Calvert Emerging Markets Equity Fund

Key Takeaways

- Emerging markets (EM) equities posted positive returns in the first quarter, though significantly underperformed the MSCI World Index.
- EM investors remained concerned about China's growth prospects in the absence of any meaningful fiscal stimulus.
- The tech-driven rally in the U.S. extended to other regions, with Asia emerging as the best-performing market within the EM landscape — particularly Taiwan (12.4%), home of Taiwan Semiconductor Manufacturing Company (TSMC).
- The Fund moderately underperformed its benchmark, the MSCI Emerging Markets Index, which returned 2.4%.
- The Fund's overweight allocation to and stock selection within Taiwan contributed the most to relative returns.

Performance Review

In the quarter period ending March 31, 2024, the Portfolio's A shares returned 1.98% (net of fees)[1], while the benchmark returned 2.37%.

Asset allocation contributed to relative returns during the quarter, notably the off-benchmark allocation to the U.S., an underweight allocation to China, which underperformed, and the Fund overweight to Taiwan, which outperformed. Avoiding Thailand and an underweight to Brazil also contributed to relative returns. Stock selection in Taiwan, South Africa, Indonesia and Chile contributed, eclipsing weaker selection in India, China and Malaysia.

The team trimmed its holding in Alibaba substantially to fund three new holdings in the portfolio: ASMPT, a leading semiconductor packaging equipment company listed in Hong Kong that is benefiting from its rising participation in the advanced packaging equipment market; Hansol Chemical, a quality Korean business with multiple monopolistic positions supplying specialist gases, chemicals and precursors to chip manufacturers (approximately half of the company's business is related to memory, thus a recovery in the memory industry will likely be beneficial to Hansol); and Wheaton Precious Metals, a pioneer in the gold/precious metals streaming business, which essentially acts as a bank for gold/precious metal miners, funding a part of their capital expenditure requirement in return for a share of future production.

The team also added Samsung Life, Korea's largest life insurer, and partially switched to the preference shares (currently trading at a larger-than-usual discount versus the local) of Samsung Electronics, as the Korean government's "value up" initiative looks to be a more serious approach to improving Korean capital management and potential returns to shareholders.

The team trimmed TSMC, Hero Motorcorp, Maruti Suzuki India, Micron, Banco de Chile, Banorte and Bank Rakyat Indonesia, selling them into strength. The Fund's position in Hangzhou Tigermed was reduced given near-term macro challenges.

At the end of the first quarter, the Fund's largest overweights remain to the information technology, financials, industrials and consumer discretionary sectors. The Fund is underweight consumer staples, materials and communication services and has no exposure to energy and utilities. On a country basis, the Fund retains overweight allocations to Hungary, South Africa, Chile and Korea, off-benchmark allocations to the U.S. and Canada, and underweights to China, India, Brazil and Thailand.

Market Overview

Emerging markets equities concluded the first quarter of 2024 in positive territory. The MSCI Emerging Markets Index returned 2.4% in U.S. dollar terms for the quarter, though significantly underperformed developed markets, with the MSCI World Index returning 8.9% amid optimism regarding an economic soft landing in the U.S. and ongoing enthusiasm around artificial intelligence (AI). EM investors remained concerned about China's growth prospects in the absence of any meaningful fiscal stimulus. Most EM currencies depreciated against the U.S. dollar. Crude oil prices were higher on a tighter supply outlook as tensions in the Middle East worsened, while gold gained +8.1%. EM growth stocks outperformed EM value.[2]

At a regional level, positive quarterly performance was led by Asia, but dragged down by Europe, Middle East and Africa, and Latin America. Intra-EM performance remains highly divergent: Peru, Colombia and Turkey were the best-performing markets, while Egypt, Thailand and Brazil were bottom. Peru posted the highest returns in EM, in a context in which copper, the main export of the country,

[1] Source: Calvert. Data as of March 31, 2024. Performance for other share classes will vary.
[2] Source: Bloomberg L.P. Data as of March 31, 2024.

increased more than 4%. The copper rally has been supported by a supply deficit as well as expectations of increased demand from AI computing capacity.[2]

The tech-driven rally in the U.S. extended to other regions during the quarter, with Asia emerging as the best-performing market within the EM landscape — particularly Taiwan, home of TSMC — driven by ongoing investor enthusiasm for AI-related stocks and technology companies. Indian equities continued higher, backed by encouraging gross domestic product (GDP) growth and the prospect that the political stability that has underpinned India's stock market growth will likely continue if Prime Minister Narendra Modi wins a third term later this year. In China, optimism surrounding additional easing measures from the People's Bank of China, which lowered its 5-year loan prime rate during the quarter for the first time since June 2023, combined with better economic activity data during the Lunar New Year holiday to help the stock market rebound from five-year lows touched in January. Nevertheless, lackluster domestic demand and the ongoing property market crisis continued to weigh on investor sentiment.

