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CALAMOS STRATEGIC TOTAL RETURN FUND  
Form N-CSR  
December 26, 2006

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: James S. Hamman, Jr., Secretary,  
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, 2006

DATE OF REPORTING PERIOD: November 1, 2005 through October 31, 2006

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).

(INSERT FINANCIAL STATEMENTS HERE)

(GRAPHIC)

CALAMOS(R) STRATEGIC TOTAL RETURN FUND (CSQ)

ANNUAL REPORT OCTOBER 31, 2006

(CALAMOS INVESTMENTS(R) LOGO)

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

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800.823.7386 Through a single toll-free number, Calamos 24-hour shareholder assistance is fast and easy.

- Get fund prices and account balances
- Review recent transactions
- Order statements, literature and more

## 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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Letter to Shareholders

(PHOTO OF JOHN P. CALAMOS, SR.)

Dear Fellow Shareholders:

We are pleased to submit to you our annual report for the year ended October 31, 2006. As always, we value and look forward to the opportunity to communicate with you.

At CALAMOS INVESTMENTS, we view our communication with you as vitally important, so we encourage you to review this report carefully. Inside, you will find investment team commentary, share price and NAV performance, fund sector allocation, fund holdings and financial highlights regarding your Calamos closed-end fund. We hope that you find this report both informative and relevant to your investment needs, and we welcome your feedback.

For information about your fund throughout the year, we invite you to visit our website at [www.calamos.com](http://www.calamos.com). There, you can find the most up-to-date fund information. To help you interpret the big picture, we also post monthly manager commentaries, which provide our latest economic and market outlook.

It has been an exciting year for the CALAMOS INVESTMENTS closed-end funds. All four funds delivered strong performance while continuing to provide a stable monthly distribution to shareholders. In fact, strong performance by the Strategic Total Return Fund (the "Fund") portfolio allowed us to raise its monthly distribution during the period by 11%. The Fund is designed to offer investors a defensive approach to equity participation. By combining equities, convertible bonds and higher-yielding corporate securities, the Fund has the potential to generate capital gains as well as income, taking advantage of its flexibility to manage risk and reward over the full course of a market cycle. In effect, the Fund seeks to participate in long-term upward trends of the equity markets but with the added benefit--and potential downside protection--of a stable monthly distribution. For the 12-month period ended October 31, 2006, the Fund delivered an NAV return of 18.03% and a market price return of 17.99%.

At Calamos, one of our key tenets is to maximize risk-adjusted return. One way to improve total return is to reduce expenses, and one way you can help us reduce expenses is to sign up for e-delivery by visiting our website and clicking on the "Go Paperless!" link. By doing so, you will be able to view important shareholder communications online--including fund prospectuses, shareholder reports and proxy statements--long before the printed publications would have arrived by traditional mail.

We are firm believers in remaining positioned for the long term and have long recognized the impossibility of predicting the exact timing of market shifts. Accordingly, we continue to position our portfolios ahead of events and market turns rather than trying to chase them. Based on our view that the economy is in a period of mid-cycle slowdown, which we explain at greater length in the "Economic and Market Review" that follows, we are emphasizing investments in companies with quality characteristics--such as low debt, high return on invested capital, capable management and well-planned business strategies.

Strategic Total Return Fund  
Letter to Shareholders ANNUAL REPORT 1

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Letter to Shareholders

If you have any questions regarding your investment, you can contact your financial advisor or contact a Calamos Client Service Representative at 800.582.6959, Monday through Friday, 8:00 a.m. to 6:00 p.m. (Central time).

As always, we thank you for your continued trust and the opportunity to help you achieve your financial goals.

Sincerely,

/s/ JOHN P. CALAMOS, SR.

-----  
Chairman, CEO and Co-CIO  
Calamos Advisors LLC

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

Strategic Total Return Fund  
2 ANNUAL REPORT Letter to Shareholders

Economic and Market Review

FOR THE LATEST MARKET AND ECONOMIC OUTLOOK, PLEASE VISIT OUR WEBSITE AT [WWW.CALAMOS.COM](http://WWW.CALAMOS.COM) AND SELECT THE "INDIVIDUAL INVESTORS" BUTTON.

Mid-cycle slowdowns are typically characterized by a number of factors, most of which are present today:

- An end to Fed rate hikes
- Moderation of energy prices
- Slowing in the housing market
- Increasing market volatility
- Moderation of consumer spending
- Declining commodity prices

Historically, mid-cycle slowdowns have been accompanied by a shift in market leadership from cyclical investments to growth-oriented investments. Across the Calamos Funds, we are favoring companies we believe have good prospects for sustainable growth and reduced sensitivity to the economy. Our investment discipline and outlook have led us to a number of traditional large-cap growth companies trading at prices we believe are very attractive relative to the broad market and historical values.

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

During the 12-month period ended October 31, 2006, market participants found themselves distracted by crosscurrents of economic data. In the United States, declines in gross domestic product growth, sliding home prices and

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rising--though modest--inflation troubled investors. Yet, there was better news as well. The Fed paused its rate tightening in August, improving sentiment somewhat. And despite OPEC's decision to reduce oil supplies, gasoline prices dropped. Furthermore, corporate earnings and balance sheets remained strong.

Broadly, stocks advanced in the U.S. market, with the S&P 500 Index<sup>1</sup> rising 16.34% for the 12-month period. This solid return was achieved at a pace that was far from consistent. After a slow summer, a substantial portion of the S&P 500 Index's performance was earned during the final three months of the period. And, not all stocks were equally rewarded, as growth-oriented stocks trailed value and cyclical issues.

International stocks performed with even greater strength and the MSCI EAFE(R) Index<sup>(2)</sup> gained 28.04% for the 12-month period. Meanwhile, convertible securities and high-yield issues participated in the rise of the equity markets. The Value Line Convertible Index<sup>(3)</sup> returned 10.43% for the 12-month period and the CS High Yield Index<sup>(4)</sup> returned 10.29% for the 12-month period.

We believe the U.S. economy--while remaining fundamentally strong--is in the midst of a mid-cycle slowdown. The current environment draws parallels to other mid-cycle slowdowns, including those of the mid-1960s, mid-1980s, and mid-1990s. In each of these periods, the Fed initiated an interest rate tightening campaign that caused a slowdown, first in the investment markets and then in the economy as reflected by waning gross domestic product (GDP) growth. Although no one can predict where a change in the economy will occur, each of these past economic slowdowns was followed by a solid upswing in the markets driven by securities in traditional, stable-growth companies. Accordingly, we believe that the current mid-cycle slowdown can bring considerable opportunity for long-term investors such as ourselves.

Although we do believe the U.S. economy is in the middle of a slowdown, we do not believe a recession is imminent. With three consecutive pauses, we believe the Fed is near or at the end of its tightening phase, and this could serve as a catalyst for stronger growth going forward. Even though gross domestic product growth has declined from the levels achieved during the economic expansion, we believe growth remains respectable and is consistent with what we expect in a period of mid-cycle slowdown. Moreover, our constructive outlook is supported by the current strength in corporate balance sheets and earnings. And, with corporations having cash to spend, we believe that corporate spending will provide the fuel for economic growth. While gasoline prices remain high, they have dropped considerably; this decline, along with increases to wages, could spur increased consumer spending, which we believe will remain helpful for the economy.

As always, we are firm believers in remaining positioned for the long term and we have long recognized the impossibility of predicting the exact timing of market shifts. And, as always, we continue to position our portfolios ahead of events and market turns rather than trying to chase them. Based on our view that the economy is in a period of mid-cycle slowdown, we're emphasizing investments in companies with higher-quality characteristics such as low debt, high return on invested capital, capable management and well-planned business strategies.

Strategic Total Return Fund  
Economic and Market Review ANNUAL REPORT 3

### Investment Team Interview

In the following interview, the Calamos Investment Team, led by Co-Chief Investment Officers, John P. Calamos, Sr. and Nick P. Calamos, reviews the

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Fund's market environment, performance and positioning during the 12-month period ended October 31, 2006.

### AVERAGE ANNUAL TOTAL RETURN\*

COMMON SHARES - INCEPTION 03/26/04

	1 YEAR -----	SINCE INCEPTION ** -----
On Share Price	17.99%	6.91%
On NAV	18.03	11.03

\* 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.

### DISTRIBUTION HISTORY (LATEST 12 MONTHS)

DATE PAID -----	PER SHARE -----
October	\$0.0975
September	0.0975
August	0.0975
July	0.0975
June	0.0975
May	0.0975
April	0.0975
March	0.0975
February	0.0975
January	0.0975
December	0.0875
November	0.0875

Monthly distributions are from net investment income, short-term capital gains and/or long-term capital gains. For more details please go to the Tax Center located at [www.calamos.com](http://www.calamos.com).

### Q. HOW DID THE FUND PERFORM OVER THE REPORTING PERIOD?

A. As you know, Calamos Strategic Total Return Fund (CSQ) takes a defensive approach to equity participation. By combining equities, convertible securities and high-yield corporate bonds, the Fund has the potential to generate capital gains as well as income, using its flexibility to manage risk and reward over the full course of a market cycle. Because convertible and high-yield securities tend to follow the movements of their companies' equity counterparts, the Fund can be viewed as having substantial equity sensitivity, yet with significant income potential. In effect, the Fund seeks to participate in the long-term upward trend of the equity markets, but with the added benefit--and potential downside protection--of a level monthly distribution.

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Based on performance results, the Fund's investment strategy proved its effectiveness these past 12 months. The Fund finished strong for the annual period ended October 31, 2006. Its underlying portfolio (as represented by net asset value or NAV) returned 18.03% during the period, in line with the Fund's market price return of 17.99%. This compares with a return of 16.34% for the all-equity S&P 500 Index. The Fund's robust performance allowed for an increase in its monthly distribution during the period by 11% to \$0.0975 per share. This equated to an annualized distribution rate of 7.85% based on the Fund's market price as of October 31, 2006.

### SINCE INCEPTION NAV AND MARKET PRICE HISTORY

(PERFORMANCE GRAPH)

STRATEGIC TOTAL RETURN FUND		
Date	NAV	Market
3/26/2004	14.325	15.000
3/29/2004	14.310	15.040
3/30/2004	14.310	15.040
3/31/2004	14.310	15.050
4/1/2004	14.340	15.200
4/2/2004	14.340	15.150
4/5/2004	14.390	15.110
4/6/2004	14.380	15.010
4/7/2004	14.340	15.100
4/8/2004	14.300	15.070
4/12/2004	14.330	15.050
4/13/2004	14.210	15.000
4/14/2004	14.170	15.000
4/15/2004	14.200	15.000
4/16/2004	14.250	15.000
4/19/2004	14.250	15.010
4/20/2004	14.150	15.000
4/21/2004	14.160	14.800
4/22/2004	14.260	14.800
4/23/2004	14.230	14.800
4/26/2004	14.230	14.760
4/27/2004	14.260	14.750
4/28/2004	14.150	14.750
4/29/2004	14.080	14.700
4/30/2004	14.050	14.550
5/3/2004	14.110	14.550
5/4/2004	14.130	13.980
5/5/2004	14.140	14.000
5/6/2004	14.040	13.450
5/7/2004	13.800	13.530
5/10/2004	13.590	12.600
5/11/2004	13.660	13.200
5/12/2004	13.670	13.500
5/13/2004	13.620	13.490
5/14/2004	13.620	13.650
5/17/2004	13.500	13.100
5/18/2004	13.570	13.260
5/19/2004	13.570	13.140

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STRATEGIC TOTAL RETURN FUND

Date	NAV	Market
5/20/2004	13.590	13.060
5/21/2004	13.690	13.180
5/24/2004	13.720	12.930
5/25/2004	13.860	13.200
5/26/2004	13.920	13.470
5/27/2004	14.010	13.550
5/28/2004	13.990	13.790
6/1/2004	13.990	13.980
6/2/2004	14.000	13.820
6/3/2004	13.900	13.950
6/4/2004	13.940	14.030
6/7/2004	14.140	13.970
6/8/2004	14.170	14.000
6/9/2004	14.010	13.670
6/10/2004	14.070	13.550
6/14/2004	13.910	13.400
6/15/2004	14.030	13.400
6/16/2004	14.030	13.400
6/17/2004	14.040	13.330
6/18/2004	14.070	13.350
6/21/2004	14.040	13.290
6/22/2004	14.070	13.150
6/23/2004	14.190	13.000
6/24/2004	14.170	13.300
6/25/2004	14.090	13.300
6/28/2004	14.080	13.240
6/29/2004	14.080	13.190
6/30/2004	14.150	13.220
7/1/2004	14.020	13.260
7/2/2004	14.040	13.190
7/6/2004	13.950	13.180
7/7/2004	13.990	13.200
7/8/2004	13.900	13.140
7/9/2004	13.950	13.060
7/12/2004	13.980	13.140
7/13/2004	13.920	13.050
7/14/2004	13.900	12.990
7/15/2004	13.830	12.860
7/16/2004	13.840	12.930
7/19/2004	13.840	12.830
7/20/2004	13.870	12.890
7/21/2004	13.750	12.950
7/22/2004	13.770	12.990
7/23/2004	13.710	12.830

STRATEGIC TOTAL RETURN FUND

Date	NAV	Market
7/26/2004	13.690	12.680



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7/27/2004	13.780	12.590
7/28/2004	13.820	12.690
7/29/2004	13.830	13.020
7/30/2004	13.830	13.170
8/2/2004	13.910	13.100
8/3/2004	13.860	13.350
8/4/2004	13.860	13.350
8/5/2004	13.710	13.270
8/6/2004	13.580	13.070
8/9/2004	13.570	12.990
8/10/2004	13.710	13.170
8/11/2004	13.700	13.120
8/12/2004	13.560	12.890
8/13/2004	13.580	12.790
8/16/2004	13.710	12.980
8/17/2004	13.740	12.950
8/18/2004	13.870	13.350
8/19/2004	13.830	13.270
8/20/2004	13.920	13.260
8/23/2004	13.900	13.020
8/24/2004	13.910	13.040
8/25/2004	13.990	13.180
8/26/2004	13.990	13.290
8/27/2004	14.040	13.420
8/30/2004	13.980	13.520
8/31/2004	14.070	13.580
9/1/2004	14.070	13.760
9/2/2004	14.210	13.790
9/3/2004	14.210	13.850
9/7/2004	14.310	13.930
9/8/2004	14.310	13.750
9/9/2004	14.290	13.920
9/10/2004	14.350	13.930
9/13/2004	14.330	13.770
9/14/2004	14.360	13.740
9/15/2004	14.250	13.550
9/16/2004	14.320	13.580
9/17/2004	14.370	13.760
9/20/2004	14.270	13.550
9/21/2004	14.350	13.400
9/22/2004	14.180	13.330
9/23/2004	14.120	13.270
9/24/2004	14.120	13.270

STRATEGIC TOTAL RETURN FUND

Date	NAV	Market
9/27/2004	14.060	13.330
9/28/2004	14.140	13.460
9/29/2004	14.180	13.580
9/30/2004	14.080	13.730
10/1/2004	14.260	13.760
10/4/2004	14.330	13.750
10/5/2004	14.320	13.790
10/6/2004	14.380	13.770

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10/7/2004	14.270	13.890
10/8/2004	14.220	13.800
10/11/2004	14.240	13.700
10/12/2004	14.210	13.690
10/13/2004	14.040	13.590
10/14/2004	13.920	13.350
10/15/2004	14.020	13.460
10/18/2004	14.080	13.500
10/19/2004	13.980	13.430
10/20/2004	13.960	13.360
10/21/2004	13.980	13.400
10/22/2004	13.890	13.240
10/25/2004	13.850	13.130
10/26/2004	13.980	13.090
10/27/2004	14.150	13.310
10/28/2004	14.210	13.240
10/29/2004	14.230	13.340
11/1/2004	14.240	13.580
11/2/2004	14.240	13.700
11/3/2004	14.400	13.650
11/4/2004	14.620	13.850
11/5/2004	14.670	13.630
11/8/2004	14.650	13.550
11/9/2004	14.670	13.480
11/10/2004	14.620	13.390
11/11/2004	14.730	13.560
11/12/2004	14.890	13.730
11/15/2004	14.870	13.700
11/16/2004	14.810	13.570
11/17/2004	14.880	13.620
11/18/2004	14.890	13.620
11/19/2004	14.780	13.560
11/22/2004	14.830	13.450
11/23/2004	14.830	13.460
11/24/2004	14.890	13.540
11/26/2004	14.940	13.600

STRATEGIC TOTAL RETURN FUND

Date	NAV	Market
11/29/2004	14.910	13.500
11/30/2004	14.860	13.500
12/1/2004	15.020	13.570
12/2/2004	15.020	13.650
12/3/2004	15.040	13.840
12/6/2004	15.020	13.720
12/7/2004	14.910	13.580
12/8/2004	14.960	13.610
12/9/2004	14.930	13.420
12/10/2004	14.940	13.430
12/13/2004	15.060	13.450
12/14/2004	15.130	13.410
12/15/2004	15.190	13.440
12/16/2004	15.200	13.490
12/17/2004	15.130	13.480

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12/20/2004	15.130	13.490
12/21/2004	15.230	13.570
12/22/2004	15.320	13.530
12/23/2004	15.340	13.550
12/27/2004	15.290	13.780
12/28/2004	15.310	13.870
12/29/2004	15.330	13.920
12/30/2004	15.340	14.040
12/31/2004	15.320	14.010
1/3/2005	15.210	14.030
1/4/2005	15.070	14.140
1/5/2005	14.960	14.050
1/6/2005	14.970	14.100
1/7/2005	14.940	14.160
1/10/2005	14.950	14.100
1/11/2005	14.860	14.060
1/12/2005	14.910	13.990
1/13/2005	14.810	13.870
1/14/2005	14.870	13.900
1/15/1900	14.980	14.000
1/19/2005	14.890	13.920
1/20/2005	14.760	13.790
1/21/2005	14.690	13.690
1/24/2005	14.640	13.720
1/25/2005	14.680	13.760
1/26/2005	14.780	13.810
1/27/2005	14.780	13.880
1/28/2005	14.740	13.900
1/31/2005	14.840	14.110

