Calamos Growth and Income Fund Quarterly Commentary

CALAMOS INVESTMENTS

Summary

- We favor equities over credit heading into 2026—tight spreads and AI-related leverage create asymmetric risk in corporate bonds, while equities benefit from a supportive cyclical backdrop and elevated capital returns.
- Above-consensus US growth should persist as the tariff drag fades, fiscal support from the One Big Beautiful Bill Act (OBBBA) flows through, and the Fed eases toward short-term rates of 3.00% to 3.25%.
- AI is pivoting from infrastructure buildout to monetization and value creation—we're positioning to capture this transition through hyperscalers (where strong gross margins cushion capex) and AI users capturing productivity gains.
- We believe the cyclical backdrop should dominate valuation concerns—real long rates support current multiples, elevated capital returns make equities an effective inflation hedge, and underlying business quality justifies premium pricing for growth.
- Our sector positioning balances offense and defense—financials benefit from yield curve steepening and regulatory tailwinds; healthcare provides a hedge against technology, given record negative correlations with momentum.
- Policy clarity continues with manageable tariff impacts and anticipated Fed easing, though structural changes in immigration and labor markets warrant monitoring.

Investment Manager Discussion

Economic Foundation: Above-Consensus Optimism. We expect global growth to modestly exceed 2025 levels, with the US economy outperforming consensus expectations. Three key tailwinds support this view: fading tariff drag as supply chains adjust, fiscal support from the OBBBA flowing through to consumers and businesses, and easier financial conditions as the Fed continues its easing cycle toward short-term rates of 3.00% to 3.25%.

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DATA AS OF 31/12/25

CALAMOS GROWTH AND INCOME FUND AVERAGE ANNUAL RETURNS (%)

	QTD	1-MONTH	1-YEAR	3-YEAR	SINCE I SHARE USD ACC INCEPTION
Calamos Growth and Income Fund					
I Shares - USD Acc. (7/6/22)	2.00	0.07	16.86	18.74	12.63
S&P 500 Index	2.66	0.06	17.88	23.01	16.99
ICE BofA All US Convert Ex Mand Index	1.52	-0.95	18.45	14.27	10.27

Performance data quoted represents past performance and may not be a reliable guide to future results. Performance data quoted does not include the Fund's maximum 5% front-end sales charge. Had it been included; the Fund's returns would have been lower. Performance shown reflects the management fee. All performance shown assumes reinvestment of dividends and capital gains distributions. Returns for periods less than 12 months are not annualised. See "Important Information" on the last page for more information.

All values are in USD terms unless otherwise indicated.

The labor market is softening but not breaking. Hiring in industries that have historically relied heavily on immigrants has turned negative, serving as a leading indicator of broader moderation. However, immigration policy changes could eventually boost wages in certain industries, particularly construction and infrastructure-related sectors.

Inflation appears to be settling into a "new normal" in the low 2% range. Current inflation is demand-driven rather than supply-driven, with pandemic-era supply chain disruptions having normalized. The pain from tariffs has been largely offset by windfalls from the OBBBA (e.g., infrastructure and industrial policy benefits). Tariff impacts on CPI have been offset by disinflation in rents tied to reduced immigration. Market expectations have anchored around +2.4% for the five-to-ten-year horizon, suggesting upside potential to bond prices if the Fed's 2% target is achieved sooner.

AI Transformation: From Infrastructure to Value Creation. The artificial intelligence revolution is entering its next chapter. While 2024 and 2025 were defined by massive infrastructure buildout, 2026 marks the pivot toward deployment and value extraction. This transition has important portfolio implications.

The productivity story is gaining traction. Early evidence suggests that firms adopting generative AI are hiring fewer junior workers, with knowledge industries—professional services, interactive media, and IT services—showing the highest exposure to large language model (LLM) task automation.

Strong gross cash flow margins (40% to 60%+) of AI providers within software (hyperscalers) have cushioned the blow of elevated capex, which has eroded free-cash-flow expectations for 2025 and 2026. We believe that monetization can keep pace with infrastructure investment as corporate AI adoption accelerates, creating potential intrinsic value upside. Other software stocks are positioned to benefit from AI usage, given their historical pattern of revenue growth outpacing employment growth.

Consumer Divergence: Selectivity Required. The consumer picture remains sharply bifurcated. Credit and debit card data show lower-income spending has turned negative year-over-year, while middle-income spending is flat. Only the highest third shows modest growth of approximately 1.5%, driven by wealth effects from equity appreciation.

The bottom 60% of the income distribution faces mounting headwinds from policy changes, including SNAP and Medicaid adjustments; tariff pass-through on goods; and the full resumption of student loan payments.

