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CALAMOS MERGER ARBITRAGE FUND (CMRGX)

Unlocking the Opportunities of an Improved M&A Environment

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Key Takeaways

» We believe the environment for merger arbitrage has materially improved. Regulatory enforcement in 2025 shifted under the Trump Administration from being primarily a source of deal risk to a potential catalyst for positive outcomes.

» We expect positive tailwinds to continue, supported by a more favorable regulatory climate, as well as a growth-oriented "run it hot" economic framework in the United States and a rising equity market.

» Drawing on our extensive experience in comprehensive capital structure research and pioneering footprints in convertible securities and alternatives, Calamos Investments has more tools for capitalizing on M&A activity and corporate events.

» Our approach has delivered compelling returns and diversification benefits: Calamos Merger Arbitrage Fund (CMRGX) returned 10.72% in 2025, exceeding the Morningstar Event-Driven peer group's 9.03% gain. Since inception through year-end 2025, CMRGX's correlations to the S&P 500 and Bloomberg US Aggregate Index were 0.35% and 0.17%, respectively.

Unlike many other merger arbitrage strategies that rely primarily on traditional equity positions, CMRGX is differentiated by its use of convertible bonds, options, and other securities in a public company's capital structure.

A Transformed Regulatory Landscape: From Obstacle to Catalyst

2025 brought meaningful improvement to merger arbitrage and corporate events conditions. After several challenging years of aggressive regulatory enforcement and constrained deal flow, the combination of a more predictable antitrust environment, stabilizing interest rates, and pent-up corporate demand created better opportunities for active event-driven strategies.

The Trump administration's willingness to negotiate settlements and approve creative transaction structures fundamentally changed the merger arbitrage dynamic, enabling deals that would have faced immediate opposition in recent years to progress through collaborative regulatory processes.

Whereas 2021 through 2024 saw aggressive FTC enforcement challenging mergers across industries, 2025's regulatory stance emphasized economic efficiency, traditional competition analysis, and willingness to negotiate settlements rather than the litigation-first posture of the recent past. This shift created tangible benefits: faster deal approvals, fewer extended second requests, greater predictability for strategic combinations, and openness to remedies that created paths forward for deals that would have previously faced immediate challenge.

Even big technology companies, long dogged by regulators, have faced fewer impediments for M&A activities recently. The bellwether Juniper-Hewlett Packard combination was one of the first major technology deals to navigate the new administration's regulatory approach. Announced in January 2024 as a $14 billion all-cash acquisition, the deal faced an unexpected challenge when the US Department of Justice (DOJ) sued to block it in January 2025—the Trump administration's first antitrust lawsuit.

The lawsuit alleged that combining the second- and third-largest enterprise wireless networking providers would reduce competition and harm customers. However, in a signal of the administration's settlement-oriented approach, the DOJ reached an agreement with the companies in late June 2025, just weeks before trial. The settlement required Hewlett-Packard to divest its Instant On business and license Juniper's Mist AI technology but allowed the deal to proceed.

This outcome validated a critical thesis: the new regulatory environment favors negotiated solutions over outright blocks. For merger arbitrageurs, this shifted antitrust challenges from a binary risk (approve or block) to a more manageable remedies-based framework. The deal ultimately closed successfully.

Other transactions demonstrate that the Juniper acquisition was not a one-off success. Google's $32 billion acquisition of private cybersecurity firm Wiz cleared US DOJ review in November 2025 and received unconditional approval from the EU Competition Commission in early February 2026.* In another watershed decision, Facebook won its monopoly trial in November 2025, with the judge finding that the FTC had failed to prove Meta holds a monopoly in personal social networking, and that the FTC's proposed definition of the social networking market was unduly narrow.

That said, this more hospitable environment does not negate the importance of understanding, pricing, and managing risk. Despite broader federal antitrust policy improvements, regulatory complexity remains. Sector-specific US regulators (e.g., the Surface Transportation Board, state public utility commissions, CFIUS) maintain independent scrutiny. While the approval of Google's acquisition of Wiz is encouraging, we expect the regulatory environment in the EU to remain more challenging than in the US.