STRATEGIC TOTAL RETURN FUND

Date	NAV	Market
2/1/2005	14.940	14.060
2/2/2005	15.010	13.990
2/3/2005	15.010	13.940
2/4/2005	15.130	14.080
2/7/2005	15.130	14.080
2/8/2005	15.150	14.030
2/9/2005	15.040	14.070
2/10/2005	15.000	14.090
2/11/2005	15.120	14.240
2/14/2005	15.170	14.140
2/15/2005	15.210	14.130
2/16/2005	15.250	14.050
2/17/2005	15.160	13.920
2/18/2005	15.230	13.880
2/22/2005	15.080	13.710
2/23/2005	15.150	13.780
2/24/2005	15.270	13.930
2/25/2005	15.390	14.070
2/28/2005	15.340	14.040
3/1/2005	15.400	14.150
3/2/2005	15.380	14.140
3/3/2005	15.360	14.070

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3/4/2005	15.480	14.070
3/7/2005	15.530	14.050
3/8/2005	15.480	14.030
3/9/2005	15.320	13.850
3/10/2005	15.250	13.860
3/11/2005	15.200	13.790
3/14/2005	15.250	13.820
3/15/2005	15.140	13.680
3/16/2005	14.980	13.380
3/17/2005	14.970	13.410
3/18/2005	14.950	13.290
3/21/2005	14.830	13.100
3/22/2005	14.690	12.900
3/23/2005	14.640	12.810
3/24/2005	14.660	13.000
3/28/2005	14.670	12.650
3/29/2005	14.560	13.000
3/30/2005	14.720	13.370
3/31/2005	14.740	13.310
4/1/2005	14.670	13.210
4/4/2005	14.660	13.120
4/5/2005	14.720	13.350

STRATEGIC TOTAL RETURN FUND

Date	NAV	Market
4/6/2005	14.790	13.590
4/7/2005	14.880	13.630
4/8/2005	14.790	13.610
4/11/2005	14.730	13.440
4/12/2005	14.760	13.650
4/13/2005	14.570	13.290
4/14/2005	14.420	13.240
4/15/2005	14.190	13.230
4/18/2005	14.210	13.390
4/19/2005	14.300	13.340
4/20/2005	14.200	13.150
4/21/2005	14.420	13.160
4/22/2005	14.420	13.210
4/25/2005	14.520	13.310
4/26/2005	14.430	13.200
4/27/2005	14.420	13.430
4/28/2005	14.290	13.480
4/29/2005	14.420	13.570
5/2/2005	14.480	13.348
5/3/2005	14.470	13.370
5/4/2005	14.630	13.700
5/5/2005	14.580	13.670
5/6/2005	14.540	13.660
5/9/2005	14.620	13.720
5/10/2005	14.500	13.660
5/11/2005	14.390	13.520
5/12/2005	14.250	13.330
5/13/2005	14.130	13.260
5/16/2005	14.240	13.280

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5/17/2005	14.250	13.480
5/18/2005	14.400	13.450
5/19/2005	14.460	13.560
5/20/2005	14.500	13.400
5/23/2005	14.600	13.500
5/24/2005	14.590	13.380
5/25/2005	14.580	13.380
5/26/2005	14.680	13.670
5/27/2005	14.740	13.850
5/31/2005	14.700	13.810
6/1/2005	14.790	13.900
6/2/2005	14.870	13.990
6/3/2005	14.830	13.990
6/6/2005	14.810	13.920
6/7/2005	14.800	13.880

STRATEGIC TOTAL RETURN FUND

Date	NAV	Market
6/8/2005	14.800	13.830
6/9/2005	14.830	13.910
6/10/2005	14.860	13.890
6/13/2005	14.800	13.840
6/14/2005	14.870	13.840
6/15/2005	14.920	13.840
6/16/2005	14.990	13.830
6/17/2005	15.080	13.900
6/20/2005	15.060	13.890
6/21/2005	15.040	13.860
6/22/2005	15.010	13.790
6/23/2005	14.880	13.740
6/24/2005	14.800	13.650
6/27/2005	14.790	13.660
6/28/2005	14.890	13.940
6/29/2005	14.890	13.970
6/30/2005	14.810	13.950
7/1/2005	14.890	13.950
7/5/2005	15.020	13.920
7/6/2005	14.910	13.980
7/7/2005	14.900	14.040
7/8/2005	15.040	14.160
7/11/2005	15.150	14.240
7/12/2005	15.220	14.250
7/13/2005	15.130	14.230
7/14/2005	15.180	14.280
7/15/2005	15.200	14.270
7/18/2005	15.130	14.250
7/19/2005	15.190	14.350
7/20/2005	15.230	14.270
7/21/2005	15.140	14.250
7/22/2005	15.230	14.200
7/25/2005	15.210	14.140
7/26/2005	15.230	14.290
7/27/2005	15.330	14.400
7/28/2005	15.390	14.500

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7/29/2005	15.340	14.470
8/1/2005	15.360	14.410
8/2/2005	15.440	14.420
8/3/2005	15.450	14.420
8/4/2005	15.380	14.380
8/5/2005	15.260	14.350
8/8/2005	15.220	14.120
8/9/2005	15.290	14.230

STRATEGIC TOTAL RETURN FUND

Date	NAV	Market
8/10/2005	15.310	14.280
8/11/2005	15.300	14.270
8/12/2005	15.230	14.230
8/15/2005	15.250	14.190
8/16/2005	15.140	14.160
8/17/2005	15.110	14.140
8/18/2005	15.060	14.100
8/19/2005	15.070	14.090
8/22/2005	15.100	14.190
8/23/2005	15.050	14.110
8/24/2005	14.990	14.060
8/25/2005	15.010	14.050
8/26/2005	14.920	14.030
8/29/2005	15.000	14.270
8/30/2005	14.970	14.350
8/31/2005	15.110	14.400
9/1/2005	15.160	14.260
9/2/2005	15.150	14.140
9/6/2005	15.280	14.380
9/7/2005	15.330	14.380
9/8/2005	15.280	14.410
9/9/2005	15.400	14.490
9/12/2005	15.350	14.390
9/13/2005	15.170	14.220
9/14/2005	15.140	14.070
9/15/2005	15.140	14.070
9/16/2005	15.250	14.090
9/19/2005	15.180	13.980
9/20/2005	15.080	13.900
9/21/2005	14.980	13.790
9/22/2005	14.950	13.700
9/23/2005	14.980	13.800
9/26/2005	15.030	13.680
9/27/2005	15.020	13.470
9/28/2005	15.020	13.870
9/29/2005	15.120	14.030
9/30/2005	15.130	13.990
10/3/2005	15.110	13.990
10/4/2005	14.970	13.940
10/5/2005	14.720	13.820
10/6/2005	14.600	13.650
10/7/2005	14.600	13.850
10/10/2005	14.490	13.750

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10/11/2005 14.450 13.780

STRATEGIC TOTAL RETURN FUND

Date	NAV	Market
10/12/2005	14.260	13.390
10/13/2005	14.170	13.180
10/14/2005	14.270	13.620
10/17/2005	14.350	13.590
10/18/2005	14.190	13.350
10/19/2005	14.300	13.440
10/20/2005	14.090	13.240
10/21/2005	14.070	13.210
10/24/2005	14.280	13.450
10/25/2005	14.320	13.400
10/26/2005	14.300	13.380
10/27/2005	14.150	13.460
10/28/2005	14.310	13.700
10/31/2005	14.440	13.710
11/1/2005	14.350	13.620
11/2/2005	14.460	13.500
11/3/2005	14.520	13.470
11/4/2005	14.490	13.390
11/7/2005	14.480	13.370
11/8/2005	14.450	13.350
11/9/2005	14.460	13.240
11/10/2005	14.470	13.180
11/11/2005	14.530	13.270
11/14/2005	14.410	13.120
11/15/2005	14.360	12.940
11/16/2005	14.340	13.040
11/17/2005	14.450	13.010
11/18/2005	14.580	13.250
11/21/2005	14.650	13.200
11/22/2005	14.720	13.120
11/23/2005	14.780	13.180
11/25/2005	14.800	13.280
11/28/2005	14.700	13.160
11/29/2005	14.700	13.170
11/30/2005	14.620	13.200
12/1/2005	14.800	13.260
12/2/2005	14.790	13.240
12/5/2005	14.770	13.100
12/6/2005	14.780	13.070
12/7/2005	14.710	13.070
12/8/2005	14.700	13.070
12/9/2005	14.730	13.110
12/12/2005	14.730	12.990
12/13/2005	14.750	12.960

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STRATEGIC TOTAL RETURN FUND

Date	NAV	Market
12/14/2005	14.840	12.880
12/15/2005	14.810	12.980
12/16/2005	14.800	12.990
12/19/2005	14.760	12.970
12/20/2005	14.730	12.920
12/21/2005	14.770	13.060
12/22/2005	14.810	13.320
12/23/2005	14.800	13.430
12/27/2005	14.690	13.420
12/28/2005	14.620	13.480
12/29/2005	14.600	13.450
12/30/2005	14.560	13.510
1/3/2006	14.810	13.710
1/4/2006	14.920	13.820
1/5/2006	14.950	13.710
1/6/2006	15.090	13.760
1/9/2006	15.150	14.010
1/10/2006	15.150	14.040
1/11/2006	15.230	14.080
1/12/2006	15.160	13.970
1/13/2006	15.160	14.060
1/17/2006	15.120	14.050
1/18/2006	15.040	14.140
1/19/2006	15.150	14.050
1/20/2006	14.960	13.920
1/23/2006	15.010	13.860
1/24/2006	15.030	13.890
1/25/2006	15.050	13.880
1/26/2006	15.170	13.910
1/27/2006	15.330	13.980
1/30/2006	15.340	14.000
1/31/2006	15.310	14.040
2/1/2006	15.340	14.010
2/2/2006	15.180	13.970
2/3/2006	15.090	13.910
2/6/2006	15.140	14.010
2/7/2006	14.980	14.000
2/8/2006	15.080	13.970
2/9/2006	14.970	13.930
2/10/2006	14.960	13.920
2/13/2006	14.910	13.950
2/14/2006	15.030	14.000
2/15/2006	15.110	14.090
2/16/2006	15.210	14.020

STRATEGIC TOTAL RETURN FUND

Date	NAV	Market
2/17/2006	15.240	14.070
2/21/2006	15.250	14.120



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2/22/2006	15.320	14.220
2/23/2006	15.270	14.260
2/24/2006	15.290	14.220
2/27/2006	15.300	14.190
2/28/2006	15.170	14.270
3/1/2006	15.260	14.300
3/2/2006	15.240	14.200
3/3/2006	15.210	14.210
3/6/2006	15.110	14.100
3/7/2006	15.020	14.130
3/8/2006	15.030	14.150
3/9/2006	14.890	14.060
3/10/2006	14.970	13.990
3/13/2006	15.030	13.900
3/14/2006	15.150	13.950
3/15/2006	15.210	14.060
3/16/2006	15.290	14.060
3/17/2006	15.300	14.140
3/20/2006	15.270	14.120
3/21/2006	15.200	14.200
3/22/2006	15.350	14.280
3/23/2006	15.330	14.270
3/24/2006	15.380	14.240
3/27/2006	15.350	14.110
3/28/2006	15.270	14.030
3/29/2006	15.360	14.100
3/30/2006	15.330	14.020
3/31/2006	15.270	14.040
4/3/2006	15.310	14.090
4/4/2006	15.400	14.080
4/5/2006	15.470	14.140
4/6/2006	15.450	14.090
4/7/2006	15.290	14.080
4/10/2006	15.280	14.070
4/11/2006	15.100	13.870
4/12/2006	15.100	13.900
4/13/2006	15.090	13.910
4/17/2006	15.120	13.770
4/18/2006	15.380	13.880
4/19/2006	15.430	13.930
4/20/2006	15.470	14.000
4/21/2006	15.470	14.000

STRATEGIC TOTAL RETURN FUND

Date	NAV	Market
4/24/2006	15.400	14.100
4/25/2006	15.350	14.050
4/26/2006	15.440	13.970
4/27/2006	15.480	13.930
4/28/2006	15.510	13.890
5/1/2006	15.460	13.890
5/2/2006	15.580	13.910
5/3/2006	15.510	13.870
5/4/2006	15.560	13.980

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5/5/2006	15.700	14.080
5/8/2006	15.720	14.090
5/9/2006	15.640	14.060
5/10/2006	15.640	13.980
5/11/2006	15.490	13.980
5/12/2006	15.290	13.940
5/15/2006	15.290	13.830
5/16/2006	15.270	13.810
5/17/2006	14.980	13.850
5/18/2006	14.900	13.880
5/19/2006	14.950	13.850
5/22/2006	14.840	13.740
5/23/2006	14.860	13.770
5/24/2006	14.800	13.670
5/25/2006	14.970	13.800
5/26/2006	15.090	13.910
5/30/2006	14.870	13.900
5/31/2006	14.980	13.940
6/1/2006	15.160	14.010
6/2/2006	15.210	14.080
6/5/2006	14.980	14.020
6/6/2006	14.900	14.030
6/7/2006	14.810	14.080
6/8/2006	14.680	13.980
6/9/2006	14.620	13.980
6/12/2006	14.470	13.850
6/13/2006	14.320	13.670
6/14/2006	14.320	13.600
6/15/2006	14.610	13.720
6/16/2006	14.560	13.790
6/19/2006	14.490	13.830
6/20/2006	14.470	13.800
6/21/2006	14.560	13.890
6/22/2006	14.500	13.850
6/23/2006	14.480	13.860

STRATEGIC TOTAL RETURN FUND

Date	NAV	Market
6/26/2006	14.540	13.890
6/27/2006	14.460	13.900
6/28/2006	14.510	13.890
6/29/2006	14.790	13.940
6/30/2006	14.900	13.970
7/3/2006	15.000	13.950
7/5/2006	14.890	13.930
7/6/2006	14.940	14.000
7/7/2006	14.890	13.990
7/10/2006	14.900	14.000
7/11/2006	14.840	14.020
7/12/2006	14.700	13.960
7/13/2006	14.530	13.860
7/14/2006	14.480	13.600
7/17/2006	14.420	13.710
7/18/2006	14.460	13.880

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7/19/2006	14.710	14.000
7/20/2006	14.640	14.040
7/21/2006	14.560	14.040
7/24/2006	14.770	14.080
7/25/2006	14.870	14.090
7/26/2006	14.960	14.140
7/27/2006	14.890	14.170
7/28/2006	15.050	14.160
7/31/2006	15.000	14.200
8/1/2006	14.940	14.220
8/2/2006	15.040	14.230
8/3/2006	15.100	14.240
8/4/2006	15.120	14.250
8/7/2006	15.080	14.190
8/8/2006	15.040	14.150
8/9/2006	14.880	14.120
8/10/2006	14.890	14.170
8/11/2006	14.810	14.210
8/14/2006	14.850	14.230
8/15/2006	15.060	14.340
8/16/2006	15.160	14.390
8/17/2006	15.150	14.430
8/18/2006	15.180	14.450
8/21/2006	15.120	14.440
8/22/2006	15.130	14.450
8/23/2006	15.080	14.400
8/24/2006	15.110	14.400
8/25/2006	15.110	14.340

STRATEGIC TOTAL RETURN FUND

Date	NAV	Market
8/28/2006	15.180	14.480
8/29/2006	15.210	14.400
8/30/2006	15.220	14.480
8/31/2006	15.230	14.560
9/1/2006	15.300	14.590
9/5/2006	15.340	14.460
9/6/2006	15.220	14.380
9/7/2006	15.030	14.300
9/8/2006	15.070	14.480
9/11/2006	15.040	14.470
9/12/2006	15.170	14.550
9/13/2006	15.220	14.490
9/14/2006	15.210	14.440
9/15/2006	15.170	14.500
9/18/2006	15.160	14.570
9/19/2006	15.130	14.650
9/20/2006	15.190	14.700
9/21/2006	15.180	14.640
9/22/2006	15.170	14.600
9/25/2006	15.280	14.750
9/26/2006	15.370	14.660
9/27/2006	15.380	14.730
9/28/2006	15.410	14.730

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9/29/2006	15.390	14.810
10/2/2006	15.340	14.780
10/3/2006	15.350	14.700
10/4/2006	15.510	14.750
10/5/2006	15.490	14.830
10/6/2006	15.460	14.840
10/9/2006	15.490	14.900
10/10/2006	15.420	14.690
10/11/2006	15.420	14.790
10/12/2006	15.540	14.870
10/13/2006	15.580	14.900
10/16/2006	15.610	14.930
10/17/2006	15.590	14.930
10/18/2006	15.620	14.930
10/19/2006	15.610	15.000
10/20/2006	15.620	14.950
10/23/2006	15.680	14.990
10/24/2006	15.720	14.990
10/25/2006	15.780	14.930
10/26/2006	15.830	14.970
10/27/2006	15.720	14.940

STRATEGIC TOTAL RETURN FUND

Date	NAV	Market
10/30/2006	15.700	14.960
10/31/2006	15.710	14.910

Q. WHAT MAJOR DEVELOPMENTS OCCURRED WITH THE ECONOMY AND MARKET THIS PAST YEAR, AND HOW DID THESE FACTORS AFFECT THE FUND?

A. Rising short-term interest rates were the big story through the first half of 2006, though it had little impact on the Fund's cost of leverage. Many closed-end funds use leverage by borrowing funds at very short-term rates. As short-term interest rates rise, this increases the cost of leverage and can impact the yield and total return of the portfolio. While the Fund does employ leverage through preferred shares, a large share of the cost of leverage was locked in for longer periods earlier in the interest rate

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cycle--when rates were lower. Because the cost of leverage was locked in at longer-term fixed rates, the portfolio was not significantly affected by the rising short-term interest rates that marked 2005 and the first half of 2006.

