Overview

The second quarter saw turbulence in the equity and convertible markets, which continued to be pressured by concerns related to high inflation, central bank policy, rising interest rates, the war in Ukraine, and supply chain disruptions. US convertibles declined -15.65% in the quarter, as reflected by the ICE BofA All US Convertibles Index, though held up well relative to the average performance of their underlying stocks, which were down -30.50%. This means that convertibles participated in just 51% of their underlying stocks’ downside. Convertibles also held up slightly better than the S&P 500 Index down -16.10%.

Convertibles across all economic sectors experienced negative quarterly results. Convertibles in telecommunications (-5.3%), utilities (-5.4%) and energy (-7.4%) held up best, whereas the materials (-25.0%), consumer discretionary (-22.5%) and technology (-18.1%) sectors most lagged the index result. Investment grade convertibles (-7.7%) held up better than speculative grade issuers (-20.3%), though it should be noted that roughly 78% of the US convertible market was unrated during the second quarter.

As measured by ICE BofA, convertibles with the most bond sensitivity (-12.4%) held up better than convertibles with balanced risk/reward attributes (-16.9%) and those with the most equity sensitivity (-19.5%). At the end of the quarter, convertibles with the most bond sensitivity represented 55% of the market, exceeding those convertibles with balanced risk/reward (27%) and equity-sensitive (18%) attributes. The US convertible market saw $2.8 billion in new issuance, while $3.3 billion in convertibles came to market globally. This brought the year-to-date global total to $11.2 billion with the US accounting for $3.3 billion.

High yield credit spread were substantially wider. Having drifted from post-Covid averages at the close of the previous quarter, credit sold off aggressively into quarter end as the market repriced higher recession risk. The move wider in investment grade spreads was more moderate and orderly.

<table>
<thead>
<tr>
<th>On Market Value</th>
<th>QTD</th>
<th>1-YEAR</th>
<th>3-YEAR</th>
<th>5-YEAR</th>
<th>SHARE INCEPTION (03/27/15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On Market Value</td>
<td>-14.30</td>
<td>-25.06</td>
<td>11.65</td>
<td>11.32</td>
<td>7.63</td>
</tr>
</tbody>
</table>

Source: Calamos Investments

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.
Performance by rating category within the high yield market was directional, with the move to wider spreads driving negative returns across the credit spectrum. BB rated bonds returned -8.4%, whereas B rated issuers delivered a loss of -10.8%, and CCC rated paper returned -13.0%. Defaults had begun trending higher in the first quarter and continued to do so following several anticipated defaults. The trailing 12-month default rate doubled to 1.1%, still well below the long-term average of 3.6%.

After closing the first quarter with option-adjusted spreads on high yield bonds at 328 basis points, the market waned this past quarter, closing at 570 basis points. The best performing sectors in the Bloomberg US Corporate High Yield 2% Issuer Capped Index were electric utilities (-7.0%), energy (-8.0%) and transportation (-8.2%) while brokers/asset managers/exchanges (-12.6%), finance companies (-11.4%) and consumer non-cyclicals (-11.4%) represented the largest laggards.

**Distribution Increased and Remains Competitive**

The fund’s annualized distribution rate was 10.91% of market price as of June 30, 2022. We believe that the fund’s monthly distributions are highly competitive, given that low interest rates and yields remain the norm throughout much of the global marketplace. For example, the 10-year US Treasury bond yield was 2.98% and the ICE BofA US High Yield Master II Index yield was 2.10% as of June 30, 2022.

**Performance Review**

For the quarter ending June 30th, 2022, the fund returned -14.30% on market price and -22.35% on NAV. In comparison, the blended comparator index (80% ICE BofA All US Convertibles Index and 20% Bloomberg US HY 2% Issuer Capped Bond Index) returned -14.48% for the period.

**Contributing Factors.** This past quarter, the fund benefited from its selections in the information technology sector relative to the comparator index. Specifically, selections in semiconductors boosted results. The fund was also aided by selections in the industrials sector, particularly holdings in the trucking industry.

