

Convertible Fund Quarterly Commentary



Summary

- Leveraging more than four decades of experience in convertibles, Calamos Convertible Fund invests primarily in convertible securities of US and foreign companies without regard to market cap.
- The fund is invested in companies we believe are positioned to benefit from long-term growth themes, in areas such as artificial intelligence, productivity enhancements and cybersecurity.
- We believe the current economic growth, inflation and monetary policy trajectories set up well for small-cap and mid-cap companies, which are mainstays in the convertible market.

Investment Manager Discussion

The first quarter of 2024 saw a continuation of strong equity markets. The S&P 500 reached an all-time high, largely driven by better-than-expected economic US growth and the lack of a resurgence of inflationary pressures.

Given these trends, one of the more frequent debates recently has focused on when the Fed will cut interest rates. In our view, what matters more than the timing of rate cuts is that the Fed is relatively well positioned to adjust policy as needed.

Commentary continues page 2...

DATA AS OF 3/31/24

CALAMOS CONVERTIBLE FUND AVERAGE ANNUAL RETURNS (%)

	QTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE I SHARE INCEPTION	SINCE A SHARE INCEPTION
Calamos Convertible Fund							
I Shares - at NAV (Inception—6/25/97)	2.56	10.19	-2.28	9.16	7.34	7.87	N/A
A Shares - at NAV (Inception—6/21/85)	2.52	9.92	-2.52	8.88	7.07	N/A	8.90
A Shares Load adjusted	0.21	7.43	-3.26	8.38	6.55	N/A	8.77
ICE BofA All US Convertibles Index	2.34	11.34	-0.98	10.28	8.69	8.04	N/A
S&P 500 Index	10.56	29.88	11.49	15.05	12.96	8.87	11.37
Morningstar Convertibles Category	2.71	8.94	-1.66	8.35	7.19	6.97	8.44

Index and Morningstar category data shown reflects full month periods only. If share class inception date is on or before the 15th of the month, the index or category calculation inception date begins on the first day of that month. If share class inception date is after the 15th of the month, the index or category calculation inception date begins on the first day of the following month.

Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted. Please refer to Important Risk Information. The principal value and return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Performance reflected at NAV does not include the Fund's maximum front-end sales load of 2.25%. Had it been included, the Fund's return would have been lower. You can obtain performance data current to the most recent month end by visiting www.calamos.com.

The funds' gross expense ratio is as of the prospectus dated 3/1/2024 are as follows: 1.13% for A Shares and 0.88% for I Shares.

Class I shares are offered primarily for direct investment by investors through certain tax-exempt retirement plans and by institutional clients, provided such plans or clients have assets of at least \$1 million. For eligibility requirements and other available share classes see the prospectus and other Fund documents at www.calamos.com.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

We are cautiously optimistic that economic growth, inflation, and monetary policy will continue to normalize along their current trajectories, which can provide a further tailwind for risk assets and potentially a broadening of equity market leadership. However, we are prepared for volatility to increase. Markets will scrutinize every Fed action, and this year's US presidential election is likely to be quite contentious with fiscal policy implications for years to come.

Within [Calamos Convertible Fund \(CICVX\)](#), our overall focus remains on bottom-up company selection and actively managing security-specific risk/reward tradeoffs. A broadening out of equity market leadership could be particularly beneficial for small-cap and mid-cap growth companies, which are well represented in the convertible universe. We maintain our preference for balanced convertible structures that provide favorable asymmetric payoff profiles by offering potentially attractive levels of upside equity participation with less exposure to downside moves.

Technology, health care, and consumer discretionary continue to be CICVX's largest sector allocations, as they were at the start of the quarter. As we have discussed in the past, we favor companies that are executing well despite macro uncertainties, with improving margins and free cash flow, accelerating returns on invested capital, and attractive equity valuations. We also focus on identifying innovative companies positioned to benefit from cyclical and secular themes that can serve as tailwinds to individual corporate performance. These include companies advantageously positioned as businesses seek solutions to higher labor, manufacturing, and interest costs in the current economic environment, as well as companies exposed to trends such as artificial intelligence, productivity enhancements, and cybersecurity. We expect the convertible market will provide opportunities to participate in these fast-growing trends for years to come.

The convertible new-issue market continued to be strong into the first quarter, with US issuance up approximately 50% relative to the same period in 2023. The continuation from 2023 of more investment-grade-rated securities, higher coupons and lower conversion premiums bodes well for convertible investors. A significant amount of this year's issuance has been brought to market to refinance existing debt, which we believe demonstrates the appeal that convertibles hold for issuers.

