

CALAMOS STRATEGIC TOTAL RETURN FUND
Form N-CSRS
June 26, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-CSR
CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

INVESTMENT COMPANY ACT FILE NUMBER: 811-21484

EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER: **Calamos Strategic Total
Return Fund**

ADDRESS OF PRINCIPAL EXECUTIVE OFFICES: 2020 Calamos Court, Naperville,
Illinois 60563-2787

NAME AND ADDRESS OF AGENT FOR SERVICE: John P. Calamos, Sr., President
Calamos Advisors LLC
2020 Calamos Court
Naperville, Illinois
60563-2787

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (630) 245-7200
DATE OF FISCAL YEAR END: October 31, 2009
DATE OF REPORTING PERIOD: November 1, 2008 through April 30, 2009

ITEM 1. REPORTS TO SHAREHOLDERS

Include a copy of the report transmitted to stockholders pursuant to Rule 30e-1 under the Act (17 CFR 270. 30e-1).

Managing Your Calamos Funds Investments

Calamos Investments offers several convenient means to monitor, manage and feel confident about your Calamos investment choice.

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PERSONAL ASSISTANCE

800.582.6959

Dial this toll-free number to speak with a knowledgeable Client Services Representative who can help answer questions or address issues concerning your Calamos Fund

YOUR FINANCIAL ADVISOR

We encourage you to talk to your financial advisor to determine how Calamos Investments can benefit your investment portfolio based on your financial goals, risk tolerance, time horizon and income needs

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It's convenient, timely and helps reduce mailbox clutter.

You can view shareholder communications, including fund prospectuses, annual reports and other shareholder materials online long before the printed publications would have arrived by traditional mail.

Visit **www.calamos.com** and sign up for e-delivery.

Visit **www.calamos.com** for timely fund performance, detailed fund profiles,
fund news and insightful market commentary.

Letter to Shareholders

About the Fund

The Fund is managed to according to a level distribution policy, with distributions composed of dividend income, interest income, and realized short-term and long-term gains.

As part of its total return approach, CSQ provides a competitive stream of income paid out on a monthly basis.

The Fund's dynamic asset allocation approach and broad investment universe including equities, higher-yielding convertible and corporate bonds provides enhanced opportunities for income and total returns.

Invests primarily in U.S. markets.

Dear Fellow Shareholder:

Enclosed is your semiannual report for the six months ended April 30, 2009. We appreciate the opportunity to correspond with you. Please carefully review this report, which includes Fund commentary from our investment team. The report also includes a listing of portfolio holdings, financial data and highlights, as well as detailed information about the performance and allocations of the Fund.

Early in the reporting period, we saw a continuation of extraordinary markets that unfolded in the summer of 2008. Throughout the opening months of the period, the markets reflected the anguish around the health of the financial system. Anxiety about the credit crisis, financial and auto industries, government stimulus plans and economic data contributed to a climate of extreme investor pessimism. Even securities issued by fundamentally strong companies saw their values plummet as the markets were roiled by volatility. These widespread declines continued through March 9, when the S&P 500 bottomed out at 676.53, a 13-year low.

However, the tide changed markedly during the later portion of the period, with markets staging a robust and much-welcomed rally off March lows. Investor sentiment was boosted by improving conditions in the credit markets, signs of life in the new issue debt markets, an upturn in global trade, strengthening in the manufacturing sector, increased business activity, rebounding mortgage applications and indications of housing starts reaching a short-term bottom. Central banks and governments around the world remained focused on shoring up investor confidence and attempting to stimulate normal economic activity.

Given the recent extreme gyrations, many investors wonder if the markets are poised for a lasting rebound or if another downturn looms ahead. The fact remains that bear and bull markets can only be identified in hindsight. Because of this, we caution against trying to time the turns. Instead, we encourage investors to follow a patient and disciplined approach, guided by their long-term objectives and risk tolerance. It's important to remember that opportunities exist in turbulent types of market environments. We believe the difference is that in the down markets, experience matters.

Since our early days in the 1970s, we've invested through many difficult periods. Although every market is different, we believe that our time-tested one team, one process approach, long-term perspective and exacting independent research will allow us to position the Fund advantageously for the road ahead. We comprehensively evaluate companies and securities on their independent merits, within each portfolio as a whole, and also within the context of the evolving political and economic landscape.

Systemic risk has begun to abate; we have seen encouraging signs that the investing environment has improved. However, the global economy must address a confluence of economic, political and market influences. This will take time, and trial and error. We would not be surprised if we see volatile sideways-moving markets for the next several years. Nonetheless, we are looking positively to the future. We believe that emotion-driven selling has created select opportunities for long-term investors, across numerous asset classes. Many securities are trading at extremely attractive prices given their issuers' underlying fundamentals.

Letter to Shareholders

Broadly speaking, we continue to favor issuers with stronger balance sheets and the ability to grow without relying on the capital markets. We emphasize companies with global leadership positions, well-recognized brands and capable management teams. Our investment process also reflects long-term thematic influences, such as productivity improvements, globalization, and infrastructure building.

Shortly after the beginning of the reporting period, the Fund's Board of Trustees elected to reduce the distributions in response to the very challenging market environment. We believe that the Fund's current distribution rate remains competitive in this interest rate environment, compared to other investment vehicles. The Board continues to monitor economic conditions and will set the distribution rate accordingly.

The Fund's Board of Directors also recently reviewed the costs and benefits associated with refinancing the Fund's outstanding Auction Rate Preferred Securities and concluded that such refinancing in today's low interest rate environment was in the best interest of both common and preferred shareholders of the Calamos funds. More information regarding the refinancing will be made available in upcoming announcements.

If you have any questions about your portfolio, please speak to your financial advisor or contact us at 800.582.6959, Monday through Friday from 8:00 a.m. to 6:00 p.m., Central Time. I also encourage you to visit our website at calamos.com on a regular basis, for updated commentary and more information about your funds.

We thank you for the opportunity to help you achieve your investment goals and look forward to serving you in the years to come.

Sincerely,

John P. Calamos, Sr.
Chairman, CEO and Co-CIO
Calamos Advisors LLC

This report is for informational purposes only and should not be considered investment advice.

Strategic Total Return Fund
2 **SEMIANNUAL REPORT** Letter to Shareholders

Investment Team Discussion

The Calamos Investment Management Team, led by Co-Chief Investment Officers John P. Calamos, Sr. and Nick P. Calamos, CFA, discusses the Fund's performance, strategy and positioning during the 6-month period ended April 30, 2009.

TOTAL RETURN***Common Shares Inception 03/26/04**

| | 6 Months | 1 Year | Since Inception** |
|----------------|---------------------|---------------|------------------------------|
| On Share Price | 2.01% | -40.90% | -7.24% |
| On NAV | 3.99% | -37.97% | -3.58% |

*Total return measures net investment income and capital gain or loss from portfolio investments, assuming reinvestment of income and capital gains distributions.

**Annualized since inception.

Calamos Strategic Total Return Fund (CSQ) seeks total return through a combination of capital appreciation and current income by investing in a diversified portfolio of equities, convertible securities and below-investment-grade (high-yield) fixed-income securities. The Fund seeks to offer investors a defensive approach to equity participation and an attractive monthly distribution (with the added benefit of potential downside protection). By combining equities, convertible bonds and higher-yielding corporate securities, the Fund has the capacity to generate capital gains as well as income providing the opportunity to manage risk and reward over the full course of a market cycle. This came in to play during the period, as the Fund outperformed the broad market.

The underlying portfolio (as represented by net asset value, or NAV) of Calamos Strategic Total Return Fund (CSQ) rose 3.99% for the 6-month period ended April 30, 2009, while the S&P 500 Index¹ fell -8.53%. On a market price basis, the Fund returned 2.01% assuming reinvestment of distributions.

Both security selection and sector allocation added to relative returns versus the S&P 500 Index during the period. An overweight position and good selection in the consumer-discretionary sector, in particular in the Internet retail and the specialized consumer services industries, contributed to the returns. An underweight position and selection in the consumer-staples sector, especially in the packaged food industry, added to relative returns. Additionally, an underweight position and good selection in the financial sector, with strong performance in the diversified financial services industry, also added to relative returns.

SECTOR ALLOCATION

| | |
|------------------------|-------|
| Health Care | 16.4% |
| Information Technology | 15.0 |
| Consumer Discretionary | 14.6 |
| Financials | 12.3 |
| Energy | 10.8 |

| | |
|----------------------------|------|
| Industrials | 10.5 |
| Consumer Staples | 9.4 |
| Telecommunication Services | 6.8 |
| Materials | 4.2 |
| Utilities | 0.5 |

Sector allocations are based on managed assets and may vary over time.

SINCE INCEPTION MARKET PRICE AND NAV HISTORY

¹ S&P 500 Index is an unmanaged index generally representative of the U.S. stock market. Source: Lipper, Inc.

