Calvert Equity Fund

Key Takeaways

- A rise in uncertainty in the first quarter of 2025 prompted a change in equity market concentration and leadership, benefiting Calvert Equity Fund's performance relative to the benchmark, the Russell 1000 Growth Index (the Index).
- Momentum-based strategies came under significant pressure as investors began to reconsider the competitive moats of early artificial intelligence (AI) platforms.
- Meanwhile, the policy priorities of the new administration came under greater scrutiny regarding their ultimate impact on economic and earnings growth.
- In periods of heightened volatility, we believe our focus on high quality, durable businesses provides relative stability without compromising growth potential.

Performance Review

In the quarter period ending March 31, 2025, the Fund's I shares returned -0.38% (net of fees)[1] , while the benchmark returned -9.97%.

Following an extended period of uninterrupted stock market gains, principally on the back of the Magnificent Seven companies, the investment climate became more unsettled in the first quarter. Cracks in the "American exceptionalism" thesis began to develop, prompting greater deliberation about the magnitude and concentration of recent returns. Alarms sounded about possible overinvestment in AI infrastructure, while more subdued small business and consumer confidence readings weighed on sentiment. Initial optimism that economic activity would prosper under a Department of Government Efficiency (DOGE) inspired deregulatory push and a softer touch around mergers and acquisitions has since given way to fears that aggressive tariffs and closed borders may keep price levels higher for longer. All in, corporate earnings growth expectations declined steadily throughout the quarter as talk of stagflation resurfaced.

Drilling down to the stock level, the biggest benefit to the Fund's relative performance came from not owning shares of Nvidia and Tesla. Among names directly held, investments in internet registry Verisign and cell tower operator American Tower further enhanced returns. As for the other side of the ledger, it was again two names not owned — Meta Platforms and Eli Lilly — that provided the stiffest headwinds to relative comparisons. Positions in West Pharmaceuticals and PayPal also proved untimely, but we remain hopeful that more favorable outcomes from these businesses are forthcoming.

By sector, the Fund's overweight positions in financials and health care compared favorably to the Index. An underweight to information technology names also flattered results. Less opportune was an underweight position in consumer staples and lack of exposure to energy stocks, though their combined impact was manageable during the quarter. As a reminder, sector weightings are a residual outcome of our bottom-up approach to security selection and not part of a designated investment strategy.

Market Overview

The new year brought both a new U.S. presidential administration and a change in equity market leadership. International stocks, led by Europe, surged out of the gate in January after dramatically underperforming the U.S. in 2024. Leadership within the U.S. changed too, as value stocks outperformed growth after similarly large underperformance in 2024.

These January trends persisted throughout the quarter. A key driver of the leadership change was Magnificent Seven stocks beginning to roll over in January. The success of Chinese startup DeepSeek's R1 model upended the narrative on artificial intelligence (AI) that had helped propel these companies' share prices higher in 2023 and 2024. DeepSeek's ability to deliver a high-performance model at a fraction of the cost suggested potential demand for AI infrastructure may have been significantly overstated. Weakness from these growth companies, which comprise a large percentage of benchmarks, led to both U.S. and growth underperformance.

Despite relative weakness from these companies, the S&P 500 Index continued to climb higher, reaching several new all-time highs in February on the back of double-digit corporate earnings growth for the fourth quarter reporting period. As the first quarter wore on,

[1] Source: Calvert. Data as of March 31, 2025. Performance for other share classes will vary.

however, a series of negative economic data surprises resulted in growth concerns for U.S. investors. For example, the Federal Reserve lowered its gross domestic product (GDP) expectation and raised its inflation forecast, while maintaining the fed funds rate. This deteriorating data, combined with the Trump administration's impending April 2 tariff deadline, turned investment sentiment negative, causing the S&P 500 to fall more than 5% for the month of March — its worst monthly return since December 2022.

A key story during the period was the relative outperformance of Europe versus the U.S., as the STOXX Europe 600 Index (+10.5% in the first quarter) walloped the S&P 500 (-4.3%) by more than 14%. Several factors came together to produce the widest performance gap we have seen in more than 10 years. Much lower starting valuations in Europe, a falling U.S. dollar, optimism for a Russia-Ukraine ceasefire and the announcement of a very large stimulus package in Germany all combined to attract significant flows and drive the 10% rise in the STOXX Europe 600 for the quarter. Elsewhere, Canada and Japan managed small gains, and Australia underperformed alongside the U.S. Better returns outside the U.S. coincided with a notable decline in the U.S. dollar during this period as the post-election strength in the dollar unwound.

