

Market Update

July 2009

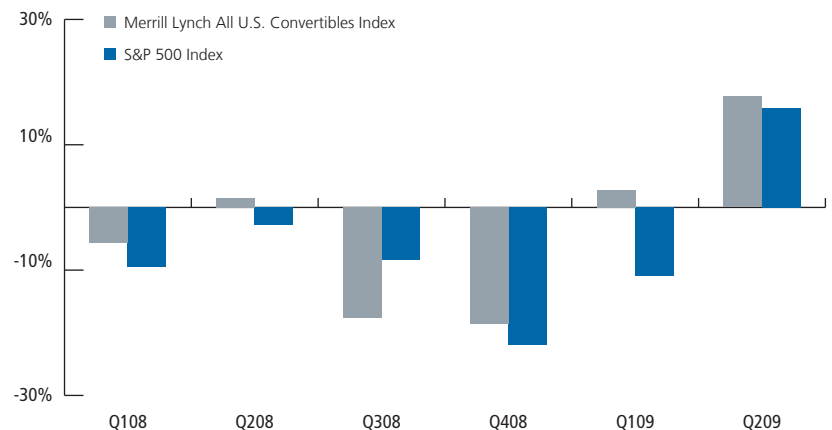
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Convertible Beat Equities in Second Quarter

The convertible¹ market, as measured by the Merrill Lynch All U.S. Convertible Index, posted a return of 17.7% for the second quarter. Convertibles outperformed equities, which returned 15.9%, as measured by the S&P 500 Index. While the second quarter showed the upside potential of convertibles, it comes on the heels of a quarter that benefited from convertibles’ defensive characteristics. In the first quarter, convertibles outperform equities by nearly 1,400 basis points with a 2.8% return versus an 11.0% fall in the S&P 500. Year to date, convertibles have returned 21.0% versus the S&P 500 return of 3.2%.

While convertibles have experienced strong performance during the first half of 2009, we believe valuations remain attractive. Based on Calamos proprietary valuations, we estimate that convertibles are trading at a 6.8% discount to theoretical fair value. The current mispricing remains one of the largest we have seen in our 30 years managing convertible portfolios.

Quarterly Convertible Returns



Source: Mellon Analytical Solutions LLC

All Sectors Positive

Every economic sector within the Merrill Lynch All U.S. Convertibles Index produced positive returns in the second quarter. The best performing sector was financials (35.6%), demonstrating an improvement in the credit markets and reflecting investor sentiment that the threat of bankruptcy and ultimate failure had been taken off the table. We remain wary of much of the sector and the speculative nature of many of the financial names. Other top performing sectors included consumer discretionary (34.7%) and materials (19.2%). Health care (6.1%) was the worst performing sector in the second quarter.

Year to date, all sectors except for transportation (-3.2%) posted positive returns. Materials (46.7%) and consumer discretionary (40.6%) have posted the best returns this year.

¹ Convertible bonds are interest-paying securities, similar to corporate bonds, in which investors have the option to turn the bonds into a predetermined number of shares. The hybrid nature of the securities offers investors the principal protection and income characteristics of bonds with the opportunity for higher returns if the issuer’s stock price rises. This discussion also includes convertible preferred shares, which have similar characteristics.

Speculative Grade Continues Outperformance

Speculative grade issues again outperformed investment grade convertibles, with returns of 26.1% and 11.8% respectively. This has largely been due to greatly devalued financials and smaller companies, primarily in the CCC-rated tier, that have rebounded from significant lows that were based on the belief that systemic failure was occurring.

Issuance Robust

Convertible issuance was robust in the second quarter as 77 new issues valued at more than \$28 billion came to market. Year to date, we have seen about 90 new issues with proceeds of more than \$33 billion. Issuance was broad across industries and regions as companies are finding terms fair.