10-YEAR TREASURY FOR THE PERIOD ENDED OCTOBER 31, 2006

(PERFORMANCE GRAPH)

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### 10 YEAR TREASURY

Date	Market
----	-----
10/31/2005	4.57%
11/05	4.49%
12/05	4.39%
1/06	4.53%
2/06	4.55%
3/06	4.86%
4/06	5.07%
5/06	5.12%
6/06	5.15%
7/06	4.99%
8/06	4.74%
9/06	4.64%
10/06	4.61%

Long-term interest rates also rose over the period, with the yield on the 10-year Treasury moving from 4.57% at the beginning of the period to 5.15% in June 2006 before falling off in third calendar quarter. Rising long-term interest rates tend to negatively affect high-quality fixed-income securities. The Fund's portfolio combines high-yield corporate bonds and convertible bonds that tend to be more economically sensitive and much less interest-rate sensitive. This was demonstrated over the period as the portfolio benefited from continued economic growth and a general rise in the equity market.

Mixed economic data stirred up investor apprehension at the start of the third calendar quarter of 2006. This anxiety spurred a continuation of the saw-toothed markets of the second quarter, when stocks would rise for a few days or weeks, only to retreat again. By the end of September, however, the landscape had significantly changed. Markets gained a degree of traction, and major stock indexes around the globe posted solid gains for the quarter. Convertible and high-yield securities participated in the equity market upside during the period, earning respectable returns as well.

Despite media reports of decreased consumer spending, a downward revision of gross domestic product (GDP) growth and higher year-over-year inflation, there was considerable good news in the third quarter. The Fed's decision in August to pause its rate increases served to alleviate recession fears, and investors became cautiously hopeful of economic expansion. Corporate earnings remained robust. The release of strong consumer confidence data, in part a reaction to the continuing slide of gasoline prices, encouraged investors as well. In fact, energy prices continued to drop through October, despite OPEC's announcement that it would cut production. These positive events contributed to a robust market with the S&P 500 rising 3.26% in October alone.

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Investment Team Interview

ASSET ALLOCATION

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(PIE CHART)

SHORT-TERM INVESTMENTS	0.6%
HIGH YIELD/ CORPORATE BONDS	27.4%
CONVERTIBLE SECURITIES	27.5%
COMMON STOCKS	44.5%

Fund asset allocations are based on total investments (excluding security lending collateral) and may vary over time.

### SECTOR ALLOCATION

Financials	20.1%
Consumer Discretionary	17.7
Health Care	11.5
Information Technology	10.2
Energy	10.1
Consumer Staples	8.4
Industrials	8.4
Telecommunication Services	7.2
Utilities	2.7
Materials	2.4

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

### QUALITY ALLOCATION

Weighted Average Credit Quality	BB+
AAA	1.4%
AA	1.1
A	10.4
BBB	17.7
BB	24.1
B	29.0
CCC or below	6.7
Not rated	9.6

Data is based on portfolio holdings. Credit quality shown reflects the higher of the ratings of Standard & Poor's Corporation or Moody's Investors Service, Inc. Ratings are relative, subjective and not absolute standards of quality. Excludes equity securities and cash.

Our analysis indicates that the economy is in the midst of a mid-cycle slowdown much like those of 1965, 1985-86 and 1995. However, we don't believe the risk of inflation or recession is high at this time. One significant change that occurred in past mid-cycle slowdowns was a shift from a pro-cyclical market to a more growth-oriented market. We believe the portfolio's emphasis on higher-quality, sustainable growth names and reduction in cyclical sectors positions it well for a rotation in market leadership to stable growth.

### Q. WHAT WORKED WELL FOR THE FUND OVER THE PERIOD?

A. The Fund's three major asset classes (equities, high-yield bonds and

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convertible bonds) posted strong positive returns for the fiscal year, with equities leading the charge. During the period, we made no dramatic shifts in the weightings of asset classes. At period end, equities represented 45% of assets, while high-yield and convertible bonds represented 27% and 28%, respectively. Overall, performance during the period was helped by the Fund's equity sensitivity, reflected in its stock and convertible security allocations. The portfolio's convertible holdings got an added boost as valuations in the convertible market continued to improve over the period. In keeping with our overall strategic positioning, our selection among larger-cap securities also proved advantageous.

From a sector standpoint, all of the portfolio's sector allocations delivered positive performance, with several of the sectors providing double-digit returns. Relative to the all-equity S&P 500 Index, an overweight and security selection in telecommunication services--particularly in the wireless telecommunication services industry--benefited the portfolio. The Fund's selection of information technology securities also bolstered return.

Q. WHAT DETRACTED FROM THE FUND'S PERFORMANCE?

A. Relative to the S&P 500, selection within the financials energy and consumer discretionary sectors dampened performance.

In addition, the portfolio's higher credit quality hindered overall performance, as low-quality issues performed well. From a long-term risk/reward perspective, however, we believe that our rigorous credit research will benefit clients over the full course of a market cycle.

Q. THE FUND USES SWAP AGREEMENTS TO LIMIT THE INTEREST-RATE RISK OF LEVERAGE. WHAT WILL YOU DO AS THESE SWAPS ROLL OFF?

A. In order to avoid a significant impact on the Fund's portfolio, the maturities of the swap agreements have been staggered over a three-year time period. While we will continue to actively evaluate the opportunity to use swaps, given the current economic environment and the low likelihood of near-term interest rate increases, it does not appear to be advantageous to lock in rates by entering into new swap agreements. See the section titled "Leverage" to learn how the Fund uses leverage and swap agreements to enhance total return and manage interest-rate risk.

Strategic Total Return Fund

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Investment Team Interview

Q. WHAT IS YOUR OUTLOOK IN THE COMING YEAR AND HOW ARE YOU POSITIONING THE PORTFOLIO ACCORDINGLY?

A. Among the three main asset categories, we do not currently anticipate making major allocation changes, but are open to adjusting weightings as we identify opportunities. Across the portfolio, we are favoring traditional high-quality growth companies with quality characteristics, such as strong balance sheets, capable management and solid prospects for steady earnings growth. Many of these types of companies have seen a great deal of earnings growth in recent years that's not reflected in their stock prices. The portfolio also reflects our economic outlook and identification of global themes that we believe will drive the markets and the economy over the long term.

We continue to emphasize investments in software names and consulting. We

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believe these information technology companies are well positioned to benefit from multiple trends. For example, as corporations strive to remain competitive in a global economy, they make considerable investment in technology in order to enhance productivity. Given the strong state of corporate balance sheets, we expect capital expenditures to bolster these information technology companies. Moreover, information technology companies continue to be the source of innovations that are changing the world; and consumer demand remains extremely robust.

We have also increased allocations to consumer discretionary and health care, in keeping with our economic outlook and positive view on the prospects for quality companies with sustainable businesses. In particular, we're favoring health care industries that contain fast-growing, top-line businesses such as biotechnology and services.

In contrast, we are increasingly selective about energy and materials and have pared allocations to these areas. For example, in energy, we are placing less emphasis on companies whose fortunes are most closely tied to fluctuations in crude prices. Of course, we balance these considerations with our use of diversification as a risk management tool. Because no one can predict what will happen next in the world, we do believe it is prudent to maintain allocations across the major sectors of the market.

We believe convertible bonds continue to offer an attractive risk/reward choice for investors. With regard to our convertible holdings, we continue to favor hybrid, equity-sensitive convertibles so that we can continue to participate in any upward movement of the stock market.

The fundamentals of the high-yield market remain solid, and we believe the market looks fairly priced: defaults are low, corporate balance sheets are sound and companies have sufficient cash on hand to service their debts. As high-yield issues are typically more economically sensitive than interest-rate sensitive, these securities should benefit from continued economic growth. While remaining attuned to top-down concerns, we emphasize an issue-by-issue approach in our high-yield portfolios. We look for companies with good return on invested capital and stable or improving credit position; we also favor companies that may benefit from equity issuance or M&A activity. As in many of our other strategies, we have a bias toward sustainable growth companies over those with cyclical vulnerabilities. We are avoiding distressed issues, instead positioning

Strategic Total Return Fund  
Investment Team Interview ANNUAL REPORT 7

### Investment Team Interview

our portfolios with a bias toward securities in the higher quality tiers of the high-yield universe. Given that the performance of high-yield bonds is equity sensitive, our research seeks to determine the financial strength and prospects of issuing companies--as well as catalysts for upside.

#### Q. ANY FINAL THOUGHTS FOR INVESTORS?

A. We are firm believers in remaining positioned for the long term and have long recognized the impossibility of predicting the exact timing of market shifts. Accordingly, we continue to attempt to position our portfolios ahead of events and market turns, rather than trying to chase them. Based on our economic outlook, we continue to emphasize investments in companies with quality hallmarks--such as strong balance sheets, capable management and well-planned business strategies. We have found many opportunities to invest in these



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companies at what we believe are attractive prices. We thank you for your continued support and look forward to helping you attain your financial goals.

- (1) The S&P 500 Index is an unmanaged index generally considered representative of the U.S. stock market. Source: Lipper Analytical Services.
- (2) The MSCI EAFE(R) Index measures developed market equity performance (excluding the U.S. and Canada). Source: Lipper Analytical Services.
- (3) The Value Line Convertible Index is an equally-weighted index of the larger convertibles, representing 90% of the U.S. convertible securities market. Source: Russell/Mellon Analytical Services LLC.
- (4) The CS High Yield Index is an unmanaged index of high yield debt securities. Source: Russell/Mellon Analytical Services LLC.

Strategic Total Return Fund

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### Schedule of Investments

OCTOBER 31, 2006

PRINCIPAL AMOUNT -----	VALUE -----
CORPORATE BONDS (39.4%)	
CONSUMER DISCRETIONARY (13.0%)	
\$ 4,549,000	Asbury Automotive Group, Inc.
	8.000%, 03/15/14
	\$ 4,617,235
7,278,000	Aztar Corp.@
	7.875%, 06/15/14
	7,869,337
10,330,000	Beazer Homes USA, Inc.
	8.375%, 04/15/12
	10,614,075
4,549,000	Boyd Gaming Corp.
	7.750%, 12/15/12
	4,696,843
8,415,000	DIRECTV Financing Company, Inc.
	8.375%, 03/15/13
	8,772,637
14,100,000	EchoStar Communications Corp.*
	7.125%, 02/01/16
	13,853,250
2,001,000	EchoStar DBS Corporation
	6.625%, 10/01/14
	1,935,968
5,913,000 GBP	EMI Group, PLC
	8.250%, 05/20/08
	11,924,514
19,104,000	Expedia, Inc.*
	7.456%, 08/15/18
	19,974,359
8,187,000	GameStop Corp.@
	8.000%, 10/01/12
	8,534,947
13,646,000	General Motors Corp.
	7.200%, 01/15/11
	12,793,125
18,194,000	Goodyear Tire & Rubber Company@
	7.857%, 08/15/11
	17,693,665
7,732,000	Group 1 Automotive, Inc.
	8.250%, 08/15/13
	7,992,955
8,187,000	Hovnanian Enterprises, Inc.@
	7.750%, 05/15/13
	7,787,884

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6,368,000	IMAX Corp.@ 9.625%, 12/01/10	5,954,080
6,922,000	Jarden Corp.@ 9.750%, 05/01/12	7,354,625
2,950,000	Kellwood Company 7.625%, 10/15/17	2,728,750
6,823,000	Landry's Restaurants, Inc.@ 7.500%, 12/15/14	6,550,080
4,549,000	Liberty Media Corporation@ 8.250%, 02/01/30	4,492,438
15,692,000	Linens 'n Things, Inc.++ 10.999%, 01/15/14	15,456,620
13,232,000	Mandalay Resort Group@ 10.250%, 08/01/07	13,678,580
5,913,000	7.625%, 07/15/13	5,802,131
11,826,000	Meritage Corp. 7.000%, 05/01/14	11,234,700
5,458,000	NCL Holding, ASA 10.625%, 07/15/14	5,348,840
4,549,000	Oxford Industries, Inc. 8.875%, 06/01/11	4,691,156
8,187,000	Pinnacle Entertainment, Inc. 8.250%, 03/15/12	8,350,740
4,680,000	8.750%, 10/01/13@	4,949,100

PRINCIPAL  
AMOUNT

VALUE

\$ 9,111,000	Reader's Digest Association, Inc. 6.500%, 03/01/11	\$ 8,837,670
11,826,000	Royal Caribbean Cruises, Ltd.@ 7.500%, 10/15/27	11,592,389
17,284,000	Service Corp. International 6.750%, 04/01/16	16,765,480
13,646,000	Standard Pacific Corp.@ 9.250%, 04/15/12	13,850,690
2,001,000	Station Casinos, Inc.@ 6.875%, 03/01/16	1,845,923
4,549,000	Vail Resorts, Inc.@ 6.750%, 02/15/14	4,458,020
16,829,000	Warner Music Group 7.375%, 04/15/14	16,534,493
2,274,000 GBP	8.125%, 04/15/14	4,446,210
2,001,000	Wynn Las Vegas, LLC@ 6.625%, 12/01/14	1,970,985
		315,954,494
	CONSUMER STAPLES (2.4%)	
1,819,000	Alimentation Couche-Tard Inc.@ 7.500%, 12/15/13	1,873,570
7,732,000	Central Garden & Pet Company 9.125%, 02/01/13	8,118,600
13,418,000	Chiquita Brands International, Inc.@ 7.500%, 11/01/14	11,673,660
10,462,000	Del Monte Foods Company 8.625%, 12/15/12	11,050,487
15,465,000	Jean Coutu Group, Inc.	

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	8.500%, 08/01/14	15,252,356
10,007,000	NBTY, Inc.	
	7.125%, 10/01/15	9,781,843
		-----
		57,750,516
		-----
	ENERGY (5.3%)	
10,916,000	Arch Western Finance, LLC	
	6.750%, 07/01/13	10,588,520
	Chesapeake Energy Corp.@	
6,368,000	6.875%, 01/15/16	6,352,080
3,639,000	7.500%, 06/15/14	3,743,621
4,899,000	Comstock Resources, Inc.	
	6.875%, 03/01/12	4,660,174
1,810,000	Energy Partners, Ltd.	
	8.750%, 08/01/10	1,891,450
13,464,000	Giant Industries, Inc.	
	8.000%, 05/15/14	14,642,100
4,549,000	Houston Exploration Company	
	7.000%, 06/15/13	4,412,530
4,549,000	Petrohawk Energy Corp.	
	7.125%, 04/01/12	4,389,785
	Petroleo Brasileiro, SA	
15,010,000	9.125%, 07/02/13	17,674,275
14,100,000	8.375%, 12/10/18@	16,602,750
1,819,000	Premcor Refining Group, Inc.	
	7.500%, 06/15/15	1,906,279

See accompanying Notes to Schedule of Investments.

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Schedule of Investments ANNUAL REPORT 9

Schedule of Investments

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PRINCIPAL AMOUNT		VALUE
-----		-----
\$ 4,549,000	Superior Energy Services, Inc.*@	
	6.875%, 06/01/14	\$ 4,537,628
10,302,000	Swift Energy Company@	
	9.375%, 05/01/12	10,894,365
6,868,000	Whiting Petroleum Corp.	
	7.250%, 05/01/12	6,833,660
18,194,000	Williams Companies, Inc.@	
	7.750%, 06/15/31	18,694,335
		-----
		127,823,552
		-----
	FINANCIALS (3.9%)	
36,388,000	Dow Jones & Company, Inc.*@	
	8.000%, 12/29/11	36,569,940
	E*TRADE Financial Corporation	

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17,612,000	7.375%, 09/15/13	18,184,390
12,145,000	7.875%, 12/01/15@	12,904,062
3,093,000	8.000%, 06/15/11	3,224,453
13,646,000	Leucadia National Corp.	
	7.000%, 08/15/13	13,799,517
9,552,000	Senior Housing Properties Trust	
	8.625%, 01/15/12	10,340,040
		-----
		95,022,402
		-----
	HEALTH CARE (2.9%)	
4,549,000	Ameripath, Inc.	
	10.500%, 04/01/13	4,912,920
2,729,000	Angiotech Pharmaceuticals, Inc.*	
	7.750%, 04/01/14	2,606,195
4,549,000	Bio-Rad Laboratories, Inc.	
	7.500%, 08/15/13	4,708,215
5,231,000	Biovail Corp.	
	7.875%, 04/01/10	5,270,233
2,001,000	DaVita, Inc.@	
	7.250%, 03/15/15	2,001,000
1,456,000	Omnicare, Inc.	
	6.875%, 12/15/15	1,434,160
10,007,000	Psychiatric Solutions, Inc.	
	7.750%, 07/15/15	9,956,965
16,102,000	Tenet Healthcare Corp.@	
	9.250%, 02/01/15	15,357,282
11,826,000	Valeant Pharmaceuticals International	
	7.000%, 12/15/11	11,412,090
12,281,000	Vanguard Health Systems, Inc.@	
	9.000%, 10/01/14	11,943,272
		-----
		69,602,332
		-----
	INDUSTRIALS (3.9%)	
5,003,000	Accuride Corp.	
	8.500%, 02/01/15	4,877,925
6,050,000	American Airlines, Inc.	
	7.250%, 02/05/09	6,125,625
2,729,000	Armor Holdings, Inc.	
	8.250%, 08/15/13	2,838,160
15,010,000	CNH Global, NV	
	9.250%, 08/01/11	16,004,412
PRINCIPAL		
AMOUNT		VALUE
-----		-----
\$12,281,000	Cummins, Inc.@	
	9.500%, 12/01/10	\$ 12,893,134
1,819,000	FTI Consulting, Inc.@	
	7.625%, 06/15/13	1,869,023
4,549,000	Gardner Denver, Inc.	
	8.000%, 05/01/13	4,765,077
8,642,000	General Cable Corp.	
	9.500%, 11/15/10	9,246,940
1,639,000	Greenbrier Companies, Inc.	
	8.375%, 05/15/15	1,667,683
4,121,000	H&E Equipment Service, Inc.*@	

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	8.375%, 07/15/16	4,275,538
3,416,000	Manitowoc Company, Inc.	
	10.500%, 08/01/12	3,706,360
2,729,000	Orbital Sciences Corp.@	
	9.000%, 07/15/11	2,909,796
4,549,000	Sequa Corp.	
	8.875%, 04/01/08	4,742,332
5,231,000	Trinity Industries, Inc.	
	6.500%, 03/15/14	5,159,074
4,549,000	Wesco Distribution, Inc.	
	7.500%, 10/15/17	4,617,235
4,549,000	Westinghouse Air Brake Technologies Corporation	
	6.875%, 07/31/13	4,492,138
5,003,000	Williams Scotsman International, Inc.@	
	8.500%, 10/01/15	5,190,612
		-----
		95,381,064
		-----
	INFORMATION TECHNOLOGY (1.8%)	
16,623,000	Advanced Micro Devices, Inc.@	
	7.750%, 11/01/12	16,955,460
2,024,000	Anixter International, Inc.	
	5.950%, 03/01/15	1,912,680
2,001,000	Avago Technologies*@	
	11.875%, 12/01/15	2,211,105
7,732,000	Celestica, Inc.@	
	7.875%, 07/01/11	7,847,980
4,549,000	Freescale Semiconductor, Inc.	
	7.125%, 07/15/14	4,878,848
1,001,000	Sanmina-SCI Corporation	
	8.125%, 03/01/16	989,739
9,552,000	SunGard Data Systems, Inc.@	
	9.125%, 08/15/13	9,957,960
		-----
		44,753,772
		-----
	MATERIALS (3.1%)	
2,274,000	Agrium, Inc.	
	7.125%, 05/23/36	2,432,868
2,729,000	Century Aluminum Company	
	7.500%, 08/15/14	2,735,822
7,942,000	Freeport-McMoRan Copper & Gold, Inc.	
	10.125%, 02/01/10	8,448,302
2,001,000	Gibraltar Industries, Inc.	
	8.000%, 12/01/15	1,990,995

See accompanying Notes to Schedule of Investments.

