Dynamic Convertible and Income Fund (CCD) 4Q18 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 Rate[1]	12.21%

ASSET ALLOCATION	%
Convertibles	78.1
Corporate Bonds	14.4
Common Stock	2.9
Cash and Receivables/Payables	1.6
Bank Loans	1.5
US Government Securities	0.9
Preferred Stock	0.2
Options	0.1
Other	0.1
Synthetic Convertibles	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 $0.0317 is paid from ordinary income or capital gains and $0.1353 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 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 convertible and equity markets saw increased volatility in the fourth quarter amid investor concern regarding Fed policy changes, heightened geopolitical trade risks, and global growth deceleration. Larger-cap stocks reflected by the S&P 500 Index declined 13.52%, while small and mid-cap stocks declined 18.49% as represented by the Russell 2500 index. The downside protection of convertibles was evident given that the U.S. Convertible market declined -9.31% as measured by the ICE BofAML All U.S. Convertible Index (VXA0). Economic data has been a mixed bag in recent months. While employment data and measures of economic growth remained strong, several measures of industrial activity such as durable goods orders have disappointed market expectations in consecutive months.

The Federal Reserve met twice during the quarter and announced another 25 basis points increase to the fed funds target range in December (now 2.25% to 2.5%). The yield curve flattened as rates at 1-year and below increased, while 2-year and longer rates declined. The 2-year yield closed at 2.48% down from 2.81% and 10-year yield closed at 2.69%, down from 3.05%. High yield credit spreads widened significantly during the quarter with JPMorgan reporting a 201 basis points increase to 567 basis points over U.S. Treasuries during the quarter.

In this environment, the only economic sector within the convertible index to post a positive quarterly result was utilities (+1.6%). Convertibles within consumer staples (-1.0%) and financials (-3.47%) also held up better than the overall market. Convertibles within the energy (-19.8%), materials (-17.7%), and health care (-13.50%) most lagged the index result. Investment-grade convertibles (-3.9%) held up significantly better than speculative-grade issues (-11.0%). Convertibles with more balanced risk/reward attributes (-7.8%) held up better than convertibles with the most equity sensitivity (-15.5%) but lagged those with the most credit sensitivity (-5.0%).

ANNUALIZED TOTAL RETURN AS OF 12/31/18

	QTD	1-YEAR	3-YEAR	SHARE INCEPTION (03/27/15)
On Market Value	-21.61%	-9.57%	7.48%	-1.12%
On NAV	-13.29	-3.61	6.01	2.43

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.

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$10.2 billion in new global convertible issuance was brought to the market in the fourth quarter with $4.5 billion coming from U.S. issuers. This brought the year-to-date global convertible issuance total to $84.4 billion which was nearly $10 billion more than 2017. $50.9 billion of the 2018 issuance came from the U.S.—the highest annual total seen since 2008.

On October 2, 2018, high yield market spreads reached 303 basis points, new cycle tights on an option-adjusted basis. And from that date spreads moved steadily wider, and the index option-adjusted spread closed the year at 526 basis points. The 200+ basis points trading range was the widest in any three-month period since the third quarter of 2011, when concerns over the European debt crisis weighed heavily on global risk assets. In the fourth quarter risk-off market, the CCC segment of the index underperformed sharply, delivering a loss of -9.28%, while B and BB credits returned -4.35% and -2.91%, respectively. The leveraged loan market, as measured by the S&P/LTSA Leveraged Loan Index, also posted a negative return of -3.45%. New issue activity slowed to a standstill, as December was the first month in over 10 years with no new high yield bonds coming to market. We attribute this market stress in part to the fact that resolutions to international trade disputes do not yet appear to be on the horizon.

Distributions Remained Competitive.

The fund maintained a monthly distribution of $0.1670 throughout the quarter. The fund's current annualized distribution rate was 12.21% 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 ICE BofAML All U.S. Convertibles Index yield was 4.00% as of December 31, 2018.

Performance Review

For the quarter ending December 31, 2018, the fund returned -21.61% on market price and -13.29% on NAV. The fund's market price and NAV underperformed relative to the ICE BofAML All U.S. Convertibles Index, which returned -9.31% for the period.

Contributing Factors. This past quarter, the fund benefited from selection in the consumer discretionary sector relative to the index, specifically selection in the internet and direct marketing retail industry. In addition, selection in the information technology sector, notably in the application software industry, was additive.

Detracting Factors. Our selection in the industrials sector, namely in industrial machinery, underperformed relative to the index. In addition, an underweight and selection in utilities proved detrimental to return, specifically in multi-utility companies.

Positioning

We continue to hold our highest allocations (approximately 30%) in the BB/B credit tier with respect to rated bonds as we believe this exposure will offer investors a better risk/reward dynamic over time while continuing to provide regular income. We also hold a large percentage of unrated securities (approximately 50%) which offer good valuations and provide access to a large portion of the convertible bond universe in which we may optimize returns through our proprietary research capabilities. We have taken a very selective approach to CCC credits, which represent less than 2% of our holdings. We are cognizant of the fact that rising interest rates and volatility can affect longer-term fixed income securities. From an economic sector perspective, our heaviest exposures were allocated to information technology, health care and financials sectors, which collectively make up approximately 59% of our holdings. Our

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lightest weights were in the materials, consumer staples and real estate sectors. Approximately 91% of our holdings are in the U.S, which is consistent with our bullish outlook for the domestic economy.

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 a cost increase due to rising short-term interest rates, we believe that due to relatively low financing costs, our use of leverage will be favorable to return going forward. As of December 31, 2018, our amount of leveraged assets was approximately 36%.

Conclusion

Although a backdrop of rising interest rates had diminished given the recent decelerating economic data and fed policy pivot, we continue to have a favorable outlook on the convertible market, particularly because it offers a lower-volatility alternative to pure equity exposure. The current macroeconomic uncertainty will likely result in a continuation of volatility while we wait for resolutions to many of the issues that have weighed on the markets, most notably trade disputes, the government shutdown over border security, and a lack of clarity surrounding Fed policy. The fourth quarter once again demonstrated the superior downside protection of the convertible asset class versus and showed the value we add through our active management process. Further when we take a longer-term view, we believe that geopolitical tensions will calm, Fed policy will be flexible, global growth will stabilize and the near-term volatility could create favorable longer-term investment opportunities.

We believe the convertible market remains quite healthy with compelling opportunities in favored sectors such as technology, health care and the consumer. The year 2018 saw $51 billion in U.S. new issuance. This represented the strongest calendar year in a decade and afforded plenty of balanced convertible structures, which we continue to favor over the pure equity or the busted portions of the market.

While we expect the rate of domestic economic growth to slow, Calamos views the risk of recession as low and expects the high yield default environment to continue to trend below the long-term historical average of 3% until economic activity softens. Furthermore, we are not yet seeing deterioration in fundamental measures of corporate balance sheet health, but recognize that negative technicals (fund flows, poor sentiment, and a potential increased supply from downgraded investment grade issuers or "fallen angels") could continue to provide headwinds to the high yield market. While further price declines are always possible, the index yield of nearly 8% has reached its highest level since early 2016, and we believe the asset class can produce mid-single digit positive returns in 2019, even considering the risks noted. Importantly, we continue to adhere to our discipline, as active management and rigorous fundamental analysis remain paramount in striking the appropriate balance of risk and reward.

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Important Fund Information

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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. The **S&P/LSTA U.S. Leveraged Loan Index** is designed to reflect the performance of the leveraged loan 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.

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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.

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