Hedged Equity Performance Drivers

The hedged equity sleeve of the fund has been our biggest loser year-to-date, a flip from last year when it was our biggest winner. This is partly because of the beta of the strategy in an equity market that has declined 20% this year and partly because of how hedge strategies have performed this year. For illustration purposes, the Cboe S&P 500 5% Put Protection Index (PPUT) tracks the value of a hypothetical portfolio of securities designed to protect investors from negative S&P 500 returns by holding a long position indexed to the S&P 500 and buying a monthly 5% out-of-the-money put option as hedge. Year to date, the PPUT Index is down -19.92%, which matches the performance of the S&P 500 Index.

Equity Performance. The S&P 500 Index declined -16.10% during the quarter. The fund’s equity sleeve declined with the market and held back quite well during the quarter.

Volatility. The Cboe Volatility Index (VIX) finished the quarter at 28.71 from its 20.56 value at the beginning, and climbed to a peak of 34.75 on May 9. When viewed in isolation, rising volatility supported the value of option contracts given the higher probability of reaching a strike price. While rising volatility improved premium capture, it was also a headwind to the hedged equity portion of the portfolio given that we are positioned with more short options than long.

AVG. ANNUAL RETURNS (%) 

<table>
<thead>
<tr>
<th></th>
<th>QTD</th>
<th>YTD</th>
<th>1-YEAR</th>
<th>3-YEAR</th>
<th>5-YEAR</th>
<th>10-YEAR</th>
<th>SINCE A SHARE INCEPTION (9/4/90)</th>
<th>SINCE I SHARE INCEPTION (5/10/00)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calamos Market Neutral Income Fund</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>I shares – at NAV</td>
<td>-5.71</td>
<td>-6.99</td>
<td>-4.89</td>
<td>1.70</td>
<td>2.65</td>
<td>3.28</td>
<td>N/A</td>
<td>4.15</td>
</tr>
<tr>
<td>A shares – at NAV</td>
<td>-5.77</td>
<td>-7.05</td>
<td>-5.10</td>
<td>1.46</td>
<td>2.40</td>
<td>3.02</td>
<td>5.73</td>
<td>N/A</td>
</tr>
<tr>
<td>A shares – Load adjusted</td>
<td>-7.87</td>
<td>-9.15</td>
<td>-7.22</td>
<td>0.69</td>
<td>1.93</td>
<td>2.53</td>
<td>5.57</td>
<td>N/A</td>
</tr>
<tr>
<td>Bloomberg US Government/Credit Bond Index</td>
<td>-5.03</td>
<td>-11.05</td>
<td>-10.85</td>
<td>-0.77</td>
<td>1.05</td>
<td>1.67</td>
<td>5.39</td>
<td>4.30</td>
</tr>
<tr>
<td>Bloomberg Short Treasury 1-3 Month Index</td>
<td>0.12</td>
<td>0.15</td>
<td>0.17</td>
<td>0.58</td>
<td>1.06</td>
<td>0.60</td>
<td>2.53</td>
<td>1.48</td>
</tr>
<tr>
<td>Morningstar Relative Value Arbitrage Category</td>
<td>-4.51</td>
<td>-5.58</td>
<td>-4.38</td>
<td>3.93</td>
<td>3.69</td>
<td>3.10</td>
<td>5.36</td>
<td>3.36</td>
</tr>
</tbody>
</table>

Index data shown is from the first day of the month of the fund’s Class A shares and Class I shares inception and the last day of the month of the R6 share class inception, since comparative index data is available only for full monthly periods. 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 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 2.75%. 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.

Performance may reflect waivers or reimbursement of certain expenses. Average annual total return measures net investment income and capital gain or loss from portfolio investments as an annualized average. All performance shown assumes reinvestment of dividends and capital gains distributions. In calculating net investment income, all applicable fees and expenses are deducted from the returns. The Fund also offers Class C and Class R6 shares, the performance of which may vary. 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.

