

Convertible Opportunities and Income Fund (CHI) Quarterly Commentary

CALAMOS
INVESTMENTS

Fund Overview

The fund seeks total return through capital appreciation and current income by investing in a diversified portfolio of convertible securities and high-yield corporate bonds.

Market Overview

Stocks and convertibles rebounded strongly in the fourth quarter, as reflected in the 11.69% return of the S&P 500 Index and the 6.67% return of the ICE BofA All US Convertibles Index. Equity market performance was linked to changing interest rates during the quarter. When yields rose in October, stocks fell sharply, and when yields narrowed through the remainder of the year, stocks rallied. The December Federal Reserve meeting also boosted markets as investors cheered Federal Reserve Chair Jerome Powell's remarks indicating that the Fed would pivot from its tightening policy toward easing and signaled three interest rate cuts in 2024.

Small and mid-cap stocks rose an impressive 13.35%, as represented by the Russell 2500 Index. The strong performance by small and mid-cap companies supported the convertible market, which has a heavy representation in small and mid-cap issuers. The underlying stocks of the ICE BofA All US

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Current Annualized Distribution Rate

11.00%*

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.

DATA AS OF 12/31/23

CALAMOS CONVERTIBLE OPPORTUNITIES AND INCOME FUND AVERAGE ANNUAL RETURNS (%)

	QTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (6/26/02)
Calamos Convertible Opportunities and Income Fund						
Market Price	2.40	10.08	0.68	13.29	7.50	8.97
NAV	8.73	13.13	-3.34	10.90	7.17	9.07

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 discount which is a market price that is below their net asset value.

***The Fund's most recent distribution payable 1/11/24 was \$0.0950 per share. Based on our current estimates, we anticipate that approximately \$0.0000 is paid from ordinary income or capital gains and \$0.0950 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. Please refer to back page for important notes. All returns are in USD terms unless otherwise indicated.

Convertibles Index outperformed the broader equity market, increasing 16.25% on average in the fourth quarter.

Convertibles with the most equity sensitivity (+11.6%) outperformed convertibles with balanced risk/reward attributes (+8.0%) and those with the most credit sensitivity (+4.8%). At the end of the quarter, convertibles with the most bond sensitivity represented 52% of the market, which exceeded the combined portions of convertibles with balanced risk-reward (33%) and equity-sensitive (15%) attributes.

From an economic sector perspective, convertibles within the materials (+12.7%), real estate (+9.2%), and information technology (+9.0%) sectors performed best within the index, whereas convertibles in the energy (-5.7%), consumer staples (+2.1%), and communication services (+2.2%) sectors most lagged the index result. Investment-grade-rated convertibles (+6.4%) outperformed speculative-grade issues (+1.9%), although it should be noted that roughly 78% of the US convertible market was unrated at the end of the fourth quarter according to data provided by ICE BofA.

In the fourth quarter, \$18.2 billion in new convertibles were brought to market globally. The United States led convertible issuance higher with \$12.3 billion, Europe raised \$3.4 billion in issuance, while Japan and Asia ex-Japan each introduced \$1.2 billion. 2023 issuance totaled \$79.4 billion, more than double the 2022 calendar year total of \$39.5 billion. Of that total, \$53.4 billion was issued in the US, \$13.4 billion in Europe, \$9.0 billion in Asia, and \$3.6 billion in Japan. These new convertible issues came to market with attractive terms, including higher coupons and lower conversion premiums.

high-yield spreads closed the quarter significantly tighter, driving strong returns. The Bloomberg US High Yield 2% Issuer Capped Index closed the year at +323 basis points on an option-adjusted basis, down from 396 in the prior quarter. Investment-grade spreads were also tighter, closing the period at +99 basis points following the previous quarter's close of +121. Returns across credit qualities were consistent, with BBs leading slightly at 7.4%, B-rated issuers returned 7.0%, and CCC credits lagged at 6.9%. Trailing 12-month defaults increased from 2.1% in September to 2.8%, but remain below the long-term average of 3.4%.

The best-performing sectors in the Bloomberg US High Yield 2% Issuer Capped Index were brokers and asset managers (+11.8%), banks (+9.4%) and natural gas utilities (+8.8%), while transportation (+4.3%), energy (+5.2%), and other industrial (+6.5%) represented the significant laggards.

Distributions During the Period Remain Competitive

The fund's current annualized distribution rate was 11.00% of market price as of December 31, 2023. We believe the fund's monthly distributions are highly competitive despite recent Fed activity. For example, the ICE BofA Convertibles Index had a yield of 1.95%, the 10-year US Treasury bond yield was 3.88%, and the ICE BofA US High Yield Master II Index yield was 7.69% as of December 31, 2023.

Performance Review

For the quarter ending December 31, 2023, the fund returned 2.40% on price and 8.73% on NAV. While the price return was unfavorable, the NAV return outperformed the blended comparative index (50%

ICE BofA All US Convertibles Index, 50% Bloomberg US HY 2% Issuer Capped Index), which returned 6.93% for the same period.