Schedule of Investments

APRIL 30, 2009 (UNAUDITED)

| PRINCIPAL AMOUNT | | VALUE |
|--------------------------------|---|--------------|
| CORPORATE BONDS (40.6%) | | |
| | <i>Consumer Discretionary (8.2%)</i> | |
| 4,881,000 | Asbury Automotive Group, Inc. 8.000%, 03/15/14 | \$ 2,953,005 |
| 3,905,000 | DIRECTV Financing Company, Inc. 8.375%, 03/15/13 | 3,983,100 |
| 15,132,000 | DISH Network Corp. 7.125%, 02/01/16 | 14,224,080 |
| 20,502,000 | Expedia, Inc.~ 7.460%, 08/15/18 | 18,656,820 |
| 14,644,000 | General Motors Corp.** 7.200%, 01/15/11 | 1,684,060 |
| 16,597,000 | Hanesbrands, Inc. 5.698%, 12/15/14 | 12,779,690 |
| 4,100,000 | Jarden Corp. 7.500%, 05/01/17 | 3,649,000 |
| 3,166,000 | Kellwood Company 7.625%, 10/15/17 | 158,300 |
| 4,881,000 | Liberty Media Corp. 8.250%, 02/01/30 | 3,120,013 |
| 6,346,000 | Mandalay Resort Group 7.625%, 07/15/13 | 1,808,610 |
| 4,769,000 | MGM Mirage 7.500%, 06/01/16 | 2,694,485 |
| 1,464,000 | Pulte Homes, Inc. 8.125%, 03/01/11 | 1,471,320 |
| 12,692,000 | Royal Caribbean Cruises, Ltd. 7.500%, 10/15/27 | 7,995,960 |
| 3,905,000 | 7.250%, 06/15/16~ | 2,616,350 |
| 18,549,000 | Service Corp. International 6.750%, 04/01/16 | 16,786,845 |
| 2,441,000 GBP | Warner Music Group Corp. 8.125%, 04/15/14 | 2,076,378 |

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| | | |
|------------|---|------------|
| | | 96,658,016 |
| | Consumer Staples (4.5%) | |
| 11,471,000 | Chiquita Brands International, Inc. 7.500%, 11/01/14 | 9,578,285 |
| 11,227,000 | Del Monte Foods Company 8.625%, 12/15/12 | 11,507,675 |
| 10,739,000 | NBTY, Inc. 7.125%, 10/01/15 | 9,718,795 |
| 11,715,000 | Pilgrim s Pride Corp.** 8.375%, 05/01/17 | 8,171,212 |
| 5,858,000 | 7.625%, 05/01/15 | 4,730,335 |
| 14,644,000 | Smithfield Foods, Inc. 7.750%, 07/01/17 | 9,518,600 |
| | | 53,224,902 |
| | Energy (4.8%) | |
| 4,393,000 | Arch Western Finance, LLC 6.750%, 07/01/13 | 3,854,858 |
| 6,834,000 | Chesapeake Energy Corp. 6.875%, 01/15/16 | 6,107,887 |
| 3,905,000 | 7.500%, 06/15/14 | 3,709,750 |
| 1,953,000 | Dresser-Rand Group, Inc. 7.375%, 11/01/14 | 1,747,935 |
| 2,929,000 | GulfMark Offshore, Inc. 7.750%, 07/15/14 | 2,475,005 |
| 6,834,000 | Mariner Energy, Inc. 8.000%, 05/15/17 | 4,988,820 |
| 4,881,000 | Petrohawk Energy Corp. 7.125%, 04/01/12 | 4,575,937 |
| 4,881,000 | Superior Energy Services, Inc. 6.875%, 06/01/14 | 4,295,280 |
| 1,953,000 | Valero Energy Corp.~ 7.500%, 06/15/15 | 1,944,268 |
| 6,326,000 | Whiting Petroleum Corp. 7.250%, 05/01/12 | 5,788,290 |
| 19,525,000 | Williams Companies, Inc. 7.750%, 06/15/31 | 16,636,101 |
| | | 56,124,131 |
| | Financials (6.7%) | |
| 41,980,000 | Ford Motor Credit Company, LLC 9.875%, 08/10/11 | 36,752,021 |
| 16,245,000 | Leucadia National Corp. 8.125%, 09/15/15 | 13,727,025 |
| 10,739,000 | 7.000%, 08/15/13 | 9,289,235 |
| 17,573,000 | Nuveen Investments, Inc.* 10.500%, 11/15/15 | 8,962,230 |
| 10,251,000 | | 9,892,215 |

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| | | |
|------------|--|------------|
| | Senior Housing Properties Trust~ 8.625%, 01/15/12 | 78,622,726 |
| | <i>Health Care (2.3%)</i> | |
| 2,197,000 | Bio-Rad Laboratories, Inc. 7.500%, 08/15/13 | 2,164,045 |
| 10,739,000 | Community Health Systems, Inc. 8.875%, 07/15/15 | 10,739,000 |
| 4,881,000 | HCA, Inc. 9.125%, 11/15/14 | 4,844,392 |
| 10,739,000 | Psychiatric Solutions, Inc. 7.750%, 07/15/15 | 9,879,880 |
| | | 27,627,317 |
| | <i>Industrials (2.3%)</i> | |
| 2,929,000 | BE Aerospace, Inc. 8.500%, 07/01/18 | 2,658,068 |
| 2,197,000 | Belden, Inc. 7.000%, 03/15/17 | 1,944,345 |
| 4,881,000 | Gardner Denver, Inc. 8.000%, 05/01/13 | 4,283,077 |

Strategic Total Return Fund

4 **SEMIANNUAL REPORT** Schedule of Investments

See accompanying Notes to Schedule of Investments

Schedule of Investments

APRIL 30, 2009 (UNAUDITED)

| PRINCIPAL AMOUNT | | VALUE |
|---------------------|---|--------------|
| 4,423,000 | H&E Equipment Service, Inc. 8.375%, 07/15/16 | \$ 3,029,755 |
| 3,378,000 | SPX Corp. 7.625%, 12/15/14 | 3,352,665 |
| 1,953,000 | Terex Corp. 8.000%, 11/15/17 | 1,611,225 |
| 5,614,000 | Trinity Industries, Inc. 6.500%, 03/15/14 | 4,617,515 |
| 4,881,000 | Wesco Distribution, Inc. 7.500%, 10/15/17 | 3,746,167 |
| 2,929,000 | Westinghouse Air Brake Technologies Corp. 6.875%, 07/31/13 | 2,819,163 |
| | | 28,061,980 |
| | <i>Information Technology (4.7%)</i> | |
| 11,982,000 | Advanced Micro Devices, Inc. 7.750%, 11/01/12 | 6,889,650 |
| 15,620,000 | Amkor Technology, Inc. 9.250%, 06/01/16 | 13,667,500 |
| 1,113,000 | 7.750%, 05/15/13 | 996,135 |
| 8,298,000 | Celestica, Inc. 7.875%, 07/01/11 | 8,256,510 |
| 6,346,000 | Freescale Semiconductor, Inc. 8.875%, 12/15/14 | 2,189,370 |
| 3,905,000 | Jabil Circuit, Inc. 8.250%, 03/15/18 | 3,241,150 |
| 7,107,000 | Lender Processing Services, Inc. 8.125%, 07/01/16 | 7,071,465 |
| 1,953,000 | Lexmark International, Inc.~ 6.650%, 06/01/18 | 1,562,400 |
| 1,953,000 | National Semiconductor Corp.~ 6.150%, 06/15/12 | 1,760,171 |
| 9,665,000 | SunGard Data Systems, Inc. 9.125%, 08/15/13 | 9,278,400 |

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| | | |
|------------|--|-------------|
| | | 54,912,751 |
| | Materials (2.0%) | |
| 2,929,000 | Century Aluminum Company 7.500%, 08/15/14 | 1,596,305 |
| 2,929,000 | P.H. Glatfelter Company 7.125%, 05/01/16 | 2,489,650 |
| 10,690,000 | Union Carbide Corp.~ 7.875%, 04/01/23 | 7,857,289 |
| 8,445,000 | 7.500%, 06/01/25 | 5,570,212 |
| 7,176,000 | Westlake Chemical Corp. 6.625%, 01/15/16 | 5,561,400 |
| | | 23,074,856 |
| | Telecommunication Services (4.4%) | |
| 17,280,000 | Frontier Communications Corp. 9.000%, 08/15/31 | 13,824,000 |
| 17,573,000 | Leap Wireless International, Inc. 9.375%, 11/01/14 | 17,485,135 |
| 14,185,000 | Qwest Communications International, Inc. 7.750%, 02/15/31 | 10,142,275 |
| 4,881,000 | Syniverse Technologies, Inc. 7.750%, 08/15/13 | 4,173,255 |
| 6,834,000 | Windstream Corp. 8.625%, 08/01/16 | 6,834,000 |
| | | 52,458,665 |
| | Utilities (0.7%) | |
| 13,668,000 | Energy Future Holdings Corp. 10.500%, 11/01/15 | 7,824,930 |
| | TOTAL CORPORATE BONDS (Cost \$607,271,688) | 478,590,274 |
| | CONVERTIBLE BONDS (18.6%) | |
| | Consumer Discretionary (4.9%) | |
| 40,000,000 | Ford Motor Company 4.250%, 12/15/36 | 30,950,000 |
| 7,000,000 | General Motors Corp. - Class C** 6.250% , 07/15/33 | 638,400 |
| 12,000,000 | Interpublic Group of Companies, Inc. 4.750%, 03/15/23 | 10,485,000 |
| 1,000,000 | 4.250%, 03/15/23 | 903,750 |
| 5,680,000 | Liberty Media Corp. (Viacom and CBS Corp. Class B)Δ 3.250%, 03/15/31 | 2,122,900 |
| 15,000,000 | Liberty Media Corp. (Time Warner, Inc.)Δ 3.125%, 03/30/23 | 12,356,250 |

| | | |
|------------|---|------------|
| | | 57,456,300 |
| | Energy (0.6%) | |
| 8,290,000 | St. Mary Land & Exploration Company 3.500%, 04/01/27 | 6,476,563 |
| | Financials (1.9%) | |
| 14,000,000 | Affiliated Managers Group, Inc. *~ 3.950%, 08/15/38 | 11,217,500 |
| 11,970,000 | Health Care REIT, Inc.~ 4.750%, 07/15/27 | 11,206,912 |
| | | 22,424,412 |
| | Health Care (2.2%) | |
| 26,000,000 | Life Technologies Corp.~ 3.250%, 06/15/25 | 26,227,500 |

