. They noted that the Fund is a closed-end fund, and has therefore had a relatively stable asset base since commencement of operations and that there do not appear to have been any significant economies of scale realized since that time.

*Other Benefits Derived from the Relationship with the Fund*. The Board also considered other benefits that accrue to the Adviser and its affiliates from their relationship with the Fund. The Board concluded that, other than the services to be provided by the Adviser and its affiliates pursuant to their agreements with the Fund and the fees payable by the Fund therefore, the Fund and the Adviser may potentially benefit from their relationship with each other in other ways. The Board also considered the Adviser's use of a portion of the commissions paid by the Fund on their portfolio brokerage transactions to obtain research products and services benefiting the Fund and/or other clients of the Adviser and concluded, based on reports from the Fund's Chief Compliance Officer, that the Adviser's use of "soft" commission dollars to obtain research products and services was consistent with regulatory requirements.

After full consideration of the above factors as well as other factors that were instructive in their consideration, the Trustees, including all of the Independent Trustees, concluded that the continuation of the management agreement with the Adviser was in the best interest of the Fund and its shareholders.

# Tax Information (Unaudited)

We are providing this information as required by the Internal Revenue Code (Code). The amounts shown may differ from those elsewhere in this report due to differences between tax and financial reporting requirements. In February 2013, shareholders will receive Form 1099-DIV which will include their share of qualified dividends and capital gains distributed during the calendar year 2012. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their individual income tax returns.

Under Section 854(b)(2) of the Code, the Fund hereby designates $40,093,551 or the maximum amount allowable under the Code, as qualified dividends for the fiscal year ended October 31, 2012.

Under Section 854(b)(2) of the Code, the Fund hereby designates 48.92% of the ordinary income dividends as income qualifying for the corporate dividends received deduction for the fiscal year ended October 31, 2012.

The management of the Fund, including general supervision of the duties performed for the Fund under the investment management agreement between the Fund and Calamos Advisors, is the responsibility of its board of trustees. Each trustee elected will hold office for the terms noted below or until such trustee's earlier resignation, death or removal; however, each trustee who is not an interested person of the Fund shall retire as a trustee at the end of the calendar year in which the trustee attains the age of 72 years.

The following table sets forth each trustee's name, age at October 31, 2012, position(s) with the Fund, number of portfolios in the Calamos Fund Complex overseen, principal occupation(s) during the past five years and other directorships held, and date first elected or appointed.

| NAME AND AGE | POSITIONS(S) WITH FUND | PORTFOLIOS IN FUND COMPLEX^ OVERSEEN | PRINCIPAL OCCUPATION(S) AND OTHER DIRECTORSHIPS |
|---|---|---|---|
| **Trustees who are interested persons of the Fund:** | | | |
| John P. Calamos, Sr., 72* | Trustee and President (since 1988)<br>Term Expires 2014 | 19 | Chairman, CEO, and Global Co-Chief Investment Officer, Calamos Asset Management, Inc. ("CAM"), Calamos Investments LLC ("CILLC"), Calamos Advisors LLC and its predecessor ("Calamos Advisors"), and Calamos Wealth Management LLC ("CWM") and Chief Executive Officer, Calamos Financial Services LLC and its predecessor ("CFS"); Director, CAM |
| **Trustees who are not interested persons of the Fund:** | | | |
| Weston W. Marsh, 62 | Trustee (since 2002)<br>Term Expires 2013 | 19 | Of Counsel and, until December 31, 2005, Partner, Freeborn & Peters LLP (law firm) |
| John E. Neal, 62 | Trustee (since 2001)<br>Term Expires 2015 | 19 | Private investor; Director, Equity Residential (publicly-owned REIT) and Creation Investments (private international microfinance company); Partner, Linden LLC (health care private equity) |
| William R. Rybak, 61 | Trustee (since 2002)<br>Term Expires 2014 | 19 | Private investor; Director, Christian Brothers Investment Services, Inc. (since February 2010); Director, Private Bancorp (since December 2003); formerly, Executive Vice President and Chief Financial Officer, Van Kampen Investments, Inc. and subsidiaries (investment manager); Director, Howe Barnes Hoefer & Arnett (until March 2011) Trustee, JNL Series Trust, JNL Investors Series Trust and JNL Variable Fund LLC**; Trustee, Lewis University (since October 2012) |
| Stephen B. Timbers, 68 | Trustee (since 2004) and Lead Independent Trustee (since 2005)<br>Term Expires 2013 | 19 | Private investor |
| David D. Tripple, 68 | Trustee (since 2006)<br>Term Expires 2015 | 19 | Private investor; Trustee, Century Growth Opportunities Fund (since 2010), Century Shares Trust and Century Small Cap Select Fund (since January 2004)*** |

