High Income Opportunities Strategy Quarterly Commentary

CALAMOS INVESTMENTS

Strategy Overview

The Calamos High Income Opportunities Strategy invests primarily in a diversified portfolio of US high-yield bonds. Rather than focusing exclusively on yield, the strategy employs a total-return framework designed to enhance our ability to generate alpha and preserve capital across entire credit cycles.

Market Environment

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.

When we published our first-quarter outlook, the US-Israel strikes on Iran had just upended what had been a constructive start to the year in the markets. During the second quarter, energy prices round-tripped back to their pre-conflict levels despite the absence of a hard resolution to the conflict. A 60-day negotiating window emerged, and Hormuz traffic partially resumed, though tanker traffic and shipping insurance premiums remained displaced from pre-conflict norms. Signals from the negotiations were inconsistent throughout the quarter, and several of the conditions that produced the conflict remain unresolved. Just days into the third quarter, kinetic actions from both sides reignited. However, crude prices have not reacted as strongly as they did in early March, providing some modicum of relief to lower- and middle-income consumers. We expect this will allow economic growth to continue, even as we remain mindful of other emerging inflation risks tied to AI-related demand for memory and chips.

The Federal Reserve underwent a leadership change during the quarter, as Chairman Kevin Warsh took the helm with an explicit focus on restoring price stability after five consecutive years of inflation-target misses. The new chair has signaled a preference for reduced forward guidance—he declined to offer a personal "dot" in the Committee's June Summary of Economic Projections—while task forces examine potential changes to the Fed's communications, balance sheet management, data collection, and inflation framework. The practical result has been a meaningful increase in rate volatility, particularly at the front end of the curve, where Fed guidance previously had the greatest influence. The market now prices roughly one-and-a-half hikes through year-end 2026, with a terminal rate near 4%, a sharp reversal from the multiple-cut expectations that predominated entering the year.

Corporate credit fundamentals have held up better than the macro headlines might suggest. High-yield defaults remain well below long-term averages, and while leverage has ticked modestly higher, the increase reflects heavier debt issuance rather than deteriorating earnings—revenue and EBITDA growth have remained solid, and interest coverage has stayed stable. New issuance volumes across investment-grade, high-yield, and securitized markets are all pacing toward record years, driven in large part by data center and digital infrastructure financing needs. New-issue demand has thus far absorbed the additional supply, though we are monitoring the technical backdrop closely for signs that record issuance is beginning to pressure spreads.

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

Risk markets rallied sharply during the quarter as easing geopolitical tensions and a resilient earnings backdrop lifted sentiment. The S&P 500 gained approximately 15.2%, its best quarterly showing in several years, while the Russell 2000 advanced approximately 21.2%, with smaller companies fully participating in the rally. The high-yield market returned 2.5% as spreads retraced much of the widening tied to the first quarter's energy shock. At quarter-end valuations, the S&P 500 traded near 21x forward earnings, in the higher range of historical observations, while credit spreads reflected a market once again pricing in a largely benign outlook for corporate credit.

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%. The best-performing sectors in the Bloomberg US Corporate High Yield 2% Issuer Cap Index were banks (+3.7%), finance companies (+3.7%) and natural gas utilities (+3.4%) while communications (+1.6%), energy (+1.6%), and insurance (+1.7%) represented the significant laggards.

Performance Review

For the quarter ended June 30, 2026, the portfolio returned 2.31% (gross of fees) and 2.19% (net of fees) versus the Bloomberg US High Yield 2% Issuer Capped Index return of 2.47%.

Positive Influences on Performance

- Security selection among consumer non-cyclical issuers was a tailwind for performance during the quarter, particularly in the pharmaceuticals and food and beverage industries.
- Security selection among communications issuers was also supportive of returns, primarily within the cable satellite industry.

Negative Influences on Performance

- Security selection among other financial issuers (specifically a financial software provider) weighed on performance.
- The portfolio's underweight allocation to the technology sector dragged returns lower during the quarter.

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Positioning and Portfolio Changes

From an economic sector perspective, the portfolio holds overweight positions in consumer non-cyclical, energy, and banking. Underweights include technology, capital goods, and consumer cyclical.

Over the course of the quarter, notable sector changes to the portfolio included:

- The team increased the portfolio's allocation to the basic industry sector, namely within the chemicals and metal and mining industries.
- The portfolio's allocation to consumer cyclical issuers was reduced through the sale of positions in the gaming and retailers industries.

From a credit quality perspective, the portfolio continues to carry roughly 6% of assets in out-of-benchmark, investment-grade exposure. These positions largely represent secured debt instruments from below investment-grade issuers. The team also continues to find positions in leveraged loans that we believe benefit the portfolio's construction, and during the second quarter, the loan allocation was increased from 15.2% to 17.0%.

