High Income Opportunities Fund Quarterly Commentary

CALAMOS INVESTMENTS

Fund Overview

Through its multi-sector fixed-income strategy, the fund invests mainly in high-yield securities from US issuers with the goal of generating a high current income and total return in excess of the benchmark over full market cycles.

Market Overview

The US high-yield bond market, as represented by the Bloomberg US Corporate High Yield 2% Issuer Capped Index returned 1.47% in the first quarter.

Economic pessimists were frustrated as the long-awaited economic slowdown refused to materialize in the first quarter. The labor market was resilient, although tighter monetary policy led to a more equal balance between labor supply and demand. Consumer spending continued to be robust despite the interest-rate backdrop. Although higher than the Fed’s target, inflation has been gently falling over the past year.

The quarter was a healthy one for corporate credit metrics. Leverage ratios (debt to EBITDA) in the universe of investment-grade-rated companies were stable, while those in the high-yield market improved slightly. Surprisingly, in the first quarter, the steep deterioration in high yield interest coverage that had been underway for over a year reversed, but coverage ratios in investment-grade markets continued to fall.

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DATA AS OF 3/31/24

CALAMOS HIGH INCOME OPPORTUNITIES FUND AVERAGE ANNUAL RETURNS (%)

	QTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE I SHARE INCEPTION	SINCE A SHARE INCEPTION
Calamos High Income Opportunities Fund							
I Shares - at NAV (Inception—3/1/02)	1.81	11.65	2.42	4.14	3.57	5.87	N/A
A Shares - at NAV (Inception—8/2/99)	1.62	11.24	2.13	3.85	3.30	N/A	5.48
A Shares Load adjusted	-0.71	8.73	1.34	3.39	2.80	N/A	5.27
Bloomberg US High Yield 2% Issuer Capped Index	1.47	11.15	2.19	4.19	4.44	7.26	6.41
Morningstar High Yield Bond Category	1.67	10.40	2.07	3.76	3.60	5.71	4.90

Index and Morningstar category data shown reflects full month periods only. If share class inception date is on or before the 15th of the month, the index or category calculation inception date begins on the first day of that month. If share class inception date is after the 15th of the month, the index or category calculation inception date begins on the first day of the following month.

The funds' gross expense ratios as of the prospectus dated 3/1/2024 are as follows: A Shares 1.43%, C Shares 2.18% and I Shares 1.18%.

Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted. Please refer to Important Risk Information. The principal value and return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Performance reflected at NAV does not include the Fund's maximum front-end sales load of 2.25%. Had it been included, the Fund's return would have been lower. You can obtain performance data current to the most recent month end by visiting www.calamos.com.

Class I shares are offered primarily for direct investment by investors through certain tax-exempt retirement plans and by institutional clients, provided such plans or clients have assets of at least $1 million. For eligibility requirements and other available share classes see the prospectus and other Fund documents at www.calamos.com.

Typically, we would expect to see more stress building in credit markets as the tightening cycle matures, but it hasn't materialized. The market has taken notice of these fundamentals, and spreads in both high yield and investment grade have been within easy striking distance of the tightest levels since the Great Financial Crisis (as spreads come in, bond prices increase).

Still, there are early signs of building stress that warrant vigilance. Consumer delinquencies across debt types (autos, credit cards, unsecured consumer loans) and borrower quality (prime, near-prime, subprime) have increased. In some areas, delinquencies have exceeded levels of the pre-pandemic years. Manufacturing activity is soft-to-contracting, and the yield curve remains deeply inverted, indicating continuing stress in the financial sector.

The Fed, for its part, kept rates on hold throughout the quarter. Forward messaging through public testimony and press conferences indicate to us that the Fed would like to begin cutting rates in an effort to complete the soft-landing so many believe is possible. But the totality of data over recent months has already led the market to push out its expectations regarding both the timing of the first-cut as well as the pace of further easing in 2024 and 2025.

