PORTFOLIO COMMENTARY

SECOND QUARTER 2010

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CSIF Enhanced Equity Portfolio

CSIF Enhanced Equity Portfolio (Class A shares at NAV) returned -10.58% for the second quarter of 2010. The Portfolio outperformed its benchmark, the Russell 1000 Index, which returned -11.44% for the quarter. Strong stock selection was the primary driver of the Portfolio's relative outperformance.

Market Review

Global equity markets experienced sharp sell-offs through most of the second quarter of 2010, breaking the steady, extended market ascent that lasted from mid-January through the second half of April. The selling activity caused volatility, as measured by the VIX Index, to almost triple in May from January levels. The major indices were all down significantly for the quarter, with the Standard & Poor's (S&P) 500 and Russell 1000 Indices down 11.43% and 11.44% respectively. International stocks suffered as well, with the MSCI EAFE Index down 13.75% for the quarter. As the flight to quality trade intensified, investors fled to the safety of U.S. Treasuries, which gained significantly during the quarter. Gold reached record highs as investors sold fiat currencies amid heightened global economic risks.

The risk trade was on during the second quarter as investors continued to take money off the table after a healthy run-up in equity markets worldwide for the year through the second half of April. A combination of factors—the fact that corporate earnings posted in the next two to three months are likely to look

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HISTORICAL FUND PERFORMANCE

Average Annual Total Returns as of 6/30/2010. Inception Date 4/15/1998.

CSIF ENHANCED EQUITY PORTFOLIO	QTR	YTD	1YR	3YRS	5YRS	10YRS	SINCE INCEPTION
A Shares at NAV	-10.58%	-4.80%	18.80%	-10.43%	-2.30%	-1.89%	0.72%
A Shares Max load of 4.75%	-14.81	-9.34	13.14	-11.86	-3.24	-2.37	0.32
Russell 1000 Index	*-11.44*	*-6.40*	*15.24*	*-9.54*	*-0.56*	*-1.22*	*1.41*

Source: Calvert Performance Analytics

Expense ratio: 1.54%. Performance data quoted already reflects deduction of fund operating expenses.

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. Indexes reflect no deductions 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.*

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unfavorable, impending financial regulation, a potential slow-down in the Chinese economy, the risk of sovereign debt contagion in Europe, and growing fears of a double-dip recession—is creating multiple uncertainties for investors globally and causing re-pricing of risk in both equity and fixed-income assets.

All 10 economic sectors in the S&P 500 Index lost value in the second quarter, reflecting investors' deteriorating outlook for global economic growth. The economically sensitive Materials and Financials sectors led the underperformance for the quarter, falling by close to 15% and over 13%, respectively, in both the S&P 500 Index and the Russell 1000 Index. Energy, Industrials, and Information Technology also struggled, with each posting losses of over 12% in the second quarter. The best-performing sectors were Utilities (down less than 4%) and Telecommunications, which fell over 4%.

During the quarter, the Financials sector was held closely under the regulatory microscope. In May, after a substantial market sell-off that included some erroneous trades, the Securities and Exchange Commission proposed new circuit breakers for rapid intra-day single stock moves of over 10%. These trading halts will be introduced on a trial basis for several months and will apply in all markets to companies included in the S&P 500 Index. At quarter-end, the U.S. House of Representatives passed new financial regulation measures which could involve major changes in the oversight of the financial sector, especially involving complex financial products. While banks may still be permitted to be involved in derivatives, proprietary trading, hedge funds, and private equity, the degree of such involvement will likely be drastically reduced. Overall, the new regulations seem to be more lenient towards banks than investors had anticipated.

Portfolio Review

Strong stock selection was the primary factor behind the Portfolio's outperformance of the benchmark for the second quarter of 2010. The Portfolio's stock selection was particularly strong in the Industrials, Health Care, and Information Technology sectors. Stock selection in the Consumer Discretionary and Energy sectors was also positive. In terms of performance contributions from individual stocks, Apple and General Mills were the largest positive contributors during the quarter. Walgreen, Microsoft, and Goldman Sachs were the largest detractors from performance.

The Portfolio's relative performance also benefited from not holding General Electric or Anadarko Petroleum, which are included in the benchmark index but do not meet the Portfolio's sustainability and responsibility criteria.

Sector allocation was a modestly positive factor in the Portfolio's relative performance, with no sector contributing or detracting significantly.

Outlook

From the March 2009 market low through the April 23, 2010 high, the S&P 500 Index returned 60.77%; for 2010 through April 23, it posted a 9.16% gain. Given these facts, it is not surprising that at the end of April investors were inclined to lock in their gains in the face of mounting uncertainty in the global economic and geopolitical landscape. Through April, financial markets had apparently anticipated a V-shaped economic recovery, while the underlying economic recovery has been firmly U-shaped—and the two need to reconcile. We view this correction as a healthy development for the equity markets, one that should likely produce attractive investment opportunities once volatility subsides.

In the short term, the U.S. stock market is likely to outperform relative to the rest of the world. We have commented for some time that U.S. equities may be one of the more attractive equity asset classes in relative terms, a point that was demonstrated in the markets during the second quarter as U.S. equities outperformed their international counterparts.

The sell-off in the equity markets has been relatively orderly so far. We could see a total decline of 20-25% off the April highs if corporate earnings posted in the next two to three months don't look favorable. At that point, more investors are likely to move back into equities to try to take advantage of the attractive valuations.

We also believe that, with so much turmoil in the markets, investors and regulators are not sufficiently focused on the potential long-term effects of climate change. If not mitigated, we believe that climate change could have a very significant negative impact on global gross domestic product growth, possibly subtracting as much as one-fifth of the potential growth rate for an extended period of time. ■

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.

As of June 30, 2010, CSIF Enhanced Equity Portfolio's holdings included Apple (4.02% of the Portfolio), General Mills (1.73%), Walgreen (1.48%), Microsoft (3.10%), Goldman Sachs (1.90%), General Electric (0.00%), and Anadarko Petroleum (0.00%). Calvert may or may not still invest in, and is not recommending any action on, companies listed. For the most recently available information on individual holdings in each Calvert sustainable and responsible equity fund, visit **www.calvert.com**. Current and future portfolio holdings are subject to market risk.

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