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

CALAMOS INVESTMENTS

CPZ is an innovative solution for investors seeking income and capital appreciation in a complex and volatile financial world.

» A cornerstone long/short equity strategy works together with a preferred security and fixed-income strategy.

» This blending of global asset strategies offers a unique risk-adjusted solution in the closed-end fund space.

» Fund is designed to weather and capitalize on market complexities and dislocations.

» Investment team prioritizes the delivery of healthy distributions, while seeking risk-adjusted capital appreciation.

Current Annualized Distribution Rate*	10.89%

* 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. Information regarding the Fund's most recent distribution can be found in the table titled "Distribution Details," which follows. Estimates are calculated on a tax basis rather than on a generally 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 managed rate distribution policy of CPZ, the distributions paid to common shareholders may include net investment income, net realized short-term capital gains and return of capital. When the net investment income and net realized short-term 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.

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.

Fund Performance Summary

For the quarter ending March 31, 2024, the fund's total return was 5.15% on NAV and 8.77% on market price. The one-year return was 12.92% on NAV and 11.65% on market price.

1Q24 Fund Highlights

Advantaged Yield, Earned Distributions

The fund (CPZ) provides monthly distributions that have been less dependent on interest rates than traditional income strategies. As of March 31, 2024, the fund has paid distributions totaling $6.79 since inception. The fund is currently paying monthly distributions of $0.1400 per share.

As of March 31, 2024, the fund paid an annualized distribution rate of 10.89% on the fund's market price. This distribution aligns with the investment team's prioritization of healthy shareholder distributions, which have increased by 27% since inception in November 2019. These increases reflect our continued confidence in the fund's ability to sustain its risk-managed returns across the equity and fixed-income markets while allowing investors to participate directly in those returns through higher monthly payouts.

Leverage

The ability to employ leverage is a feature of our strategy. We maintained leverage of $120 million during the quarter. CPZ's borrowing costs were approximately 586 basis points as of March 31, 2023. While these costs have increased this year, they are low relative to the general performance of the equity and fixed-income markets for the last year. We believe the judicious use of leverage, at approximately 25% of NAV as of March 31, 2024, will be accretive to performance as it has been over the fund's life.

Investment Policy Change

On December 12, 2023, the Board of Trustees approved a change to the fund's non-fundamental 80% investment policy to increase the ability of the fund to invest in diversified income-producing securities up to 40% of the fund's managed assets. This notice has been provided to shareholders 60 days in advance of the change.

Per the change, the fund may ***but is not required to*** invest up to 40% of its managed assets opportunistically in the Fixed Income Sleeve. The initial allocation to the Fixed Income Sleeve was capped at 20% per the fund's original prospectus dated November 26, 2019.

Today's investment landscape is characterized by a normalized (i.e., pre-2008) interest rate setting, which is a profound departure from the investment landscape that existed when the fund was launched in November 2019.

We believe that adopting a "proactive approach" for future investment flexibility to better take advantage of an evolving market and interest rate environment is in the current and long-term best interests of the fund's shareholders.

The change took effect February 12, 2024.

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Positioning Summary

US economic growth, inflation, and monetary policy are all likely to prove "sticky" into 2025. Sustained expansion is not just possible but likely as consumers remain steadfast in their willingness to spend.

The impact of higher interest rates has been blunted by a healthy private sector, pro-cyclical fiscal policy, and the tailwind of public and private (nonresidential) fixed investment. Monetary policy is not as restrictive as many believe.

The setup for financial assets has been benign because the Fed has been talking in a benign manner. The next few quarters could be trickier as investors' nostalgia for "low and stable" inflation leads them to overestimate the lifespan of easy financial conditions.

The transformative impact of AI will create winners and losers. Like the great investment themes of times past, today's enthusiasm for AI spending does not preclude a misallocation of capital, and clients should prepare for an AI winter on the horizon.

Market Overview

Nothing Lasts Forever

The fund's Long/Short sleeve performance was led by the tactical rotation within the mega-caps, the long bias favoring cyclicals over defensives, and the gradual reduction in net equity exposure, which concluded the quarter at 31.3% on a cash basis (6.9% on a delta-adjusted basis).

