Strategic Total Return Fund (CSQ) Quarterly Commentary

CALAMOS INVESTMENTS

Current Annualized Distribution Rate
7.30%*

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.

Fund Overview

The fund seeks total return through a combination of capital appreciation and current income by investing in a diversified portfolio of equities, convertible securities and high-yield corporate bonds.

Market Overview

US equity markets extended gains as measured by the S&P 500 Index's return of 4.28%, but the S&P 500 Equal Weighted Index tells a different story, declining -2.63% for the 2Q 2024. As measured by the Russell 2000 Index, small-cap stocks fell with a -3.28% return for the quarter. Bonds largely held their ground, with the Bloomberg US Aggregate Bond Index returning 0.07% for the quarter and high-yield bonds delivering a 1.09% return per the Bloomberg US High Yield 2% Issuer Capped Index. The convertible market, as represented by the ICE BofA All US Convertibles Index declined -0.21%.

The equity market continues to focus principally on large-cap growth stocks as size and momentum continue to be most favored, especially when that overlaps with quality and profitability. The top-six names by market cap in the S&P 500 Index (mega-cap tech and AI-related names) delivered more than all of the Index's performance for the quarter. That said, the percentage of S&P 500 companies showing

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DATA AS OF 6/30/24

CALAMOS STRATEGIC TOTAL RETURN FUND AVERAGE ANNUAL RETURNS (%)

	QTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (3/26/04)
Calamos Strategic Total Return Fund						
Market Price	4.82	23.78	5.68	14.61	12.54	9.36
NAV	4.20	25.12	7.15	14.72	12.01	9.71

Returns of less than 12 months are cumulative returns. Returns for periods greater than 12 months are annualized returns. Total return measures net investment income and capital gain or loss from portfolio investments as an annualized average. In calculating net investment income, all applicable fees and expenses are deducted from the returns.

Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted. 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.

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.

***The Fund's most recent distribution payable 7/19/24 was $0.1025 per share. Based on our current estimates, we anticipate that approximately $0.0000 is paid from ordinary income or capital gains and $0.1025 of the distribution represents a return of capital.** 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 Fund's managed distribution policy, distributions paid to common shareholders may include net investment income, net realized short-term capital gains, net realized long-term capital gains and return of capital. When the net investment income and net realized capital gains are not sufficient, a portion of the level rate distribution will be a return of capital. In addition, a limited number of distributions per calendar year may include net realized long-term capital gains. Distribution rate may vary.

There is no assurance that the Fund will achieve or maintain its investment objective. Please refer to back page for important notes. All returns are in USD terms unless otherwise indicated.

greater than 25% trailing 12-month income growth is above 30%, which is a historically high level, indicating strength beneath the top names in the Index.

Overall, economic data suggests the possibility of a benign slowdown, allowing the US economy to mitigate inflationary pressures without entering a recession. At the start of the year, investors anticipated six rate cuts from the Fed. However, this outlook shifted to the possibility of no cuts or even an interest rate hike, to now expecting one cut sometime in 2024. Inflation data has improved, employment figures currently point to a healthy labor market, and consumer balance sheets are still strong overall despite the effects of inflation.

Within the S&P 500 Index (+4.28%) for the quarter, only information technology (+13.8%), communication services (+9.4%), and utilities (+4.7%) outperformed the benchmark for the quarter. Consumer staples (+1.4%) and consumer discretionary (+0.7%) advanced for the quarter, while health care (-1.0%), real estate (-1.9%), financials (-2.0%), energy (-2.4%), industrials (-2.9%) and materials (-4.5%) finished in the red.

High-yield spreads closed the quarter 10 basis points wider at +309. Despite wider spreads and higher Treasury rates, the high-yield market delivered a positive return of 1.1%, driven by current income. Investment grade spreads were also slightly wider over the period, closing at +94 basis points following the previous quarter close of +90. Returns across credit qualities were directional, with higher rated credits leading the way. BB issuers returned +1.3%, B-rated credits delivered 1.0%, and CCCs trailed -0.0%. Trailing 12-month defaults decreased from 2.6% in March to 1.8% in June, well below the long-term average of 3.4%. In the loan market, trailing 12-month defaults are at 3.1%, higher than the long-term average of 3.0%.

