Market Neutral Income Strategy Quarterly Commentary

CALAMOS INVESTMENTS

Market Overview

Traditional bonds came under considerable pressure during the first quarter, as investors cheered the continued growth in the economy and anticipated interest rate cuts even as they moderated their expectations for how many cuts would come. The Bloomberg US Aggregate Index slipped into negative territory, returning -0.78%. Calamos Market Neutral Income Strategy continued to demonstrate the benefits of an approach with little interest rate opportunity or risk, posting a gain of 2.09% (gross of fees) and 1.92% (net of fees). The Bloomberg US Government/Credit Bond Index decreased -0.72%.

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, partly due 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 advanced 10.56% during the quarter. The equity sleeve advanced with the market and supported the quarterly result.

Interest Rates: Elevated short-term 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, higher premium has also been received from the time value differential of selling longer-duration calls and buying shorter-dated puts.

Volatility: The CBOE Volatility Index (VIX) increased to 13.01 from 12.45 at the beginning of the quarter though volatility remained low relative to the VIX long-term average, near 20. When viewed in isolation, the lower volatility has contributed to lower option contract values given the lower probability of the options reaching their strike price.

Convertible Arbitrage Performance Drivers

Interest Rate Environment: The US Federal Reserve top fed funds rate remained at 5.50% throughout the quarter. Longer-term rates increased as the yield of the 10-year US Treasury bond rose from 3.88% at the beginning of the quarter to 4.21%. The average global high-yield credit spread narrowed 47 basis points quarter over quarter to 344 basis points over government securities, according to Bloomberg. Narrowing credit spreads largely offset any impact of rising longer-term rates during the quarter while 5.5% short-term interest rates continued to support the short interest rebate.

Convertible Valuations: Convertible valuations cheapened 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 0.35% discount to this theoretical value and ended at a 0.18% discount, according to ICE BofA. Richening convertible valuations slightly increased the long convertible bond value.

All portfolio positioning and sector information is for a representative portfolio. Please see additional information that follows commentary.

Volatility: As discussed, the market saw slightly elevated volatility during the quarter though volatility remained well below its long-term average. While lower-than-average volatility is generally a headwind to convertible arbitrage as it may lead to fewer trade rebalance opportunities, we still saw opportunities stemming from individual name volatility.

Yield to Maturity in Bond-Like Convertibles: A significant number of convertibles are trading below par with a favorable yield to maturity in addition to any arbitrage opportunities that these convertibles may provide.

New Convertible Issuance: New convertible issuance accelerated in the first quarter as $25.2 billion in new convertibles were brought globally to market. The United States led convertible issuance higher with $20.8 billion, Japan raised $2.9 billion in issuance, Europe launched $1.1 billion, and Asia ex-Japan priced $400 million. 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 the portfolio's allocation between arbitrage and hedged equity. Reflecting our view of strong relative opportunities in both, we have maintained a roughly equal balance through recent months, with hedged equity currently representing a slightly larger allocation.

Over the past several quarters, we have increased our allocation to convertible and merger arbitrage, while paring the portfolio's book in special purpose acquisition company (SPAC) arbitrage. We entered the year with the lion's share of assets in hedged equity and convertible arbitrage, leaving it largely unchanged over the quarter.

Special Purpose Acquisition Company (SPAC) Arbitrage Positioning

The portfolio's allocation to SPAC arbitrage continued to decline over the quarter, reflecting a dwindling opportunity set over the past two years.

Recent market volatility and small-cap equity valuations have hindered IPO activity. In the First quarter, saw just six SPACs price IPOs with proceeds of $648 million. There are 49 SPACs that have filed a registration statement which represents another $5.4 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 to a shrinking SPAC market. We have used SPAC Arbitrage opportunistically and still see value in a positive yield to expiration in the remaining holdings within the SPAC Arb portion of the 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

The current Merger Arbitrage holdings consist of 30 long equities and convertibles (2 more than 12/31/23). 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 are also expected to provide a complementary risk profile to the portfolio, with a beta to S&P somewhere between convertible arbitrage and hedged equity strategies.

