# Global Total Return Fund (CGO) 4Q18 Commentary

CALAMOS INVESTMENTS

## FUND

» CGO is a global total return offering that seeks to provide an attractive monthly distribution as well as equity market participation.

» Invests in equities and higher-yielding convertible securities and corporate bonds, issued by companies around the world.

| | |
|---|---|
| Current Annualized Distribution Rate[1] | 11.82% |

### ASSET ALLOCATION

| | % |
|---|---|
| Common Stock | 45.2 |
| Convertibles | 30.1 |
| Corporate Bonds | 16.1 |
| U.S. Government Securities | 4.9 |
| Other | 1.5 |
| Cash and Receivables/Payables | 1.4 |
| Options | 0.4 |
| Bank Loans | 0.3 |
| Preferred Stock | 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.

[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 $0.1000 per share. Based on our current estimates, we anticipate that approximately $0.0108 is paid from ordinary income or capital gains and $0.0892 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

Global equities experienced widespread declines in the year's last quarter, as investors reacted to slower global growth, divergent central bank monetary policies, and stalled trade negotiations between the U.S. and China. Equities declined across most regions and countries, indicating a broad set of challenges that were reflected in relatively bearish investor positioning and market volatility. Developed markets fell -13.31%, as measured by the MSCI World Index (in USD terms, unless noted). U.S. stocks underperformed global markets, as the S&P 500 Index returned -13.52% in the quarter, reversing the trend of U.S. leadership through the first nine months of the year. Emerging markets also declined but outpaced other regions in the period, as the MSCI Emerging Markets Index returned -7.40%. The broad MSCI ACWI Index returned -12.65%, reflecting the widespread selloff across regions.

Sectors within the MSCI World Index declined nearly across the board in the quarter. Utilities (+0.56%, USD terms) and real estate (-4.43%) led other sectors, while energy (-21.63%) and technology (-17.16%) experienced the lowest returns.

U.S. stocks sold off during October and December, as prices were weighed down by tighter Fed monetary policy, mixed economic data, and uncertainty over the trade war with China. The Fed raised interest rates in December, while expressing a more hawkish stance than investors had anticipated. U.S. manufacturing and services both remained in expansion territory, though the most recent data showed more tepid new orders and future expectations. Overall, the U.S. economy continued to expand, with the GDP revised upward to 3.4% growth, while data on housing and autos showed more sluggish demand amid higher interest rates. Corporate earnings exceeded expectations, with the vast majority of companies reporting growth in revenue and earnings, although many companies cited cost pressures due to higher wages and raw materials triggering more conservative forecasts.

### ANNUALIZED TOTAL RETURN AS OF 12/31/18

| | QTD | 1-YEAR | 3-YEAR | 5-YEAR | 10-YEAR | SHARE INCEPTION (10/27/05) |
|---|---|---|---|---|---|---|
| On Market Value | -24.51% | -25.53% | 6.19% | 3.15% | 10.33% | 6.09% |
| On NAV | -15.92 | -14.25 | 3.75 | 2.78 | 8.71 | 6.72 |

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 returns are in USD terms unless otherwise indicated.

# Calamos Global Total Return Fund (CGO) Commentary

European equities shed -12.68% for the quarter, as represented by the MSCI Europe Index (-11.20% in local currency), reflecting concern about anemic economic data, global trade headwinds and uncertainty over Brexit. Manufacturing and production data decelerated generally, while employment and retail sales figures indicated more optimism. In addition, euro-area inflation decelerated to about 1.9%. The ECB held interest rates at zero, citing low inflation among other factors, and also confirmed the end of its bond purchase program. In light of the ECB's relatively dovish stance, markets do not anticipate a hike in rates until the fall of 2019. Brexit scenarios continued to dominate headlines in the UK, with the largest lenders passing a key stress test and Prime Minister Theresa May surviving a no-confidence vote in Parliament. The Bank of England left interest rates unchanged at 0.75%, while lowering its economic growth and inflation outlook. Spain and Switzerland held up relatively better during the period, returning -8.51% and -8.94%, while Belgium and Austria significantly trailed the index, falling -18.19% and -20.72%, respectively.

Asian developed markets fell in the fourth quarter, as the MSCI Pacific Index returned -12.17% (-13.76% in local currency). Japan's equities performed poorly amid weaker economic data and a stronger yen, despite a positive backdrop of corporate earnings growth and highly accommodative monetary policy. Japan's macro data was mixed during the quarter, with more recent figures on net exports and the overall economy showing sluggishness attributable to global trade disputes. The BOJ held interest rates unchanged and reiterated expectations to keep rates extremely low for an extended period because inflation remains below target. In other regions, Australia's unemployment rate ticked up slightly to 5.1%, and economic growth decelerated in the recent quarter, though the economy benefited from a significant trade surplus. The Reserve Bank left the cash rate at a record low of 1.5% at its December meeting, marking two years of stable policy amid low inflation and a slowdown in housing. In terms of country performance, Japan declined -14.20%, while Hong Kong and Australia returned -4.53% and -9.95%, respectively.

Emerging markets fell in the period but held up better than global markets overall, as the MSCI Emerging Markets Index returned -7.40%, in USD terms. Emerging markets navigated several challenging cross-currents, including global trade tensions and mixed macro data, but were supported by a more contained U.S. dollar and potentially more dovish Federal Reserve monetary policy in 2019. Chinese stocks faced considerable pressure, driven by the negative effects of trade uncertainty and softer economic data, though later in the period investors were encouraged by multiple measures to boost liquidity and stabilize sentiment. Brazil generated the top returns among emerging markets, as economic data portrayed a mainly positive story, with higher PMI readings and a pickup in business confidence. EM contagion risk diminished significantly versus prior quarters, as certain smaller emerging economies managed to stem capital flight, with firming currencies and lower credit spreads. EM country performance was significantly mixed over the quarter, with Brazil (+13.56%) and Indonesia (+9.76%) leading, while Mexico (-18.71%) and Korea (-12.83%) were among the weaker-performing, larger markets.