The Private Equity Wave: "The Buyout Revival"

Increased sponsor-backed take-private activity proved to be one of 2025's most significant developments. Over 30 private equity and management buyouts exceeding $1 billion were announced during the year, marking the second-highest total in 15 years. These deals included the potential buyout of Electronic Arts (a stock which CGMRX held in 2025), the largest leveraged buyout in history, as well as two transactions in the $20 billion range.

This expansion reflected several favorable conditions: the private credit financing channel remained healthy and free of systemic stress; corporate fundamentals remained strong, avoiding a default cycle that would complicate financing; boards became increasingly receptive to financial sponsors; and improving IPO market conditions enhanced exit confidence. As public equity markets continue to strengthen, PE sponsors should find traditional exit routes—IPOs and strategic sales—more viable, reducing reliance on hold-period extension structures and supporting larger new transaction sizes.

Importantly, typical sponsor transaction sizes remained in the $2 to $12 billion range, with average deals around $4 billion—materially below pre-financial crisis levels, when the active pipeline exceeded $300 billion, compared with roughly $70 billion currently. This gap suggests considerable runway for expansion, with most forecasts anticipating significant acceleration in sponsor-backed deal activity during 2026.

*Although we cannot invest in private transactions, they do provide crucial insights into the environment.

2026 M&A Outlook in a "Run it Hot" Policy Environment

The macroeconomic backdrop appears increasingly constructive for M&A expansion. The administration's growth-oriented "run it hot" economic framework—emphasizing expansion, industrial strategy, and domestic capacity development—creates supportive conditions for corporate combination activity across specific sectors.

The historical connection between equity market strength and deal volume is direct and reliable: rising stock prices drive increased M&A activity. Elevated equity valuations make boards more comfortable deploying stock as acquisition currency, financial sponsors can justify aggressive deal valuations with confidence about exit opportunities, and overall financing conditions improve across debt and equity markets.

Policy focus areas align well with sectors where we anticipate substantial transaction activity: industrial machinery and automation technologies, consumer products companies, analog semiconductor businesses, healthcare equipment and services providers, financial institutions, housing-related services and materials companies, and robotics/automation platforms. Significantly, transactions that demonstrate alignment with the administration's industrial policy objectives may receive a more favorable regulatory reception.

Critical Timing Window. The first half of 2026 represents an especially important period for announcing large, complicated deals. Transactions expecting 18-to-24-month regulatory timelines would benefit from initiating reviews well ahead of the midterm election season, when political considerations typically intensify. Historical precedent illustrates this: the acquisition of U.S. Steel by Nippon Steel was announced in December 2023, nearly a full year before the 2024 election, but faced political pressure immediately. Deals with regulatory or political complexity would be well-served to launch processes early enough to complete reviews before campaign dynamics heat up.

Additionally, roughly 30 state attorneys general face voters in 2026, including those in California and New York. Despite improved federal antitrust conditions, state-level officials with reelection incentives may seek visibility through challenging prominent transactions—a dynamic already evident in the Juniper acquisition, where 13 state attorney generals intervened despite DOJ settlement.

CMRGX: Highlights and Case Studies

We believe CMRGX's 2025 performance demonstrates the value of our approach. Unlike traditional merger arbitrage managers who may be limited to equity positions in announced deals, our team's decades of experience with comprehensive capital structure analysis gives us more tools. This includes our use of convertible securities, which comprised more than one-third of CMRGX's portfolio on average in 2025. Meanwhile, equity options allow us to create payoff structures precisely matched to situation characteristics, which helps us manage position sizing with defined risk, adjust exposure as timelines evolve, and generate income in extended duration positions.

