TIMELY INFORMATION INSIDE

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CALAMOS®

Investor Insights

IN THIS ISSUE

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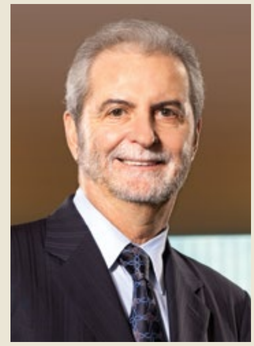
FUND REPORT INSIDE

Dear Investors,



Diversification among asset classes and investment styles may allow investors to participate more fully in the wealth potential of the global economy. Because of its importance in all market environments, we've made diversification a central theme of this issue of *Investor Insights.*

Our feature article focuses on alternative strategies, an area of growing interest for many mutual fund investors. As your financial advisor may have already discussed with you, alternative strategies may help you refine your portfolio's diversification and achieve your long-term investment goals.

To serve financial advisors and their clients, we have recently launched **Calamos Long/Short Fund.** This fund continues our tradition as an alternatives pioneer. More than 20 years ago, we launched **Calamos Market Neutral Income Fund,** a portfolio that seeks to provide income with less sensitivity to interest rates than government bond funds.

Of course, diversification alone does not guarantee a profit or protect against a loss. Active, experienced management is essential, both in terms of the funds within an investor's portfolio and the way in which those funds are combined to reflect a unique set of financial goals.

An active team-centric approach has always been a guiding principle at Calamos Investments. Moreover, to ensure that we best serve you and your advisor, our investment professionals are organized by speciality. Daily collaboration among teams generates many insights, which are further bolstered by the expertise of research analysts and risk management specialists. We believe that this approach positions us to identify the most compelling investments within the global economy, while we stay vigilant to the potential risks.

If you have any questions about enhancing your asset allocation with Calamos funds, please contact your financial advisor. Thank you for choosing Calamos Investments to help you achieve your investment goals.

John P. Calamos, Sr.
Chief Executive Officer and Global Co-Chief Investment Officer

This information is provided for informational purposes only and nothing presented herein is or is intended to constitute investment advice, and no investment decision should be made based on any information provided herein.

Before investing, carefully consider the fund's investment objectives, risks, charges and expenses. Please see the prospectus and summary prospectus containing this and other information or call 800.582.6959. Read it carefully before investing.

An investment in the Fund(s) is subject to risks, and you could lose money on your investment in the Fund(s). There can be no assurance that the Fund(s) will achieve its investment objective. Your investment in the Fund(s) is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. The risks associated with an investment in the Fund(s) can increase during times of significant market volatility. The Fund(s) also has specific principal risks, and more detailed information regarding these risks can be found in the Fund's prospectus.

Some of the risks associated with investing in alternatives may include hedging risk, derivative risk, short sale risk, interest rate risk, credit risk, liquidity risk, non-U.S. government obligation risk and portfolio selection risk.

Alternative Investments:

Diversifying Asset Allocation

Asset allocation strategies focus on striking a balance between risk and reward that is consistent with an investor's long-term goals. Blending investments with different characteristics may help smooth the ups and downs associated with one type of asset class, mitigate the impact of market volatility, as well as enhance income or capital appreciation potential.*

A TRADITION OF ALTERNATIVE INVESTING

Throughout our history, we have provided investors with innovative strategies to help them tailor the risk/return characteristics of their asset allocations.

1980s While convertible securities now enjoy recognition in the global markets, they were not well known in 1985 when we introduced Calamos Convertible Fund, one of the first convertible mutual funds.

1990s In 1990, Calamos Market Neutral Fund brought strategies typically reserved for hedge funds to individual investors, making it one of the first alternative strategies for mutual fund investors.

2010s We introduced Calamos Long/Short Fund in 2013 to meet the growing demand for liquid alternative strategies. We draw upon a collaborative approach that leverages extensive collective expertise.

