

# Calvert Equity Fund

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## Key Takeaways

- Stocks are setting new highs on artificial intelligence (AI) potential and stronger forecast earnings growth.
- Calvert Equity Fund (the Fund) performance trailed the double-digit advance recorded by its benchmark, the Russell 1000 Growth Index (the Index).
- Current valuations appear to discount aggressive Federal Reserve rate cuts and more benign economic outcomes.
- Fund holdings reflect our long-standing investment philosophy favoring businesses producing consistent growth and earnings stability over time.

## Performance Review

In the quarter period ending March 31, 2024, the Fund's I shares returned 5.63% (net of fees)<sup>1</sup>, while the benchmark returned 11.41%.

Building on momentum witnessed at the close of 2023, domestic large-cap stock indexes have generated positive returns in each of the past five months. This recovery, which originated on prospects for more accommodative monetary policy, has extended on growing optimism about stronger growth in corporate profits. Fueled by investor enthusiasm about AI initiatives, technology and tech-adjacent businesses remain the driving force not only behind stock price appreciation, but positive earnings revisions as well.

Security selection challenged relative Fund performance in the quarter. In particular, not owning shares of high-flying stocks Nvidia and Meta Platforms proved especially untimely. Among stocks actively held, negative absolute returns at animal health specialist Zoetis and data provider S&P Global applied incremental pressure compared to the Index. More favorably, the Fund's omission of benchmark stalwarts Apple, Tesla and UnitedHealth Group benefited relative contributions, as did direct investments in Fiserv and Ecolab.

Viewed by sector positioning, the Fund's overweight to real estate names and underweight to communication services and technology stocks hurt benchmark comparisons. These negative headwinds were only partially offset by an underweight to consumer discretionary investments. As a reminder, our investment approach views sector weightings as the residual outcome of fundamental security selection, rather than an intentional process favoring a particular theme or style.

## 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

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

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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.

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

Three stocks not owned in the Fund but included in the Index provided the most significant positive contribution to relative performance during the quarter. Combined, shares of Apple, Tesla and UnitedHealth Group account for a low-teens percentage of the benchmark, and while no common factor connects their respective price declines, their prominence within the Index is noteworthy. Tesla's less predictable business model disqualifies the stock for consideration under our high quality investment mandate, but we will continue to monitor fundamental developments at the other companies for potential Fund inclusion in the future.

As for active holdings, Fiserv represents one of the original financial technology (fintech) business models. Enhancing its legacy as a trusted bank processor with its 2019 purchase of merchant acquirer First Data, the company has delivered nearly 40 straight years of double-digit earnings per share growth. This record of consistency is highly unique and becomes increasingly valuable to investors during periods of uncertainty or volatility.

Ecolab makes specialty chemicals to ensure more sanitary or hygienic operating environments. Cumulative price increases are finally exceeding input cost pressures at the company, enabling steady margin expansion and positive earnings revisions. Looking ahead, prospects for continued favorable price-cost dynamics appear good, and the corporate mission of providing more sustainable cleaning solutions resonates well in an increasingly environmentally aware marketplace.

Amphenol may not be a household name, but its broad line of electronic componentry is critical for many products to function correctly. No single end market represents more than 25% of sales, leaving the company less vulnerable to a particular industry's demand cycle. Furthermore, its decentralized operating structure facilitates the purchase and integration of niche competitors, who benefit from Amphenol's purchasing scale and quality reputation. As electronically enabled devices become more integral in our daily lives, Amphenol appears well positioned to grow going forward.

## Detractors

Not owning shares of chip maker Nvidia and social media behemoth Meta proved a material headwind to relative Fund performance. As charter Magnificent Seven<sup>2</sup> stocks, both names followed up strong 2023 price appreciation with continued favorable momentum; Nvidia and Meta shares were up a remarkable 82% and 37%, respectively, during the quarter. Despite these exceptional returns, neither stock is a candidate for Fund inclusion, as Nvidia's boom-and-bust earnings record is inconsistent with our preference for more stable growth companies, and Meta does not meet the Calvert Principles for Responsible Investment.

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<sup>2</sup> Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla.