Definitive Merger Arbitrage

Our favorite opportunities for our merger arbitrage strategy are definitive merger transactions. Our primary focus is US merger targets with signed, publicly announced agreements and market caps exceeding $500 million. This universe of large-cap deals expanded to approximately 50 active deals by year-end 2025, a significant improvement from the 20 to 30 deals seen post-Covid. Mergers between publicly traded companies can be completed as all-cash transactions, or all stock transactions, or as a combination of cash and stock.

In an all-cash merger, the acquiring company agrees to purchase the target company's shares for a specified cash price per share. An attractive return spread in an all-cash deal can compensate for regulatory timelines and deal-specific risks. During 2025, notable all-cash transactions included the previously discussed acquisition of Juniper Networks, where CMRGX held a long position in Juniper; and the acquisition of Amedisys by UnitedHealth, where CMRGX was long Amedisys.

In a stock transaction, the acquiring company uses its own shares to acquire the target. These transactions can be exclusively stock-based or include stocks and cash. In stock transactions, we establish arbitrage positions, purchasing the target and shorting the acquirer. Critically, when we short (sell) stock we don't own, cash proceeds from the short sale must be held somewhere, and it sits at our broker earning interest. We typically receive the fed funds rate minus approximately 37.5 basis points on short proceeds when stocks are readily available in the market for us to borrow. Since we don't employ leverage, short rebate cash flows directly through to returns, augmenting the yield provided by the merger spread itself. Stock deals thus offer dual streams of returns: the merger spread plus short-rebate income. In many instances, transactions involving stocks offer more exciting opportunities for us because we can use our trading expertise to adjust our hedges throughout the holding period.

Notable all-stock mergers in 2025 included Chevron's acquisition of Hess, an energy sector mega-merger that navigated an extended FTC review before ultimately receiving approval, and Ansys's acquisition of Synopsis, a large-cap enterprise software combination. In each case, we were long the target and short the acquirer.

Convertibles for capital structure problem-solving. As we have noted, definitive deals can be all-cash, all-stock, or a combination of the two. However, our preferred participation is built around convertible securities, which differentiates us from many of our peers.

In broad brush strokes, definitive mergers are our favored transactions, because they provide pure-play arbitrage opportunities that play to our expertise. When we can express our views and opinions on a definitive merger deal through convertibles, that's the icing on the cake.

Our use of Core Scientific (CORZ) convertible bonds in the proposed CoreWeave (CRWV) acquisition demonstrates the advantage we believe we bring. Announced in July 2025 as a $9 billion all-stock deal, this AI data center/crypto mining combination presented an interesting challenge. It was extremely difficult to locate CoreWeave stock to borrow, making traditional merger arbitrage implementation (i.e., long CORZ, short CRWV) essentially impossible for most arbitrageurs. Without the ability to short the acquirer stock, equity-focused managers couldn't establish hedged positions.

We solved this problem by establishing a long position in CORZ convertible bonds. The convertible structure allowed us to participate in the merger spread without needing to short CoreWeave stock. If the deal closed, the converts would capture value through their equity conversion feature. If the deal broke, the bond floor provided downside risk mitigation.

Ultimately, Core Scientific shareholders voted against the transaction in October 2025, and the deal terminated without closing. Although this was not the outcome we would have preferred, the upside opportunity of our convertible position during the period was not dependent on the deal closing. Overall, it was precisely the type of situation where capital structure flexibility created an edge: We participated in a compelling arbitrage opportunity that was essentially inaccessible to equity-only managers.

Non-Definitive Event-Driven Situations

While definitive mergers represent the lion's share of our strategy, we also participate in event-driven situations. These opportunities include aggressive stock buyback programs, activist situations, publicly announced strategic reviews, and other corporate catalysts.

We believe our experience with convertibles provides our team with significant advantages. Convertibles allow us to participate with what we believe to be far better risk/reward than equity-only positions. Convertible bonds in event-driven situations can generate merger-like asymmetric returns without requiring signed deal agreements.