* Mr. Calamos is an "interested person" of the Fund as defined in the 1940 Act because he is an officer of the Fund and an affiliate of Calamos Advisors and CFS.

** Overseeing 104 portfolios in fund complex.

*** Overseeing three portfolios in fund complex.

^ The Fund Complex consists of CALAMOS Investment Trust, CALAMOS Advisors Trust, CALAMOS Convertible Opportunities and Income Fund, CALAMOS Convertible and High Income Fund, CALAMOS Strategic Total Return Fund, CALAMOS Global Total Return Fund and CALAMOS Global Dynamic Income Fund.

The address of each trustee is 2020 Calamos Court, Naperville, Illinois 60563.

**Officers.** The preceding table gives information about John P. Calamos, Sr., who is president of the Fund. The following table sets forth each other officer's name, age at October 31, 2012, position with the Fund and date first appointed to that position, and principal occupation(s) during the past five years. Each officer serves until his or her successor is chosen and qualified or until his or her resignation or removal by the board of trustees.

| NAME AND AGE | POSITION(S) WITH FUND | PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS |
|---|---|---|
| Nimish S. Bhatt, 49 | Vice President and Chief Financial Officer (since 2007) | Senior Vice President since 2004, Chief Financial Officer (since May 2011), Head of Fund Administration (since November 2011), CAM, CILLC, Calamos Advisors, CWM and CFS; prior thereto Director of Operations (since 2004); Director, Calamos Global Funds PLC (since 2007); Member, board of directors of NICSA (a not-for-profit industry trade organization) (since June 2006) |
| James J. Boyne, 46 | Vice President (since 2008) and Assistant Secretary (since 2010) | Executive Vice President and Chief Operating Officer, CAM, CILLC, CWM, Calamos Advisors and CFS (since 2011); prior thereto President of Distribution and Operations (since 2008); Senior Vice President, General Counsel and Secretary, CAM, CILLC, CWM, Calamos Advisors (since 2008); Chief Operating Officer – Distribution, CFS (since 2008); prior thereto, Chief Operating Officer, General Counsel and Executive Managing Director of McDonnell Investment Management, LLC (2001-2008) |
| J. Christopher Jackson, 61 | Vice President and Secretary (since 2010) | Senior Vice President, General Counsel and Secretary, CAM, CHLLC, Calamos Advisors and CFS (since 2010); Director, U.S. Head of Retail Legal and Co-Global Head of Retail Legal of Deutsche Bank AG (2006-2010); prior thereto, Director, Senior Vice President, General Counsel and Assistant Secretary of Hansberger Global Investors, Inc. (1996-2006) |
| Mark J. Mickey, 61 | Chief Compliance Officer (since 2005) | Chief Compliance Officer, Calamos Funds (since 2005) and Chief Compliance Officer, Calamos Advisors (2005-2006) |
| Curtis Holloway, 45 | Treasurer (since 2010), Prior thereto Assistant Treasurer since 2007 | Treasurer of Calamos Investment Trust, Calamos Advisors Trust, CHI, CHY, CSQ, CGO and CHW (since June 2010); prior thereto Assistant Treasurer (since 2007) |
| Gary Black, 52 | Vice President (since Sept 2012) | EVP, Global Co-Chief Investment Officer and Chief Investment Officer of Alternative Investments (since August 2012), CAM, CILLC, Calamos Advisors, CWM and CFS; prior thereto CEO, Chief Investment Officer and Founding Member of Black Capital (since 2009); prior thereto, CEO of Janus Capital Group (since 2006). |

The address of each officer is 2020 Calamos Court, Naperville, Illinois 60563.