**Detracting Factors.** Selections and an underweight in the financials sector, particularly in the diversified banks industry, was a drag on return. In addition, our selections in the health care sector, namely within the health care technology industry, impeded performance.

**Positioning**

We continue to hold our highest allocations, approximately 80%, in convertible bonds. With respect to fixed income holdings, approximately 70% are in unrated securities. We believe that our proprietary research can extract value and offer investors a better risk/reward dynamic over time while continuing to provide regular income. We also hold a sizeable percentage in the BB/B credit tier (approximately 19%); these securities offer good valuations and provide access to a large portion of the corporate bond universe where we have the ability to optimize returns through our proprietary research capabilities. Approximately 1% of our holdings at quarter-end were in CCC and below rated securities.

We are cognizant of the fact that rising interest rates and volatility can affect longer-term fixed income securities. The weighted average duration of our bond holdings was 2.4 years. From an economic sector perspective, our heaviest exposures were allocated to information technology, health care and consumer discretionary sectors, which collectively make up approximately 59% of our holdings. We believe that these areas are best positioned to recover from the economic impacts of Covid. The reopening of society and the economy notwithstanding, technology will continue to be sourced to enhance the greater demand for online events, content and commerce. We believe that pent-up demand and higher employment rates will inspire consumer spending, and health care will be a primary focus as disease prevention and welfare maintenance are emphasized for the foreseeable future in
the wake of the Covid pandemic. Our lightest weights were in the consumer staples, real estate and materials sectors. Approximately 93% of our holdings are in the US, which is consistent with our favorable outlook for the domestic economy versus the rest of the world. That said, our expectations are for an increase in global issuance of convertibles across multiple sectors and regions in the balance of 2022 that will continue to offer a wide array of investment opportunities for our clients.

**Leverage**

We believe this environment is conducive to the prudent use of leverage as a means of enhancing total return by investing in areas poised to recover from the impact of Covid on the economy, thereby supporting the fund’s distribution rate as corporate earnings continue to reflect pent-up consumer demand in many sectors. As of June 30, 2022, our amount of leveraged assets was approximately 38%, which falls within the high end of our historic range.

**Outlook**

The debate over inflation, economic growth and the path of future monetary policy continued to dominate headlines near quarter end. However, we think this environment has placed the convertible market in an interesting spot. Convertibles are hybrid securities that can act like equities or bonds, depending on movements in the markets. Declining equity prices and wider credit spreads have pushed the overall equity sensitivity of the convertible market toward the lower end of its historical range. When coupled with the majority of convertible bonds trading below par and closer to their bond floor, this should structurally impede downside going forward. At the same time, reduced equity valuations, positive yield to maturities, and longer-term optionality embedded in the convertible structure can be powerful drivers for future upside returns.

After back-to-back years of record totals, new convertible issuance remains subdued this year and continues to be affected by overall market volatility. The year-to-date $11.2 billion of new convertibles brought to market around the globe is well below the amount we typically see by this time of year. While we anticipated a deceleration in the annual new convertible volume, we think the heightened global uncertainty has materially affected totals, and we expect that an eventual calming in the overall markets will spur new issuance back up to a more traditional pace.

Ultimately, only time will tell how the macro uncertainty plays out, but as we have seen over prior market cycles, actively managing the changing dynamics of convertibles and high yield bonds through times such as these can serve as a useful means to navigate short-term volatility and position for long-term opportunities.
Important Fund Information

You can purchase or sell common shares daily. Like any other stock, the market price of our common shares may be higher or lower than the price at which you purchased or sold them. The market price of your shares may be higher or lower than the price at which we purchased them in the open market up to $20 million of our common shares in the open market. Conversely, any eventual sale of purchased common shares at a time of market weakness, which is not assured, level of cash flow.

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 the Fund’s 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 lower 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.

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 (NXA®) 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. 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 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.

Terms
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.

Calamos Financial Services LLC, Distributor
2020 Calamos Court | Naperville, IL 60563-2787
800.582.6959 | www.calamos.com | caminfo@calamos.com
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