

Dynamic Convertible and Income Fund (CCD) 3Q18 Commentary

CALAMOS[®]

INVESTMENTS

FUND

The fund can invest in convertibles and other fixed income securities with the aim of generating total return through a combination of capital appreciation and income. To help generate income and attempt to achieve a more favorable reward/risk profile, the fund's investment team also has the flexibility to sell options.

Current Annualized Distribution Rate¹ 9.23%

ASSET ALLOCATION %

Convertibles	76.9
Corporate Bonds	12.5
Common Stock	3.7
Cash and Receivables/Payables	3.1
Synthetic Convertibles	1.5
Bank Loans	1.2
US Government Securities	0.7
Preferred Stock	0.2
Other	0.1
Options	0.1

The portfolio is actively managed. Holdings and weightings are subject to change at any time without notice. Asset Allocation Weightings are calculated as a percentage of Managed Assets. The tables exclude cash or cash equivalents, any government/sovereign bonds or broad based index hedging securities the portfolio may hold.

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 \$0.1670 per share. Based on our current estimates, we anticipate that approximately \$0.1670 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 generally 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 managed distribution policy, distributions paid to common shareholders may include net investment income, net realized short-term capital gains, net realized long-term capital gains and return of capital. When the net investment income and net realized 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

The Fed announced another 25 basis points increase to the fed funds rate (now at 2.25%), and interest rates across all points of the U.S. Treasury Yield Curve increased. Two-year yields closed at 2.81%, up from a 2.52% close to 2Q, and ten-year yields closed at 3.05%, up from 2.85%. Additionally, according to JP Morgan data, high yield credit spreads narrowed 40 basis points to 366 basis points over Treasuries.

The U.S. Convertible market, as measured by the ICE BofAML All U.S. Convertibles Index (VXA0), returned 3.93% in the year's third quarter. In the context of the 7.71% gain by the S&P 500 Index, convertibles participated in the strong equity market performance and outpaced high yield bonds, as measured by the 2.44% return of the ICE BofAML U.S. High Yield Master II Index. The convertible and equity markets were buoyed by strong economic growth and earnings data, which muted concerns of a potential trade war between the U.S. and China. In fact, U.S. Consumer sentiment strengthened to the point where the Conference Board Consumer Confidence Index hit its highest level since 2000. Coincidentally, initial Jobless Claims, measured weekly by the U.S. Department of Labor, fell to their lowest level since 2009.

In terms of performance across economic sectors, convertibles with the strongest third-quarter results included those in telecommunications (+13.3%), healthcare (+9.2%), and materials (+8.1%). Convertibles most lagging the 3.9% index result were found in transportation (-3.5%), consumer discretionary (-3.3%), and energy (+1.8%). Investment-grade-rated convertibles (2.5%) significantly outperformed speculative-grade (+0.9%), while issues exhibiting more balanced risk/reward attributes (+3.9%) lagged the most equity-sensitive market segment (+6.7%) but outperformed those with the most credit sensitivity (+1.2%).

ANNUALIZED TOTAL RETURN AS OF 9/30/18

	QTD	1-YEAR	3-YEAR	SHARE INCEPTION (03/27/15)
On Market Value	3.09%	15.98%	17.48%	5.88%
On NAV	4.43	13.39	11.73	6.85

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.

Dynamic Convertible and Income Fund (CCD) Commentary

U.S. convertible market Issuance remained strong, with \$11.6 billion of new convertibles coming to market in the third quarter. This level was lower than the first two quarters of the year, due to a seasonal slowdown, but was 25% higher than the third quarter of 2017. Year-to-date, \$46.3 billion of new convertibles have been issued domestically, while \$74 billion have been issued globally.

High yield credit spreads traded in a moderately wide trading range of 53 basis points during the quarter. The option-adjusted spread of the index closed at 316 basis points, down from 363 basis points at the previous quarter-end and only 5 basis points higher than the cycle tights of January 2018. The high yield market delivered a third-quarter return of 2.40%, and has gained 2.57% year to date. In a continuation of a year-long trend, the CCC allocation of the index slightly outperformed both BB and B rated credits, though the performance gap narrowed significantly in the third quarter. The move lower in spreads was partially offset by higher Treasury yields, but the yield to worst for the market still fell from 6.49% to 6.24%.