## Results of Annual Meeting

The Fund held its annual meeting of shareholders on June 27, 2012. The purpose of the annual meeting was to elect two Trustees to the Fund's board of trustees for a three-year term, or until the trustee's successor is duly elected and qualified, and to conduct any other lawful business of the Fund. Mr. John E. Neal and Mr. David D. Tripple were nominated for reelection as Trustees, and were elected as such by a plurality vote as follows:

| TRUSTEE NOMINEE | VOTES FOR | VOTES WITHHELD | BROKER NON-VOTES AND ABSTENTIONS |
|---|---|---|---|
| John E. Neal | 133,176,190 | 2,986,075 | 0 |
| David D. Tripple | 133,154,395 | 3,007,870 | 0 |

Messrs. Calamos, Rybak Marsh, and Timbers' terms of office as Trustees continued after the meeting.

## What is a Closed-End Fund?

A closed-end fund is a publicly traded investment company that raises its initial investment capital through the issuance of a fixed number of shares to investors in a public offering. Shares of a closed-end fund are listed on a stock exchange or traded in the over-the-counter market. Like all investment companies, a closed-end fund is professionally managed and offers investors a unique investment solution based on its investment objective approved by the fund's Board of Directors.

## Potential Advantages of Closed-End Fund Investing

- **Defined Asset Pool Allows Efficient Portfolio Management**—Although closed-end fund shares trade actively on a securities exchange, this doesn't affect the closed-end fund manager because there are no new investors buying into or selling out of the fund's portfolio.
- **More Flexibility in the Timing and Price of Trades**—Investors can purchase and sell shares of closed-end funds throughout the trading day, just like the shares of other publicly traded securities.
- **Lower Expense Ratios**—The expense ratios of closed-end funds are oftentimes less than those of mutual funds. Over time, a lower expense ratio could enhance investment performance.
- **Closed-End Structure Makes Sense for Less-Liquid Asset Classes**—A closed-end structure makes sense for investors considering less-liquid asset classes, such as high-yield bonds or micro-cap stocks.
- **Ability to Put Leverage to Work**—Closed-end funds may issue senior securities (such as preferred shares or debentures) or borrow money to "leverage" their investment positions.
- **No Minimum Investment Requirements**

## OPEN-END MUTUAL FUNDS VERSUS CLOSED-END FUNDS

| OPEN-END FUND | CLOSED-END FUND |
|---|---|
| Issues new shares on an ongoing basis | Generally issues a fixed number of shares |
| Issues common equity shares | Can issue common equity shares and senior securities such as preferred shares and bonds |
| Sold at NAV plus any sales charge | Price determined by the marketplace |
| Sold through the fund's distributor | Traded in the secondary market |
| Fund redeems shares at NAV calculated at the close of business day | Fund does not redeem shares |

# Level Rate Distribution Policy

## Using a Level Rate Distribution Policy to Promote Dependable Income and Total Return

The goal of the level rate distribution policy is to provide investors a predictable, though not assured, level of cash flow, which can either serve as a stable income stream or, through reinvestment, contribute significantly to long-term total return.

We understand the importance that investors place on the stability of dividends and their ability to contribute to long-term total return, which is why we have instituted a level rate distribution policy for the Fund. Under the policy, monthly distributions paid may include net investment income, net realized short-term capital gains and, if necessary, return of capital. In addition, a limited number of distributions per calendar year may include net realized long-term capital gains. There is no guarantee that the Fund will realize capital gains in any given year. Distributions are subject to re-characterization for tax purposes after the end of the fiscal year. All shareholders with taxable accounts will receive written notification regarding the components and tax treatment for distributions via Form 1099-DIV.