We remain optimistic about issuance prospects going forward as companies increasingly recognize the lower-borrowing-cost benefits of convertibles in lieu of traditional bonds in an environment of higher interest rates. We believe that the combination of a sizable amount of debt maturing in 2025 across bond markets, the possibility of a higher-for-longer interest rate scenario, and the fact that convertibles have served as growth capital for leading small and midcap companies throughout the full business cycles should serve as accelerants for continued solid issuance.

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SVP and Senior Co-Portfolio Manager

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April 4, 2024

Market Environment

The first quarter of 2024 saw a continuation of strong equity markets as the S&P 500 Index reached an all-time high, mainly driven by better-than-expected US economic growth and the lack of resurging inflationary pressures. The convertible market participated with the equity market advance as the ICE BofA All US Convertibles Index returned 2.34%.

Convertibles with the most equity sensitivity (+3.8%) outperformed convertibles with balanced risk/reward attributes (+1.1%) and those with the most credit sensitivity (+2.5%). At the end of the quarter, convertibles with the most bond sensitivity represented 48% of the market, exceeding the portions of convertibles with balanced risk-reward (36%) and equity-sensitive (15%) attributes.

From an economic sector perspective, convertibles within the consumer staples (+9.8%), energy (+9.3%), and industrials (+5.5%) sectors performed best within the index. Convertibles in the materials (-7.6%), consumer discretionary (-3.1%), and real estate (-2.8%) sectors most lagged the index result. Speculative-grade-rated convertibles (+5.1%) outperformed investment-grade-rated issues (+2.4%), although it should be noted that roughly 78% of the US convertible market was unrated on average at the end of the first quarter, according to ICE BofA.

In the first quarter, \$25.2 billion in new convertibles were brought globally to market. The United States led convertible issuance higher with \$20.8 billion, Japan raised \$2.9 billion, Europe launched \$1.1 billion, and Asia ex-Japan priced \$400 million. These new convertible issues offer attractive terms, including higher coupons and lower conversion premiums.

Performance Review

For the quarter ended March 31, 2024, the fund returned 2.56% (Class I shares at NAV) versus the ICE BofA All US Convertibles Index return of 2.34%.

Positive Influences on Performance

Industrials. The fund benefitted from the industrials sector, as holdings in research & consulting services and industrial machinery & supplies & components helped drive relative results.

Materials. Leading security selection in materials, specifically in the steel and diversified metals & mining industries, contributed to performance.

Negative Influences on Performance

Information Technology. Over the period, security selection within the information technology sector dampened results. Holdings in the application software and systems software industries lost ground on a relative basis.

Communication Services. Security selection within the alternative carriers and movies & entertainment industries of the communication services sector trailed relatively.

Fund Holdings - Contributors

Shockwave Medical (SWAV)

1.0% Convertible due 2028 | 1.3% of fund as of 2/29/24

Profile. Shockwave Medical Inc. is a global medical device company that produces intravascular lithotripsy (IVL) technology for treating calcified plaque in patients with peripheral and coronary vascular and heart valve diseases. The company was incorporated in 2009 and is headquartered in Santa Clara, California.

Analysis. The Shockwave Medical convertible and common stock performed extremely well during the quarter. Shares moved higher in March after *The Wall Street Journal* published an article that suggested Johnson and Johnson (JNJ) was in talks to acquire Shockwave. Subsequently, on April 5, the rumors were confirmed, and it was announced that JNJ would acquire the company for \$335 per share in cash, with the transaction approved by both companies' boards of directors and expected to close in mid-2024. While another offer could materialize, we view that as a low probability and expect the deal to be consummated. The convertible offers attractive risk/reward and a favorable yield advantage over the common stock, which does not pay a dividend.

CyberArk Software Ltd. (CYBR)

0.0% Convertible due 2024 | 1.8% of fund as of 2/29/24

Profile. CyberArk Software Ltd. develops and markets software-based identity security solutions and services. The company was incorporated in 1996 and is headquartered in Petah Tikva, Israel.

Analysis. CyberArk's common stock and convertible advanced during the quarter as the company's reported earnings confirmed accelerating revenue growth and forward earnings guidance that outpaced analysts' expectations. We view CyberArk as a leading provider of Privileged Access Management solutions. Security remains a top investment priority among IT departments, and CYBR ranks as one of the top vendors, allowing it to grow faster than the industry and take share. The convertibles provide an attractive means of participating in any continued upside of CyberArk's common stock.