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PRINCIPAL AMOUNT		VALUE
-----		-----
\$12,281,000	EUR Ineos Group Holdings, PLC* 7.875%, 02/15/16	\$ 15,066,861
2,274,000	8.500%, 02/15/16@	2,200,095
9,097,000	IPSCO, Inc. 8.750%, 06/01/13	9,733,790
2,729,000	P.H. Glatfelter Company* 7.125%, 05/01/16	2,734,644
3,639,000	U.S. Concrete, Inc. 8.375%, 04/01/14	3,511,635
9,961,000	Union Carbide Corp. 7.875%, 04/01/23@	10,631,296
7,869,000	7.500%, 06/01/25	8,492,524
6,686,000	Westlake Chemical Corporation@ 6.625%, 01/15/16	6,435,275
		----- 74,414,107 -----
	TELECOMMUNICATION SERVICES (2.0%)	
11,826,000	Alamosa Holdings, Inc. 8.500%, 01/31/12	12,580,026
1,546,000	Citizens Communications Company@ 9.000%, 08/15/31	1,687,073
4,094,000	IPCS, Inc. 11.500%, 05/01/12	4,595,515
4,303,000	Leap Wireless International, Inc.* 9.375%, 11/01/14	4,410,575
5,913,000	CAD Rogers Cable, Inc. 7.250%, 12/15/11	5,680,840
4,549,000	Sprint Nextel Corporation 11.000%, 07/31/10	4,964,983
4,549,000	Syniverse Technologies, Inc. 7.750%, 08/15/13	4,389,785
8,187,000	Windstream Corp.*@ 8.625%, 08/01/16	8,872,661
		----- 47,181,458 -----
	UTILITIES (1.1%)	
10,916,000	Edison International 7.730%, 06/15/09	11,407,220
16,375,000	TXU Corp. 6.500%, 11/15/24	15,802,645
		----- 27,209,865 -----
	TOTAL CORPORATE BONDS (Cost \$949,530,093)	955,093,562 =====
	CONVERTIBLE BONDS (14.5% )	
	CONSUMER DISCRETIONARY (4.0%)	
7,000,000	General Motors Corp. 6.250%, 07/15/33	6,647,200
16,500,000	GBP Punch Taverns Redwood Jersey Co. Ltd. 5.000%, 12/14/10	35,533,648
10,151,000	United Auto Group, Inc. 3.500%, 04/01/26*	11,635,584
5,849,000	3.500%, 04/01/26	6,704,416

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PRINCIPAL AMOUNT -----		VALUE -----
\$32,000,000	Walt Disney Company@ 2.125%, 04/15/23	\$ 36,520,000
		----- 97,040,848 -----
10,500,000	ENERGY (0.6%) Helix Energy Solutions Group, Inc.* 3.250%, 12/15/25	13,689,375
4,350,000	FINANCIALS (1.1%) Host Hotels & Resorts, Inc.* 3.250%, 04/15/24	6,100,875
18,750,000	Travelers Property Casualty Corp. 4.500%, 04/15/32	19,500,000
		----- 25,600,875 -----
15,000,000	HEALTH CARE (1.6%) Advanced Medical Optics, Inc.* 3.250%, 08/01/26	14,681,250
3,570,000	Valeant Pharmaceuticals International 3.000%, 08/16/10	3,422,737
20,000,000	Wyeth@++ 5.109%, 01/15/24	21,904,000
		----- 40,007,987 -----
9,000,000	INDUSTRIALS (1.6%) GATX Corp. 7.500%, 02/01/07	11,531,250
16,000,000	Lockheed Martin Corp.++ 5.155%, 08/15/33	20,393,600
7,500,000	Quanta Services, Inc.* 3.750%, 04/30/26	8,184,375
		----- 40,109,225 -----
14,500,000	INFORMATION TECHNOLOGY (3.5%) DST Systems, Inc. 4.125%, 08/15/23	20,046,250
17,000,000	Electronic Data Systems Corp. 3.875%, 07/15/23	17,467,500
8,000,000	Mentor Graphics Corp.* 6.250%, 03/01/26	10,140,000
36,500,000	Vishay Intertechnology, Inc. 3.625%, 08/01/23	36,408,750
		----- 84,062,500 -----
20,000,000	UTILITIES (2.1%) CenterPoint Energy, Inc. 3.750%, 05/15/23	27,450,000
8,750,000 GBP	Scottish & Southern Energy, PLC 3.750%, 10/29/09	24,667,047

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	-----
	52,117,047
	-----
TOTAL CONVERTIBLE BONDS	
(Cost \$322,131,188)	352,627,857
	=====

See accompanying Notes to Schedule of Investments.

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Schedule of Investments

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PRINCIPAL AMOUNT -----		VALUE -----
SYNTHETIC CONVERTIBLE SECURITIES (4.6%)		
CORPORATE BONDS (3.9%)		
	CONSUMER DISCRETIONARY (1.3%)	
\$ 451,000	Asbury Automotive Group, Inc. 8.000%, 03/15/14	\$ 457,765
722,000	Aztar Corp.@ 7.875%, 06/15/14	780,662
1,025,000	Beazer Homes USA, Inc. 8.375%, 04/15/12	1,053,187
451,000	Boyd Gaming Corp. 7.750%, 12/15/12	465,658
835,000	DIRECTV Financing Company, Inc. 8.375%, 03/15/13	870,487
1,400,000	EchoStar Communications Corp.* 7.125%, 02/01/16	1,375,500
199,000	EchoStar DBS Corporation 6.625%, 10/01/14	192,533
587,000 GBP	EMI Group, PLC 8.250%, 05/20/08	1,183,780
1,896,000	Expedia, Inc.* 7.456%, 08/15/18	1,982,380
813,000	GameStop Corp.@ 8.000%, 10/01/12	847,552
1,354,000	General Motors Corp. 7.200%, 01/15/11	1,269,375
1,806,000	Goodyear Tire & Rubber Company@ 7.857%, 08/15/11	1,756,335
768,000	Group 1 Automotive, Inc. 8.250%, 08/15/13	793,920
813,000	Hovnanian Enterprises, Inc.@ 7.750%, 05/15/13	773,366
632,000	IMAX Corp.@ 9.625%, 12/01/10	590,920
687,000	Jarden Corp.@ 9.750%, 05/01/12	729,937
293,000	Kellwood Company 7.625%, 10/15/17	271,025
677,000	Landry's Restaurants, Inc.@	



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451,000	7.500%, 12/15/14	649,920
1,558,000	Liberty Media Corporation@ 8.250%, 02/01/30	445,392
1,313,000	Linens 'n Things, Inc.@++ 10.999%, 01/15/14	1,534,630
587,000	Mandalay Resort Group@ 10.250%, 08/01/07	1,357,314
1,174,000	7.625%, 07/15/13 Meritage Corp. 7.000%, 05/01/14	575,994
542,000	NCL Holding, ASA 10.625%, 07/15/14	1,115,300
451,000	Oxford Industries, Inc. 8.875%, 06/01/11	531,160
813,000	Pinnacle Entertainment, Inc. 8.250%, 03/15/12	465,094
		829,260
PRINCIPAL AMOUNT		VALUE
-----		-----
\$ 465,000	8.750%, 10/01/13@	\$ 491,737
904,000	Reader's Digest Association, Inc. 6.500%, 03/01/11	876,880
1,174,000	Royal Caribbean Cruises, Ltd.@ 7.500%, 10/15/27	1,150,809
1,716,000	Service Corp. International 6.750%, 04/01/16	1,664,520
1,354,000	Standard Pacific Corp.@ 9.250%, 04/15/12	1,374,310
199,000	Station Casinos, Inc.@ 6.875%, 03/01/16	183,578
451,000	Vail Resorts, Inc.@ 6.750%, 02/15/14	441,980
1,671,000	Warner Music Group 7.375%, 04/15/14	1,641,758
226,000 GBP	8.125%, 04/15/14	441,884
199,000	Wynn Las Vegas, LLC@ 6.625%, 12/01/14	196,015
		-----
		31,361,917
		-----
181,000	CONSUMER STAPLES (0.2%) Alimentation Couche-Tard Inc.@ 7.500%, 12/15/13	186,430
768,000	Central Garden & Pet Company 9.125%, 02/01/13	806,400
1,332,000	Chiquita Brands International, Inc.@ 7.500%, 11/01/14	1,158,840
1,038,000	Del Monte Foods Company 8.625%, 12/15/12	1,096,387
1,535,000	Jean Coutu Group, Inc. 8.500%, 08/01/14	1,513,894
993,000	NBTY, Inc. 7.125%, 10/01/15	970,658
		-----
		5,732,609
		-----

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	ENERGY (0.5%)	
1,084,000	Arch Western Finance, LLC 6.750%, 07/01/13	1,051,480
632,000	Chesapeake Energy Corp.@ 6.875%, 01/15/16	630,420
361,000	7.500%, 06/15/14	371,379
486,000	Comstock Resources, Inc. 6.875%, 03/01/12	462,307
180,000	Energy Partners, Ltd. 8.750%, 08/01/10	188,100
1,336,000	Giant Industries, Inc. 8.000%, 05/15/14	1,452,900
451,000	Houston Exploration Company 7.000%, 06/15/13	437,470
451,000	Petrohawk Energy Corp. 7.125%, 04/01/12	435,215
1,490,000	Petroleo Brasileiro, SA 9.125%, 07/02/13	1,754,475
1,400,000	8.375%, 12/10/18@	1,648,500

See accompanying Notes to Schedule of Investments.

Strategic Total Return Fund  
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Schedule of Investments

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PRINCIPAL AMOUNT -----		VALUE -----
\$ 181,000	Premcor Refining Group, Inc. 7.500%, 06/15/15	\$ 189,685
451,000	Superior Energy Services, Inc.*@ 6.875%, 06/01/14	449,873
1,023,000	Swift Energy Company@ 9.375%, 05/01/12	1,081,822
682,000	Whiting Petroleum Corp. 7.250%, 05/01/12	678,590
1,806,000	Williams Companies, Inc.@ 7.750%, 06/15/31	1,855,665
		-----
		12,687,881
		-----
	FINANCIALS (0.4%)	
3,612,000	Dow Jones & Company, Inc.*@ 8.000%, 12/29/11	3,630,060
1,748,000	E*TRADE Financial Corporation 7.375%, 09/15/13	1,804,810
1,205,000	7.875%, 12/01/15@	1,280,313
307,000	8.000%, 06/15/11	320,048
1,354,000	Leucadia National Corp.	

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	7.000%, 08/15/13	1,369,232
948,000	Senior Housing Properties Trust	
	8.625%, 01/15/12	1,026,210
		9,430,673
HEALTH CARE (0.3%)		
451,000	Ameripath, Inc.	
	10.500%, 04/01/13	487,080
271,000	Angiotech Pharmaceuticals, Inc.*	
	7.750%, 04/01/14	258,805
451,000	Bio-Rad Laboratories, Inc.	
	7.500%, 08/15/13	466,785
519,000	Biovail Corp.	
	7.875%, 04/01/10	522,893
199,000	DaVita, Inc.@	
	7.250%, 03/15/15	199,000
144,000	Omnicare, Inc.	
	6.875%, 12/15/15	141,840
993,000	Psychiatric Solutions, Inc.	
	7.750%, 07/15/15	988,035
1,598,000	Tenet Healthcare Corp.@	
	9.250%, 02/01/15	1,524,092
1,174,000	Valeant Pharmaceuticals International	
	7.000%, 12/15/11	1,132,910
1,219,000	Vanguard Health Systems, Inc.@	
	9.000%, 10/01/14	1,185,478
		6,906,918
INDUSTRIALS (0.4%)		
497,000	Accuride Corp.	
	8.500%, 02/01/15	484,575
600,000	American Airlines, Inc.	
	7.250%, 02/05/09	607,500
271,000	Armor Holdings, Inc.	
	8.250%, 08/15/13	281,840
PRINCIPAL AMOUNT		
-----		VALUE
-----		-----
\$ 1,490,000	CNH Global, NV	
	9.250%, 08/01/11	\$ 1,588,712
1,219,000	Cummins, Inc.@	
	9.500%, 12/01/10	1,279,760
181,000	FTI Consulting, Inc.@	
	7.625%, 06/15/13	185,978
451,000	Gardner Denver, Inc.	
	8.000%, 05/01/13	472,422
858,000	General Cable Corp.	
	9.500%, 11/15/10	918,060
163,000	Greenbrier Companies, Inc.	
	8.375%, 05/15/15	165,853
409,000	H&E Equipment Service, Inc.*@	
	8.375%, 07/15/16	424,338
339,000	Manitowoc Company, Inc.	

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271,000	10.500%, 08/01/12 Orbital Sciences Corp.@	367,815
451,000	9.000%, 07/15/11 Sequa Corp.	288,954
519,000	8.875%, 04/01/08 Trinity Industries, Inc.	470,167
451,000	6.500%, 03/15/14 Wesco Distribution, Inc.	511,864
451,000	7.500%, 10/15/17 Westinghouse Air Brake Technologies Corporation	457,765
497,000	6.875%, 07/31/13 Williams Scotsman International, Inc.@	445,362
	8.500%, 10/01/15	515,637
		-----
		9,466,602
		-----
	INFORMATION TECHNOLOGY (0.2%)	
1,650,000	Advanced Micro Devices, Inc.@	
	7.750%, 11/01/12	1,683,000
201,000	Anixter International, Inc.	
	5.950%, 03/01/15	189,945
199,000	Avago Technologies*@	
	11.875%, 12/01/15	219,895
768,000	Celestica, Inc.@	
	7.875%, 07/01/11	779,520
451,000	Freescale Semiconductor, Inc.	
	7.125%, 07/15/14	483,702
99,000	Sanmina-SCI Corporation	
	8.125%, 03/01/16	97,886
948,000	SunGard Data Systems, Inc.@	
	9.125%, 08/15/13	988,290
		-----
		4,442,238
		-----
	MATERIALS (0.3%)	
226,000	Agrium, Inc.	
	7.125%, 05/23/36	241,789
271,000	Century Aluminum Company	
	7.500%, 08/15/14	271,677
788,000	Freeport-McMoRan Copper & Gold, Inc.	
	10.125%, 02/01/10	838,235

See accompanying Notes to Schedule of Investments.