Since November, the Federal Reserve has encouraged a broad consensus for "immaculate disinflation." As equities rallied in response, financial conditions have eased accordingly and reduced the likelihood of imminent policy easing, even as rising expectations of easing partly fueled the rise in risk appetite. Markets are awakening to the possibility that the script is changing because the path of inflation is opaque.

We expect US economic resilience and sticky inflation to further undermine prospects for Fed accommodation, and thus, equity valuations will face headwinds if interest rates remain elevated or move higher. Amidst this cautionary outlook, the long portfolio generated strong returns (+16.1%) as the fund rotated tactically amongst the mega-caps. Notable long contributors included NVIDIA, Taiwan Semi, Amazon, and Microsoft, while Apple and Tesla contributed on the short side.

The rally of the past quarter has been driven by higher valuations rather than earnings, leaving investors with little room to maneuver. In the absence of Fed accommodation, the direction of bond yields and the progression of AI hopes will dominate markets versus the more mundane reality of fundamentals. We do not expect equities to exceed their highs of Q1 until much closer to the US election.

Recession Comes Later

We do not see the setup for a problematic economy in 2024. Both US households and businesses are in robust health with balance sheets that are in the best shape in decades. Against this backdrop, the cannons of pro-cyclical fiscal policy are firing hard, and more recently, central bankers are whistling their tune of imminent monetary accommodation.

Some characterize the US economy as "late cycle" and, thus, point to vulnerabilities. Yet, few traditional warning signs are visible. Consumer net worth is at record highs with greater than-usual financial flexibility. The typical overextension of spending on durables like housing and autos is hardly apparent. Indeed, a recovery here seems more likely than a retrenchment as both industries have struggled with supply limitations.

The corporate sector has been bracing for a recession for the past 18 months and outside of the AI boom, there is little evidence that corporates are overextended in terms of capital spending or balance sheets. Recent news on corporate profits is encouraging because it reinforces businesses' resolve to hire and invest. Some of this is the unusual legacy of the pandemic and high inflation: healthy income growth, low levels of credit stress, and ample economic liquidity.

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There is a common assumption that monetary policy is "tight," but this is questionable as long as income growth is comfortably ahead of policy and market rates. Housing has been dragged down by higher interest rates, yet the tailwind of fixed capital investment has helped offset this negative. An inverted yield curve does not have the same forecasting acumen as when the US economy was led by housing, which had been the case for most of the past 30 years.

This points to an ongoing expansion of indeterminate length. Absent some geopolitical or external shock, it is premature to premise our strategy for the kind of economic downside most investors have been trained to hedge. Instead, our concern relates more to the forlorn nostalgia for low and stable inflation, which we view as questionable given the loss of supply elasticity across Western economies.

Time to Refill the Punch Bowl, Really?

If the economy is just fine and monetary policy is not restrictive, should the Fed reduce policy rates? Many US industries are operating near full capacity and employment markets are tight. To ease policy amidst a backdrop of economic resilience assumes high confidence that there are no cyclical inflation pressures on the horizon. Is this the obvious time for Chair Powell to refill the punchbowl?

One interpretation is that the Fed is concerned about the size of its balance sheet, which is having an outsized impact on today's fiscal deficit. This implies the unelected bureaucrats at the central bank have a hand over matters that most assume are the remit of voters. The Fed may be aiming for a healthy economy to give it time to shrink its unconventional balance sheet through quantitative tightening.

All of this leads to the same fork in the road. The debate is not about the economy, which will be just fine. The real issue is that investors and central bankers firmly believe that inflation only trends down from here. Thus, investors are ignoring recent data and Powell's cautionary tale of two-sided risk and choosing instead to run with their bias. This is not an outlandish scenario, but it overlooks the credible possibility that inflation gets stuck around today's level of 3% plus.

Many investors have heaped scorn on the recent US inflation data despite the reality that core CPI inflation has been stuck in the 3% plus region for the last six months. Many have chosen to disbelieve the data rather than recognize that their portfolios might be wrongly structured for a higher inflation setting.

