Strategic Total Return Fund (CSQ) Quarterly Commentary

CALAMOS INVESTMENTS

Fund Overview

The fund seeks total return through capital appreciation and current income by investing in a diversified portfolio of equities, convertible securities, and high-yield corporate bonds.

Current Annualized Distribution Rate
7.15%*

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.

Market Overview

The second quarter of 2026 delivered a remarkable turnaround for US equities, with the S&P 500 surging 15.2%—the strongest quarterly performance in six years and, notably, the best second-quarter return of any midterm-election year on record. After a difficult first quarter dominated by fears surrounding the Iran conflict, markets found their footing as talk of ceasefires and agreements eased pressure on energy prices and gave interest rates room to stabilize. The rally was refreshingly broad-based. While technology led the way, all size and style segments advanced, with small and mid caps outpacing large caps. Underpinning it all were exceptional earnings strength and forward-looking 2026 and 2027 earnings estimates revised meaningfully higher across nearly every sector, evidence that this rally is being driven by fundamentals rather than multiple expansion alone.

Commentary continues page 2…

DATA AS OF 6/30/26

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	22.31	20.94	20.29	10.66	16.55	10.16
NAV	20.69	30.81	24.29	13.55	16.53	10.91

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 7/21/26 was $0.1350 per share. Based on our current estimates, we anticipate that approximately $0.1350 is paid from ordinary income or capital gains and $0.0000 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.

Looking at the quarter within the S&P 500 Index (+15.2%), information technology (+31.8%) was the big winner after being among the biggest laggards last quarter and was the only sector to advance above the overall index. Industrials (+14.9%), consumer discretionary (+9.3%), financials (+9.0%), health care (+8.8%), real estate (+8.5%), and communication services (+8.3%) all delivered strong returns for the quarter, despite lagging the headline index number. Materials (+2.0%), consumer staples (+0.3%), utilities (-0.5%), and energy (-13.5%) were the laggards this quarter, and energy's negative return should be considered in light of its market-leading performance last quarter.

The US Convertible market advanced 16.78% in the second quarter, as measured by the ICE BofA All US Convertibles Index, and slightly outperformed the US equity market's 15.20% return, as reflected by the S&P 500 Index. The fund's returns have been strong this year, a result that we believe reflects both the quality of the opportunity set and the benefits of our active management. Looking ahead, we are confident the strategy is well positioned to navigate a complex and rapidly evolving environment. New convertible issuance volume has been remarkable, with global issuance totaling $83.6 billion in the second quarter, led by US companies, which issued $62.7 billion. The year-to-date global convertible issuance total of $137.5 billion has surpassed the calendar year totals of all but six of the past 28 years. Convertibles have historically served as growth capital for growth companies, and the AI buildout provides an ideal backdrop for that dynamic to continue. The recent entry of Alphabet into the convertible market reinforces our view that the asset class offers a unique opportunity to invest in the leaders of today and tomorrow in risk-managed structures.

The US high yield bond market, as represented by the Bloomberg US Corporate High Yield 2% Issuer Capped Index, returned 2.47% in the second quarter. High-yield spreads closed the quarter 47 basis points tighter at +270, retracing much of the widening experienced during the first quarter's energy shock. Investment-grade spreads also moved tighter over the period, closing near +74 basis points, 15 basis points inside the prior quarter's close. Returns across credit qualities were directional, with lower-rated credits leading the recovery as risk appetite returned; CCCs led at 3.0%, while B-rated credits returned 2.8%, and BBs trailed at 2.3%. Trailing 12-month defaults on high-yield bonds ticked higher, running near 2.7% as of the most recent monthly reading, still well below the long-term average of 3.4%.

Distributions Remain Competitive

The fund's current annualized distribution rate was 7.15% on market price as of June 30, 2026. We believe the fund's monthly distributions are highly competitive. For example, the ICE BofA All US Convertible Index had a yield of 2.14%, the 10-year US Treasury bond yield was 4.44%, and the ICE BofA US High Yield Index effective yield was 6.99% as of June 30, 2026.

Performance Review

For the quarter ending June 30, 2026, the fund advanced 20.69% on NAV and 22.31% on market price. The NAV and price returns outperformed the blended comparator index (50% S&P 500 Index, 25% ICE BofA All US Convertible Index, and 25% Bloomberg US HY 2% Issuer Capped Index), which returned 12.31% for the period.

Contributing Factors. The fund benefited from favorable security selection in industrials. Heavy electrical equipment notably helped, as did passenger airlines. Additionally, security selection and an average underweight stance in financials contributed to the fund's performance, especially in the financial exchanges & data and investment banking & brokerage industries.

Detracting Factors. Over the period, an average overweight stance within the consumer staples sector detracted from performance. Positions in the consumer staples merchandise retail and the household products industries lagged. Additionally, security selection in energy lost ground, specifically in the integrated oil & gas and oil & gas refining & marketing industries.

Positioning and Portfolio Changes

We've maintained our core exposure to AI infrastructure, semiconductors, and semiconductor equipment, where growth tailwinds and returns on capital continue to improve—but we now hold it with greater risk awareness. Momentum, the market's dominant factor, drove our returns this quarter, yet rising volatility has made us more cautious. We trimmed the most extended names, expressed the theme increasingly through convertibles and lower-multiple semiconductor holdings, and kept options as a downside overlay.

We used the quarter's strength to build a more balanced portfolio, adding growth areas outside of AI: financials benefiting from the rate and regulatory environment; industrials tied to electrification, transport, and re-shoring; and health care and biotech, where returns on capital are improving. Several of these have been negatively correlated with AI leadership this year, and we added them partly to stabilize the portfolio against a reversal in that narrow leadership. We lowered energy exposure as oil normalized.

By sector, our largest absolute weights are information technology and financials; the smallest are real estate and utilities. On a relative basis, our biggest overweights are semiconductors and diversified banks, and our significant underweights are application software and electric utilities.

Common stocks are our largest allocation at roughly 65%. Convertibles, our preferred segment of the fixed-income market, represent 20%, and corporate bonds about 7%. We maintain short-duration positioning and moderate below-investment-grade exposure across the fixed-income sleeve, with a weighted-average duration of 2.45 years at quarter-end.

Leverage

We believe this environment is conducive to the prudent use of leverage to enhance total return and support the fund's distribution rate. We maintain that our use of leverage will benefit shareholders, given our expectation of moderating interest rates and inflationary pressures. As of June 30, 2026, we leveraged approximately 29% of total assets.

Outlook

The US economy remains in a mid-cycle expansion, supported by fiscal tailwinds, a deregulatory impulse, resilient labor demand, and a capital spending boom driven by artificial intelligence. The competing force that dominated last quarter has faded: the Iran conflict and its energy shock have unwound, with oil back below pre-conflict and January 2025 levels and the Strait of Hormuz returning toward normal operations. Last quarter, we asked whether that shock was large enough to end the expansion or a disruption the cycle could absorb. It was the latter. The question now is different. It is not whether the cycle survives a shock but whether its leadership broadens beyond a narrow set of AI winners or remains concentrated. We believe it does. Growth is holding near 2%, headline inflation is elevated but moderating, the labor market is softening but not breaking, and the earnings growth that has carried the market is beginning to widen.

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 with 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 Standard & Poor's Corporation or Moody's Investors Service, Inc. Ratings are relative, subjective and not absolute standards of quality, representing the opinions of the independent, Nationally Recognized Statistical Rating

Organizations (NRSRO), and are adjusted to the Standard & 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 in an array of security types and market-cap sizes, each with 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.

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