Total Return Bond Fund Quarterly Commentary

CALAMOS INVESTMENTS

Fund Overview

Through its multi-sector fixed income strategy, the fund invests predominantly in US issuers with the goal of generating a high level of current income and total return in excess of the benchmark over market cycles.

Market Overview

The US investment-grade bond market, as represented by the Bloomberg US Aggregate Index, returned 6.82% during the final quarter of 2023.

Economic data released in the fourth quarter displayed some "goldilocks" qualities, as third-quarter growth accelerated handily, inflation continued its downward trend, employment conditions were stronger and steadier than expected, and retail sales and personal income data indicated a healthy consumer.

The strong data has led to consensus forecasts calling for a soft landing in 2024. That said, as we saw in 2023, consensus forecasts often disappoint. We believe the market's implied path for forward interest rates assigns meaningful probabilities for both no-landing and hard-landing scenarios, as well as the consensus view. Despite continued progress, it's still too early to claim success in the battle against

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DATA AS OF 12/31/23

CALAMOS TOTAL RETURN BOND FUND AVERAGE ANNUAL RETURNS (%)

	QTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION
Calamos Total Return Bond Fund						
I Shares - at NAV (Inception—6/27/07)	6.73	6.07	-2.77	1.44	1.82	3.22
A Shares - at NAV (Inception—6/27/07)	6.79	5.93	-3.01	1.19	1.56	2.96
A Shares Load adjusted	4.36	3.59	-3.74	0.72	1.18	2.72
Bloomberg US Aggregate Bond Index	6.82	5.53	-3.31	1.10	1.81	3.11
Morningstar Intermediate Core-Plus Bond Category	6.77	6.22	-2.99	1.48	1.93	3.39

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.

The funds' gross expense ratios as of the prospectus dated 3/1/2023 are as follows: A Shares 1.15%, C Shares 1.90% and I Shares 0.88%.

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 2.25%. 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.

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.

inflation. The recent move to lower Treasury rates seems to support another round of demand for durable goods and improving levels of activity in the stagnant housing market.

Those who continue to call for a recession or expect a period of below-trend growth have plenty of data that supports their view. On a year-over-year basis, leading economic indicators have been running in negative territory for 17 consecutive months. Measures of consumer confidence are a puzzling area of weakness, given that they are still well below pre-pandemic highs, although recent readings are moving in a positive direction. Additionally, student loan payments are restarting, and food and housing costs are significantly higher than 2019 pre-pandemic levels even though growth in prices is normalizing.

The Fed reacted to the mixed indicators with continued composure, maintaining a steady monetary policy stance through the fourth quarter. Given the magnitude of past policy shifts and the variable lags of policy implementation, we welcome the Fed's patience. The Fed's research indicates that lags of 9 to 12 months are typical for policy action to *begin* affecting economic imbalances, with longer time lags needed for full impact. At the end of 2022, the Fed's overnight policy rate was 4.25-4.50%, meaning at least 100 basis points of tightening had yet to transmit to economic activity.

Risk markets appear to reflect high confidence in avoiding recession. Following their third-quarter slumps, the S&P 500 Index gained 11.7%, and the Russell 2000 Index returned 14.0%, while leveraged finance markets returned 7.2% on lower Treasury rates and tighter spreads. The breadth of results was also impressive, as all but the energy sector delivered positive equity returns, while all sectors of the high-yield market were positive. At ~20x forward earnings, stocks are trading richer than 90% of historical observations, while credit spreads are more indicative of expansion than broad-based decline.

As discussed, high-yield spreads closed the quarter significantly tighter, driving strong returns. The index closed the year at +323 basis points on an option-adjusted basis, down from 396 in the prior quarter. Investment-grade spreads were also tighter, closing the period at +99 basis points following the previous quarter close of +121. Returns across credit qualities were consistent, with BBs leading slightly at 7.4%, B-rated issuers returned 7.0%, and CCC credits lagged at 6.9%. Trailing 12-month defaults increased from 2.1% in September to 2.8%, but remain below the long-term average of 3.4%.

The best-performing sectors in the investment-grade credit market were other industrial (+12.3%), communications (+10.8%), and transportation (+10.0%), while other financial (+5.6%), finance companies (+5.9%), and banking (+6.8%) represented the largest laggards.

Performance Review

For the quarter ending December 31, 2023, the fund returned 6.73% (Class I shares at NAV), slightly ahead of the Bloomberg US Aggregate Bond Index decrease of 6.82%.