The Fund's long-standing investment in animal health specialist Zoetis also penalized recent returns. Investor concerns about the company's domestic launch of an anti-arthritis medication have weighed on the shares. Understanding that all product introductions carry an element of uncertainty, the company's strong track record for innovation, as well as the favorable European rollout of a comparable remedy, provide some confidence in this matter. Additionally, leading franchises in companion animal dermatology and parasiticides offer a steady source of revenue growth amid robust spending on pets. Zoetis remains the industry standard, and we expect financial returns to remain above peers.

Recognized for its venerable Standard & Poor's brand, S&P Global is a diversified information services provider best known for its bond-rating business. Shares of the company slumped after management offered conservative financial guidance during its most recent earnings release. With the integration of its transformational IHS Markit deal now complete, opportunities to market the combined data sets and analytics are only beginning. Accordingly, the potential for incremental upside appears bright, and we remain confident in the company's long-term growth prospects.

## Market Outlook

"There is nothing more certain and unchanging than uncertainty and change." — John F Kennedy

While hardly the most iconic of the former president's observations, its message bears repeating following recent macro prognostications. Two years ago, broad assurances were given that the then-rapid rise in prices was transitory and a return to more modest inflationary conditions was imminent. When those expectations proved inaccurate, consensus then formed around an impending recession — an outcome that seemed increasingly likely with the March 2023 onset of a mini-banking crisis. Once this forecast was deemed invalid, more optimistic calls for an economic "soft landing" prevailed, along with confident predictions of aggressive central bank accommodation. Time will tell whether this latest diagnosis develops according to plan, but recent experience suggests leaving room for alternative outcomes may be prudent.

On the topic of highly definitive projections, investors have clearly voiced their preference for companies associated with AI, weight-loss medications and bitcoin. While the appeal of these opportunities may seem intuitive, history is full of examples of unimagined speed bumps emerging on the road to unchecked prosperity. Consistent with previous "can't miss" occasions, competitive and regulatory frameworks are only beginning to form in these markets and will no doubt influence the shape and progression of their respective growth potential. Just as designing an investment strategy to mimic a specific economic path may prove unrewarding, so too can prematurely declaring winners and losers among untested initiatives at this early juncture.

As active managers, it is our mission to "play favorites" in choosing individual securities for inclusion in the Fund. Indeed, generating distinctive returns relative to passively managed alternatives requires us to be different than our benchmark. Experience tells us that adherence to a particular approach or philosophy — such as ours focused on high quality investing — inevitably comes with periods when that discipline can be out of favor. Rather than test our resolve, these times reinforce our alignment with reliable businesses whose operating consistency delivers steadier results over the long term. Although patience may be needed to benefit from the inevitable change in sentiment, the risk-adjusted reward can be quite handsome.

## Fund Facts

Class I inception	11/01/1999
Class A inception	08/24/1987
Performance inception	08/24/1987
Benchmark	Russell 1000 Growth Index
Class I expense ratio	<b>0.66 %</b>
Class A expense ratio	<b>0.91 %</b>

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	0.89	5.63	5.63	20.01	9.21	14.16	13.68
Class A Shares at NAV	0.87	5.57	5.57	19.71	8.94	13.87	13.32
A Shares with Max. 5.25% Sales Charge	-4.42	0.02	0.02	13.43	7.00	12.65	12.71
Russell 1000 Growth Index	1.76	11.41	11.41	39.00	12.49	18.50	15.97

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](http://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)<sup>^</sup>

	FUND
MasterCard Inc	4.94
Microsoft Corp	4.81
Alphabet Inc - CL C	4.77
Thermo Fisher Scientific Inc	4.75
Visa Inc	4.75
Danaher Corp	4.61
TJX Cos Inc	3.59
Zoetis Inc	3.56
Gartner Inc	3.31
Intuit Inc	3.21

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

## INDEX INFORMATION

The **Russell 1000® Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Index is an index of approximately 1,000 of the largest U.S. companies based on a combination of market capitalization and current index membership.

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.

**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 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. 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 27 securities in Calvert's Special Equities program, which represent 0.183% of the portfolio as of 03/31/2024. 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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