

CALAMOS STRATEGIC TOTAL RETURN FUND
Form N-CSR
December 21, 2012

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, 2012 | |
| DATE OF REPORTING PERIOD: November 1, 2011 through October 31, 2012 | |

Item 1. Report to Shareholders

Experience and Foresight

About Calamos Investments

For nearly 35 years, we have helped investors like you manage and build wealth to meet their long-term individual objectives by working to capitalize on the opportunities of the evolving global marketplace. We launched our first open-end mutual fund in 1985 and our first closed-end fund in 2002. Today, we manage five closed-end funds. Three are enhanced fixed income offerings, which pursue high current income from income and capital gains. Two are income-oriented total return offerings, which seek current income, with increased emphasis on capital gains potential. Calamos Strategic Total Return Fund (CSQ), falls into this category. Please see page 5 for a more detailed overview of our closed-end offerings.

We are dedicated to helping our clients build and protect wealth. We understand when you entrust us with your assets, you also entrust us with your achievements, goals and aspirations. We believe we best honor this trust by making investment decisions guided by integrity, by discipline, and by our conscientious research.

We believe that an active, risk-conscious approach is essential for wealth creation. In the 1970s, we pioneered strategies that seek to participate in equity market upside and mitigate some of the potential risks of equity market volatility. Our investment process seeks to manage risk at multiple levels and draws upon our experience investing through multiple market cycles.

We have a global perspective. We believe that globalization offers tremendous opportunities for countries and companies all over the world. In our view, this creates significant opportunities for investors. In our U.S., global and international portfolios, we are seeking to capitalize on the potential growth of the global economy.

We believe there are opportunities in all markets. Our history traces back to the 1970s, a period of significant volatility and economic concerns. We have invested through multiple market cycles, each with its own challenges. Out of this experience comes our belief that the flipside of volatility is opportunity.

TABLE OF CONTENTS

| | |
|--------------------------------------------------------------------------------|----|
| <u>Letter to Shareholders</u> | 1 |
| <u>The Calamos Closed-End Funds:</u> | |
| <u>An Overview</u> | 5 |
| <u>Investment Team Discussion</u> | 6 |
| <u>Schedule of Investments</u> | 10 |
| <u>Statement of Assets and Liabilities</u> | 15 |
| <u>Statement of Operations</u> | 16 |
| <u>Statements of Changes In Net Assets</u> | 17 |
| <u>Statement of Cash Flows</u> | 18 |
| <u>Notes to Financial Statements</u> | 19 |
| <u>Financial Highlights</u> | 26 |
| <u>Report of Independent Registered Public Accounting Firm</u> | 27 |
| <u>Trustee Approval of Management Agreement</u> | 28 |
| <u>Tax Information</u> | 30 |
| <u>Trustees and Officers</u> | 31 |
| <u>About Closed-End Funds</u> | 33 |
| <u>Level Rate Distribution Policy</u> | 34 |
| <u>Automatic Dividend Reinvestment Plan</u> | 34 |

Letter to Shareholders

JOHN P. CALAMOS, SR.

CEO and Global Co-CIO

Dear Fellow Shareholder:

Welcome to your annual report for the period ended October 31, 2012. This report includes commentary from our investment team, as well as a listing of portfolio holdings, financial statements and highlights, and detailed information about the performance and allocation of your fund. I invite you to read it carefully.

Calamos Strategic Total Return Fund (CSQ) is an income-oriented total return fund. This means we are focused not only on delivering a competitive stream of distributions, but also on total return.

Steady and Competitive Distributions

During the annual period, CSQ provided steady monthly distributions, with an increase of 33.3% from \$0.0525 to \$0.0700 in February. We believe this was a factor in reducing the Fund's discount to net asset value from 12.5% on January 30, 2012 to 2.9% on October 31, 2012.

We believe the Fund's distribution rate, which was 8.20% on a market price basis as of October 31, 2012, was very competitive, given the low interest rates in many segments of the bond market. In our view, the Fund's distributions illustrate the benefits of a global, multi-asset class approach and flexible allocation strategy.

We understand that many closed-end fund investors seek steady, predictable distributions instead of distributions that fluctuate. Therefore, this Fund has a level rate distribution policy. As part of this policy, we aim to keep distributions consistent from month to month, and at a level that we believe can be sustained over the long term. In setting the Fund's distribution rate, the investment management team and the Fund's Board of Trustees consider the interest rate, market and economic environment. We also factor in our assessment of individual securities and asset classes. (For additional information on our level rate distribution policy, please see "The Calamos Closed-End Funds: An Overview" on page 5 and "Level Rate Distribution Policy" on page 34.)

Market Environment

Global markets advanced impressively over the 12-month period, even as stop-and-go rallies and persistent volatility combined to keep investors in a heightened state of uncertainty. For every positive development like strong corporate earnings, an improving U.S. housing market and the ongoing liquidity measures of the world's central banks,

Letter to Shareholders

the markets were given pause by continued economic instability in Europe, slowing growth in China and a still lackluster U.S. employment market. As the period ended, investors were also confronted with the uncertainty of the pending fiscal cliff.

Overall for the 12-month period, however, investors seemed to focus more on the positives than the negatives as U.S. equity, high yield bond and convertible securities markets all enjoyed significant gains. Equities performed the strongest, with the S&P 500 Index gaining 15.21%. Convertible securities returned 9.42%, as measured by the BofA Merrill Lynch All U.S. Convertibles Ex-Mandatory Index. High yield bonds also performed well, as measured by the Credit Suisse High Yield Index, up 12.86%. Within the high yield market, new issuance continued at a robust pace. However, even as market pressures intensified, the number and volume of defaults remained low. Convertible issuance was steady but muted throughout the period, as a low rate environment encouraged companies to issue non-convertible, rather than convertible debt.

Outlook: Slow Growth Amid Uncertainty

We believe that the U.S. economy is positioned to stay on its slow-growth course. Despite the significant challenges of the fiscal cliff and the ever-changing situation in the euro zone, consumers have remained relatively resilient and some manufacturing data, including a healthier auto industry, is pointing in a better direction. Businesses have improved their balance sheets and have plenty of cash on hand, ready to invest and grow in the coming year. The recovery of the housing market, however gradual, can also provide a boost to the economy as rising prices contribute to increased consumer confidence.

Nonetheless, we are also cautious. We expect market volatility to continue, stoked in part by a range of near-term political uncertainties, including the recent leadership change in China and ongoing partisan contentiousness in the U.S. While quantitative easing has proven to an effective short-term balm for the markets, the long-term effectiveness of the government continuing to pump money into the economy is far less assured. In the U.S., job growth continues to be uninspiring, and while money supply has soared, the velocity of money has not. Although large companies have benefitted from low rates and have accumulated capital, smaller businesses face persistent hurdles as banks keep the purse strings tight.

We maintain our view that sustained global growth requires a greater commitment to pro-business policies and reduced government intervention. A strong private sector can set the stage for better wages and national prosperity, but rising government debt without rising personal income is a roadmap to economic stagnation.

In selecting investments for this Fund, we seek to balance yield and risk considerations. We therefore favor companies that we believe offer reliable debt servicing, respectable balance sheets and strong cash flows. As part of our active approach, we subject each investment to our rigorous fundamental credit research.

Letter to Shareholders

Our Use of Leverage

We have the flexibility to utilize leverage in this Fund. Over the long term, we believe that the judicious use of leverage provides us with opportunities to enhance total return and support the Fund's distribution rate. Leverage strategies typically entail borrowing at short-term interest rates and investing the proceeds at higher rates of return. During the reporting period, we believed the prudent use of leverage would be advantageous given the economic environment, specifically the low borrowing costs we were able to secure. Overall, our use of leverage contributed favorably to the returns of the Fund, as the performance of the Fund's holdings exceeded the costs of our borrowing activities.

Consistent with our focus on risk management, we have employed techniques to hedge against a rise in interest rates. We have used interest rate swaps to manage the borrowing costs associated with our leverage activities. Interest rate swaps allow us to lock down an interest rate we believe to be attractive. Although rates are at historically low levels across much of the fixed income market, history has taught us that rates can rise quickly, in some cases, in a matter of months. We believe that the Fund's use of interest rate swaps is beneficial because it provides a degree of protection should a rise in rates occur.

