Calvert International Equity Fund

Key Takeaways

- Equity markets rallied in the first quarter of 2024, continuing the momentum from the previous quarter.
- Markets rose on expectations of interest rate cuts later this year.
- Calvert International Equity Fund (the Fund) lagged the MSCI EAFE Index (the Index) during the quarter, driven predominantly by positioning in Japan equity.
- Stock selection within financials and consumer staples detracted, while health care and industrials stocks contributed.
- The Fund's zero weight to energy, materials and real estate was beneficial.

Performance Review

In the quarter period ending March 31, 2024, the Portfolio's I shares returned 3.06% (net of fees)[1], while the benchmark returned 5.78%.

Equity markets started off the year in positive territory, carrying the momentum from the previous quarter. Despite a somewhat mixed reporting season, continued rhetoric by central banks indicating their intent to cut interest rates at some point this year helped push equity markets to new highs.

Regionally, the U.S. saw a strong reporting season at the headline level, driven by a handful of sectors, including technology. The Japanese equity market moved higher over the quarter, supported by a positive earnings season led by automobiles and industrials, helped somewhat by yen weakness. Eurozone equities fared well but lagged other developed markets as earnings were weaker, with ongoing downgrades as a result. Emerging markets stocks continued to lag developed markets for the quarter.

The Fund lagged the Index over the first quarter of the year, driven primarily by stock selection in Japan and in the financials, consumer staples and technology sectors. The Fund's regional allocations also detracted due to an underweight to Japan equity. The Fund's sector allocations contributed positively, benefiting from an overweight to technology and no exposure to energy, materials and real estate.

Market Overview

For equity investors, the theme of the first quarter of 2024 might well be expressed as "the eagle has landed." In an interview just five days into the new year, U.S. Treasury Secretary Janet Yellen articulated the sentiment that would drive markets for the rest of the quarter: "What we're seeing now I think we can describe as a soft landing, and my hope is that it will continue."

With U.S. stocks leading the charge, global equity markets continued the rally that began in November 2023, with the S&P 500 Index reaching 21 new all-time closing highs during the first quarter of 2024. The rally was distinguished by three notable developments during the quarter: a broadening of the stocks driving the market; a decoupling of investor sentiment from expectations of U.S. Federal Reserve (Fed) actions; and a significant pop in U.S. consumer confidence.

While much of U.S. equity performance in 2023 was driven by a group of stocks dubbed the "Magnificent Seven" — Microsoft, Amazon, Meta, Apple, Alphabet, Nvidia and Tesla — the first quarter 2024 rally was broad-based, with more than half of the stocks in the S&P 500 posting 52-week highs, even as Apple and Tesla delivered negative returns. In contrast with 2023, the broad-market S&P 500 outperformed the tech-heavy Nasdaq Composite Index in the first quarter.

As the stocks driving the rally broadened, so did the factors driving investor sentiment. In 2023, the mood of the market was tightly coupled to expectations of what the Fed might do next. Equities rose and fell on projections of when the Fed would finish raising rates and how soon it might begin cutting them. The prevailing view was that good news for the economy — record-low unemployment, strong hiring and robust consumer spending — could push the Fed to keep rates higher for longer, and was therefore bad news for stocks.

In the first quarter of 2024, however, investors seemed to come around to the view that good news for the U.S. economy was indeed good news for U.S. stocks. Reports that indicated the slowdown in inflation might have temporarily paused, and the postponement of the Fed's first rate cut until at least mid-year — factors that would likely have derailed a market rally in 2023 — were taken in stride by investors in early 2024.

1 Source: Calvert. Data as of March 31, 2024. Performance for other share classes will vary.

Strong corporate profits, excitement about a nascent artificial intelligence-driven technology boom, continued strong hiring and consumer spending, and confidence that the Fed was done raising rates combined to drive the first quarter rally. Illustrating the breadth of assets swept up in the rally, gold — which has often moved in the opposite direction of stocks — and bitcoin also reached all-time highs in March.

