CALAMOS INVESTMENTS

CALAMOS GROWTH AND INCOME FUND

Near-term Defensive Posture with Confidence in the Long Term

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In challenging economic and market environments, we believe balancing the long-term and short-term outlooks provides the best insights on portfolio positioning. Focusing on either one exclusively can lead to overly optimistic or pessimistic positioning that may not be warranted in the volatile markets.

Despite extreme circumstances over the past two years, we remain confident that the positive long-term growth trajectory of the US economy and the cash flow generation capabilities of US companies are intact. We see attractive long-term upside in the US equity market from current market levels, supported by current valuations that are generally between our long-term base and downside scenarios.

In the short term, the extreme conditions (both positive and negative) that occurred during these two years have not yet reverted to a more normal environment or to the long-term mean. Since mid-2021, our expectation has been for a lower growth environment in 2022 and 2023. This slower growth outlook has been exacerbated by the war in Ukraine and China's Covid-19 shutdowns. These two factors have also worsened the inflation environment, causing most central banks around the world to raise interest rate, which should further slow growth. As we have seen in 1H22, slowing growth and rising inflation have led to significant declines in asset prices. We have yet to see significant reductions in earnings estimates, but we can expect that to occur in the near term for any number of reasons.

A mean reversion transition needs to occur for the challenging short-term environment to migrate to the more normalized long-term trend. We are watching several factors that would indicate this trend is occurring. These include improved labor market participation, a normalization of consumer spending versus income including lower real goods consumption, lower retail inventory levels, improved supply chain for certain areas of manufacturing sector, improved supply/demand for commodities (oil and food), central banks slowing their restrictive policies, resumption of China activity, and a reduction in military activity in Ukraine. This list is long and many of these factors may take a long time to occur. However, the equity markets are forward looking, so improvement in any of these factors should be positive for asset markets.

We believe the best positioning for this environment remains a defensive posture with a focus on lower-risk areas including lower-beta, high-quality balance sheets and higher return-on-capital businesses. Areas such as healthcare, staples, defense, software (cyber defense and system software) and parts of telecom provide some of those attributes. We have been positive on the supply/demand environment for energy, but we are turning somewhat cautious on this area as global growth slows. From an asset class perspective, cash and short- term Treasuries are now a useful tool to lower volatility in a multi-asset class portfolio given their now-positive yields. Despite elevated absolute volatility, we are selectively using options to gain some cyclical exposure in case our watch factors surprise to the upside.

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