Distributions Remain Competitive

The fund’s current annualized distribution rate was 7.30% on market price as of June 30, 2024. We believe the fund’s monthly distributions are highly competitive. For example, the ICE BofA All US Convertibles Index had a yield of 2.06%, the 10-year US Treasury bond yield was 4.40%, and the ICE BofA US High Yield Index yield was 6.76% as of June 30, 2024

Performance Review

For the quarter ending June 30, 2024, the fund returned 4.82% on market price and 4.20% on NAV. The market price and NAV returns outperformed relative to the blended comparator index (50% S&P 500 Index, 25% ICE BofA All US Convertibles Index, and 25% Bloomberg US HY 2% Issuer Capped Index) that returned 2.36% for the period.

Contributing Factors. The fund benefited from favorable selection and an average overweight position in the information technology sector as holdings in semiconductors and technology hardware, storage & peripherals added to relative returns. Additionally, leading security selection and an average overweight position in communication services added to the fund's performance. The main contributors within this sector were interactive media & services and wireless telecommunication services.

Detracting Factors. The fund’s selections within the health care and consumer discretionary sectors held back the quarterly result as holdings in the health care equipment, biotechnology, footwear and automobile manufacturers industries underperformed.

Positioning and Portfolio Changes

Common stocks comprise our largest allocation at approximately 67% of the portfolio. Convertibles and corporate bonds constitute approximately 26% of our holdings. We continue to hold our highest allocation (approximately 35%) in unrated securities where our proprietary research can extract value, as we believe this exposure offers investors a better risk/reward dynamic over time while providing regular income. We also hold a large percentage in the BB-credit tier (approximately 23%), which offers good valuations and allows access to a large portion of the convertible bond universe. We have taken a very selective approach to CCC credits, and they represent approximately 3% of our holdings. The weighted average duration of our bond holdings is 2.5 years at quarter-end.

Regarding economic sectors, the largest portfolio weights are in information technology and financials on an absolute basis. Conversely, real estate and materials represent the smallest absolute sector weights with holdings. On a relative basis, systems software and interactive media & services constitute the most significant relative overweights. Application software and biotechnology constitute the most significant underweight industries.

Allocations to information technology and consumer discretionary rose during the period with increased weights in semiconductors and broadline retail. Conversely, health care and financials allocations decreased modestly.

Leverage

In our view, this environment is conducive to the prudent use of leverage to enhance total return and support the fund's distribution rate. We believe our use of leverage will benefit shareholders based on our expectation of moderating interest rates and inflationary pressures. As of June 30, 2024, our total percent of assets leveraged was approximately 30%, which is in the middle of our historical range.

Outlook

The second half of 2024 should provide insights into future monetary and fiscal policies. The growth and inflation developments should guide future monetary policy, while the US elections should give insights into fiscal policy. The path of future fiscal policies appears murky, as the make-up of Congress appears too close to call. Tax policy, spending priorities, regulation, and immigration are key areas in which we could see change. We remain alert to significant developments that could tip the scale. In the interim, we believe a focus on larger cap, highly competitive moat companies in stable demand areas should provide some stability to the portfolio.

Given our expectation of positive economic growth over the next year, we are assessing the investment opportunities with a continued focus on real growth and return improvement areas. In addition to areas with favorable cyclical factors, we believe companies that can improve profitability in a slower-growth environment are favorable investments. Many companies are focused on improving their returns on capital through improved efficiencies, normalized supply chains, and revised investment strategies based on the current interest-rate environment. The pace of corporate cost-cutting and restructuring has increased over the past several quarters across several areas, providing more opportunities to identify companies with improving returns on capital. Over the short- and intermediate-term, improved real returns on capital should drive higher equity prices.

For additional information or to download a fact sheet, please visit the fund's profile page:

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Important Fund Information

The goal of the managed distribution policy is to provide investors a predictable, though not assured, level of cash flow. Monthly distributions paid may include net investment income, net realized short-term capital gains, net realized long-term capital gains and, if necessary, return of capital. Maintenance of this policy may increase transaction and tax costs associated with the fund.

