Long/Short Equity & Dynamic Income Trust (CPZ) 2Q20 Commentary

CALAMOS® INVESTMENTS

FUND

» CPZ is a global total return offering that seeks to provide current income and risk-managed capital appreciation by investing in a long/short equity strategy and a broad array of income-producing assets comprising a global approach.

Current Annualized Distribution Rate[1]	8.52%

FUND DATA

Managed Assets[2]	$424,200,389
Total Common Share Assets	$355,000,389
Shares Outstanding	19,632,194
Average Daily Volume	56,119
Total Percent Leveraged[3]	16.31%
Expense Ratio	2.32%

[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 $0.1100 per share. Based on our current estimates, we anticipate that approximately $0.1100 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.

[2] Managed Assets are the total assets of the Fund (including any assets attributable to any leverage that may be outstanding) minus the sum of liabilities (other than debt representing financial leverage).

[3] Leverage creates risks which may adversely affect return, including the likelihood of greater volatility of net asset value and market price of common shares as well as fluctuations in the variable rates of the leverage financing. The ratio is the percent of borrowing to total assets.

There is no assurance that the Fund will achieve or maintain its investment objective.

Overview

Equities Are Not Disconnected from Reality

The robustness of equity values since March is rational in the context of healing economic and corporate fundamentals. Investors have not ignored the avalanche of data that speaks of economic distress, nor have they assumed a V-shaped recovery. This is apparent if one looks beyond the benchmark indices. Excluding the winners of this crisis—technology and health care—the "rest of the market" was still down 20% to 25% from pre-crisis levels at the end of June.

Investors have focused on the trial-and-error process of developed economies attempting to exit their unsustainable shutdowns of spring. The news here has been undeniably positive. The rise in June U.S. industrial production was the best since 1959, while the Beige Book was remarkably upbeat. For the first time in memory, all 12 Fed districts reported improving economic activity despite a resurgence in U.S. virus infections.

The punchline is that the breadth of earnings improvement through H2 could be remarkable, including the more controversial industries near the epicenter of the crisis. Amid the ongoing supremacy of the U.S. growth style, Q2 also witnessed an incipient revival in the cyclical, value-oriented and higher-beta areas of the market.

One stale argument against the rally is that U.S. equities appear expensive in terms of price-to-earnings measures. However, equity valuations always rise around the inflection in the earnings cycle. Robust economic data, including the employment reports for May and June, are encouraging investors to look through the earnings trough to a normalized 2021/22 outcome. On this basis, fair value for the S&P 500 is closer to 3500, not 2500.

Living with the Virus

Equity relief has also come from a gradual awareness that the world may simply learn to live with a capricious coronavirus. The time when markets responded to daily changes in the rate of virus

AVERAGE ANNUAL RETURNS AS OF 6/30/20 (%)

	1-MONTH	3-MONTH	SINCE INCEPTION (11/26/19)
On Market Value	-0.48	9.68	-19.41
On NAV	1.35	16.26	-5.99

Returns of less than 12 months are cumulative returns. Average annual return measures net investment income and capital gain or loss from portfolio investments as an annualized average, assuming reinvestment of income and capital gain distributions. 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. ***The principal value of an investment will fluctuate so that your shares, when sold, may be worth more or less than their original cost. Returns at NAV reflect the deduction of the Fund's management fee, debt leverage costs and other expenses.***

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. All returns are in USD terms unless otherwise indicated.

Please refer to back page for important notes.

infection is past. Investors assume that the economic calamity of a generalized lockdown has passed as well. The economic and social costs of that initial episode proved daunting. That said, the virus still weighs on investor sentiment.

Of course, sensationalized media have ensured that few are capable of imagining that the threat posed by COVID-19 is finite. Some form of vaccine should be available by 2021, though there is debate over the longevity of immunity. Overall, there is much that we do not know about this disease. Science understands neither its origins nor the best way to fight it. In this vacuum of understanding, governments have struggled with a range of agendas that are probably accelerating the decline of political authority in the West. Our assumption is that the virus will eventually run its course, with a possibility we are near its climax.

In this strange and unprecedented context of amplified anxiety, investors have struggled to assess the equity outlook independent of the global curve of infection. Equally problematic is the degree to which confinement has incubated precautionary behaviors that could persist after the public restrictions have been broadly removed.

The Return to More Normal Credit Markets

Risk-asset markets reacted strongly to the unprecedented actions from the Federal Reserve and the federal government over the course of the quarter. In partnership with the Department of the Treasury, the Federal Reserve (Fed) announced programs with the ability to purchase over $2 trillion of securities in the corporate credit, municipal, and securitized credit markets.

The Fed's balance sheet has expanded by over $2 trillion since February, primarily through increased purchases of Treasury and agency mortgage-backed securities. These purchases helped to free up capital on bank balance sheets, thereby allowing a return to more normal operations for public credit markets.

After reaching new cycle wides of 1100 basis points over Treasuries in late March, high yield spreads moved substantially tighter to close the period at 627 basis points. This represented a 65% retracement of the first quarter move.