Strategic Total Return Fund
Schedule of Investments **SEMIANNUAL REPORT** 5

See accompanying Notes to Schedule of Investments

Schedule of Investments

APRIL 30, 2009 (UNAUDITED)

| PRINCIPAL AMOUNT | | VALUE |
|---------------------|--|---------------|
| | <i>Industrials (3.0%)</i> | |
| 25,597,000 | L-3 Communications Holdings, Inc. 3.000%, 08/01/35 | \$ 25,724,985 |
| 18,000,000 | Trinity Industries, Inc. 3.875%, 06/01/36 | 10,102,500 |
| | | 35,827,485 |
| | <i>Information Technology (5.8%)</i> | |
| 16,000,000 | Euronet Worldwide, Inc. 3.500%, 10/15/25 | 13,060,000 |
| 31,500,000 | Intel Corp.~ 2.950%, 12/15/35 | 27,168,750 |
| 33,900,000 | Linear Technology Corp. 3.000%, 05/01/27 | 28,264,125 |
| | | 68,492,875 |
| | <i>Materials (0.2%)</i> | |
| 2,000,000 | Newmont Mining Corp. ¹ 3.000%, 02/15/12 | 2,387,500 |
| | TOTAL CONVERTIBLE BONDS (Cost \$283,672,862) | 219,292,635 |
| | SYNTHETIC CONVERTIBLE SECURITIES (1.2%) | |
| | <i>Corporate Bonds (1.0%)</i> | |
| | <i>Consumer Discretionary (0.2%)</i> | |
| 119,000 | Asbury Automotive Group, Inc. 8.000%, 03/15/14 | 71,995 |
| 95,000 | DIRECTV Financing Company, Inc. 8.375%, 03/15/13 | 96,900 |
| 368,000 | DISH Network Corp. 7.125%, 02/01/16 | 345,920 |
| 498,000 | | 453,180 |

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| | | |
|------------|-------------------------------------|-----------|
| | Expedia, Inc.~ | |
| | 7.460%, 08/15/18 | |
| 356,000 | General Motors Corp.** | |
| | 7.200%, 01/15/11 | 40,940 |
| 403,000 | Hanesbrands, Inc. | |
| | 5.698%, 12/15/14 | 310,310 |
| 100,000 | Jarden Corp. | |
| | 7.500%, 05/01/17 | 89,000 |
| 77,000 | Kellwood Company | |
| | 7.625%, 10/15/17 | 3,850 |
| 119,000 | Liberty Media Corp. | |
| | 8.250%, 02/01/30 | 76,067 |
| 154,000 | Mandalay Resort Group | |
| | 7.625%, 07/15/13 | 43,890 |
| 116,000 | MGM Mirage | |
| | 7.500%, 06/01/16 | 65,540 |
| 36,000 | Pulte Homes, Inc. | |
| | 8.125%, 03/01/11 | 36,180 |
| | Royal Caribbean Cruises, Ltd. | |
| 308,000 | 7.500%, 10/15/27 | 194,040 |
| 95,000 | 7.250%, 06/15/16~ | 63,650 |
| 451,000 | Service Corp. International | |
| | 6.750%, 04/01/16 | 408,155 |
| 59,000 GBP | Warner Music Group Corp. | |
| | 8.125%, 04/15/14 | 50,187 |
| | | 2,349,804 |
| | Consumer Staples (0.1%) | |
| 279,000 | Chiquita Brands International, Inc. | |
| | 7.500%, 11/01/14 | 232,965 |
| 273,000 | Del Monte Foods Company | |
| | 8.625%, 12/15/12 | 279,825 |
| 261,000 | NBTY, Inc. | |
| | 7.125%, 10/01/15 | 236,205 |
| | Pilgrim s Pride Corp.** | |
| 285,000 | 8.375%, 05/01/17 | 198,787 |
| 142,000 | 7.625%, 05/01/15 | 114,665 |
| 356,000 | Smithfield Foods, Inc. | |
| | 7.750%, 07/01/17 | 231,400 |
| | | 1,293,847 |
| | Energy (0.1%) | |
| 107,000 | Arch Western Finance, LLC | |
| | 6.750%, 07/01/13 | 93,893 |
| | Chesapeake Energy Corp. | |
| 166,000 | 6.875%, 01/15/16 | 148,362 |
| 95,000 | 7.500%, 06/15/14 | 90,250 |
| 47,000 | Dresser-Rand Group, Inc. | |
| | 7.375%, 11/01/14 | 42,065 |

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|-----------|--|-----------|
| 71,000 | GulfMark Offshore, Inc. 7.750%, 07/15/14 | 59,995 |
| 166,000 | Mariner Energy, Inc. 8.000%, 05/15/17 | 121,180 |
| 119,000 | Petrohawk Energy Corp. 7.125%, 04/01/12 | 111,563 |
| 119,000 | Superior Energy Services, Inc. 6.875%, 06/01/14 | 104,720 |
| 47,000 | Valero Energy Corp.~ 7.500%, 06/15/15 | 46,790 |
| 154,000 | Whiting Petroleum Corp. 7.250%, 05/01/12 | 140,910 |
| 475,000 | Williams Companies, Inc. 7.750%, 06/15/31 | 404,719 |
| | | 1,364,447 |
| | <i>Financials (0.2%)</i> | |
| 1,020,000 | Ford Motor Credit Company, LLC 9.875%, 08/10/11 | 892,974 |
| 395,000 | Leucadia National Corp. 8.125%, 09/15/15 | 333,775 |
| 261,000 | 7.000%, 08/15/13 | 225,765 |

Strategic Total Return Fund

6 **SEMIANNUAL REPORT** Schedule of Investments

See accompanying Notes to Schedule of Investments

Schedule of Investments

APRIL 30, 2009 (UNAUDITED)

| PRINCIPAL AMOUNT | | VALUE |
|---------------------|--|------------|
| 427,000 | Nuveen Investments, Inc.* 10.500%, 11/15/15 | \$ 217,770 |
| 249,000 | Senior Housing Properties Trust~ 8.625%, 01/15/12 | 240,285 |
| | | 1,910,569 |
| | <i>Health Care (0.1%)</i> | |
| 53,000 | Bio-Rad Laboratories, Inc. 7.500%, 08/15/13 | 52,205 |
| 261,000 | Community Health Systems, Inc. 8.875%, 07/15/15 | 261,000 |
| 119,000 | HCA, Inc. 9.125%, 11/15/14 | 118,108 |
| 261,000 | Psychiatric Solutions, Inc. 7.750%, 07/15/15 | 240,120 |
| | | 671,433 |
| | <i>Industrials (0.1%)</i> | |
| 71,000 | BE Aerospace, Inc. 8.500%, 07/01/18 | 64,433 |
| 53,000 | Belden, Inc. 7.000%, 03/15/17 | 46,905 |
| 119,000 | Gardner Denver, Inc. 8.000%, 05/01/13 | 104,422 |
| 107,000 | H&E Equipment Service, Inc. 8.375%, 07/15/16 | 73,295 |
| 82,000 | SPX Corp. 7.625%, 12/15/14 | 81,385 |
| 47,000 | Terex Corp. 8.000%, 11/15/17 | 38,775 |
| 136,000 | Trinity Industries, Inc. 6.500%, 03/15/14 | 111,860 |
| 119,000 | Wesco Distribution, Inc. 7.500%, 10/15/17 | 91,332 |

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| | | |
|---------|---|-----------|
| 71,000 | Westinghouse Air Brake Technologies Corp. 6.875%, 07/31/13 | 68,338 |
| | | 680,745 |
| | Information Technology (0.1%) | |
| 291,000 | Advanced Micro Devices, Inc. 7.750%, 11/01/12 | 167,325 |
| 380,000 | Amkor Technology, Inc. 9.250%, 06/01/16 | 332,500 |
| 27,000 | 7.750%, 05/15/13 | 24,165 |
| 202,000 | Celestica, Inc. 7.875%, 07/01/11 | 200,990 |
| 154,000 | Freescale Semiconductor, Inc. 8.875%, 12/15/14 | 53,130 |
| 95,000 | Jabil Circuit, Inc. 8.250%, 03/15/18 | 78,850 |
| 173,000 | Lender Processing Services, Inc. 8.125%, 07/01/16 | 172,135 |
| 47,000 | Lexmark International, Inc.~ 6.650%, 06/01/18 | 37,600 |
| 47,000 | National Semiconductor Corp.~ 6.150%, 06/15/12 | 42,359 |
| 235,000 | SunGard Data Systems, Inc. 9.125%, 08/15/13 | 225,600 |
| | | 1,334,654 |
| | Materials (0.0%) | |
| 71,000 | Century Aluminum Company 7.500%, 08/15/14 | 38,695 |
| 71,000 | P.H. Glatfelter Company 7.125%, 05/01/16 | 60,350 |
| 260,000 | Union Carbide Corp.~ 7.875%, 04/01/23 | 191,104 |
| 205,000 | 7.500%, 06/01/25 | 135,215 |
| 174,000 | Westlake Chemical Corp. 6.625%, 01/15/16 | 134,850 |
| | | 560,214 |
| | Telecommunication Services (0.1%) | |
| 420,000 | Frontier Communications Corp. 9.000%, 08/15/31 | 336,000 |
| 427,000 | Leap Wireless International, Inc. 9.375%, 11/01/14 | 424,865 |
| 345,000 | Qwest Communications International, Inc. 7.750%, 02/15/31 | 246,675 |
| 119,000 | Syniverse Technologies, Inc. 7.750%, 08/15/13 | 101,745 |
| 166,000 | | 166,000 |

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Windstream Corp.
8.625%, 08/01/16

1,275,285

332,000 *Utilities (0.0%)*
Energy Future Holdings Corp.
10.500%, 11/01/15

190,070

TOTAL CORPORATE BONDS

11,631,068

**NUMBER OF
CONTRACTS**

VALUE

Purchased Options (0.2%)#

Consumer Discretionary (0.1%)

1,470 Nike, Inc. - Class B
1,350 Call, 01/16/10, Strike \$60.00
Call, 01/16/10, Strike \$70.00

654,150

256,500

910,650

Consumer Staples (0.1%)