Strategic Total Return Fund  
Schedule of Investments ANNUAL REPORT 13

Schedule of Investments

OCTOBER 31, 2006

PRINCIPAL  
AMOUNT

VALUE

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-----			-----
\$ 199,000	Gibraltar Industries, Inc.		\$ 198,005
	8.000%, 12/01/15		
	Ineos Group Holdings, PLC*		
1,219,000 EUR	7.875%, 02/15/16	1,495,522	
226,000	8.500%, 02/15/16@	218,655	
903,000	IPSCO, Inc.		
	8.750%, 06/01/13	966,210	
271,000	P.H. Glatfelter Company*		
	7.125%, 05/01/16	271,560	
361,000	U.S. Concrete, Inc.		
	8.375%, 04/01/14	348,365	
	Union Carbide Corp.		
989,000	7.875%, 04/01/23@	1,055,552	
781,000	7.500%, 06/01/25	842,885	
664,000	Westlake Chemical Corporation@		
	6.625%, 01/15/16	639,100	
		-----	
		7,387,555	-----
		-----	
	TELECOMMUNICATION SERVICES (0.2%)		
1,174,000	Alamosa Holdings, Inc.		
	8.500%, 01/31/12	1,248,854	
154,000	Citizens Communications Company@		
	9.000%, 08/15/31	168,052	
406,000	IPCS, Inc.		
	11.500%, 05/01/12	455,735	
427,000	Leap Wireless International, Inc.*		
	9.375%, 11/01/14	437,675	
587,000 CAD	Rogers Cable, Inc.		
	7.250%, 12/15/11	563,953	
451,000	Sprint Nextel Corporation		
	11.000%, 07/31/10	492,242	
451,000	Syniverse Technologies, Inc.		
	7.750%, 08/15/13	435,215	
813,000	Windstream Corp.*@		
	8.625%, 08/01/16	881,089	
		-----	
		4,682,815	-----
		-----	
	UTILITIES (0.1%)		
1,084,000	Edison International		
	7.730%, 06/15/09	1,132,780	
1,625,000	TXU Corp.		
	6.500%, 11/15/24	1,568,201	
		-----	
		2,700,981	-----
		-----	
	TOTAL CORPORATE BONDS	94,800,189	-----
		-----	

NUMBER OF  
CONTRACTS

-----  
VALUE

-----  
OPTIONS (0.7%)

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	CONSUMER DISCRETIONARY (0.1%)		
600	Garmin, Ltd.#		
	Call, 01/19/08, Strike \$50.00		681,000
760	Office Depot, Inc.#		
	Call, 01/19/08, Strike \$40.00		573,800
			-----
			1,254,800
			-----
NUMBER OF			VALUE
CONTRACTS			-----
-----			
	CONSUMER STAPLES (0.0%)		
1,500	Kroger Company#		
	Call, 01/19/08, Strike \$20.00	\$	630,000
635	PepsiCo, Inc.#		
	Call, 01/19/08, Strike \$60.00		457,200
			-----
			1,087,200
			-----
	ENERGY (0.0%)		
315	BJ Services Company#		
	Call, 01/19/08, Strike \$40.00		63,000
500	Nabors Industries, Ltd.#		
	Call, 01/19/08, Strike \$37.50		120,000
215	Petroleo Brasileiro, SA#		
	Call, 01/19/08, Strike \$90.00		258,000
360	Schlumberger, Ltd.#		
	Call, 01/19/08, Strike \$65.00		334,800
330	Weatherford International, Ltd.#		
	Call, 01/19/08, Strike \$55.00		89,925
			-----
			865,725
			-----
	FINANCIALS (0.2%)		
1,150	Charles Schwab Corp.#		
	Call, 01/19/08, Strike \$17.50		345,000
50	Chicago Mercantile Exchange Holdings, Inc.#		
	Call, 01/19/08, Strike \$420.00		635,750
650	E*TRADE Financial Corporation#		
	Call, 01/19/08, Strike \$25.00		201,500
170	Goldman Sachs Group, Inc.#		
	Call, 01/19/08, Strike \$160.00		743,750
360	Lehman Brothers Holdings, Inc.#		
	Call, 01/19/08, Strike \$75.00		450,000
430	Merrill Lynch & Company, Inc.#		
	Call, 01/19/08, Strike \$70.00		939,550
550	State Street Corp.#		
	Call, 01/19/08, Strike \$60.00		547,250
			-----
			3,862,800
			-----
	HEALTH CARE (0.0%)		
215	Allergan, Inc.#		
	Call, 01/19/08, Strike \$110.00		396,675

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-----		
	INFORMATION TECHNOLOGY (0.3%)	
550	Agilent Technologies, Inc.#	
	Call, 01/19/08, Strike \$35.00	341,000
1,750	Apple Computer, Inc.#	
	Call, 01/19/08, Strike \$75.00	3,237,500
820	Hewlett-Packard Company#	
	Call, 01/19/08, Strike \$30.00	934,800
950	Intuit, Inc.#	
	Call, 01/19/08, Strike \$27.50	973,750
800	Motorola, Inc.#	
	Call, 01/19/08, Strike \$22.50	304,000
580	NVIDIA Corp.#	
	Call, 01/19/08, Strike \$30.00	585,800

See accompanying Notes to Schedule of Investments.

Strategic Total Return Fund  
14 ANNUAL REPORT Schedule of Investments

Schedule of Investments

OCTOBER 31, 2006

NUMBER OF CONTRACTS		VALUE
-----		-----
230	Sandisk Corp.#	
	Call, 01/19/08, Strike \$65.00	\$ 132,250
		-----
		6,509,100
		-----
	MATERIALS (0.1%)	
320	Alcan, Inc.#	
	Call, 01/19/08, Strike \$55.00	134,400
625	Goldcorp, Inc.#	
	Call, 01/19/08, Strike \$27.50	309,375
849	Harmony Gold Mining Co., Ltd.#	
	Call, 01/19/08, Strike \$15.00	305,640
260	Phelps Dodge Corp.#	
	Call, 01/19/08, Strike \$72.50	798,200
230	United States Steel Corp.#	
	Call, 01/19/08, Strike \$70.00	236,900
		-----
		1,784,515
		-----
	TELECOMMUNICATION SERVICES (0.0%)	
500	America Movil, S.A. de CV#	
	Call, 01/19/08, Strike \$40.00	435,000
300	NII Holdings, Inc.#	
	Call, 01/19/08, Strike \$55.00	534,000
		-----
		969,000
		-----
	TOTAL OPTIONS	16,729,815

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TOTAL SYNTHETIC CONVERTIBLE SECURITIES  
 (Cost \$110,135,092) 111,530,004

NUMBER OF SHARES		VALUE
-----		
CONVERTIBLE PREFERRED STOCKS (20.4% )		
	CONSUMER DISCRETIONARY (3.8%)	
2,652,400	Ford Motor Company Capital Trust II 6.500%	91,375,180
-----		
	CONSUMER STAPLES (1.6%)	
1,500,000	SUPERVALU, Inc. 7.250%	37,710,000
-----		
	ENERGY (1.7%)	
110,000	Chesapeake Energy Corp. 6.250%	30,118,000
110,000	Hess Corp. 7.000%	11,715,000
-----		
41,833,000		
-----		
	FINANCIALS (10.4%)	
850,000	Citigroup, Inc. (Genworth Financial, Inc.)++& 5.020%	27,174,500
27,600	Fortis Insurance, N.V. (Assurant, Inc.)*& 7.750%	37,627,080
650,000	Genworth Financial, Inc. 6.000%	23,432,500
725,000	Lazard, Ltd. 6.625%	26,585,750

NUMBER OF SHARES		VALUE
-----		
1,950,000	Lehman Brothers Holdings, Inc. (General Mills, Inc.)& 6.250%	\$ 53,625,000
460,000	Merrill Lynch & Co., Inc. (Nuveen Investments, Inc.)& 6.750%	20,092,800
1,400,000	Metlife, Inc. 6.375%	41,468,000
470,000	National Australia Bank, Ltd. 7.875%	22,489,500
-----		
252,495,130		
-----		
	HEALTH CARE (1.4%)	
639,000	Schering-Plough Corp.	



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	6.000%		35,183,340
			-----
		INDUSTRIALS (1.0%)	
6,500,000	GBP	BAE Systems, PLC	
		7.750%	24,870,185
			-----
		UTILITIES (0.5%)	
200,000		Southern Union Company	
		5.000%	11,150,000
			-----
		TOTAL CONVERTIBLE PREFERRED STOCKS	
		(Cost \$469,473,798)	494,616,835
			=====
COMMON STOCKS (63.7%)			
		CONSUMER DISCRETIONARY (3.4%)	
400,000		Carnival Corp.	19,528,000
550,000		Home Depot, Inc.	20,531,500
375,000		Tupperware Corporation@	7,961,250
450,000		V.F. Corp.	34,204,500
			-----
			82,225,250
			-----
		CONSUMER STAPLES (7.9%)	
320,000		Altria Group, Inc.@	26,025,600
350,000		Anheuser-Busch Companies, Inc.	16,597,000
1,100,000		Coca-Cola Company	51,392,000
700,000		Conagra Foods, Inc.	18,305,000
425,000		H. J. Heinz Company@	17,918,000
250,000		Kraft Foods, Inc.@	8,600,000
840,000		Reynolds American, Inc.@	53,054,400
			-----
			191,892,000
			-----
		ENERGY (6.6%)	
775,000		Chevron Corp.	52,080,000
550,000		ConocoPhillips	33,132,000
250,000		Marathon Oil Corp.	21,600,000
360,000	EUR	OMV, AG	19,556,966
295,000		PetroChina Company, Ltd.@	32,565,050
			-----
			158,934,016
			-----
		FINANCIALS (13.2%)	
500,000		Bank of America Corp.@	26,935,000
1,372,000		Citigroup, Inc.	68,819,520

See accompanying Notes to Schedule of Investments.

Strategic Total Return Fund  
Schedule of Investments ANNUAL REPORT 15

Schedule of Investments

OCTOBER 31, 2006

NUMBER OF

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SHARES		VALUE
250,000	Federal Home Loan Mortgage Corp.	\$ 17,247,500
777,000	Federal National Mortgage Association	46,045,020
600,000	J.P. Morgan Chase & Company	28,464,000
158,074	Lincoln National Corp.	10,007,665
360,000	Wachovia Corp.@	19,980,000
2,428,000	Washington Mutual, Inc.	102,704,400
		-----
		320,203,105
		-----
	HEALTH CARE (10.3%)	
525,000	Abbott Laboratories@	24,942,750
300,000	Eli Lilly and Company	16,803,000
1,300,000	Johnson & Johnson	87,620,000
1,755,000	Merck & Company, Inc.	79,712,100
1,575,000	Pfizer, Inc.	41,973,750
		-----
		251,051,600
		-----
	INDUSTRIALS (5.1%)	
630,000	Caterpillar, Inc.	38,247,300
819,000	General Electric Company	28,755,090
450,000	Masco Corp.@	12,442,500
350,000	R.R. Donnelley & Sons Company	11,851,000
435,000	Raytheon Company@	21,728,250
375,000	Tyco International, Ltd.@	11,036,250
		-----
		124,060,390
		-----
	INFORMATION TECHNOLOGY (9.0%)	
450,000	Cisco Systems, Inc.##	10,858,500
615,000	Electronic Data Systems Corp.	15,577,950
850,000	Hewlett-Packard Company@	32,929,000
570,000	Infosys Technologies, Ltd.@	29,697,000
1,382,000	Intel Corp.	29,491,880
1,225,000	Microsoft Corp.	35,169,750
2,725,000	Nokia Corp.	54,173,000
600,000	Oracle Corp.##	11,082,000
		-----
		218,979,080
		-----
	TELECOMMUNICATION SERVICES (8.2%)	
3,071,000	AT&T, Inc.@	105,181,750
823,500 CAD	BCE Inc.	23,246,760
735,000	Bellsouth Corp.@	33,148,500
1,039,000	Verizon Communications, Inc.	38,443,000
		-----
		200,020,010
		-----
	TOTAL COMMON STOCKS	
	(Cost \$1,393,774,012)	1,547,365,451
		=====

PRINCIPAL  
AMOUNT

VALUE

## Edgar Filing: CALAMOS STRATEGIC TOTAL RETURN FUND - Form N-CSR

SHORT-TERM INVESTMENT (0.8%)		
	COMMERCIAL PAPER (0.8%)	
\$19,249,000	Citigroup, Inc.	
	5.230%, 11/01/06	
	(Cost \$19,249,000)	19,249,000
		-----
NUMBER OF SHARES		VALUE
-----		-----
INVESTMENTS OF CASH COLLATERAL FOR SECURITIES ON LOAN (21.7%)		
527,235,000	Bank of New York Institutional Cash Reserve	
	Fund current rate 5.389%	
	(Cost \$527,235,000)	\$ 527,235,000
		-----
	TOTAL INVESTMENTS (165.1%)	
	(Cost \$3,791,528,183)	4,007,717,709
		=====
PAYABLE UPON RETURN OF SECURITIES ON LOAN (-21.7%)		(527,235,000)
		-----
OTHER ASSETS, LESS LIABILITIES (1.1%)		28,028,663
		-----
PREFERRED SHARES AT REDEMPTION VALUE INCLUDING DIVIDENDS PAYABLE (-44.5%)		(1,080,879,088)
		-----
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS (100.0%)		\$ 2,427,632,284
		=====

### NOTES TO SCHEDULE OF INVESTMENTS

Note: Value for Securities denominated in foreign currencies are shown in U.S. dollars.

\* 144A securities are those that are exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities are generally issued to qualified institutional buyers ("QIBs"), such as the Fund. Any resale of these securities must generally be effected through a sale that is exempt from registration (e.g. a sale to another QIB), or the security must be registered for public sale. At October 31, 2006, the market value of 144A securities that were not subject to mandatory issuer registration obligations is \$172,686,158 or 7.1% of net assets.

@ Security, or portion of security, is on loan.

# Non-income producing security.

++ Variable rate security. The interest rate shown is the rate in effect at October 31, 2006.

& Securities exchangeable or convertible into securities of an entity different than the issuer. Such entity is identified in the parenthetical.

### FOREIGN CURRENCY ABBREVIATIONS

## Edgar Filing: CALAMOS STRATEGIC TOTAL RETURN FUND - Form N-CSR

CAD Canadian Dollar

EUR European Monetary Unit

GBP British Pound Sterling

See accompanying Notes to Financial Statements

Strategic Total Return Fund  
16 ANNUAL REPORT Schedule of Investments

### Statement of Assets and Liabilities

OCTOBER 31, 2006

#### ASSETS

Investments, at value* (cost \$3,791,528,183)	\$4,007,717,709
Cash with custodian (interest bearing)	4,106
Restricted cash for open options (interest bearing)	150,000
Foreign currency (cost \$312,104)	312,957
Accrued interest and dividends receivables	30,940,154
Unrealized appreciation on interest rate swaps	4,709,000
Prepaid expenses	85,131
Other assets	42,866
	-----
Total assets	4,043,961,923
	-----

#### LIABILITIES

Payables:	
Cash collateral for securities on loan	527,235,000
Investments purchased	4,834,454
Affiliates:	
Investment advisory fees	2,957,186
Deferred compensation to Trustees	42,866
Financial accounting fees	33,483
Trustee fees and officer compensation	1,059
Accounts payable and accrued liabilities	346,503
	-----
Total liabilities	535,450,551
	-----

#### PREFERRED SHARES

\$25,000 liquidation value per share applicable to 43,200 shares, including dividends payable	1,080,879,088
	-----

NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	\$2,427,632,284
	=====

#### COMPOSITION OF NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS

Common stock, no par value, unlimited shares authorized	
154,514,000 shares issued and outstanding	\$2,200,733,859
Undistributed net investment income (loss)	(851,765)
Accumulated net realized gain (loss) on investments, written options, foreign currency transactions and interest rate swaps	6,829,494
Net unrealized appreciation (depreciation) on investments, written options, foreign currency translations and interest rate swaps	220,920,696

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NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	\$2,427,632,284
	=====
Net asset value per common share based on 154,514,000 shares issued and outstanding	\$ 15.71
	=====

\* Including securities on loan with a value of \$512,014,547.

See accompanying Notes to Financial Statements.

### Strategic Total Return Fund Statement of Assets and Liabilities ANNUAL REPORT 17

#### Statement of Operations

YEAR ENDED OCTOBER 31, 2006

INVESTMENT INCOME	
Interest	\$ 99,743,291
Dividends (net of foreign taxes withheld of \$367,035)	75,472,397
Securities lending income	914,525
	-----
Total investment income	176,130,213
	=====
EXPENSES	
Investment advisory fees	34,049,644
Financial accounting fees	385,141
Auction agent and rating agency fees	2,750,756
Printing and mailing fees	335,635
Accounting fees	290,977
Custodian fees	214,301
Audit and legal fees	188,004
Registration fees	136,264
Trustees' fees and officer compensation	75,354
Transfer agent fees	38,924
Other	103,183
	-----
Total expenses	38,568,183
Less earnings credits	(41,913)
	=====
Net expenses	38,526,270
	=====
NET INVESTMENT INCOME (LOSS)	137,603,943
	=====
REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS, WRITTEN OPTIONS, FOREIGN CURRENCY AND INTEREST RATE SWAPS	
NET REALIZED GAIN (LOSS) FROM:	
Investments	79,432,717
Written options	(1,516,084)
Foreign currency transactions	507,593
Interest rate swaps	4,323,763
CHANGE IN NET UNREALIZED APPRECIATION/DEPRECIATION ON:	
Investments	216,209,533
Written options	(251,427)
Foreign currency translations	22,965

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Interest rate swaps	(11,584,318)
	-----
NET REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS, WRITTEN OPTIONS, FOREIGN CURRENCY AND INTEREST RATE SWAPS	287,144,742
	=====
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	424,748,685
	=====
DISTRIBUTIONS TO PREFERRED SHAREHOLDERS FROM Net investment income	(50,773,343)
	-----
NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS RESULTING FROM OPERATIONS	\$373,975,342
	=====

See accompanying Notes to Financial Statements.

Strategic Total Return Fund  
18 ANNUAL REPORT Statement of Operations

### Statements of Changes in Net Assets

	Year Ended October	
	2006	
<b>OPERATIONS</b>		
Net investment income (loss)	\$ 137,603,943	\$ 1
Net realized gain (loss) from investments, written options, foreign currency transactions and interest rate swaps	82,747,989	
Change in net unrealized appreciation/depreciation on investments, written options, foreign currency translations and interest rate swaps	204,396,753	
Distributions to preferred shareholders from Net investment income	(50,773,343)	(
	-----	-----
Net increase (decrease) in net assets applicable to common shareholders resulting from operations	373,975,342	1
	-----	-----
<b>DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM</b>		
Net investment income	(118,970,833)	(1
Capital gains	(58,720,277)	(
	-----	-----
Net decrease in net assets from distributions to common shareholders	(177,691,110)	(1
	-----	-----
<b>CAPITAL STOCK TRANSACTIONS</b>		
Net increase (decrease) in net assets from capital stock transactions	--	
	-----	-----
TOTAL INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	196,284,232	
	-----	-----
<b>NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS</b>		
Beginning of year	2,231,348,052	2,1
	-----	-----
End of year	\$2,427,632,284	\$2,2
	=====	=====
Undistributed net investment income (loss)	\$ (851,765)	\$

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See accompanying Notes to Financial Statements.

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Statements of Changes in Net Assets ANNUAL REPORT 19

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

PORTFOLIO VALUATION. Calamos Advisors LLC ("Calamos Advisors") values the Fund's portfolio securities in accordance with policies and procedures on the valuation of securities adopted by the Board of Trustees 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 as of which the Fund determines its NAV. Securities traded in the over-the-counter ("OTC") market and quoted on The Nasdaq Stock Market are valued at the Nasdaq Official Closing Price ("NOCP"), as determined by Nasdaq, or lacking a NOCP, the last current reported sale price on Nasdaq at the time as of which the Fund determines its NAV.

When a most recent last sale or closing price is not available, portfolio securities, other than option securities, that are traded on a U.S. securities exchange and other securities traded in the OTC 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 OTC option that is not traded through the Options Clearing Corporation is valued by the counterparty to such option. 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, including any thinly-traded security, junk bond or synthetic convertible instrument, 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.

