Dynamic Convertible and Income Fund (CCD) Quarterly Commentary

CALAMOS INVESTMENTS

Current Annualized Distribution Rate
11.83%*

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 invests in convertibles and high-yield fixed-income securities with the aim of generating total return through a combination of capital appreciation and income. To help generate income and achieve a favorable risk/reward profile, the investment team can also sell options.

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

Commentary continues page 2…

DATA AS OF 12/31/23

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

	QTD	1-YEAR	3-YEAR	5-YEAR	SINCE INCEPTION (3/27/15)
Calamos Dynamic Convertible and Income Fund					
Market Price	10.61	8.83	-1.82	14.52	7.51
NAV	8.81	12.23	-4.83	12.19	7.88

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 $0.1950 per share. Based on our current estimates, we anticipate that approximately $0.0000 is paid from ordinary income or capital gains and $0.1950 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.

heavy representation in small and mid-cap issuers. The underlying stocks of the ICE BofA All US 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 Remained Competitive

The fund’s annualized distribution rate was 11.83% of market price as of December 31, 2023. We believe that the fund’s monthly distributions are highly competitive despite recent Fed activity. For example, the 10-year US Treasury bond yield was 3.88%, the ICE BofA All US Convertibles Index yield was 1.95%, and the Bloomberg US HY 2% Issuer Capped Index yielded 7.69% as of December 31, 2023.

Performance Review

For the quarter ending December 31, 2023, the fund returned 10.60% on market price and 8.81% on NAV. Both fund returns compared favorably with respect to the blended comparator index, which returned 6.78%. The comparator index comprises 80% ICE BofA All US Convertibles Index and 20% Bloomberg US HY 2% Issuer Capped Index.

Contributing Factors. The fund also realized gains from its selection in the industrials sector's electrical components & equipment Industry. Additionally, selections in the communications services sector, notably the movies & entertainment industry, were additive to performance.

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

Detracting Factors. Our selection in the health care sector, specifically the biotechnology industry, underperformed. Additionally, our underweight and selection in the steel industry of the materials sector proved detrimental to return.

Our selections in DECS (Dividend Enhanced Convertible Stock), ACES (Automatically Convertible Equity Securities), and PRIDES (Preferred Redeemable Increased Dividend Equity Securities) held back performance relative to the comparator index.

Positioning and Portfolio Changes

We hold our highest allocation in convertible bonds, which account for approximately 86% of our portfolio. Regarding fixed-income holdings, around 75% of our investments land within the unrated securities tier. Given how our proprietary research can extract value from this sector, we believe this exposure provides investors with a better risk/reward dynamic over time while offering regular income. We hold a sizeable percentage in BB/B credits (approximately 10%), which offer good valuations and provide access to a large portion of the corporate bond universe, where we can again optimize returns through our proprietary research. Approximately 2% of our holdings are CCC-and-below-rated securities. We are cognizant that rising interest rates and volatility can affect longer-term fixed-income securities. Considering such, the weighted average duration of our bond holdings was 1.9 years at quarter end.

From an economic sector perspective, our heaviest exposures reside in the information technology, health care, and consumer discretionary sectors, which collectively make up approximately 60% 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 94% of our holdings are in the US, where we see more significant growth opportunities in the context of the fund's investment parameters. That said, our expectations are for a continuation in global issuance of convertibles across multiple sectors and regions in 2024 that will offer our clients a wide array of investment opportunities.

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. Our use of leverage is expected to continue benefiting our shareholders in the long term. At the end of the quarter, we leveraged approximately 37% of our assets, which is at the higher end of our historical range.

Outlook

Looking forward, we are cautiously optimistic but see multiple positives and negatives pushing and pulling the market and believe additional Fed moves will remain data-dependent. Although this is expected to generate heightened uncertainty, volatility has historically created opportunity in the convertible space. Moreover, any stabilization of the macro backdrop could transform a narrow market, driven by larger-cap S&P 500 names, into broader strength, benefiting convertible issuers that lean more toward mid-cap, growth-orientated companies.