In Europe, Turkey was the standout as the central bank continued its orthodox monetary policy approach by increasing interest rates over the quarter, and runaway inflation sent domestic investors into shares, especially in the tech space. Returns were more subdued in other parts of the EM landscape. In Latin America, Brazil experienced losses over the quarter linked to profit-taking following strong performance in 2023 and weakness in the iron ore market.

At the sector level, information technology, energy and utilities were the best performers, while real estate, materials and health care underperformed the most.

Contributors

- Micron, one of three leading manufacturers of memory chips, rose on second quarter 2024 results, beating market estimates on strong memory price hikes. Both sales and earnings were materially ahead of expectations (including guidance), with profitability ramping fast and ahead of forecasts. Supply/demand balances continue to tighten, leading to an increase in average selling prices (ASPs) that is further magnified by rapid growth in high-bandwidth memory (HBM), where ASPs are 10 times that of traditional dynamic random-access memory (DRAM).
- TSMC, Taiwan's leading-edge semiconductor foundry, rose as it is increasingly seen as the key enabler for AI semiconductors given its technology leadership. Nvidia announced its next-generation Blackwall platform, adopting more advanced packaging structures that are expected to drive greater dollar content for TSMC. TSMC is in line to benefit from a ramp-up of Apple/Qualcomm new AI chips, boosting its N3 utilization rate, amid robust AI trends, Intel outsourcing, rising consumer gaming demand and smartphone/PC recovery. Longer term, the edge AI market is expected to increase the semiconductor content for most chips in PC/smartphones.
- Lotes, a Taiwanese manufacturer of connectors, supplying CPU sockets designed for Intel and AMD, rose on expectations that earnings growth will be boosted by demand for its quick disconnect sockets for AI liquid cooling racks and the rising penetration of new AI server platforms.

Detractors

- AIA, a leading life insurer across Asia ex Japan, detracted the most from relative returns despite reporting full-year 2023 value of new business growth of 33% ($4 billion), as well as returning $3.6 billion to shareholders during 2023. The move lower reflected the market disappointment on the company's lack of guidance of a further share buyback program, as well as the lowered margin outlook in China.
- China Overseas Property Holdings, a leading property management services company, fell after reporting full-year 2023 results, despite year-on-year net profit growth of 21%, below market expectations (25%). Weakness was due to lower management fees from the decommissioning of Hong Kong community isolation facilities, currency weakness, and no increase in dividend payout (30%).
- Hong Kong Exchanges, Hong Kong's dominant securities platform, fell after reporting fourth quarter 2023 profit was down 13% year-over-year. Its core business remained weak on lower average daily trading, which was down 8% year-over-year. Net investment income moderated and Hong Kong Exchange's initial public offering activity remains subdued due to low market valuations and underperformance relative to global index levels.

[2] Source: Bloomberg L.P. Data as of March 31, 2024.

Market Outlook

Several central banks in emerging markets have shifted to a dovish stance after a long period of hawkish monetary policy and interest rate increases. Chile, Brazil, Peru and Poland have already begun the process by lowering their benchmark interest rates. China also reduced its interest rates to help its economy, which is struggling with low growth and property issues. Central banks in the developed world are expected to lower interest rates as inflation is beginning to normalize.

Despite the relatively favorable macroeconomic and monetary policy outlook, EM equities remain volatile, largely due to China's economic woes. The team is optimistic about the future based on: several economies in Latin America easing their monetary policies; India, Indonesia and Mexico benefiting from structural economic drivers; a new technology cycle boosting companies in Taiwan and Korea; and China's economic overhaul improving the prospect of the new economy and the path to sustainable economic growth. Near term, Chinese policymakers are finally taking steps to appropriately address the issues in the property market, funding for local governments, and improving the subdued investor sentiment. We are seeing initial signs of an economic rebound in China. Also, sentiment in Asia is better, in particular, as policymakers are beginning to take decisive steps and measures to enhance the value of equity markets, making wealth creation for the masses a vital policy objective. Elsewhere in EM, there is an impetus to diversify the economy in the Middle East and strengthen key industries in Brazil.

