

Frequently Asked Questions: Mutual Fund Capital Gains Distributions

Please note this content is intended to provide a general understanding of mutual fund (“Fund”) capital gains and is not meant to provide specific tax advice. Please refer to our [Mutual Fund Tax Guide](#) for in-depth information in preparing your tax return. Given the scope and complexity of tax laws, please consult your tax or financial advisor, who can provide advice based on your specific circumstances and best assist you in preparing your tax return.

Q. What is a capital gain?

A. When an investor sells a stock, bond or capital asset for more than the amount initially paid, the profit is considered a capital gain. In addition to financial investments, capital assets subject to capital gains can include everything from real estate to jewelry. A Fund capital gain occurs when a Fund sells stocks and other securities within its portfolio for a profit or a net capital gain. The Fund then distributes that capital gain to its shareholders.

Q. Why do Funds pay capital gains?

A. Similar to an individual investor, a Fund realizes capital gains when stocks and other securities within its portfolio are sold at a profit. When gains exceed losses, a Fund must distribute those gains to its investors before the end of the calendar year. Investors, in turn, must include the Fund’s capital gain on their individual income tax return.

Q. How do I know whether my Calamos Fund will pay a capital gain, and if so, what the amount will be?

A. The Calamos website Tax Center page provides estimated Fund capital gains in early November of the tax year and capital gain amounts in December of the tax year. Each investor will also receive a Form 1099-DIV in the mail with all relevant information in late January of the following year.

Q. How does the account type where the Fund is held impact capital gains?

A. Funds in any type of account may pay a capital gain distribution. However, investors do not owe tax on capital gain distributions when the Fund is held in a qualified account, such as a 401k or IRA. In those cases, the capital gain distribution is automatically reinvested, and future distributions from the qualified account are taxed as ordinary income. Investors only owe tax on capital gain distributions when the Fund is held in a non-qualified account, such as a taxable managed account or brokerage account.

Q. How do Calamos Investments’ portfolio management teams minimize the impact of capital gains in their Funds?

A. Our teams are vigilant regarding tax considerations and seek to mitigate the tax impact of capital gains. One way they can do that is by offsetting capital gains by selling other positions that have realized capital losses. However, as fiduciaries, our investment teams’ foremost concern is always about managing Funds in accordance with their long-term objectives. Consequently, they may opt to sell securities that have realized gains if they believe better investment opportunities exist elsewhere. Conversely, they may choose to hold positions with realized losses if they see compelling long-term upside potential.

Q. What is the difference between long-term and short-term capital gains?

A. Gains can be short term or long term and are treated differently for tax purposes. Short-term gains (securities held less than 12 months) are distributed as income dividends and taxed as ordinary income. These distributions may meet the criteria of qualified dividends to be taxed at a lower rate. Long-term gains (securities held more than 12 months) are distributed as capital gain distributions and, as such, are taxed at capital gain rates.

Q. Do I have to report capital gains and dividends if they are reinvested into my non-qualified account?

A. Yes, capital gains and dividend distributions are considered income the year in which they are distributed, regardless of whether they are paid in cash or reinvested. The amount of reinvested dividends and/or capital gains are included in the basis calculation for your account.

Q. How can a Fund pay capital gains when its overall performance is down?

A. Gains and losses are realized at the security level, so if the Fund sells securities that had unrealized gains, the gains are realized. If the realized gains of securities sold in the portfolio exceed realized losses, then regardless of the Fund's overall performance, the Fund will pay out a capital gain to shareholders. This scenario often occurs with outflows because Funds are required to sell holdings to generate liquidity to meet redemptions in excess of inflows.

Q. Do Fund investors lose money when a capital gain distribution is paid?

A. In a word, "No." When a Fund's capital gain is paid out to investors, the Fund's net asset value (NAV) or share price is reduced by the amount of the distribution. However, investors still have the Fund's NAV and the capital gain payout, whether as cash or reinvested in additional Fund shares at a lower price.

Q. When are Fund capital gains distributions taxed?

A. Calamos Investments usually distributes realized net capital gains to shareholders in December. Taxes are due on capital gains distributions for the year in which they are received, even if the distributions were reinvested in the Fund. Investors are required to include those amounts on their federal and state (if applicable) income tax returns, even if the Fund's share price declined during the year. However, if the shares are held in a qualified account such as a traditional IRA or 401(k) plan, taxes on capital gains are deferred. A distribution into a Roth IRA will not be subject to income tax.

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 1-800-582-6959. Read it carefully before investing.

Calamos and its representatives do not provide tax or legal advice. Each individual's tax and financial situation is unique. Individuals should consult their tax and/or legal advisor for advice and information concerning their particular situation.

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