CALAMOS INVESTMENTS

CALAMOS GROWTH AND INCOME FUND

Time to Selectively Add Risk

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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 shutdowns. These two factors have also worsened the inflation environment and caused most central banks around the world to raise interest rates, which has further slowed growth. Given this macro environment, our investment thesis has been a defensive posture with a focus on lower-risk areas including lower-beta, high-quality balance sheets and higher return-on-capital businesses.

As we have monitored the macro and investment landscapes over the past several months, we now believe it is time to selectively add risk to the portfolio focused on areas of improving economic growth in 2H23 and companies with improving returns of capital. Our premise to add risk is based on several factors, including our conviction in the long-term US economic growth trajectory, positive policy changes, as well as improvement in certain parts of the economy and corporate returns on capital.

We remain confident the positive long-term growth trajectory of the US economy and the cash flow generation capabilities of US companies are intact. The ability of management teams to identify emerging short- and long-term trends and the adaptability of business models and cost structures are central to our long-term favourable view. We see attractive long-term upside in the US equity market from current market levels, which we believe are at fair value or below fair value for a majority of US companies.

Policy changes are often a catalyst for economic improvement, even though that improvement may require time to appear. Positive policy changes that occur toward the end of an economic slowdown have historically caused equity markets to rally even though the economy continues to deteriorate during that time. We believe several recent policy changes will be catalysts for future growth in certain parts of the economy. These policies include recently passed US legislation, such as the IIJA, IRA and CHIPS; student loan forgiveness (if enacted); and increased US fiscal discipline with a divided government. Global policy shifts will also have an impact, most notably China's decision to lift Covid restrictions and reopen its economy, and the slowing of global central bank interest rate increases. Although these policies will take time to have a direct positive impact, we believe equities will reflect these positives in the short term.

Finally, we continue to identify a divergence in growth in different parts of the economy as well as in corporate returns on capital. Some parts of the economy have been slowing for quarters and may be nearing their individual cyclic bottom, whilst other parts of the economy are still showing improvement from pre-Covid levels. Many companies are focused on improving their returns on capital through improved efficiencies, normalized supply chains, clarity on the interest rate environment, and in the case of multinationals, an improved currency environment. Over the short and intermediate term, improved real returns on capital should drive higher equity prices.

We believe the best positioning for this environment still begins with a defensive posture with additional risk in specific areas that have real growth tailwinds, in companies with improving returns on capital in 2023 and 2024, and in equities and fixed income with valuations at favourable expected risk-adjusted return. We see compelling prospects for companies that have exposure to new products and geographic growth opportunities, specific infrastructure spending areas and policy change areas (including

companies with exposure to China), and the normalisation of supply chains and parts of the service economy. We are still favouring higher credit quality companies with improving free cash flow. We are selectively using options to gain exposure to some higher risk areas. From an asset class perspective, cash and short-term Treasuries remain a useful tool to lower volatility in a multi-asset class portfolio given their yields.

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