PORTFOLIO COMMENTARY

SECOND QUARTER 2010

Jens Peers

Portfolio Manager, KBC Asset Management International Ltd.

Calvert Global Water Fund

Calvert Global Water Fund (Class A shares at NAV) returned -12.56% during the quarter ended June 30, 2010. The Fund underperformed its benchmark, the Janney Global Water Index, which returned -11.65% over the same period. The Fund's relative underperformance stemmed from a combination of weak stock selection and sub-sector allocation.

Market Review

Global equity markets endured a volatile second quarter driven by European sovereign debt concerns. Toward the end of the quarter, concern grew about the possibility of China tightening its monetary or fiscal policies, which would likely disrupt global economic growth. Geopolitical tensions on the Korean peninsula and in the Middle East only added to nervous sentiment in the markets.

At a macroeconomic level, investors were focused on government policies and the inevitable drawdown of fiscal stimulus packages that have been in place since the height of the financial crisis in 2008 and early 2009. According to many forecasts, the timeline for interest-rate increases from the European Central Bank has been pushed out to the spring of 2011 as a result of the continuing debt problems in peripheral euro-zone countries. U.S. interest-rate increases may happen sooner, though, as the U.S. economy is in better shape. On the fiscal side,

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HISTORICAL FUND PERFORMANCE

Average Annual Total Returns as of 6/30/2010. Inception Date 9/30/2008.

CALVERT GLOBAL WATER FUND	QTR	YTD	1YR	3YRS	5YRS	10YRS	SINCE INCEPTION
A Shares at NAV	-12.56%	-9.28%	6.93%	N/A	N/A	N/A	-3.76%
A Shares Max Load of 4.75%	-16.73	-13.60	1.88	N/A	N/A	N/A	-6.41
Janney Global Water Index	*-11.65*	*-9.35*	*6.78*	*N/A*	*N/A*	*N/A*	*-4.79*

Source: Calvert Performance Analytics

Gross expense ratio: 5.78%. Net expense ratio: 1.85%. Performance data quoted already reflects deduction of fund operating expenses. Net expense ratio reflects contractual fee waiver and/or expense reimbursement through January 31, 2011.

*The performance data quoted represents past performance, which does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted. An index reflects no deduction for fees or expenses. An investor cannot invest directly in an index. Visit **www.calvert.com** to obtain performance data current to the most recent month-end.*

Calvert INVESTMENTS

European governments have generally begun to tighten policy, believing that smaller government deficits will reassure consumers. U.S. authorities are taking a different view as they appear to be pushing fiscal tightening back until next year at the earliest.

The euro continued to depreciate during the second quarter, ending the quarter down more than 10% against the U.S. dollar. This currency move lowered the value of European assets for U.S. investors.

The oil spill in the Gulf of Mexico was not a significant driver of performance during the quarter, but it was certainly a notable event given the scale of the environmental disaster. The spill will have direct implications for water companies involved in the clean-up operation.

Portfolio Review

The underperformance of the Fund relative to the benchmark during the second quarter resulted from a combination of modest negative contributions from both sub-sector allocation and stock selection.

In terms of sector allocation, the Fund's relative underweight to the Utilities sub-sector hurt its relative performance. Since the second quarter was volatile, the defensive Utilities sub-sector outperformed. As of the end of the quarter, about 28% of the Fund's net assets were allocated to Utilities, while the sub-sector accounted for approximately 50% of the benchmark. Also, given the market volatility in the quarter, we reduced the Fund's holdings of emerging-market Utilities stocks, and favored companies based in the United Kingdom and United States.

The Fund's overweight to the Infrastructure sub-sector was also a negative factor in its relative performance for the quarter. As of the end of the quarter, about 36% of the Fund was allocated to Infrastructure stocks versus around 30% of the benchmark. The overweight resulted from our belief that long-term growth in the broad water sector is more likely to come from the Infrastructure and Technology sub-sectors than from Utilities. Given the volatility during the second quarter, we tried to hold high-quality Infrastructure stocks in the Fund with the additional goal of the potential for better long-term growth as a result of these companies' competitive advantage and financial strength.

The Fund's stock selection in all three Water sub-sectors (Utilities, Infrastructure, and Technology) contributed to its relative underperformance in the second quarter. In the Infrastructure sub-sector, Flowserve was one of the Fund's 10 largest holdings as of the end of the second quarter, but the stock fell 22% during the quarter. Flowserve is recognized as the world leader in supplying pumps, valves, and services to the water, power, gas, chemical, and oil industries. However, given its exposure to the oil and gas industry, the price of the stock tends to move up and down with the price of oil (which fell during the quarter) in the short term. On the other hand, the Fund's relative performance benefited from not holding ITT and Wavin, which underperformed in the quarter and are included in the benchmark.

In the Technology sub-sector, the Fund's holdings of Agilent, which is not included in the benchmark, hurt its relative performance. Agilent is a high-quality company and we believe that there is significant pent-up demand in its end markets. However, the company does have significant operating leverage and therefore often reacts badly in negative markets. The stock fell over 17% during the quarter.

In the Utilities sub-sector, not holding Companhia de Saneamento Basico do Estado de Sau Paulo, which represents about 3% of the benchmark index, was a negative factor in the Fund's relative performance as the stock returned 12% for the quarter. On the other hand, the Fund's relative performance benefited from its relative underweight to Veolia. The company's share price was down 27% during the second quarter as a result of its stretched balance sheet.

Outlook

There has been a general decline in cyclical stocks over the last two months, and we have taken this opportunity to thoroughly review the Fund's positions in cyclical companies. In doing so, we have strived to further increase the Fund's bias toward holding higher-quality stocks, focusing on companies with strong balance sheets and sustainable competitive advantages. We aim to continue to adapt the portfolio in this manner when valuation opportunities arise.

It is interesting to note that despite the largely terrible state of public and consumer balance sheets in Western economies, corporate balance sheets and profitability generally have never been stronger. Each of the 10 largest holdings in the Fund as of the end of the second quarter had very strong balance sheets. However, the corporate sector is still cautious regarding the economic outlook, and most companies have not yet begun to normalize their capital expenditures. Unemployment rates around the world also remain high, indicating that the corporate sector is not yet ready to take on new hires—and hiring is needed to drive consumer spending and ultimately industrial output through the next economic cycle.

There are some specific areas within the Water sector that we believe have very positive outlooks. Metering as well as testing and measurement, which demonstrate compelling economic and regulatory drivers, are areas that stand out. In addition, many of the Fund's holdings derive their revenue from spending that cannot be delayed for long, so in many cases they are poised to benefit from a "pent-up demand" situation. Also, the regulatory environment for water utilities in the United States and United Kingdom continues to be positive.

In summary, we remain comfortable with the Fund holding high-quality companies that retain a significant amount of flexibility within their balance sheets and have solid competitive advantages. They should continue to generate cash, even in a negative environment, and invest in opportunistic mergers and acquisitions—and eventually organic growth when economic demand returns in a sustainable manner. We believe that the stock valuations of these companies are reasonable at present levels, although some risks to earnings in the second half of 2010 and early 2011 do exist if demand does not continue to recover sustainably. ■

This commentary represents the opinions of its author as of 6/30/10, and may change based on market and other conditions. The author's opinions are not intended to forecast future events, guarantee future results, or serve as investment advice.