# Global Dynamic Income Fund (CHW) 2Q17 Commentary

CALAMOS® INVESTMENTS

## FUND

- CHW is a global enhanced fixed income offering that seeks to provide an attractive monthly distribution, with a secondary objective of capital appreciation.
- Invests in global fixed income securities, alternative investments and equities; at least 40% of assets invested in non-U.S. companies

| | |
|---|---|
| Current Annualized Distribution Rate[1] | 9.85% |

## ASSET ALLOCATION

| | |
|---|---|
| Common Stock | 48.0% |
| Convertible Bonds | 24.7 |
| Corporate Bonds | 14.1 |
| Convertible Preferred Stock | 7.1 |
| Other | 0.3 |
| Preferred Stock | 0.2 |
| Cash and Receivables/Payables | 5.6 |

The portfolio is actively managed. Holdings and weightings are subject to change at any time without notice. Asset Allocation Weightings are calculated as a percentage of Managed Assets.

[1]Current Annualized Distribution Rate is the Fund's most recent distribution, expressed as an annualized percentage of the Fund's current market price per share. **The Fund's most recent distribution was $0.0700 per share. Based on our current estimates, we anticipate that approximately $0.0700 is paid from ordinary income or capital gains and $0.0000 of the distribution represents a return of capital.** Estimates are calculated on a tax basis rather than on a enerally accepted accounting principles (GAAP) basis, but should not be used for tax reporting purposes. Distributions are subject to re-characterization for tax purposes after the end of the fiscal year. This information is not legal or tax advice. Consult a professional regarding your specific legal or tax matters. Under the Fund's level rate distribution policy, distributions paid to common shareholders may include net investment income, net realized short-term capital gains and return of capital. When the net investment income and net realized short-term capital gains are not sufficient, a portion of the level rate distribution will be a return of capital. In addition, a limited number of distributions per calendar year may include net realized long-term capital gains. Distribution rate may vary.

There is no assurance that the Fund will achieve or maintain its investment objective.

## Overview

Global equities continued their upward trend and delivered gains across regions in the second quarter. Rising equities reflected a positive environment characterized by generally improved global economic data, an upside in corporate earnings and continued accommodation in central bank monetary policies. Equities generated positive results across almost all major country indexes, reflecting broad participation in the period. U.S. equities trailed other regions but added to year-to-date gains, as the S&P 500 returned 3.09%* in the quarter, while the broad MSCI ACWI Index returned 4.45%, reflecting synchronized upside across global markets. European equities returned 7.73%, with shares benefitting from growth in economic data and corporate earnings, relatively attractive valuations, and some resolution regarding looming political risks. The European Central Bank (ECB) left interest rates unchanged at its June meeting, in the context of risks to growth that are broadly balanced. In terms of key economic data, readings on euro zone PMI, business confidence and German inflation all pointed to improved economic momentum, driving bond yields higher across the region toward quarter-end.

Asian equities also rose in the period, Japan's economy continues to grind higher. The MSCI Pacific index returned 3.95%, and the Bank of Japan held monetary policy steady at its June meeting, underscoring its intent to maintain accommodation. Emerging markets delivered strong returns in the second quarter, gaining 6.38%, as represented by the MSCI Emerging Markets Index, benefitted by leading earnings growth, improving economic data, and stronger currencies versus the U.S. dollar. In terms of recent developments, MSCI announced it would begin adding China-listed A shares to the MSCI Emerging Markets Index in June 2018 even as Moody's downgraded China's credit rating to A1, citing China's rising liabilities and reduced financial strength. Mexico's equity market generated additional gains in the quarter, and continued to be among the strongest performing countries year-to-date. Conversely, Russian stocks and the ruble continued to underperform in the

### ANNUALIZED TOTAL RETURN AS OF 6/30/17

| | QTD | 1-YEAR | 3-YEAR | 5-YEAR | SHARE INCEPTION (06/27/07) |
|---|---|---|---|---|---|
| On Market Value | 12.16% | 35.72% | 6.22% | 10.64% | 4.32% |
| On NAV | 5.68 | 21.77 | 4.93 | 9.96 | 5.15 |

Source: State Street Corporation

Returns of less than 12 months are cumulative returns. Returns for periods greater than 12 months are annualized returns. Total return measures net investment income and capital gain or loss from portfolio investments as an annualized average. In calculating net investment income, all applicable fees and expenses are deducted from the returns.

**Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted. Portfolios are managed according to their respective strategies which may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of the benchmark(s). Portfolio performance, characteristics and volatility may differ from the benchmark(s) shown.**

You can purchase or sell common shares daily. Like any other stock, market price will fluctuate with the market. Upon sale, your shares may have a market price that is above or below net asset value and may be worth more or less than your original investment. Shares of closed-end funds frequently trade at a market price that is below their net asset value.
Please refer to back page for important notes.

*All values are in USD unless otherwise noted.

quarter and year-to-date, affected by continued low oil prices and the threat of expanded U.S. sanctions amid allegations of Russian election meddling.

Global convertibles participated in a significant portion of the upside gain in global equities, as the BofA Merrill Lynch Global 300 Convertible Index (G300) returned 3.91% in the period. U.S. convertibles returned 2.46%, outpacing the gains to their underlying equities. European convertibles performed well, returning 7.11%, while Japanese domestic convertibles returned 2.18%, both in USD terms. Emerging market convertibles generated a moderate gain of 1.58% but, reflective of their more defensive profile, trailed emerging market equities.

The U.S. high yield bond market, as represented by the BofA Merrill Lynch High Yield Master II Index, returned 2.24% in the second quarter. Option-adjusted spreads tightened by 15 basis points, ending at 377 basis points while trading in a tight range over the course of the quarter. With two-year yields closing at 1.38% (up from 1.25%), and ten-year yields closing at 2.31% (down from +2.39%), the curve flattened 22 basis points during the second quarter. Fed funds futures are pricing in another rate hike in 2017 as a 50/50 proposition.

**Distributions Remained Competitive.** The fund maintained a monthly distribution of $0.070 throughout the quarter. The fund's current annualized distribution rate was 9.85% of market price as of June 30, 2017. We believe that the fund's monthly distributions are competitive, given that very low interest rates and yields remain the norm throughout much of the global marketplace. For example, as of June 30, 2017, the 10-year U.S. Treasury bond yield was 2.31%, the S&P 500 Index yield was 0.62% and the BofA Merrill Lynch U.S. High Yield Master II Index was 3.77%.

The fund has adopted a level distribution policy. Our policy is to pay a distribution reflective of the fund's past results and projected earnings potential. Monthly distributions paid may include net investment income, net realized short-term capital gains and, if necessary, a return of capital. We focus on delivering an attractive monthly distribution while maintaining a long-term focus on risk management.

## Performance Review

In this fund, we employ a highly flexible approach, investing in equities, convertible securities and high yield securities. This allows optimal employment of active management to seek the best opportunities for our shareholders. We also utilize alternative strategies, such as convertible arbitrage to enhance returns. For the quarter ending June 30, 2017, the fund returned 12.21% on market price and -5.54% on NAV. The following sections present a rundown of performance relative to specific investment indexes.

## U.S. Equities

During the quarter, the fund's U.S. equity sleeve (+3.61%) outperformed relative to the S&P 500 Index (+3.09%). Our selection in consumer discretionary—notably an overweight in hotels, resorts and cruise lines—helped relative performance as did selection in financials—particularly diversified banks. Conversely, an overweight in oil and gas exploration and production within our energy sector allocation underperformed and detracted from quarterly results. In addition, our selection in industrials held back relative return, specifically an overweight in industrial conglomerates.

## International Equities

Within the fund's allocation to international, equities outperformed (+6.85%) relative to the MSCI EAFE Index (+6.33%) for the quarter. This result was helped by our selection and overweight position in information technology, notably our overweight in home entertainment software. In addition, our selection in telecom services—precisely in wireless telecommunication services—also benefitted return. Our selection in Japan relative to the index was additive as well. Conversely, our selections in holdings in health care, namely our selections in the pharmaceuticals industry within the health care sector detracted from performance relative to the index. Furthermore, our selection in materials, explicitly an overweight in gold, lagged relative to the index. Our overweight to Canada was also a prominent drag on performance relative to the index.

# Calamos Global Dynamic Income Fund (CHW) Commentary

## Global Securities

For the quarter, our global securities sleeve (+3.29%) underperformed relative to the MSCI World Index (+4.21%). Our selection in telecom services, led by an overweight and selection in wireless telecommunication services boosted performance relative to the index. In addition, our selection in the movies and entertainment industry within the consumer discretionary sector also benefitted the fund. An overweight in China also helped performance relative to the index. Conversely, our selection in information technology negatively affected performance during the quarter. In particular, our overweight and selection in semiconductors detracted from performance relative to the index. In addition, our selection in industrials—namely in construction and engineering—lagged the index. Our selection in the U.S. also had a negative impact.