The Morningstar Analyst Rating** is not a credit or risk rating. It is a subjective evaluation performed by Morningstar’s manager research group, which consists of various Morningstar, Inc. subsidiaries ("Manager Research Group"). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the US Securities and Exchange Commission. The Manager Research Group evaluates funds based on five key pillars, which are process, performance, people, parent, and price. The Manager Research Group uses this five-pillar evaluation to determine how they believe funds are likely to perform relative to a benchmark over the long term on a risk-adjusted basis.

The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. For active funds, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group’s expectation that an active fund will be able to deliver positive alpha net of fees relative to the standard benchmark index assigned to the Morningstar category. The level of the rating relates to the level of expected positive net alpha relative to Morningstar category peers for active funds. For certain peer groups where standard benchmarking is not applicable, primarily peer groups of funds using alternative investment strategies, a Morningstar Analyst Rating of Gold, Silver, or Bronze reflects the Manager Research Group’s expectation that a fund will deliver a weighted pillar score above a predetermined threshold within its peer group. Analyst Ratings ultimately reflect the Manager Research Group’s overall assessment, are overseen by an Analyst Rating Committee, and are continuously monitored and re-evaluated at least every 14 months.

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THE MORNINGS Rating* is a forward-looking qualitative analyst rating based on an evaluation of five key factors—process, performance, people, parent and price—that the analysts believe “lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.”

OVERVIEW

The fund combines two complementary strategies with different responses to volatility: arbitrage seeks alpha and uncorrelated returns, while hedged equity provides income from options writing and upside participation.

KEY FEATURES

» Generates returns not dependent on interest rates, breaking from traditional bond strategies.

» Employs an absolute-return strategy with historically lower beta versus fixed income and equity markets as well as lower volatility and limited drawdowns.

» As one of the first alternative mutual funds, capitalizes on more than four decades of experience in the convertible space.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE
Option Skew. Option skew flattened significantly during the quarter. The Credit Suisse Fear Barometer (CSFB) provides a useful statistic for evaluating option skew. Using premium captured by writing 90-day S&P 500 Index call options that are 10% out of the money, the CSFB value is determined by understanding how far out of the money 90-day index puts are purchased to construct a zero-cost collar around the S&P 500 Index. The higher the index value, the more skew is seen in the options market. The CSFB finished the quarter at 16.65, well below where it started at 29.66 and below its long-term average of 21.44. Declining skew has made the use of call and put spreads less lucrative, though we still find it beneficial to utilize these spreads given the elevated volatility.

Arbitrage Performance Drivers
The fund’s arbitrage strategy includes convertible arbitrage, special purpose acquisition company (SPAC) arbitrage and merger arbitrage.

Convertible Arbitrage
With equities and bonds both down double-digits and credit spreads widening, there has been no place to hide. So, it is not surprising to us that the convertible arbitrage sleeve has posted a small decline year-to-date. However, our book has cheapened in the process. Currently, 55% of the convertible arbitrage portfolio is below par (this bucket was much smaller in prior years) and these convertibles have a yield to maturity of 6.6% as of the last week of the quarter.

Interest Rate Environment. The yield of the 10-year US Treasury bond began at 2.32% and ended at 2.98%. The Federal Reserve raised its overnight fed funds rate target twice during the quarter up to 1.75% from 0.50%. According to Bloomberg, US high yield credit spreads widened 221 basis points quarter over quarter to 587 basis points over Treasuries. The hike in the fed funds rate improved the carry on the cash received from our short equity positions. (our custodian rebates us the fed funds rate less our roughly 35 basis points of borrowing costs).

Convertible Valuations. The theoretical value of a convertible can be determined by the sum of its bond and option components. US Convertibles began the quarter trading at an average 0.84% discount to this theoretical value and ended at a 1.35% discount according to ICE BofA. Cheapening convertible valuations held back the long convertible pricing but created a forward opportunity for pricing arbitrage.

