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CSIF Enhanced Equity Portfolio

The CSIF Enhanced Equity Portfolio (Class A shares at NAV) returned 17.31% for the quarter ended September 30, 2009. The Portfolio outperformed its benchmark, the Russell 1000 Index, which returned 16.07%.

Market Review

During the third quarter, economic data continued to confirm that the pace of economic deterioration has slowed, even as some sectors of the economy continued to generate mixed results. Second-quarter U.S. gross domestic product (GDP) declined only 0.7%—an improvement from the first quarter's 6.4% drop—indicating that the 20-plus month recession may have reached its bottom and that government spending has finally begun to have a positive impact. The pace of economic recovery and expansion, however, could be more gradual than the dramatic recovery in global stock prices and valuations might suggest.

During the quarter, quickly-swelling stock valuations reached pre-crisis highs despite the still-vulnerable state of the global economy. With continued weakness in the global financial system,

high unemployment, and the unsteady commercial and residential real-estate markets, highly optimistic valuations and earnings estimates for 2010 and 2011 left little margin for error in global equity markets. It is clear that corporate earnings are subdued because of the recession, making valuations seem deceptively high. However, the pace and strength of the recovery will determine the pace of earnings recovery and the related valuations.

During the second and third quarters, economic data confirmed that the larger banks that presented systemic risk to the global economy had been stabilized by the unprecedented, coordinated efforts of governments across the globe. However, non-performing loans and potential new write-offs continue to threaten the survival of many medium- and smaller-sized banks.

HISTORICAL FUND PERFORMANCE

Average Annual Total Returns as of 9/30/2009. Inception Date 4/15/1998.

CSIF ENHANCED EQUITY PORTFOLIO	QTR	YTD	1YR	3YRS	5YRS	10YRS	SINCE INCEPTION
A Shares at NAV	17.31%	21.82%	-7.22%	-7.95%	-1.18%	-0.43%	0.65%
A Shares Max load of 4.75%	11.73	16.01	-11.60	-9.42	-2.14	-0.92	0.23
Russell 1000 Index	16.07	21.08	-6.14	-5.10	1.49	0.41	1.57

Source: Calvert Performance Analytics

Expense ratio: 1.36%. 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.



Employment remained weak, with the U.S. unemployment rate rising to 9.7% by quarter-end, steadily approaching our expected 10% to 11% forecast for the end of the year. While payroll reports during the early months of the third quarter showed better-than-expected results, data from September disappointed.

In the face of economic uncertainty, consumers have continued to deleverage their balance sheets, and the personal savings rate continued to rise. Decreased spending combined with the falling U.S. dollar resulted in a drop in imports, which, in turn, contributed to an increase in overall net exports, driving up GDP during the quarter. The very popular “cash for clunkers” program also had a positive effect during the quarter, although the program may have “borrowed” from future demand. The Treasury Department’s efforts to keep long yields and mortgage rates down, the new tax credits for first-time home buyers, and an abundance of distressed, attractively priced properties helped improve overall demand for housing. During the quarter, the S&P/Case-Shiller Index data indicated that a bottoming out of single-family home prices may have started in the second quarter. However, recent data on sales of existing homes in the third quarter showed an unexpected decline. The commercial real-estate market continued to deteriorate, with the trend likely to continue in the near term.

The third quarter saw double-digit returns for the world’s equity markets. U.S. large-cap stocks, as measured by the Russell 1000 Index, rose 16.07%, bringing that index’s year-to-date return to 21.08%. Mid-cap stocks were the best performers overall, with the Russell Mid-Cap Index gaining 20.62% for the third quarter and 32.63% for the year. Value stocks bounced back during the quarter, outperforming growth stocks across the full range of market capitalizations. Small-cap value stocks were the best performers for the quarter but still lagged their small growth counterparts by almost 13 percentage points for the year.

Portfolio Review

The Portfolio outperformed the Russell 1000 for the quarter ended September 30, 2009, entirely due to stock selection. Stock selection was strongest in the energy sector, particularly in the oil, gas and consumable fuels industries, where the Portfolio benefited from not holding oil giant Exxon Mobil, which does not meet the Portfolio’s environmental, social, and governance (ESG) criteria. Pioneer Natural Resources, which does meet Calvert’s ESG criteria, was a positive contributor after it beat analysts’ earnings estimates. Stock selection in consumer discretionary also added to performance, specifically media company Gannett Co. Excelon, an electric utility company, also was a top contributor to the Portfolio during the quarter.

On the negative side, stock selection was weakest in materials, particularly in the chemicals industry.

Sector allocation had no significant impact on the relative performance of the Portfolio. The Portfolio’s underweight tilts in consumer staples and energy added to performance, as did its overweight to consumer discretionary names. The Portfolio’s overweight to health care detracted from performance.

Outlook

At the end of the quarter, markets reacted negatively to mixed economic news, signaling a potential correction off the recent highs. The strong rally since the market’s low of March 9, 2009, has left observers wondering whether rapidly-rising stock valuations have become prematurely rich and earnings expectations somewhat stretched. While we are cautious about the performance of the market in the short term, we continue to expect a slower, but more robust and sustained, “smile-shaped” economic recovery in the long run. ■

This commentary represents the opinions of its author as of 9/30/09, 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 September 30, 2009, CSIF Enhanced Equity Portfolio’s holdings included Pioneer Natural Resources (0.79% of the portfolio), Gannett Co. (0.57%) and Excelon Corp. (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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