Bond Credit Quality allocation reflects the higher of the ratings of Standards & Poor's Corporation or Moody's Investors Service, Inc. 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 Standards & Poor's scale shown. Assets with the highest ratings are referred to as "investment grade" while those in the lower tiers are referred to as "noninvestment grade" or "high yield." Ratings are measured using a scale that typically ranges from AAA (highest) to D (lowest). Leverage creates risks which may adversely affect return, including the likelihood of greater volatility of net asset value and market price of common shares; and fluctuations in the variable rates of the leverage financing. The ratio is the percent of total managed assets.

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The Fund may invest up to 35% of its assets in foreign securities and invest in an array of security types and market-cap sizes, each of which has a unique risk profile. As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities. These include fluctuations in currency exchange rates, increased price volatility, and difficulty obtaining information.

Investments by the Fund 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 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. There are certain risks associated with an investment in a convertible bond such as default risk—that the company issuing a convertible security may be unable to repay principal and interest, and interest rate risk—that the convertible may decrease in value if interest rates increase.

Owning a bond fund is not the same as directly owning fixed income securities. If the market moves, losses will occur instantaneously, and there will be no ability to hold a bond to maturity.

The Fund may invest in derivative securities, including options. The use of derivatives presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. There is no assurance that any derivative strategy used by the fund will succeed. One of the risks associated with purchasing an option is that the fund pays a premium whether or not the option is exercised.

The Fund may seek to purchase index put options to help reduce downside exposure however, the effectiveness of the fund's index option-based risk management strategy may be reduced if the fund's equity portfolio does not correlate to the performance of the underlying option positions. The Fund also risks losing all or part of the cash paid for purchasing index options. Unusual market conditions or lack of a ready market of any particular option at a specific time may reduce the effectiveness of the fund's option strategies, and for these and other reasons the fund's option strategies may not reduce the fund's volatility to the extent desired. From time to time, the Fund may reduce its holdings of put options, resulting in an increased exposure to a market decline.

Parties entering an interest rate swap take on exposure to a given interest rate; the exposure can be long or short depending on whether a counterparty is paying or receiving the fixed rate. At the same time, each party takes on the risk —known as counterparty credit risk—that the other party will default at some time during the life of the contract.

Term Definitions

A **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.

Index Definitions

The **Bloomberg US Aggregate Bond Index** is a broad-based benchmark that measures the investment-grade, US dollar-denominated, 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 pass-throughs), ABS, and CMBS sectors. 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 **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 **S&P 500 Index** is generally considered representative of the US stock market. The **S&P 1500 Growth Index** consists of the growth segment of the securities found in the S&P 1500 Index. The S&P 1500 combines the S&P 500, S&P MidCap 400 and the S&P SmallCap 600. The **S&P 1500 Value Index** consists of the value segment of the securities found in the S&P 1500 Index. The S&P 1500 combines the S&P 500, S&P MidCap 400 and the S&P SmallCap 600. The **Russell 2000® Index** measures the performance of the small-cap segment of the US equity universe. The **ICE BofA All US Convertibles Index (VXA0)** is comprised of approximately 700 issues of only convertible bonds and preferreds of all qualities. The **ICE BofA High Yield Master II Index** consists of below investment grade US dollar denominated corporate bonds that are publicly issued in the US domestic and yankee bonds. Issues included in the index have maturities of one year or more and have a credit rating lower than BBB-/Baa3, but are not in default. The index includes domestic high-yield bonds, including deferred interest bonds and payment-in-kind securities. 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. Unmanaged index returns assume reinvestment of any and The **S&P/LSTA US Leveraged Loan Index** is designed to reflect the performance of the leveraged loan market. All distributions and, unlike fund returns, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index. The **S&P 500 Value Index** measures the performance of stocks within the S&P 500 Index that have value-oriented characteristics, such as lower price-to-earnings ratios and price-to-book ratios. The **S&P 500 Growth Index** measures the performance of stocks within the S&P 500 Index that have growth-oriented characteristics, such as higher earnings growth rates and higher price-to-earnings ratios.

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 information contained herein is based on internal research derived from various sources and does not purport to be statements of all material facts relating to the sectors, securities and markets mentioned. The information contained herein, while not guaranteed as to the accuracy or completeness, has been obtained from sources we believe to be reliable. Opinions expressed herein are as of the date of publication and are subject to change without notice due to various factors 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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