Volatility. As previously discussed, the market saw rising market volatility during the quarter. Unfortunately, the direction of the market was largely down throughout the quarter (number of down days versus up days), and the environment was less supportive to convertible arbitrage because it generally provided less opportunities for trade rebalancing opportunities.

New Convertible Issuance. The market volatility witnessed in the second quarter continued to impede new issuance activity across asset classes. The US convertible market saw $2.8 billion in new issuance while $3.3 billion in new convertibles were issued globally. Global issuance so far in 2022 has reflected new issuance activity across asset classes. The US convertible market saw $2.8 billion in new issuance to this theoretical value and ended at a 1.35% discount according to ICE BofA. Cheapening convertible valuations held back the long convertible pricing but created a forward opportunity for pricing arbitrage.

Special Purpose Acquisition Company (SPAC) Arbitrage
The second quarter saw just 16 SPACs price IPOs with a market value of $2.7 billion which brought the year-to-date totals to 70 SPACs issued with a market value of $12 billion. The recent market volatility and concerns about the potential for increased regulations in SPACs continued to hinder IPO activity. There are 171 SPACs that have filed registration statements, which represent another $35.2 billion in potential opportunity should these registered issues IPO in the future. (Source: SPACAnalytics.com).

The trend of slowing SPAC issuance, fewer deal announcements and increased redemptions points to a shrinking SPAC market. That said, we are using SPAC arbitrage opportunistically and still see value in a positive yield to expiration in our SPAC arb portfolio.

Alpha is the measurement of performance on a risk adjusted basis. A positive alpha shows that performance of a portfolio was higher than expected given the risk. A negative alpha shows that the performance was less than expected given the risk. Volatility Skew is the difference in implied volatility between out-of-the-money options, at-the-money options, and in-the-money options. Volatility skew, which is affected by sentiment and the supply and demand relationship, provides information that helps fund managers determine whether to write calls or puts. In the Money means that a call option’s strike price is below the market price of the underlying asset or that the strike price of a put option is above the market price of the underlying asset. Out of the Money describes a call option with a strike price that is higher than the market price of the underlying asset, or a put option with a strike price that is lower than the market price of the underlying asset.

Past performance does not guarantee future results. Please see additional disclosures on last page.
Fund Information

CREDIT QUALITY ALLOCATION OF BONDS %

- AAA: 0.0
- AA: 0.4
- A: 0.8
- BBB: 6.5
- BB: 4.8
- B: 0.6
- CCC and below: 0.0
- Unrated Securities: 86.8

Bond credit quality allocation reflects the higher of the ratings of Standard’s & Poor’s or Moody’s Investors Service. Ratings are relative, subjective and not absolute standards of quality, represent the opinions of the independent, Nationally Recognized Statistical Rating Organizations (NRSRO), and are adjusted to the Standard & Poor’s scale shown. Ratings are measured using a scale that typically ranges from AAA (highest) to D (lowest). The table excludes equity securities, cash and cash equivalents. For more information about securities ratings, please see the Fund’s Statement of Additional Information at www.calamos.com. Additional information on ratings methodologies are available by visiting the NRSRO websites: www.standardandpoors.com and www.moodys.com.

FUND FACTS

<table>
<thead>
<tr>
<th>FUND</th>
<th>S&amp;P 500 INDEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha</td>
<td>2.35%</td>
</tr>
<tr>
<td>Beta</td>
<td>0.24</td>
</tr>
<tr>
<td>Sharpe Ratio</td>
<td>0.58</td>
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<tr>
<td>Standard Deviation</td>
<td>4.57%</td>
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<tr>
<td>R squared</td>
<td>65.20</td>
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<tr>
<td>Upside Capture</td>
<td>27.02</td>
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<tr>
<td>Downside Capture</td>
<td>22.59</td>
</tr>
<tr>
<td>Tracking Error</td>
<td>11.76%</td>
</tr>
</tbody>
</table>

New SPAC IPOs continued to include improved terms versus the traditional model that included a $10 bank trust deposit with 24 months to expiration. Q2 IPOs largely came with an overfunded bank trust and a shorter expiration time. The average bank trust deposit with the Q2 IPOs was $10.18 with an average expiration of 14.4 months (Data Source: SPAC Research).