Opportunities: Global Equities Remain Compelling

Reflecting our outlook for continued slower growth and our wariness about inflation, we maintain a constructive view on equities. We believe that global secular themes including growing consumer strength in the emerging markets, global demand for technology innovations and global infrastructure build-out can continue to power a wide range of companies across the globe, even against the headwind of slower-growth outlook.

Valuations continue to be attractive, particularly in this low interest rate environment. Moreover, there is money sitting on the sidelines that we believe could move into motion quickly, providing a tailwind to equities. In our opinion, the opportunities are most pronounced for multinational growth-oriented companies, particularly those poised to capitalize on the strengthening consumer power in the emerging markets. These companies have the flexibility to go where capital is treated best. Further, while interest rates remain historically low for now, equities can act as a hedge against the potential risk of inflation.

Within fixed income, we see opportunity in the mid-grade corporate sector. As yields in the government bond market have all but evaporated, this segment of the market continues to demonstrate attractive risk-reward characteristics for income-oriented investors. We are especially vigilant about interest rate risk, knowing from history how quickly inflation can sometimes arise.

The past year has been encouraging, but the sustainability of the markets' positive performance is yet to be seen. This is an environment that requires patience and long-term, global perspective. We believe our dynamic

Letter to Shareholders

allocation approach has been instrumental to the results we have achieved over full market cycles and will continue to be, particularly given the low rates currently available in many segments of the fixed income marketplace.

If you would like any additional information about this Fund or our other closed-end offerings, please contact your financial advisor or our client services team at 800.582.6959 (Monday through Friday from 8:00 a.m. to 6:00 p.m., Central Time), or visit us at calamos.com. We thank you for your continued trust.

Sincerely,

John P. Calamos, Sr.

CEO and Global Co-CIO,

Calamos Advisors LLC

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

The Calamos Closed-End Funds: An Overview

In our closed-end funds, we draw upon decades of investment experience, including a long history of opportunistically blending asset classes in an attempt to capture upside potential while managing downside risk. We launched our first closed-end fund in 2002.

Closed-end funds are long-term investments. Most focus on providing monthly distributions, but there are important differences among individual closed-end funds. Calamos closed-end funds can be grouped into multiple categories designed to produce income while offering exposure to various asset classes and sectors.

Portfolios Positioned to Pursue High Current Income

from Income and Capital Gains

OBJECTIVE: U.S. ENHANCED FIXED INCOME

Calamos Convertible Opportunities and Income Fund

(Ticker: CHI)

Invests in high yield and convertible securities, primarily in U.S. markets

Calamos Convertible and High Income Fund

(Ticker: CHY)

Invests in high yield and convertible securities, primarily in U.S. markets

OBJECTIVE: GLOBAL ENHANCED FIXED INCOME

Calamos Global Dynamic Income Fund

(Ticker: CHW)

Invests in global fixed income securities, alternative investments and equities

Our Level Rate Distribution Policy

Closed-end fund investors often look for a steady stream of income. Recognizing this, Calamos closed-end funds have a level rate distribution policy in which we aim to keep monthly income consistent through the disbursement of net investment income, net realized short-term capital gains and, if necessary, return of capital. We set distributions at levels that we believe are sustainable for the long term. Our team is focused on delivering an attractive monthly distribution, while maintaining a long-term focus on risk management. The level of the funds' distributions can be greatly influenced by market conditions, including the interest rate environment. The funds' distributions will depend on the individual performance of positions the funds hold, our view of the benefits of retaining leverage, fund tax considerations, and maintaining regulatory requirements.

For more information about any of these funds, we encourage you to contact your financial advisor or Calamos Investments at 800.582.6959 (Monday through Friday from 8:00 a.m. to 6:00 p.m., Central Time). You can also visit us at calamos.com.

For more information on our level rate distribution policy, please see page 34.

Portfolios Positioned to Seek Current Income, with Increased Emphasis on Capital Gains Potential

OBJECTIVE: GLOBAL TOTAL RETURN

Calamos Global Total Return Fund

(Ticker: CGO)

Invests in equities and higher yielding convertible securities and corporate bonds, in both U.S. and non-U.S. markets

OBJECTIVE: U.S. TOTAL RETURN

Calamos Strategic Total Return Fund

(Ticker: CSQ)

Invests in equities and higher yielding convertible securities and corporate bonds, primarily in U.S. markets

Investment Team Discussion

TOTAL RETURN* AS OF 10/31/12

Common Shares Inception 3/26/04

| | 1 Year | Since Inception** |
|-----------------|--------|-------------------|
| On Market Price | 28.08% | 4.01% |
| On NAV | 12.97% | 4.93% |

* Total return measures net investment income and net realized gain or loss from Fund investments, and change in net unrealized appreciation and depreciation, assuming reinvestment of income and net realized gains distributions.

** Annualized since inception.

SECTOR WEIGHTINGS

| | |
|----------------------------|-------|
| Information Technology | 19.6% |
| Energy | 16.4 |
| Health Care | 15.8 |
| Industrials | 11.7 |
| Consumer Discretionary | 8.2 |
| Consumer Staples | 6.2 |
| Materials | 5.7 |
| Financials | 5.6 |
| Telecommunication Services | 4.1 |
| Utilities | 2.1 |

Sector Weightings are based on managed assets and may vary over time. Sector Weightings exclude any government/sovereign bonds or options on broad market indexes the Fund may hold.

STRATEGIC TOTAL RETURN FUND

INVESTMENT TEAM DISCUSSION

The Fund's Investment Team discusses strategy, performance and positioning for the 12-month period ended October 31, 2012.

Q. To provide a context for its performance, please discuss the Fund's strategy and role within an asset allocation.

A. Calamos Strategic Total Return Fund (CSQ) is an income-oriented total return offering that seeks to provide a steady stream of income paid out on a monthly basis. We invest in a diversified portfolio of equities, convertible securities and high yield securities. The allocation to each asset class is dynamic, and reflects our view of the economic landscape as well as the potential of individual securities. By combining these asset classes, we believe that we are well positioned over the long term to generate capital gains as well as income. This broader range of security types also provides us with increased opportunities to manage the risk and reward characteristics of the portfolio over full market cycles. Through this approach, we seek to offer investors an attractive monthly distribution, as well as equity participation.

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While we invest primarily in securities of U.S. issuers, we favor those companies that are actively participating in globalization with geographically diversified revenue streams and global business strategies. We emphasize companies that we believe offer reliable debt servicing, respectable balance sheets and good prospects for sustainable growth.

Q. How did the Fund perform over the reporting period?

A. The Fund gained 12.97% on a net asset value (NAV) basis for the 12-month period ended October 31, 2012, while the S&P 500 Index gained 15.21%. On a market price basis, the Fund returned 28.08% for the same period.

Q. How do NAV and market price return differ?

A. Closed-end funds trade on exchanges, where the price of shares may be driven by factors other than the value of the underlying securities. The price of a share in the market is called market value. Market price may be influenced by factors unrelated to the performance of the fund's holdings. A fund's NAV return measures the return of the individual securities in the portfolio, less fund expenses. It also measures how a manager was able to capitalize on market opportunities. Because we believe closed-end funds are best utilized as a long-term holding within asset allocations, we believe that NAV return is the better measure of a fund's performance.

Q. Please discuss the Fund's distributions during the annual period.

A. We employ a level rate distribution policy within this Fund with the goal of providing shareholders with a consistent distribution stream. The Fund provided a steady distribution stream over the period. Monthly distributions increased from \$0.0525 to \$0.0700 in February. The Fund's annual distribution rate was 8.20% of market price as of October 31, 2012.

Investment Team Discussion

SINCE INCEPTION MARKET PRICE AND NAV HISTORY THROUGH 10/31/12

Performance data quoted represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance quoted.

We believe that both the Fund's distribution rate and level remained attractive and competitive, as low interest rates limited yield opportunities in much of the marketplace. For example, as of October 31, 2012, the dividend yield of S&P 500 Index stocks averaged 2.36%. Yields also remained low within the U.S. government bond market, with 10-year U.S. Treasuries and 30-year U.S. Treasuries yielding 1.72% and 2.85%, respectively.

