High Income Opportunities Strategy

CALAMOS INVESTMENTS

Market Overview

The U.S. high yield bond market, as represented by the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index, returned 2.40% in the year's third quarter.

Relative to analyst expectations, the constituents of the S&P 500 Index again delivered strong revenue and earnings results in the second quarter of 2018, with over 80% besting on earnings and 72% reporting revenues exceeding expectations. These results sparked a strong equity market rally in the quarter, with the S&P 500 Index returning 7.71%, including dividends. Growth in regions outside the U.S., while still positive, continued to diverge, belying the synchronized global growth experienced through late 2017 and early 2018. In addition, the strength of the U.S. dollar created headwinds for emerging market economies, and we continued to see signs of slowing activity in the eurozone.

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.

Trade disputes and tariffs imposed on foreign goods continued to escalate, however not enough time has passed to evaluate the full magnitude of the impact on economic output or prices. The strength of both the domestic economy and the U.S. dollar are likely to mitigate stresses to domestic growth and inflation. The Federal Reserve met twice during the quarter, raising its

CALAMOS HIGH INCOME OPPORTUNITIES STRATEGY RETURNS

	QTR ENDING 9/30/18	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (11/99)
Calamos High Income Opportunities Composite						
Gross of Fees	2.64%	3.71%	7.27%	5.04%	8.09%	7.56%
Net of Fees	2.46	2.95	6.48	4.27	7.30	6.76
BBgBarc U.S. HY 2% Issuer Capped	2.40	3.04	8.15	5.54	9.46	7.26

Source: Calamos Advisors LLC

Past performance is no guarantee of future results.

Data as of 9/30/18.

Calamos High Income Opportunities Strategy

REPRESENTATIVE PORTFOLIO LARGEST 10 HOLDINGS[3]

COMPANY	COUPON %	MATURITY	PORTFOLIO %
HCA, Inc.	5.38%	02/01/25	1.6
JBS USA Finance, Inc.	7.25%	06/01/21	1.5
Embarq Corp.	8.00%	06/01/36	1.4
ArcelorMittal, SA	7.00%	10/15/39	1.3
Sprint Corp.	7.88%	09/15/23	1.2
Ally Financial, Inc.	8.00%	11/01/31	1.2
Jefferies Finance, LLC	7.25%	08/15/24	1.2
NuStar Energy, LP	7.63%	-	1.1
Energy Transfer Partners, LP	5.36%	11/01/66	1.0
DaVita, Inc.	5.13%	07/15/24	0.9
		TOTAL	**12.4**

[3] The information provided should not be considered a recommendation to purchase or sell any security. There is no assurance that any securities presented herein will remain in the portfolio at the time you receive information or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any securities transactions or holdings presented were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities presented herein. Largest 10 Holdings exclude any govern ment/sovereign bonds or options on broad market indexes the portfolio may hold.

benchmark overnight rate by 25 basis points at the September meeting. Chairman Powell characterized the economy as strong, supported by the continued impact of tax reform. As evidence, he referenced the continued expansion in both consumer and business spending. In dropping a key phrase, "the stance of monetary policy remains accommodative", from the Fed's statement, Powell indicated the language was no longer necessary, and that the Board will continue to be data dependent in achieving its dual goals of full employment and stable prices.

The best-performing sectors in the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Cap Index were consumer non-cyclicals (+3.20%), communications (+3.19%) and transportation (+3.09%), while consumer cyclicals (+1.50%), capital goods (+1.86%) and banking (+1.89%) represented the laggards. Across the credit spectrum, CCC-rated credits led the way (+2.73%), with BB-rated (+2.32%) and B-rated (+2.29%) following closely behind. According to JPMorgan, the U.S. high yield default rate ended March at 2.02%, a 4 basis points decrease from the second quarter, and still below the 3% long-term average.

Performance Review

The portfolio finished positively and mostly in line with the index for the quarter. The areas that had the most significant impact on performance during the quarter included the following.

Security selection in the energy sector (midstream) contributed to return. Selection in the banking sector also boosted results.