Distributions from the Fund are generally subject to Federal income taxes. For purposes of maintaining the level rate distribution policy, the Fund may realize short-term capital gains on securities that, if sold at a later date, would have resulted in long-term capital gains. Maintenance of a level rate distribution policy may increase transaction and tax costs associated with the Fund.

# Automatic Dividend Reinvestment Plan

## Maximizing Investment with an Automatic Dividend Reinvestment Plan

The Automatic Dividend Reinvestment Plan offers a simple, cost-efficient and convenient way to reinvest your dividends and capital gains distributions in additional shares of the Fund, allowing you to increase your investment in the Fund.

## Potential Benefits

- **Compounded Growth:** By automatically reinvesting with the Plan, you gain the potential to allow your dividends and capital gains to compound over time.
- **Potential for Lower Commission Costs:** Additional shares are purchased in large blocks, with brokerage commissions shared among all plan participants. There is no cost to enroll in the Plan.
- **Convenience:** After enrollment, the Plan is automatic and includes detailed statements for participants. Participants can terminate their enrollment at any time.

Pursuant to the Plan, unless a shareholder is ineligible or elects otherwise, all dividend and capital gains on common shares distributions are automatically reinvested by Computershare, as agent for shareholders in administering the Plan ("Plan Agent"), in additional common shares of the Fund. Shareholders who elect not to participate in the Plan will receive all dividends and distributions payable in cash paid by check mailed directly to the shareholder of record (or, if the shares are held in street or other nominee name, then to such nominee) by Plan Agent, as dividend paying agent. Shareholders may elect not to participate in the Plan and to receive all dividends and distributions in cash by sending written instructions to Plan Agent, as dividend paying agent, at: Dividend Reinvestment Department, P.O. Box 358016, Pittsburgh, PA 15252. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by giving notice in writing to the Plan Agent; such termination will be effective with respect to a particular dividend or distribution if notice is received prior to the record date for the applicable distribution.

The shares are acquired by the Plan Agent for the participant's account either (i) through receipt of additional common shares from the Fund ("newly issued shares") or (ii) by purchase of outstanding common shares on the open market ("open-market purchases") on the NASDAQ or elsewhere. If, on the payment date, the net asset value per share of the common shares is equal to or less than the market price per common share plus estimated brokerage commissions (a "market premium"), the Plan Agent will receive newly issued shares from the Fund for each participant's account. The number of newly issued common shares to be credited to the participant's account will be determined by dividing the dollar amount of the dividend or distribution by the greater of (i) the net asset value per common share on the payment date, or (ii) 95% of the market price per common share on the payment date.

If, on the payment date, the net asset value per common share exceeds the market price plus estimated brokerage commissions (a "market discount"), the Plan Agent has a limited period of time to invest the dividend or distribution amount in shares acquired in open-market purchases. The weighted average price (including brokerage commissions) of all common shares purchased by the Plan Agent as Plan Agent will be the price per common share allocable to each participant. If, the Plan Agent is unable to invest the full dividend amount in open-market purchases during the purchase period or if the market discount shifts to a market premium during the purchase period, the Plan Agent will cease making open-market purchases and will invest the uninvested portion of the dividend or distribution amount in newly issued shares at the close of business on the last purchase date.

The automatic reinvestment of dividends and distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends even though no cash is received by participants.

There are no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or distributions payable either in shares or in cash. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open-market purchases in connection with the reinvestment of dividends or distributions. If a participant elects to have the Plan Agent sell part or all of his or her common shares and remit the proceeds, such participant will be charged his or her pro rata share of brokerage commissions on the shares sold, plus a $15 transaction fee. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants.