This divergence demands selectivity. We favor exposure to affluent consumer spending and companies with pricing power, while remaining cautious about businesses that depend on lower-income discretionary spending.

Healthcare: Quality and Value Amid Skepticism. Healthcare presents a compelling opportunity precisely because some skepticism surrounds the sector. Pharma valuations reflect concerns about most-favored-nation pricing proposals and other policy issues; yet, we see attractive entry points in companies that pair high free-cash-flow margins with high free-cash-flow yields—a rare combination signaling both quality and value. Innovation cycles continue to be powerful drivers of sector-specific returns. GLP-1 therapeutics continue to expand addressable markets across obesity, cardiovascular, and metabolic indications, while medical device advances create long-duration growth opportunities. Importantly, AI stands to meaningfully reduce drug development costs.

Financials: Yield Curve Beneficiaries with Regulatory Tailwinds. Banks, in particular, are well-positioned to benefit from multiple tailwinds: relative returns maintain a strong positive correlation with yield curve steepening, and fed funds futures imply significant steepening potential as the Fed continues its easing cycle toward a 3.00% to 3.25% target.

We favor banks with exposure to infrastructure project financing, capitalizing on the multi-year buildout across AI data centers, reshoring initiatives, and federal infrastructure programs. The sector's value orientation and income characteristics complement our growth equity holdings, providing balance within the portfolio while offering exposure to the improving rate environment.

Industrials: Opportunities Amid Elevated Expectations. The underlying demand picture is constructive. The Philadelphia Fed capital spending survey shows strong diffusion index readings, and policy incentives for onshoring and domestic manufacturing are showing up in corporate intentions data. AI-related infrastructure buildout—encompassing data centers, power generation, and cooling systems—is driving a subset of the sector with particularly strong demand visibility. That said, non-AI industrial capital equipment faces more normal demand cycles, and we're mindful that the market has already priced in much of this optimism. Calamos Growth and Income Fund maintains selective exposure, focusing on companies with clear visibility into the AI infrastructure buildout while avoiding names where expectations have outpaced fundamentals.

Valuations: Not the Late 1990s. Comparisons to the 1998–2000 tech bubble are frequent but, in our view, imprecise. Free-cash-flow yields for momentum stocks are far healthier than during that era; today's growth leaders generate real cash flow, unlike their predecessors. The price of top-line growth has been significantly bid up, but the underlying business quality is fundamentally different. Real long rates around current levels are consistent with the market's high multiple.

That said, we acknowledge the tension: high valuations coexist with more benign macro cycle indicators. This mismatch suggests equity volatility alongside equity price increases. Comparing bonds and equities, we believe credit is less attractive than equities. Tight spreads and increasing leverage from AI-related issuance create asymmetric risk-reward in credit.

John Hillenbrand, CPA
Co-CIO and Senior Co-Portfolio Manager

January 2, 2026

Market Overview

The US equity market continued to press forward in the fourth quarter, with the S&P 500 Index posting a 2.66% return for the period. The markets did not experience a late-quarter "Santa Claus" rally, but advanced on strong earnings and two additional US Fed rate cuts. However, not everything was perfect. The US faced the longest federal government shutdown in its history, and concerns about unemployment and low consumer sentiment were top of mind for many Americans.

Looking at the S&P 500 Index's 2.66% gain from a style perspective, value beat growth for the quarter, in a bit of a turn of events. The S&P 500 Value Index rose 3.20% compared to the S&P 500 Growth Index's gain of 2.21%. High-Beta names rose 6.71%, far outpacing Quality 2.75%, while Momentum declined -1.16% for the quarter.

Only two S&P 500 Index sectors, healthcare (+11.7%) and communication services (+7.3%), outpaced the overall market. Financials (+2.0%), energy (+1.5%), information technology (+1.4%), materials (+1.1%), consumer discretionary (+0.7%), and industrials (+0.9%) each posted gains. Consumer staples (+0.0%) was up for the quarter by one basis point, while utilities (-1.4%) and real estate (-2.9%) finished down.

Performance Review

For the quarter ended 31 December 2025, the fund returned 2.00% (Class I shares USD accumulating) versus the S&P 500 Index return of 2.66%.

Positive Influences on Performance

Information Technology. The fund benefited from security selection and an average underweight allocation in information technology. Specifically, holdings in communications equipment and technology hardware, storage & peripherals added to relative returns.

Financials. Favorable security selection in financials, notably in the investment banking & brokerage and transaction & payment processing services industries, contributed to performance.

Negative Influences on Performance

Health Care. Security selection and an average underweight allocation within the health care sector weakened return. Holdings in the biotechnology and pharmaceuticals industries were notably detrimental.