If "immaculate disinflation" does not unfold, the risks for financial asset prices are biased to the downside. Gauging that risk amounts to guessing what the normalized level of the US 10-year yield should be, and the extent to which it might overshoot on the upside. Perceptions of the outcome will be debated even as investors acknowledge that the risks of recession into 2025 are negligible.

Active and Diversified Will Matter Again

A central characteristic of the past decade and 2023 in particular has been the dominance of a small and concentrated group of stocks on benchmark performance. By definition, an active and diversified approach will struggle to keep pace with a passive or index approach when that index has become unduly concentrated, and thus undiversified in a handful of outperforming mega-cap stocks.

This dominance of the mega-caps is hardly accidental. They remain several of the most remarkable businesses on the planet. To wit, Microsoft generates free cash flow margins (~30%) three times the margins of the S&P500 Index. In the wake of the post-pandemic digestion of technology spend, the recovery of mega-cap fundamentals over the past five quarters has been uniformly stark versus the broader equity universe.

That said, we believe this performance leadership climaxed in Q1 and expect upcoming earnings releases to draw more scrutiny. The valuations of the strongest names like Microsoft and NVIDIA will grapple with the reality that the progression of AI across the economy takes time. This reality argues for rotation within the mega-caps as far more important in the coming year, particularly as their relative earnings momentum falls back to earth.

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AI Spring or AI Winter Ahead

Generative AI will likely be a big deal, but most early studies of how this technology will evolve are worthless. Historically, technology eliminates blue-collar work and increases white-collar productivity. If AI can accelerate productivity gains across services industries, the more advanced economies with a higher proportion of services within GDP will benefit, possibly with structurally higher growth rates. In the meantime, it is early and much remains uncertain.

Nonetheless, key parts of the technology world have entered an AI arms race of staggering proportions. To put this in context, the US has spent around $250 billion/annum on data center buildouts over the past five years. Investors anticipate this outlay progressing to $1 trillion/annum by 2027. If correct, this would consume almost all the free cash flow of today's leading spenders, a small group of mega-caps. Meanwhile, there is no line of sight on the revenues or business models to support this.

Many of the great investment themes of times past can be judged as "good bubbles" in terms of their future benefits for society. As examples, we recall the railroad booms, the electrification of modern industries, and of course the internet euphoria of the late 1990s. All of these generated an enormous misallocation of capital because the pace and nature of how these technologies would evolve were unclear in their respective times. These same uncertainties confront AI.

We are optimistic that AI will lead to an eventual tailwind for economic productivity. Yet, it will take time and the business cycle has not been suspended. One only needs to look at what is happening in China today where a price war has broken out between the two largest cloud providers, Alibaba and Tencent, to see how quickly consolidation and commoditization can emerge.

Summary

Last autumn, the promised end of US monetary tightening led to celebrations across financial markets. However, the inflation cycle still matters and equities must grapple with the implications of this policy shift for bond yields and inflation. In our view, the Western world is moving to a new era of "higher-for-longer," or more normalized interest rates. Investors appear poorly positioned for this outcome.

In the absence of Fed accommodation, we see investors returning to the two key themes of interest rates and the evolution of AI. Both have supported financial asset prices since November, but the risks are skewing less favorably. This shift is occurring amidst investor positioning that is increasingly one sided, pointing to outsized price moves relative to the perceived shift in fundamentals.

Financial conditions are unlikely to improve much from current levels, largely because the latest data support our view of core inflation getting stuck near 3%. The phase of global goods price disinflation looks to have ended, while service price inflation remains sticky. We therefore view the fund's positioning balance between limited equity risk and healthy rotation opportunities as appropriate for the coming quarter.

Fund Equity Performance and Positioning

The S&P 500 Index was notably resilient in Q1 in the face of higher bond yields and ebbing hopes for policy easing by the Federal Reserve. Some of this strength was again due to the dominant leadership of the mega-caps; the returns for equal-weighted benchmarks were more muted. The fund has maintained low levels of delta-adjusted net equity exposure through all of this.