Global convertibles declined but provided some resilience versus the drop in equities, as the ICE BofAML Global 300 Convertible Index (G300) returned -6.30% in the quarter. U.S. convertibles declined -9.31%, reflecting lower equity prices and wider credit spreads. European convertibles declined -6.49%, while Japanese domestic convertibles fell -8.54%. Asia Ex-Japan convertibles also retreated, returning -4.16%. Globally, investment grade convertibles returned -3.38% versus the -7.46% return in below-investment grade issues, as measured by the ICE BofAML Investment-Grade Global Index and ICE BofAML Below Investment Grade Global Index. Global convertible issuance of approximately $10.4 billion in the quarter reflected positive conditions prior to a slowdown in December amid higher market volatility and holidays. The period's issuance brought the full-year total to approximately $84.4 billion, with higher issuance in the U.S. and Asia versus the prior year, according to ICE BofAML. The total marked the highest global issuance since 2015 and the most new issuance in the U.S. since 2008.

# Calamos Global Total Return Fund (CGO) Commentary

## Distributions Remained Competitive

The fund maintained a monthly distribution of $0.10 throughout the quarter. The fund's current annualized distribution rate was 11.82% of market price as of December 31, 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 2.69% and the S&P 500 Index yield was 1.99% as of December 31, 2018.

Our policy is to pay a distribution reflective of the fund's past results and projected earnings potential through income as well as capital gains. We focus on delivering an attractive monthly distribution, while maintaining a long-term focus on risk management.

## Performance Review

For the quarter ended December 31, 2018, the fund returned -24.51% on market price and -15.92% on NAV. The fund underperformed relative to stock price and NAV compared to that of the MSCI World Index, which returned -13.31% for the period.

Contributing Factors. Compared to the MSCI World Index, our selection and underweight in industrials, particularly in construction and engineering, was beneficial to return. In addition, our selection in information technology, specifically in application software, lifted results relative to the index. Furthermore, our selections in U.S. securities was an important contributor to quarterly performance.

Detracting Factors. Compared to the MSCI World Index, our selection in health care, namely selections in pharmaceuticals, was a drag on returns. In addition, our selection in utilities, particularly an underweight in electric utilities, underperformed relative to the index. Our selection in Japanese securities was also detrimental relative to the index.

In pursuit of income-oriented total return, the fund employs a dynamic approach to asset allocation. Over full market cycles, we believe that our multi-asset class global approach offers advantages in providing competitive distributions and total return. As of December 31, 2018 approximately 75% of our portfolio was invested in convertibles and equities. This has proven beneficial to our investors, as the fund has been able to participate in equity market upside and temper the effects of recent downdrafts in the final quarter of 2018.

## Positioning

Our heaviest weights were allocations to the health care, communication services and financials sectors. The lightest weights were in real estate, materials and utilities. We maintained our significant positions in convertibles and equities, as they can offer both income and appreciation in an improving stock market, in addition to providing a cushion against market volatility and rising interest rates. Continued strong issuance in convertibles should present future opportunities and may be helpful during periods of market volatility. We currently favor companies with higher-quality balance sheets, strong brands, solid free cash flows and experienced management. We seek to invest in businesses poised to benefit from increased capital spending in technology, minimally or favorably impacted by rising interest rates, and whose products or services are integral to the lives of the U.S. consumer. We believe that our holdings in financials will benefit from reduced regulations, rising interest rates, and a healthy U.S. consumer. We are cognizant of the fact that rising interest rates and volatility can have an effect on longer-term fixed income securities, and consider investments accordingly.

Our heaviest country concentrations are in the US, China and United Kingdom.

## 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. Despite a cost increase due to rising interest rates, our use of leverage enjoyed a favorable reinvestment dynamic. As of December 31, 2018 our amount of leveraged assets was approximately 36%.

# Calamos Global Total Return Fund (CGO) Commentary

## Conclusion

Global corporate and macroeconomic data has been mixed versus expectations, reflecting moderate growth conditions. Monetary policy around the globe remains accommodative, though multiple central banks are implementing measures to normalize policy. Financial markets face key headwinds and tailwinds, although we believe recent developments are a positive for equity investors with respect to monetary policy and global trade. We continue to anticipate opportunities arising from moderate forward earnings growth, benign inflation and attractive valuations. The portfolio now spans a blend of investments in secular growth and defensive growth businesses, as well as more cyclical companies. This positioning reflects moderate anticipated economic growth and the potential for a pickup in demand conditions. We continue to favor companies offering earnings growth catalysts, solid cash flow generation and healthy balance sheets, and see opportunities in communications services, technology, consumer and health care companies with targeted areas of demand. All contribute to our active, risk-managed investment approach and long-term perspective, which we believe positions your portfolio to capitalize on the volatility and opportunities in global markets.

**Important Fund Information**

The goal of the managed 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, net realized long-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.

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.

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.

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 fund may invest in derivative securities, including options. 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 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.

The **ICE BofAML All U.S. Convertibles Index (VXA0)** is consists of approximately 700 issues of only convertible bonds and preferreds of all qualities. 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. **S&P 500 Index** is generally considered representative of the U.S. stock market. 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 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 **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 **ICE BofAML 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. 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. 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.

**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

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