Performance Review

For the quarter ending June 30, 2020, the fund returned 9.68% on market price and 16.26% on NAV. A breakdown on performance relative to specific strategies follows:

Long/Short Equity Strategy Contributors

A prominent feature of this crisis has been the supremacy of technology, reinforcing the belief that we are in the early innings of a long technology-driven investment cycle centered upon data and digitalization. COVID-19 has been a wake-up call to accelerate this transformation because companies with a greater digital presence have proven more resilient. The need to connect has accelerated digital adoption to the point of no return for a range of industries. The portfolio maintains long positions in a range of beneficiaries including Facebook, Inc., (FB 1.7%†); Salesforce.com, Inc. (CRM 1.6%†); and Applied Materials, Inc. (AMAT 0.8%†). Investors have gravitated to these names partly due to their preference for "quality growth and safety" amid heightened economic uncertainty. Of course, many of these businesses are outright winners because of the crisis and its effect on spending patterns.

Detractors

Our short exposures remain a mix of index and industry hedges as well as select (but fewer) individual short names. The priority has been to minimize loss in what has been a historic quarter of rising equity values. The portfolio limited losses across most of its individual shorts. Within consumer staples, for example, we tactically reduced short positions in Costco Wholesale Corp.

Calamos Long/Short Equity & Dynamic Income Trust (CPZ)

(COST -0.8%†) and Walmart, Inc. (WMT -0.6%*), though we still incurred losses.

Over time, the fund has maintained a significant hedge on the S&P 500 Index (SPY -12.2%*), adjusting it up or down on a tactical basis. Given the index's historically strong comeback in Q2, this market hedge detracted from performance.

Dynamic Income Strategy

Preferred Securities. Relative to the ICE BofA US All Capital Securities Index—the fund's preferred securities delivered a positive performance differential of about 200 basis points. Select names in banks, insurance and brokerage/asset managers helped overall performance, while certain names in communication services hindered results.

High Yield Securities. Relative to the Bloomberg Barclays US High Yield 2% Issuer Capped Index, security selection within the communications sector boosted results, across all telecom and cable related industries. Security selection within the consumer cyclical sector also contributed to return, most meaningfully in the home construction and lodging industries. Security selection within the BB sector detracted from performance, as fallen angel volume hit an all-time high and those issuers performed comparatively well. The underweight allocation to energy weighed on results, as energy was the best-performing sector of the high yield market during Q2.

Positioning and Portfolio Changes

Long/Short Equity Strategy

The strategic shift in net equity exposures in mid-March was material to performance, given the subsequent recovery in global equity values. Exiting Q1, the strategy's delta-adjusted net equity exposure was 69%. We kept the delta-adjusted net equity exposure at this level throughout Q2, but we did modestly reduce gross exposure.

This net exposure compares with our strategic range of -20% to +80%. We generally lean bullish on equities, but are considering additional option hedges through late summer. Hedging activities reflect a mix of strategic and tactical considerations as well as market pricing of risk, which affects option costs.

The portfolio's balance of quality growth and safety names versus the perceived higher-risk, more cyclical and value positions was decisive for performance in the quarter. While both ends of this "barbell approach" performed well for the fund, they typically did not perform well at the same time. Since early June, the more cyclical, higher-beta barbell has underperformed as the rate of virus cases accelerated in the U.S.

In March, we tilted away from the quality growth and safety names and leaned more in favor of what we view as the beneficiaries of people re-engaging "normality" despite the virus. From the March low, this shift was broadly additive to performance, though we were surprised by the degree of momentum maintained by the quality growth names.

Dynamic Income Strategy

In preferreds, our highest allocation was in the financials sector. In high yield, BB-rated securities represented our highest allocation.

In all environments, we focus on being well compensated for the risks taken in high yield. As high yield default rates are rising and stress in the market is increasing, this focus is even more pronounced. We see more dispersion of spread and yield opportunities for issuers with similar credit ratings and within similar industries, which could provide additional relative value opportunities from security selection.

In the early weeks of the quarter, we were able to take advantage of several attractively priced new issue opportunities, as spreads were recovering from the cycle wides hit in late March. We also established several positions among fallen angels new to the high yield universe.

From a credit-quality perspective, we remain overweight single B issuers with underweights to both BB and CCC credits. We

*6/30/20 % of NAV
†5/31/20 % of NAV

continue to find out-of-benchmark positions in both leveraged loans and investment-grade credit.

From a sector perspective, the portfolio holds overweight positions in insurance and consumer non-cyclicals. Underweights include technology and energy. Over the course of the quarter, notable sector changes to the portfolio included:

Energy: The allocation to the energy sector was increased, notably in the independent industry where we established several new positions in fallen angels new to the high yield universe.

Communications: The allocation to the communications sector was reduced, primarily through a reduction of our position in the cable/satellite industry.

Insurance: The allocation to the insurance sector was reduced, primarily through a reduction of our position in property and casualty insurance

Competitive Distribution Initiated

Within this fund, we employ a managed distribution policy with the goal of providing shareholders a consistent distribution stream. The fund maintained a monthly distribution of $0.1100 throughout the quarter. The fund's current annualized distribution rate was 8.52% 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 the sake of comparison, the 10-year U.S. Treasury bond yield was 0.66%, the S&P 500 Index yield was 1.92% and the ICE BofA U.S. High Yield Master II Index was 6.81% as of June 30, 2020.

