Dynamic Intermediate Tax-Efficient Strategy

CALAMOS INVESTMENTS

Market Overview

Inflation is Here. Will it be transitory? Does it even matter?

» The U.S. economy continues to reopen, but we think growth will moderate:

- 1Q21 GDP Annualized QoQ growth was 6.4%. The Atlanta Fed GDP Now metric is estimating 7.9% QoQ growth for 2Q21. Real GDP is now expected to rise 6.6% in 2021, 4.2% in 2022 and 2.3% in 2023. Expectations increased by 1.0% for 2021 and 0.6% for 2022 during the quarter.
- Wall Street consensus expects 2021 S&P 500 EPS to grow 35% over 2020 and 17% over 2019. 2022 S&P 500 EPS is now expected to grow 11% over 2021 and 30% over 2019 EPS levels.

» Fiscal and regulatory support continues at full speed despite GDP growth and inflation marks meaningfully higher than expectations.

» Real (inflation-adjusted) Treasury yields are negative and at 24-year lows.

» The new COVID-19 Delta variant and inflation are the biggest wildcards in terms of future market direction.

» We performed very well versus performance benchmarks during the quarter.

Vaccinations continue to drive the grand re-opening

According to the U.S. Department of Public Health, 56% of the U.S. population has received at least one vaccine dose (up from 37% last quarter). These numbers are skewed toward older, more vulnerable populations. The U.S. was leading the G7 nations in vaccination progress, but our progress is slowing. When we combine vaccination rates with COVID survivor immunity, the U.S. is closing in on herd immunity. The new, more-virulent Delta variant is causing an uptick in infections, but vaccinated people are not likely to experience severe symptoms that require hospitalization. We don't expect Delta to derail reopening progress in the U.S., but the verdict is still out on other countries with lower vaccination rates.

Will the inflation spike be transitory? Will the Fed panic?

June CPI came in above expectations at 5.4% and Core CPI (ex Food & Energy) at 4.5% year over year. The June PPI reading was also higher than expected at 7.3% and Core PPI (ex Food & Energy) at 5.6% year-over-year. These monthly readings were the highest in 30 years. Economists surveyed by Bloomberg forecast Core CPI to increase by 3.7% year over year in 2021 and 2.7% in 2022.

Federal Reserve Chairman Jerome Powell has steadfastly stated that elevated inflations levels will be transitory and

CALAMOS DYNAMIC INTERMEDIATE TAX-EFFICIENT STRATEGY RETURNS (%)

	QTR ENDING 6/30/21	1-YEAR	3-YEAR	SINCE INCEPTION (7/17)
Calamos Intermediate Bond Tax-Efficient Insurance Composite				
Gross of Fees	0.80	2.31	5.12	3.88
Net of Fees	0.75	2.10	4.90	3.66
BBgBarc U.S. Aggregate Intermediate Index	0.78	0.04	4.41	3.20

Source: Calamos Advisors LLC
Past performance is no guarantee of future results.
Data as of 6/30/21.

Calamos Dynamic Intermediate Tax-Efficient Strategy

REPRESENTATIVE PORTFOLIO LARGEST 10 HOLDINGS

COMPANY	COUPON %	MATURITY	PORTFOLIO %
APPLE INC	3.20	5/11/2027	1.7
GTP ACQUISITION PARTNERS	3.48	6/16/2025	1.4
NEW YORK CITY NY TRAN	2.75	2/1/2024	1.1
UT-BABS-SER D	4.55	7/1/2024	1.1
PA HSG-114A-SFM-AMT	3.10	10/1/2023	1.0
GALAXY PIPELINE ASSETS	2.16	3/31/2034	1.0
TX ST TRANSN-1ST TIER	5.03	4/1/2026	1.0
EL PASO ISD--A-REF	5.00	8/15/2028	0.9
FRANKLIN ETC SD-A1-TX	5.49	2/1/2026	0.9
PUBLIC STORAGE	3.09	9/15/2027	0.9
		TOTAL	**11.0**

