Dynamic Convertible and Income Fund (CCD) 2Q20 Commentary

CALAMOS INVESTMENTS

Overview

The second quarter brought an impressive market recovery as investors responded positively to unprecedented stimulus actions taken by the Federal Reserve and U.S. Congress to address economic fallout from the COVID-19 pandemic. The convertible market advanced 24.1%, as measured by the ICE BofA U.S. Convertible Index (VXA0), and participated in the recovery of other risk assets as the S&P 500 Index (+20.5%) posted its fourth-best quarterly return over the past 20 years. The Bloomberg Barclays U.S. High Yield Index (+10.2%) also rallied as credit spreads narrowed. Bloomberg Barclays reported a 245 basis points average high yield credit spread decline to 654 basis points over U.S. Treasuries.

Despite the strong market showing, investors remained wary, and volatility remained elevated during the period. In fact, the CBOE Volatility Index (VIX) finished the quarter at 30.43, substantially above its long-term average near 20.

The second quarter of 2020 saw $54.4 billion in domestic new convertible issuance and $70.5 billion globally. The U.S. quarterly issuance total exceeded the $53.1 billion issued over the full calendar year 2019 and was the largest quarterly issuance in the past 20 years. The robust issuance played out in two main areas: growth and recovery financing. The growth areas included traditional convertible issuers found in the technology and health care sectors, where companies continued to tap into the convertible market to raise capital to fund their expansion. Additionally, the quarter brought along many issuers looking for cash to aid their COVID-19 recovery. These companies were most heavily impacted by the "COVID Confinement" as they continued to have expenses, while a paucity of customers impaired their revenues. Convertibles issued for recovery financing were mostly found in the consumer discretionary (cruise lines and brick and mortar retail stores) and industrials (airlines) sectors.

ANNUALIZED TOTAL RETURN AS OF 6/30/20

	QTD	1-YEAR	3-YEAR	3-YEAR	SHARE INCEPTION (03/27/15)
On Market Value	43.91%	24.47%	14.42%	9.39%	9.48%
On NAV	29.94	16.27	12.60	10.23	6.96

Source: State Street Corporation

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.

FUND

CCD is a U.S. total return offering that invests in convertibles and other below-investment-grade (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.

Current Annualized Distribution Rate[1]	9.50%

ASSET ALLOCATION	%
Convertibles	85.3
Corporate Bonds	10.0
Synthetic Convertibles	2.2
Bank Loans	1.4
Cash and Receivables/Payables	0.5
Common Stock	0.2
Preferred Stock	0.1
Options	0.1

The portfolio is actively managed. Holdings and weightings are subject to change at any time without notice. Asset Allocation Weightings are calculated as a percentage of Managed Assets. The tables exclude cash or cash equivalents, any government/sovereign bonds or broad based index hedging securities the portfolio may hold.

[1] 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. **The Fund's most recent distribution was $0.1670 per share. Based on our current estimates, we anticipate that approximately $0.1670 is paid from ordinary income or capital gains and $0.0000 of the distribution represents a return of capital.** Estimates are calculated on a tax basis rather than on a enerally 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.

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The market recovery and strong issuance meant that convertibles with balanced risk/reward attributes represented 46% of the market, exceeding the percentage of convertibles with equity sensitive (32%) and credit sensitive (22%) attributes.

As would be expected with such a significant equity market recovery, convertibles with the most equity sensitivity (+40.9% as measured by ICE BofA) outperformed convertibles with balanced risk/reward attributes (+21.0%) and those with the most credit sensitivity (+12.47%).

All economic sectors within the convertible market posted positive returns during the quarter. The consumer discretionary sector led the convertible market higher with a 66.3% return, followed by technology (27.2%), media (+20.0%), and health care (+18.1%). The sectors which most lagged the index result included utilities (+4.6%), energy (+9.9%), transportation (+11.9%), and consumer staples (+12.6%). Speculatively-rated convertibles (33.4%) strongly outperformed investment-grade issues (+8.3%).

