Market Neutral Income Fund Quarterly Commentary

CALAMOS INVESTMENTS

Fund 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.

Market Overview

During the fourth quarter, bonds and stocks bounced back sharply in anticipation of a soft landing and Fed rate cuts in 2024. The Bloomberg US Aggregate Index gained 6.8% for the quarter, and the S&P 500 Index rose 11.7%. Calamos Market Neutral Income Fund (CMNIX) was also up for the quarter, rising 2.3%. However, for the first three quarters of the year, CMNIX was up 6.7% versus a loss of −1.2% for the US Aggregate Index. Looking at these two periods together, the fund gained 9.2%, well ahead of the index, which was only up 5.5%. Overall, the year demonstrated that CMNIX has little interest rate risk or opportunity. We simply reached our destination in a different way, one that we believe can appeal to investors seeking a steadier course in a volatile interest-rate environment.

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DATA AS OF 12/31/23

CALAMOS MARKET NEUTRAL INCOME FUND AVERAGE ANNUAL RETURNS (%)

	QTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE I SHARE INCEPTION	SINCE A SHARE INCEPTION
Calamos Market Neutral Income Fund							
I Shares - at NAV (Inception—5/10/00)	2.27	9.17	3.15	4.30	3.65	4.40	N/A
A Shares - at NAV (Inception—9/4/90)	2.18	8.92	2.89	4.04	3.40	N/A	5.82
A Shares Load adjusted	-0.12	6.47	2.12	3.56	2.89	N/A	5.67
Bloomberg US Govt/Credit Bond Index	6.63	5.72	-3.53	1.41	1.97	4.14	5.22
Bloomberg Short Treasury 1-3 Month Index	1.38	5.14	2.21	1.88	1.24	1.66	2.61
Morningstar Relative Value Arbitrage Category	1.70	6.62	2.38	5.02	3.45	3.50	N/A

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

Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted. Please refer to Important Risk Information. The principal value and return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Performance reflected at NAV does not include the Fund's maximum front-end sales load of 2.75%. 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.

The funds' gross expense ratios as of the prospectus dated 3/1/2023 are as follows: 1.18% for A Shares, 0.93% for I shares and 0.88% for R6 Shares.

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.

Performance Review

Hedged Equity Performance Drivers

We were able to position the hedged equity strategy with minimal exposure to the S&P 500 Index's downside, while still capturing what we believe is a reasonable portion of the S&P 500's upside. One driver of this favorable asymmetrical capture was the positive standstill yield our current hedge generates, due in part to the higher short-term interest rate environment. As we have discussed, the recent rise in the fed funds rate flows through to the option market in higher call and lower put prices.

Equity Performance: The S&P 500 Index advanced 11.69% during the quarter. The fund's equity sleeve advanced with the market and supported the quarterly result.

Interest Rates: Higher interest rates have benefited the hedged equity strategy as the portfolio earns a wider spread on calls written versus long puts. As we generally sell longer-dated calls and buy shorter dated puts, we have also received a higher premium from the time value differential of selling longer duration calls and buying shorter dated puts.

Volatility: The CBOE Volatility Index (VIX) declined to 12.45 from its 17.52 value at the beginning of the quarter. When viewed in isolation, declining volatility contributed to a lower value of option contracts given a lower probability of reaching their strike price. As the hedged equity strategy is net short options, the declining volatility supported the strategy's quarterly result.

Convertible Arbitrage Performance Drivers

The convertible arbitrage strategy performed well in the fourth quarter and for the full year. Convertible arbitrage returns are traditionally linked to overnight money, with higher rates providing a boost in a couple of ways. The most direct link is the rebate we get on our short positions, which is typically at the fed funds rate, less the fee for borrowing the stock (generally around 50 basis points). Slower to come through, but just as important, is the rise in coupons that we've seen as new issues come to the convertible market and old, lower-coupon bonds mature or are refinanced.

Interest Rate Environment: The US Federal Reserve top fed funds rate remained at 5.50% throughout the quarter. Longer-term rates also increased as the yield of the 10-year US Treasury bond declined from 4.59% at the beginning of the quarter to 3.88%. The average global high yield credit spread narrowed 52 basis points quarter-over-quarter to 391 basis points over government securities according to Bloomberg. Declining longer-term rates and narrowing credit spreads were supportive to the bond component of the convertible, while the higher short-term interest rates continued to support the short interest rebate.

Convertible Valuations: Convertible valuations richened during the quarter. 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 0.09% discount to this theoretical value and ended at a 0.35% premium according to ICE BofA. Richening convertible valuations slightly increased the long convertible bond value.

Volatility: As previously discussed, market volatility declined during the quarter. Rising volatility is generally a headwind to convertible arbitrage as it may lead to less trade rebalance opportunities.

Yield to Maturity in Bond-Like Convertibles: Despite the equity market rebound in the fourth quarter, a significant number of convertibles are trading below par, offering a favorable yield to maturity and potential arbitrage opportunities.