Fund Holdings - Detractors

Rivian Automotive Inc. (RIVN)

4.625% Convertible due 2029 | 1.3% of fund as of 2/29/24

Profile. Rivian Automotive Inc. designs, develops, manufactures, and sells electric vehicles and accessories. The company offers five-passenger pickup trucks and seven-passenger sports utility vehicles. In collaboration with Amazon.com Inc., it provides the Rivian Commercial Vehicle platform for electric delivery vans. The company sells its products directly to customers in the consumer and commercial markets. Rivian Automotive Inc. was founded in 2009 and is based in Irvine, California.

Analysis. The convertible and common stock of Rivian declined after the company reported mixed results and disappointed investors with weak forward earnings guidance with no expected volume growth. Despite recent industry-wide demand challenges for EVs, we have remained constructive on Rivian, given that it is scaling production across all vehicle models. We also expect the demand for Rivian's products to be sustained while gross profits improve on higher production. The company is expected to derive benefits when its lower cost and higher volume R2 platform begins production in 2026. The convertible offers attractive risk/reward and a favorable yield advantage over Rivian Auto's common stock, which does not pay a dividend.

onsemi (ON)

0.5% Convertible due 2029 | 2.2% of fund as of 3/31/24

Profile. onsemi provides intelligent sensing and power solutions that enable electrification and automation in automotive and industrial end markets. ON's silicon carbide portfolio is a key technology in the powertrain of electric vehicles and charging systems, factory automation, and energy infrastructure. onsemi was incorporated in 1992 and is headquartered in Phoenix, Arizona.

Analysis. Shares of onsemi declined after the company reported mixed earnings results with revenues that missed expectations, raising concerns about future automobile demand uncertainty. We continue to view onsemi as a leading auto and industrial semiconductor company with secular content increases within electronic vehicles for power and intelligent sensing solutions. The convertible provides an attractive means of participating with the underlying common stock's upside with less downside. An it provides a favorable yield advantage over the ON common stock, which does not pay a dividend.

Positioning and Portfolio Changes

From a sector standpoint, the portfolio's largest weights are within information technology and health care on an absolute basis, while the smallest sector weights with holdings are in consumer staples and real estate. On a relative basis, health care equipment and technology hardware, storage & peripherals constitute the most significant relative overweights. The largest industry underweight positions are application software and diversified banks.

Allocations to industrials and consumer discretionary rose modestly with increased weights in passenger airlines and hotels, resorts & cruise lines. By contrast, allocations to communication services and information technology decreased over the period with reductions to interactive media & services and application software.

For additional information or to download a fact sheet, please visit the fund's profile page:

[CICVX - Convertible Mutual Fund | Calamos Investments](#)

Before investing carefully consider the fund's investment objectives, risks, charges and expenses. Please see the prospectus and summary prospectus containing this and other information which can be obtained by calling 1-866-363-9219. Read it carefully before investing.

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.

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.

Index Definitions

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 BofA All US Convertibles Index (VXA0)** comprises approximately 700 issues of convertible bonds and preferreds of all qualities and measures the return of all US convertibles. The **Bloomberg Barclays US Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. The **S&P 500 Index** is generally considered representative of the US stock market. The **S&P 500® Equal Weight Index (EWI)** is the equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

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.

Important Risk Information

An investment in the Fund(s) is subject to risks, and you could lose money on your investment in the Fund(s). There can be no assurance that the Fund(s) will achieve its investment objective. Your investment in the Fund(s) is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. The risks associated with an investment in the Fund(s) can increase during times of significant market volatility. The Fund(s) also has specific principal risks, which are described below. More detailed information regarding these risks can be found in the Fund's prospectus.

The principal risks of investing in the **Calamos Convertible Fund** include a potential decline in the value of convertible securities during periods of rising interest rates and the possibility of the borrower missing payments. The credit standing of the issuer and other factors may also affect a convertible security's investment value. Synthetic convertible instruments may fluctuate and perform inconsistently with an actual convertible security, and components of a synthetic convertible can expire worthless. The Fund may also be subject to foreign securities risk, equity securities risk, credit risk, high yield risk, portfolio selection risk and liquidity risk.

As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities, including fluctuations in currency exchange rates, increased price volatility and difficulty obtaining information. In addition, emerging markets may present additional risk due to potential for greater economic and political instability in less developed countries.

CALAMOS[®]
INVESTMENTS

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