Global Convertibles Positive

The Merrill Lynch Global 300 Convertible Index (USD) rose 16.57% in the quarter versus a 21.05% return in the MSCI World Index. All 12 sectors posted positive returns within the Merrill index and the best performers were the financial (33.2%) and consumer discretionary (21.9%) sectors. Many financial firms began the period trading at depressed values and rebounded as their likelihood of survival improved. Additionally, many large financial institutions were able to raise capital in the quarter in order to repair balance sheets. Transportation (5.2%) and consumer staples (5.2%) were the two worst performing sectors within the index.

Positioning: Opportunities in Challenging Markets

Even in these challenging times, we strongly believe that many investment opportunities will be available in the future, in both U.S. and non-U.S. markets, just as they have been in previous difficult market environments. By our proprietary estimates, many convertibles continue to have attractive valuations and offer a good opportunity for participating in the equity market at a lower overall risk level.

Our research focus continues to seek out higher-quality businesses, with diversified global revenue bases, sustainable brands and market leadership. We are favoring the technology sector, as well

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Past performance is no guarantee of future results. Current performance may be lower or higher than the performance quoted.

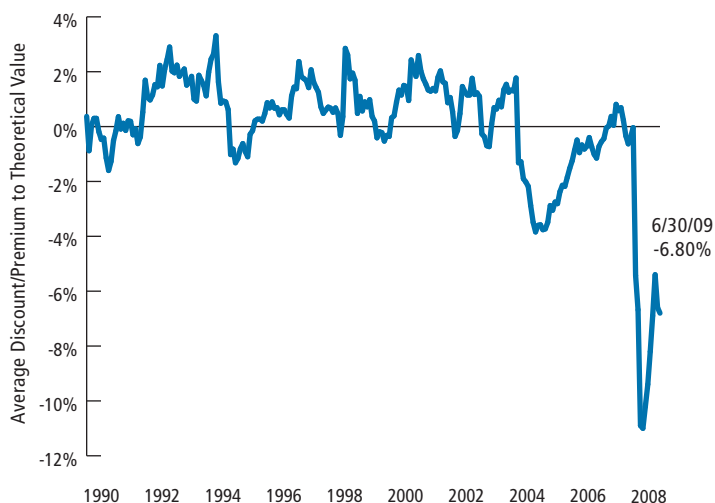
Index Definitions

The **Credit Suisse High Yield Index** is an unmanaged index of high yield debt securities. The **MSCI World Index** is a market capitalization weighted index composed of companies representative of the market structure of developed market countries in North America, Europe, and Asia/Pacific region. The **Merrill Lynch Global 300 Index** is a global convertible index composed of companies representative of the market structure of countries in North America, Europe, and the Asia/Pacific Region. The **Merrill Lynch All U.S. Convertible Index (VXA0)**, which is comprised of approximately 700 issues of only convertible bonds and preferreds of all qualities. The stock market is represented by the **U.S. S&P 500 Index**, an unmanaged index generally considered representative of the domestic large-cap stock market.

Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

There are certain risks associated with an investment in a convertible bond such as default risk—that the company issuing a convertible security may be unable to repay principal and interest—and interest rate risk—that the convertible may decrease in value if interest rates increase.

Calamos Estimated Undervaluation of the Convertible Market January 1990 — June 2009



Source: Calamos Corporate System (CCS), Calamos Advisors LLC 2009

Please note that the chart above includes data derived from Calamos Corporate Systems (CCS), a proprietary valuation system designed and maintained solely by Calamos. While we deem the information contained in the chart to be reliable, Calamos makes no public claims as to the validity of the information derived from the system

as early cyclical growth within energy, industrials and materials. In technology, consumers remain willing to purchase the latest gadgets, and software companies are offering solutions for cost reduction and productivity. The additional exposure to the energy sector is because of attractive valuations and potential U.S. dollar devaluation.

Areas where we remain broadly cautious and selective include financials and the consumer. Excess leverage continues to be taken out of the financial sector, as regulations expand. Consumer stocks, in general, offer significant discrepancies in values and opportunities. Even in an environment of uncertainty, we believe that our portfolios are advantageously positioned to seize upon the most compelling investment prospects.

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