Q. The Fund is currently trading at a discount to its NAV. Please discuss this discount.

A. As of the close of the reporting period, the Fund was trading at a discount of 2.94%. This means that its market share price is 2.94% less than its NAV price. At the beginning of the reporting period, the Fund was trading at a discount of 14.38%. The distribution increase played a significant role in narrowing the discount. As we have noted in the past, we believe that this may be favorable for long-term investors seeking to purchase shares because investors can buy shares of the portfolio at a price that is lower than the fair value of the portfolio, as measured by its NAV.

The portfolio has wide set of investment parameters that allow us to take advantage of investment opportunities across the world through many different types of investment vehicles. By optimizing the advantages of such flexibility, the fund was able to increase its monthly distribution to shareholders in February from \$0.0525 to \$0.07 per share, constituting an increase of over 33%. We believe that this had a favorable impact on the share price while providing shareholders with greater monthly income.

Q. What factors influenced performance over the reporting period?

A. Both convertibles and bonds provided income to the portfolio over the 12-month period, but in general convertibles did not provide as much equity upside as we would have preferred. Security selection within the energy sector was a drag on performance, as was an overweight position and selection within the materials sector, where our holdings within the metals and mining industry lagged.

An underweight position in financials also hindered returns. Given our concerns about the uncertain mortgage exposure on the balance sheets of many banks, coupled with the increasing costs of government regulation, we mostly eschewed this sector during the period.

Security selection and an overweight position in the health care sector—the top-performing area in the S&P 500 Index during the period—was additive to returns for

Investment Team Discussion

ASSET ALLOCATION AS OF 10/31/12

Fund asset allocations are based on total investments and may vary over time.

the period. We continue to hold names in this area that we believe are best suited to capitalize on the world's changing demographics. Although underweight in utilities, our selection enabled us to realize stronger-than-average returns in the sector for the period.

Q. How is the Fund positioned?

A. We continue to seek out securities in sectors that offer the best prospects for income-oriented total return. During the period, the Fund was overweight the health care, materials and information technology sectors, and underweight consumer discretionary, industrials and financials. Our focus continues to be on multinational companies that are able to participate in global growth opportunities, regardless of where they are domiciled. We expect these opportunities to occur in conjunction with a growing middle class in many of the developing economies across the globe.

The Fund is currently positioned with large absolute allocations to the information technology and health care sectors. We see firms within the technology sector as offering high growth prospects with strong cash flows and healthy balance sheets. With respect to health care, we view health care spending overall as typically more resilient in the context of low economic growth. Within the sector, we continue to favor select companies in the pharmaceutical and biotechnology industries, which offer a compelling combination of growth, high cash flows and solid fundamentals.

Relative to the S&P 500 Index, the Fund's largest absolute underweight allocation is to the financials sector. We have generally exercised caution in this area due to our expectation that increased regulations globally and persistent capital risks will decrease future returns on equity. We have marginally increased our exposure to the sector during the period, and continue to favor investment in globally diversified asset managers with visible revenues and relatively low underlying credit risk.

The average credit quality of the portfolio is higher than that of the index. This is typical for the Fund, as our credit process tends to guide us away from the most speculative corporate securities. We currently view the lowest credit tiers of the market as less attractive given their pricing and our outlook for a slower-growth global economy.

Q. What is your outlook for the Fund?

A. Our outlook for global growth equities remains favorable and we have positioned the Fund accordingly. In our view, equities continue to offer compelling risk-reward characteristics and we are finding companies with attractively valued fundamentals in many industries. Although we anticipate periods of heightened volatility, we also see significant growth potential in our secular themes related to innovation, mobility and productivity enhancement within technology, as well as the expanding middle class in emerging economies driving growth in consumer and health care areas, in particular. Additionally, continued global central bank reflation measures and infrastructure build-out are providing support to select companies in more cyclical sectors such as energy and materials, areas in which we have meaningful exposure.

We believe large multinational companies with globally diversified revenues and access to capital are poised to capitalize on both secular and cyclical trends. In our estimation, valuations of global equities are attractive, as investors continue to discount the growth of future cash flows. Equity and equity-sensitive securities have delivered solid gains during the last year but continue to offer attractive risk-reward characteristics from a

8 CALAMOS STRATEGIC TOTAL RETURN FUND ANNUAL REPORT

Investment Team Discussion

long-term perspective. We continue to pursue our strategic objective to participate in a significant portion of equity market upside while aiming to reduce volatility versus global equities across a complete market cycle.

With respect to fixed income, we view the mid-grade credit space as particularly well-priced, offering both attractive levels of income with less exposure to potential inflation and higher interest rates. In addition, the mid-grade credit space also offers far healthier companies than are available in the most speculative credit tiers. While the lowest-quality securities can offer higher yields, we find the healthier companies with improving credit profiles to be more suitable investments amid the current economic environment. As noted above, the Fund therefore maintains a higher average quality than the index as a result of this outlook.

Schedule of Investments October 31, 2012

| PRINCIPAL AMOUNT | | VALUE |
|--------------------------------------|---------------------------------------------------------|--------------|
| CORPORATE BONDS (43.6%) | | |
| Consumer Discretionary (7.7%) | | |
| 5,500,000 | American Axle & Manufacturing, Inc. 6.625%, 10/15/22 | \$ 5,465,625 |
| 15,500,000 | DISH Network Corp. 5.875%, 07/15/22 | 16,352,500 |
| 3,300,000 | Dufry Finance SCA* 5.500%, 10/15/20 | 3,374,250 |
| 9,286,000 | Goodyear Tire & Rubber Company 8.250%, 08/15/20 | 10,133,347 |
| 4,500,000 | 7.000%, 05/15/22m | 4,741,875 |
| Icahn Enterprises, LP | | |
| 8,374,000 | 8.000%, 01/15/18m | 9,043,920 |
| 2,500,000 | 8.000%, 01/15/18* | 2,700,000 |
| 10,045,000 | J.C. Penney Company, Inc. 7.125%, 11/15/23 | 9,906,881 |
| Jaguar Land Rover, PLC* | | |
| 10,000,000 | 8.125%, 05/15/21 | 10,825,000 |
| 2,250,000 | 7.750%, 05/15/18 | 2,407,500 |
| 5,000,000 | Liberty Media Corp.m 8.250%, 02/01/30 | 5,375,000 |
| 3,006,000 | Limited Brands, Inc.m 5.625%, 02/15/22 | 3,257,753 |
| Meritage Homes Corp. | | |
| 4,350,000 | 7.000%, 04/01/22 | 4,719,750 |
| 2,500,000 | 7.150%, 04/15/20 | 2,750,000 |
| 4,885,000 | MGM Resorts Internationalm 7.500%, 06/01/16 | 5,202,525 |
| 13,000,000 | Royal Caribbean Cruises, Ltd. 7.500%, 10/15/27 | 14,007,500 |
| 5,955,000 | Ryland Group, Inc. 5.375%, 10/01/22 | 6,059,212 |
| 2,120,000 | Sally Holdings, LLC 5.750%, 06/01/22 | 2,276,350 |
| 4,000,000 | Service Corp. International 7.000%, 05/15/19 | 4,400,000 |
| 2,000,000 | Toll Brothers Finance Corp. 5.875%, 02/15/22 | 2,263,072 |
| 243,000 | Wolverine World Wide, Inc.* 6.125%, 10/15/20 | 254,239 |
| | | 125,516,299 |
| Consumer Staples (2.4%) | | |
| 5,650,000 | Darling International, Inc.m 8.500%, 12/15/18 | 6,448,063 |
| 14,709,000 | Post Holdings, Inc.*m 7.375%, 02/15/22 | 15,683,471 |
| 16,500,000 | Smithfield Foods, Inc. 6.625%, 08/15/22 | 17,325,000 |
| | | 39,456,534 |