Positive Influences on Performance

- Security selection among Treasury positions was the largest contributor to performance during the quarter as interest rates fell sharply. The fund is positioned with overweight exposure to long-duration Treasuries.
- The overweight allocation to non-financial corporate debt, driven by broad-based spread tightening, contributed to performance.

Negative Influences on Performance

- Security selection among the same non-financial corporate debt positions weighed on performance, primarily due to the shorter duration profile of the fund's corporate holdings The fund's overweight allocation to non-financial related corporate bonds hindered returns.
- The fund's overweight allocation to asset-backed securities hindered returns.

Positioning and Portfolio Changes

The November and December bond rally reloaded expectations for more meaningful cuts in the coming year, but we believe the Fed will have a difficult time justifying a significant level of accommodation unless the economy falls into a recession. Typically, when the markets anticipate more rate cuts than we believe possible, we would position the funds with durations shorter than their benchmarks. However, our expectation for a steeper curve where short maturities benefit from Fed easing and long rates are stickier at higher levels has led us to position the portfolio's duration slightly long its benchmark.

Credit spreads are the most challenging piece of the puzzle to square with other economic realities. We believe the risks to credit spreads are asymmetrically unfavorable at these levels. Our fundamental research continues to identify high-yield issuers and industries where investors are well compensated for the current risk profile. As an additional step, we have continued to migrate portfolio credit quality higher across the Calamos fixed income funds as we prepare for what we expect to be a weaker 2024.

Duration/Yield Curve

Positioning

The team held portfolio duration steady, closing the quarter at 6.3 years against the index of 6.2 years on an option-adjusted basis.

Market Activity

With two-year yields closing at 4.25%, down from 5.04%, and 10-year yields closing at 3.88%, down from 4.57%, the 2y10y curve closed less inverted for the quarter at -37 basis points.

Results

Slightly longer duration positioning had a somewhat positive impact on relative performance during the quarter.

Security Type

Positioning

The fund was overweight to corporate and asset-backed securities and underweight Treasuries and mortgage-backed securities. Within the corporate bond asset class, the largest overweights were in the finance and transportation sectors.

Market Activity

Within the Bloomberg US Aggregate Index, all four primary market components delivered positive returns. Corporate bonds were the best performing with a return of 8.5%, followed by securitized sector returns at 7.3% and Treasury returns at 5.7%. The government-related (Agency) sector trailed with a return of 5.5%.

Results

While the fund's overweight to both financial and non-financial corporate debt were positive drivers of performance, the overweight to asset-backed securities had a negative impact on performance.

Credit Quality

Positioning

The credit quality breakdown of the US Aggregate Index changed substantially with the US Treasury downgrade from Fitch Ratings in 2023. After Treasury issues were reclassified to reflect the new AA-rating categorization, the fund has largely held an underweight in the AA-rated category compared with overweights for all other investment-grade rating categories.

Market Activity

Given the rally in risk assets during the quarter, performance among rating categories was directional, with lower-rated credits outperforming. The BBB-rated bonds led with a return of 8.9%, followed by A-rated debt at 8.1%, and AA-rated instruments at 5.7%. The AAA-rated market segment, which no longer includes the Treasury market, trailed all other investment-grade credit categories with a 4.7% return.

Results

The team's inclusion of out-of-index BB and B-rated positions detracted from performance during the reporting period. Many of the below-investment-grade holdings are loans or other short-duration instruments that did not benefit as materially from the tailwind of the quarter's Treasury rally.

Outlook

Despite the headlines, interest rate hikes, AI excitement, energy volatility, and an increasingly unsettled geopolitical environment, 10-year US Treasury yields ended the year less than one basis point from where they began. However, the year was anything but uneventful for the fixed income markets.

The Fed started the year intending to do whatever it would take to push inflation to its 2% target, even if unemployment began rising. Although inflation was still well north of the Fed's target, softening inflation data and moderating job growth prompted the Fed to pause its rate-hiking campaign in the summer. The Fed's decision to extend the pause in the fourth quarter, combined with particularly dovish commentary from Federal Reserve Chair Powell in December, left the market largely convinced that the Fed's next move would be a rate cut as soon as March —potentially the first of many.

Market participants continue to be surprised by the consumer's resilience. Rewind to a year ago, and it would have been quite challenging to find economists or market participants who expected growth in the second half of 2023 to accelerate, let alone run at a 5% clip as it did in the third quarter. Hotter-than-expected November retail sales already have the Atlanta GDPNow's fourth-quarter forecast for economic growth back above trend in the mid-2% range.