The high yield market has been experiencing a period of strong technicals, as the size of the market has been steadily shrinking through 2018. As issuers turned to the leveraged loan market for debt funding, year-to-date gross issuance of \$168.3 billion was down 34% from the same period last year. The month of September saw gross issuance of only \$18.2 billion, the lowest monthly amount in seven years.

Distributions Remained Competitive

The fund maintained a monthly distribution of \$0.1670 throughout the quarter. The fund's current annualized distribution rate was 9.23% of market price as of September 30, 2018. We believe that the fund's monthly distributions are

highly competitive, given that very low interest rates and yields remain the norm throughout much of the global marketplace. For example, the 10-year U.S. Treasury bond yield was 3.05% and the ICE BofAML All U.S. Convertibles Index yield was 2.50% as of September 30, 2018.

Performance Review

For the quarter ending September 30, 2018, the fund returned 3.09% on market price and 4.43% on NAV. In comparison, the ICE BofAML All U.S. Convertibles Index returned 3.93% for the period.

Contributing Factors. This past quarter, the fund benefited from health care selection, specifically in pharmaceuticals. In addition, allocation and selection in utilities, specifically in multi-utilities, were additive.

Detracting Factors. Our selection in consumer discretionary, namely selection and a slight overweight in automobile manufacturers, underperformed relative to the index. In addition, selection in financials was detrimental to return, specifically our selection and underweight in multi-line insurance companies.

Positioning

We continue to hold our highest allocations (approximately 29%) in the BB/B credit tier with respect to rated bonds, as we believe this exposure will offer investors a better risk/return dynamic over time while continuing to provide regular income. We also hold a large percentage of unrated securities (approximately 50%). These offer good valuations and provide access to a large portion of the convertible bond universe where we may optimize returns through our proprietary research capabilities. We have taken a very selective approach to CCC rated credits, which represent less than 2% of our holdings.

Dynamic Convertible and Income Fund (CCD) Commentary

We also take a more cautious stance with longer-term fixed income securities, as we are cognizant of the fact that rising interest rates and volatility can have a more pronounced effect on them. From an economic sector perspective, our heaviest exposures were allocated to information technology, health care and financials sectors, which collectively make up approximately 63% of our holdings. Our lightest weights were in materials, consumer staples and telecom services. Approximately 90% of our holdings are in the U.S, which is consistent with our bullish outlook on the domestic economy.

Leverage

We believe that this is an environment that is conducive to the prudent use of leverage as a means of enhancing total return and supporting the fund's distribution rate. Over the quarter, in spite of a cost increase due to rising short-term interest rates, our use of leverage was accretive to returns. As of September 30, 2018, our leveraged assets represented approximately 32%.

Conclusion

In a rising-interest-rate environment, convertible bonds generally post stronger relative performance than straight (non-convertible) bonds. With expectations that the Federal Reserve will raise its benchmark rate again in December by 25 basis points and then several times in 2019, we believe convertible securities can continue to outperform. Whether rates move up one or four more times over the next year isn't the issue. Rather, it's clear to us the trend is up, although we believe the move higher will be gradual and continue to be data dependent. In addition, with tax reform passing last year, the lower corporate tax rates have improved the relative attractiveness of lower-

coupon convertible bonds relative to straight bonds. There's no set time period to this advantage expiring (unless tax laws change), and we believe tax reform will continue to provide a strong tailwind to new issuance as interest rates slowly inch upward. Additionally, limits on interest expense deductibility can skew corporations to favor issuing a convertible bond rather than a more traditional straight bond. Finally, lower taxes combined with less regulation in a favorable economic environment contribute to a positive corporate climate where convertible securities make sense for growth. Although we may be in the mid-to-latter part of the business cycle, we still see many firms seeking growth capital for mergers and acquisitions, research and development, or capital spending.

With regard to high yield, Calamos views the risk of recession as low and, until economic activity softens, we expect the high yield default environment to continue trending below the long-term historical average of 3%. We do anticipate gradual softening in high yield credit spreads, and have begun to see signs of weaker underwriting practices in the market. High yield bond spreads are trading well below long-run averages, and we see limited opportunity for price appreciation over the next 6 to 12 months. In the current environment, it can be tempting to move away from a stringent investment process. We continue to adhere to our discipline, as active management and rigorous fundamental analysis remain crucial. Investors should be picking spots wisely to appropriately balance risk and reward.