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| | | Energy (11.7%) | |
|-------------------------|-----|------------------------------------------------------|--------------|
| 25,000,000 | NOK | Aker Solutions, ASA 6.290%, 06/06/17 | 4,516,514 |
| PRINCIPAL AMOUNT | | | VALUE |
| 4,369,000 | | Atwood Oceanics, Inc.m 6.500%, 02/01/20 | \$ 4,718,520 |
| 11,000,000 | | Berry Petroleum Company 6.375%, 09/15/22 | 11,522,500 |
| 4,946,000 | | Bristow Group, Inc. 6.250%, 10/15/22 | 5,193,300 |
| 12,500,000 | | Calfrac Holdings, LP* 7.500%, 12/01/20 | 12,437,500 |
| | | Calumet Specialty Products, LP | |
| 5,000,000 | | 9.375%, 05/01/19m | 5,400,000 |
| 4,000,000 | | 9.625%, 08/01/20* | 4,370,000 |
| | | Carrizo Oil & Gas, Inc. | |
| 3,035,000 | | 7.500%, 09/15/20 | 3,110,875 |
| 2,800,000 | | 8.625%, 10/15/18m | 3,031,000 |
| 11,000,000 | | Cimarex Energy Company 5.875%, 05/01/22 | 11,797,500 |
| 7,100,000 | | Drill Rigs Holdings, Inc.* 6.500%, 10/01/17 | 7,100,000 |
| 4,480,000 | | Frontier Oil Corp. 6.875%, 11/15/18 | 4,793,600 |
| 11,000,000 | | GulfMark Offshore, Inc.* 6.375%, 03/15/22 | 11,495,000 |
| 8,000,000 | | Holly Energy Partners, LP* 6.500%, 03/01/20 | 8,440,000 |
| 2,540,000 | | HollyFrontier Corp.m 9.875%, 06/15/17 | 2,781,300 |
| 4,800,000 | | Hornbeck Offshore Services, Inc. 5.875%, 04/01/20 | 4,908,000 |
| 13,000,000 | | Linn Energy, LLC* 6.250%, 11/01/19 | 13,065,000 |
| | | Oasis Petroleum, Inc. | |
| 4,965,000 | | 6.500%, 11/01/21m | 5,275,313 |
| 1,500,000 | | 6.875%, 01/15/23 | 1,597,500 |
| 6,000,000 | | Parker Drilling Company 9.125%, 04/01/18 | 6,450,000 |
| 3,000,000 | | Pioneer Drilling Company 9.875%, 03/15/18 | 3,262,500 |
| 11,000,000 | | Samson Investment Company* 9.750%, 02/15/20 | 11,660,000 |
| 6,500,000 | | SEACOR Holdings, Inc. 7.375%, 10/01/19 | 7,062,945 |
| | | SESI, LLC | |
| 4,000,000 | | 7.125%, 12/15/21 | 4,480,000 |
| 2,500,000 | | 6.875%, 06/01/14 | 2,504,675 |
| 3,000,000 | | SM Energy Company 6.500%, 11/15/21 | 3,172,500 |
| 6,500,000 | | Swift Energy Company 8.875%, 01/15/20 | 7,052,500 |
| 2,700,000 | | Tesoro Logistics, LP* 5.875%, 10/01/20 | 2,808,000 |
| 3,340,000 | | Trinidad Drilling, Ltd.* 7.875%, 01/15/19 | 3,598,850 |
| 12,650,000 | | W&T Offshore, Inc. 8.500%, 06/15/19 | 13,377,375 |
| | | | 190,982,767 |

Schedule of Investments October 31, 2012

| PRINCIPAL AMOUNT | | VALUE |
|---------------------|------------------------------------------------------------------|--------------|
| | Financials (2.1%) | |
| 5,100,000 | AON Corp. 8.205%, 01/01/27 | \$ 6,409,859 |
| 2,370,000 | Legg Mason, Inc.*m 5.500%, 05/21/19 | 2,605,497 |
| 11,000,000 | Neuberger Berman Group LLC* 5.875%, 03/15/22 | 11,770,000 |
| 3,300,000 | Nuveen Investments, Inc.* 9.500%, 10/15/20 | 3,341,250 |
| 3,300,000 | 9.125%, 10/15/17 | 3,312,375 |
| 6,080,000 | Omega Healthcare Investors, Inc. 5.875%, 03/15/24 | 6,505,600 |
| | | 33,944,581 |
| | Health Care (5.9%) | |
| 366,000 | AMERIGROUP Corp. 7.500%, 11/15/19 | 429,135 |
| 14,000,000 | Community Health Systems, Inc. 7.125%, 07/15/20 | 14,822,500 |
| 5,500,000 | Endo Pharmaceuticals Holdings, Inc. 7.000%, 07/15/19 | 5,967,500 |
| 1,750,000 | Fresenius Med*m 5.875%, 01/31/22 | 1,870,312 |
| 19,000,000 | Grifols, SA 8.250%, 02/01/18 | 21,185,000 |
| 7,920,000 | Hologic, Inc.* 6.250%, 08/01/20 | 8,434,800 |
| 4,165,000 | Mylan, Inc.* 7.625%, 07/15/17 | 4,664,800 |
| 10,000,000 | Valeant Pharmaceuticals International, Inc.* 7.250%, 07/15/22 | 10,875,000 |
| 9,000,000 | 7.000%, 10/01/20 | 9,731,250 |
| 1,500,000 | 6.750%, 10/01/17 | 1,616,250 |
| 15,000,000 | Warner Chilcott Company, LLC 7.750%, 09/15/18 | 15,900,000 |
| | | 95,496,547 |
| | Industrials (4.4%) | |
| 11,000,000 | Belden, Inc.* 5.500%, 09/01/22 | 11,247,500 |
| 4,500,000 | H&E Equipment Services, Inc.* 7.000%, 09/01/22 | 4,702,500 |
| 6,070,000 | Monaco SpinCo, Inc.* 6.750%, 04/30/20 | 6,229,337 |
| 11,000,000 | Rexel, SA*m 6.125%, 12/15/19 | 11,330,000 |
| 8,000,000 | Terex Corp. 6.500%, 04/01/20 | 8,440,000 |
| 2,000,000 | 8.000%, 11/15/17 | 2,092,500 |

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| | | |
|-------------------------|-------------------------------------------------------------------|---------------|
| 1,395,000 | TransDigm Group, Inc. 7.750%, 12/15/18 | 1,544,963 |
| | Triumph Group, Inc. | |
| 6,220,000 | 8.625%, 07/15/18 | 7,013,050 |
| 2,020,000 | 8.000%, 11/15/17 | 2,227,050 |
| PRINCIPAL AMOUNT | | VALUE |
| 11,500,000 | UR Financing Escrow Corp.* 7.625%, 04/15/22 | \$ 12,635,625 |
| 5,000,000 | WESCO Distribution, Inc. 7.500%, 10/15/17 | 5,093,750 |
| | | 72,556,275 |
| | Information Technology (3.9%) | |
| | Amkor Technology, Inc. | |
| 4,500,000 | 6.625%, 06/01/21m | 4,308,750 |
| 3,080,000 | 6.375%, 10/01/22* | 2,872,100 |
| 3,000,000 | 7.375%, 05/01/18m | 3,037,500 |
| 10,135,000 | Audatex North America, Inc.* 6.750%, 06/15/18 | 10,920,463 |
| 900,000 | Fidelity National Information Services, Inc.m 7.875%, 07/15/20 | 1,010,250 |
| 15,030,000 | iGATE Corp. 9.000%, 05/01/16 | 16,495,425 |
| 6,500,000 | Nuance Communications, Inc.* 5.375%, 08/15/20 | 6,662,500 |
| 2,243,000 | Sanmina-SCI Corp.* 7.000%, 05/15/19 | 2,209,355 |
| | Seagate Technology | |
| 3,500,000 | 6.875%, 05/01/20 | 3,666,250 |
| 1,000,000 | 7.000%, 11/01/21 | 1,050,000 |
| 3,520,000 | SunGard Data Systems, Inc.* 6.625%, 11/01/19 | 3,568,400 |
| 7,000,000 | ViaSat, Inc. 6.875%, 06/15/20 | 7,350,000 |
| | | 63,150,993 |
| | Materials (2.4%) | |
| 12,500,000 | FMG Resources* 8.250%, 11/01/19 | 12,562,500 |
| 5,500,000 | Inmet Mining Corp.* 8.750%, 06/01/20 | 5,733,750 |
| 8,000,000 | New Gold, Inc.* 7.000%, 04/15/20 | 8,520,000 |
| 5,230,000 | Sealed Air Corp.* 8.125%, 09/15/19 | 5,739,925 |
| | Steel Dynamics, Inc. | |
| 2,823,000 | 6.125%, 08/15/19* | 2,964,150 |
| 1,400,000 | 7.625%, 03/15/20 | 1,541,750 |
| 1,250,000 | 6.375%, 08/15/22* | 1,312,500 |
| | | 38,374,575 |
| | Telecommunication Services (0.9%) | |
| 14,530,000 | Qwest Communications International, Inc.m 7.750%, 02/15/31 | 15,367,887 |
| | Utilities (2.2%) | |
| 2,900,000 | AES Corp. 7.375%, 07/01/21 | 3,255,250 |
| 16,000,000 | AmeriGas Finance Corp. 7.000%, 05/20/22 | 17,460,000 |

