CALAMOS INVESTMENTS

CALAMOS GROWTH AND INCOME FUND

Productivity Improvement Provides Upside Opportunities

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Key Points:

» The Covid pandemic led to significant monetary and fiscal measures that are still being unwound. We predict that 2024 will mark the start of the return to regular conditions.

» Labor productivity has experienced above-average growth in recent years, a trend we anticipate will persist. This increase in productivity can boost corporate profit margins and real wage growth.

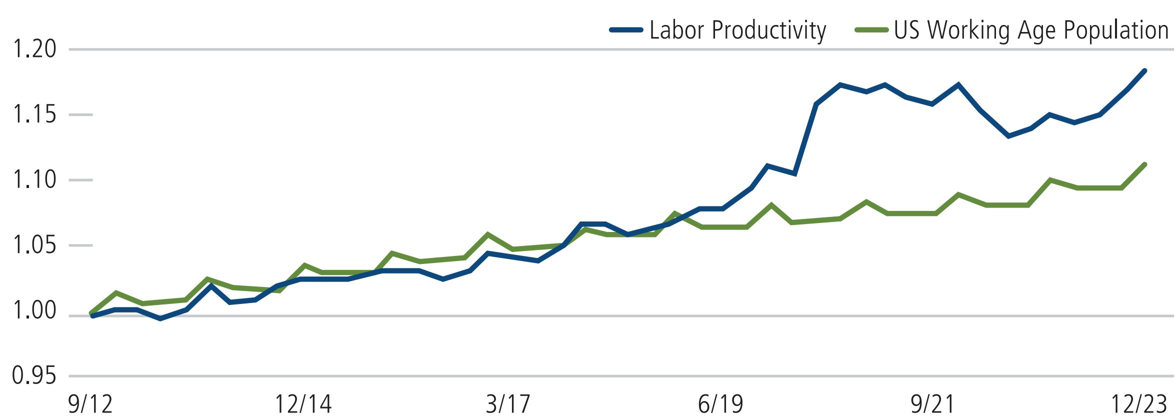
» We continue to expect positive economic growth over the next year, and our assessment of opportunities focuses on industries and companies positioned for real growth and return improvement. Over the short- and intermediate-term, improved real returns on capital should drive higher equity prices.

Over the past six months, we have outlined our framework, which emphasizes the economy entering the end of the normalization process as the extraordinary measures put in place in response to the pandemic unwound. Real GDP and employment growth have in aggregate slowed to more normal levels, although growth dispersion continues across industries. Inflation continues to slow but not yet to a normalized level, again exhibiting dispersion across consumption categories. We believe central banks will start to normalize short-term interest rates over the next year, one of the last pieces of the normalization process. As we look across the world, we can also see signs of future economic improvement, including in Europe, and a possible stabilization of economic growth in China.

Although many aspects of the economy are reverting to more normal levels, we believe the improvement in labor productivity over the past several years has staying power. Companies have become more efficient with their use of labor and have deployed efficiency-producing capital. We expect these trends to continue, especially as we expect many of the recent technology investments to have positive payoffs over the next several years. Productivity can drive both higher corporate profit margins and real wage growth. Furthermore, the steady improvement in the US working-age population growth over the past few years should be a key driver of overall GDP growth.

Labor Productivity Improvement Can Drive Margins and Real Wages

Cumulative growth in US labor productivity and working age population (2012 to 2023)



Past performance is no guarantee of future results. Source: Bloomberg

In a normal economic growth environment, certain economic areas generally exhibit above-trend growth. In the current environment, we believe these include areas exposed to:

» Above-average corporate spending in select IT categories

» Ongoing infrastructure spending in select materials and industrials categories

» Sustained spending by higher-end consumers, supported by the wealth effect of rising markets and home prices

» Improved discretionary spending by middle- and lower-income households, supported by growth in real wages

» New products and geographic growth opportunities (examples can be found in health care and AI-related infrastructure and software)

Of course, we remain vigilant to the fact that these growth drivers may be counterbalanced by upcoming tighter US fiscal budgets, continued higher interest rates, and the impact of ongoing global conflicts.

Given our expectation of positive economic growth over the next year, we are assessing investment opportunities with our long-standing focus on real growth and return improvement areas.

In addition to areas with favorable cyclical factors, we believe companies that can improve profitability in a slower-growth environment are favorable investments. Many companies are focused on boosting their returns on capital through improved efficiencies, normalized supply chains, and revised investment strategies based on the current interest-rate environment. The pace of corporate cost-cutting and restructuring has increased over the past several quarters in a number of areas, providing more opportunities to identify companies with improving returns on capital. Over the short- and intermediate-term, improved real returns on capital should drive higher equity prices.

Calamos Growth and Income Fund pursues lower-volatility equity participation through a multi-asset-class approach. We believe the best positioning for this environment is a focus on specific areas that have real growth tailwinds, on companies with improving returns on capital in 2024, and on equities and fixed income with valuations at favorable expected risk-adjusted returns. We are selectively using options and convertible bonds to gain exposure to some higher-risk industries in this low-volatility environment. From an asset-class perspective, cash and short-term Treasuries remain useful tools to lower volatility in a multi-asset-class portfolio, given their yields.

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