2,400 Walgreen Company
Call, 01/16/10, Strike \$32.50

678,000

Strategic Total Return Fund
Schedule of Investments **SEMIANNUAL REPORT**

7

See accompanying Notes to Schedule of Investments

Schedule of Investments

APRIL 30, 2009 (UNAUDITED)

| NUMBER OF CONTRACTS | | VALUE |
|---|--|------------|
| 500 | <i>Energy (0.0%)</i> Transocean, Inc. Call, 01/16/10, Strike \$160.00 | \$ 2,500 |
| 1,580 | <i>Health Care (0.0%)</i> Gilead Sciences, Inc. Call, 01/16/10, Strike \$55.00 | 375,250 |
| 190 | <i>Information Technology (0.0%)</i> Apple, Inc. Call, 01/16/10, Strike \$170.00 | 86,450 |
| | TOTAL PURCHASED OPTIONS | 2,052,850 |
| | TOTAL SYNTHETIC CONVERTIBLE SECURITIES (Cost \$23,194,400) | 13,683,918 |
| NUMBER OF SHARES | | VALUE |
| CONVERTIBLE PREFERRED STOCKS (14.9%) | | |
| 20,000 | <i>Consumer Discretionary (1.1%)</i> Stanley Works ¹ 5.125% | 13,380,000 |
| 470,000 | <i>Consumer Staples (2.1%)</i> Archer Daniels Midland Company 6.250% | 15,754,400 |
| 18,000 | Bunge, Ltd. 5.125% | 8,775,000 |
| | | 24,529,400 |
| | <i>Financials (4.5%)</i> | |

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| | | |
|---------|--|------------|
| 425,000 | American International Group, Inc. 8.500% | 2,171,750 |
| 43,000 | Bank of America Corp. 7.250% | 25,155,000 |
| 675,000 | Citigroup, Inc. 6.500% | 21,330,000 |
| 14,000 | SLM Corp. 7.250% | 4,137,000 |
| | | 52,793,750 |

| | | |
|---------|---------------------------------|------------|
| | Health Care (3.9%) | |
| 220,000 | Schering-Plough Corp. 6.000% | 46,472,800 |

| | | |
|-----------|--|------------|
| | Materials (3.3%) | |
| 390,000 | Freeport-McMoRan Copper & Gold, Inc. 6.750% | 26,910,000 |
| 2,000 CHF | Givaudan, SA 5.375% | 11,828,098 |
| | | 38,738,098 |

**TOTAL CONVERTIBLE
PREFERRED STOCKS**

(Cost \$307,603,615) 175,914,048

**PRINCIPAL
AMOUNT**

VALUE

U.S. TREASURY SECURITIES (0.2%)

| | | |
|-----------|--|-----------|
| 2,330,000 | United States Treasury Note~ 4.625%, 07/31/09 (Cost \$2,355,641) | 2,356,760 |
|-----------|--|-----------|

**NUMBER OF
SHARES**

VALUE

COMMON STOCKS (67.7%)

| | | |
|-----------|--------------------------------------|------------|
| | Consumer Discretionary (6.3%) | |
| 227,527 | Amazon.com, Inc.#1 | 18,320,474 |
| 800,000 | Carnival Corp. ¹ | 21,504,000 |
| 300,000 | CBS Corp. | 2,112,000 |
| 400,000 | Harley-Davidson, Inc. | 8,864,000 |
| 1,086,217 | Walt Disney Company ¹ | 23,788,152 |
| | | 74,588,626 |

Consumer Staples (6.6%)

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| | | |
|-----------|--|-------------|
| 1,275,000 | Coca-Cola Company ¹ | 54,888,750 |
| 250,000 | Kimberly-Clark Corp. ¹ | 12,285,000 |
| 450,000 | Sysco Corp. ¹ | 10,498,500 |
| | | 77,672,250 |
| | <i>Energy (9.9%)</i> | |
| 700,000 | BP, PLC ¹ | 29,722,000 |
| 665,000 | Chevron Corp. ¹ | 43,956,500 |
| 775,000 | ConocoPhillips ¹ | 31,775,000 |
| 375,000 | Marathon Oil Corp. | 11,137,500 |
| | | 116,591,000 |
| | <i>Financials (4.3%)</i> | |
| 500,000 | Bank of America Corp. | 4,465,000 |
| 1,050,000 | JPMorgan Chase & Company | 34,650,000 |
| 158,074 | Lincoln National Corp. | 1,776,752 |
| 271,950 | MetLife, Inc. | 8,090,512 |
| 71,676 | Wells Fargo & Company | 1,434,237 |
| | | 50,416,501 |
| | <i>Health Care (14.8%)</i> | |
| 1,375,000 | Bristol-Myers Squibb Company ¹ | 26,400,000 |
| 300,000 | Eli Lilly and Company ¹ | 9,876,000 |
| 975,000 | Johnson & Johnson ¹ | 51,051,000 |
| 1,755,000 | Merck & Company, Inc. ¹ | 42,541,200 |
| 3,300,000 | Pfizer, Inc. ¹ | 44,088,000 |
| | | 173,956,200 |
| | <i>Industrials (9.4%)</i> | |
| 312,192 | Avery Dennison Corp. | 8,972,398 |
| 680,000 | Boeing Company ¹ | 27,234,000 |
| 3,135,000 | General Electric Company ¹ | 39,657,750 |
| 480,000 | Honeywell International, Inc. ¹ | 14,980,800 |

Strategic Total Return Fund

8 SEMIANNUAL REPORT Schedule of Investments

See accompanying Notes to Schedule of Investments

Schedule of Investments

APRIL 30, 2009 (UNAUDITED)

| NUMBER OF SHARES | | VALUE |
|---------------------|---|--------------|
| 450,000 | Masco Corp. | \$ 3,987,000 |
| 335,000 | United Technologies Corp. ¹ | 16,361,400 |
| | | 111,193,348 |
| | <i>Information Technology (10.7%)</i> | |
| 600,000 | eBay, Inc.# ¹ | 9,882,000 |
| 1,787,000 | Intel Corp. ¹ | 28,198,860 |
| 1,625,000 | Microsoft Corp. ¹ | 32,922,500 |
| 300,000 | Nintendo Company, Ltd. ¹ | 10,028,220 |
| 2,200,000 | Nokia Corp. ¹ | 31,108,000 |
| 325,000 | QUALCOMM, Inc. ¹ | 13,754,000 |
| | | 125,893,580 |
| | <i>Materials (0.5%)</i> | |
| 400,000 | Dow Chemical Company ¹ | 6,400,000 |
| | <i>Telecommunication Services (5.2%)</i> | |
| 1,225,000 | AT&T Inc. ¹ | 31,384,500 |
| 450,000 EUR | France Telecom, AG | 9,990,000 |
| 639,000 | Verizon Communications, Inc. ¹ | 19,387,260 |
| | | 60,761,760 |
| | TOTAL COMMON STOCKS | |
| | (Cost \$1,319,914,022) | 797,473,265 |
| PRINCIPAL AMOUNT | | VALUE |
| | INVESTMENT IN AFFILIATED FUND (1.5%) | |
| 17,204,052 | Calamos Government Money Market Fund - Class I Shares (Cost \$17,204,052) | 17,204,052 |

| | |
|--|------------------|
| TOTAL INVESTMENTS (144.7%) (Cost \$2,561,216,280) | 1,704,514,952 |
| LIABILITIES, LESS OTHER ASSETS (-27.7%) | (326,803,881) |
| PREFERRED SHARES AT REDEMPTION VALUE INCLUDING DIVIDENDS PAYABLE (-17.0%) | (200,018,348) |
| NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS (100.0%) | \$ 1,177,692,723 |

| NUMBER OF CONTRACTS | | VALUE |
|---------------------------------|--|--------------|
| WRITTEN OPTIONS (-3.9%)# | | |
| | <i>Financials (-3.9%)</i> | |
| 2,000 | MetLife, Inc. Call, 09/19/09, Strike \$25.00 SPDR Trust Series 1 | (1,660,000) |
| 8,700 | Call, 06/20/09, Strike \$77.00 | (9,874,500) |
| 8,700 | Call, 06/20/09, Strike \$78.00 | (9,156,750) |
| 8,600 | Call, 05/16/09, Strike \$76.00 | (9,653,500) |
| 6,000 | Call, 05/16/09, Strike \$72.00 | (9,075,000) |
| 4,500 | Call, 06/20/09, Strike \$81.00 | (3,678,750) |
| 4,250 | Call, 06/20/09, Strike \$82.00 | (3,176,875) |
| | TOTAL WRITTEN OPTIONS (Cost \$14,925,842) | (46,275,375) |

NOTES TO SCHEDULE OF INVESTMENTS

- ~ Security, or portion of security, is held in a segregated account as collateral for written options and swaps aggregating a total value of \$128,792,163.
Variable rate or step bond security. The rate shown is the rate in effect at April 30, 2009.
- ** Pilgrim s Pride Corp. and General Motors Corp. filed for bankruptcy protection on December 1, 2008 and June 1, 2009, respectively.
- Δ Securities exchangeable or convertible into securities of one or more entities that are different than the issuer. Each entity is identified in the parenthetical.
- * Securities issued and sold pursuant to a Rule 144A transaction are excepted from the registration requirement of the Securities Act of 1933, as amended. These securities may only be sold to qualified institutional buyers (QIBs), such as the fund. Any resale of these securities must generally be effected through a sale that is registered under the Act or otherwise exempted from such registration requirements. At April 30, 2009, there were no securities that could not be exchanged to the registered form.
- ¹ Security, or portion of security, is held in a segregated account as collateral for loans aggregating a total value of \$717,761,366.
- # Non-income producing security.

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Investment in affiliated fund. During the period from November 1, 2008 through April 30, 2009, the fund had net purchases of \$14,164,922 and earned \$75,418 in dividends from the affiliated fund. As of October 31, 2008, the fund had holdings of \$3,039,130 in the affiliated fund.