Schedule of Investments October 31, 2012

| PRINCIPAL AMOUNT | | VALUE |
|------------------|-----------------------------------------------------|--------------------|
| | Calpine Corp.* | |
| 11,700,000 | 7.875%, 01/15/23 | \$ 12,987,000 |
| 2,457,000 | 7.500%, 02/15/21m | 2,684,273 |
| | | 36,386,523 |
| | TOTAL CORPORATE BONDS (Cost \$684,368,017) | 711,232,981 |
| | CONVERTIBLE BONDS (8.7%) | |
| | Consumer Discretionary (2.2%) | |
| 2,275,000 | Jarden Corp.* | |
| | 1.875%, 09/15/18 | 2,286,375 |
| 15,000,000 | Liberty Media Corp. (Time Warner, Inc.)§ | |
| | 3.125%, 03/30/23 | 20,671,875 |
| 13,164,000 | Liberty Media Corp. (Viacom, CBS Corp. - Class B)§ | |
| | 3.250%, 03/15/31 | 12,209,610 |
| | | 35,167,860 |
| | Financials (1.4%) | |
| 20,020,000 | Affiliated Managers Group, Inc.m | |
| | 3.950%, 08/15/38 | 22,384,863 |
| 655,000 | Ares Capital Corp. | |
| | 5.750%, 02/01/16 | 697,984 |
| | | 23,082,847 |
| | Industrials (0.6%) | |
| 9,500,000 | Trinity Industries, Inc. | |
| | 3.875%, 06/01/36 | 10,123,437 |
| | Information Technology (3.9%) | |
| 26,750,000 | Intel Corp.m | |
| | 2.950%, 12/15/35 | 29,157,500 |
| 8,755,000 | Lam Research Corp.m | |
| | 1.250%, 05/15/18 | 8,585,372 |
| 9,900,000 | Linear Technology Corp.m | |
| | 3.000%, 05/01/27 | 10,320,750 |
| 15,000,000 | Nuance Communications, Inc.m | |
| | 2.750%, 11/01/31 | 16,415,625 |
| | | 64,479,247 |
| | Materials (0.6%) | |
| 9,000,000 | AngloGold Ashanti, Ltd. | |
| | 3.500%, 05/22/14 | 9,468,900 |
| | TOTAL CONVERTIBLE BONDS (Cost \$135,276,822) | 142,322,291 |

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| | | | |
|---------------------------------------------------|-----|-------------------------------------------------------------------------|-------------------|
| U.S. GOVERNMENT AND AGENCY SECURITY (0.9%) | | | |
| 15,000,000 | | United States Treasury Note~ 1.375%, 02/15/13 (Cost \$15,050,352) | 15,054,495 |
| SOVEREIGN BONDS (1.8%) | | | |
| 4,463,100 | BRL | Federative Republic of Brazil 10.000%, 01/01/14 | 23,320,892 |
| PRINCIPAL AMOUNT | | | VALUE |
| 1,000,000 | BRL | 10.000%, 01/01/13 | \$ 5,112,272 |
| TOTAL SOVEREIGN BONDS (Cost \$30,130,492) | | | 28,433,164 |
| NUMBER OF SHARES | | | VALUE |
| CONVERTIBLE PREFERRED STOCKS (6.8%) | | | |
| Consumer Staples (0.7%) | | | |
| 111,900 | | Bunge, Ltd. 4.875% | 11,378,831 |
| Energy (3.7%) | | | |
| 560,000 | | Apache Corp.m 6.000% | 26,129,600 |
| 35,112 | | Chesapeake Energy Corp.m* 5.750% | 33,400,658 |
| | | | 59,530,258 |
| Financials (0.5%) | | | |
| 165,000 | | MetLife, Inc. 5.000% | 7,670,850 |
| Industrials (1.3%) | | | |
| 395,000 | | United Technologies Corp. 7.500% | 21,480,100 |
| Utilities (0.6%) | | | |
| 200,000 | | NextEra Energy, Inc. 5.599% | 10,274,000 |
| TOTAL CONVERTIBLE PREFERRED STOCKS | | | |
| (Cost \$125,050,799) | | | 110,334,039 |
| COMMON STOCKS (69.9%) | | | |
| Consumer Discretionary (1.1%) | | | |
| 400,000 | | Carnival Corp.m | 15,152,000 |
| 89,912 | | General Motors Companym# | 2,292,756 |
| 22,573 | | Motors Liquidation Company# | 450,331 |
| | | | 17,895,087 |
| Consumer Staples (5.2%) | | | |
| 403,776 | | Archer-Daniels-Midland Companym | 10,837,348 |
| 1,600,000 | | Coca-Cola Companym | 59,488,000 |
| 365,000 | | Companhia de Bebidas das Americas | 14,888,350 |

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| | | | |
|----------------------|-----|----------------------------------|-------------|
| | | | 85,213,698 |
| Energy (6.8%) | | | |
| 800,000 | | BP, PLCm | 34,312,000 |
| 325,000 | | Chevron Corp.m | 35,818,250 |
| 60,000 | | Diamond Offshore Drilling, Inc.m | 4,154,400 |
| 100,000 | | EOG Resources, Inc. | 11,649,000 |
| 165,000 | | Schlumberger, Ltd. | 11,472,450 |
| 50,000 | EUR | Technip, SA | 5,639,545 |
| 150,000 | EUR | TOTAL, SA | 7,555,531 |
| | | | 110,601,176 |

Schedule of Investments October 31, 2012

| NUMBER OF SHARES | | VALUE |
|---------------------------------------|------------------------------------------------------|--------------|
| Financials (3.6%) | | |
| 42,000 | American International Group, Inc.m# | \$ 1,467,060 |
| 500,000 | Bank of America Corp.m | 4,660,000 |
| 172,745 | Citigroup, Inc.m | 6,458,936 |
| 860,000 | JPMorgan Chase & Companym | 35,844,800 |
| 158,074 | Lincoln National Corp.m | 3,918,654 |
| 116,457 | MetLife, Inc. | 4,133,059 |
| 71,676 | Wells Fargo & Company | 2,414,764 |
| | | 58,897,273 |
| Health Care (15.5%) | | |
| 300,000 | Eli Lilly and Companym | 14,589,000 |
| 835,000 | Johnson & Johnsonm | 59,134,700 |
| 2,112,707 | Merck & Company, Inc.m | 96,402,821 |
| 3,300,000 | Pfizer, Inc.m | 82,071,000 |
| | | 252,197,521 |
| Industrials (9.5%) | | |
| 230,000 | Boeing Companym | 16,201,200 |
| 245,000 | Caterpillar, Inc. | 20,778,450 |
| 440,000 | Eaton Corp.m | 20,776,800 |
| 200,000 | Fluor Corp. | 11,170,000 |
| 3,135,000 | General Electric Companym | 66,023,100 |
| 450,000 | Masco Corp.m | 6,790,500 |
| 135,000 | EUR Siemens, AG | 13,602,456 |
| | | 155,342,506 |
| Information Technology (18.7%) | | |
| 340,000 | Accenture, PLC - Class A | 22,919,400 |
| 28,000 | Apple, Inc. | 16,662,800 |
| 1,550,000 | Applied Materials, Inc.m | 16,430,000 |
| 425,000 | CA, Inc.m | 9,571,000 |
| 250,000 | Canon, Inc.m | 8,037,500 |
| 575,000 | Cisco Systems, Inc.m | 9,855,500 |
| 415,000 | eBay, Inc.m# | 20,040,350 |
| 430,000 | EMC Corp.m# | 10,500,600 |
| 1,136,000 | Intel Corp.m | 24,566,000 |
| 1,625,000 | Microsoft Corp.m | 46,369,375 |
| 300,000 | Nintendo Company, Ltd.m | 4,822,980 |
| 2,200,000 | Nokia Corp.m | 5,874,000 |
| 875,000 | QUALCOMM, Inc.m | 51,253,125 |
| 630,000 | SAP, AGm | 45,927,000 |
| 4,200,000 | TWD Taiwan Semiconductor Manufacturing Company, Ltd. | 12,797,651 |
| | | 305,627,281 |
| Materials (4.8%) | | |