The bulk of the fund’s SPACs were purchased at or below the $10 IPO Price, about 99% of the SPAC portfolio holdings are priced below $10.50, and the SPAC holdings are well diversified with 367 SPACs held (slightly reduced from 370 SPACs held on 3/31/22).

Merger Arbitrage

We expect merger arbitrage to provide lower volatility and a lower correlation to equity markets with a high potential for positive returns over long time horizons in most market environments. The merger arbitrage holdings add a complementary risk profile to the fund, with a beta to S&P 500 somewhere between the convertible arbitrage and hedged equity strategies. The fund’s current Merger Arbitrage holdings consist of 26 long equities and convertibles (4 more than 3/31/22).

Positioning

We actively manage the allocations based on our view of market conditions and relative opportunities. The fund ended the second quarter with a 52% allocation to hedged equity and a 48% allocation in arbitrage, in line with weightings at the start of the quarter. Within the arbitrage allocation, the composition was also largely unchanged. At 37%, convertible arbitrage remained the largest weighting at the end of the quarter (versus 38% at the start); special purpose acquisition company (SPAC) arbitrage closed the quarter at 10% (versus 9% at the start), and merger arbitrage was 2% (versus 1% at the start).

As of the close of the quarter, the fund’s hedged equity strategy has a hedge ratio that is on the high side of our targeted range. (The higher the hedge ratio, the less exposure the fund has to equity market downside.) The hedge is positioned with a larger put purchase and the addition of put spreads, above and beyond the outright long put allocation we always maintain in the fund. However, the call-write position is smaller.

Outlook

The market continues to be anxious about a myriad of headlines including high inflation, central bank policy, rising interest rates, the war in Ukraine, supply chain disruption, and upcoming US midterm elections. These have all contributed to bouts of elevated volatility. While a -6.99% (I shares at NAV) year-to-date result for the Calamos Market Neutral Income Fund doesn’t feel terribly great, the return is...
reasonable given that the equity and bond markets have both experienced double-digit declines so far this year. The fund continues to demonstrate its value in an asset allocation by providing a bond-like return with bond-like standard deviation without completely embracing bond-like risk exposures.

In our last commentary, we noted that equity-related issues—including in the convertible and SPAC new issue markets—was slow because of market volatility, and this continued to be the case in the second quarter. However, when equity capital markets are closed, convertibles have usually been the first to reopen, and the early deals are often attractively priced. So, although it still may be a bit longer, it’s likely we will get a deluge of paper once the market begins to open up. The SPAC market is more of an unknown, but since we use SPACs opportunistically, it has less of an impact.

And we see other reasons to be excited about the opportunities in convertible arbitrage. In prior drawdowns, convertible securities were not immune from declines, but often enjoyed strong tailwinds when things settled down. Also, the silver lining of a rising fed funds rate is that our return expectations for convertible arbitrage ratchet up with the cost of overnight money.

Term Definitions

**Alpha** is the measurement of performance on a risk-adjusted basis. A positive alpha shows that the performance of a portfolio was higher than expected given the risk. A negative alpha shows that the performance was less than expected given the risk.

Annualized standard deviation is a statistical measure of the historical volatility of a mutual fund or portfolio. Beta is a historic measure of a fund’s relative movement in comparison to its benchmark. Sharpe ratio is one of the measures of risk; a beta of 0.5 represents 1/2 of the market’s volatility as represented by the Fund’s primary benchmark, while a beta of 1.0 represents the same. Dollar neutral capture ratio measures manager’s performance in down markets as defined by the named index. A down-market is defined as those periods (months or quarters) in which named index return is less than D. In essence, it tells you what percentage of the down-market was captured by the manager. R-squared is a mathematical measure that describes how closely a security’s movement reflects movements in a benchmark. Sharpe ratio is a calculation that reflects the reward per unit of risk in a portfolio. The higher the ratio, the better the portfolio’s risk-adjusted return is. Tracking error is a measure of the volatility of excess returns relative to a benchmark. Upside capture ratio measures a manager’s performance in up markets relative to the named index itself. It is calculated by taking the security’s upside capture return and dividing it by the benchmark’s upside capture return.