Outlook

The portfolio demonstrates its value in an asset allocation by providing a bond-like return with bond-like standard deviation without completely embracing bond-like risk exposures. This proved valuable in the first quarter as, once again, the overall bond market declined while MNI posted a positive result. The Calamos Market Neutral Income Strategy has done well in different interest rate environments and doesn't require a rising rate environment to provide relative value. Elevated interest rates have increased the nominal yield in the bond market. Elevated interest rates are also supportive to the Market Neutral Income Strategy's total return through higher coupons on newly issued convertibles, a higher short-interest rebate, higher potential option premium capture and a higher yield on the cash in trust portion of the SPACs used in the SPAC arbitrage strategy.

For additional information, please visit the strategy's profile page:
https://www.calamos.com/strategies/market-neutral-income/

DATA AS OF 3/31/24

MARKET NEUTRAL INCOME AVERAGE ANNUAL RETURNS (%)

	QTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (1/91)
Market Neutral Income (gross of fees)	2.09	8.80	4.28	5.10	4.83	7.39
Market Neutral Income (net of fees)	1.92	8.10	3.60	4.41	4.13	6.64
Bloomberg US Govt/Credit Bond Index	-0.72	1.74	-2.35	0.62	1.70	5.03
Bloomberg Short Treasury 1-3 Month Index	1.32	5.37	2.65	2.03	1.37	2.58

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 Market Neutral Income 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.

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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 Market Neutral Income Composite**, which is an actively managed "market neutral" composite that seeks to achieve maximum current income while maintaining a low correlation to the fluctuations of the US equity market as a whole. The Composite was created November 15, 2013, calculated with an inception date of January 1, 1991. The Composite results include all fully discretionary accounts, including those no longer with the Firm.

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Alternative Strategy Risks: Alternative investment strategies are speculative and entail substantial risks. The investment practices of these strategies could result in substantial losses. There can be no assurance that the alternative strategies will be profitable or the investment objective will be achieved.

Convertible Securities Risks: 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.

Equity Securities Risks: The securities markets are volatile, and the market prices of the securities may decline generally. The price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions. If the market prices of the securities owned fall, the value of your investment will decline.

Short Positions Risks: A short sale of an instrument entails the theoretical risk of an unlimited increase in the market price of that instrument, which can in turn result in significant losses to a client. Purchasing instruments to close out a short position in such instruments can itself cause the price of the instrument to rise further, increasing losses. Furthermore, a client may be forced to close out a short position in a security prematurely if a lender of such security demands the return of the security sold short.

Derivatives Risks: Options, futures and other derivatives involve risks and are not suitable for everyone. Such trading can be speculative in nature and carry substantial risk of loss, including the loss of principal.

Term Definitions

Alpha is the extra return of a portfolio due to non-market factors. **Beta** is a historic measure of a portfolio's relative volatility, which is one of the measures of risk; a beta of 0.5 reflects half the market's volatility as represented by the strategy's primary benchmark, while a beta of 2 reflects twice the volatility. **Delta** is the ratio of change in price of an option to the change in price of the underlying asset. **Gamma** is the rate of change of an option's delta with respect to the change in price of an underlying asset. Higher gamma indicates higher price volatility for the option. **Skew** describes asymmetry from the normal distribution in a set of statistical data. **Standard deviation** is a statistical measure of the historical volatility of a portfolio.

Index Definitions

The **Bloomberg US Government/Credit 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) 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 a portfolio's performance compares to public obligations of the US Treasury with maturities of 1-3 months. 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 **S&P 500 Index** is generally considered representative of the US stock market. **Sharpe ratio** is a measure of the excess return per unit of risk taken by an investment strategy.

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. Sources: 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:

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All portfolio positioning and sector information is for a representative portfolio. Please see additional information that follows commentary.

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