Market Neutral Income Strategy Quarterly Commentary

CALAMOS® INVESTMENTS

Strategy Overview

The portfolio 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.

- Calamos Market Neutral Income Strategy is designed to be an all-weather fixed-income alternative, seeking to deliver consistent absolute returns with little exposure to interest-rate risk.
- 2026 has demonstrated the value of our approach: While the bond market generated meager gains, the strategy posted a steady advance for the second quarter and year to date, as it has for longer periods.
- The core strategies, convertible arbitrage and hedged equity, were both additive over the quarter, as were the allocations to merger arbitrage and SPAC arbitrage.

Market Overview

The second quarter of 2026 brought a sharp reversal of the conditions that had defined the first quarter. After falling 4.3% in 1Q, the S&P 500 rallied approximately 15.2% during the quarter, leaving the index up 10.2% for the year. The Bloomberg US Government/Credit Bond Index returned 0.70% for the quarter and 0.49% year to date, as the fixed-income market continued to recalibrate around the path of Federal Reserve policy. The Fed left the Fed Funds rate unchanged during the quarter (3.50% to 3.75%). It is against this backdrop, and relative to the Government/Credit Index rather than to equities, that we believe the strategy is best measured.

Performance and Positioning

The Calamos Market Neutral Income Strategy delivered a positive return of 2.98% (gross of fees) and 2.82% (net of fees) compared with the S&P 500 Index's 15.20% return and the benchmark Bloomberg US Government/Credit Index's 0.70% return. The portfolio's four core strategies—hedged equity, convertible arbitrage, merger arbitrage, and SPAC arbitrage—all contributed positively.

Hedged Equity Strategy

The hedged equity strategy was the most significant contributor to returns for both the second quarter and year to date through June 30, 2026. Although our decision to run a heavier-than-average, more defensive hedge meant that we gave up some equity market upside participation, the increased income we earned from our hedge offset it. Higher interest rates make the calls we write more expensive and the puts we buy cheaper, and when combined with current moderate volatility levels, we believe that a more defensive, income-focused hedge remains ideal for our investors.

We were also active at the margin during the quarter. The core of the hedge stayed in place, but we traded around a small piece of our end-of-June 7500 short calls as volatility moved, covering and reselling that slice repeatedly to monetize the intra-quarter swings. We ultimately rolled a large portion of the hedge out to August. The structure of the book pays us to be hedged and patient—a posture we believe is most favorable as equities press higher and as policy and geopolitical uncertainty persist.

Other factors that impacted the strategy included:

Equity Performance. The S&P 500 advanced 15.20% during the quarter. The equity sleeve rose in line with the broader market.

Interest Rates. The current short-term interest rate continues to provide a wide spread between calls written and long puts, which has been supportive of the hedged equity strategy.

Volatility. The CBOE Volatility Index (VIX) declined to 16.45 from its 25.25 value at the beginning of the quarter, with much of the declining volatility observed after the US-Iran cease-fire announced in April. Fed policy expectations, geopolitical issues, and earnings season uncertainty continue to create "volatility in volatility."

Convertible Arbitrage Strategy

Convertible arbitrage posted gains broadly in line with hedged equity for both the quarter and year to date. We're taking advantage of record-breaking new issuance in the convertible market. US convertible issuance reached $62.7 billion in the quarter and $90.0 billion year to date, a pace that annualizes to approximately $180 billion, which would easily surpass last year's record $119.5 billion to set an all-time high. 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 companies, and the AI build-out provides an ideal backdrop for that dynamic to continue.

The headline deal was Alphabet's (GOOG/GOOGL) entry into the market. Its two-tranche mandatory convertible totaled more than $19 billion, making it the largest US convertible ever issued. The fact that a mega-cap, Mag Seven issuer chose the convertible structure is also important. Companies are often reluctant to access the capital market in ways that differ from what their market-cap or sector peers typically do, so Alphabet's decision to enter the market could open the door for other mega-cap names to follow.

Alphabet's issuance was part of a deep roster of large transactions. The issuer mix continues to skew toward capital-intensive growth sectors: AI compute, datacenter and networking infrastructure, semiconductors, crypto-adjacent names, and fintech.

Terms have stayed broadly in line with last year, and investors have continued to step up to meet the supply. That said, a handful of issuers have begun to push terms: We have seen deals priced with zero coupons and conversion premiums north of 60% that not only get done but trade well out of the gate. However, the more telling and encouraging signal is that the secondary market took down record supply without existing paper trading down. This points to structural demand, rather than a temporary bid, and this backdrop sets up well for our unlevered arb approach.

Other factors that impacted the strategy included:

Interest Rate Environment. While the Federal Reserve left its top overnight interest rate unchanged, interest rates rose beyond the short end of the curve. The yield on the 1-Year Treasury rose from 3.68% to 3.98% while the yield on the 5-Year Treasury rose from 3.92% to 4.19%. The average US high-yield corporate credit spread narrowed by 55 basis points quarter over quarter to 293 basis points over government securities, according to Bloomberg. The rising intermediate interest rates and narrowing spreads largely offset the credit impact on the convertibles' bond component during the quarter.

Convertible Valuations. Convertible valuations richened during the quarter. US convertibles began the quarter trading at an average 0.37% discount to their theoretical fair value and ended at a 0.01% premium, according to ICE BofA. The theoretical fair value of a convertible can be determined by the sum of its bond and option components. The fact that convertible valuations have richened against a backdrop of record issuance reflects convertibles' strong demand.

Volatility. Declining volatility was a headwind for the strategy because it generally reduces the value of a convertible's option component and limits trade rebalance opportunities. However, individual name volatility continued to provide selective opportunities.

Merger Arbitrage and SPAC Arbitrage

Merger arbitrage and SPAC arbitrage both gained ground for the quarter and year to date. In the merger arb space, deal flow is healthy, and financing is wide open. Federal antitrust regulation has become less of a burden, with vertical and complementary combinations clearing Washington quickly. There are higher regulatory risks on the state and international levels, but we're still seeing the environment improve overall.

In SPAC arbitrage, we remain focused on structures with positive yield-to-expiration, where short-term rates allow attractive carry on cash held in trust. We continue to deploy the strategy opportunistically and do not anticipate materially increasing the allocation absent a more compelling valuation environment.

Outlook

In the Calamos Market Neutral Income Strategy, we're not focused on making directional calls on the market. Instead, we want to position the strategy to handle as many potential outcomes as possible. In an environment where there's uncertainty on multiple fronts, we believe this approach will continue to drive steady performance, providing a powerful alternative for investors worried about interest rates and Fed policy direction, equity valuations, and the potential for sharp rotations in a narrow market.

We see many tailwinds for the portfolio's multi-strategy approach. Convertible issuance should stay robust, benefiting our convertible arbitrage strategy. The rate and volatility environment should provide tailwinds for our hedged equity strategy, and the regulatory backdrop for merger activity remains supportive.

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

DATA AS OF 6/30/26

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)	2.98	7.70	7.91	5.83	5.89	7.43
Market Neutral Income (net of fees)	2.82	7.00	7.21	5.14	5.19	6.68
Bloomberg US Govt/Credit Bond Index	0.70	3.32	3.97	-0.10	1.59	4.97
Bloomberg Short Treasury 1-3 Month Index	0.92	3.96	4.73	3.61	2.35	2.70

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 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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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.

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 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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