

Calvert Income A CFICX

Morningstar's Take | 11-12-09 | by Courtney Goethals Dobrow

Patience at this mutual fund is rewarded. Calvert Income is making the right moves.

Longtime manager Greg Habeeb focuses on what he calls intense relative value: cheap bonds with strong appreciation potential. He is a rapid trader—turnover is far higher than the intermediate-term category median—and he's willing to make fast moves when he finds better price opportunities. Habeeb's approach to duration—a measure of interest-rate sensitivity—is also active. When interest rates are low but he thinks they might rise, he keeps the fund's duration low relative to the BarCap US Credit Index's. That helps reduce the risk of the portfolio's value dropping if rates rise. This year, as rates have risen, Habeeb has increased the fund's duration.

The manager likes bonds with interesting structures, especially those that are out of favor. He recently bought some of Bank of America's trust preferred securities—hybrid securities with both debt and equity characteristics—that are a level below senior debt. The bonds got cheap earlier this year as they were downgraded, and Habeeb capitalized as others avoided them. They've recently traded at more than 2 times their low.

This is the type of trade that might have hurt the fund in 2008 but is helping in 2009. This year areas that were hammered, like high yield, have roared back. The fund's high-yield stake (bonds graded BB and below), is currently 12% of assets—the category's allocation is just below 7%—and has helped its performance. The fund has also recently benefited from its yield curve strategies, in which Habeeb has taken advantage of Treasury-rate volatility by trading on the difference between maturities' yields.

The path isn't smooth here, but patience is rewarded. In 2008, the fund posted a 12% loss, trailing 85% of rivals. It is up 15.4%, for the year as of Nov. 10, topping 70% of its peers. Its trailing three- and five-year returns lag its typical peer's, but its 10-year record is strong and the fund has a number of top-quartile calendar year-returns.

Morningstar Rating

★★

Kudos

- Topnotch long-term returns.
- Seasoned management.

Risks

- Returns can be a little uneven.

Strategy

Skipper Greg Habeeb uses an active strategy focused on intense relative value. He make fast moves—turnover is quite high—when he finds attractive price opportunities. Habeeb also likes to uncover issues with complex structures that are out of favor. Unlike most Calvert offerings, this fund does not employ social screens.

Management

Lead manager Greg Habeeb has been at the helm since January 1997. Five analysts from Calvert's fixed-income team assist Habeeb. He also runs Calvert Social Investment Bond CSIBX, Calvert Long Term Income CLDAX, and Calvert Short Duration Income CSDAX, which also sport excellent records.

Role in Portfolio

Supporting Player

Calvert Income A CFICX

Year	Total Return (%)	+/- Category
2009	16.42	2.45
2008	-12.00	-7.30
2007	5.08	0.38
2006	4.82	0.67

Data through 12-31-09

To learn more about the Calvert Income Fund and its strategy, ask your Financial Advisor for a copy of the Fund's Investment Process Piece and a copy of the most recent interview with the portfolio manager, Greg Habeeb. Institutional investors should call 800.327.2109.

Average Annual Returns (%) for Calvert Income Fund for Periods Ending 12/31/2009

Class	1 Year	5 Year	10 Year	Since Inception (10/12/1982)
A (No Sales Charge)	16.42	3.14	5.79	8.41
A (3.75% Sales Charge)	12.04	2.36	5.38	8.26
Barclays Capital U.S. Credit Index	16.04	4.67	6.64	9.16

Expense ratio: 1.24%. Performance data quoted already reflects deduction for fund operating expenses.

Calvert Income Fund is in Morningstar's Intermediate Term Bond Fund category.

Bond funds are subject to interest rate risk and credit risk. When interest rates rise, the value of fixed-income securities will generally fall. In addition, the credit quality of the securities may deteriorate, which could lead to default or bankruptcy of the issuer where the issuer becomes unable to pay its obligations when due.

Calvert mutual funds are available at NAV for RIAs, wrap programs and retirement plans with more than 300 eligible participants. Not all funds are available at all firms.

As of December 31, 2009, Bank of America represents 0.00% of Calvert Income Fund's net assets. There is no guarantee that this company will perform in a specific way, and all holdings are subject to change without notice.

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 lower or higher than the performance data quoted. Visit www.calvert.com to obtain fund performance data current to the most recent month-end.

May Lose Value. Not FDIC Insured. No Bank Guarantee. Not a Deposit. Not NCUA/NCUSIF Insured. No Credit Union Guarantee.

For more information on any Calvert fund, please contact your financial advisor, call Calvert at 800.368.2748, or visit www.calvert.com for a free prospectus. Institutional investors should call Calvert at 800.327.2109. An investor should consider the investment objectives, risks, charges, and expenses of an investment carefully before investing. The prospectus contains this and other information. Read it carefully before you invest or send money.

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