CALAMOS INVESTMENTS

CALAMOS GROWTH AND INCOME FUND

Growth Dispersion Highlights the Benefits of Selectivity

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Key Points:

» Economic growth and inflation continue migrating toward their historical averages, although dispersion of these measures continues across products and services. We find opportunities in areas experiencing improving fundamentals.

» The second half of 2024 should reveal the shape and path of monetary and fiscal policies of 2025. We believe monetary policy is still on the path of rate reductions, but changes in fiscal policy are more uncertain. We remain alert to significant developments that would point us in a specific direction.

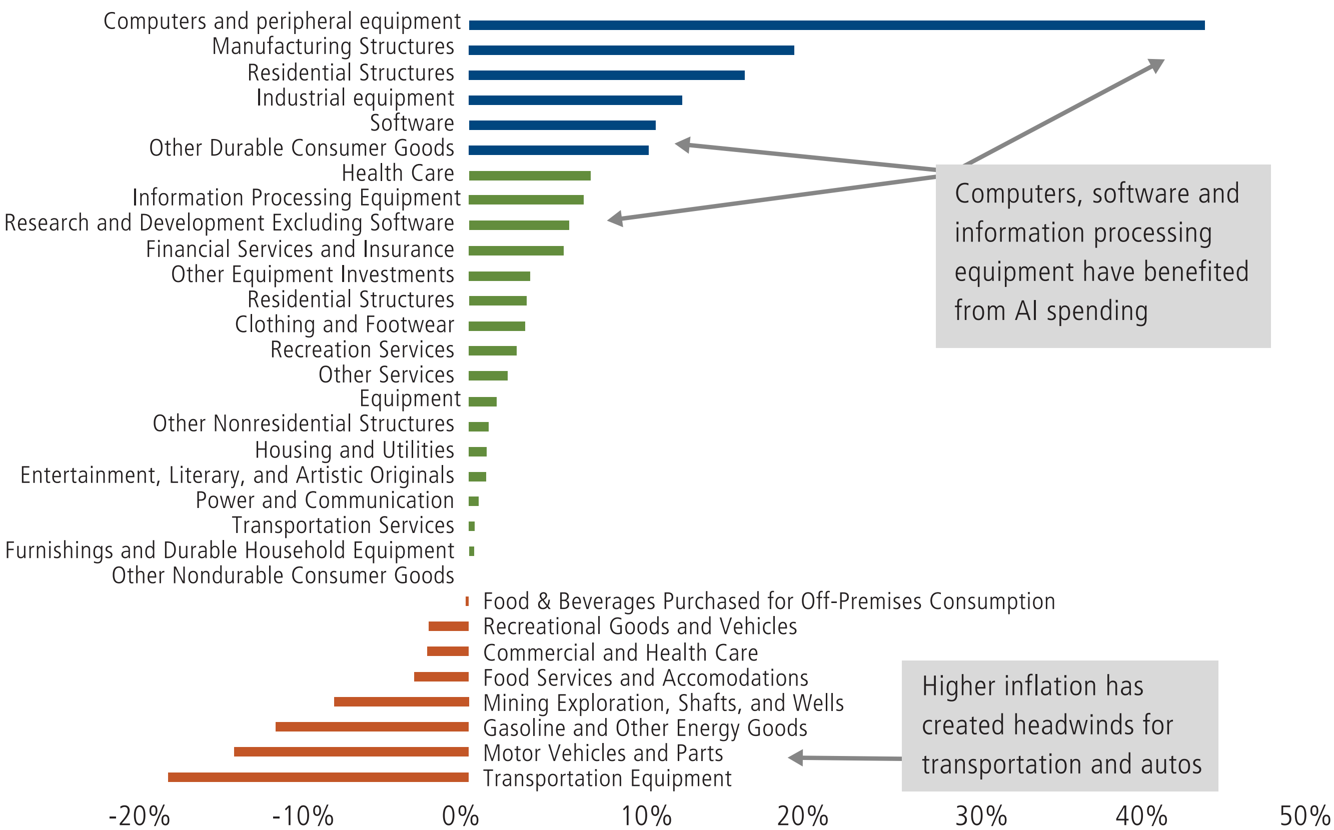
» We continue to expect positive economic growth over the next year and see opportunities in industries and companies positioned for real growth and return improvement.

» Over the short- and intermediate-term, improved real returns on capital should drive higher equity prices.

The economy continues its normalization process as the extraordinary measures put in place in response to the pandemic unwind. Real GDP and employment growth have, in aggregate, slowed to more normal levels, although growth dispersion continues across GDP components, as shown below.

There's Significant Dispersion Among Real GDP Growth Categories

1Q 2024 YOY



Past performance is no guarantee of future results. Source: Bloomberg

The impact of corporate spending around AI can be seen in the above-average growth rate in computers, software, and information process equipment, while higher interest rates have negatively impacted demand for transportation and motor vehicles during the first quarter. Inflation continues to slow but not yet to a normalized level, again exhibiting dispersion across consumption categories.

We believe many of these trends should persist through the rest of the year. In the current environment, we see above-average corporate spending in select IT categories, continued infrastructure spending, healthcare innovation, sustained spending from higher-end consumers because of the wealth effect, and improved discretionary spending at the middle- and lower-income levels because of growth in real wages. However, upcoming tighter US fiscal budgets, continued higher interest rates, and the impact of ongoing global conflicts may counterbalance these growth drivers.

The second half of 2024 should provide insights into future monetary and fiscal policies. The developments in growth and inflation should provide greater clarity on future monetary policy, while the US elections should provide insights to fiscal policy. The path of fiscal policies appears murky currently, as the make-up of the Congress appears too close to call. Tax policy, spending priorities, regulation, and immigration are key areas in which we could see change. We remain alert to significant developments that would tip the scale. In the interim, we believe our focus on larger cap, high-competitive-moat companies in stable demand areas should provide some stability to the portfolio.

Given our expectation of positive economic growth over the next year, we are assessing the investment opportunities with a continued focus on real growth and return improvement areas.

In addition to areas with favorable cyclical factors, we believe companies that can improve profitability in a slower-growth environment are favorable investments. Many companies are focused on improving their returns on capital through improved efficiencies, normalized supply chains, and revised investment strategies based on the current interest-rate environment. The pace of corporate cost-cutting and restructuring has increased over the past several quarters across several areas, providing more opportunities to identify companies with improving returns on capital. Over the short- and intermediate-term, improved real returns on capital should drive higher equity prices.

Calamos Growth and Income Fund pursues lower-volatility equity participation through a multi-asset-class approach. We believe the best positioning for this environment is a focus on specific areas with real growth tailwinds, on companies with improving returns on capital in 2024, and on equities and fixed income with valuations at favorable expected risk-adjusted returns. We see compelling prospects for companies with exposure to new products and geographic growth opportunities (examples can be found in health care and AI-related infrastructure and software), and specific infrastructure spending areas (in materials, industrial, and utility sectors).

We are selectively using options and convertible bonds to gain exposure to some higher-risk industries in this low-volatility environment. From an asset-class perspective, cash and short-term Treasuries remain useful tools to lower volatility in multi-asset-class portfolio, given their yields.

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