Dynamic Convertible and Income Fund (CCD) Commentary

Important Fund Information

You can purchase or sell common shares daily. Like any other stock, the 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 values.

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.

The Fund's ability to close out its position as a purchaser or seller of an over-the-counter or exchange-listed put or call option is dependent, in part, upon the liquidity of the options market. There are significant differences between the securities and options markets that could result in an imperfect correlation among these markets, causing a given transaction not to achieve its objectives. The Fund's ability to utilize options successfully will depend on the ability of the Fund's investment adviser to predict pertinent market movements, which cannot be assured.

Investment Adviser Purchase Risk. As contemplated in the Fund's prospectus, Calamos Advisors LLC (the "Adviser") has entered into a 10b5-1 Plan under which a registered broker-dealer (not a member of the underwriting syndicate involved in the offering of the Fund), as agent for the Adviser, will purchase in the open market up to \$20 million of our common shares in the aggregate, on such terms and at times, and subject to a variety of market and discount conditions and a daily purchase limit, to be described in a subsequent press release. See "Management of the Fund — Related-Party Transactions" in the Fund's prospectus. Whether purchases will be made under the 10b5-1 Plan and how much will be purchased at any time is uncertain, dependent on prevailing market prices and trading volumes, all of which we cannot predict. Although intended to provide liquidity, these activities may have the effect of maintaining the market price of

our common shares or suppressing a decline in the market price of the common shares, and, as a result, the price of our common shares may be higher than the price that otherwise might exist in the open market. Conversely, any eventual sale of purchased common shares by the Adviser and its affiliates may act as a catalyst for a decline in the Fund's market price, and therefore the market price of our common shares may be lower than the price that might otherwise exist in the open market.

Limited Term Risk. Unless the Termination Date is amended by shareholders in accordance with the Declaration of Trust, the Fund will be terminated on the 15th anniversary of its effective date, currently expected to be March 26, 2030. If the Fund's Board of Trustees believes that under then current market conditions it is in the best interests of the Fund to do so, the Fund may extend the Termination Date for one year, which is anticipated to be March 26, 2031, without a shareholder vote, upon the affirmative vote of three-quarters of the Trustees then in office. Beginning one year before the Termination Date (the "wind-down period"), the Fund may begin liquidating all or a portion of the Fund's portfolio. During the wind-down period the Fund may deviate from its investment strategy. As a result, during the wind-down period the Fund's distributions may decrease, and such distributions may include a return of capital.

The **Bloomberg Barclays U.S. High Yield 2% Issuer Capped Index** measures the performance of high yield corporate bonds with a maximum allocation of 2% to any one issuer. The **CBOE Volatility Index or VIX** (based on its CBOE ticker symbol) shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. The **ICE BofAML All U.S. Convertibles Index (VXA0)** comprises approximately 700 issues of only convertible bonds and preferreds of all qualities. The **ICE BofAML U.S. High Yield Master II Index** consists of below investment grade U.S. dollar denominated corporate bonds that are publicly issued in the U.S. domestic and yankee bonds. Issues included in the index have maturities of one year or more and have a credit rating lower than BBB-/Baa3, but are not in default. The index includes domestic high-yield bonds, including deferred interest bonds and payment-in-kind securities. Source ICE Data Indices, LLC, used with permission. ICE permits use of the ICE BofAML indices and related data on an 'as is' basis, makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE BofAML

Indices or data included in, related to, or derived therefrom, assumes no liability in connection with the use of the foregoing and does not sponsor, endorse or recommend Calamos Advisors LLC or any of its products or services. The **S&P 500 Index** is generally considered representative of the U.S. stock market.

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 Managed 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.

CALAMOS
INVESTMENTS

Calamos Financial Services LLC, Distributor

2020 Calamos Court | Naperville, IL 60563-2787
800.582.6959 | www.calamos.com | caminfo@www.calamos.com
© 2018 Calamos Investments LLC. All Rights Reserved.
Calamos® and Calamos Investments® are registered trademarks of Calamos Investments LLC.