Investors used to think of a well-diversified portfolio as one that included U.S. stocks, bonds and cash. Today, financial advisors are increasingly encouraging their clients to build upon this foundation by combining a broader range of investments within their asset allocations. This has ushered in a growing role for alternative strategies, an area in which Calamos has a well-established footprint.

Alternatives: A Breadth of Opportunity

Alternatives investments have portfolio characteristics that often differ from those of more traditional asset classes (stocks, bonds and cash). In addition to potentially lessening the volatility of a portfolio, alternatives can provide a more targeted way to achieve a particular goal—such as equity market participation or enhanced income. Because alternative strategies entail more risks, they might not be suitable for all investors, however.

*Diversification does not ensure a profit or protect against a loss.

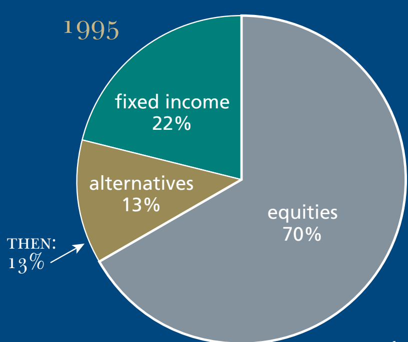
ALTERNATIVE STRATEGIES: AN EXPANDING ROLE IN ASSET ALLOCATION

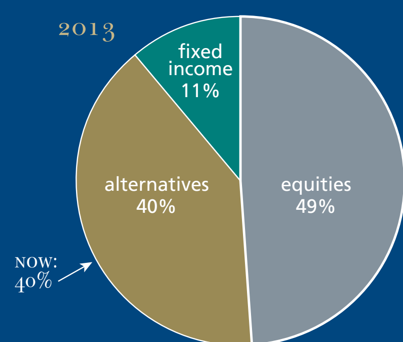
Years of aggressive monetary policy from the Fed and other global central banks have caused the yields of government bonds to plummet, leading investors to look elsewhere in their quest for income. While many retail investors have turned to low-yielding investment-grade securities, institutions have increased their allocations to alternatives.

The Harvard University Endowment Policy Portfolio exemplifies how many institutional investors are shifting their portfolios in response to an evolving global low-rate environment. Within the Harvard portfolio, alternative investments have more than tripled from 13% in 1995 to 40% in 2013, while the fixed income allocation has been sliced in half.

INSTITUTIONAL INVESTORS HAVE INCREASED THEIR COMMITMENT TO ALTERNATIVES

Harvard University Endowment Policy Portfolio: Then and Now





Data for 1995 adds to 105% due to a -5% cash allocation.

The alternative category is broad and encompasses everything from commodities (such as oil and gold), real estate investments, and private equity to sophisticated investment strategies, such as call writing, short sales, arbitrage, managed futures and currency portfolios. For those who wish to diversify a traditional asset allocation, the key is to identify alternatives that make the most sense for their unique circumstances. Before choosing an alternative strategy, it's important to consider the potential risks as well as the return opportunities. For example, in addition to the usual market and investment risks associated with mutual funds, alternative funds have other risks based on the strategies they utilize.

Liquid Alternatives: Sophisticated Strategies, Conveniently Packaged

In many cases, a market neutral or long/short equity strategy may provide a compelling starting point for alternatives diversification. Once almost exclusively available to hedge fund investors, these strategies can now be found in mutual fund structures that provide greater liquidity, transparency and reasonable investment minimum hurdles. Because of these features, such funds may be referred to as "liquid alternatives." Calamos Investments offers two alternative portfolios in mutual fund structures: **Calamos Market Neutral Income Fund** and **Calamos Long/Short Fund.**

Goal: Enhance Income Potential, Reduce Interest-Rate Sensitivity

Alternative Strategy: Calamos Market Neutral Income Fund

For more than 20 years, Calamos Market Neutral Income Fund has helped investors diversify their traditional fixed income allocations. In this fund, the aim is to provide income and capital appreciation, consistent with the preservation of capital, as well as consistent returns whether the equity market is going up or down.