## Convertible Arbitrage

The convertible arbitrage sleeve contributed positively toward the end of the period. Overall volatility declined from the beginning of the quarter and was low throughout. Intraday volatility, however, did provide some opportunities to gamma trade though not at the levels we would see with normal volatility. Narrowing high yield credit spreads were also supportive to convertible arbitrage during the period. Moreover, convertible valuations richened during the quarter, supporting the long convertible position and contributing modestly to the quarterly return.

## Overall Positioning

We continued to find opportunities across all asset classes. As of June 30, 2017, common stocks represented approximately 48% of managed assets, followed by convertible securities (convertible bonds, convertible preferred stocks) at approximately 32%, and corporate bonds at approximately 14%. Our equity holdings offer investors exposure to improving stock markets, while our position in convertibles provide a risk/managed way to participate in the upside of the equity markets while earning income for distributions. We know that rising interest rates and volatility can impact longer-term fixed income securities. Accordingly, our weighted average bond duration in our portfolio was only 4.0 years. In addition, our exposure to lower credit was limited, with approximately 4% of our portfolio invested in CCC-rated bonds.

As of June 30, 2017, 57% of our portfolio was invested in U.S.-based securities, which we believe offer the best current opportunities within our parameters.

We maintained a preference for larger-cap, growth-oriented companies with global presence and geographically diversified revenue streams. As we have discussed in past commentaries, we think that such companies may be particularly well positioned to capitalize on the global growth trends we see, as economic growth continues in the U.S. and in developed markets in Europe. In keeping with an emphasis on risk management, we continue to invest in companies that we believe have respectable balance sheets, solid free cash flow, good prospects for sustainable growth and reliable debt servicing. Such companies should be less vulnerable to volatility when it arises.

The portfolio's largest absolute allocations are in the information technology, consumer discretionary and industrials sectors, while our lightest exposures are in real estate, materials and utilities.

We believe that many information technology companies offer compelling fundamentals as well as participation in secular growth trends. Companies within the consumer discretionary sector should also benefit as the general economy is supported by the spending habits of consumers. In addition, financials may be well positioned to benefit from less regulation and higher interest rates.

As noted, our pursuit of yield is informed by our risk-managed approach to total return. The fund's portfolio includes a blend of high yield and investment grade credits, though we have taken a very selective approach to CCC-rated credits. Given our expectation that economic growth may feel stop-and-go as part of general market volatility, we believe it is especially important to favor companies that offer the best prospects for reliable debt servicing.

## Leverage

We believe this environment is conducive to the prudent use of leverage as a means of enhancing total return and supporting the fund's distribution rate. In spite of an increase in LIBOR and our overall

# Calamos Global Dynamic Income Fund (CHW) Commentary

borrowing costs over the quarter, leverage continued to offer a favorable spread. We borrowed at what we trust were attractive rates and invested the proceeds at higher yields relative to the cost of leverage. We think our recent leverage reallocation between our facilities has benefitted the fund and believe this enhancement will continue to provide diversity and increased capacity to our borrowing capabilities, while presenting the opportunity to reduce interest-related costs. As of June 30, 2017, our approximate amount of leveraged assets was approximately 26%.

## Conclusion

Recent corporate and economic data points to a synchronized pickup in growth across global regions. Monetary policy remains accommodative overall and a pivot to greater fiscal stimulus is also supportive of global activity. We see continued opportunities in global equities, reflective of sound fundamentals and valuations. In terms of broad positioning, we favor an optimal blend of investments in secular and core growth companies, complemented by active allocations to more economically sensitive cyclical businesses. Additionally, we view significant opportunities in companies with earnings growth catalysts, solid cash flow generation and improving-to-strong balance sheets. In terms of thematic and sector perspectives, we see investable opportunities in the information technology sector, consumer companies with targeted areas of demand, and an expanding set of more cyclical companies in the industrials and financials sectors. Given the global mandate, our risk-managed, active investment approach and long-term perspective, we believe your portfolio will benefit from strategic positioning and tactical adjustments as the investment landscape unfolds in the quarters ahead.

**Important Fund Information**

The goal of the level-rate distribution policy is to provide investors a predictable, though not assured, level of cash flow. Monthly distributions paid may include net investment income, net realized short-term capital gains and, if necessary, return of capital. Maintenance of this policy may increase transaction and tax costs associated with the Fund.