Fund performance was strong in the context of this modest level of aggregate equity risk. The long portfolio outperformed comfortably with a return of 16.1% while the short book (comprised primarily of S&P 500 Index hedges) detracted -12.4%, roughly in line with the market. This implies slight alpha versus what the 21.8% average net equity exposure (31.3% at the end of March) on the S&P 500 Index's return would have delivered.

The composition of the S&P 500's performance has begun to shift as the narrow, mega-cap-driven outperformance climaxed in March. Last quarter, we noted that rotation within the mega-caps could prove decisive in 2024, and that was indeed the case in Q1 as not all of the "Magnificent Seven" remained magnificent.

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Apple† and Tesla† fell 11% and 29%, respectively, during the quarter, and Microsoft† and Alphabet (Google)† kept pace with the broader market, leaving only Amazon,† Meta and NVIDIA† as notable outperformers. The fund was well positioned for this: shorts in Apple and Tesla were additive, while core long positions were taken in the rest except Meta.

The progression of AI across the economy will take time, which implies that valuations are a risk factor for even the cleanest beneficiaries like Microsoft, Alphabet and NVIDIA. Most corporates are "kicking the tires" and evaluating small AI-related trials before moving onto large projects. Before models can be trained and cost savings assessed, enterprises need to get their data in order, determine what information is potentially of value, and decide what tasks can be streamlined.

After launching CoPilot for Office at $30 per user with hopes of deploying it widely across enterprises, Microsoft is quietly offering it to smaller departments at steep discounts to drum up interest. Learning to work with AI will take time. Simply put, there is no line of sight to the revenues that will support today's extraordinary infrastructure buildout.

The mega-caps have enjoyed an exceptional run and there are many good reasons to stay the course. While traditional valuation metrics do not appear egregious, the sheer size of their multi-trillion-dollar market caps poses a challenge. With a combined market cap of $13.6 trillion for seven stocks, one wonders where the incremental liquidity to drive these stocks higher will come from.

As investors come to terms with a resilient economy and the prospect of higher-for-longer bond yields, we believe the most crowded growth names will be sold in favor of cyclicals and businesses with less valuation risk. A higher cost of capital likely squeezes concept names and emerging companies with marginal business models.

The fund maintains positions in select cyclicals with less valuation risk. Examples include several airlines trading at 4x–6x earnings as well as other industrials and health care names valued under 15x earnings, or at a material discount to the S&P 500. Some of our technology names trade at a premium to the market but they generate large amounts of free cash flow. We continue to avoid unprofitable tech and momentum names.

Portfolio Attribution and Stock Positioning

The fund's AI exposure remains in the major cloud providers including Amazon, Microsoft, and Alphabet, with tactical trades in NVIDIA. All stand to benefit as enterprises look for cloud partners to support their AI strategies. The fund maintains 4% to 5% positions in all three cloud vendors and added to the Oracle† long position, which is increasingly seen as a fourth.

Mega-cap performance was mixed in Q1. NVIDIA was the standout as earnings again impressed. One-year earnings per share (EPS) estimates were revised 20% higher, and the stock rallied 16% on its earnings release and an additional 20% with the launch of the company's next generation GPUs. The fund captured a sizable portion of this move through call options. Taiwan Semiconductor,† a more indirect AI beneficiary, was held as a full position throughout the quarter—it remains one of the cleanest setups in semis in 2024.

Amazon performed well in Q1 as investors came to view AWS as an indirect beneficiary of mounting AI investments and less of a laggard. A further $2.75 billion investment in GenAI startup Anthropic gives Amazon a narrative to counter Microsoft's partnership with OpenAI. Positions in Microsoft and Alphabet were maintained as each kept pace with the market.

The fund benefited from short positions in the two mega-caps that struggled in Q1. Apple still appears overvalued despite the defensive nature of its business—25x earnings for a mid-single digit growth luxury brand with significant exposure to China. At Tesla, massive capacity expansions and a tired model lineup leave it with more cars than people want to buy. Q1 deliveries marked the first year over year decline in recent history (-9%) despite a series of price cuts that have gutted profitability.

† Please see page 10 for additional details regarding securities referenced.