Calamos Market Neutral Income Fund does not rely on bonds for income. As a result, the Fund may be less sensitive to interest rates—a key consideration for income-oriented investors, particularly in an environment where there's not much more room for rates to fall further, but plenty of room for them to rise. Instead, our investment team utilizes complementary convertible arbitrage, covered call writing and opportunistic strategies, such as long/short. By blending investment strategies, we seek to capitalize on market volatility to generate income and risk-managed returns. There are risks associated with these strategies, however. The fund risks are noted on page 6 and are also discussed more fully in the fund's prospectus.

Over its history, our approach has demonstrated low correlation to fixed-income benchmarks (see below), and we are honored that our market neutral income investment team was nominated by Morningstar as Alternative Fund Manager of the Year in 2012. (Please see the back cover for information about the nomination.)

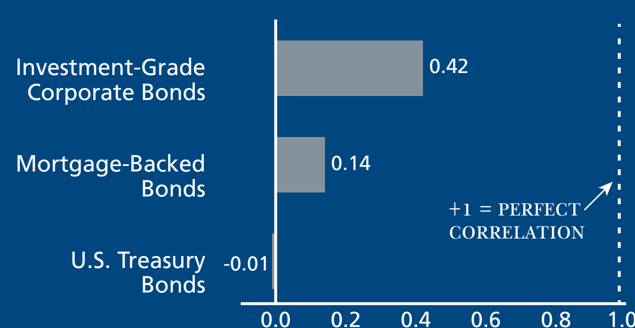
ALTERNATIVES CAN LOWER PORTFOLIO VOLATILITY

The growing popularity of alternative strategies reflects lessons learned from the broad-based market correction of 2008, when asset classes that historically had been uncorrelated performed similarly to one another. Alternative allocations may lower the volatility of a portfolio because they perform differently than traditional assets. For example, Calamos Market Neutral Income Fund has demonstrated low correlation[†] with many interest-rate-sensitive fixed income categories.

MARKET NEUTRAL INCOME FUND: LOW CORRELATION TO TRADITIONAL ASSETS

Correlation since fund inception through March 31, 2013

Calamos Market Neutral Income Fund's performance has differed markedly from that of traditional fixed income assets.[‡]



Source: Morningstar

Past performance is no guarantee of future results. The fund's inception date is September 4, 1990.

[†] Correlation refers to a measure of the interdependence of two random variables that ranges in value from -1 to +1, indicating perfect negative correlation at -1, absence of correlation at zero, and perfect positive correlation at +1.

[‡] Please note that there are material differences in regard to these asset categories, and the fund is subject to additional risks. Corporate bonds and mortgage-backed bonds are subject to interest-rate risk and credit risk, including the risk of default. U.S. Treasury bonds are subject to interest rate risk; they are backed by the full faith of the U.S. government, while it is possible to lose money investing in the fund.

In the chart above, the fund is compared to indexes. U.S. investment-grade corporate bonds are represented by the Barclays U.S. Corporate Index. Mortgages (securitized residential mortgages) are represented by the Barclays U.S. MBS Index. U.S. Treasury bonds are represented by the Barclays U.S. Treasury Index. Unmanaged index returns assume reinvestment of any and all distributions and, unlike fund returns, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

Goal: Capitalize on the Ups and Downs of the Equity Market

Alternative Strategy: Calamos Long/Short Fund

Even as the stock market has rallied since the Great Recession, stocks have demonstrated considerable volatility. Therefore, it's not surprising that financial advisors have increasingly sought to turn the reality of market volatility to their clients' advantage. Against this backdrop, long/short equity is another alternative strategy that has gained a broader presence in asset allocations.