Case study: Convertibles for Event-Driven Opportunities. Our use of convertibles to capitalize on Alibaba's stock buyback program is one of our favorite case studies. In early 2024, Alibaba embarked on an aggressive ramp-up of its stock buyback program, creating a corporate event catalyst. We utilized convertible bonds to pursue asymmetric risk/reward unavailable through equity-only positions. Our convertible stake was designed to provide upside participation as the buyback program drove stock appreciation, and downside risk mitigation through the convertible's bond floor if the stock dropped.

Expanding the Opportunity Set

Within the definitive merger arbitrage space, our preferred universe of large US deals can be a crowded sandbox. We believe our capital structure expertise gives us a real advantage in addressing this challenge. We have found that we can use convertible bonds in non-definitive event-driven situations and SPAC arbitrage to establish an attractive risk/return profile comparable to traditional definitive merger arbitrage in terms of asymmetry and downside risk mitigation. Both strategies share critical attributes: downside floors (SPAC trust value, convertible bond floors), upside participation when catalysts materialize, and favorable asymmetry. This combination allows us to expand our opportunity set beyond the definitive deals in our core universe while maintaining the risk management we seek.

SPAC Arbitrage

In addition to definitive merger arbitrage and corporate events, CMRGX has the flexibility to engage in special purpose acquisition company (SPAC) arbitrage. Here, we purchase SPACs at issuance or in the secondary market at or near $10 trust value, capture the premium to trust value or earn trust returns, and exit before deals become equity-sensitive. This approach entails low downside risk, positive carry, upside optionality, and true arbitrage characteristics through the trust floor protection.

Positioned in Opportunities Across the Risk Spectrum

CMRGX's portfolio reflects exposure across varying regulatory complexity and deal structure profiles. Overall, the portfolio reflects a deliberate balance designed to provide compelling upside without undue exposure to downside.

Kenvue (KVUE) / Kimberly-Clark (KMB)

CMGX positioning: long KVUE, short KMB

Announced in November 2025, Kimberly-Clark's $48.7 billion acquisition of Kenvue represents the largest US consumer staples transaction since the formation of Kraft Heinz in 2015. Once completed, it would create a $32 billion revenue powerhouse with complementary brands spanning baby care to elder care, with few antitrust concerns. The predominantly stock-based transaction (~80% stock) provides attractive short-rebate economics while KMB's scale (e.g., a market cap of more than $30 billion) virtually eliminates the risk that KMB receives a proposal to be bought itself during the deal timeline, which is the primary risk in stock-heavy merger arbitrage positions. Activist insider buying signals strong conviction in both deal completion and post-close value creation.

We believe this consolidation will continue on a relatively clean regulatory path with FTC review requiring manageable divestitures. Even though our expected timeline for the deal's completion is extended, we believe the risk/reward profile makes this an attractive position.

Norfolk Southern (NSC) / Union Pacific (UNP)

CMGRX positioning: long NSC, short UNP

This proposed transcontinental railroad combination represents a higher-risk regulatory arbitrage position, given that it faces independent Surface Transportation Board review. As an all-stock transaction, it provides short rebate income throughout what will likely be an extended timeline, while wide spreads compensate for substantial regulatory uncertainty. Valued at approximately $90 billion, this would be the largest US railroad merger since the 1990s consolidation wave and the first of its kind attempted in more than two decades. These factors make regulatory precedents somewhat stale, but the scope and scale of the transaction illustrate the strategic imperative for NSC and UNP to close the deal.

We like the setup because the Trump administration's more business-friendly regulatory posture materially improves the odds of approval and deal completion compared to the Biden era, when smaller deals with limited overlap faced significant scrutiny despite limited overlap.

TXNM Energy (TXNM) / Blackstone (BX)

CMGRX positioning: long TXNM convertible bonds

We've implemented exposure to this utility take-private through convertible bonds rather than equity. The transaction faces a hostile state public utility commission review, creating approve-or-block binary regulatory risk. The convertible structure provides critical downside protection if state regulators block the deal while maintaining upside participation if approval is secured—exemplifying our approach to participating in widespread regulatory arbitrage while managing binary outcome risk through bond floors.