The team continues to prioritize investments in good quality companies that have the capacity to grow structurally, low levels of leverage and that trade at reasonable valuations. We believe companies with these characteristics will likely be best placed to outperform in a world of potentially higher-for-longer and more volatile interest rates, slower growth and more geopolitical uncertainty.

Fund Facts

Class A inception	10/29/2012
Class I inception	10/29/2012
Benchmark	MSCI Emerging Markets Index
Class A expense ratio	**Gross 1.28 %**
	Net 1.24 %
Class I expense ratio	**Gross 1.03 %**
	Net 0.99 %

Where the net expense ratio is lower than the gross expense ratio, certain fees have been waived and/or expenses reimbursed. These waivers and/or reimbursements will continue for at least one year from the date of the applicable fund's current prospectus (unless otherwise noted in the applicable prospectus) or until such time as the fund's Board of Directors/Trustees acts to discontinue all or a portion of such waivers and/or reimbursements. Absent such waivers and/or reimbursements, returns would have been lower. Expenses are based on the fund's current prospectus. The minimum investment is $1,000 for A Shares and $1,000,000 for I Shares.

Performance (%)

As of March 31, 2024	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class A Shares at NAV	3.06	1.98	1.98	2.03	-9.44	0.83	3.42
Class I Shares at NAV	3.10	2.09	2.09	2.29	-9.21	1.09	3.73
A Shares with Max. 5.25% Sales Charge	-2.37	-3.40	-3.40	-3.31	-11.05	-0.25	2.87
MSCI Emerging Markets Index	2.48	2.37	2.37	8.15	-5.05	2.22	2.94

Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. For the Fund's performance as of the most recent month-end, please refer to calvert.com. Investment returns and principal value will fluctuate and fund shares, when redeemed, may be worth more or less than their original cost.

Returns are net of fees and assume the reinvestment of all dividends and income. Returns for less than one year are cumulative (not annualized). Performance of other share classes will vary.

Top 10 Holdings (% of Total Net Assets)^

	FUND
Taiwan Semiconductor Manufacturing Co Ltd	9.60
Samsung Electronics Co Ltd	7.93
Tencent Holdings Ltd	4.49
Prosus NV	3.12
Bank Rakyat Indonesia Persero Tbk PT	3.05
Infosys Ltd	2.90
ICICI Bank Ltd	2.85
NARI Technology Co Ltd	2.63
Itausa SA	2.51
Richter Gedeon Nyrt	2.50

^ Top 10 Holdings excludes cash and equivalents. Portfolio profile subject to change due to active management.

INDEX INFORMATION

MSCI Emerging Markets Index is an unmanaged index of emerging markets common stocks. Unless otherwise stated, index returns do not reflect the effect of any applicable sales charges, commissions, expenses, taxes or leverage, as applicable. It is not possible to invest directly in an index. Historical performance of the index illustrates market trends and does not represent the past or future performance of the fund. MSCI indexes are net of foreign withholding taxes. Source: MSCI. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder.

The **MSCI World Index** is a free float adjusted market capitalization weighted index that is designed to measure the global equity market performance of developed markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

The indexes are unmanaged and do not include any expenses, fees or sales charges. It is not possible to invest directly in an Index. Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor. Any product based on the index is in no way sponsored, endorsed, sold or promoted by the applicable licensor and it shall not have any liability with respect thereto.

RISK CONSIDERATIONS

The value of investments held by the Fund may increase or decrease in response to economic, and financial events (whether real, expected or perceived) in the U.S. and global markets. The value of equity securities is sensitive to stock market volatility. Investments in foreign instruments or currencies can involve greater risk and volatility than U.S. investments because of adverse market, economic, political, regulatory, geopolitical, currency exchange rates or other conditions. In emerging countries, these risks may be more significant. Investing primarily in responsible investments carries the risk that, under certain market conditions, the Fund may underperform funds that do not utilize a responsible investment strategy. The Fund is exposed to liquidity risk when trading volume, lack of a market maker or trading partner, large position size, market conditions, or legal restrictions impair its ability to sell particular investments or to sell them at advantageous market prices. The impact of the coronavirus on global markets could last for an extended period and could adversely affect the Fund’s performance. No fund is a complete investment program and you may lose money investing in a fund. The Fund may engage in other investment practices that may involve additional risks and you should review the Fund prospectus for a complete description.

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