Security selection within the basic industry sector (both chemicals and metals and mining) weighed on return. Both selection and an overweight to the consumer cyclical sector (primarily retailers) also hindered performance.

Positioning and Portfolio Changes

The investment team continues to focus on building meaningful overweights in "best idea" issuers who exhibit improving fundamentals and debt-service capabilities. Our bond-by-bond, bottom-up portfolio construction approach includes a process for selecting preferred individual issues among those available, based on bond structure and yield curve positioning.

Calamos High Income Opportunities Strategy

SECTOR ALLOCATION

SECTOR	REPRESENTATIVE PORTFOLIO %	BBGBARC U.S. HIGH YIELD 2% ISSUER CAPPED INDEX %	UNDER/OVERWEIGHT %
Basic Materials	5.2	6.2	-1.0
Communications	17.5	19.1	-1.7
Consumer, Cyclical	12.0	14.3	-2.2
Consumer, Non-cyclical	21.8	17.3	4.5
Diversified	0.0	0.2	-0.2
Energy	18.9	14.6	4.2
Financial	15.8	10.4	5.4
Industrial	5.6	9.9	-4.3
Technology	1.8	5.5	-3.7
Utilities	1.3	2.6	-1.3

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily.
Source: Bloomberg. Data as of 9/30/18.

YIELD	REPRESENTATIVE PORTFOLIO %	BBGBARC U.S. HY 2% ISSUER CAPPED INDEX %
Current Yield	6.77	6.44
Yield to Worst	6.54	6.23
Average Coupon	6.55	6.36

Over the course of the quarter, notable sector changes to the portfolio included an increase in our allocation to the energy sector, most notably in the independent industry. We decreased the allocation to the consumer cyclical sector by reducing our position in Penske Auto Group.

Positioning Discussion

As active managers, we continually evaluate our positioning to ensure a proper risk/reward stance. In the current environment, we are carefully assessing the dynamics shaping the energy sector and more specifically, exploration and production companies. Given geopolitical crosscurrents, a prudent approach is particularly warranted.

Within the consumer cyclical sector, the home construction industry represented the largest portfolio overweight. While growth rates in housing are plateauing, several management teams in the industry have taken a “once bitten, twice shy” approach to balance sheet management in the post-crisis era, and are running their businesses more conservatively with smaller land portfolios. Given the strength of balance sheets among the strongest issuers in the industry, we continue to view high-quality homebuilders as an attractive means to balancing risk and opportunity.

Outlook

Calamos views the risk of recession as low and, until economic activity softens, we expect the default environment to continue to trend 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.

Calamos High Income Opportunities Strategy

Past performance does not guarantee or indicate 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.

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The information portrayed is for the Calamos High Income Opportunities Composite. Representative holdings and portfolio characteristics are specific only to the portfolio shown at that point in time. Other portfolios will vary in composition, characteristics, and will experience different investment results. The representative portfolio shown has been selected by the advisor based on account characteristics that the advisor feels accurately represents the investment strategy as a whole.

The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

The information provided in this report should not be considered a recommendation to purchase or sell any industry, sector or particular security. There is no assurance that any industry, sector or security discussed herein will remain in a client's account at the time of reading this report or that industry, sectors or securities sold have not been repurchased. The industries, sectors, or securities discussed herein do not represent a client's entire account and in the aggregate may represent only a small percentage of an account's holdings.

It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Performance returns presented reflect, unless otherwise noted the **Calamos High Income Opportunities Composite**, which is an actively managed composite investing primarily in a diversified portfolio of U.S. high yield bonds. The composite includes all fully discretionary, fee-paying accounts. The Composite was created January 1, 2001, calculated with an inception date of November 1, 1999.

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.

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

Fees include the investment advisory fee charged by Calamos Advisors LLC. Returns greater than 12 months are annualized. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest. Chart Data Source: Calamos Advisors LLC.

Average annual total return measures net investment income and capital gain or loss from portfolio investments as an annualized average assuming reinvestment of dividends and capital gains distributions.

Calamos Advisors LLC is a federally registered investment advisor. Form ADV Part 2A, which provides background information about the firm and its business practices, is available upon written request to:

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