Consumers, too, appeared less troubled in 2024 than the previous year. While consumers spent strongly in 2023, their mood on the economy was sour. But in the first quarter of the new year, consumer attitudes seemed to catch up to the strong hiring and spending numbers the U.S. government was reporting — and the fact that wages were rising faster than inflation. The University of Michigan's widely followed Surveys of Consumers reported a 13% improvement in consumer sentiment from December 2023 to January 2024, and a further improvement in the final month of the quarter.

In overseas markets, meanwhile, results were mixed. In China, deflation in both prices and population size continued to loom over the future of the world's second-largest economy. Dogged by an ailing property sector, the Chinese stock market was one of the weakest-performing major equity markets during the first quarter. And while European stock markets delivered generally strong performance during the quarter, the German economy — the largest in the eurozone and driver of much of the region's economic performance — reported a 0.3% contraction in 2023 and was predicted to deliver little growth this year.

Japan, by contrast, was the comeback story of the quarter. Benefiting from a weak yen that helped exports, improving corporate profits, and investors looking for an alternative to Chinese equities, the Nikkei 225 Index — Japan's most widely-watched stock index — closed at an all-time high on February 22, finally breaking the previous record set in 1989.

Contributors

- Safran, the French industrial company specializing in the design, manufacture and sale of aircraft, defense and communication equipment and technologies, was the top contributor over the quarter. The company benefited from strong earnings results, specifically highlighted by the aerospace aftermarkets division, which has continued its revenue growth. During the quarter, Safran also announced an increase in its dividends.
- Lonza, a Swiss pharmaceutical, biotechnology and nutrition manufacturing business, was supported by strong 2023 earnings results and announcing a new chairman of its supervisory board. Additionally, Lonza announced a new acquisition of a California biologics manufacturing site, further increasing investor confidence.
- Taiwan Semiconductor Manufacturing Company, the Taiwanese manufacturer and seller of integrated circuits and wafer semiconductor devices used in a wide variety of electronics, was a strong contributor to relative performance. The company's earnings results were positive as continued excitement around artificial intelligence (AI) propelled the stock to strong gains. The company also announced the opening of a second chip-making plant in Japan.
- ASML is a Dutch company specializing in the development and production of semiconductor manufacturing machines. ASML benefited as demand for its most advanced equipment soared on the back of continued AI growth.
- Novo Nordisk is a Denmark-based global health care company specializing in diabetes and obesity care. Novo Nordisk's stock was supported by the increasing demand for its obesity drug, Wegovy. Currently, Wegovy is only available as an injectable prescription, but the company announced it is developing an oral solution.

Detractors

- Reckitt Benckiser is a U.K.-based consumer staples company known for manufacturing consumer products in hygiene, health and nutrition. The company reported a slip in earnings and net revenues for 2023. The company's share price also fell due to lawsuits against the company's baby formula subsidiary Enfamil.
- AIA Group is a Hong Kong-based life insurance company. It reported an increase in profits due to higher revenues, while operating profit was below consensus. The lower-than-expected earnings were mainly attributed to the increase in post-pandemic medical claims.
- Nestle, the Swiss nutrition, health and wellness conglomerate, saw its shares lag during the quarter due to an earnings report that was lower than expected. The company also issued guidance that was below market expectations, as price increases have begun deterring shoppers.
- HDFC Bank is an Indian banking and financial services company. The company reported an increase in earnings that was driven primarily by lower taxes. Net interest margin was also weaker for the quarter, which impacted the stock.
- Infineon Technologies, a German semiconductor company, saw its shares weaken over the quarter. The company struggled with the completion of its non-automotive inventory correction, causing it to lower guidance for 2024. The company still expects strength in its automotive business thanks to demand for electronic vehicles and its strong microcontroller solution.

Market Outlook

Equity markets started the year on a positive note as investors continue to focus on more accommodative monetary policy from central banks in 2024. Inflationary headwinds have continued to abate and it feels like the rollercoaster impacts from COVID on supply chains, inflation and supply and demand have largely normalized. We continue to believe that the effect of a higher interest rate environment will be a headwind for corporate earnings in 2024.

Investor excitement around AI continues, and we have seen the theme broaden out, positively impacting stocks in our portfolio in areas like data centers, semiconductors and data science. While the large technology companies in the U.S. dominate headlines on this theme, we see plenty of opportunities for international stocks to benefit.