Risk markets continue to reflect high confidence in avoiding a recession. Following their double- digit returns in the fourth quarter, the S&P 500 gained +10.6%, the Russell 2000 returned +5.2%, leveraged finance markets returned +1.5% as spreads tightened, while Treasury yields moved significantly higher. The breadth of results was impressive again, as all but the real estate sector delivered positive equity returns. At ~21x forward earnings, stocks are trading richer than 90% of historical observations, while credit spreads are more indicative of expansion than broad-based decline.

As discussed, high-yield spreads closed the quarter tighter, helping drive positive returns in the face of Treasury rates that moved higher by 25–40 basis points dependent on maturity. The index closed the year at +299 basis points on an option-adjusted basis, down from +323 in the prior quarter. Returns across credit qualities were directional, with lower-rated credits leading the way. CCC issuers returned +2.1%, B-rated credits delivered +1.4%, and BBs trailed slightly at +1.1%. Trailing 12-month defaults decreased from 2.8% in December to 2.6%, and remain below the long-term average of 3.4%.

The best-performing sectors in the Bloomberg US Corporate High Yield 2% Issuer Capped Index were brokers and asset managers (+2.6%), consumer cyclical (+2.5%), and energy (+2.5%), while communications (-1.9%), electric utilities (+0.3%), and insurance (+1.0%) represented the significant laggards.

Performance Review

For the quarter ending March 31, 2024, the fund returned 1.81% (Class I shares at NAV) versus the Bloomberg US High Yield 2% Issuer Capped Index return of 1.47%.

Positive Influences on Performance

- Security selection, primarily in the cable satellite industry within the communications sector, boosted results.
- Security selection exclusively within the midstream industry of energy also supported performance.

Negative Influences on Performance

- Security selection within the other capital goods sector, notably in the packaging industry, detracted from results.
- Security selection within the basic industry sector, in both the chemicals and paper industries, drove down returns.

Positioning and Portfolio Changes

Fundamental measures of credit health in the market, like leverage, interest coverage, and cash balances remain in healthy territory. What's more, some measures have reversed trend to show slight improvements. The trend to weaker credit fundamentals may return, and that is our base case for the balance of 2024. As such, we are shifting toward a more defensive posture by reducing positions with heavy cyclicality, weaker contingent liquidity plans, and those with assets exposed to rapidly deteriorating value. We believe clear winners and losers will emerge from a weaker-than-trend environment, and issuer selection will be a critical component of relative performance. We continue to position duration short of the benchmark in high-yield portfolios where interest rate sensitivity is not the primary driver of absolute or relative performance.

From an economic sector perspective, the portfolio holds overweight positions in the consumer non-cyclical and insurance sectors. Underweights include consumer cyclicals and electric utilities.

From a credit-quality perspective, the fund is overweight in out-of-benchmark investment-grade positions while underweight to all below-investment-grade categories. The team continues to find positions in leveraged loans and investment-grade credit that we believe benefit the portfolio's construction, although we reduced the allocation to investment-grade paper.

Over the quarter, notable sector changes to the portfolio included:

Brokerage/Asset Managers/Exchanges. The team increased the allocation to holdings in this sector, including adding to our existing position in an independent broker-dealer.

Other Financial. The allocation to the technology sector was reduced, largely due to exiting a position in an online payment processor.

Outlook

In this environment, we believe the Fed is looking for reasons to cut rates and provide relief to the weaker parts of the economy (especially commercial real estate). The question is whether inflation data will continue to normalize, allowing for some relief in the form of easier monetary policy. The inflation reports from January and February make it more difficult for the Fed to move quickly, and the market has finally dropped the (unrealistic) expectation of up to seven cuts in 2024 (three are now expected by year-end). We believe the forward curve implies too much easing of policy in both 2024 and 2025, unless economic activity weakens more than expected.

Overall, the views we set forth at the start of the year are intact. We continue to believe it is too soon to call for a recession in 2024, although we anticipate additional softening in growth. Employment conditions are more balanced but certainly sufficiently robust for us to assign a low probability of a labor-driven recession. Liquidity conditions remain favorable, and access to capital is still not a challenge for all but the most stressed borrowers. Our thesis has been that higher rates would take longer to impact the economy because consumers and businesses have taken advantage of low rates to extend their loans, making them less vulnerable to higher interest rates, and this outlook appears to be playing out.