In Calamos Long/Short Fund, we seek to benefit from both advances and declines in the equity market. Our specialized alternatives team employs fundamental analysis to identify the stocks that they believe will go up (the long positions) as well as those that will go down (the short positions). Short positions entail added risks, however, such as the potential for an infinite loss on a stock position that rises instead of falls and the risk that a security may not be available for purchase. (For more on short sales, see the sidebar.) As part of a multi-faceted risk management process, we can combine long and short strategies to lessen the risks of individual positions. Please note that the fund has other risks as well, summarized below and discussed at length in the fund's prospectus.

LONG/SHORT PRIMER: WHAT IS A SHORT SALE?

Short sales allow an investor to capitalize on the decline of a security. If an investor believes a security will decline in price, she can borrow it (typically from a broker), sell it and collect the proceeds. At an agreed upon time, the borrower must return the shares to the lender. If the price has indeed declined, the borrower will be able to purchase shares at a lower price than those she sold.

Conclusion

Although alternatives may represent a new frontier for many investors, many of the same considerations that drive the selection of traditional investments apply. Risk/return tolerance, investment objectives, time horizon and other personal circumstances provide a good starting point for determining if a liquid alternative strategy is appropriate for you. Your financial advisor can tell you more about the potential benefits and risks of Calamos Market Neutral Income Fund and Calamos Long/Short Fund.

> "*What drives performance in* Calamos Market Neutral Income *is the same as what* drives performance *across Calamos' suite of convertible bond funds – a deep research bench and* decades of experience." – Morningstar, December 18, 2012 "Nominees for Alternatives Fund Manager of the Year"

Understand the Risks: The principal risks of investing in Calamos Long/Short Fund include: equity securities risk, short sale risk, options risk, portfolio selection risk, liquidity risk, convertible securities risk, synthetic convertible instruments risk, leveraging risk, portfolio turnover risk, foreign securities risk, growth stock risk, small and mid-size company risk, emerging markets risk, derivative risks, futures and forward contracts, interest rate risk, credit risk, cash holdings risk.

The principal risks of investing in Calamos Market Neutral Income Fund include: convertible securities risk, synthetic convertible instruments risk, convertible hedging risk, covered call writing risk, options risk, short sale risk, interest rate risk, credit risk, high yield risk, liquidity risk and portfolio selection risk.

Growth & Value:

Why Investors Need Both

A Q&A WITH JOHN P. CALAMOS, SR., CEO AND GLOBAL CO-CIO, AND GARY D. BLACK, EVP AND GLOBAL CO-CIO

Q: What's the difference between growth stocks and value stocks?

Gary Black: Growth stocks typically have above-average revenue and earnings growth potential. They often—but not always—have higher price-to-earnings multiples because investors will pay more for companies with higher growth potential. In contrast, value stocks tend to have lower prices versus a particular measure, such as earnings, cash flows or book values. Growth and value are broad categories, and there are many different types of funds within each group.

There are differences in the risks associated with growth and value stocks. Growth stocks may be more volatile than other types of stocks, while the prices of value stocks may not rise as an investor expects. To address this, the Calamos investment teams rely on our rigorous research, ongoing monitoring and multi-faceted risk management processes.

Q: Should investors emphasize growth or value in their asset allocations?

John P. Calamos, Sr: Successful asset allocation strategies should be well diversified and guided by an individual's risk tolerance, time horizon and other considerations. It's not a "one-size-fits-all" approach. But generally, allocations to both make sense over the long term.