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| | | | |
|-------------------------|-----|--------------------------------------------------------|------------------|
| 572,800 | | Barrick Gold Corp. | 23,198,400 |
| 400,000 | | Dow Chemical Company | 11,720,000 |
| 300,000 | | Goldcorp, Inc.m | 13,569,000 |
| 190,000 | | Mosaic Company | 9,944,600 |
| NUMBER OF SHARES | | | VALUE |
| 175,000 | | Newmont Mining Corp.m | \$ 9,546,250 |
| 210,000 | | Rio Tinto, PLCm | 10,495,800 |
| | | | 78,474,050 |
| | | Telecommunication Services (4.7%) | |
| 1,225,000 | | AT&T, Inc.m | 42,372,750 |
| 450,000 | EUR | France Telecom, SAm | 5,029,881 |
| 639,000 | | Verizon Communications, Inc.m | 28,524,960 |
| | | | 75,927,591 |
| | | TOTAL COMMON STOCKS | |
| | | (Cost \$1,367,112,729) | 1,140,176,183 |
| | | RIGHTS (0.0%)# | |
| | | Consumer Discretionary (0.0%) | |
| 280,000 | | Escrow General Motors Corp. Rights | 280 |
| 150,000 | | Escrow General Motors Corp. Rights | 150 |
| | | TOTAL RIGHTS | |
| | | (Cost \$0) | 430 |
| | | WARRANTS (0.1%)# | |
| | | Consumer Discretionary (0.1%) | |
| 81,739 | | General Motors Company 07/10/19, Strike \$10.00 | 839,459 |
| 81,739 | | General Motors Company 07/10/16, Strike \$18.33 | 1,344,607 |
| | | TOTAL WARRANTS (Cost \$12,672,791) | 2,184,066 |
| | | SHORT TERM INVESTMENT (3.3%) | |
| 54,519,232 | | Fidelity Prime Money Market Fund - Institutional Class | |
| | | (Cost \$54,519,232) | 54,519,232 |
| | | TOTAL INVESTMENTS (135.1%) | |
| | | (Cost \$2,424,181,234) | 2,204,256,881 |
| | | LIABILITIES, LESS OTHER ASSETS (-35.1%) | (572,832,522) |
| | | NET ASSETS (100.0%) | \$ 1,631,424,359 |

NOTES TO SCHEDULE OF INVESTMENTS

- * 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 October 31, 2012, the value of 144A securities that could not be exchanged to the registered form is \$206,555,011 or 12.7% of net assets applicable to common shareholders.

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- m Security, or portion of security, is held in a segregated account as collateral for note payable aggregating a total value of \$970,251,026. \$546,919,868 of the collateral has been re-registered by the counterparty.

See accompanying Notes to Financial Statements

CALAMOS STRATEGIC TOTAL RETURN FUND ANNUAL REPORT 13

Schedule of Investments October 31, 2012

Variable rate or step bond security. The rate shown is the rate in effect at October 31, 2012.

Security or a portion of the security purchased on a delayed delivery or when-issued basis.

§ Securities exchangeable or convertible into securities of one or more entities that are different than the issuer. Each entity is identified in the parenthetical.

~ Security, or portion of security, is segregated as collateral (or potential collateral for future transactions) for swaps. The aggregate value of such securities is \$10,432,765.

Non-income producing security.

FOREIGN CURRENCY ABBREVIATIONS

| | |
|-----|-------------------------------|
| BRL | Brazilian Real |
| EUR | European Monetary Unit |
| NOK | Norwegian Krone |
| TWD | New Taiwanese Dollar |

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.

INTEREST RATE SWAPS

| COUNTERPARTY | FIXED RATE (FUND PAYS) | FLOATING RATE (FUND RECEIVES) | TERMINATION DATE | NOTIONAL AMOUNT | UNREALIZED APPRECIATION/ (DEPRECIATION) |
|-----------------|---------------------------|----------------------------------|---------------------|--------------------|-----------------------------------------------|
| BNP Paribas, SA | 2.535% quarterly | 3 month LIBOR | 03/09/14 | \$ 90,000,000 | \$ (2,973,765) |
| BNP Paribas, SA | 2.970% quarterly | 3 month LIBOR | 07/03/14 | 75,000,000 | (3,460,307) |
| BNP Paribas, SA | 3.355% quarterly | 3 month LIBOR | 06/09/14 | 60,000,000 | (3,169,696) |
| BNP Paribas, SA | 0.934% quarterly | 3 month LIBOR | 07/05/17 | 52,000,000 | (473,180) |
| BNP Paribas, SA | 1.009% quarterly | 3 month LIBOR | 06/12/17 | 47,000,000 | (594,996) |
| | | | | | \$ (10,671,944) |

Statement of Assets and Liabilities October 31, 2012

| | |
|--------------------------------------------------------------------------------------------------------------|----------------------|
| ASSETS | |
| Investments in securities, at value (cost \$2,424,181,234) | \$ 2,204,256,881 |
| Receivables: | |
| Accrued interest and dividends | 17,858,936 |
| Investments sold | 1,656,704 |
| Prepaid expenses | 16,077 |
| Other assets | 243,326 |
| Total assets | 2,224,031,924 |
| LIABILITIES | |
| Unrealized depreciation on interest rate swaps | 10,671,944 |
| Payables: | |
| Note payable | 576,000,000 |
| Investments purchased | 3,554,488 |
| Affiliates: | |
| Investment advisory fees | 1,888,342 |
| Deferred compensation to trustees | 243,326 |
| Financial accounting fees | 21,553 |
| Trustees fees and officer compensation | 6,372 |
| Other accounts payable and accrued liabilities | 221,540 |
| Total liabilities | 592,607,565 |
| NET ASSETS | \$ 1,631,424,359 |
| COMPOSITION OF NET ASSETS | |
| Common stock, no par value, unlimited shares authorized 154,514,000 shares issued and outstanding | \$ 2,046,371,172 |
| Undistributed net investment income (loss) | (29,373,047) |
| Accumulated net realized gain (loss) on investments, foreign currency transactions and interest rate swaps | (154,962,611) |
| Unrealized appreciation (depreciation) of investments, foreign currency translations and interest rate swaps | (230,611,155) |
| NET ASSETS | \$ 1,631,424,359 |
| Net asset value per common shares based upon 154,514,000 shares issued and outstanding | \$ 10.56 |