We expect the sustainability of AI demand for GPUs to be questioned later in 2024. The widely embraced $400 billion TAM (total addressable market) for AI data center chips in 2027 implies incremental revenues from generative AI of $800 billion plus (assuming a 50% contribution margin). The plausibility of this target remains to be seen. AI-related stocks will revalue lower or higher based largely upon hopes and fears.

A key question is how much of the demand for AI-related equipment is truly incremental versus the IT budget dollars it takes away from more traditional data center infrastructure. Outside of semis and the mega-caps, much of the remaining technology universe has performed poorly. IT budgets have not been adjusted higher because corporate profits are sluggish, and thus, AI appears to be sucking some of the oxygen from the room.

NVIDIA is the emblematic leader, and we believe its revenues in 2024 will be 10x higher than those in 2018. Investor sentiment has swung from viewing NVIDIA as an effective monopoly on AI data center processing to worrying about share loss to AMD, Intel, and application-specific ICs (ASICs)—and then back again to concluding that NVIDIA retains the lion's share of demand. We have successfully faded these moves several times in the past year.

Taiwan Semiconductor is the fund's other core long position in semis. It is an indirect beneficiary of AI buildouts but is the driving force behind continued node migrations and the cost efficiencies that create industry demand; it enjoys an effective monopoly on leading-edge capacity. Elsewhere, inventory corrections in automotive semis grew more apparent; ongoing excess equipment shipments to China masked broader semi weakness elsewhere.

Software names have been highly idiosyncratic, with many higher multiple names down ~20%. Former darlings like Snowflake, Bill.com, MongoDB and even Adobe have derated in the wake of slowing growth, scarce profits, and less-assured fundamental outlooks. In contrast, the more GARP-oriented names like Oracle, SAP, Salesforce,† and Microsoft were up 10%–20%. The universal push to add AI related features and upsell user bases will segregate the "haves" from the "have-nots."

We believe Oracle will be one of the "haves" and it was increased to a core (4.8%) long position in the long/short sleeve. It is an underappreciated AI beneficiary with a multi-year opportunity to improve monetization as it migrates users to the cloud. We added an initial position in Pinterest,† which should see a pickup in advertising growth if partnerships with Alphabet and Amazon work out. Outside of these few names, the fund's positioning in technology remains selective.

The Salesforce short has been maintained because its maturing core product and low salesforce productivity are limiting profitability. Investors are embracing management targets for 30% profit margins, yet these exclude M&A, stock compensation, and other costs that will become relevant once the structural deceleration in growth is understood. Management has hyped the AI opportunity but these initiatives drive less than 15% of its business.

Amongst traditional cyclicals, industrials remain the fund's largest sector and contributed 124 bps to performance; the average net exposure rose over the quarter Airlines led gains and were trimmed on strength.

The production and quality challenges for Boeing† continue with management in turmoil, but we re-established an initial position near $200/share. We were too early in hindsight but continue to see the risks skewed to the upside once a new CEO is named and production irregularities are addressed. Simply put, too much is at stake for the airlines and the global economy for regulators not to support Boeing in its recovery efforts.

The fund also added a new long position in Airbus† in January on the view that commercial aircraft is a duopoly and both names are worth owning given multi-year backlogs. Finally, the last of our lessor long positions (Air Lease) was sold on strength after contributing in the quarter.

The railroads are US-centric beneficiaries of supply-chain normalization and onshoring but with limited exposure to labor or energy costs. 2024 should see a new freight cycle emerge with a volume recovery driving high incremental margins. The industry structure is oligopolistic and we prefer its stable pricing features relative to defensives like consumer staples. Our favored names remain Union Pacific† and CSX Corp.†

† Please see page 10 for additional details regarding securities referenced.

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Honeywell† remains a core long position and trades at a material discount to peers despite a higher-quality portfolio of businesses. A new long position in 3M† was established after it hired well-regarded CEO Mike Brown, formerly of L3 Harris. 3M has a broad portfolio of high ROI businesses that needs to be rationalized and the spinoff of 3M's healthcare unit Solventum is a first step. After outperforming nicely in Q4, L3Harris Technologies† marked time in Q1, and we trimmed it modestly to fund a new position in General Dynamics.†

In consumer discretionary, net exposure remained steady during the quarter. Beyond Amazon, we remain biased in favor of services versus goods. We closed the remaining long positions in Caesars and Las Vegas Sands as well as food services distributor Sysco after it rallied 7% following its Q4 earnings report. The fund is selective elsewhere in consumer and across retail. We avoided the late March blow up in Lululemon while making small tactical trades in Nike, Starbucks, and Costco that had a negligible performance impact.