FOREIGN CURRENCY ABBREVIATIONS

CHF Swiss Franc
EUR European Monetary Unit
GBP British Pound Sterling

Note: Value for securities denominated in foreign currencies is shown in U.S. dollars. The principal amount for such securities is shown in the respective foreign currency. The date shown on options represents the expiration date on the option contract. The option contract may be exercised at any date on or before the date shown.

INTEREST RATE SWAP

| Counterparty | Fixed Rate (Fund Pays) | Floating Rate (Fund Receives) | Termination Date | Notional Amount | Unrealized Appreciation/ (Depreciation) |
|---------------------|-----------------------------------|--|-----------------------------|----------------------------|--|
| Citibank, N.A | 4.34% monthly | 1 month LIBOR | 6/4/2009 | \$200,000,000 | \$ (1,189,371) |
| BNP Paribas | 2.535% quarterly | 3 month LIBOR | 3/9/2014 | 90,000,000 | (455,365) |
| BNP Paribas | 2.02% quarterly | 3 month LIBOR | 3/9/2012 | 60,000,000 | (367,060) |
| | | | | | \$ (2,011,796) |

Strategic Total Return Fund
 Schedule of Investments **SEMIANNUAL REPORT** 9

See accompanying Notes to Financial Statements

Statement of Assets and Liabilities

April 30, 2009 (unaudited)

ASSETS

| | |
|--|------------------|
| Investments in securities, at value (cost \$2,544,012,228) | \$ 1,687,310,900 |
| Investments in affiliated fund (cost \$17,204,052) | 17,204,052 |
| Cash with custodian (interest bearing) | 29,373 |
| Accrued interest and dividends receivables | 21,947,325 |
| Prepaid expenses | 243,371 |
| Other assets | 107,165 |
| | |
| Total assets | 1,726,842,186 |

LIABILITIES

| | |
|--|-------------|
| Options written, at value (premium \$14,925,842) | 46,275,375 |
| Unrealized depreciation on swaps | 2,011,796 |
| Payables: | |
| Note Payable | 299,000,000 |
| Affiliates: | |
| Investment advisory fees | 1,324,772 |
| Deferred compensation to trustees | 107,165 |
| Financial accounting fees | 15,404 |
| Trustees fees and officer compensation | 9,553 |
| Other accounts payable and accrued liabilities | 387,050 |
| | |
| Total liabilities | 349,131,115 |

PREFERRED SHARES

| | |
|--|-------------|
| \$25,000 liquidation value per share applicable to 8,000 shares, including dividends payable | 200,018,348 |
|--|-------------|

| | |
|---|-------------------------|
| NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS | \$ 1,177,692,723 |
|---|-------------------------|

COMPOSITION OF NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS

| | |
|---|------------------|
| Common stock, no par value, unlimited shares authorized 154,514,000 shares issued and outstanding | \$ 2,200,530,112 |
|---|------------------|

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| | |
|--|------------------|
| Undistributed net investment income (loss) | (37,336,076) |
| Accumulated net realized gain (loss) on investments, written options, foreign currency transactions, and swaps | (95,423,930) |
| Unrealized appreciation (depreciation) of investments, written options, foreign currency translations, and swaps | (890,077,383) |
| | |
| NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS | \$ 1,177,692,723 |
| | |
| Net asset value per common share based on 154,514,000 shares issued and outstanding | \$ 7.62 |

Strategic Total Return Fund

10 **SEMIANNUAL REPORT** Statement of Assets and Liabilities

See accompanying Notes to Financial Statements

Statement of Operations

Six Months Ended April, 30, 2009 (unaudited)**INVESTMENT INCOME**

| | |
|--|----------------|
| Interest | \$ 30,420,441 |
| Dividends (net of foreign taxes withheld of \$170,940) | 29,502,336 |
| Dividends from affiliates | 75,418 |
| Securities lending income | 5,604 |
| Total investment income | 60,003,799 |

EXPENSES

| | |
|--|----------------|
| Investment advisory fees | 8,150,524 |
| Financial accounting fees | 94,966 |
| Transfer agent fees | 14,851 |
| Accounting fees | 58,197 |
| Auction agent and rating agency fees | 278,271 |
| Audit fees | 60,721 |
| Legal fees | 84,554 |
| Arrangement fee | 1,338,904 |
| Custodian fees | 26,319 |
| Printing and mailing fees | 189,650 |
| Registration fees | 66,783 |
| Trustees fees and officer compensation | 56,023 |
| Interest expense | 7,482,072 |
| Other | 52,383 |
| Total expenses | 17,954,218 |
| Less expense reduction | (15,040) |
| Net expenses | 17,939,178 |

| | |
|------------------------------|------------|
| NET INVESTMENT INCOME (LOSS) | 42,064,621 |
|------------------------------|------------|

REALIZED AND UNREALIZED GAIN (LOSS)**Net realized gain (loss) from:**

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| | |
|--|---------------|
| Investments, excluding purchased options | (121,970,513) |
| Purchased options | (25,742,911) |
| Foreign currency transactions | 36,674 |
| Written options | 48,883,945 |
| Swaps | (2,736,791) |
| Change in net unrealized appreciation/depreciation on: | |
| Investments, excluding purchased options | 123,236,025 |
| Purchased options | (8,298,914) |
| Foreign currency translations | 180,678 |
| Written options | (30,403,516) |
| Swaps | (535,155) |
| | |
| NET REALIZED AND UNREALIZED GAIN (LOSS) | (17,350,478) |
| | |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 24,714,143 |
| | |
| DISTRIBUTIONS TO PREFERRED SHAREHOLDERS FROM | |
| Net investment income | (933,030) |
| | |
| NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS RESULTING FROM OPERATIONS | \$ 23,781,113 |

Strategic Total Return Fund
Statement of Operations **SEMIANNUAL REPORT** 11

See accompanying Notes to Financial Statements

Statements of Changes in Net Assets

| | Six Months Ended April 30, 2009 (unaudited) | Year Ended October 31, 2008 |
|---|--|-----------------------------------|
| OPERATIONS | | |
| Net investment income (loss) | \$ 42,064,621 | \$ 112,739,897 |
| Net realized gain (loss) from investments in securities, written options, foreign currency transactions, and swaps | (101,529,596) | 77,994,522 |
| Change in net unrealized appreciation/depreciation on investment in securities, written options, foreign currency translations, and swaps | 84,179,118 | (1,354,519,353) |
| Distributions to preferred shareholders from: | | |
| Net investment income | (933,030) | (20,104,421) |
| Capital gains | | (12,046,709) |
| Net increase (decrease) in net assets applicable to common shareholders resulting from operations | 23,781,113 | (1,195,936,064) |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM | | |
| Net investment income | (69,531,300) | (173,441,968) |
| Capital gains | | (21,987,343) |
| Net decrease in net assets from distributions to common shareholders | (69,531,300) | (195,429,311) |
| CAPITAL STOCK TRANSACTIONS | | |
| Offering costs on common shares | | (203,747) |
| Net increase (decrease) in net assets from capital stock transactions | | (203,747) |
| TOTAL INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS | (45,750,187) | (1,391,569,122) |

NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS

| | | |
|--|------------------|------------------|
| Beginning of period | \$ 1,223,442,910 | \$ 2,615,012,032 |
| End of period | 1,177,692,723 | 1,223,442,910 |
| Undistributed net investment income (loss) | \$ (37,336,076) | \$ (8,936,367) |

Strategic Total Return Fund

12 **SEMIANNUAL REPORT** Statements of Changes in Net Assets

See accompanying Notes to Financial Statements

Statement of Cash Flows

Six Months Ended April, 30, 2009 (unaudited)**CASH FLOWS FROM OPERATING ACTIVITIES:**

| | |
|--|--------------------|
| Net increase/(decrease) in net assets from operations | \$ 24,714,143 |
| Adjustments to reconcile net increase/(decrease) in net assets from operations to net cash used in operating activities: | |
| Change in unrealized appreciation or depreciation on swaps | 535,155 |
| Change in written options | 20,439,325 |
| Purchase in investment securities | (101,120,549) |
| Proceeds from disposition of investment securities | 257,895,704 |
| Amortization and accretion of fixed-income securities | (490,351) |
| Purchase of short term investments, net | (14,164,922) |
| Net realized gains/losses from investments, excluding purchased options | 121,970,513 |
| Net realized gains/losses from purchased options | 25,742,911 |
| Change in unrealized appreciation or depreciation on investments, excluding purchased options | (123,236,025) |
| Change in unrealized appreciation or depreciation on purchased options | 8,298,914 |
| Net change in assets and liabilities: | |
| (Increase)/decrease in assets: | |
| Accrued interest and dividends receivable | 4,019,086 |
| Prepaid expenses | 1,257,288 |
| Other assets | (29,742) |
| Increase/(decrease) in liabilities: | |
| Payables to affiliates | (464,652) |
| Other accounts payable and accrued liabilities | (145,534) |
| Net cash provided by/(used in) operating activities | \$ 225,221,264 |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|--|----------------------|
| Distributions to common shareholders | (69,531,300) |
| Distributions to preferred shareholders | (1,060,429) |
| Repayments of Note payable | (155,000,000) |
| Net cash provided by/(used in) financing activities | \$ (225,591,729) |
| Net increase/(decrease) in cash and cash equivalents | \$ (370,465) |

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| | | |
|---|----|-----------|
| Cash at beginning of the year | \$ | 399,838 |
| Cash at end of the year | \$ | 29,373 |
| Supplemental disclosure Cash paid for interest | \$ | 7,552,128 |

Strategic Total Return Fund
Statement of Cash Flows **SEMIANNUAL REPORT** 13

See accompanying Notes to Financial Statements

Notes to Financial Statements

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization. Calamos Strategic Total Return Fund (the Fund) was organized as a Delaware statutory trust on December 31, 2003 and is registered under the Investment Company Act of 1940 (the 1940 Act) as a diversified, closed-end management investment company. The Fund commenced operations on March 26, 2004.