See accompanying Notes to Financial Statements

CALAMOS STRATEGIC TOTAL RETURN FUND ANNUAL REPORT 15

Statement of Operations Year Ended October 31, 2012

| | |
|-------------------------------------------------------------------------------------------------------|--------------------|
| INVESTMENT INCOME | |
| Interest | \$ 54,185,110 |
| Dividends | 44,702,957 |
| Securities lending income | 408,060 |
| Dividend taxes withheld | (743,720) |
| Total investment income | 98,552,407 |
| EXPENSES | |
| Investment advisory fees | 21,762,717 |
| Interest expense and related fees | 7,433,589 |
| Printing and mailing fees | 266,704 |
| Financial accounting fees | 248,233 |
| Registration fees | 159,334 |
| Accounting fees | 128,775 |
| Custodian fees | 108,422 |
| Audit fees | 107,876 |
| Legal fees | 88,013 |
| Trustees fees and officer compensation | 83,506 |
| Transfer agent fees | 31,994 |
| Other | 158,716 |
| Total expenses | 30,577,879 |
| NET INVESTMENT INCOME (LOSS) | 67,974,528 |
| REALIZED AND UNREALIZED GAIN (LOSS) | |
| Net realized gain (loss) from: | |
| Investments, excluding purchased options | 36,229,406 |
| Purchased options | 3,321,200 |
| Foreign currency transactions | 57,469 |
| Interest rate swaps | (9,006,557) |
| Change in net unrealized appreciation/(depreciation) on: | |
| Investments, excluding purchased options | 78,328,233 |
| Purchased options | 1,871,073 |
| Foreign currency translations | (4,259) |
| Interest rate swaps | 6,452,890 |
| NET GAIN (LOSS) | 117,249,455 |
| NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS RESULTING FROM OPERATIONS | \$ 185,223,983 |

Statements of Changes in Net Assets

| | YEAR ENDED OCTOBER 31, | |
|--------------------------------------------------------------------------------------------|------------------------|------------------|
| | 2012 | 2011 |
| OPERATIONS | | |
| Net investment income (loss) | \$ 67,974,528 | \$ 70,326,067 |
| Net realized gain (loss) | 30,601,518 | (9,501,962) |
| Change in unrealized appreciation/(depreciation) | 86,647,937 | 17,431,402 |
| Net increase (decrease) in net assets applicable to shareholders resulting from operations | 185,223,983 | 78,255,507 |
| DISTRIBUTIONS FROM | | |
| Net investment income | (103,822,713) | (77,683,237) |
| Return of capital | (17,857,062) | (19,660,583) |
| Net decrease in net assets from distributions | (121,679,775) | (97,343,820) |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | 63,544,208 | (19,088,313) |
| NET ASSETS | | |
| Beginning of year | \$ 1,567,880,151 | \$ 1,586,968,464 |
| End of year | 1,631,424,359 | 1,567,880,151 |
| Undistributed net investment income (loss) | \$ (29,373,047) | \$ (22,943,300) |

See accompanying Notes to Financial Statements

CALAMOS STRATEGIC TOTAL RETURN FUND ANNUAL REPORT 17

Statement of Cash Flows Year Ended October 31, 2012

| | |
|------------------------------------------------------------------------------------------------------------------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net increase/(decrease) in net assets from operations | \$ 185,223,983 |
| Adjustments to reconcile net increase/(decrease) in net assets from operations to net cash provided by operating activities: | |
| Purchase of investment securities | (1,029,827,778) |
| Net purchases of short term investments | (27,009,486) |
| Proceeds from disposition of investment securities | 1,123,481,821 |
| Amortization and accretion of fixed-income securities | (127,949) |
| Net realized gains/losses from investments, excluding purchased options | (36,229,406) |
| Net realized gains/losses from purchased options | (3,321,200) |
| Change in unrealized appreciation or depreciation on investments, excluding purchased options | (78,328,233) |
| Change in unrealized appreciation or depreciation on purchased options | (1,871,073) |
| Change in unrealized appreciation or depreciation on interest rate swaps | (6,452,890) |
| Net change in assets and liabilities: | |
| (Increase)/decrease in assets: | |
| Accrued interest and dividends receivable | (3,974,950) |
| Prepaid expenses | 23,148 |
| Other assets | (7,370) |
| Increase/(decrease) in liabilities: | |
| Payables to affiliates | 163,185 |
| Other accounts payable and accrued liabilities | (62,027) |
| Net cash provided by/(used in) operating activities | \$ 121,679,775 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Distributions to shareholders | (121,679,775) |
| Net cash provided by/(used in) financing activities | \$ (121,679,775) |
| Cash at beginning of year | \$ |
| Cash at end of year | \$ |
| Supplemental disclosure | |
| Cash paid for interest and related fees | \$ 7,458,131 |

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 invests primarily in common and preferred stocks and income producing securities such as investment grade and below investment grade debt securities.

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

Fund securities that are traded on U.S. securities exchanges, except option securities, are valued at the last current reported sales price at the time a 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 the Fund determines its NAV.

When a 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 equity 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, certain convertible preferred securities, and non-exchange traded derivatives are normally valued by independent pricing services or by dealers or brokers who make markets in such securities. Valuations of such fixed income securities, certain convertible preferred securities, and non-exchange traded derivatives consider yield or price of equivalent securities 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 institutional traders, a computerized matrix system, or appraisals derived from information concerning the securities or similar securities received from recognized dealers in those securities.

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When fair value pricing of securities is employed, the prices of securities used by a 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.

Notes to Financial Statements

Investment Transactions. Investment transactions are recorded on a trade date basis. 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 period 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 the Fund's 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 for fixed income securities. The financial statements are not adjusted for temporary differences.

The Fund recognized no liability for uncertain tax positions. 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 2008-2011 remain subject to examination by the U.S. and the State of Illinois tax jurisdictions.

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.

Note 2 Investment Adviser 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. Managed assets means a fund's total assets (including any assets attributable to any leverage that may be outstanding) minus total liabilities (other than debt representing financial leverage).

20 CALAMOS STRATEGIC TOTAL RETURN FUND ANNUAL REPORT

Notes to Financial Statements

Pursuant to a financial accounting services agreement, during the year the Fund paid 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 Strategic Total Return Fund, Calamos Convertible Opportunities and Income Fund, Calamos Global Total Return Fund and Calamos Global Dynamic Income Fund). Financial accounting services include, but are not limited to, the following: managing expenses and expense 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 payable to Calamos Advisors based on its relative portion of combined assets used in calculating the fee.

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' fees and officer compensation expense on the Statement of Operations.

A trustee and certain officers of the Fund are also officers and directors of 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 amounts 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 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 of \$243,326 is included in Other assets on the Statement of Assets and Liabilities at October 31, 2012. 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 October 31, 2012.

Note 3 Investments

The cost of purchases and proceeds from sale of long-term investments for the year ended October 31, 2012 were as follows:

| | |
|---------------------|------------------|
| Cost of purchases | \$ 1,009,995,700 |
| Proceeds from sales | 1,065,762,962 |

The following information is presented on a federal income tax basis as of October 31, 2012. 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 October 31, 2012 was as follows:

| | |
|--------------------------------------------|------------------|
| Cost basis of investments | \$ 2,543,894,715 |
| Gross unrealized appreciation | 80,169,731 |
| Gross unrealized depreciation | (419,807,565) |
| Net unrealized appreciation (depreciation) | \$ (339,637,834) |

Note 4 Income Taxes

For the fiscal year ended October 31, 2012, the Fund recorded the following permanent reclassifications to reflect tax character. The results of operations and net assets were not affected by these reclassifications.

| | |
|-----------------------------------------------------|-----------------|
| Paid-in capital | \$ (54,155,969) |
| Undistributed net investment income/(loss) | 47,275,500 |
| Accumulated net realized gain/(loss) on investments | 6,880,469 |

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

Notes to Financial Statements

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.

Distributions were characterized for federal income tax purposes as follows:

| | YEAR ENDED OCTOBER 31, 2012 | YEAR ENDED OCTOBER 31, 2011 |
|---------------------------------|--------------------------------|--------------------------------|
| Distributions paid from: | | |
| Ordinary income | \$ 103,822,713 | \$ 77,683,237 |
| Return of capital | 17,857,062 | 19,660,583 |

As of October 31, 2012, the components of accumulated earnings/(loss) on a tax basis were as follows:

| | |
|-----------------------------------------------------|-------------------------|
| Undistributed ordinary income | \$ |
| Undistributed capital gains | |
| Total undistributed earnings | |
| Accumulated capital and other losses | (64,414,275) |
| Net unrealized gains/(losses) | (350,324,636) |
| Total accumulated earnings/(losses) | (414,738,911) |
| Other | (207,902) |
| Paid-in capital | 2,046,371,172 |
| Net assets applicable to common shareholders | \$ 1,631,424,359 |

The Regulated Investment Company Modernization Act of 2010 (the Act) modernized various tax rules for regulated investment companies, and was effective for taxable years beginning after the enactment date of December 22, 2010. One significant change is to the treatment of capital loss carryforwards. Now, any capital losses recognized will retain their character as either short-term or long-term capital losses, will be utilized before the pre-Act capital loss carryforwards, and will be carried forward indefinitely, until applied in offsetting future capital gains.