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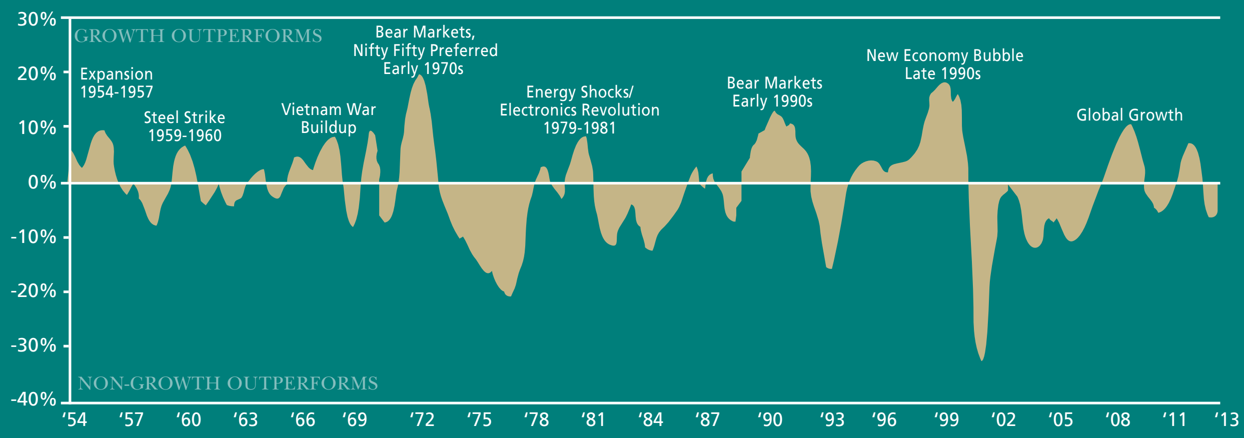
FIGURE 1: GROWTH AND VALUE ALTERNATE LEADERSHIP

Large-Capitalization Stocks: Growth vs. Non-Growth Annual Relative Returns[1], 1954 Through March 2013



Past performance is no guarantee of future results. Source: Empirical Research Partners analysis.
[1] Capitalization-weighted data smoothed on a trailing twelve-month basis.

Looking at equity asset allocation from a "growth vs. value" perspective can lead investors down the wrong path. Growth and value typically perform differently from one another, depending on economic conditions and market sentiment. This has been the case not only over recent years but also over decades (Figure 1).

Q. What investment style is currently in favor?

Gary: We have been in a value "regime" since 2011 (Figure 1). Value stocks often lead when investors are less optimistic about future economic growth and are concerned that growth companies won't be able to achieve their higher future earnings targets.

However, other factors also come into play during every market cycle. Recently, this current value regime has been supported by investors' drive for "short-duration equities," that is, getting more of their cash up front in the form of dividends and share buybacks. The Federal Reserve has been extremely aggressive in its efforts to stimulate the economy through cash infusions, and consequently, longer-term interest rates have been held at unnaturally low levels for an extended period. As the yields of government bonds have fallen, investors have turned to dividend-oriented securities as "fixed income surrogates." Many of the companies that pay higher dividends are in more value-oriented segments of the market, such as utilities, telecom, and consumer staples.

Growth-oriented companies, in contrast, typically don't pay high dividends. Instead, growth companies often prefer to reinvest their cash to support new product development, with an eye to growing their earnings longer-term. In an uncertain economic environment, as we were in earlier in the year, investors tend not to

> *It makes sense for most investors to* **stay diversified, maintaining allocations** *to both growth and value.*

pay up for these future earnings. This has reversed somewhat in the last few months as stronger economic data has given investors more confidence about economic growth going forward.

Q. If we are in a value regime, why invest in growth equities?

John: I've been investing for clients for more than 40 years, and I've heard many stories about investors who tried to chase performance by investing in something that was already well on its way up. Or investors who tried to "time" when the markets would change direction and jump in then.

It's impossible to precisely predict when the markets will turn from value to growth or vice versa. Investors are more likely to get whipsawed. They end up missing out on upside market performance *and* capturing a lot of the downside. That's the worst of both worlds.

So, it makes sense for most investors to stay diversified, maintaining allocations to both growth and value. It's about being there before the market turn. Of course, while diversification can't guarantee returns or protect against a loss, it has often helped smooth up the ups and downs in performance.

Q. So, do you recommend that investors pick some growth funds and value funds and just "let things ride"?

John: Not exactly. On the one hand, it is important to keep a long-term perspective and not get distracted by short-term market events. For example, we saw a lot of declines in the growth-oriented technology sector during the first quarter of the year. Our investment team was closely following what was going on, and we determined that the lower prices often were not a reflection of fundamental weakness in technology stocks. Instead, the price declines were the result of the market's preference for dividend stocks in a low-interest rate environment. In some cases, we pared technology holdings, but often the downturn also provided opportunities to pick up really exciting technology companies at good prices. The bottom line is that you don't want to churn an asset allocation by selling long-term positions on the basis of short-term performance.