The Fund's investment objective is to provide total return through a combination of capital appreciation and current income. Under normal circumstances, the Fund will invest at least 80% of its managed assets in a diversified portfolio of convertibles and non-convertible income securities. Managed assets means the Fund's total assets (including any assets attributable to any leverage that may be outstanding) minus total liabilities (other than debt representing financial leverage).

Portfolio Valuation. The valuation of the Fund's portfolio securities is in accordance with policies and procedures adopted by and under the ultimate supervision of the board of trustees.

Portfolio securities that are traded on U.S. securities exchanges, except option securities, are valued at the last current reported sales price at the time the Fund determines its net asset value (NAV). Securities traded in the over-the-counter market and quoted on The NASDAQ Stock Market are valued at the NASDAQ Official Closing Price, as determined by NASDAQ, or lacking a NASDAQ Official Closing Price, the last current reported sale price on NASDAQ at the time a Fund determines its NAV.

When a most recent last sale or closing price is not available, equity securities, other than option securities, that are traded on a U.S. securities exchange and other securities traded in the over-the-counter market are valued at the mean between the most recent bid and asked quotations in accordance with guidelines adopted by the board of trustees. Each option security traded on a U.S. securities exchange is valued at the mid-point of the consolidated bid/ask quote for the option security, also in accordance with guidelines adopted by the board of trustees. Each over-the-counter option that is not traded through the Options Clearing Corporation is valued based on a quotation provided by the counterparty to such option under the ultimate supervision of the board of trustees.

Fixed income securities are generally traded in the over-the-counter market and are valued by independent pricing services or by dealers who make markets in such securities. Valuations of fixed income securities consider yield or price of bonds of comparable quality, coupon rate, maturity, type of issue, trading characteristics and other market data and do not rely exclusively upon exchange or over-the-counter prices.

Trading on European and Far Eastern exchanges and over-the-counter markets is typically completed at various times before the close of business on each day on which the New York Stock Exchange (NYSE) is open. Each security trading on these exchanges or over-the-counter markets may be valued utilizing a systematic fair valuation model provided by an independent pricing service approved by the board of trustees. The valuation of each security that meets certain criteria in relation to the valuation model is systematically adjusted to reflect the impact of movement in the U.S. market after the foreign markets close. Securities that do not meet the criteria, or that are principally traded in other foreign markets, are valued as of the last reported sale price at the time the Fund determines its NAV, or when reliable market prices or quotations are not readily available, at the mean between the most recent bid and asked quotations as of the close of the appropriate exchange or other designated time. Trading of foreign securities may not take place on every NYSE business day. In addition, trading may take place in various foreign markets on Saturdays

or on other days when the NYSE is not open and on which the Fund's NAV is not calculated.

If the pricing committee determines that the valuation of a security in accordance with the methods described above is not reflective of a fair value for such security, the security is valued at a fair value by the pricing committee, under the ultimate supervision of the board of trustees, following the guidelines and/or procedures adopted by the board of trustees.

The Fund also may use fair value pricing, pursuant to guidelines adopted by the board of trustees and under the ultimate supervision of the board of trustees, if trading in the security is halted or if the value of a security it holds is materially affected by events occurring before the Fund's pricing time but after the close of the primary market or exchange on which the security is listed. Those procedures may utilize valuations furnished by pricing services approved by the board of trustees, which may be based on market transactions for comparable securities and various relationships between securities that are generally recognized by

Strategic Total Return Fund

14 **SEMIANNUAL REPORT** Notes to Financial Statements

Notes to Financial Statements

institutional traders, a computerized matrix system, or appraisals derived from information concerning the securities or similar securities received from recognized dealers in those securities.

When fair value pricing of securities is employed, the prices of securities used by the Fund to calculate its NAV may differ from market quotations or official closing prices. In light of the judgment involved in fair valuations, there can be no assurance that a fair value assigned to a particular security is accurate.

Investment Transactions. Investment transactions are recorded on a trade date basis as of April 30, 2009. Net realized gains and losses from investment transactions are reported on an identified cost basis. Interest income is recognized using the accrual method and includes accretion of original issue and market discount and amortization of premium. Dividend income is recognized on the ex-dividend date, except that certain dividends from foreign securities are recorded as soon as the information becomes available after the ex-dividend date.

Foreign Currency Translation. Values of investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using a rate quoted by a major bank or dealer in the particular currency market, as reported by a recognized quotation dissemination service.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Reported net realized foreign currency gains or losses arise from disposition of foreign currency, the difference in the foreign exchange rates between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the ex-date or accrual date and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes (due to the changes in the exchange rate) in the value of foreign currency and other assets and liabilities denominated in foreign currencies held at prior end.

Allocation of Expenses Among Funds. Expenses directly attributable to the Fund are charged to the Fund; certain other common expenses of Calamos Advisors Trust, Calamos Investment Trust, Calamos Convertible Opportunities and Income Fund, Calamos Convertible and High Income Fund, Calamos Strategic Total Return Fund, Calamos Global Total Return Fund and Calamos Global Dynamic Income Fund are allocated proportionately among each fund to which the expenses relate in relation to the net assets of each fund or on another reasonable basis.

Use of Estimates. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Income Taxes. No provision has been made for U.S. income taxes because the Fund's policy is to continue to qualify as a regulated investment company under the Internal Revenue Code of 1986, as amended, and distribute to shareholders substantially all of its taxable income and net realized gains.

Dividends and distributions paid to shareholders are recorded on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains is determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. To the extent these book/tax differences are permanent in nature, such amounts are reclassified within the capital accounts based on their

federal tax-basis treatment. These differences are primarily due to differing treatments for foreign currency transactions, contingent payment debt instruments and methods of amortizing and accreting on fixed income securities. The financial statements are not adjusted for temporary differences.

The Fund recognized no liability for unrecognized tax benefits in connection with Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* an interpretation of FASB *Statement No. 109*. A reconciliation is not provided as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions or settlements. Tax years 2004 - 2007 remain subject to examination by the U.S. and the State of Illinois tax jurisdictions.

Notes to Financial Statements

Indemnifications. Under the Fund's organizational documents, the Fund is obligated to indemnify its officers and trustees against certain liabilities incurred by them by reason of having been an officer or trustee of the Fund. In addition, in the normal course of business, the Fund may enter into contracts that provide general indemnifications to other parties. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. Currently, the Fund's management expects the risk of material loss in connection to a potential claim to be remote.

New Accounting Pronouncements. Effective November 1, 2008, the Fund adopted the provisions of the *Statement of Financial Accounting Standard No. 157, Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 requires disclosure surrounding the various inputs used to determine a valuation, and these inputs are segregated into three levels. Tables summarizing the Fund's investments under these levels are shown in the Notes to Financial Statements, Note 10 Valuations.

Effective November 1, 2008, the Fund adopted the Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). SFAS 161 requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. The required disclosures are reflected in the Schedule of Investments, Statement of Operations, and in the Notes to Financial Statements, Note 6 Derivative Instruments.

NOTE 2 INVESTMENT ADVISOR AND TRANSACTIONS WITH AFFILIATES OR CERTAIN OTHER PARTIES

Pursuant to an investment advisory agreement with Calamos Advisors LLC (Calamos Advisors), the Fund pays an annual fee, payable monthly, equal to 1.00% based on the average weekly managed assets. Calamos Advisors has agreed to waive a portion of its advisory fee charged to the Fund equal to the advisory fee paid by Calamos Government Money Market Fund (GMMF, an affiliated fund and a series of Calamos Investments Trust) attributable to the Fund's investment in GMMF, based on daily net assets. For the period ended April 30, 2009, the total advisory fee waived pursuant to such agreement was 15,040 and is included in the Statement of Operations under the caption Less expense reduction .

Pursuant to a financial accounting services agreement, the Fund also pays Calamos Advisors a fee for financial accounting services payable monthly at the annual rate of 0.0175% on the first \$1 billion of combined assets; 0.0150% on the next \$1 billion of combined assets and 0.0110% on combined assets above \$2 billion (for purposes of this calculation combined assets means the sum of the total average daily net assets of Calamos Investment Trust, Calamos Advisors Trust, and the total average weekly managed assets of Calamos Convertible and High Income Fund, Calamos Convertible Opportunities and Income Fund, Calamos Strategic Total Return Fund, Calamos Global Total Return Fund, and Calamos Global Dynamic Income Fund). Managed assets means the Fund's total assets (including any assets attributable to any leverage that may be outstanding) minus total liabilities (other than debt representing financial leverage). Financial accounting services include, but are not limited to, the following: managing expenses and expenses payment processing; monitoring the calculation of expense accrual amounts; calculating, tracking and reporting tax adjustments on all assets and monitoring trustee deferred compensation plan accruals and valuations. The Fund pays its pro rata share of the financial accounting services fee to Calamos Advisors based on its respective assets used in calculating the fee.

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The Fund reimburses Calamos Advisors for a portion of compensation paid to the Fund's Chief Compliance Officer. This compensation is reported as part of Trustees' fee and officer compensation expenses on the Statement of Operations.

A trustee and certain officers of the Fund are also officers and directors of Calamos Financial Services LLC (CFS) and Calamos Advisors. Such trustee and officers serve without direct compensation from the Fund.

The Fund has adopted a deferred compensation plan (the Plan). Under the Plan, a trustee who is not an interested person (as defined in the 1940 Act) and has elected to participate in the Plan (a participating trustee) may defer receipt of all or a portion of his compensation from the Fund. The deferred compensation payable to the participating trustee is credited to the trustee's deferral account as of the business day such compensation would have been paid to the participating trustee. The value of amount deferred for a participating trustee is determined by reference to the change in value of Class I shares of one or more funds of Calamos Investment Trust designated by the participant. The value of the account increases with contributions to the account or

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Notes to Financial Statements

with increases in the value of the measuring shares, and the value of the account decreases with withdrawals from the account or with declines in the value of the measuring shares. Deferred compensation investments of \$107,165 are included in Other assets on the Statement of Assets and Liabilities at April 30, 2009. The Fund's obligation to make payments under the Plan is a general obligation of the Fund and is included in Payable for deferred compensation to Trustees on the Statement of Assets and Liabilities at April 30, 2009.