Convertible new issuance accelerated into September and is on track to match historical long-term trends for the year. This year's issuance has been characterized by investor-friendly higher coupons, lower conversion premiums, and more plentiful investment-grade names. We remain optimistic about issuance prospects going forward and believe the pace will continue to be strong as companies increasingly recognize the lower-borrowing-cost benefit of issuing convertibles in lieu of traditional bonds. Debt maturities beginning in 2025 across bond markets and the Fed's higher-for-longer rate stance may serve as an accelerant for near-term issuance.

We've seen fundamentals weaken modestly in levered credit. The traditional high-yield market experienced year-over-year declines in both revenue and EBITDA through the end of the second quarter for the first time since 2020. Recall that prior quarter results looked healthier, with 7.5% year-over-year growth in EBITDA, but the aggregate results relied heavily on significant strength within the leisure, energy, and transportation industries. Although the direction of progress may have changed, aggregate leverage and interest coverage levels continue to look healthy in our evaluation. We will monitor the situation closely to determine if a new trend towards weakness is emerging or if results are becoming more volatile as the instability in input prices, labor costs, and consumer behavior impact outcomes. Credit spreads in the investment-grade and high-yield markets have widened slightly as strong balance sheets and technicals have offset the growing suspicion that results in coming quarters will be weaker.

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

CCD - Dynamic Convertible and Income Fund | Calamos Investments

Important Fund Information

You can purchase or sell common shares daily. Like any other stock, the 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 values.

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's ability to close out its position as a purchaser or seller of an over-the-counter or exchange-listed put or call option is dependent, in part, upon the liquidity of the options market. There are significant differences between the securities and options markets that could result in an imperfect correlation among these markets, causing a given transaction not to achieve its objectives. The Fund's ability to utilize options successfully will depend on the ability of the Fund's investment adviser to predict pertinent market movements, which cannot be assured.

Investment Adviser Purchase Risk. As contemplated in the Fund's prospectus, Calamos Advisors LLC (the "Adviser") has entered into a 10b5-1 Plan under which a registered broker-dealer (not a member of the underwriting syndicate involved in the offering of the Fund), as agent for the Adviser, will purchase in the open market up to $20 million of our common shares in the aggregate, on such terms and at times, and subject to a variety of market and discount conditions and a daily purchase limit, to be described in a subsequent press release. See "Management of the Fund — Related-Party Transactions" in the Fund's prospectus. Whether purchases will be made under the 10b5-1 Plan and how much will be purchased at any time is uncertain, dependent on prevailing market prices and trading volumes, all of which we cannot predict. Although intended to provide liquidity, these activities may have the effect of maintaining the market price of our common shares or suppressing a decline in the market price of the common shares, and, as a result, the price of our common shares may be higher than the price that otherwise might exist in the open market. Conversely, any eventual sale of purchased common shares by the Adviser and its affiliates may act as a catalyst for a decline in the Fund's market price, and therefore the market price of our common shares may be lower than the price that might otherwise exist in the open market.

Limited Term Risk. Unless the Termination Date is amended by shareholders in accordance with the Declaration of Trust, the Fund will be terminated on the 15th anniversary of its effective date, currently expected to be March 26, 2030. If the Fund's Board of Trustees believes that under then current market conditions it is in the best interests of the Fund to do so, the Fund may extend the Termination Date for one year, which is anticipated to be March 26, 2031, without a shareholder vote, upon the affirmative vote of three-quarters of the Trustees then in office. Beginning one year before the Termination Date (the "wind-down period"), the Fund may begin liquidating all or a portion of the Fund's portfolio. During the wind down period the Fund may deviate from its investment strategy. As a result, during the wind-down period the Fund's distributions may decrease, and such distributions may include a return of capital.

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. IPO Price refers to the initial public offering price for shares of 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 Corporate 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. **The 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 ICE BofA 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. 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.

Calamos Financial Services LLC, Distributor
2020 Calamos Court | Naperville, IL 60563-2787
866.363.9219 | calamos.com | caminfo@calamos.com

CCDCOM 9760 1223