Trading in securities on European and Far Eastern securities exchanges and OTC markets is typically completed at various times before the close of business on each day on which the NYSE is open. Each security trading on these exchanges or OTC markets is evaluated 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 current sale price at the time as of which the Fund determines its NAV, or when reliable market prices or quotations are not readily available, at the mean

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between the most recent bid and asked quotations as of the close of the appropriate exchange or other designated time, in accordance with guidelines adopted by the Board of Trustees. 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. As stated above, if the market prices are not readily available or are not reflective of a security's fair value, 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 Board of Trustees guidelines and under the ultimate supervision of the Board of Trustees if the value of a foreign security it holds is materially affected by events occurring before their pricing time but after the close of the primary market or exchange on which the security is traded. 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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### Notes to Financial Statements

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.

INVESTMENT TRANSACTIONS AND INVESTMENT INCOME. Short-term investment transactions are recorded on a trade date basis. Long-term investment transactions are recorded on a trade date plus one basis, except for fiscal quarter ends, which are recorded on trade date. 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.

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



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currency and other assets and liabilities denominated in foreign currencies held at period end.

OPTION TRANSACTIONS. For hedging and investment purposes, the Fund may purchase or write (sell) put and call options. One of the risks associated with purchasing an option is that the Fund pays a premium whether or not the option is exercised. Additionally, the Fund bears the risk of loss of premium and change in market value should the counterparty not perform under the contract. Put and call options purchased are accounted for in the same manner as portfolio securities. The cost of securities acquired through the exercise of purchased call options is increased by premiums paid. The proceeds from securities sold through the exercise of put options are decreased by the premiums paid.

When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability and is subsequently adjusted to the current value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund on the expiration date as realized gains from written options. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a written call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Fund has realized a gain or loss. If a written put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund. The Fund as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option.

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 (the "Code") and distribute to shareholders substantially all of its taxable income and net realized gains.

Strategic Total Return Fund  
Notes to Financial Statements ANNUAL REPORT 21

### Notes to Financial Statements

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 fixed income securities. Financial records are not adjusted for temporary differences.

INDEMNIFICATIONS. Under the Fund's organizational documents, its officers and trustees are indemnified 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 enters into contracts that provide general

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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. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

NEW ACCOUNTING PRONOUNCEMENTS. On July 13, 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. At this time, management is evaluating the implications of FIN 48 and its impact on the Fund's financial statements has not yet been determined.

In addition, in September 2006, the Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), was issued and is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Management is currently evaluating the impact the adoption of SFAS 157 will have on the Fund's financial statements and their disclosures and its impact has not yet been determined.

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

Pursuant to an investment advisory agreement with Calamos Advisors LLC, the Fund pays an annual fee, payable monthly, equal to 1.00% based on the average weekly managed assets. "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).

Pursuant to a financial accounting services agreement, Calamos Advisors receives a fee 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 financial accounting services (for purposes of this calculation "combined assets" means the total of the average daily net assets of Calamos Investment Trust, Calamos Advisors Trust and the average weekly managed assets of Calamos Convertible and High Income Fund, Calamos Convertible Opportunities and Income Fund, Calamos Strategic Total Return Fund and Calamos Global Total Return 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 the Fund's relative portion of combined assets.

The Fund reimburses the advisor 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" expenses on the Statement of Operations.

Included in the statement of operations under the caption "Earnings credits" is an expense offset of \$41,913, arising from credits on cash balances maintained on deposit.

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Strategic Total Return Fund  
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## Notes to Financial Statements

Certain officers and trustees of the Fund are also officers and directors of Calamos Financial Services LLC ("CFS") and Calamos Advisors. All officers and affiliated Trustees serve without direct compensation from the Fund, except for the Chief Compliance Officer as described above.

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) of CFS or Calamos Advisors 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 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 \$42,866 is included in "Other assets" on the Statement of Assets and Liabilities at October 31, 2006. The Fund's obligation to make payments under the Plan is a general obligation of the Fund and is included on the Statement of Assets and Liabilities as a payable for "Deferred compensation for Trustees" at October 31, 2006.

### NOTE 3 - INVESTMENTS

Purchases and sales of investments, other than short-term investments for the year ended October 31, 2006 were as follows:

Purchases	\$1,608,749,243
Proceeds from sales	2,535,554,039

The following information is presented on an income tax basis as of October 31, 2006. Differences between amounts for financial statements and Federal income tax purposes are primarily due to timing differences.

The cost basis of investments for Federal income tax purposes at October 31, 2006 was as follows:

Cost basis of investments	\$3,808,424,259
Gross unrealized appreciation	294,916,081
Gross unrealized depreciation	(95,622,631)
Net unrealized appreciation (depreciation)	\$ 199,293,450

### NOTE 4 - INCOME TAXES

For the year ended October 31, 2006, the Fund recorded the following permanent reclassifications to reflect tax character. Results of operations and net assets were not affected by these reclassifications.

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Paid-in capital	\$	--
Undistributed net investment income (loss)		22,164,698
Accumulated net realized gain/(loss) on investments, written options, foreign currency transactions and interest rate swaps		(22,164,698)

Distributions during the fiscal year ended October 31, 2006 and 2005 were characterized for Federal income tax purposes as follows:

	2006	2005
	-----	-----
DISTRIBUTIONS PAID FROM:		
Ordinary income	\$216,951,537	\$184,587,693
Long-term capital gains	15,065,115	--

Strategic Total Return Fund  
Notes to Financial Statements ANNUAL REPORT 23

Notes to Financial Statements

As of October 31, 2006, the components of accumulated earnings/(losses) on a tax basis were as follows:

Undistributed ordinary income	\$ 6,370,479
Undistributed capital gains	17,788,433
	-----
Total undistributed earnings	24,158,912
Accumulated capital and other losses	--
Net unrealized gains/(losses)	203,671,995
	-----
Total accumulated earnings/(losses)	227,830,907
Other	(932,482)
Paid-in capital	2,200,733,859
	-----
Net assets applicable to common shareholders	\$2,427,632,284
	-----

NOTE 5 - COMMON STOCK

There are unlimited common shares of beneficial interest authorized and 154,514,000 shares outstanding at October 31, 2006. Calamos Advisors owned 16,759 of the outstanding shares at October 31, 2006. Transactions in common shares were as follows:

FOR THE YEAR ENDED	FOR THE YEAR ENDED
OCTOBER 31, 2006	OCTOBER 31, 2005

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	-----	-----
Beginning shares	154,514,000	154,514,000
Shares issued through reinvestment of distributions	--	--
	-----	-----
Ending shares	154,514,000	154,514,000
	=====	=====

### NOTE 6 - FORWARD FOREIGN CURRENCY CONTRACTS

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 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 foreign currency contracts at October 31, 2006.

### NOTE 7 - SYNTHETIC CONVERTIBLE SECURITIES

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 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.

The Fund may purchase synthetic convertible instruments 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.

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Notes to Financial Statements

### NOTE 8 - WRITTEN OPTIONS TRANSACTIONS

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The Fund may engage in options transactions and in doing so achieve the similar objectives to what it would achieve through the sale or purchase of individual securities. Transactions in options written during the year ended October 31, 2006 were as follows:

	NUMBER OF CONTRACTS	PREMIUMS RECEIVED
	-----	-----
Options outstanding at October 31, 2005	2,100	\$ 387,677
Options written	2,900	977,270
Options closed	(3,975)	(1,281,782)
Options expired	(1,000)	(74,741)
Options exercised	(25)	(8,424)
	-----	-----
Options outstanding at October 31, 2006	--	\$ --
	=====	=====

### NOTE 9 - 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 43,200 shares of Preferred Shares outstanding consist of seven series, 7,040 shares of M, 7,040 shares of TU, 7,040 shares of W, 7,040 shares of TH, 7,040 shares of F, 4,000 shares of A, and 4,000 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 or twenty-eight days based on the results of an auction. Dividend rates ranged from 3.75% to 5.34% for the year ended October 31, 2006. Under the 1940 Act, the Fund may not declare dividends or make other distributions on shares of common stock 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%.

The Preferred Shares are redeemable at the Fund's option, in whole or in part, on any dividend payment date at \$25,000 per share plus any accumulated but unpaid dividends. 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.

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

### NOTE 10 - INTEREST RATE TRANSACTIONS

The Fund may engage in swaps primarily to manage duration and yield curve risk, or as alternatives to direct investments. 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 unrealized gains or losses in the Statement of Operations. A realized gain or loss is recorded upon payment or receipt of a periodic payment or termination of

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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.

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 on dealer-supplied 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 and the possible lack of liquidity with respect to the contracts.

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### Notes to Financial Statements

If the Fund is required to terminate any swap or cap early due to the Fund failing to maintain a required 200% asset coverage of the liquidation value of the outstanding Preferred Shares or the Fund loses its credit rating on its Preferred Shares, then the Fund could be required to make a termination payment, in addition to redeeming all or some of the Preferred Shares.

Details of the swap agreements outstanding as of October 31, 2006 were as follows:

COUNTERPARTY	TERMINATION DATE	NOTIONAL AMOUNT (000)	FIXED RATE (FUND PAYS)	FLOATING RATE (FUND RECEIVES)	UNREALIZED APPRECIATION (DEPRECIATION)
-----	-----	-----	-----	-----	-----
Citibank NA	June 4, 2007	\$150,000	3.61%	1 month LIBOR	\$1,689,351
Citibank NA	June 4, 2009	200,000	4.34%	1 month LIBOR	3,019,649
					-----
					\$4,709,000
					=====

### NOTE 11 - SECURITIES LENDING

During the year ended October 31, 2006, the Fund loaned certain of its securities to broker-dealers and banks. Any such loan must be continuously secured by collateral in cash or cash equivalents maintained on a current basis in an amount at least equal to the market value of the securities loaned by the Fund. The Fund continues to receive the equivalent of the interest or dividends paid by the issuer on the securities loaned and also receives an additional return that may be in the form of a fixed fee or a percentage of the collateral. The Fund may pay reasonable fees to persons unaffiliated with the Fund for services in arranging these loans. The Fund has the right to call the loan and obtain the securities loaned at any time on notice of not more than five business days. The Fund does not have the right to vote the securities during the existence of the loan but could call the loan in an attempt to permit voting of the securities in certain circumstances. Upon return of the securities loaned, the cash or cash equivalent collateral will be returned to the borrower. In the event of bankruptcy or other default of the borrower, the Fund could

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experience both delays in liquidating the loan collateral or recovering the loaned securities and losses, including (a) possible decline in the value of the collateral or in the value of the securities loaned during the period while the Fund seeks to enforce its rights thereto, (b) possible subnormal levels of income and lack of access to income during this period, and (c) the expenses of enforcing its rights. In an effort to reduce these risks, Calamos Advisors LLC and the security lending agent will monitor the creditworthiness of the firms to which the Fund lends securities. At October 31, 2006, the Fund had securities valued at \$512,014,547 that were on loan to broker-dealers and banks and \$527,235,000 in cash or cash equivalent collateral.

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### Financial Highlights

SELECTED DATA FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD WERE AS FOLLOWS:

	For the Year Ended October 31	
	2006	2005
Net asset value, beginning of period	\$ 14.44	\$ 14.44
Income from investment operations:		
Net investment income (loss)	0.89	0.00
Net realized and unrealized gain (loss) from investments, written options, foreign currency and interest rate swaps	1.86	1.86
Distributions to preferred shareholders from:		
Net investment income (common share equivalent basis)	(0.33)	(0.33)
Total from investment operations	2.42	1.53
Less distributions to common shareholders from:		
Net investment income	(0.77)	(0.77)
Capital gains	(0.38)	(0.38)
Capital charge resulting from issuance of common and preferred shares	--	--
Net asset value, end of period	\$ 15.71	\$ 14.44
Market value, end of period	\$ 14.91	\$ 13.88
Total investment return based on (b):		
Net asset value	18.03%	8.03%
Market value	17.99%	10.00%
Ratios and supplemental data:		
Net assets applicable to common shareholders, end of period (000's omitted)	\$2,427,632	\$2,231,000
Preferred shares, at redemption value (\$25,000 per share liquidation preference) (000's omitted)	\$1,080,000	\$1,080,000
Ratios to average net assets applicable to common shareholders:		
Net expenses(c) (d)	1.66%	1.66%
Gross expenses prior to waiver of expenses by the advisor and earnings credits(c) (d)	1.66%	1.66%
Net investment income (loss) (c) (d)	5.92%	6.00%
Preferred share distributions(c)	2.18%	1.66%
Net investment income (loss), net of preferred share distributions(c)	3.74%	4.34%
Portfolio turnover rate	48%	48%
Average commission rate paid	\$ 0.0342	\$ 0.0342
Asset coverage per preferred share, at end of period(e)	\$ 81,216	\$ 76,000



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- \* Commencement of operations.
- (a) Net of sales load of \$0.675 on initial shares issued and beginning net asset value of \$14.325.
  - (b) Total investment return is calculated assuming a purchase of common stock on the opening of the first day and a sale on the closing of the last day of the period reported. Dividends and distributions are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return is not annualized for periods less than one year. Brokerage commissions are not reflected. NAV per share is determined by dividing the value of the Fund's portfolio securities, cash and other assets, less all liabilities, by the total number of common shares outstanding. The common share market price is the price the market is willing to pay for shares of the Fund at a given time. Common share market price is influenced by a range of factors, including supply and demand and market conditions.
  - (c) Annualized for periods less than one year.
  - (d) Does not reflect the effect of dividend payments to Preferred Shareholders.
  - (e) Calculated by subtracting the Fund's total liabilities (not including Preferred Shares) from the Fund's total assets and dividing this by the number of Preferred Shares outstanding.

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Financial Highlights ANNUAL REPORT 27

### Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of CALAMOS Strategic Total Return Fund

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of CALAMOS Strategic Total Return Fund (the "Fund") as of October 31, 2006, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years then ended and the financial highlights for each of the two years then ended and for the period from March 26, 2004 (commencement of operations) through October 31, 2004. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2006, by correspondence with the Fund's custodian and brokers. We believe that our audits provide a reasonable basis for

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our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Fund as of October 31, 2006, the results of its operations for the year then ended, the changes in its net assets for each of the two years then ended and the financial highlights for each of the two years then ended and for the period from March 26, 2004 (commencement of operations) through October 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP  
Chicago, Illinois  
December 19, 2006

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### Tax Information (unaudited)

We are providing this information as required by the Internal Revenue Code (Code). The amounts shown may differ from those elsewhere in this report due to differences between tax and financial reporting requirements. In January 2007, shareholders will receive Form 1099-DIV which will include their share of qualified dividends and capital gains distributed during the calendar year 2006. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their individual income tax returns.

Under Section 852(b)(3)(c) of the Code, the Fund hereby designates \$15,065,115 as capital gain dividends for the fiscal year ended October 31, 2006.

Under Section 854(b)(2) of the Code, the Fund hereby designates \$53,960,972, or the maximum amount allowable under the Code, as qualified dividends for the fiscal year ended October 31, 2006.

Under Section 854(b)(2) of the Code, the Fund hereby designates 23.66% of the ordinary income dividends as income qualifying for the corporate dividends received deduction for the fiscal year ended October 31, 2006.

Strategic Total Return Fund  
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### Trustee Approval of Management Agreement (unaudited)

The Board of Trustees of the Fund oversees the Fund's management, and, as required by law, determines annually whether to continue the Fund's management agreement with Calamos Advisors under which Calamos Advisors serves as the investment manager for the Fund.

In connection with their most recent consideration regarding the continuation of that agreement, the Trustees received and reviewed information provided by Calamos Advisors in response to detailed requests of the Independent Trustees and their independent legal counsel and discussed with representatives of Calamos Advisors the Fund's operations and the nature and quality of the

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advisory and other services provided by Calamos Advisors to the Fund. The Trustees also received and reviewed a memorandum from counsel to the Independent Trustees regarding the Trustees' responsibilities in evaluating the management agreement. In the course of their consideration of the agreement, the Independent Trustees were advised by their counsel and, in addition to meeting with management of Calamos Advisors, they met separately in executive session with their counsel.

At a meeting on June 29, 2006, based on their evaluation of the information referred to above and other information, the Trustees determined that the overall arrangements between the Fund and Calamos Advisors were fair and reasonable in light of the nature and quality of the services provided by Calamos Advisors and its affiliates, the fees charged for those services and other matters that the Trustees considered relevant in the exercise of their business judgment. At that meeting the Trustees, including all of the Independent Trustees, unanimously approved continuation of the management agreement through August 1, 2007, subject to earlier termination as provided in the agreement.

In considering the continuation of the management agreement, the Trustees reviewed and analyzed various factors that they determined were relevant, including the factors described below, none of which by itself was considered the sole factor in the Trustees' determinations. However, the material factors and conclusions that formed the basis for the Trustees' determination to approve the continuation of the management agreement are discussed separately below.

### NATURE, QUALITY AND EXTENT OF SERVICES

The Trustees reviewed the nature, extent and quality of Calamos Advisors' services to the Fund, taking into account the Fund's investment objective and strategy and the knowledge of the Trustees gained from their regular meetings with management on at least a quarterly basis. In addition, the Trustees reviewed Calamos Advisors' resources and key personnel, especially those who provide investment management services to the Fund. The Trustees also considered other services provided to the Fund by Calamos Advisors, such as managing the execution of portfolio transactions and the selection of broker-dealers for those transactions, monitoring adherence to the Fund's investment restrictions, producing shareholder reports, providing support services for the Board and Board committees, communicating with shareholders, overseeing the activities of other service providers and monitoring compliance with various Fund policies and procedures and with applicable securities laws and regulations.

The Trustees concluded that the nature and extent of the services provided by Calamos Advisors to the Fund were appropriate and consistent with the terms of the management agreement, that the quality of those services had been consistent with or superior to quality norms in the industry and that the Fund was likely to benefit from the continued provision of those services. They also concluded that Calamos Advisors had sufficient personnel, with the appropriate education and experience, to serve the Fund effectively and had demonstrated its continuing ability to attract and retain well-qualified personnel.

### PERFORMANCE

The Trustees considered the Fund's performance results over various time periods. They reviewed information comparing the performance of the Fund with the performance of comparable funds and peer groups identified by Lipper Inc., an independent provider of investment company data, and with the Fund's benchmark. The Trustees heard from representatives of Calamos Advisors, who provided additional information with regard to certain aspects of the Lipper materials and answered questions from the Trustees. The Trustees also noted that the Fund had less than three years of performance data, and thus did not have a

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Strategic Total Return Fund  
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Trustee Approval of Management Agreement (unaudited)

long-term performance record. The Trustees concluded that the Fund's operating history was too short a period to allow for a meaningful performance comparison.