NOTE 3 INVESTMENT

The cost of purchases and proceeds from sale of investments, other than short-term investments and U.S. Government Securities for the period ended April 30, 2009 were as follows:

| | |
|---------------------|---------------|
| Purchases | \$ 98,757,864 |
| Proceeds from sales | 257,894,343 |

The cost of purchases and proceeds from sale of long-term U.S. Government securities were \$2,362,685 and \$, respectively.

The following information is presented on a federal income tax basis as of April 30, 2009. Differences between the cost basis under U.S. generally accepted accounting principles and federal income tax purposes are primarily due to temporary differences.

The cost basis of investments for federal income tax purposes at April 30, 2009 was as follows:

| | |
|--|------------------|
| Cost basis of investments | \$ 2,587,968,774 |
| Gross unrealized appreciation | 28,791,094 |
| Gross unrealized depreciation | (912,244,916) |
| Net unrealized appreciation (depreciation) | \$ (883,453,822) |

NOTE 4 INCOME TAXES

The Fund intends to make monthly distributions from its income available for distribution, which consists of the Fund's dividends and interest income after payment of Fund expenses, and net realized gains on stock investments. At least annually, the Fund intends to distribute all or substantially all of its net realized capital gains, if any.

Distributions are recorded on the ex-dividend date. The Fund distinguishes between distributions on a tax basis and a financial reporting basis. Accounting principles generally accepted in the United States of America require that only distributions in excess of tax basis earnings and profits be reported in the financial statements as a return of capital. Permanent differences between book and tax accounting relating to distributions are reclassified to paid-in-capital. For tax purposes, distributions from short-term capital gains are considered to be from ordinary income. Distributions in

any year may include a return of capital component. The tax character of distributions for the period ended April 30, 2009 will be determined at the end of the Fund's current fiscal year.

Distributions during the fiscal period ended October 31, 2008 were characterized for federal income tax purposes as follows:

Distributions paid from:

| | |
|-------------------------|----------------|
| Ordinary income | \$ 194,255,543 |
| Long-term capital gains | 34,032,862 |

Notes to Financial Statements

As of October 31, 2008, the components of accumulated earnings/(loss) on a tax basis were as follows:

| | |
|--|------------------|
| Undistributed ordinary income | \$ 10,687,767 |
| Undistributed capital gains | |
| | |
| Total undistributed earnings | 10,687,767 |
| Accumulated capital and other losses | |
| Net unrealized gains/(losses) | (987,500,876) |
| | |
| Total accumulated earnings/(losses) | (976,813,109) |
| Other | (274,093) |
| Paid-in capital | 2,200,530,112 |
| | |
| Net assets applicable to common shareholders | \$ 1,223,442,910 |

NOTE 5 COMMON SHARES

There are unlimited common shares of beneficial interest authorized and 154,514,000 shares outstanding at April 30, 2009. Calamos Advisors owned 21,847 of the outstanding shares at April 30, 2009. Transactions in common shares were as follows:

| | Period Ended April 30, 2009 | Year Ended October 31, 2008 |
|--|--|--|
| Beginning shares | 154,514,000 | 154,514,000 |
| Shares issued through reinvestment of distribution | | |
| | | |
| Ending shares | 154,514,000 | 154,514,000 |

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may from time to time purchase its shares of common stock in the open market.

NOTE 6 DERIVATIVE INSTRUMENTS

Foreign Currency Risk. The Fund may engage in portfolio hedging with respect to changes in currency exchange rates by entering into foreign currency contracts to purchase or sell currencies. A forward foreign currency contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risks associated with such contracts include, among other things, movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The net unrealized gain, if any, represents the credit risk to the Fund on a forward foreign currency contract. The contracts are valued daily at forward foreign exchange rates and an unrealized gain or loss is recorded. The Fund realizes a gain or loss when a position is closed or upon settlement of the contracts. There were no open forward currency contracts at April 30, 2009.

Equity Risk. The Fund may engage in option transactions and in doing so achieve the similar objectives to what it would achieve through the sale or purchase of individual securities. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller of the option the obligation to sell, the underlying security, index or other instrument at the exercise price. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the seller the obligation to buy, the underlying security, index, or other instrument at the exercise price.

To seek to offset some of the risk of a potential decline in value of certain long positions, the Fund may also purchase put options on individual securities, broad-based securities indexes or certain exchange traded funds (ETFs). The Fund may also seek to generate income from option premiums by writing (selling) options on a portion of the equity securities (including securities that are convertible into equity securities) in the Fund's portfolio, on broad-based securities indexes, or certain ETFs.

When the Fund purchases an option, it pays a premium and an amount equal to that premium is recorded as an asset. When the Fund writes an option, it receives a premium and an amount equal to that premium is recorded as a liability. The asset or liability is adjusted daily to reflect the current market value of the option. If an option expires unexercised, the Fund realizes a gain or loss to the extent of the premium received or paid. If an option is exercised, the premium received or paid is recorded as an adjustment to

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Notes to Financial Statements

the proceeds from the sale or the cost basis of the purchase in determining whether the Fund has realized a gain or loss. The difference between the premium and the amount received or paid on a closing purchase or sale transaction is also treated as a realized gain or loss. Gain or loss on purchased options is included in net realized gain or loss on investment transactions. Gain or loss on written options is presented separately as net realized gain or loss on written options.

As of April 30, 2009, the Fund had outstanding purchased options and written options as listed on the Schedule of Investments. For the period ended April 30, 2009 the Fund had the following transactions in options written:

| | Number of Contracts | | Premiums Received |
|---|--------------------------------|----|--------------------------|
| Options outstanding at October 31, 2008 | 56,110 | \$ | 24,890,033 |
| Options written | 138,690 | | 52,416,048 |
| Options closed | (147,048) | | (60,073,909) |
| Options expired | (5,000) | | (2,304,969) |
| Options exercised | (2) | | (1,361) |
| | | | |
| Options outstanding at April 30, 2009 | 42,750 | \$ | 14,925,842 |

Interest Rate Risk. The Fund may engage in interest rate swaps primarily to manage duration and yield curve risk, or as alternatives to direct investments. An interest rate swap is a contract that involves the exchange of one type of interest rate for another type of interest rate. Three main types of interest rate swaps are coupon swaps (fixed rate to floating rate in the same currency); basis swaps (one floating rate index to another floating rate index in the same currency); and cross-currency interest rate swaps (fixed rate in one currency to floating rate in another). In the case of a coupon swap, the Fund may agree with a counterparty that the Fund will pay a fixed rate (multiplied by a notional amount) while the counterparty will pay a floating rate multiplied by the same notional amount. If interest rates rise, resulting in a diminution in the value of the Fund's portfolio, the Fund would receive payments under the swap that would offset, in whole or in part, such diminution in value; if interest rates fall, the Fund would likely lose money on the swap transaction. Unrealized gains are reported as an asset and unrealized losses are reported as a liability on the Statement of Assets and Liabilities. The change in value of swaps, including accruals of periodic amounts of interest to be paid or received on swaps, is reported as change in unrealized appreciation/depreciation in the Statement of Operations. A realized gain or loss is recorded upon payment or receipt of a periodic payment or termination of the swap agreements. Swap agreements are stated at fair value. Notional principal amounts are used to express the extent of involvement in these transactions, but the amounts potentially subject to credit risk are much smaller. In connection with these contracts, securities may be identified as collateral in accordance with the terms of the respective swap contracts in the event of default or bankruptcy.

Premiums paid to or by the Fund are accrued daily and included in realized gain (loss) when paid on swaps in the accompanying Statement of Operations. The contracts are marked-to-market daily based upon third party vendor valuations and changes in value are recorded as unrealized appreciation (depreciation). Gains or losses are realized upon early termination of the contract. Risks may exceed amounts recognized in the Statement of Assets and Liabilities. These risks include changes in the returns of the underlying instruments, failure of the counterparties to

perform under the contracts' terms, counterparty's creditworthiness, and the possible lack of liquidity with respect to the contracts.

As of April 30, 2009, the Fund had outstanding interest rate swap agreements as listed on the Schedule of Investments.

Below are the types of derivatives in the Fund by location as presented in the Statement of Assets and Liabilities:

| | Assets | Liabilities |
|----------------------------|---|---|
| | Statement of Assets and Liabilities Location | Statement of Assets and Liabilities Location |
| Derivative Type | | |
| Option contracts | Investments in securities | Options written |
| Foreign exchange contracts | Unrealized appreciation on forward foreign currency contracts | Unrealized depreciation on forward foreign currency contracts |

Notes to Financial Statements

Below are the types of derivatives in the Fund by gross value as of April 30, 2009:

| | Assets | | Liabilities | |
|-------------------|---|--------------|---|-----------|
| | Statement of Assets & Liabilities Location | Value | Statement of Assets & Liabilities Location | Value |
| Derivative Type: | | | | |
| Options purchased | Investments in securities | \$ 2,052,850 | Options written | \$ 46,275 |
| Foreign Exchange | Unrealized appreciation on forward foreign currency contracts | | Unrealized depreciation on forward foreign currency contracts | |
| Commodities | Unrealized depreciation on forward foreign currency contracts | | Unrealized appreciation on forward foreign currency contracts | |
| Auction Rate | | | | |
| Swaps | Unrealized appreciation on swaps | | Unrealized depreciation on swaps | 2,011 |
| Default | | | | |
| Derivatives | Unrealized appreciation on swaps | | Unrealized depreciation on swaps | |

VOLUME OF DERIVATIVE ACTIVITY FOR THE SIX MONTHS ENDED APRIL 30, 2009*

| | |
|----------------------------|-------------|
| Equity: | |
| Purchased options | |
| Written options | 138,690 |
| Foreign currency contracts | |
| Interest rate swaps | 150,000,000 |
| Credit swaps | |

* Activity during the period is measured by gross number of contracts for options and gross U.S. dollar notional amount for foreign currency contracts and swaps.