Conclusion

As we enter 2026, we see multiple tailwinds aligning for CMRGX: regulatory enforcement has shifted from an obstacle to a potential catalyst. The administration's "run it hot" policy should support both equity markets and M&A volumes, private equity activity is positioned to accelerate, timing dynamics favor complex deal announcements, and policy priorities align with sectors primed for consolidation.

Given the uncertainty in the bond market and volatility we expect in the equity market, we believe that CMRGX's core value proposition is strong. Merger arbitrage and corporate event returns depend on deal-specific outcomes, such as regulatory approval, shareholder votes, financing certainty, and corporate catalysts, rather than on broad market direction or interest rate movements.

We believe our extensive experience with convertible securities, options, and comprehensive capital structure research represents an authentic competitive advantage. Our multi-strategy approach combining definitive merger arbitrage, SPAC arbitrage, and event-driven convertible opportunities has allowed us to generate attractive returns across the full spectrum of corporate events. Our capital structure expertise remains our key differentiator, enabling us to build positions using what we believe are the most attractive available securities to create favorable asymmetric outcomes.

We remain committed to disciplined execution: identifying compelling opportunities, conducting rigorous analytical work on situation-specific risks, and implementing positions using our full capital structure toolkit to deliver returns uncorrelated to traditional markets.

CMRGX Top 10 Holdings, 12/31/2025

TOP 10 HOLDINGS	SECTOR	SECURITY	% NET ASSETS	ACQUIRING COMPANY
Kenvue, Inc.	Consumer staples	Common stock	6.2%	Kimberly-Clark Corp.
TXNM Energy, Inc.	Utilities	Convertible	5.7%	Blackstone Inc
FutureTech II Acquisition Corp. - Class A	Other-SPAC	Common Stock	5.4%	N/A-SPAC
TEGNA, Inc.	Comm. Services	Common Stock	5.1%	Nexstar Media Group Inc
Five9, Inc.	IT	Convertible	4.7%	N/A (Event Driven)
Global Payments, Inc.	Financials	Convertible	4.6%	N/A (Event Driven)
Norfolk Southern Corp.	Industrials	Common stock	4.5%	Union Pacific Corp.
Dayforce, Inc.	Industrials	Convertible	4.3%	Thoma Bravo LLC
Anywhere Real Estate, Inc.	Real Estate	Common stock	4.2%	Compass, Inc.
CyberArk Software, Ltd.	IT	Common stock	4.1%	Palo Alto Networks, Inc.

Holdings and weightings are subject to change daily. Holdings are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned. The table excludes cash or cash equivalents, any government / sovereign bonds or broad-based index hedging securities the portfolio may hold.. As of January 31, 2026, the fund held as a percent of holdings: Kenvue, Inc., 7.35%; TXNM Energy, Inc., 6.70%; Norfolk Southern Corp., 5.37%; Kimberly-Clark, Corp., -4.33%, and Union Pacific Corp., -4.33%.

DATA AS OF 12/31/25

AVERAGE ANNUAL RETURNS (%)	QTD	1-YEAR	SINCE INCEPTION
Calamos Merger Arbitrage Fund			
I Shares - at NAV (Inception—9/29/23)	1.17	10.72	5.62
A Shares - at NAV (Inception—9/29/23)	1.19	10.52	5.40
A Shares Load adjusted	-1.56	7.47	4.11
ICE BofA US 3 Month Treasury Bill Index (G0O1)	0.97	4.18	4.81
S&P 500 Index	2.66	17.88	24.54
Morningstar Event Driven Category	1.96	9.03	6.92

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.

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.

The gross expense ratios as of the prospectus dated 2/28/2025 are as follows: 12.56% for A Shares and 12.31% for I Shares.