Despite underperformance in 2023, many defensives like consumer staples, utilities, and REITs must become cheaper yet to appear "statistically cheap" versus the rest of the equity universe. We are not there yet. A basic question for investors rotating out of highly valued growth names in the face of higher rates is whether the landing engineered by the Fed will be soft (favoring cyclicals) or hard (favoring defensives).

In our view, the evidence is overwhelming that the economy remains resilient, supporting a rotation into cyclicals. Many of the latter have been priced as if recession was imminent and benefit from less valuation risk. Another problem for defensives is higher real interest rates, which have demoted the relative attractiveness of their stable earnings and dividend yield. All this fits with the logic that the time value of money is more important in this decade versus the prior.

Net exposure to health care rose from 10% on average in Q4 to 14% in Q1. We maintain core positions in Danaher,† Medtronic,† and Zimmer Biomet.† Combined with the recovery in elective procedure volumes post-pandemic, tailwinds for medical device names like Zimmer and Medtronic should become more apparent in 2024. We trimmed Danaher on strength but maintain a position on the view that its bioprocessing franchise is bottoming despite ongoing weakness in China.

IQVIA† is a new name in the long book on the view that the secular growth in testing for clinical trials will reemerge once Covid-related weakness has played out. The Humana position was fortunately sold early in the quarter on initial weakness before a further 25% decline in the stock. A small short in Mettler Toledo† was added as a hedge to the long positions in medical devices.

Financials rallied 12% in Q1 buoyed by higher rates and benign credit. Banks are cheap, but they remain challenged by tepid loan demand, higher regulatory burdens, and competition from private credit. Near the quarter lows, we increased the long position in Wells Fargo† and closed the short position in Bank of America, which was a partial hedge.

We increased the core long in Morgan Stanley† for a potential recovery in capital markets activity and further progress in its Wealth Management division, which remains an invaluable part of its franchise and a revenue stream relatively isolated from market cyclicality. A new long position was added in Charles Schwab† on the view that the worst of the TD Ameritrade customer attrition was behind it and strong net new asset growth would help repair the deposit base.

In Energy, the fund maintains a long position in British Petroleum† given its compelling earnings and cash flow yield. We expect oil prices to remain subdued despite war tensions and supply cuts from Saudi Arabia, probably because non-OPEC producers can comfortably meet the growth in demand. This leaves a tricky balancing act for other suppliers. China's economic problems imply it is no longer a major source of incremental demand. As the fund's only oil exposure, BP is an attractively yielding placeholder until more clarity emerges.

We have written little about the non-US outlook in part because the opportunities overseas pale in comparison. In addition, the global business cycle has historically ebbed and flowed in unison, yet this appears broken. US economic resilience is juxtaposed with stagnating conditions in China

† Please see page 10 for additional details regarding securities referenced.

and Europe. Put simply, the bar for engaging risk abroad is high. US dollar strength is unlikely to reverse as long as US nominal GDP outperforms everything else.

Fund Dynamic Preferred and Fixed Income Performance and Positioning

The fund's preferred securities outperformed the ICE BofA United States All Capital Securities Index during the quarter. Security selection within the banking and insurance sectors supported returns, outpacing peers in the benchmark. This outperformance was partially offset by the team's selection among energy companies and the overweight allocation to consumer cyclicals. The fund invests heavily in institutional-style preferreds, whose coupons are typically fixed rate for five years and then reset over five-year Treasury yields. We favor these structures as they trade with greater liquidity and help mitigate interest-rate volatility. As with the previous quarter, instruments with this structure represent greater than 80% of preferred holdings in the fund. The duration positioning of the fund's preferred securities was also a material driver of relative performance for the quarter, as traditional, perpetual securities with long durations faced headwinds from higher interest rates.