### COSTS OF SERVICES AND PROFITS REALIZED BY CALAMOS ADVISORS

The Trustees examined information on the Fund's fees and expenses in comparison to information for other comparable funds as provided by Lipper. Also, the Trustees reviewed information on fees and expenses for additional funds identified by Calamos Advisors. The Trustees noted that, although the Fund's contractual rate of management fees, actual management fees after fee waivers and overall expense ratio were higher than those of its peer group, each of those data points appeared to be within a range of what was determined to be reasonable.

The Trustees considered the methodology used by Calamos Advisors in determining compensation payable to portfolio managers, the competitive environment for investment management talent, and the competitive market for mutual funds in different distribution channels.

The Trustees reviewed information on the profitability of Calamos Advisors in serving as the Fund's investment manager and of Calamos Advisors and its affiliates in all of their relationships with the Fund, as well as an explanation of the methodology utilized in allocating various expenses among the Fund and other business units. Data was provided to the Trustees with respect to profitability, both on a pre- and post-marketing cost basis. The Trustees also reviewed the annual report of Calamos Advisors' parent company and discussed its corporate structure. The Trustees recognized that profitability comparisons among fund managers are difficult because very little comparative information is publicly available and profitability of any manager is affected by numerous factors, including the organizational structure of the particular manager, the types of funds and other accounts it manages, possible other lines of business, the methodology for allocating expenses and the manager's capital structure and cost of capital. However, based on the information available and taking those factors into account, the Trustees concluded that the profitability of Calamos Advisors regarding the Fund in relation to the services rendered was not unreasonable.

The Trustees also reviewed Calamos Advisors' management fees for its institutional separate accounts and for its subadvised funds (for which Calamos Advisors provides portfolio management services only), as well as managed fees for secondary accounts. Although in most instances its sub-advisory fees, and in many instances its institutional separate accounts fees, for various investment strategies are lower than the management fees charged to the Fund, the Trustees noted that Calamos Advisors performs significant additional services for the Fund that it does not provide to those other clients, including administrative services, oversight of the Fund's other service providers, trustee support, regulatory compliance and numerous other services. Finally, the Trustees considered Calamos Advisors' financial condition, which they found to be sound.

The Trustees concluded that the management fees and other compensation payable by the Fund to Calamos Advisors and its affiliates were reasonable in relation to the nature and quality of the services to be provided, taking into account the fees charged by other advisers for managing comparable mutual funds with similar strategies and the fees Calamos Advisors charges to other clients. The

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Trustees also concluded that the Fund's overall expense ratio was reasonable, taking into account the quality of services provided by Calamos Advisors and the Fund's investment performance.

### ECONOMIES OF SCALE

In reviewing the Fund's fees and expenses, the Trustees examined the potential benefits of economies of scale and whether any economies of scale should be reflected in the Fund's fee structure. They noted that the Fund has had a relatively stable asset base since commencement of operation and that there do not appear to have been any significant economies of scale realized since that time.

Strategic Total Return Fund  
Trustee Approval of Management Agreement ANNUAL REPORT 31

Trustee Approval of Management Agreement (unaudited)

### OTHER BENEFITS TO CALAMOS ADVISORS

The Trustees also considered benefits that accrue to Calamos Advisors and its affiliates from their relationship with the Fund. The Trustees concluded that, other than the services to be provided by Calamos Advisors and its affiliates pursuant to their agreements with the Fund and the fees payable by the Fund therefor, the Fund and Calamos Advisors may potentially benefit from their relationship with each other in other ways. The Trustees considered Calamos Advisors' use of commissions paid by the Fund on its portfolio brokerage transactions to obtain proprietary research products and services benefiting the Fund and/or other clients of Calamos Advisors. The Trustees concluded that Calamos Advisors' use of "soft" commission dollars to obtain research products and services was consistent with regulatory requirements and is beneficial to the Fund. They concluded that, although Calamos Advisors derives or may derive additional benefits through the use of soft dollars from the Fund's portfolio transactions, the Fund also benefits from the receipt of research products and services acquired through commissions paid on the portfolio transactions of other clients of Calamos Advisors. They also concluded that the Fund's success could attract other business to Calamos Advisors or its other funds and that Calamos Advisors' success could enhance its ability to serve the Fund.

After full consideration of the above factors as well as other factors that were instructive in analyzing continuation of the management agreement for the one-year period ending August 1, 2007, the Trustees, including all of the Independent Trustees, concluded that the continuation of the management agreement with Calamos Advisors was in the best interest of the Fund and its shareholders.

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Trustees & Officers (unaudited)

The management of the Trust+, including general supervision of duties performed for the Fund under the Investment Management Agreement, is the responsibility of its board of trustees.

The following table sets forth, as of October 31, 2006 each trustee's position(s) with the Trust, age, principal occupation during the past five

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years, number of portfolios overseen, other directorships, and the date on which the trustee first became a trustee of the Trust.

NAME AND AGE AT OCTOBER 31, 2006 -----	POSITION(S) HELD WITH TRUST AND DATE FIRST ELECTED OR APPOINTED TO OFFICE -----	NUMBER OF PORTFOLIOS IN FUND COMPLEX@ OVERSEEN BY TRUSTEE -----	PRINCIPAL OCCUP AND OTHE -----
TRUSTEES WHO ARE INTERESTED PERSONS OF TRUST:			
John P. Calamos, Sr., 66*	Trustee and President (since 2003)	15	Chairman, CEO, and Co- Asset Management, Inc. ("CHLLC") and Calamos ("Calamos Advisors"), Investment Officer, Ca its predecessor ("CFS"
TRUSTEES WHO ARE NOT INTERESTED PERSONS OF TRUST:			
Joe F. Hanauer, 69	Trustee (since 2003)	15	Private investor; Dire company); Chairman and provider of real estat Director, Combined Inv management)
Weston W. Marsh, 56	Trustee (since 2003)	15	Of Counsel, and former (law firm)
John E. Neal, 56	Trustee (since 2003)	15	Private investor; Mana Markets, Inc. (investm Director, The Brickman company); Director, Eq REIT); Director, Ranir Director, CBA Commerci securitization company (private label perfume (health care private e
William R. Rybak, 55	Trustee (since 2003)	15	Private investor; form Chief Financial Office and subsidiaries (inve Barnes Investments (in Private Bancorp (bank
Stephen B. Timbers, 62	Trustee (since 2004); Independent Lead Trustee (since 2005)	15	Private investor; form Corporation (bank hold Executive Officer, Non (investment manager); Global Investments, a Corporation and Execut Trust Corporation; Dir Inc.
David D. Tripple, 62	Trustee (since 2006)	15	Private investor; Trus Century Small Cap Sele Management, a subsidia (investment advisor); Inc. (asset management

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- + The Trust is defined as the CALAMOS Strategic Total Return Fund.
- \* John P. Calamos is an "interested person" of the Trust as defined in the Investment Company Act of 1940 (the "1940 Act") because he is an affiliate of Calamos Advisors and Calamos Financial Services, LLC.
- \*\* Overseeing two portfolios in fund complex.
- @ The Fund Complex consists of CALAMOS Investment Trust, CALAMOS Advisors Trust, CALAMOS Convertible Opportunities and Income Fund, CALAMOS Convertible and High Income Fund, CALAMOS Strategic Total Return Fund and CALAMOS Global Total Return Fund.

Strategic Total Return Fund  
Trustees & Officers ANNUAL REPORT 33

### Trustees & Officers (unaudited)

OFFICERS. Mr. John Calamos is president of the Trust. The preceding table gives more information about Mr. John Calamos. The following table sets forth as of October 31, 2006 each other officer's name, position with the Trust, age, principal occupation during the past five years, other directorships, and the date on which he or she first became and officer of the Trust. Each officer serves until his or her successor is chosen and qualified or until his or her resignation or removal by the board of trustees.

NAME AND AGE AT OCTOBER 31, 2006 -----	POSITION(S) HELD WITH TRUST AND DATE FIRST ELECTED OR APPOINTED TO OFFICE -----	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS AND OTHER DIRECTORSHIPS HELD -----
Nimish S. Bhatt, 43	Treasurer (since 2003)	Senior Vice President and Director of Operations, CAM, CHLLC, Calamos Advisors and CFS (since 2004); Senior Vice President, Alternative Investments and Tax Services, The BISYS Group, Inc., prior thereto
Nick P. Calamos, 45*	Vice President (since 2003)	Senior Executive Vice President and Co-Chief Investment Officer, CAM, CHLLC, Calamos Advisors and CFS
Patrick H. Dudasik, 51	Vice President (since 2003)	Executive Vice President, Chief Financial Officer and Treasurer, CAM and CHLLC (since 2004), Calamos Advisors and CFS (since 2001); Administrative Officer, CAM and CHLLC (2004-2005), Calamos Advisors and CFS (2001-2005)
James S. Hamman, Jr., 37	Secretary (since 2003)	Executive Vice President, Secretary and General Counsel,

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CAM and CHLLC (since 2004), Calamos Advisors and CFS (since 1998); Chief Compliance Officer (2004-2005)

Mark Mickey, 55

Chief Compliance Officer  
(since 2005)

Chief Compliance Officer, Calamos Funds (since 2005) and Chief Compliance Officer, Calamos Advisors (2005-2006); Director of Risk Assessment and Internal Audit, Calamos Advisors (2003-2005); President, Mark Mickey Consulting (2002- 2003); Executive Vice President and Head of Compliance, ABN AMRO, Inc., prior thereto

\* Mr. Nick Calamos resigned from the board of trustees effective June 28, 2006.

The mailing address of the Trustees and Officers is Calamos Funds; Attn: Secretary, 2020 Calamos Court, Naperville, IL 60563-2787

PROXY VOTING POLICIES. A description of the CALAMOS Proxy Voting Policies and Procedures is available by calling (800) 582-6959, by visiting its website at [www.calamos.com](http://www.calamos.com) or by writing CALAMOS at: CALAMOS INVESTMENTS, Attn: Client Services, 2020 Calamos Court, Naperville, IL 60563, and on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

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Other Information (unaudited)

CHANGE IN DATE OF 2007 SHAREHOLDER MEETING. The 2007 annual meeting of shareholders of the Fund is expected to be held on June 28, 2007, rather than in March, as it was held in 2006. Any shareholder wishing to submit a proposal for inclusion in the Fund's proxy materials for the 2007 annual meeting must do so not later than February 9, 2007. Any shareholder wishing to submit a proposal in the manner prescribed by Rule 14a-4(c)(1), and therefore outside of the process prescribed by Rule 14a-8, under the Securities Exchange Act of 1934, must submit written notice of such proposal to the Fund not later than April 23, 2007.

Strategic Total Return Fund  
Other Information ANNUAL REPORT 35

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About Closed-End Funds

WHAT IS A CLOSED-END FUND?

A closed-end fund is a publicly traded investment company that raises its initial investment capital through the issuance of a fixed number of shares to



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investors in a public offering. Shares of a closed-end fund are listed on a stock exchange or traded in the over-the-counter market. Like all investment companies, a closed-end fund is professionally managed and offers investors a unique investment solution based on its investment objective approved by the fund's Board of Directors.

### ADVANTAGES OF CLOSED-END FUND INVESTING

- DEFINED ASSET POOL ALLOWS EFFICIENT PORTFOLIO MANAGEMENT--Although closed-end fund shares trade actively on a securities exchange, this doesn't affect the closed-end fund manager because there are no new investors buying into or selling out of the fund's portfolio.
- MORE FLEXIBILITY IN THE TIMING AND PRICE OF TRADES--Investors can purchase and sell shares of closed-end funds throughout the trading day, just like the shares of other publicly traded securities.
- LOWER EXPENSE RATIOS--The expense ratios of closed-end funds are oftentimes less than those of mutual funds. Over time, a lower expense ratio could enhance investment performance.
- CLOSED-END STRUCTURE MAKES SENSE FOR LESS-LIQUID ASSET CLASSES--A closed-end structure makes sense for investors considering less-liquid asset classes, such as high-yield bonds or micro-cap stocks.
- ABILITY TO PUT LEVERAGE TO WORK--Closed-end funds may issue senior securities (such as preferred stock or debentures) or borrow money to "leverage" their investment positions.
- NO MINIMUM INVESTMENT REQUIREMENTS

### OPEN-END MUTUAL FUNDS VERSUS CLOSED-END FUNDS

#### OPEN-END FUND

-----

Issues new shares on an ongoing basis

Issues one class of shares

Sold at NAV plus any sales charge

Sold through the fund's distributor

Fund redeems shares at NAV calculated at the close of business day

#### CLOSED-END FUND

-----

Issues a fixed number of shares

Can issue senior securities such as preferred stock and bonds

Price determined by the marketplace

Traded in the secondary market

Fund does not redeem shares

Strategic Total Return Fund  
About Closed-End Funds ANNUAL REPORT 37

Leverage

### USING LEVERAGE TO ENHANCE TOTAL RETURN

Closed-end funds can use leverage which utilizes borrowed money to increase the return on invested capital. The Fund invests the borrowed assets into

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securities, which we believe will provide a greater total return to investors than the cost of the borrowing.

### HIGHLIGHTS ON LEVERAGE

- Leveraging the portfolio allows the investment team to potentially enhance the income and total returns of the Fund.
- In a rising-rate environment, the cost of leverage typically increases. To protect against increases, the investment team has locked in the cost of leverage for a longer term. In leveraged closed-end funds that invest in interest-rate sensitive securities (high-quality traditional fixed income), rising rates can negatively impact a fund in two ways: increasing the cost of leverage and decreasing the value of securities.
- This portfolio does not have notable sensitivity to rising interest rates. Much of the cost of leverage has been locked in, and the portfolio seeks to invest in securities that should be more economically sensitive and less interest rate-sensitive.

### MANAGING THE INTEREST RATE RISK OF LEVERAGE

In general, leverage can expose a closed-end fund to the risk of fluctuations in short-term interest rates. As we discussed in the Investment Team Interview, Calamos Investments has taken steps to mitigate some of this risk to our shareholders. Specifically, we hedged the Fund's preferred shares (used these shares as principal) to enter into interest rate swap agreements. In its simplest form, an interest rate swap involves two parties agreeing to exchange or "swap" one set of cash flows for another set. In essence, the agreement allows a party that desires to avoid a variable rate (Calamos) to pay a fixed rate to a party that desires variability.

### THE DEALER MARKET FOR INTEREST RATE SWAPS

#### (FLOW CHART)

Under these agreements, the Fund pays a potentially higher rate for borrowing initially, but that rate is fixed for a period of three to five years, thereby potentially reducing the interest costs that the Fund would otherwise pay over the period based on a floating or variable rate.

Strategic Total Return Fund  
38 ANNUAL REPORT Leverage

### Level Rate Distribution Policy

#### USING A LEVEL RATE DISTRIBUTION POLICY TO PROMOTE DEPENDABLE INCOME AND TOTAL RETURN

The goal of the level rate distribution policy is to provide investors a predictable, though not assured, level of cash flow, which can either serve as a stable income stream or, through reinvestment, contribute significantly to long-term total return.

We understand the importance that investors place on the stability of dividends and their ability to contribute to long-term total return, which is why we have instituted a level rate distribution policy for the Fund. Under the policy, monthly distributions paid may include net investment income, net realized short-term capital gains and, if necessary, return of capital. In addition, a

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limited number of distributions per calendar year may include net realized long-term capital gains. There is no guarantee that the Fund will realize capital gains in any given year. Distributions are subject to re-characterization for tax purposes after the end of the fiscal year. All shareholders with taxable accounts will receive written notification regarding the components and tax treatment for distributions via Form 1099-DIV.

Distributions from the Fund are generally subject to Federal income taxes. For purposes of maintaining the level rate distribution policy, the Fund may realize short-term capital gains on securities that, if sold at a later date, would have resulted in long-term capital gains. Maintenance of a level rate distribution policy may increase transaction and tax costs associated with the Fund.

### Automatic Dividend Reinvestment Plan

#### MAXIMIZING INVESTMENT WITH AN AUTOMATIC DIVIDEND REINVESTMENT PLAN

The Automatic Dividend Reinvestment Plan offers a simple, cost-efficient and convenient way to reinvest your dividends and capital gains distributions in additional shares of the Fund, allowing you to increase your investment in the Fund.

#### BENEFITS

- **COMPOUNDED GROWTH:** By automatically reinvesting with the Plan, you gain the potential to allow your dividends and capital gains to compound over time.
- **POTENTIAL FOR LOWER COMMISSION COSTS:** Additional shares are purchased in large blocks, with brokerage commissions shared among all plan participants. There is no cost to enroll in the Plan.
- **CONVENIENCE:** After enrollment, the Plan is automatic and includes detailed statements for participants. Participants can terminate their enrollment at any time.

For additional information about the Plan, please contact the Plan Agent, The Bank of New York, at 800.432.8224 or visit us on the web at [www.calamos.com/csq.aspx](http://www.calamos.com/csq.aspx). If you wish to participate in the Plan and your shares are held in your own name, simply call the Plan Agent. If your shares are not held in your name, please contact your brokerage firm, bank, or other nominee to request that they participate in the Plan on your behalf. If your brokerage firm, bank, or other nominee is unable to participate on your behalf, you may request that your shares be re-registered in your own name.

We're pleased to provide our shareholders with the additional benefit of the Fund's Dividend Reinvestment Plan and hope that it may serve your financial plan.

Strategic Total Return Fund  
Level Rate Distribution Policy and  
Automatic Dividend Reinvestment Plan ANNUAL REPORT 39

### The Calamos Investments Advantage

Calamos' history is one of performing well for our clients through nearly 30 years of advances and declines in the market. We use proprietary risk-management strategies designed to control volatility, maintaining a balance between risk and reward throughout a market cycle.