A credit rating is a relative and subjective measure of a bond issuer's credit risk, including the possibility of default. Credit ratings are assigned to companies by third-party groups, such as Standard & Poor's. Assets with the highest ratings are referred to as "investment grade" while those in the lower tiers are referred to as "noninvestment grade" or "high yield." Ratings are measured using a scale that typically ranges from AAA (highest) to D (lowest).

Leverage creates risks which may adversely affect return, including the likelihood of greater volatility of net asset value and market price of common shares; and fluctuations in the variable rates of the leverage financing. The ratio is the percent of total managed assets.

The Fund may invest up to 100% of its assets in foreign securities and invest in an array of security types and market-cap sizes, each of which has a unique risk profile. As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities. These include fluctuations in currency exchange rates, increased price volatility, and difficulty obtaining information.

Investments by the Fund in lower-rated securities involve substantial risk of loss and present greater risks than investments in higher rated securities, including less liquidity and increased price sensitivity to changing interest rates and to a deteriorating economic environment.

Fixed income securities are subject to interest-rate risk; as interest rates go up, the value of debt securities in the Fund's portfolio generally will decline.

There are certain risks associated with an investment in a convertible bond such as default risk—that the company issuing a convertible security may be unable to repay principal and interest, and interest rate risk—that the convertible may decrease in value if interest rates increase. Owning a bond fund is not the same as directly owning fixed income securities. If the market moves, losses will occur instantaneously, and there will be no ability to hold a bond to maturity. The principal risks of convertible arbitrage are Convertible Securities Risk and Convertible Hedging Risk. Convertible Securities Risk: The value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also may have an effect on the convertible security's investment value. Convertible Hedging Risk: If the market price of the underlying common stock increases above the conversion price on a convertible security, the price of the convertible security will increase. The fund's increased liability on any outstanding short position would, in whole or in part, reduce this gain.

The Fund may invest in derivative securities, including options and swap agreements. The use of derivatives presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. There is no assurance that any derivative strategy used by the Fund will succeed. One of the risks associated with purchasing an option is that the Fund pays a premium whether or not the option is exercised.

The Fund may seek to purchase index put options to help reduce downside exposure however, the effectiveness of the Fund's index option-based risk management strategy may be reduced if the Fund's equity portfolio does not correlate to the performance of the underlying option positions. The Fund also risks losing all or part of the cash paid for purchasing index options. Unusual market conditions or lack of a ready market of any particular option at a specific time may reduce the effectiveness of the Fund's option strategies, and for these and other reasons the Fund's option strategies may not reduce the Fund's volatility to the extent desired. From time to time, the Fund may reduce its holdings of put options, resulting in an increased exposure to a market decline.

Parties entering an interest rate swap take on exposure to a given interest rate; the exposure can be long or short depending on whether a counterparty is paying or receiving the fixed rate. At the same time, each party takes on the risk—known as counterparty credit risk—that the other party will default at some time during the life of the contract.

The **MSCI ACWI (All Country World Index)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The index is calculated in both U.S. dollars and local currencies. The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The **Credit Suisse U.S. High Yield Index** consists of U.S.-denominated high yield issues of developed countries. Issues must be publicly registered in the U.S. or issued under Rule 144A with registration rights, must be rated "BB" or lower, and the minimum amount outstanding (par value) must be at least $75 million. The **MSCI World Index** is a market capitalization weighted index composed of companies representative of the market structure of 21 developed market countries in North America, Europe, and the Asia/Pacific region. The **MSCI EAFE Index** measures developed market equity performance (excluding the U.S. and Canada). The **S&P 500 Index** is generally considered representative of the U.S. stock market. The **MSCI Europe Index** is a free float adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. The **MSCI Pacific Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in the Pacific region. The **BofA Merrill Lynch Global 300 Convertible Index** is a global convertible index composed of companies representative of the market structure of countries in North America, Europe and the Asia/Pacific region. The **BofA Merrill Lynch U.S. High Yield Index** tracks the performance of below investment grade, but not in default, U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's and S&P.

Unmanaged index returns assume reinvestment of any and all distributions and, unlike fund returns, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

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

**Terms**

A **Level Rate Distribution Policy** is an investment company's commitment to common shareholders to provide a predictable, but not assured, level of cash flow. **Market Price** refers to the price at which shares of the fund trade in the market. **NAV or Net Asset Value** refers to the net value of all the assets held in the fund. **IPO Price** refers to the initial public offering price for shares of the fund.

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