A Relative-Value Strategy Focused on Income Generation

OVERVIEW
Calvert High Yield Bond Fund is managed by Calvert Investment Management, Inc. The Fund primarily seeks high current income through investments in high-yield, high-risk bonds (sometimes called “junk bonds”) with intermediate maturities. High-yield bonds typically have credit ratings below BBB- from Standard & Poor’s or Baa3 from Moody’s. Capital appreciation is a secondary goal.

INVESTMENT APPROACH
Calvert applies a relative-value strategy that utilizes fundamental, in-depth credit analysis of both sectors and individual securities to identify potential investment opportunities in the high-yield bond universe.

GOAL
The Fund seeks high current income and, secondarily, capital appreciation.

INVESTMENT PROCESS

Macro Filter. Starting from a broad base of potential investments, the Fund’s managers apply a macro-level filter to identify securities that meet their basic requirements for credit quality.

Industry Coverage. The team next considers industry allocation, looking for relative value across sectors. The portfolio managers examine the implications of their macroeconomic outlook on various industries and weigh the market valuation of bonds from issuers in each industry to determine which sectors offer the greatest relative value. The team then focuses on trends at the sub-sector level to compile a shorter list of investment candidates.

Fundamental and Credit Analysis. Credit analysis is a crucial component of the Fund’s investment process. Six senior credit analysts are dedicated to Calvert’s taxable fixed income strategies.

The Fund’s credit analysts examine balance sheets and other financial disclosures to assess an issuer’s ability to make timely payments of principal and interest. Desirable qualities include strong cash flow, a sound balance sheet, and a history of paying down debt.

The credit analysts also look for companies with a defensible and transparent business plan and honest and competent management. Ideally, they should be in a market with

MANAGEMENT TEAM
Calvert Investment Management, Inc. became investment advisor to the Fund in December 2008.

Matthew Duch is the lead portfolio manager for Calvert High Yield Bond Fund. Mr. Duch has been a member of the Calvert taxable fixed income team since 2006 and holds a B.A. in economics from Butler University.

Vishal Khanduja, CFA, is co-portfolio manager for Calvert High Yield Bond Fund. Mr. Khanduja has been a member of the Calvert taxable fixed income team since 2012. Mr. Khanduja holds his MBA from the University of Iowa and a bachelor of engineering degree from VITI in India.


INVESTMENT PROCESS:
Calvert High Yield Bond Fund (CYBAX)
high barriers to entry. The presence of all these characteristics suggests that a company has improving financials, making it a potential candidate for a future credit-rating upgrade. The Fund’s portfolio management team also seeks bonds with favorable covenants.

**Portfolio Construction.** The final step is an analysis of the relative value and total return potential of each company’s debt. The 60 to 80 securities that present the best relative value and total return potential are selected for the Fund.

**Consistent monitoring.** The management team continually monitors the portfolio’s performance and risk relative to its passive benchmark index, tracking the performance of individual holdings and the financial condition of their issuers.

**SELL DISCIPLINE**

The Fund’s managers will sell a given bond when it has appreciated in value and met the investment objectives that prompted its purchase, when a better relative value opportunity is presented, or when either the issuer’s credit characteristics or the broad macroeconomic climate deteriorate.

**INVESTMENT RISK**

Investments in junk bonds can involve a substantial risk of loss. Junk bonds are considered to be speculative with respect to the issuer’s ability to pay interest and principal. These securities, which are rated below investment grade, have a higher risk of issuer default, are subject to greater price volatility and may be illiquid. The Fund is also subject to interest rate risk, the risk that changes in interest rates will adversely affect the value of an investor’s securities. When interest rates rise, the value of fixed-income securities will generally fall. Conversely, a drop in interest rates will generally cause an increase in the value of fixed-income securities.