Convertible Arbitrage involves buying convertible bonds and short selling their underlying equities to attempt to hedge against equity risk, while still providing the potential for upside returns. A Covered Call Writing strategy begins with a portfolio of stocks, most of which pay dividends. Stale options include securities convertible into the underlying stocks. We then write (sell) calls and buy puts against a portion of this basket. A call option gives the buyer the right to purchase stocks at a predetermined strike price. If these securities rise above the strike price, the buyer may exercise the option and the fund (seller) must pay the buyer the difference as determined by the option contract. By writing calls on securities held in the portfolio, the fund can generate income from option premiums. A put option gives the purchaser the right to sell a security to the writer at a predetermined price. Put options rise in value as the underlying stock price falls. Through put options, the fund seeks to offset some of the risk of a potential decline in a portfolio holding.

The Bloomberg US Government/Credit Bond Index comprises long-term government and investment-grade corporate and agency securities and is generally considered representative of the performance of the broad US bond market. Unlike convertible bonds, US Treasury bills are backed by the full faith and credit of the US government and offer a guarantee as to the timely repayment of principal and interest. The ICE BofA US All Convertibles Index (VXAD) is comprised of approximately 700 issues of only convertible bonds and preferreds of all qualities and measures the return of all US convertibles. Source ICE Data Indices, LLC, used with permission. ICE permits use of the ICE BofA indices and related data on an ‘as is’ basis, makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the ICE BofA Indices or data included in, related to, or derived therefrom, assumes no liability in connection with the use of the foregoing and does not sponsor, endorse or recommend Calamos Advisors LLC or any of its products or services.

The Cboe Volatility Index or VIX (based on its CBOE ticker symbol) shows the market’s expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 Index options. The Bloomberg Short-Term 1-3 Month Index is generally considered representative of the performance of short-term money market investments and is provided to show how the Fund’s performance compares to public obligations of the US Treasury with maturities of 1-3 months. The Credit Suisse Fear Barometer essentially tracks the willingness of investors to pay up for downside protection with collar trades on the S&P 500 Index. The Morningstar Relative Value Arbitrage Category is comprised of Funds that seek out pricing discrepancies between pairs or combinations of securities regardless of asset class. The S&P 500 Index is a market-value weighted index consisting of 500 stocks chosen for market size, liquidity, and industry group representation. It is widely regarded as the standard for measuring US stock market performance.

Unmanaged index returns assume reinvestment of any and all distributions and, unlike fund returns, do not reflect expenses or sales charges. Investors cannot invest directly in an index.

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 than 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.

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 Market Neutral Income Fund include: equity securities risk consisting of market prices declining in general, convertible securities risk consisting of interest rate risk and credit risk, synthetic convertible instruments risk, convertible hedging risk, covered call writing risk, options risk, short sale risk, interest rate risk, credit risk, high-yield risk, liquidity risk, portfolio selection risk, and portfolio turnover risk. In addition, emerging markets may present additional risk due to potential for greater economic and political instability in less developed countries.

 Covered Call Writing Risk: As the writer of a covered call option, there is the risk that the fund foregoes, during the option’s life, the opportunity to profit from increases in the market value of the security, covering the call option above the sum of the premium and the exercise price of the call.

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.

Convertible Hedging Risk: If the market price of the underlying common stock increases above the conversion price on a convertible security, the price of the convertible security will increase. The fund’s increased liability on any outstanding short position would, in whole or in part, reduce this gain.

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 1-800-582-6939. Read it carefully before investing.