The **ICE BofA 3-Month US Treasury Bill Index (G0O1)** is an unmanaged index that measures the performance of a single US Treasury issue with approximately three months to final maturity. The issue is purchased at the beginning of each month and held for one full month. At the end of the month, that issue is sold and rolled into a newly selected issue. **S&P 500 Index** is generally considered representative of the US stock market. The **Morningstar Event Driven Category** is compromised of funds that attempt to profit when security prices change in response to certain corporate actions, such as bankruptcies, mergers and acquisitions, emergence from bankruptcy, shifts in corporate strategy, and other atypical events.

Indexes are unmanaged, do not include fees or expenses and are not available for direct investment.

Short Proceeds: Cash received from selling borrowed securities short. When a fund sells a security short, the proceeds from that sale are held in a segregated account. A portion of interest earned on these proceeds (the "short rebate") may be paid to the fund, typically at a rate below prevailing short-term interest rates.

Borrow: Securities borrowed from a lender (typically a prime broker or custodian) to facilitate a short sale. The availability and cost of borrow varies based on supply and demand for the specific security. When borrow is "readily available," the cost is typically minimal, allowing the fund to earn a higher short rebate on the proceeds.

Merger Spread: The difference between a target company's current trading price and the value it will receive upon deal completion. This spread represents the market's assessment of deal risk (regulatory approval, financing, shareholder votes, timing) and the time value of money. As deals progress toward closing and uncertainty diminishes, spreads typically narrow, generating returns for the fund.

Exit Confidence: in a Private Equity deal is essentially a function of how locked-in the financing is, how punitive walking away would be contractually, and whether the macro environment between sign and close supports the original underwriting.

Trust Floor: When a SPAC IPOs, it raises capital from public investors and places essentially all of that money into an interest-bearing trust account, typically invested in T-bills or money market funds. That trust account balance, divided by shares outstanding, establishes the trust floor, or the minimum per-share value that public shareholders are entitled to receive if they choose to redeem their shares rather than participate in a deal. Most SPACs have a trust floor of $10.00 per share plus accrued interest, since $10 is the standard SPAC IPO price.

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.

An investment in the Fund is subject to risks, and you could lose money on your investment in the Fund. There can be no assurance that the Fund will achieve its investment objective. Your investment in the Fund 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 can increase during times of significant market volatility. The Fund also has specific principal risks, which are described below. More detailed information regarding these risks can be found in the Fund's prospectus.

The principal risks of investing in the **Calamos Merger Arbitrage Fund** include: in the case of an investment in a potential acquisition target, if the proposed merger, exchange offer or cash tender offer appears likely not to be consummated, in fact is not consummated, or is delayed, the market price of the security to be tendered or exchanged will usually decline sharply resulting in a loss to the fund, the fund invests a substantial portion of its assets in securities related to a particular industry, sector, market segment, or geographic area, its investments will be sensitive to developments in that industry, sector, market segment, or geographic area, the Fund is classified as "non-diversified" under the Investment Company Act of 1940, American Depository Receipts risk, call risk, convertible hedging risk, convertible securities risk, covered call writing risk, currency risk, debt securities risk, derivatives risk, equity securities risk, foreign securities risk, hedging transaction risk, high yield risk, lack of correlation risk, liquidity risk, MLP risk, options risk, other investment companies (including ETFs) risk, portfolio selection risk, portfolio turnover risk, REITs risk, Rule 144A securities risk, sector risk, short sale risk, small and mid-sized company risk, Special Purpose Acquisition Companies risk, special situations or event-driven risk, synthetic convertible instruments risk, tax risk, total return swap risk, US Government security risk, and warrants risk.

Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The views and strategies described may not be suitable for all investors. Opinions are subject to change due to changes in the market, economic conditions or changes in the legal and/or regulatory environment and may not necessarily come to pass. This information is provided for informational purposes only and should not be considered tax, legal, or investment advice. References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations.

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