We believe the forecast of six rate cuts in 2024 is the market's average of two very different outcomes. If systemic stress or employment weakness show up relatively quickly, it is possible that the Fed could cut rates far more than what markets are currently anticipating, but we assign a low probability to this outcome. In alignment with our base case, the second outcome is that the economy avoids recession altogether in 2024 and maintains a shallow growth trajectory with inflation falling below 3%. If our base case is correct, this allows for slight eases in monetary policy closer to the end of 2024, supporting our expectation that the Fed funds rate will end the year roughly 100 basis points lower than its current level, in the 4.0%–4.5% range.

The yield curve will likely steepen because the Fed's moves will influence short- and intermediate-term maturity rates more. Long maturity rates (those applied to maturities of 10 or more years) should face greater difficulty falling materially from current market rates near 4%. A combination of factors, including continued government deficit spending and its resulting debt issuance, the return of term premium, and a lack of marginal buyers, should mean long rates remain "sticky" at higher levels.

Credit spreads present a conundrum. The spreads we see today have historically been more aligned with the early or middle innings of an expansionary cycle. In our view, spreads are too tight, given the consensus—and our team's—expectations for decelerating growth. Although credit fundamentals remain solid, they have been deteriorating as leverage increases and interest coverage and balance sheet liquidity decline. Given these mounting pressures, we expect credit spreads to move wider in the coming year, particularly in the investment-grade market, where spreads are only 25 basis points away from their tightest points of this millennium.

Although we believe growth will continue decelerating, it is too soon to call for a recession in 2024. Despite signs that the environment is more balanced than early in 2023, employment conditions continue to appear robust, leading us to assign a low probability to a labor-driven recession. Liquidity conditions also remain favorable, and access to capital is not a challenge for all but the most stressed borrowers. Our thesis has been that the impact of higher rates would take longer to flow into the economy because consumers and businesses were able to refinance debt at low levels during the pandemic, and this view appears to be holding.

However, we cannot predict the future, and we know that signs of a potential recession linger, such as long-term economic decline, low interest rates, or low consumer confidence survey results. In this environment, we continue to scrutinize company and industry results, looking for the excesses that typically surface ahead of recessions.

For additional information or to download a fact sheet, please visit the fund's profile page:
[CTRIX - Total Return Bond 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

EBITDA stands for earnings before interest, taxes, depreciation, and amortization; it reflects a firm's short-term operational efficiency and is used to determine operating profitability. **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. 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. **Average effective duration** provides a measure of the Fund's interest rate sensitivity—the longer a fund's duration, the more sensitive it is to shifts in interest rates. **Average effective maturity** is the weighted average of the maturities in a portfolio of bonds. **Option adjusted spread** measures the difference in yield between bonds with embedded options versus the yield on Treasuries, which represent the risk-free rate of return. A **credit rating** is a relative and subjective measure of a bond issuer's credit risk, including the possibility of default. Credit ratings are assigned to companies by Second-party groups, such as Standard and Poor's. 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). 30-Day SEC yield reflects the dividends and interest earned by the Fund during the 30-day period ended as of the date stated above after deducting the Fund's expenses for that same period. The **2y10y curve** is the yield differential between the 2-year and 10-year maturity points of the Treasury curve.

Index Definitions

The **Bloomberg US Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, US dollar denominated, fixed-rate taxable bond market. The index includes Treasuries, government related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency). The **S&P 500 Index** is generally considered representative of the US stock market. The **Russell 2000® Index** measures the performance of the small-cap segment of the US equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index and represents approximately 7% of its total market capitalization. The **Bloomberg US Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. 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. A **2y10y curve** is the yield differential between the 2-year and 10-year maturity points of the Treasury curve. 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.

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 **Calamos Total Return Bond Fund** include: interest rate risk consisting of loss of value for income securities as interest rates rise, credit risk consisting of the risk of the borrower to miss payments, high yield risk, liquidity risk, mortgage-related and other asset-back securities risk, including extension risk and prepayment risk, US Government security risk, foreign securities risk, non-US Government obligation risk and portfolio selection risk.

As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities, including fluctuations in currency exchange rates, increased price volatility and difficulty obtaining information. In addition, emerging markets may present additional risk due to potential for greater economic and political instability in less developed countries.

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