NOTE 7 PREFERRED SHARES

There are unlimited shares of Auction Rate Cumulative Preferred Shares (Preferred Shares) authorized. The Preferred Shares have rights as determined by the board of trustees. The 8,000 shares of Preferred Shares outstanding consist of seven series, 1,304 shares of M, 1,304 shares of TU, 1,304 shares of W, 1,304 shares of TH, 1,304 shares of F, 740 shares of A, and 740 shares of B. The Preferred Shares have a liquidation value of \$25,000 per share plus any accumulated but unpaid dividends, whether or not declared.

Dividends on the Preferred Shares are cumulative at a rate typically reset every seven days based on the results of an auction. Dividend rates ranged from .35% to 6.54% for the period ended April 30, 2009. Under the 1940 Act, the Fund may not declare dividends or make other distributions on its common shares or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding Preferred Shares would be less than 200%.

If all holders of Preferred Shares who want to sell their shares are unable to do so because there are insufficient bidders in the auction at rates below the maximum rate as prescribed by the terms of the security, a failed auction results. When an auction fails, all holders receive the maximum rate and may be unable to sell their shares at the next auction. The maximum applicable rate on preferred shares is 150% of the 7-Day LIBOR rate.

During the period November 1, 2008 to April 30, 2009 the auctions for the Preferred Shares of the Fund were not successful. As a result, the Preferred Share dividend rates were reset to the maximum applicable rate which is 150% of the 7-day LIBOR rate. Failed auctions result not from an event of default or a credit issue but a liquidity event.

The Fund may, from time to time, in whole or in part, repurchase shares of its Preferred Shares for cash at a price not above the market value of such shares at the time of such purchase plus any accumulated but unpaid dividends subject to the requirement of applicable law. The Preferred Shares are also subject to mandatory redemption at \$25,000 per share plus any accumulated but unpaid dividends, whether or not declared, if certain requirements relating to the composition of the assets and liabilities of the Fund as set forth in the Statement of Preferences are not satisfied.

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Notes to Financial Statements

The holders of Preferred Shares have voting rights equal to the holders of common shares (one vote per share) and will vote together with holders of common shares as a single class except on matters affecting only the holders of Preferred Shares or only the holders of common shares, when the respective classes vote alone.

On May 15, 2009, the Fund's Board approved the redemption of the 8,000 Preferred Shares outstanding. The shares will be redeemed at the liquidation preference of \$25,000 per share plus any accrued and unpaid dividends. The redemption dates are listed below:

| Series | Redemption Date |
|---------------|------------------------|
| Series M | 6/23/2009 |
| Series TU | 6/24/2009 |
| Series W | 6/25/2009 |
| Series A | 6/25/2009 |
| Series TH | 6/26/2009 |
| Series B | 6/26/2009 |
| Series F | 6/29/2009 |

NOTE 8 BORROWINGS

The Fund has entered into a Committed Facility Agreement (the Agreement) with BNP Paribas Prime Brokerage, Inc. (as successor to bank of America N.A.) that allows the Fund to borrow up to an initial limit of \$1,080,000.

Borrowings under the Agreement are secured by assets of the Fund. Interest is charged at a quarterly LIBOR (London Inter-bank Offered Rate) plus .95% on the amount borrowed and .85% on the undrawn balance. The Fund also paid a one time Arrangement fee of .25% of the total borrowing limit. The Arrangement fee for the period ended April 30, 2009 totaled \$1,338,904 and is included in Arrangement fee in the Statement of Operations. For the period ended April 30, 2009, the average borrowings under the Agreement and the average interest rate were \$349,193,370 and 2.44%, respectively. As of April 30, 2009, the amount of such outstanding borrowings is 299,000,000. The interest rate applicable to the borrowings on April 30, 2009 was 1.97%.

In addition BNP Paribas Prime Brokerage, Inc (BNP) has the ability to reregister the collateral in its own name or in another name other than the Fund to pledge, re-pledge, sell, lend or otherwise transfer or use the collateral (Hypothecated Securities) with all attendant rights of ownership. The Fund can recall any Hypothecated Securities and BNP shall, to the extent commercially possible, return such security or equivalent security to the fund no later than three business days after such request. If the Fund recalls a Hypothecated Security in connection with a sales transaction and BNP fails to return the Hypothecated Securities or equivalent securities in a timely fashion, BNP shall remain liable to the Fund's custodian for the ultimate delivery of such Hypothecated Securities or equivalent securities to the executing broker for the sales transaction and for any buy-in costs that the executing broker may impose with respect to the failure to deliver. The Fund shall also have the right to apply and set off an amount equal to one hundred percent (100%) of the then-current fair market value of such hypothecated securities against any amounts owed to BNP under the Committed Facility Agreement.

NOTE 9 SYNTHETIC CONVERTIBLE INSTRUMENTS

The Fund may establish a synthetic convertible instrument by combining separate securities that possess the economic characteristics similar to a convertible security, i.e., fixed-income securities (fixed-income component), which may be a convertible or non-convertible security and the right to acquire equity securities (convertible component). The fixed-income component is achieved by investing in fixed income securities such as bonds, preferred stocks and money market instruments. The convertible component is achieved by investing in warrants or options to buy common stock at a certain exercise price, or options on a stock index. In establishing a synthetic instrument, the Fund may pool a basket of fixed-income securities and a basket of warrants or purchased options that produce the economic characteristics similar to a convertible security. Within each basket of fixed-income securities and warrants or options, different companies may issue the fixed-income and convertible components, which may be purchased separately and at different times.

Notes to Financial Statements

The Fund may also purchase synthetic securities created by other parties, typically investment banks, including convertible structured notes. Convertible structured notes are fixed-income debentures linked to equity. Convertible structured notes have the attributes of a convertible security; however, the investment bank that issued the convertible note assumes the credit risk associated with the investment, rather than the issuer of the underlying common stock into which the note is convertible. Purchasing synthetic convertible securities may offer more flexibility than purchasing a convertible security.

NOTE 10 VALUATIONS

Various inputs are used to determine the value of the Fund's investments. These inputs are categorized into three broad levels as follows:

Level 1 holdings use inputs from unadjusted quoted prices from active markets (including securities actively traded on a securities exchange).

Level 2 holdings reflect inputs other than quoted prices, but use observable market data (including quoted prices of similar securities, interest rates, credit risk, ect.).

Level 3 holdings are valued using unobservable inputs (including the Fund's own judgments about assumptions market participants would use in determining fair value).

The following is a summary of the inputs used in valuing the Fund's holdings at fair value:

| Valuation Inputs | Value of Investment Securities | Value of Investment Securities Sold Short | Other Financial Instruments* |
|---|---|--|---|
| Level 1 Quoted Prices | \$ 895,464,277 | \$ | (\$ 46,275,375) |
| Level 2 Other significant observable inputs | 809,050,675 | | (2,011,796) |
| Level 3 Significant unobservable inputs | | | |
| Total | \$ 1,704,514,952 | \$ | (\$ 48,287,171) |

* Other Financial Instruments may include written options, forwards contracts, and swaps contracts.

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Financial Highlights

Selected data for a share outstanding throughout each period were as follows:

| | Six Months Ended April 30, (unaudited) | Year Ended October 31, | | | | |
|--|---|------------------------|---------|---------|---------|------------------------|
| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Net asset value, beginning of period | \$7.92 | \$16.92 | \$15.71 | \$14.44 | \$14.23 | \$14.32 ^(a) |
| Income from investment operations: Net investment income (loss) | 0.27** | 0.73** | 0.86** | 0.89 | 0.93 | 0.51 |
| Net realized and unrealized gain (loss) on investments , written options, foreign currency and swaps | (0.11) | (8.26) | 1.89 | 1.86 | 0.48 | (0.09) |
| Distributions to preferred shareholders from: Net investment income (common share equivalent basis) | (0.01) | (0.13) | (0.32) | (0.33) | (0.21) | (0.06) |
| Capital gains (common share equivalent basis) | | (0.08) | (0.05) | | | |

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| | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Total from investment operations | 0.15 | (7.74) | 2.38 | 2.42 | 1.20 | 0.36 |
| Less distributions to common shareholders from: | | | | | | |
| Net investment income | (0.45) | (1.12) | (1.01) | (0.77) | (0.71) | (0.37) |
| Capital gains | | (0.14) | (0.16) | (0.38) | (0.28) | |
| Capital charge resulting from issuance of common and preferred shares | | (b) | | | | (0.08) |
| Net asset value, end of period | \$7.62 | \$7.92 | \$16.92 | \$15.71 | \$14.44 | \$14.23 |
| Market value, end of period | \$6.55 | \$6.94 | \$14.70 | \$14.91 | \$13.71 | \$13.34 |
| Total investment return based on ^(c) : | | | | | | |
| Net asset value | 3.99% | (47.73)% | 16.33% | 18.03% | 8.95% | 2.10% |
| Market value | 2.01% | (47.28)% | 6.49% | 17.99% | 10.35% | (8.59)% |
| Ratios and supplemental data: | | | | | | |
| Net assets applicable to common shareholders, end of period (000 s omitted) | \$1,177,693 | \$1,223,443 | \$2,615,012 | \$2,427,632 | \$2,231,348 | \$2,199,229 |

| | | | | | | |
|--|-----------|-----------|-------------|-------------|-------------|-------------|
| Preferred shares, at redemptions value (\$25,000 per share liquidation preference) (000 s omitted) | \$200,000 | \$200,000 | \$1,080,000 | \$1,080,000 | \$1,080,000 | \$1,080,000 |
|--|-----------|-----------|-------------|-------------|-------------|-------------|

Ratios to average
net assets
applicable to
common
shareholders:
Net expenses^{(d)(e)}

| | | |
|-------|-------|-------|
| 3.31% | 2.35% | 1.61% |
|-------|-------|-------|