Market Neutral Income Fund Quarterly Commentary

CALAMOS INVESTMENTS

Fund Overview

The fund combines two complementary strategies with different responses to volatility: arbitrage seeks alpha and uncorrelated returns, while hedged equity provides income from options writing and upside participation.

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 Fund continued to demonstrate the benefits of an approach with little interest rate opportunity or risk, posting a gain of 1.88%.

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

Commentary continues page 2…

DATA AS OF 3/31/24

CALAMOS MARKET NEUTRAL INCOME FUND AVERAGE ANNUAL RETURNS (%)

	QTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE I SHARE INCEPTION	SINCE A SHARE INCEPTION
Calamos Market Neutral Income Fund							
I Shares - at NAV (Inception—5/10/00)	1.88	7.84	3.33	4.09	3.79	4.43	N/A
A Shares - at NAV (Inception—9/4/90)	1.79	7.54	3.06	3.83	3.53	N/A	5.83
A Shares Load adjusted	-0.50	5.12	2.28	3.36	3.03	N/A	5.68
Bloomberg US Govt/Credit Bond Index	-0.72	1.74	-2.35	0.62	1.70	4.06	5.16
Bloomberg Short Treasury 1-3 Month Index	1.32	5.37	2.65	2.03	1.37	1.70	2.63
Morningstar Relative Value Arbitrage Category	2.03	6.86	2.14	4.79	3.53	3.58	N/A

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.

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 2.75%. 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.

The funds' gross expense ratios as of the prospectus dated 3/1/2024 are as follows: 1.18% for A Shares, 0.93% for I shares and 0.88% for R6 Shares.

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.

driver of this favorable asymmetrical capture was the positive standstill yield our current hedge generates, due in part 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 its 12.45 value 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 U.S. Federal Reserve top Fed Funds rate remained at 5.50% throughout the quarter. Longer term rates increased as the yield of the 10-year U.S. 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. U.S. 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.

Volatility: As previously discussed, the market saw slightly elevated market 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 less 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 issued, Japan saw $2.9 billion in issuance while Europe had $1.1 billion, and Asia ex-Japan had $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 fund'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 arbitrage and merger arbitrage, while paring the fund'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 and left it largely unchanged over the quarter.

SPAC Arbitrage Positioning

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

As recent market volatility and small cap equity valuations have hindered IPO activity, the First quarter saw just 6 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 fund, with a beta to S&P somewhere between convertible arbitrage and hedged equity strategies.

Outlook

The Fund 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 Fund 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 Fund'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 or to download a fact sheet, please visit the fund's profile page:
CMNIX - Market Neutral Income 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

Convertible Arbitrage involves buying convertible bonds and short selling their underlying equities to attempt to hedge against equity risk, while still providing the potential for upside returns. A **Covered Call Writing strategy** begins with a portfolio of stocks, most of which pay dividends. (Stock provisions include securities convertible into the underlying stocks.) We then write (sell) calls and buy puts against a portion of this basket. 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 **Morningstar Relative Value Arbitrage Category** is comprised of funds that seek out pricing discrepancies between pairs or combinations of securities regardless of asset class. A **call option** gives the buyer the right to purchase stocks at a predetermined strike price. If these securities rise above the strike price, the buyer may exercise the option and the fund (seller) must pay the buyer the difference as determined by the option contract. By writing calls on securities held in the portfolio, the fund can generate income from option premiums. A **put option** gives the purchaser the right to sell a security to the writer at a predetermined price. Put options rise in value as the underlying securities decline in value. Through put options, the fund seeks to offset some of the risk of a potential decline in a portfolio holding. **Alpha** is a measurement of performance on a risk-adjusted basis. A positive alpha shows that performance of a portfolio was higher than expected given the risk. A negative alpha shows that the performance was less than expected given the risk. **Beta** is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

Index Definitions

The **Bloomberg US Government/Credit Bond 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)** is comprised of approximately 700 issues of only convertible bonds and preferreds of all qualities and 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 the Fund's performance compares to public obligations of the US Treasury with maturities of 1-3 months. The **S&P 500 Index** is generally considered representative of the US stock market. The **S&P 500® Equal Weight Index (EWI)** is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance. 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 **Bloomberg US Aggregate Index** is a broad based benchmarks of the U.S. investment grade and global investment grade bond market, respectively. They include Treasury, government related, corporate and securitized fixed-rate bonds.

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(s) 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.

Covered Call Writing Risk: As the writer of a covered call option on a security, the fund foregoes, during the option's life, the opportunity to profit from increases in the market value of the security, covering the call option above the sum of the premium and the exercise price of the call. Convertible Securities Risk: 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.

Convertible Hedging Risk: If the market price of the underlying common stock increases above the conversion price on a convertible security, the price of the convertible security will increase. The fund's increased liability on any outstanding short position would, in whole or in part, reduce this gain.

The principal risks of investing in the **Market Neutral Income Fund** include: equity securities risk consisting of market prices declining in general, convertible securities risk consisting of interest rate risk and credit risk, synthetic convertible instruments risk, convertible hedging risk, covered call writing risk, options risk, short sale risk, interest rate risk, credit risk, high-yield risk, liquidity risk, portfolio selection risk, and portfolio turnover risk. In addition, emerging markets may present additional risk due to potential for greater economic and political instability in less developed countries.

Additional Information

Past performance does not indicate future results. No investment strategy or objective is guaranteed and a client's account value can fluctuate over time and be worth more or less that the original investment. 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.

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