Although the U.S. economy continues to outperform Europe's, we distinguish between eurozone economics and the equity market. Most of our European holdings are global in nature and benefit from structural growth opportunities that we have identified.

Japan has continued to deliver strong market performance year-to-date in 2024. International investors have been increasingly allocating funds, driven by the belief the country can emerge from 30 years of deflation and economic stagnation. The Bank of Japan continues to take small steps toward a normalization of monetary policy and has recently signaled an end to its long-standing zero-interest policy and yield-curve control. The recent annual wage negotiations led to higher-than-expected wage hikes, and there is now a real hope that the deflationary headwinds of the past can be eradicated.

The equity market rally in Japan over the last 18 months has been driven by low quality/high-beta sectors such as banks, despite these business models being typically weaker and not the type of companies we invest in. Nonetheless, we remain optimistic about the longer-term potential for Japanese equities, and we expect corporate fundamentals to improve, creating future opportunities for portfolios. It will take time for the scars of the last 30 years to be forgotten within corporate Japan, but we are hopeful for the future.

Weak economic momentum continues in China as the property market/real estate clampdown, which was enacted by the government two years ago, continues to bite. Consumers are fearful and not spending. Foreign direct investment into the country has collapsed. Investors remain fearful over governance and the erratic trends in government policy. As the world's second-largest economy, China remains a very important bellwether for both global growth and corporate earnings.

For Calvert International Equity Fund, our philosophy, framework and approach to bottom-up stock picking, with a focus on sustainable business models, remains unchanged.

Fund Facts

Class I inception	02/26/1999
Class A inception	07/02/1992
Performance inception	07/02/1992
Benchmark	MSCI EAFE Index
Class I expense ratio	**Gross 0.95 %**
	Net 0.89 %
Class A expense ratio	**Gross 1.20 %**
	Net 1.14 %

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 I Shares at NAV	2.89	3.06	3.06	8.28	2.25	8.40	5.11
Class A Shares at NAV	2.89	2.98	2.98	8.06	2.01	8.13	4.75
A Shares with Max. 5.25% Sales Charge	-2.52	-2.44	-2.44	2.38	0.19	6.98	4.19
MSCI EAFE Index	3.29	5.78	5.78	15.32	4.78	7.32	4.79

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
Nestle SA	5.40
AstraZeneca PLC	4.38
ASML Holding NV	4.34
Novo Nordisk A/S	4.29
Compass Group PLC	3.73
Iberdrola SA	3.52
Siemens AG	3.38
Sanofi	3.36
LVMH Moet Hennessy Louis Vuitton SE	3.22
Reckitt Benckiser Group PLC	3.18

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

INDEX INFORMATION

MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the international equity market performance of developed markets, excluding the U.S.

and Canada. 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 MSCI EAFE Index currently consists of 21 developed market country indices. The performance of the Index is listed in U.S. dollars and assumes reinvestment of net dividends.

The **S&P 500 Index** measures the performance of the large cap segment of the U.S. equities market, covering approximately 75% of the U.S. Equities market. The Index includes 500 leading companies in leading industries of the U.S. economy. The **Nasdaq Composite Index** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market. It is used as an indicator of the performance of stocks of technology companies and growth companies. Since both U.S. and non-U.S. companies are listed on the NASDAQ stock market, the index is not exclusively a U.S. index. The **Nikkei 225 Index** is a price-weighted index of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange.

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. 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.

SPECIAL EQUITY

Portfolio characteristics exclude 7 securities in Calvert's Special Equities program, which represent 0.102% of the portfolio as of 12/31/2023. The Special Equities program enables the Fund to promote approaches to responsible investment goals through privately placed investments. These investments are generally illiquid and involve high risks. See the Fund's prospectus for details and calvert.com for a complete list of Fund holdings.

IMPORTANT INFORMATION

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Please consider the investment objective, risks, charges and expenses of the fund carefully before investing. The prospectus contains this and other information about the fund. To obtain a prospectus, download one at https://funds.eatonvance.com/all-mutual-funds.php or contact your financial professional. Please read the prospectus carefully before investing.

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