Leverage

We believe this environment is conducive to the prudent use of leverage to enhance total return and support the Fund's distribution rate. With low current borrowing costs, our use of leverage may offer a favorable reinvestment dynamic as markets recover. As of March 31, 2020, our amount of leveraged assets was approximately 16%. The Fund does not employ leverage on the long/short equity strategy, which will inherently make it typically lower levered relative to our other CEFs.

Outlook

The economic revival after the fiat shutdowns and swift policy responses were always likely to support higher equity values. Of course, the speed of this inflation in equities is unique and underlines both the unusual nature of the crisis and the changing political and social landscape in which it emerged.

Much of today's anxiety is "in the price" of risk assets, which implies investors are being compensated for leaning into the equity opportunity. Naturally, we are perturbed by the rise in COVID-19 cases that is sweeping across parts of the U.S. Schools not reopening in the autumn would be bad for the economy. The potential for political uncertainty to create turbulence in the fall has become a truism.

For now, the U.S. economy is still in a healing process that is overcoming these concerns. Money supply growth is Extraordinary, up 25% from year-ago levels. PMIs are rising everywhere. We believe retail sales in Q3 will rise at least 50% from Q2 levels. The upturn is not just a U.S. development; it is becoming a global dynamic. The message of market behavior is bullish.

Investors are cautiously positioned and markets are climbing the proverbial wall of worry. In this battle with the virus, we believe policy stimuli will prevail, and human ingenuity will prevail. We could be at the start of a new expansion.

Given the amount of Fed program liquidity that has yet to be released into the market, we expect the availability of credit in the corporate bond market to continue. In addition, we expect some modest, further recovery of spreads as the most likely case for the second half of 2020. While we have already experienced significant spikes in defaults, particularly in energy-related industries, we anticipate additional defaults to keep the trailing 12-month rate above long-term averages over the coming quarters and years. The next steps in the economic recovery will rely on containing the coronavirus, developing a safe vaccine, and reopening the most hard-hit areas of the economy. In the coming weeks and months, we will be looking for indications of a second wave of COVID-19 and the efficacy of containment steps.

Calamos Long/Short Equity & Dynamic Income Trust (CPZ)

Important Fund Information

Investments by the Fund(s) 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 Security Risk. 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.

Convertible Securities Risk. The value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also, may have an effect on the convertible security's investment value.

Equity Securities Risk. Equity investments are subject to greater fluctuations in market value than other asset classes as a result of such factors as the issuer's business performance, investor perceptions, stock market trends and general economic conditions. Equity securities are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments. The Fund may invest in preferred stocks and convertible securities of any rating, including below investment grade.

Short Selling Risk. The Fund will engage in short sales for investment and risk management purposes, including when the Adviser believes an investment will underperform due to a greater sensitivity to earnings growth of the issuer, default risk or interest rates. In times of unusual or adverse market, economic, regulatory or political conditions, the Fund may not be able, fully or partially, to implement its short selling strategy. Periods of unusual or adverse market, economic, regulatory or political conditions may exist for extended periods of time.Short sales are transactions in which the Fund sells a security or other instrument that it does not own but can borrow in the market. Short selling allows the Fund to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities and to obtain a low cost means of financing long investments that the Adviser believes are attractive. If a security sold short increases in price, the Fund may have to cover its short position at a higher price than the short sale price, resulting in a loss. The Fund will have substantial short positions and must borrow those securities to make delivery to the buyer under the short sale transaction. The Fund may not be able to borrow a security that it needs to deliver or it may not be able to close out a short position at an acceptable price and may have to sell related long positions earlier than it had expected. Thus, the Fund may not be able to successfully implement its short sale strategy due to limited availability of desired securities or for other reasons.

Limited Term Risk. Unless the limited term provision of the Fund's Declaration of Trust is amended by shareholders in accordance with the Declaration of Trust, or unless the Fund completes the Eligible Tender Offer and converts to perpetual existence, the Fund will dissolve on the Dissolution Date. The Fund is not a so called "target date" or "life cycle" fund whose asset allocation becomes more conservative over time as its target date, often associated with retirement, approaches. In addition, the Fund is not a "target term" fund whose investment objective is to return its original NAV on the Dissolution Date. The Fund's investment objective and policies are not designed to seek to return to investors that purchase Shares in this offering their initial investment of $20.00 per Share on the Dissolution Date or in the Eligible Tender Offer, and such investors and investors that purchase Shares after the completion of this offering may receive more or less than their original investment upon dissolution or in the Eligible Tender Offer.

Terms

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.

CALAMOS® INVESTMENTS

Calamos Financial Services LLC, Distributor
2020 Calamos Court | Naperville, IL 60563-2787
800.582.6959 | www.calamos.com | caminfo@calamos.com

CPZCOM 9765 0620Q R