New Convertible Issuance: New convertible issuance continued to pick up in the fourth quarter as $18.2 billion in new convertibles were brought globally to market. The United States led convertible issuance with $12.3 billion, Europe saw $3.4 billion in issuance, while Japan and Asia ex-Japan each raised $1.2 billion. 2023 issuance totaled $79.4 billion, more than double the entire 2022 calendar year total of $39.5 billion. $53.4 billion was issued in the US, $13.4 billion in Europe, $9.0 billion in Asia, and $3.6 billion in Japan. These new convertible issues have been brought to market with attractive terms that include higher coupons and lower conversion premiums. We believe new issues will be a potential bright spot for the convertible market over the next year or two. With large maturity walls approaching in the investment-grade bond, high-yield debt, and convertible markets, there should be plenty of opportunities for convertible bankers to keep busy.

Positioning and Portfolio Changes

We actively manage allocations to the strategies based on our view of market conditions and relative opportunities. The fund's current allocation to the arbitrage strategy is 50%, with 50% in the hedged equity strategy. At the start of the year, the fund's allocation to the arbitrage strategy was 51%, with 49% allocated to the hedged equity strategy.

Within Calamos Market Neutral Income Fund's arbitrage strategy, we continue to favor the opportunity in convertible arbitrage, and the fund's allocation to convertible arbitrage has grown from 39% at the start of 2023 to 44% on December 31, 2023. The investment-grade opportunity in the convertible market is becoming particularly intriguing. In exchange for the conversion feature, convertibles typically offer lower coupons than comparable nonconvertible debt, which can be an appealing option for issuers looking to keep borrowing costs low. However, in the zero-interest-rate world of years past, there was little incentive for investment-grade issuers to come to the convertible market. If a company can issue straight debt with coupons of 2% to 3%, why bother with a convertible? But now that those companies are looking to refinance and are seeing straight debt quotes from their bankers north of 5%, we believe that we will see some of them come to the convertible market to lower that coupon back closer to 2% to 3%. For the fund, this will likely mean an increased opportunity set, potentially with higher coupons and better credits.

With hedged equity, we have been able to position the strategy with minimal exposure to the S&P 500 Index's downside, while still capturing what we believe is a reasonable portion of the S&P 500's upside. Although we've always adapted to what we believe is most attractive in the options market, we will likely retain the higher hedge delta in 2024, as long as it is still available in the option market.

SPAC Arbitrage Positioning

The fund's allocation to SPAC arbitrage continued to decrease over the quarter, reflecting a dwindling opportunity set over the past two years. Most of the decrease in our SPAC allocation represents a natural runoff of the 2021 issuance that the fund held.

As recent market volatility and small-cap equity valuations have hindered IPO activity, the fourth quarter saw just nine SPACs price IPOs with proceeds of $1.0 billion. 31 SPACs have been issued so far in 2023 with proceeds of $3.8 billion. There are 51 SPACs that have filed a registration statement which represents another $5.6 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 portends a shrinking SPAC market. We are using SPAC Arbitrage opportunistically and still see value in a positive yield to expiration in our SPAC arb portfolio.

As short interest rates remained higher, the opportunity for interest earned on the cash in trust in the portfolio has been attractive.

Merger Arbitrage Positioning

We expect merger arbitrage to provide a lower volatility/lower correlation to equity markets with a high probability of a positive return over long time horizons in most market environments. The merger arbitrage holdings provide a complementary risk profile to the fund, with a beta to S&P somewhere between convertible arbitrage and hedged equity strategies. We expect to see more opportunities on the horizon once interest rates stabilize. The current merger arbitrage holdings consist of 28 long equities and convertibles (2 fewer than 9/30/23).

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

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

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

Portfolios are managed according to their respective strategies which may differ significantly in terms of security holdings, industry weightings and asset allocation from those of the benchmark(s). Portfolio performance, characteristics and volatility may differ from the benchmark(s) shown.

Term Definitions

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. (Stock provisions include securities convertible into the underlying stocks.) We then write (sell) calls and buy puts against a portion of this basket. 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. 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 securities decline in value. Through put options, the fund seeks to offset some of the risk of a potential decline in a portfolio holding.

Index Definitions

The **Bloomberg US Government/Credit Bond Index** comprises long-term government and investment-grade corporate debt 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 All US Convertibles Index (VXA0)** 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 Treasury 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 **S&P 500 Index** is generally considered representative of the US stock market. The **S&P 500® Equal Weight Index (EWI)** is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance. Unmanaged index returns assume reinvestment of any and all distributions and, unlike fund returns, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index. The **Bloomberg US Aggregate Index** is a broad based benchmarks of the U.S. investment grade and global investment grade bond market, respectively. They include Treasury, government related, corporate and securitized fixed-rate bonds.

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(s) 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.

Covered Call Writing Risk: As the writer of a covered call option on a security, 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.

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.

Additional Information

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

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