Positioning Implications

We are maintaining the quality bias established over several prior quarters, as we do not expect credit beta to outperform in this environment. Spread widening earlier in the year improved relative value at the lower end of the credit spectrum (the CCC tier), but the combination of unresolved geopolitical risk—reinforced by the renewed conflict entering the third quarter—a less predictable Fed, and record supply volumes does not yet present a compelling case for adding risk aggressively. We will selectively add credit exposure where we believe we are being compensated for it.

Based on these expectations, in Calamos High Income Opportunities Strategy, where interest-rate sensitivity has a lower impact on returns, the portfolio is positioned short of benchmark duration.

Our philosophy remains rooted in ensuring our shareholders are adequately compensated for the risks they take. We maintain meaningful exposures to acceptable credit risks identified through our research-driven process, while continuing to monitor for improved relative value opportunities to add exposure at the lower end of the credit spectrum.

Outlook

The reignition of kinetic conflict just days into the third quarter introduces renewed uncertainty to our energy-price outlook, though crude has not yet reacted as sharply and shows no sign, so far, of retesting first-quarter highs. Should prices remain contained, we would still expect energy prices to drift lower over the balance of the year, and we believe inflation has likely peaked and will moderate over the coming quarters.

A new Fed chair prioritizing price credibility, operating with deliberate opacity, and overseeing structural reviews of Fed operations is likely to introduce higher rate volatility, particularly at the front end of the curve.

Credit fundamentals remain solid; the modest uptick in leverage reflects debt issuance rather than earnings deterioration—an important distinction. Record issuance volumes across investment-grade, high-yield, and securitized markets reflect strong demand but merit continued monitoring as supply accumulates.

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

DATA AS OF 6/30/26

HIGH INCOME OPPORTUNITIES AVERAGE ANNUAL RETURNS (%)

	QTD	1-YEAR	3-YEAR	5-YEAR	10-YEAR	SINCE INCEPTION (11/99)
High Income Opportunities (gross of fees)	2.31	5.74	8.71	4.39	5.93	6.90
High Income Opportunities (net of fees)	2.19	5.26	8.21	3.92	5.37	6.20
Bloomberg US High Yield 2% Issuer Capped Index	2.47	5.91	8.86	4.17	5.81	6.67
ICE BofA High Yield BB-B Constrained Index (HUC4)	2.45	6.02	8.38	3.95	5.46	6.21

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.

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The information portrayed is for the Calamos High Income Opportunities 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 High Income Opportunities Composite**, which is an actively managed composite that invests in high-yield securities, primarily with credit ratings lower than investment grade securities. The Composite was created January 1, 2001, calculated with an inception date of November 1, 1999. The Composite results include all fully discretionary accounts, including those no longer with the Firm.

Fixed Income Risks: Portfolios that invest in fixed income securities are subject to several general risks, including interest rate risk, credit risk, and market risk, which could reduce the yield that an investor receives from his or her portfolio. These risks may occur from fluctuations in interest rates, a change to an issuer's individual situation or industry, or events in the financial markets.

High-Yield Fixed-Income ("Junk Bond") Securities Risk: Investments in Junk Bonds entails a greater risk than an investment in higher-rated securities. Although Junk Bonds typically pay higher interest rates than investment-grade bonds, there is a greater likelihood that the company issuing the Junk Bond will default on interest and principal payments. In the event of an issuer's bankruptcy, claims of other creditors may have priority over the claims of Junk Bond holders, which may leave few or no assets to repay Junk Bond holders. Junk Bonds are also more sensitive to adverse economic changes or individual corporate developments than higher quality bonds. During a period of adverse economic changes or including a period of rising interest rates, companies issuing Junk Bonds may be unable to make principal and interest payments. **Interest-Rate Risk:** The value of fixed-income securities generally decreases in periods when interest rates are rising. In addition, interest rate changes typically have a greater effect on prices of longer-term fixed-income securities rather than shorter-term fixed-income securities. A strategy is subject to the risk that the market value of the bonds in its portfolio will fluctuate because of changes in interest rates, changes in supply and demand for investment securities, or other market factors. Bond prices generally are linked to the prevailing market interest rates. In general, when interest rates rise, bond prices fall; and conversely, when interest rates fall, bond prices rise. The price volatility of a bond also depends on its duration. Duration is a measure that relates the expected price volatility of a bond to changes in interest rates. The duration of a bond may be shorter than or equal to the full maturity of a bond. Generally, the longer the maturity of a bond, the greater its sensitivity to interest rates. Bonds with longer durations have more risk and will decrease in price as interest rates rise. For example, a bond with a duration of three years will decrease in value by approximately 3% if interest rates increase by 1%. To compensate investors for this higher interest rate risk, bonds with longer maturities generally offer higher yields than bonds with shorter duration. If interest rates increase, the yield of a strategy may increase and the market value of the strategies' securities may decline, adversely affecting the strategies' net asset value ("NAV") and total return. If interest rates decrease, the yield of a strategy may decrease and the market value of the strategies' securities may increase, which may increase the strategies' NAV and total return.

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.

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. Chart Data Sources: Calamos Advisors LLC and Bloomberg.

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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