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### DISCIPLINED INVESTMENT PHILOSOPHY AND PROCESS

Calamos Investments has developed a proprietary research and monitoring process that goes far beyond traditional security analysis. This process applies to each of our investment strategies, with emphasis varying by strategy. When combined with the company-specific research and industry insights of our investment team, the result is nimble dynamic management of a portfolio that allows us to anticipate and adapt to changing market conditions. In each of our investment strategies, from the most conservative to the most aggressive, our goals include maximizing return while controlling risk, protecting principal during volatile markets, avoiding short-term market timing, and maintaining a vigilant long-term outlook.

### COMPREHENSIVE RISK MANAGEMENT

Our approach to risk management includes continual monitoring, adherence to our discipline, and a focus on assuring a consistent risk profile during all phases of the market cycle. Incorporating qualitative and quantitative factors as well as a strong sell discipline, this risk-control policy seeks to help preserve investors' capital over the long term.

### PROVEN MANAGEMENT TEAM

The Calamos family of mutual funds benefit from our team's decades of experience in the investment industry. We follow a one-team, one-process approach that leverages the expertise of more than 50 investment professionals, led by John P. Calamos, Sr. and Nick P. Calamos, whose investment industry experience dates back to 1970 and 1983, respectively. Through the collective industry experience and educational achievements of our research and portfolio staff, we can respond to the challenges of the market with innovative and timely ideas.

### SOUND PROPRIETARY RESEARCH

Over the years, we have invested significant time and resources in developing and refining sophisticated analytical models that are the foundation of the firm's research capabilities, which we apply in conjunction with our assessment of broad themes. We believe evolving domestic policies, the growing global economy, and new technologies present long-term investment opportunities for those who can detect them.

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### Calamos Closed-End Funds

#### INTELLIGENT ASSET ALLOCATION IN FOUR DISTINCT CLOSED-END FUNDS

Depending on which Calamos closed-end fund you currently own, you may want to consider one or more of our other closed-end strategies to help further diversify your investment portfolio.

Seek the advice of your financial advisor, who can help you determine your financial goals, risk tolerance, time horizon and income needs. To learn more, you can also visit our website at [www.calamos.com](http://www.calamos.com).

#### FUND ASSET ALLOCATION AS OF 10/31/06

#### CALAMOS CONVERTIBLE OPPORTUNITIES AND INCOME FUND (CHI)

(PIE CHART)

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SHORT-TERM INVESTMENTS	1.3%
HIGH YIELD/CORPORATE BONDS	54.08%
CONVERTIBLE SECURITIES	42.2%
COMMON STOCKS	1.7%

### FUND PROFILE

PROVIDING ENHANCED FIXED INCOME POTENTIAL

**OBJECTIVE:** The Fund seeks total return through a combination of capital appreciation and current income by investing in a diversified portfolio of convertible securities and below investment-grade (high-yield) fixed-income securities.

FUND ASSET ALLOCATION AS OF 10/31/06

CALAMOS CONVERTIBLE AND HIGH INCOME FUND (CHY)

(PIE CHART)

SHORT-TERM INVESTMENTS	2.0%
HIGH YIELD/CORPORATE BONDS	58.04%
CONVERTIBLE SECURITIES	39.6%

### FUND PROFILE

PROVIDING ENHANCED FIXED INCOME POTENTIAL

**OBJECTIVE:** The Fund seeks total return through a combination of capital appreciation and current income by investing in a diversified portfolio of convertible securities and below investment-grade (high-yield) fixed-income securities.

FUND ASSET ALLOCATION AS OF 10/31/06

CALAMOS STRATEGIC TOTAL RETURN FUND (CSQ)

(PIE CHART)

SHORT-TERM INVESTMENTS	0.6%
HIGH YIELD/CORPORATE BONDS	27.4%
CONVERTIBLE SECURITIES	27.5%
COMMON STOCKS	44.5%

### FUND PROFILE

PROVIDING DEFENSIVE EQUITY

**OBJECTIVE:** The Fund seeks total return through a combination of capital appreciation and current income by investing in a diversified portfolio of equity, convertible and below investment-grade (high-yield) fixed-income securities.

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FUND ASSET ALLOCATION AS OF 10/31/06

CALAMOS GLOBAL TOTAL RETURN FUND (CGO)

(PIE CHART)

SHORT-TERM INVESTMENTS	0.3%
HIGH YIELD/CORPORATE BONDS	28.3%
CONVERTIBLE SECURITIES	17.2%
COMMON STOCKS	54.2%

## FUND PROFILE

PROVIDING DEFENSIVE GLOBAL EQUITY

**OBJECTIVE:** The Fund seeks total return through a combination of capital appreciation and current income by investing in a diversified portfolio of global equity, global convertible and below investment-grade (high-yield) fixed-income securities.

Strategic Total Return Fund  
Calamos Closed-End Funds ANNUAL REPORT 41

(CALAMOS INVESTMENTS(R) LOGO)

Calamos Investments - 2020 Calamos Court - Naperville, IL 60563-2787  
- 800.582.6959 - [www.calamos.com](http://www.calamos.com)

A description of the Calamos Proxy Voting Policies and Procedures and the Fund's proxy voting record for the 12 month period ended June 30, 2006 are available free of charge upon request by calling 800.582.6959, by visiting the Calamos website at [www.calamos.com](http://www.calamos.com), by writing Calamos at: Calamos Investments, Attn: Client Services, 2020 Calamos Court, Naperville, IL 60563 or by visiting the SEC website at <http://www.sec.gov>.

The Funds file a complete list of their portfolio holdings with the SEC for the first and third quarters each fiscal year on Form N-Q. The Forms N-Q are available free of charge, upon request, by calling or writing Calamos Investments at the phone number or address provided above or by visiting the SEC website at <http://www.sec.gov>. You may also review or, for a fee, copy the forms at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.732.0330.

On April 27, 2006, the Fund submitted a CEO annual certification to the NYSE on which the Fund's chief executive officer certified that he was not aware, as of that date, of any violation by the Fund of the NYSE's corporate governance listing standards. In addition, the Fund's report to the SEC on Form N-CSR contains certifications by the fund's principal executive officer and principal financial officer as required by Rule 30a-2(a) under the 1940 Act, relating to, among other things, the quality of the Fund's disclosure controls and procedures and internal control over financial reporting.

FOR 24 HOUR SHAREHOLDER ASSISTANCE  
800.432.8224

TO OBTAIN INFORMATION

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800.582.6959

VISIT OUR WEB SITE  
www.calamos.com

INVESTMENT ADVISOR  
Calamos Advisors LLC  
2020 Calamos Court  
Naperville, IL 60563-2787

FUND ACCOUNTING AGENT  
State Street Bank and Trust Company  
225 Franklin Street  
Boston, MA 02111

CUSTODIAN AND TRANSFER AGENT  
The Bank of New York  
P.O. Box 11258  
Church Street Station  
New York, NY 10286  
800.524.4458

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
Deloitte & Touche LLP  
Chicago, IL

LEGAL COUNSEL  
Bell, Boyd & Lloyd LLC  
Chicago, IL

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CSQANR 1946 2006

ITEM 2. CODE OF ETHICS.

(a) The registrant has adopted a code of ethics (the "Code of Ethics") that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or person performing similar functions.

(b) Not applicable.

(c) The registrant has not amended its Code of Ethics during the period covered by the shareholder report presented in Item 1 hereto.

(d) The registrant has not granted a waiver or an implicit waiver from its Code of Ethics during the period covered by the shareholder report presented in Item 1 hereto.

(e) Not applicable.

(f) (1) The registrant's Code of Ethics is attached as an Exhibit hereto.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The registrant's Board of Trustees has determined that, for the period covered by the shareholder report presented in Item 1 hereto, it has four audit committee financial experts serving on its audit committee, each of whom is an

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independent Trustee for purpose of this N-CSR item: John E. Neal, Stephen B. Timbers, David D. Tripple and William Rybak. Under applicable securities laws, a person who is determined to be an audit committee financial expert will not be deemed an "expert" for any purpose, including without limitation for the purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert. The designation or identification of a person as an audit committee financial expert does not impose on such person any duties, obligation, or liabilities that are greater than the duties, obligations and liabilities imposed on such person as a member of audit committee and Board of Trustees in the absence of such designation or identification.

### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

a) Audit Fee - \$34,717 and \$54,623 are the aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant to the registrant for the audit of the registrant; annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

(b) Audit-Related Fees - \$27,192 and \$64,270 are the aggregate fees billed in each of the last two fiscal years for assurance and related services rendered by the principal accountant to the registrant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of this Item 4.

(c) Tax Fees - \$4,850 and \$9,296 are the aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant to the registrant for tax compliance, tax advice, tax planning and tax return preparation.

There were no fees billed in each of the last two fiscal years for professional services rendered by the principal accountant to the investment adviser for tax compliance, tax advice and tax planning that were required to be pre-approved by the audit committee as described in paragraph (e)(1) of this Item 4.

(d) All Other Fees - \$101,848 and \$0 are the aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant to the registrant, other than the services reported in paragraph (a)-(c) of this Item 4.

There were no fees billed in each of the last two fiscal years for products and services provided by the principal accountant to the investment adviser, other than the services reported in paragraphs (a)-

(c) of this Item 4, that were required to be pre-approved by the audit committee as described in paragraph (e)(1) of this Item 4.

(e) (1) Registrant's audit committee meets with the principal accountants and management to review and pre-approve all audit services to be provided by the principal accountants.

The audit committee shall pre-approve all non-audit services to be provided by the principal accountants to the registrant, including the fees and other compensation to be paid to the principal accountants; provided that the pre-approval of non-audit services is waived if (i) the services were not recognized by management at the time of the engagement as non-audit services, (ii) the aggregate fees for all non-audit services provided to the registrant



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are less than 5% of the total fees paid by the registrant to its principal accountants during the fiscal year in which the non-audit services are provided, and (iii) such services are promptly brought to the attention of the audit committee by management and the audit committee approves them prior to the completion of the audit.

The audit committee shall pre-approve all non-audit services to be provided by the principal accountants to the investment adviser or any entity controlling, controlled by or under common control with the adviser that provides ongoing services to the registrant if the engagement relates directly to the operations or financial reporting of the registrant, including the fees and other compensation to be paid to the principal accountants; provided that pre-approval of non-audit services to the adviser or an affiliate of the adviser is not required if (i) the services were not recognized by management at the time of the engagement as non-audit services, (ii) the aggregate fees for all non-audit services provided to the adviser and all entities controlling, controlled by or under common control with the adviser are less than 5% of the total fees for non-audit services requiring pre-approval under paragraph (e)(1) of this Item 4 paid by the registrant, the adviser or its affiliates to the registrant's principal accountants during the fiscal year in which the non-audit services are provided, and (iii) such services are promptly brought to the attention of the audit committee by management and the audit committee approves them prior to the completion of the audit.

(2) 100% of the services provided to the registrant described in paragraphs (b)-(d) of this Item 4 were pre-approved by the audit committee pursuant to paragraphs (e)(1) of this Item 4. There were no services provided to the investment adviser or any entity controlling, controlled by or under common control with the adviser described in paragraphs (b)-(d) of this Item 4 that were required pre-approved by the audit committee.

(f) No disclosures are required by this Item 4(f).

(g) \$106,698 and \$9,296 are the aggregate non-audit fees billed in each of the last two fiscal years for services rendered by the principal accountant to the registrant. \$31,256 and \$0 are the aggregate non-audit fees billed in each of the last two fiscal years for services rendered by the principal accountant to the investment adviser or any entity controlling, controlled by or under common control with the adviser. All of the aggregate fees billed by the principal accountant

for non-audit services to the registrant's investment adviser relate to services that began prior to the adoption of rules requiring audit committee pre-approval. However, the registrant's audit committee did approve such non-audit services.

(h) No disclosures are required by this Item 4(h).

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

The registrant has a separately-designated standing audit committee. The members of the registrant's audit committee are John E. Neal, Joe F. Hanauer, Weston W. Marsh, William R. Rybak, David D. Tripple and Stephen B. Timbers.

### ITEM 6. SCHEDULE OF INVESTMENTS

Included in the Report to Shareholders in Item 1.

### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

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The registrant has delegated the voting of proxies relating to its voting securities to its investment adviser, Calamos Advisors LLC ("Calamos"). A description of Proxy Voting Policies and Procedures of ("Calamos") are included as an Exhibit hereto.

### ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

(a)(1) As of October 31, 2006, the registrant is lead by a team of investment professionals, including the following individuals who are responsible for the day-to-day management of the registrant's portfolio ("portfolio managers"):

NAME -----	POSITIONS HELD WITH THE REGISTRANT -----	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS -----
*John P. Calamos, Sr.	Trustee and President (since 2003)	Chairman, CEO and Co-Chief Investment Officer, Calamos Asset Management, Inc. ("CAM"), Calamos Holdings LLC ("CHLLC") and Calamos Advisors LLC and its predecessor ("Calamos Advisors"), and President and Co-Chief Investment Officer, Calamos Financial Services LLC and its predecessor ("CFS"); Director, CAM
**Nick P. Calamos	Vice President (since 2003)	Senior Executive Vice President and Co-Chief Investment Officer, CAM, CHLLC, Calamos Advisors and CFS

\* John P. Calamos, Sr. is an "interested person" of the registrant as defined in the Investment Company Act of 1940.

\*\* Nick Calamos resigned from the board of trustees effective June 28, 2006.

(a)(2) The portfolio managers also have responsibility for the day-to-day management of accounts other than the registrant. Information regarding these other accounts is set forth below.

### NUMBER OF OTHER ACCOUNTS MANAGED AND ASSETS BY ACCOUNT TYPE AS OF OCTOBER 31, 2006

	Registered Investment Companies		Other Pooled Investment Vehicles		Other Accounts	
	Accounts -----	Assets -----	Accounts -----	Assets -----	Accounts -----	Assets -----
John P. Calamos, Sr.	18	34,272,794,840	3	157,150,982	24,128	10,943,683
Nick P. Calamos	18	34,272,794,840	3	157,150,982	24,128	10,943,683

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NUMBER OF ACCOUNTS AND ASSETS FOR WHICH ADVISORY FEE IS PERFORMANCE BASED AS OF OCTOBER 31, 2006

	Registered Investment Companies		Other Pooled Investment Vehicles		Other Accounts	
	Accounts	Assets	Accounts	Assets	Accounts	Assets
John P. Calamos, Sr.	1	298,575,715	2	95,215,600	1	9,326,764
Nick P. Calamos	1	298,575,715	2	95,215,600	1	9,326,764

The registrant's portfolio managers are responsible for managing the registrant and other accounts, including separate accounts and unregistered funds.

Other than potential conflicts between investment strategies, the side-by-side management of both the registrant and other accounts may raise potential conflicts of interest due to the interest held by Calamos in an account and certain trading practices used by the portfolio managers (e.g., cross trades between the registrant and another account and allocation of aggregated trades). Calamos has developed policies and procedures reasonably designed to mitigate those conflicts. For example, Calamos will only place cross-trades in securities held by the registrant in accordance with the rules promulgated under the

Investment Company Act of 1940 and has adopted policies designed to ensure the fair allocation of securities purchased on an aggregated basis.

The portfolio managers advise certain accounts under a performance fee arrangement. A performance fee arrangement may create an incentive for a portfolio manager to make investments that are riskier or more speculative than would be the case in the absence of performance fees. A performance fee arrangement may result in increased compensation to the portfolio managers from such accounts due to unrealized appreciation as well as realized gains in the client's account.

(a) (3) The portfolio managers have each entered into employment agreements that provide for compensation in the form of a minimum annual base salary, a maximum discretionary target bonus and participation in various benefits programs. The amounts paid to portfolio managers and the criteria utilized to determine the amounts are benchmarked against industry specific data provided by third party analytical agencies. The discretionary target bonus is set at a percentage of base salary. Portfolio performance, as measured by risk-adjusted portfolio performance over a rolling three-year period, is utilized to determine the discretionary target bonus. The portfolio managers are also eligible to receive annual equity awards under a long term incentive compensation program.

(a) (4) As of October 31, 2006, the end of the registrant's most recently completed fiscal year, the dollar range of securities beneficially owned by each portfolio manager in the registrant is shown below:

PORTFOLIO MANAGER	REGISTRANT
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John P. Calamos, Sr.    Over \$1,000,000  
 Nick P. Calamos        Over \$1,000,000

(b) Not applicable.

### ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

PERIOD -----	(A) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED -----	(B) AVERAGE PRICE PAID PER SHARE (OR UNIT) -----	(C) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS -----	(D) MAXIMUM NUMBER (OR APPROXIMATE DOLLAR VALUE) OF SHARES (OR UNITS) THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS -----
May 1 to May 31	N/A	N/A	N/A	N/A
June 1 to June 30	N/A	N/A	N/A	N/A
July 1 to July 31	N/A	N/A	N/A	N/A
August 1 to August 31	N/A	N/A	N/A	N/A
September 1 to September 30	N/A	N/A	N/A	N/A
October 1 to October 31	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A

### ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No material changes.

### ITEM 11. CONTROLS AND PROCEDURES.

a) The registrant's principal executive officer and principal financial officer have evaluated the registrant's disclosure controls and procedures within 90 days of this filing and have concluded that the registrant's disclosure controls and procedures were effective, as of that date, in ensuring that information required to be disclosed by the registrant in this Form N-CSR was recorded, processed, summarized, and reported timely.

b) There were no changes in the registrant's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) that occurred during the registrant's second fiscal half-year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

### ITEM 12. EXHIBITS.

(a) (1) Code of Ethics

(a) (2) (i) Certification of Principal Executive Officer.

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(a)(2)(ii) Certification of Principal Financial Officer.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Calamos Strategic Total Return Fund

By: /s/ John P. Calamos, Sr.

-----  
Name: John P. Calamos, Sr.  
Title: Principal Executive Officer

Date: December 26, 2006

By: /s/ Patrick H. Dudasik

-----  
Name: Patrick H. Dudasik  
Title: Principal Financial Officer

Date: December 26, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Calamos Strategic Total Return Fund

By: /s/ John P. Calamos, Sr.

-----  
Name: John P. Calamos, Sr.  
Title: Principal Executive Officer

Date: December 26, 2006

By: /s/ Patrick H. Dudasik

-----  
Name: Patrick H. Dudasik  
Title: Principal Financial Officer

Date: December 26, 2006