Convertible Opportunities and Income Fund (CHI) Quarterly Commentary

CALAMOS INVESTMENTS

Current Annualized Distribution Rate
9.79%*

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.

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

Equity markets extended year-to-date gains during the second quarter of 2024 and finished the year's first half with a strong advance. The S&P 500 Index (+4.28%) continued to hit new all-time highs, helped by a backdrop of stable economic growth, a respite in inflationary pressures, and a monetary policy indicating a reduction in interest rates for the first time this cycle. The US high yield bond market, as represented by the Bloomberg US Corporate High Yield 2% Issuer Capped Index returned 1.09% in the second quarter.

Although the S&P 500 was positive during the quarter, market leadership was narrow. The top-five S&P 500 Index constituents contributed 4.7% to the S&P's return, and the S&P 500 Equal Weighted Index declined -2.63% in contrast to the market-cap-weighted S&P 500 advance. The convertible market, as represented by the ICE BofA All US Convertibles Index declined -0.21%.

Commentary continues page 2…

DATA AS OF 6/30/24

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	5.38	15.75	1.21	12.22	8.26	9.56
NAV	0.05	7.99	-4.05	8.02	6.65	9.00

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 7/19/24 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 with the most credit sensitivity (+1.2%) outperformed convertibles with the most equity sensitivity (-0.2%) and those with balanced risk/reward attributes (-2.4%). At the end of the quarter, convertibles with the most bond sensitivity represented 52% of the market, exceeding the portions of convertibles with balanced risk-reward (35%) and equity-sensitive (13%) attributes.

From an economic sector perspective, convertibles within the utilities (+3.2%), health care (+2.9%), and consumer discretionary (+2.5%) sectors performed best within the index. Convertibles in the materials (-8.6%), industrials (-3.0%), and energy (-2.9%) sectors most lagged the index result.

Investment-grade-rated convertibles (+0.9%) outperformed speculative-grade-rated issues (-1.4%). However, it should be noted that roughly 77% of the US convertible market was unrated on average at the end of the quarter according to data provided by ICE BofA.

In the second quarter, $34.9 billion in new convertibles were brought to market globally. The United States led convertible issuance higher with $19.2 billion followed by Asia ex-Japan ($11.7 billion), Japan ($2.5 billion) and Europe ($1.5 billion). The recent upswing in new convertible issuance has expanded the market's opportunity set.

High-yield spreads closed the quarter 10 basis points wider at +309. Despite wider spreads and higher Treasury rates, the high-yield market delivered a positive return of 1.1%, driven by current income. Investment grade spreads were also slightly wider over the period, closing at +94 basis points following the previous quarter close of +90. Returns across credit qualities were directional, with higher rated credits leading the way. BB issuers returned +1.3%, B-rated credits delivered 1.0%, and CCCs trailed -0.0%. Trailing 12-month defaults decreased from 2.6% in March to 1.8% in June, well below the long-term average of 3.4%. In the loan market, trailing 12-month defaults are at 3.1%, higher than the long-term average of 3.0%.

The best-performing sectors in the Bloomberg Barclays US Corporate High Yield 2% Issuer Cap Index were consumer non-cyclicals (+2.5%), brokerage/asset managers (+2.3%), and other industrials (+2.2%), while communications (-1.8%), REITs (+0.5%), and transportation (+0.5%) represented the largest laggards.

Distributions Remain Competitive

The fund's current annualized distribution rate was 9.79% of market price as of June 30, 2024. We believe the fund's monthly distributions are highly competitive. For example, the ICE BofA All US Convertibles Index had a yield of 2.06%, the 10-year US Treasury bond yield was 4.40%, and the ICE BofA US High Yield Index yield was 6.76% as of June 30, 2024.

Performance Review

For the quarter ending June 30, 2024, the fund returned 5.38% on price and 0.05% on NAV. The price return outperformed the blended comparator index (50% ICE BofA All US Convertibles Index, 50% Bloomberg US HY 2% Issuer Capped Index), which returned 0.45% for the same period.

Contributing Factors. This past quarter, the fund benefited from favorable selection in the information technology sector as holdings within the application software and semiconductor industries helped drive relative results. The fund also benefited from an underweight position and favorable selection in the materials sectors, especially in the specialty chemicals and diversified metals & mining industries.

Detracting Factors. Our selections in the consumer discretionary and health care sectors lagged, especially in the homefurnishing retail, the hotels, resorts & cruise lines, health care equipment, and health care services industries.

Positioning and Portfolio Changes

As of quarter end, our portfolio's largest allocation is in convertible securities, accounting for approximately 67% of investments. Corporate bonds account for around 25% of the portfolio. Unrated securities, at approximately 57%, comprise the largest rating class as most convertibles are unrated, although we perform our own credit analysis. 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 continue to take a selective approach to CCC credits, representing approximately 3% of the portfolio at quarter end. The weighted average duration of our bond holdings is 2.3 years at quarter end.

From a sector perspective, the largest portfolio weights reside in information technology and consumer discretionary on an absolute basis. Conversely, real estate and consumer staples represent the smallest absolute sector weights with holdings. Similarly, we maintain overweight allocations to information technology and consumer discretionary versus the index. Semiconductors (within information technology) and hotels, resorts & cruise lines (within consumer discretionary) constitute the most significant relative overweights. We maintain relative underweight positions in communication services and utilities. In these sectors, cable & satellite and independent power producers & energy traders constitute significant underweight industries.

Allocations to consumer discretionary and information technology rose during the period with increased weights in broadline retail and semiconductor materials & equipment. By contrast, allocations to health care and communication services decreased over the period with reductions in health care equipment and cable & satellite industries.

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 June 30, 2024, our total percentage of assets leveraged was approximately 37%, which falls within the higher end of our historical range.

Outlook

While we would not be surprised to see variability in economic data in the coming months, we remain optimistic that the overall trends in economic growth, inflation, and monetary policy will continue to normalize along their current trajectories, which can provide a further tailwind for risk assets including a potential broadening of equity market leadership. However, as we enter the second half of the year, we are keeping a close eye on the potential for increased volatility around the US presidential election, which is likely to be contentious with fiscal policy implications for years to come.

The convertible new-issue market was strong in the first half of the year, with global issuance up approximately 50% relative to the same period in 2023. We continue to see deal terms that carry higher coupons and lower conversion premiums compared to last year as well as a higher mix of investment-grade credits coming to the convertible market. A significant amount of this year's issuance is meant to refinance existing debt, a trend which we believe can benefit a broad subset of 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 the sizable amount of debt maturing in 2025/2026 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 mid-cap companies throughout complete business cycles should serve as accelerants for continued solid issuance.

We believe that the Calamos Convertible Opportunities and Income Fund is well-equipped to perform in an environment that favors individual security selection, discipline, and the insights to identify the themes that are transforming the world.

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.

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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