Positioning Implications

That said, recession signals are present, including the persistent inverted yield curve, a long stretch of negative leading economic indicators, and low consumer confidence survey results. We continue to scrutinize company and industry results, looking for the excesses that typically surface ahead of recessions.

We still view the market as pricing in an overly aggressive rate path, given the resilience that growth and labor metrics continue to reflect. When the markets anticipate more rate cuts than we believe possible, we would position the fund with durations shorter than its benchmark. That is the case with the duration of Calamos High Income Opportunities Fund, which remains below its benchmark, although we acknowledge that interest rate sensitivity in the high-yield market is a smaller driver of risk and return.

The defaults in the high-yield market to continue to increase to the long-term average, with large performance differences between the winners and losers. Our fundamental research process continues to identify high-yield issuers and industries where investors are well compensated for current risk profiles. We have continued to migrate portfolio credit quality higher as we prepare for what we expect to be a softer economy.

For additional information or to download a fact sheet, please visit the fund's profile page:
CIHYX - High Income Opportunities Mutual Fund | Calamos Investments

Before investing carefully consider the fund's investment objectives, risks, charges and expenses. Please see the prospectus and summary prospectus containing this and other information which can be obtained by calling 1-866-363-9219. Read it carefully before investing.

The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

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.

Term Definitions

Credit ratings are assigned to companies by Fourth-party groups, such as Standard & Poor's. Assets with the highest ratings are referred to as "investment grade" while those in the lower tiers are referred to as "noninvestment grade" or "high-yield." Ratings are measured using a scale that typically ranges from AAA (highest) to D (lowest). **30-Day SEC Yield** reflects the dividends and interest earned by the Fund during the 30-day period ended as of the date stated above after deducting the Fund's expenses for that same period. **Average effective duration** provides a measure of the Fund's interest rate sensitivity—the longer a fund's duration, the more sensitive it is to shifts in interest rates. **Average effective maturity** is the weighted average of the maturities in a portfolio of bonds.

Index Definitions

The **Bloomberg US 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 **Morningstar High Yield Bond Category** represents funds with at least 65% of assets in bonds rated below BBB. Investors cannot invest directly in an index. 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 **S&P 500 Index** is generally considered representative of the US stock market. The **Russell 2000® Index** measures the performance of the small-cap segment of the US equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index and represents approximately 7% of its total market capitalization. The **Atlanta GDPNow** is a model created by the Federal Reserve Bank of Atlanta that provides the latest forecast "nowcast" of the official estimated gross domestic product (GDP) growth based on available economic data for the current measured quarter.

Important Risk Information

An investment in the Fund(s) is subject to risks, and you could lose money on your investment in the Fund(s). There can be no assurance that the Fund(s) will achieve its investment objective. Your investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. The risks associated with an investment in the Fund(s) can increase during times of significant market volatility. The Fund(s) also has specific principal risks, which are described below. More detailed information regarding these risks can be found in the Fund's prospectus.

The principal risks of investing in the **Calamos High Income Opportunities Fund** include: high-yield risk consisting of increased credit and liquidity risks, convertible securities risk consisting of interest rate risk and credit risk, synthetic convertible instruments risk, interest rate risk, credit risk, portfolio selection risk, foreign securities risk and liquidity risk.

As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities, including fluctuations in currency exchange rates, increased price volatility and difficulty obtaining information. In addition, emerging markets may present additional risk due to potential for greater economic and political instability in less developed countries. The Fund's fixed-income securities are subject to interest rate risk. If rates increase, the value of the Fund's investments generally declines. Owning a bond fund is not the same as directly owning fixed-income securities. If the market moves, losses will occur instantaneously, and there will be no ability to hold a bond to maturity.

Additional Information

Past performance does not indicate future results. No investment strategy or objective is guaranteed and a client's account value can fluctuate over time and be worth more or less that the original investment. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

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