Convertible Opportunities and Income Fund (CHI) 2Q15 Commentary

CALAMOS® INVESTMENTS

FUND

- CHI is an enhanced fixed income offering that seeks to provide an attractive monthly distribution, with a secondary objective of capital appreciation.
- Invests in: high yield and convertible securities, issued primarily by U.S. companies

Current Annualized Distribution Rate[1] 9.34%

ASSET ALLOCATION

Convertible Bonds	39.5%
Corporate Bonds	38.1
Convertible Preferred Stock	17.2
Synthetic Convertibles	1.6
Common Stock	0.3
U.S. Government Securities	0.1
Cash and Receivables/Payables	3.2

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 $0.0950 per share. Based on our current estimates, we anticipate that approximately $0.0950 is paid from ordinary income 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

Although the U.S. economy maintained a positive trajectory, low inflation and a less-than-robust forecast prevented the Fed from raising rates during the second quarter. However, U.S. policy makers appear generally positive on the outlook for the U.S. economy, and the expectation is for a rate hike sometime later this year subject to continued improving economic indicators. Over a half million jobs were created during the quarter and wage growth in terms of average hourly earnings improved 2.3% in May. This workforce strength evidently contributed to strong consumer sentiment data as the first six months of the year marked the fastest pace for consumer optimism in over 10 years. Not surprisingly, retail sales also showed improvement.

Equities continued to deliver positive, albeit paltry, returns in the second quarter. In spite of volatility and the sharp decline in the energy sector, U.S. equities were marginally up as the S&P 500 Index returned 0.28%, marking the 10th consecutive quarter of positive returns for the index. Acquisition activity and low interest rates continued to buoy equity markets throughout the quarter. However, the period was capped by a stock pullback as investors weighed concerns over Greece possibly exiting the euro zone and China's ability to maintain its growth rate.

The yield on the 10-year Treasury rose to 2.35% from 1.92% during the quarter because of expectations that the Fed will increase rates by the end of the year. This was representative of a general decline across many fixed income markets. The Barclays U.S. Aggregate Bond Index lost 1.68% for the quarter. The Credit Suisse High Yield Index and the BofA ML All U.S. Convertibles Index performed slightly better, eking out gains of 0.30% and 0.56% for the period, respectively.

ANNUALIZED TOTAL RETURN AS OF 6/30/15

	QUARTER	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (6/26/02)
On Market Price	-3.84	-5.09%	8.89%	9.80%	5.66%	9.36%
On NAV	1.11	0.11	10.96	11.26	7.74	10.12

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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Distributions Remained Competitive. The fund maintained a monthly distribution of $0.095 throughout the quarter. The fund's current annualized distribution rate was 9.34% of market price as of June 30, 2015. We believe that the fund's monthly distributions are very 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 2.35% as of June 30, 2015

Performance Review

This past quarter, the fund benefitted from selection and an overweight relative to the Credit Suisse High Yield Index within the health care sector, specifically selection in pharmaceuticals, biotechnology and managed health care. Our selection in consumer staples, specifically packaged foods and meats, automakers, and cable and satellite was also beneficial.

Relative to the Credit Suisse High Yield Index, security selection and an underweight to information technology was a drag on returns, as our choices in semiconductors and Internet software and services proved detrimental. Our underweight to and selection in energy, namely oil-and-gas exploration and production, also held back performance.

Positioning

We continue to hold our highest allocations (36%) in the BB credit tier as we believe this exposure will offer investors a better risk/return dynamic while continuing to provide regular income. From an economic sector perspective, our heaviest exposures are in the health care, information technology, and consumer discretionary sectors, which collectively make up 56% of our holdings. Our lightest holdings are in materials, consumer staples and utilities. We slightly increased our position in health care and information technology and reduced it in energy and financials.

The fund continued to maintain significant equity exposure via convertible bonds. Having such exposure allows our shareholders greater participation in upwardly rising growth-oriented markets. As growth-oriented companies tend to issue convertibles, the convertible market, in turn, benefits from a growth environment. In addition, the use of convertibles can support returns during periods of rising interest rates or market volatility. As of June 30, 2015, the fund had 58% of its assets in convertible securities.

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, our use of leverage enhanced returns, taking advantage of low borrowing costs. We were able to borrow at rates we believe were attractive and invested the proceeds to achieve a greater return than the cost of leverage. We believe our enhanced leverage through BNP Bank and State Street Bank has been beneficial because it provides diversity, more borrowing capacity and potentially reduces interest costs. As of June 30, 2015, our leverage was 29%. We also use interest rate swaps to protect the fund from sudden rises in interest rates.

Conclusion

We maintain a constructive outlook for convertibles. We expect issuance to remain healthy, supported by economic growth. As growth-oriented companies tend to issue convertibles, the convertible market tends to benefit from a growth environment. In our view, the advantages of convertibles may become even more pronounced when

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interest rates move higher. As we have discussed in the past, convertible securities have been less vulnerable to rising interest rates than traditional fixed income securities. In fact, history has shown that convertibles can perform relatively well when interest rates rise, since a rising-rate environment is usually consistent with better economic and earnings growth. In the latter half of 2015, we see the U.S. economy growing, low inflation, reasonable valuations and stock buybacks supporting equities.

Additionally, convertibles have tended to perform well during periods of upwardly rising but volatile equity markets. We believe convertible securities with a balanced blend of equity sensitivity and credit sensitivity will be better positioned in this environment. While many of the most equity-sensitive convertibles have performed well as of late, we remain concerned about their potential downside.

With the recent sell-off, we believe the high yield asset class is beginning to look more attractive and represents the most value we have seen year to date. We would continue to recommend patience, though, as the market adjusts to the new Fed policy. We see weakness or yields approaching 7% as reasons to slowly begin adding exposure to high yield. Despite the likelihood of more volatility that goes along with higher yields, the asset class is an attractive option for risk-tolerant, long-term investors.

Moody's is forecasting one-year forward default rates to start inching higher to 3.1% by May 2016. We share this not to be alarmists, but to reinforce the point that painstaking security selection, which the investment team actively dedicates to the fund, will become even more paramount to success as we enter a more volatile period for the asset class.

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 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. Please refer to the fund's prospectus for a full description of risks.

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 **BofA ML All U.S. Convertibles Index (VXA0)** is comprised of approximately 700 issues of only convertible bonds and preferreds of all qualities. The **Credit Suisse High Yield Index** is an unmanaged index of high yield debt securities. 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.

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.

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.

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