The information provided should not be considered a recommendation to purchase or sell any security. There is no assurance that any securities presented herein will remain in the portfolio at the time you receive information or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any securities transactions or holdings presented were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities presented herein. Largest 10 Holdings exclude any government/sovereign bonds or broad-based index hedging securities the portfolio may hold. Data as of 6/30/21.

should moderate. Powell pledged to focus on returning to full employment even if it means letting inflation run over their 2% target for a while, though not everybody received that memo. At the June 16 meeting, several Fed Board Governors raised their 2023 dot-plot estimates to levels that implied the fed funds rate would start rising before the December 2022 meeting, as previously guided. The market appeared to interpret the dot-plot guidance as the Fed losing it nerve and prematurely targeting the nascent inflation trend and thereby hastening a return to the deflationary megatrend of the past 40 years.

The 10-year Treasury yield declined 11 basis points between the June 16 meeting and month-end and almost 30 basis points intraday by July 8. In terms of second quarter, the Treasury curve flattened with the seven-year 18 basis points lower and the 10-year 27 basis points lower during the quarter.

Have we seen interest rate highs for this cycle?

At the time of this publication, the 10-year Treasury is 40 basis points lower than the high-water mark in March. It is approximately 3 standard deviations below fair value based on current economic measures. In addition, 5 and 10-year real Treasury yields are at 24-year lows. Purchasers of 5-year treasuries are locking in at an annual return of -1.81% after inflation each year for the next 5 years or -1.01% per year for 10-year Treasuries. Fixed income investors are not being well compensated for inflation or credit default risk, but the reach for yield has forced all-in yields lower. Yields may drift higher toward levels more consistent with economic fundamentals when the Fed starts to withdraw liquidity from the market and the fundamentals may retreat from current lofty levels, but the speed of convergence is hard to predict.

According to Deutsche Bank, commodities have staged their best performance at this point in the cycle versus the 20 economic recoveries since 2014. Businesses continue to have great difficulty hiring staff, which is leading to significant wage inflation in the lower tiers. Higher housing prices, driven by millennial demographics, continue to be strong and are now driving rent prices higher. Inventory is now being restocked after just-in-time practices were challenged by COVID supply-chain disruptions pushing inventory levels to a five-year low. Lumber prices have given up their gains, buy it is very difficult to predict how long the current inflation spike will persist. Even if our crystal ball could

Calamos Dynamic Intermediate Tax-Efficient Strategy

LARGEST 10 SECTOR ALLOCATIONS

SECTOR	REPRESENTATIVE PORTFOLIO %
Banking	10.5
School District	7.4
Single-Family Housing	7.3
Insurance	4.7
Electric	4.6
City	4.5
Appropriation	3.7
Technology	3.5
Transportation	3.1
REITs	2.8

Represents 10 largest sector weightings. Excludes any government/sovereign bonds or broad-based index hedging securities the portfolio may hold.

Source: Bloomberg. Data as of 6/30/21.

YIELD	REPRESENTATIVE PORTFOLIO %
Current Yield	2.98%
Average Coupon	3.10%

exactly predict future monthly inflation readings, would it matter in the near-term?

The Fed is expected to continue buying $120 billion per month of Treasury and MBS debt until mid-2022. These purchases are driving prices up and yields down. The Fed has committed to tapering purchases before they raise the fed funds rate. When purchases taper, Treasury yields should rise, unless demand increases from the rest of the market because they anticipate the Fed's actions will snuff out inflation.

Inflation is likely to be transitory unless consumer behavior and market psychology changes to a point where participants start purchasing items they don't currently need to get ahead of price increases or to speculate. Pension funds rebalanced out of equities at stretched valuation metrics into fixed income, which helped locked-in historically high-liability funding levels and contributed to the quarter-end rally.

Credit spreads tightened during the quarter, with the exception of MBS, which retreated toward its previous range. Intermediate A-rated corporate option-adjusted spreads (OAS) tightened from 53 basis points to 44 basis points during the quarter and BBB-rated corporate OAS tightened from 89 basis points to 76 basis points. In fact, spreads remain near the tightest levels since 1997.

2Q21 Sector and Index Performance

While our tactical duration underweight versus the performance benchmark was a drag on performance our corporate and municipal overweight and MBS underweight led to continued outperformance versus the performance benchmark.