For the quarter, the fund's high-yield securities outperformed the Bloomberg US High Yield 2% Issuer Capped Index return of 1.47%. 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.

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.

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.

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.

† Please see page 10 for additional details regarding securities referenced.

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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.

Positioning Discussion

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.

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LONG/SHORT EQUITY SLEEVE HOLDINGS CITED (% OF NET ASSETS END WEIGHTS AS OF 3/31/24)

† 3M Company 1.5%; Airbus SE 1.9%; Amazon 8.3%; American Airlines 0.1%; Apple Inc. -2.6%; Arista Networks Inc. -1.4%; Boeing Company 2.9%; BP PLC 0.3%; Charles Schwab Corp. 0.1%; CSX Corp. 5.8%; Danaher Corp. 0.1%; Google, 6.9%; Honeywell International Inc. 4.3%; IQVIA Holdings Inc. 0.7%; KLA Corp -0.8%; L3 Harris Technologies 5.6%; Lam Research Corp. -3.8%; Medtronic PLC 4.3%; Mettler-Toledo International Inc. -1.3%; Micron Technology Inc. -1.2%; Microsoft Corp. 6.8%, Morgan Stanley 5.4%; NIVIDIA Corp. long closed; Oracle Corp. 6.8%; Pinterest Inc. 0.7%; Salesforce Inc. -2.0%; Taiwan Semiconductor Manufacturing Co Ltd. 5.1%; Tesla, -0.6% quarterly average; Union Pacific Corp. 3.1%; Wells Fargo & Co. 0.6%; Zimmer Biomet Holdings Inc. 5.7%.

CPZ, AVERAGE ANNUAL RETURNS AS OF 3/31/24 (%)

Q1		1 YEAR		3 YEAR		SINCE INCEPTION (11/29/19)	
NAV	MARKET PRICE	NAV	MARKET PRICE	NAV	MARKET PRICE	NAV	MARKET PRICE
5.15	8.77	12.92	11.65	2.13	0.92	6.72	3.13

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.

Past performance is no guarantee of future results. 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.

As with other investments, market price will fluctuate with the market and 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. 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 discount which is a market price that is below their net asset value.

DISTRIBUTION DETAILS, MOST RECENT PAYABLE

Payable Date	Distribution	Net Investment Income	Short-Term Capital Gains	Long-Term Capital Gains	Return of Capital
4/19/2024	$0.1400	$0.0489	$0.0000	$0.0000	$0.0911

Ordinary income includes net investment income and short-term capital gains. The distribution tables provided here are for informational purposes only. Estimates are calculated on a tax basis rather than on a generally accepted accounting principles (GAAP) basis but should not be used for tax reporting purposes. Distributions may be subject to re-characterization for tax purposes after the end of the fiscal year. Individual (non-corporate) shareholders with taxable accounts will receive written notification regarding the components and tax treatment for distributions via Form 1099-DIV. If your distributions are reinvested in additional shares, you will receive a statement reflecting the reinvestment of the distribution. This information is not legal or tax advice. Consult a professional regarding your specific legal or tax matters.

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

Opinions, estimates, forecasts, and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. The views and strategies described may not be appropriate for all investors. References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations.

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
Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

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.

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).

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.

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INDEX DEFINITIONS
S&P 500 Index is generally considered representative of the US stock market. **Bloomberg US Aggregate Bond Index** covers the US-dominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS sectors. **Bloomberg Global Aggregate Index** is a measure of global investment grade debt from 24 local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. **ICE BofA All US Convertibles Index** represents the US convertible market. **ICE BofA HY Master II Index** represents the US high-yield market. **Bloomberg US Govt/Credit 1-3 Year Index** measures the performance of investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related debt with 1 year to less than 3 years to maturity. The **ICE BofAML US All Capital Securities Index**, a subset of the ICE BofA US Corporate Index, includes all fixed-to-floating rate, perpetual callable and capital securities. 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 **Russell 2000® Index** measures the performance of the small-cap segment of the US equity universe.

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CALAMOS
INVESTMENTS

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