Strategic Total Return Fund (CSQ) Quarterly Commentary

CALAMOS INVESTMENTS

Current Annualized Distribution Rate

7.51%*

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

While the calendar may have flipped to 2024, US growth stocks remain on the same upward trajectory that characterized the final months of last year. During the quarter, the S&P 500 Index rose 10.56%, with the S&P 500 Growth Index achieving a 12.75% gain. Meanwhile, the S&P 500 Value Index also showed strength, increasing by an impressive 8.05%. The major themes dominating financial headlines are also essentially unchanged, with investors still favoring companies that are benefiting from game-changing artificial intelligence (AI) technologies and groundbreaking obesity therapeutics known as GLP-1 drugs.

The enduring nature of this market rally is not surprising, given the positive backdrop. The economy continues to surprise with its resilience—as the US seems impervious to the pressures impacting much of the world. Importantly, the employment market remains healthy with jobs still plentiful. Inflation also

Commentary continues page 2…

DATA AS OF 3/31/24

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	11.50	27.15	6.54	14.65	13.12	9.22
NAV	11.15	30.90	8.77	14.86	12.18	9.61

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 4/19/24 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.

continues to moderate, albeit slower than the market anticipated when this phase of the equity rally first began in late October.

While traditional growth sectors have outperformed thus far in 2024, market participation has broadened further, as expected, with energy, financials, and industrials stocks joining technology stalwarts with strong returns. At the same time, the market is starting to become more discerning each day, even within some themes. The "Magnificent Seven," which dominated the market for the past 18 months, are no longer moving in lockstep. Instead, individual companies are trading on their own merits, with some clear outperformers and notable laggards.

Other parts of the market saw less enthusiastic returns with the Bloomberg US Aggregate Bond Index -0.78% for the quarter, while high-yield bonds saw a 1.5% gain per the Bloomberg US High Yield 2% Issuer Capped Index.

Within the S&P 500 Index (+12.75%) for the quarter, growth and cyclically oriented sectors led the way, with defensives lagging. Communication services (+15.8%), energy (+13.6%), information technology (+12.7%), financials (+12.5%), and industrials (+11.0%) all outperformed the benchmark. Materials (+8.9%), health care (+8.8%), consumer staples (+7.5%), consumer discretionary (+5.0%), and utilities (+4.6%) all performed well yet lagged. Real estate (-0.6%) was the lone sector posting negative quarterly returns.

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. Investment-grade spreads were also tighter, closing the period at +90 basis points, following the previous quarter close of +99. 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%.

Distributions Remain Competitive

The fund's current annualized distribution rate was 7.51% on market price as of March 31, 2024. We believe that the fund's monthly distributions are highly competitive despite recent Fed activity. For example, the 10-year US Treasury bond yield was 4.21%, the S&P 500 yield was 1.35%, and the ICE BofA US High Yield Index yield was 6.62% as of March 31, 2024.

Performance Review

For the quarter ending March 31, 2024, the fund returned 11.50% on market price and 11.15% 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 6.17% for the period.

Contributing Factors. The fund's selection in the information technology sector, notably an overweight and favorable selection in the semiconductors and systems software industries, proved beneficial to returns relative to the comparator index.

Detracting Factors. The fund outperformed across all economic sectors, and there was nothing noteworthy from a sector perspective to discuss, although the portfolio's use of options slightly held back the portfolio's result.

Positioning and Portfolio Changes

Common stocks comprise our largest allocation at approximately 67% of the portfolio. Convertibles and corporate bonds constitute approximately 25% of our holdings. We continue to hold our highest allocation (approximately 37%) 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 24%), 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. We know that rising interest rates and volatility can affect longer-term fixed-income securities. The weighted average duration of our bond holdings is 2.5 years at quarter-end.

From an economic sector perspective, our heaviest exposures reside in the information technology, financials, and health care sectors, which collectively represent approximately 48% of our holdings. We believe the best positioning for this environment is a focus on specific areas that have real growth tailwinds, on companies with improving returns on capital in 2024, and on equities and fixed income with valuations at favorable expected risk-adjusted returns. We also seek to identify innovative companies positioned to benefit from cyclical and secular themes that can serve as a tailwind to individual corporate performance. These include companies advantageously positioned as businesses seek solutions to higher labor, manufacturing, and interest costs in the current economic environment, as well as those capitalizing on trends such as artificial intelligence, productivity enhancements, and cybersecurity. Our lightest weights are in real estate, utilities, and materials. Approximately 92% of our holdings are in the US.

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 March 31, 2024, our total percent of assets leveraged was approximately 31%, which is in the middle of our historical range.

Outlook

Over the past six months, we have outlined our framework, which emphasizes the economy entering the end of the normalization process as the extraordinary measures implemented in response to the pandemic are gradually reversed. Real GDP and employment growth have, in aggregate, slowed to more normal levels, although growth dispersion continues across industries. Inflation continues to slow but not yet to a normalized level, again exhibiting dispersion across consumption categories. We believe central banks will start to normalize short-term interest rates over the next year, one of the last pieces of the normalization process. As we look around the world, we can also see signs of future economic improvement, including in Europe, and a possible stabilization of economic growth in China.

Although many aspects of the economy are reverting to more normal levels, we believe the improvement in labor productivity over the past several years has staying power. Companies have become more efficient with their use of labor and have deployed efficiency-producing capital. We expect these trends to continue, especially as we look for many recent technology investments to have positive payoffs over the next several years. Productivity can drive both higher corporate profit margins and real wage growth. Furthermore, the steady improvement in the US working-age population growth over the past few years should be a key driver of overall GDP growth.

In a normal economic growth environment, certain economic areas generally exhibit above-trend growth. In the current environment, we believe these include areas exposed to:

- Above-average corporate spending in select IT categories
- Ongoing infrastructure spending in select materials and industrials categories
- Sustained spending by higher-end consumers, supported by the wealth effect of rising markets and home prices
- Improved discretionary spending by middle- and lower-income households, supported by growth in real wages
- New products and geographic growth opportunities (health care and AI-related infrastructure and software are examples)

Of course, we remain vigilant to the fact that these growth drivers may be counterbalanced by upcoming tighter US fiscal budgets, continued higher interest rates, and the impact of ongoing global conflicts.

For additional information or to download a fact sheet, please visit the fund's profile page:
[CSQ - Strategic Total Return Fund | Calamos Investments]

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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