As of October 31, 2012, the Fund had pre-Act capital loss carryforwards which, if not used, will expire as follows:

| | |
|------|-----------------|
| 2017 | \$ (34,615,980) |
| 2018 | (29,798,295) |

Note 5 Common Shares

There are unlimited common shares of beneficial interest authorized and 154,514,000 shares outstanding at October 31, 2012. Calamos Advisors owned 28,832 of the outstanding shares at October 31, 2012. Transactions in common shares were as follows:

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| | YEAR ENDED OCTOBER 31, 2012 | YEAR ENDED OCTOBER 31, 2011 |
|-----------------------------------------------------|--------------------------------|--------------------------------|
| Beginning shares | 154,514,000 | 154,514,000 |
| Shares issued through reinvestment of distributions | | |
| Ending shares | 154,514,000 | 154,514,000 |

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

The Fund also may offer and sell common shares from time to time at an offering price equal to or in excess of the net asset value per share of the Fund's common shares at the time such common shares are initially sold.

22 CALAMOS STRATEGIC TOTAL RETURN FUND ANNUAL REPORT

Notes to Financial Statements

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 forward 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. The Fund realizes a gain or loss when a position is closed or upon settlement of the contracts. There were no open forward foreign currency contracts at October 31, 2012.

Equity Risk. The Fund may engage in option transactions and in doing so achieves 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 a Fund purchases an option, it pays a premium and an amount equal to that premium is recorded as an asset. When a 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 the proceeds from the sale or the cost basis of the purchase. 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. The cost of securities acquired through the exercise of call options is increased by premiums paid. The proceeds from securities sold through the exercise of put options are decreased by the premiums paid. Gain or loss on written options and purchased options is presented separately as net realized gain or loss on written options and net realized gain or loss on purchased options, respectively.

As of October 31, 2012, the Fund had no outstanding purchased options or written options.

Interest Rate Risk. The Fund engages in interest rate swaps primarily to hedge the interest rate risk on the Fund's borrowings (see Note 7 Borrowings). An interest rate swap is a contract that involves the exchange of one type of interest rate for another type of interest rate. 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 net unrealized appreciation/depreciation on interest rate swaps in the Statement of Operations. A realized gain or loss is recorded in net realized gain (loss) on interest rate swaps in the Statement of Operations 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 of the Fund.

Premiums paid to or by a 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.

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As of October 31, 2012, the Fund had outstanding interest rate swap agreements as listed on the Schedule of Investments.

Notes to Financial Statements

As of October 31, 2012, the Fund had outstanding derivative contracts which are reflected on the Statement of Assets and Liabilities as follows:

| | LIABILITY DERIVATIVES FAIR VALUE |
|----------------------------------|----------------------------------------|
| Interest rate swaps ¹ | \$10,671,944 |

(1) Generally, the balance sheet location for Interest rate swaps is Unrealized appreciation (depreciation) on swaps. For the twelve months ended October 31, 2012, the volume of derivative activity for the Fund is reflected below:*

| | DERIVATIVE TYPE |
|---------------------|--------------------|
| Option purchased | 1,120 |
| Interest rate swaps | \$99,000,000 |

* Activity during the period is measured by opened number of contracts for options purchased and opened amount for swap contracts (measured in notional).

Note 7 Borrowings

The Fund, with the approval of its board of trustees, including its independent trustees, has entered into a financing package that includes a Committed Facility Agreement (the Agreement) with BNP Paribas Prime Brokerage, Inc. (BNP) that allows the Fund to borrow up to \$735,000,000, and a Lending Agreement, as defined below. Borrowings under the Agreement are secured by assets of the Fund that are held with the Fund's custodian in a separate account (the pledged collateral). Interest is charged at the quarterly LIBOR (London Inter-bank Offered Rate) plus .65% on the amount borrowed and .55% on the undrawn balance. For the year ended October 31, 2012, the average borrowings under the Agreement and the average interest rate were \$576,000,000 and 1.13%, respectively. As of October 31, 2012, the amount of such outstanding borrowings was \$576,000,000. The interest rate applicable to the borrowings on October 31, 2012 was 0.96%.

The Lending Agreement is a separate side-agreement between the Fund and BNP pursuant to which BNP may borrow a portion of the pledged collateral (the Lent Securities) in an amount not to exceed the outstanding borrowings owed by the Fund to BNP under the Agreement. The Lending Agreement is intended to permit the Fund to significantly reduce the cost of its borrowings under the Agreement. BNP may re-register the Lent Securities in its own name or in another name other than the Fund, and may pledge, re-pledge, sell, lend or otherwise transfer or use the Lent Securities with all attendant rights of ownership. (It is the Fund's understanding that BNP will perform due diligence to determine the creditworthiness of any party that borrows Lent Securities from BNP.) The Fund may designate any security within the pledged collateral as ineligible to be a Lent Security, provided there are eligible securities within the pledged collateral in an amount equal to the outstanding borrowing owed by the Fund. During the period in which the Lent Securities are outstanding, BNP must remit payment to the Fund equal to the amount of all dividends, interest or other distributions earned or made by the Lent Securities.

Under the terms of the Lending Agreement, the Lent Securities are marked to market daily, and if the value of the Lent Securities exceeds the value of the then-outstanding borrowings owed by the Fund to BNP under the Agreement (the Current Borrowings), BNP must, on that day, either (1) return Lent Securities to the Fund's custodian in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings; or (2) post cash collateral with the Fund's custodian equal to the difference between the value of the Lent Securities and the value of the Current Borrowings. If BNP fails to perform either of these actions as required, the Fund will recall securities, as discussed below, in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings. The Fund can recall any of the Lent Securities and BNP shall, to the extent commercially possible, return such security or equivalent security to the Fund's custodian no later

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than three business days after such request. If the Fund recalls a Lent Security pursuant to the Lending Agreement, and BNP fails to return the Lent Securities or equivalent securities in a timely fashion, BNP shall remain liable to the Fund's custodian for the ultimate delivery of such Lent Securities, or equivalent securities, and for any buy-in costs that the executing broker for the sales transaction 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 Lent Securities against the Current Borrowings.

24 CALAMOS STRATEGIC TOTAL RETURN FUND ANNUAL REPORT

Notes to Financial Statements

Note 8 Fair Value Measurements

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 Prices are determined using inputs from unadjusted quoted prices from active markets (including securities actively traded on a securities exchange) for identical assets.

Level 2 Prices are determined using significant observable market inputs other than unadjusted quoted prices, including quoted prices of similar securities, fair value adjustments to quoted foreign securities, interest rates, credit risk, prepayment speeds, and other relevant data.

Level 3 Prices reflect unobservable market inputs (including the Fund's own judgments about assumptions market participants would use in determining fair value) when observable inputs are unavailable.

Debt securities are valued based upon evaluated prices received from an independent pricing service or from a dealer or broker who makes markets in such securities. Pricing services utilize various observable market data and as such, debt securities are generally categorized as Level 2. The levels are not necessarily an indication of the risk or liquidity of the Fund's investments. Transfers between the levels for investment securities or other financial instruments are measured at the end of the reporting period.

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

| | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|-------------------------------------|---------------|----------------|---------|----------------|
| Assets | | | | |
| Corporate Bonds | \$ | \$ 711,232,981 | \$ | \$ 711,232,981 |
| Convertible Bonds | | 142,322,291 | | 142,322,291 |
| U.S. Government and Agency Security | | 15,054,495 | | 15,054,495 |
| Sovereign Bonds | | 28,433,164 | | 28,433,164 |
| Convertible Preferred Stocks | 55,280,550 | 55,053,489 | | 110,334,039 |
| Common Stocks | 1,095,551,119 | 44,625,064 | | 1,140,176,183 |
| Rights | | 430 | | 430 |
| Warrants | 2,184,066 | | | 2,184,066 |
| Short Term Investment | 54,519,232 | | | 54,519,232 |
| Total | | | | |