Communication Services. Security selection and an average underweight position in communication services hindered performance, specifically in the movies & entertainment and interactive media & services industries.

Fund Holdings – Contributors

Lumentum Holdings Inc. (LITE)

0.375% Convertible due 2032 | 1.1% of fund as of 30/11/25

Profile: Lumentum Holdings Inc. is a leading designer and manufacturer of optical and photonic products used in telecommunications, cloud networking, industrial manufacturing, and consumer electronics. The company is categorized under the information technology sector's communications equipment industry. Founded in 2015, Lumentum is headquartered in San Jose, California.

Analysis: The portfolio invested in Lumentum through a convertible security, preferring it to the higher valued common stock. The convertible advanced strongly during the quarter, climbing 86%. Lumentum's strength in Q4 2025 was driven by a clean earnings beat and accelerating momentum in AI-related optical demand. The company reported quarterly revenue of $480.7 million and a non-GAAP EPS of $0.88, both above expectations, supported by surging demand for cloud and AI data-center components such as EML chips, pump lasers, narrow-linewidth lasers, and 800G modules. It also posted record EML shipments, strong cloud-module growth, and first-time optical-circuit-switch revenue, while management projected continued demand strong enough to surpass $600 million in quarterly revenue by mid-2026.

Western Digital Corp. (WDC)

3.00% Convertible due 2028 | 0.5% of fund as of 30/11/25

Profile: Western Digital Corporation is a leading global provider of data storage solutions, specializing in hard disk drives (HDDs), solid-state drives (SSDs), and flash-based memory products. The company designs and manufactures devices used in everything from personal computing and mobile devices to data centers and enterprise infrastructure. It was founded in 1970 and is headquartered in San Jose, California.

Analysis: Western Digital's common stock and convertible rallied during the quarter as the company reported strong earnings and raised guidance. In addition, the company was added to the Nasdaq-100 Index ahead of year-end, which triggered inflows from passive institutional portfolios, adding another boost of upward momentum to the stock. The company has continued to benefit after it strategically separated its Flash (NAND/SSD) business, allowing it to sharpen its focus on high-capacity hard disk drives (HDDs) and capitalize on lucrative AI-driven storage demand. Its leadership in advanced UltraSMR technology and an aggressive product roadmap are enabling Western to benefit from accelerating AI-driven infrastructure and storage demand growth. The company also owns ~5% of SanDisk (SNDK), a stake that is currently valued at greater than $2 billion. Western Digital's balance sheet is improving and the convertible offers participation in the underlying stock with a favorable yield advantage above the stock.

Fund Holdings – Detractors

DoorDash Inc. (DASH)

0.0% Convertible due 2030 | 0.6% of fund as of 30/11/25

Profile: DoorDash is a leading food-delivery and local commerce platform that connects consumers with restaurants, grocery stores, and retailers while providing merchants with tools for online ordering, logistics, and customer acquisition. The company was founded in 2013 by Stanford students and is headquartered in San Francisco, California. DoorDash is classified under restaurants in the consumer discretionary sector.

Analysis: DoorDash's stock struggled in the fourth quarter, falling -17% amid investor concerns over aggressive investment plans. While the company did beat revenue estimates, it missed earnings expectations, and its announcement of heavy future spending on autonomous delivery, technology upgrades, and acquisitions raised fears of near-term margin pressure. Together, the EPS miss, aggressive capital commitments, and doubts about short-term profitability made Q4 a difficult period for the stock. The portfolio owned a convertible security, which held up significantly better, though with a decline of -8% for the quarter.

Oracle Corp. (ORCL)

Common stock | 0.4% of fund as of 30/11/25

Profile: Oracle Corporation is a global enterprise technology company that develops and sells database software, cloud infrastructure, and enterprise applications to businesses across industries such as financial services, healthcare, retail, government, and telecommunications. The company was founded in 1977, in Santa Clara, California, but is now headquartered in Austin, Texas. Oracle is categorized in the information technology sector under the systems software industry.

Analysis: Oracle's stock struggled during the quarter, falling more than 10% after its earnings release due to a combination of mixed revenue results and sharply higher spending. Although Oracle beat EPS expectations and delivered strong cloud growth, investors focused on a revenue shortfall versus certain analyst estimates and a substantial overshoot in AI-related capital expenditures—up 38% and $15 billion above forecasts. These concerns about near-term profitability and the cost of Oracle's aggressive AI expansion led to a sell-off in the stock despite otherwise strong operating metrics. The portfolio's overweight to the stock was a drag on relative performance, though some option positions helped to slightly improve the position's contribution on the quarter.