Contributing Factors. This past quarter, the fund benefited from an overweight in the information technology sector relative to the blended comparator index, specifically in the systems software industry. The fund also realized gains from its selection in the industrials sector's electrical components & equipment industry.

Our exposure to Long-Term Equity Anticipation Securities (LEAPS) call options relative to the comparator index was helpful to returns.

Detracting Factors. Our selection in the health care sector, specifically in the biotechnology industry, underperformed relative to the index. In addition, our selection in the materials sector proved detrimental to returns, specifically an underweight and names in the steel industry.

In addition, our overweight and selection in convertible bonds relative to the comparative index did not help.

Positioning and Portfolio Changes

At the end of the quarter, our portfolio's highest allocation was in convertible securities, accounting for approximately 67% of our investments. Corporate bonds accounted for around 26% of the portfolio. The largest ratings class, approximately 60%, comprises unrated securities. We believe this exposure will offer investors a better risk/reward dynamic over time while continuing to provide regular income, as our proprietary research can extract value from this sector. We continue to take a very selective approach to CCC credits, representing approximately 3% of the portfolio at quarter end. We also hold a large percentage in the BB-credit tier (approximately 15%), which offers good valuations and provides access to a large portion of the convertible bond universe where we can optimize returns through our proprietary research capabilities. We are cognizant that rising interest rates and volatility can affect longer-term fixed income securities. The weighted average duration of our bond holdings is 2.3 years at quarter end.

From an economic sector perspective, our heaviest exposures reside in the information technology, health care, and consumer discretionary sectors, representing approximately 52% of our holdings. We believe that these areas are best positioned for growth. Technology will be sourced to meet increasing online demand and growth in artificial intelligence. We believe that declining inflation, high employment rates, and the generally solid financial condition of the US consumer will inspire spending and growth in the consumer discretionary sector. Health care will be a primary focus as disease prevention and welfare maintenance receive emphasis in the foreseeable future in the wake of the Covid-19 pandemic. Our lightest weights include consumer staples, materials, and real estate. Approximately 93% of our holdings are in the US, where we see greater growth opportunities in the context of the fund's investment parameters.

Leverage

We believe the current economic environment is favorable for the prudent use of leverage to enhance total return and support the fund's distribution rate. Financial asset valuations should appreciate as corporate earnings continue to improve and inflation abates, making it a good time to use leverage. As of December 31, 2023, our total percentage of assets leveraged was approximately 37%, which falls within the higher end of our historical range.

Outlook

Markets ended 2023 on a high note with risk assets benefiting from a perceived US central bank policy pivot toward a more balanced monetary approach. Heading into 2024, we are cautiously optimistic -that the Fed's inflation-fighting efforts have largely achieved the central bank's goal, and the economy remains on a solid footing. We believe this likely sets up a soft-landing scenario that can provide a further tailwind for risk assets. That said, we will continue to monitor conditions closely as soft landings have been historically difficult to achieve, and investors have been quick to overshoot both on the up and down recently, which can contribute to heightened volatility in markets. Additionally, the new year carries unique risks, including what will likely be a contentious US presidential election that could impact fiscal policies for years to come.

We were excited that convertible new issuance accelerated to longer-term historical trends in 2023. Investment-grade companies were particularly active and came to the convertible market at a faster pace than we have seen in many years. We think this will broaden out in 2024, given the sizable amount of traditional debt maturing in the coming years. Much of this debt carries low coupons, and companies will face higher refinancing costs given the environment of increased interest rates across the curve. We view these as win-win scenarios as issuers can benefit from lower borrowing costs of issuing convertibles versus traditional bonds, and investors can benefit from more normal coupon rates and lower conversion premiums.

Regarding the fund's high-income allocation, credit spreads are the most challenging piece of the puzzle to square with other economic realities. We believe the risks to credit spreads are asymmetrically unfavorable at these levels. Our fundamental research continues to identify high-yield issuers and industries where investors are well compensated for the current risk profile. In addition, we have continued to migrate portfolio credit quality higher across the Calamos fixed income portfolios as we prepare for what we expect to be a weaker 2024.

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

[CHI - Convertible Opportunities & Income Fund | Calamos Investments](#)

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 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.

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 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.

Term Definitions

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. **EBITDA** stands for earnings before interest, taxes, depreciation, and amortization. It is a measure of a company's profitability that excludes the effects of its capital structure, tax strategy, and depreciation methods.

Index Definitions

The **Bloomberg US 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 **Russell 2500® Index** measures the performance of the small to midcap growth segment of the US equity universe. The index is published and maintained by FTSE Russell. The **ICE BofA All US Convertibles Index (VXA0)** comprises approximately 700 issues of only convertible bonds and preferreds of all qualities. **ICE BofA US High Yield Master II Index** consists of below investment grade US dollar denominated corporate bonds that are publicly issued in the US 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 ICEBofA 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 BofA 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 US stock market. The **S&P/LSTA US 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. The **S&P 500 Equal Weighted Index** 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 Equal Weighted Index 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.

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