On the other hand, you do want to strike a balance by actively managing allocations to growth and value. Many investors rely on financial advisors to help accomplish this, typically through periodic rebalancing. When it comes to growth and value allocations, the key is to make adjustments ahead of market turns.

Q. Do you see signs that a growth environment could be on the way?

Gary: Yes. Historically, growth regimes have been characterized by a number of factors. We are starting to see signs of strengthening in some of these indicators. For one, economic activity is improving in the United States. We've had 15 consecutive quarters of expansion. The housing market is recovering nicely and consumers have kept spending. The effects of the sequester have been held largely at bay. Meanwhile, inflation expectations have been kept in check. Although job growth has been slow, it has been moving in the right direction. As confidence grows in the recovery, I expect that investors could increase their interest in companies with higher growth rates versus the income-oriented, lower-growth stocks that have lately been in favor.

Q. What's your overall outlook for stocks?

Gary: We think equities are very compelling at present. By some measures, stock prices are close to their most attractive levels in several decades. Even though we've seen the stock market rise, we believe there is room for more upside. Both our growth and value teams are finding many stocks that meet their particular criteria.

Our growth team focuses on companies with above-average and sustainable earnings growth potential. They like businesses that offer innovative products and services that are aligned with global secular growth trends. What we've seen in recent months is that these stocks have been overlooked as a search for income has spilled over from the bond market into the equity market. These higher-yielding stocks often hail from regulated industries with less robust growth potential, such as utilities and some areas of health care.

Our value team is also is excited about the opportunities they are finding in the stock market. There are many ways to approach value investing. Our value team follows what we consider to be an "all seasons" value strategy. Unlike a "deep value" manager who buys a stock even if it is cheap for good reason, our team's approach differentiates between the "broken stocks" they want to find and "broken companies" they want to avoid. They are opportunistic, looking for strong operating businesses that are temporarily undervalued by the market and that have a catalyst that can lead a stock's price higher in six to 18 months.

> "*I expect that investors could* increase their interest *in companies with* higher growth rates *versus the income-oriented, lower-growth stocks …*"

Q. Are their areas of the stock market that you believe investors should approach with care?

Gary: I mentioned that we believe there is more room for stock prices to move higher. However, there could be some choppiness along the way. Our investment team has been concerned about the prices of many so-called "defensive" stocks—the high dividend payers I mentioned earlier. We're concerned that the prices of many of these companies have reached levels that may be very difficult to sustain. There's not much defensive about that. Meanwhile, we see compelling opportunities among stocks with more pronounced growth attributes.

Q. What should investors do if they have questions about the balance between growth and value in their asset allocations?

John: I'd recommend reaching out to a financial advisor, who can assess an asset allocation both in terms of market opportunity as well as the investor's personal circumstances. Earlier we mentioned that not all value or growth funds are alike. A financial advisor can help identify which Calamos funds could do the best job complementing the other funds an investor already owns.

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The Fund Manager of the Year award winners are chosen based on Morningstar's proprietary research and in-depth qualitative evaluation by its fund analysts. Nominated funds must be Morningstar Medalists—a fund that has garnered a Morningstar Analyst Rating of Gold, Silver, or Bronze. The new five-tiered Morningstar Analyst Rating scale has three positive levels—Gold, Silver, and Bronze—in addition to Neutral and Negative ratings. Analysts arrive at a rating through an evaluation of five key pillars they believe are crucial to predicting the future success of a fund, considering both numeric as well as qualitative factors: People, Process, Parent, Performance, and Price. Morningstar analysts score these five pillars as Positive, Neutral, or Negative, which are then combined for the overall rating.

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