Positioning and Portfolio Changes

Our investment approach emphasizes:

- **AI users over AI providers**—favoring companies capturing labor cost savings over those building infrastructure priced to perfection
- **Yield curve steepeners**—banks and rate-sensitive financials positioned for continued steepening, benefiting from regulatory normalization under the current administration
- **Quality free cash flow**—FCF margin and yield remain core selection criteria, prioritizing AI plays with free-cash-flow support
- **Healthcare as a hedge**—using the sector to balance technology exposure; correlation between staples/healthcare and momentum stocks is near record negative levels
- **Risk management through structure**—convertible securities providing equity participation with downside protection; options strategies adding income and volatility management

Risk Management in Focus

We acknowledge key risks requiring careful monitoring:

- **Momentum concentration** with retail investors and high-frequency traders now the primary price setters; fundamental investors represent a smaller share of trading volume
- **Capex versus adoption divergence** as hyperscaler capital spending has eroded free-cash-flow expectations for 2025–2026; borrowing is accelerating among major tech platforms
- **Credit asymmetry**—tight spreads and increasing leverage from AI-related issuance create unfavorable risk-reward in corporate credit relative to equities

- **Housing sensitivity**—existing mortgage rates and corporate borrowing costs are locked in at low levels while new rates remain elevated; significant easing is required to stimulate housing-sensitive sectors

From a sector standpoint, the portfolio's largest weights are within information technology and financials on an absolute basis, while the smallest sector weights with holdings fall in real estate and materials. We maintain overweight allocations to industrials and utilities. Heavy electrical equipment and electric utilities represent the largest industry overweights within the respective sectors. The information technology and financials sectors constitute significant relative underweights. With respect to these sectors, semiconductors and asset management & custody banks are among the underweight industries.

The healthcare allocation increased during the period, and the weight to industrials also rose modestly. The information technology and consumer discretionary allocations decreased with reductions in systems software and hotels, resorts & cruise lines.

For additional information or to download a fact sheet, please visit the fund's profile page:
[Growth and Income Fund | Calamos Investments]

Important Information. 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. Average annual total return measures net investment income and capital gain or loss from portfolio investments as an annualised average. All performance shown assumes reinvestment of dividends and capital gains distributions. The Fund also offers Class A and Z shares, the performance of which may vary. Performance shown reflects the management fee.

Returns greater than 12 months are annualised. All performance shown assumes reinvestment of dividends and capital gains distributions. Sources for performance data: Calamos Advisors LLC and CACEIS Investor Services Ireland Limited.

The **S&P 500 Index** is generally considered representative of the US stock market. The **S&P 500 Value Index** measures the performance of stocks within the S&P 500 Index that have value-oriented characteristics, such as lower price-to-earnings ratios and price-to-book ratios. The **S&P 500 Growth Index** measures the performance of stocks within the S&P 500 Index that have growth-oriented characteristics, such as higher earnings growth rates and higher price-to-earnings ratios. The **ICE BofA All US Convertibles ex Mandatory Index (V0A0)** represents the US convertible market excluding mandatory 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. Unmanaged index returns assume reinvestment of any and all distributions and, unlike fund returns, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

The following are risks materially relevant to the Fund: The Fund may invest in securities which are below investment grade which are considered to have higher risk exposure with respect to pay of interest and return of principal; The Fund may hold or be exposed to depository receipts (ADRs and GDRs) which represent shares in companies trading outside the markets in which the depository receipts are traded; Convertibles expose the Fund to the risk the issuer of the debt security portion of the security may fail to meet its obligations as well as the performance of the underlying stock into which it can be converted; Debt securities are subject to various risks including interest rate risk, credit risk and default risk; The price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions; Risks associated with investing in foreign securities include fluctuations in the exchange rates of foreign currencies that may affect the US dollar value of a security, the possibility of substantial price volatility as a result of political and economic instability in the non-US country, less public information about issuers of securities, different securities regulation, different accounting, auditing and financial reporting standards and less liquidity than in US markets; Growth securities typically trade at higher multiples of current earnings than other securities and, therefore, may be more sensitive to changes in current or expected earnings than other equity securities and may be more volatile; The Fund's investments in illiquid securities may reduce the returns of the Fund because it may be unable to sell the illiquid securities at an advantageous time or price; The Fund's ability to close out its position as a purchaser or seller of an over-the-counter or exchange-listed put or call option is dependent, in part, upon the liquidity of the options market; The value of your investment may decrease if the Investment Manager's judgment about the attractiveness, value or market trends affecting a particular security, issuer, industry, or sector or about market movements is incorrect. For a more detailed explanation of the risks, please refer to the 'Risk Warnings' section of the Prospectus and the Supplement.

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