A participant may request the sale of all of the common shares held by the Plan Agent in his or her Plan account in order to terminate participation in the Plan. If such participant elects in advance of such termination to have the Plan Agent sell part or all of his shares, the Plan Agent is authorized to deduct from the proceeds a $15.00 fee plus the brokerage commissions incurred for the transaction. A participant may re-enroll in the Plan in limited circumstances.

The terms and conditions of the Plan may be amended by the Plan Agent or the Fund at any time upon notice are required by the Plan.

This discussion of the Plan is only summary, and is qualified in its entirety to the Terms and Conditions of the Dividend Reinvestment Plan filed as part of the Fund's registration statement.

For additional information about the Plan, please contact the Plan Agent, Computershare, at 866.226.8016. If you wish to participate in the Plan and your shares are held in your own name, simply call the Plan Agent. If your shares are not held in your name, please contact your brokerage firm, bank, or other nominee to request that they participate in the Plan on your behalf. If your brokerage firm, bank, or other nominee is unable to participate on your behalf, you may request that your shares be re-registered in your own name.

We're pleased to provide our shareholders with the additional benefit of the Fund's Dividend Reinvestment Plan and hope that it may serve your financial plan.

# MANAGING YOUR CALAMOS FUNDS INVESTMENTS

Calamos Investments offers several convenient means to monitor, manage and feel confident about your Calamos investment choice.

## PERSONAL ASSISTANCE: 800.582.6959

Dial this toll-free number to speak with a knowledgeable Client Services Representative who can help answer questions or address issues concerning your Calamos Fund.

## YOUR FINANCIAL ADVISOR

We encourage you to talk to your financial advisor to determine how the Calamos Funds can benefit your investment portfolio based on your financial goals, risk tolerance, time horizon and income needs.

## STAY CONNECTED
**calamos.com**

Visit our Web site for timely fund performance, detailed fund profiles, fund news and insightful market commentary.

A description of the Calamos Proxy Voting Policies and Procedures and the Fund's proxy voting record for the 12-month period ended June 30, 2012, are available free of charge upon request by calling 800.582.6959, by visiting the Calamos Web site at calamos.com, by writing Calamos at: Calamos Investments, Attn: Client Services, 2020 Calamos Court, Naperville, IL 60563. The Fund's proxy voting record is also available free of charge by visiting the SEC Web site at sec.gov.

The Fund files its complete list of portfolio holdings with the SEC for the first and third quarters each fiscal year on Form N-Q . The Forms N-Q are available free of charge, upon request, by calling or writing Calamos Investments at the phone number or address provided above or by visiting the SEC Web site at sec.gov. You may also review or, for a fee, copy the forms at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.732.0330.

On June 20, 2012, the Fund submitted a CEO annual certification to the NYSE on which the Fund's chief executive officer certified that he was not aware, as of that date, of any violation by the Fund of the NYSE's corporate governance listing standards. In addition the Fund's report to the SEC on Form N-CSR contains certifications by the fund's principal executive officer and principal financial officer as required by Rule 30a-2(a) under the 1940 Act, relating to, among other things, the quality of the Fund's disclosure controls and procedures and internal control over financial reporting.

**FOR 24-HOUR AUTOMATED SHAREHOLDER ASSISTANCE:** 866.226.8016

**TO OBTAIN INFORMATION ABOUT YOUR INVESTMENTS:** 800.582.6959

**VISIT OUR WEB SITE:** calamos.com

**INVESTMENT ADVISER:**
Calamos Advisors LLC
2020 Calamos Court
Naperville, IL 60563-2787

**CUSTODIAN AND FUND ACCOUNTING AGENT:**
State Street Bank and Trust Company
225 Franklin Street
Boston, MA 02111

**TRANSFER AGENT:**
Computershare
P.O. Box 358016
Pittsburgh, PA 15252
866.226.8016

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM:**
Deloitte & Touche LLP
Chicago, IL

**LEGAL COUNSEL:**
K&L Gates LLP
Chicago, IL

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