Distributions Remained Competitive

The fund maintained a monthly distribution of $0.167 throughout the quarter. The fund's current annualized distribution rate was 9.50% of market price as of June 30, 2020. We believe that the fund's monthly distributions are highly competitive, given that very low interest rates and yields remain the norm throughout much of the global marketplace. For example, the 10-year U.S. Treasury bond yield was 0.70% and the ICE BofA All U.S. Convertibles Index yield was 2.35% as of June 30, 2020.

Performance Review

For the quarter ending June 30, 2020, the fund returned 29.94% on market price and 43.91% on NAV. The fund's market price and NAV outperformed relative to the ICE BofA All U.S. Convertibles Index, which returned 24.15% for the period.

Contributing Factors. This past quarter, the fund benefited from its overweight in the consumer discretionary sector relative to the index, specifically in the hotels, resorts & cruise lines industry. In addition, selection in the internet services & infrastructure industry of the information technology sector proved additive to performance.

Detracting Factors. Our selection and an overweight in the industrials sector, specifically in the airline industry, trailed relative to the index. In addition, selection in the financials sector proved detrimental to return, specifically in life & health insurance.

Positioning

As of June 30, we continued to hold our highest allocations (approximately 85%) in convertible bonds. With respect to our fixed income holdings, approximately 65% fell within the unrated securities tier, where our proprietary research can extract value. We believe this exposure offers investors a better risk/reward dynamic over time while continuing to provide regular income. We also hold a large percentage of BB/B credit (approximately 21%), which offer good valuations and provide access to a large portion of the corporate bond universe where we again believe our proprietary research capabilities give us a leg up when it comes to optimizing returns. We are cognizant of the fact that rising interest rates and volatility can affect longer-term fixed income securities.

From an economic sector perspective, our heaviest exposures were represented by information technology, health care and consumer discretionary sectors, which collectively make up approximately 63% of our holdings. We believe that these sectors are poised to outperform as the economy recovers from the COVID-19 shutdown. Our lightest weights were in the consumer staples, real estate and materials sectors. Approximately 94% of our holdings were U.S.-based, which is consistent with our favorable outlook for the domestic economy relative to the rest of the world.

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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-19, thereby supporting the fund's distribution rate. As of June 30, 2020, our percentage of leveraged assets was approximately 30%.

Outlook

After the significant equity market drawdown in the first quarter, we opportunistically rebalanced the portfolio away from convertibles with the least amount of equity upside participation toward convertibles with more attractive risk/reward attributes. We were able to revisit some of the convertibles that we had previously trimmed or sold when they were overly equity sensitive before the pandemic. Additionally, the robust new convertible issuance, which came to market in the quarter, is attractively balanced with favorable terms, including relatively higher coupons and lower conversion premiums.

As the market strongly rebounded in the second quarter, we were able to capture significant upside. We stayed the course with our process, which has meant trimming back names displaying higher equity sensitivity, as we believe that monitoring and rebalancing risk/reward should prove especially beneficial during periods of elevated volatility. Even if a vaccine is developed for COVID-19 in the near future, the markets have no shortage of issues that can stoke volatility.

Geopolitics, including U.S.-China trade, and the upcoming U.S. election, should fuel volatility. At the same time, efforts by the Federal Reserve and the U.S. Congress to provide support to the post-COVID economy should provide opportunities for continued upside.

In short, we believe that an allocation to convertibles may make it easier to stay invested through volatile seas ahead, especially as equity markets crest their highs witnessed last February, and the bond market touches historically low interest rates.

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Important Fund Information

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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.

The **Bloomberg Barclays U.S. 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 U.S. equity universe. The index is published and maintained by FTSE Russell. The **ICE BofA All U.S. Convertibles Index (VXA0)** comprises approximately 700 issues of only convertible bonds and preferreds of all qualities. The **ICE BofA U.S. High Yield Master II Index** consists of below investment grade U.S. dollar denominated corporate bonds that are publicly issued in the U.S. 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 U.S. stock market. The **S&P/LSTA U.S. 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 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.

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.

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