Securitized (MBS, ABS and CMBS) was the best-performing sector in the Bloomberg Barclays U.S. Aggregate Intermediate Index in the first quarter, it was the worst performer in the second quarter, switching places with corporate bonds. Intermediate corporates produced 85 basis points of excess returns, followed by intermediate government agencies, Treasuries, and securitized with quarterly excess returns of 18, zero and -49 basis points over duration-matched Treasuries, respectively. The yield-to-worst of the Bloomberg Barclays U.S. Aggregate Intermediate Index decreased from 1.29% to 1.22%.

Calamos Dynamic Intermediate Tax-Efficient Strategy

The Bloomberg Barclays Tax-Exempt Municipal 1-10 Year Blend Index's 2Q21 total return of 62 basis points (approximately 64 basis points after tax gross-up) underperformed the Bloomberg Barclays Intermediate U.S. Aggregate Index's total return of 78 basis points and ended the quarter with a 0.4-year shorter duration. The Bloomberg Barclays Municipal Intermediate Taxable Bonds Index had a total return of 151 basis points during the quarter and a 0.5-year longer duration.

Investment Strategy Update

Given the difficulty of predicting inflation severity and longevity as described earlier layered with predicting an irrational and mercurial market's reaction to future Fed actions, we are targeting portfolio durations within one-quarter year short to even with the duration of the performance benchmark. Over the next 12 months we expect to get longer than the benchmark's duration in anticipation of a resumption of the predominant deflationary trend, unless consumer purchasing behavior shows signs of adopting an inflationary mindset. The six to eight-year part of the curve remains the best range target for optimal roll-down.

Given current multi-year tights in credit spreads and lows in Treasury yields, outperforming the benchmark will be more difficult going forward, but we trust our process will continue to produce benefits over the cycle.

We appreciate your faith in our ability to manage your portfolio through tax regime changes, credit cycles and market uncertainty.

Past performance does not guarantee or indicate 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.

For Institutional Use Only

The information portrayed is for the Calamos Dynamic Intermediate Tax-Efficient Strategy. Representative holdings and portfolio characteristics are specific only to the portfolio shown at that point in time. Other portfolios will vary in composition, characteristics, and will experience different investment results. The representative portfolio shown has been selected by the advisor based on account characteristics that the advisor feels accurately represents the investment strategy as a whole.

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.

The information provided in this report should not be considered a recommendation to purchase or sell any industry, sector or particular security. There is no assurance that any industry, sector or security discussed herein will remain in a client's account at the time of reading this report or that industry, sectors or securities sold have not been repurchased. The industries, sectors, or securities discussed herein do not represent a client's entire account and in the aggregate may represent only a small percentage of an account's holdings.

It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Returns and Risk/Reward statistics presented reflect the Calamos Intermediate Bond Tax Efficient - Insurance Composite, which is an actively managed composite that invests in a broad range of U.S. dollar-denominated intermediate maturity, investment grade fixed-income securities, including corporate bonds, municipal bonds, Treasuries, agencies, mortgage-backed securities and asset-backed securities. The Composite was created July 1, 2017, calculated with an inception date of July 1, 2017.

The **Bloomberg Barclays U.S. Aggregate Intermediate Index** is an unmanaged index that measures the performance of the U.S. investment-grade bond market while removing the longer-maturity portions of the broad market benchmarks.

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

Fees include the investment advisory fee charged by Calamos Advisors LLC. Returns greater than 12 months are annualized. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest. Chart Data Source: Calamos Advisors LLC.

Average annual total return measures net investment income and capital gain or loss from portfolio investments as an annualized average assuming reinvestment of dividends and capital gains distributions.

Calamos Advisors LLC is a federally registered investment advisor. Form ADV Part 2A, which provides background information about the firm and its business practices, is available upon written request to:

Calamos Advisors LLC
2020 Calamos Court
Naperville, IL 60563-2787
Attn: Compliance Officer

Calamos Advisors LLC
2020 Calamos Court | Naperville, IL 60563-2787
800.582.6959 | www.calamos.com/institutional

20246 0621Q II