Emerging markets, as measured by the MSCI Emerging Markets Index, also delivered positive performance, despite wide dispersion across countries. Among the largest markets, China rose 15%, while Taiwan fell 13% and India declined by 3%. Emerging Europe benefited from the same trends noted above, with Poland, Czech Republic and Greece performing particularly well.

Within the U.S., we saw significant dispersion in S&P 500 sector performance. The energy sector notched a 10% performance gain, while the more defensive health care, consumer staples and utilities sectors also outperformed amid fading risk appetite and economic growth concerns. Large declines across the Magnificent Seven caused the consumer discretionary and information technology sectors to each fall more than 12%, while the communication services sector also lagged. With U.S. investors growing defensive, rising economic uncertainty and a falling dollar, gold followed up its impressive 27% return in 2024 with a 19% rise in the first quarter. (Source: FactSet. Data as of March 31, 2025.)

Contributors

The most significant favorable contribution to relative performance came from a pair of stocks not owned in the Fund: Nvidia and Tesla are charter Magnificent Seven companies and, together, comprised over 12% of the Russell 1000 Growth Index at quarter-end. Both stocks declined sharply in the quarter as investors questioned whether these enterprises' future operating performance may prove as beneficial as the recent past. Neither business offers the consistency and stability we demand with our high quality investment discipline; therefore, the stocks are not under consideration for possible portfolio inclusion at this time.

While hardly a household name, Verisign serves as the registry for all .com and .net websites on the internet. Any organization — large or small — seeking a presence on these domains must contract with the company to ensure a reliable and secure online address. Having recently extended exclusive rights to manage this critical function, Verisign's utility-like model is less subject to competitive threats than other portfolio companies. With e-commerce activity continuing to gain share of transactions around the globe, this core business is well positioned to benefit as additional economic activity migrates online.

American Tower builds, operates and maintains one of the world's largest cell phone tower networks. This infrastructure empowers seamless mobile communication and facilitates growing demand for the transfer of data over the airwaves. With a repositioned balance sheet and a material reduction in its emerging markets exposure, the company is poised to deliver more consistent and predictable growth than in recent years. Longer term, annual price escalators with global carriers should support steady revenue tailwinds, while a largely oligopolistic market structure will likely keep competitive threats at a minimum.

Detractors

Just as the largest quarterly relative performance gains came from names not owned in the portfolio but included in the Index, so too were the Fund's most material detractors. Year-to-date, shares of social media heavyweight Meta Platforms and drug maker Eli Lilly fared better than the double-digit declines recorded by the benchmark. Their respective prominence in delivering AI-related solutions and GLP-1 medications likely helped differentiate returns in this challenging environment. Still, concerns about binary outcomes dominating biopharma investment decisions in the case of Eli Lilly, and Meta's inability to meet the Calvert Principles for Responsible Investment, keep us on the sidelines in each instance.

A surprisingly conservative near-term earnings outlook pressured shares of West Pharmaceutical Services. As a leader in supplying proprietary packaging solutions to a broad set of health care customers, the company's products maintain the integrity and proper dosage of certain medical therapies. In the near term, the growing popularity of GLP-1 injectables should keep the company's manufacturing facilities busy. Down the road, the specialty nature of West's portfolio should enable it to capitalize on growing regulatory standards around product sterility and safety.

Competitive concerns remain an overhang at PayPal. Once the gold standard for online payment solutions, well-funded upstarts and consumer familiarity with Apple Pay have encroached upon its established market dominance. New management has updated the platform to reflect innovations in the space, and we remain hopeful that these efforts will eventually yield benefits. Meanwhile, the company continues to generate significant free cash flow, which it either reinvests back in its core business or uses to repurchase its shares at historically attractive valuations.

Market Outlook

"And now for something completely different…"

Monty Python fans will recognize the above both as a catchphrase and the title of a sketch comedy film. Whether or not today's investors appreciate that distinctive brand of humor, after recent U.S. stock price performance, many may be struggling to look on "the bright side of life." For some time, consistent market outperformance came from overweighting the United States versus the rest of the world, growth versus value and technology-related stocks versus … nearly everything else. Year-to-date, however, success seems to come by inverting this strategy to capitalize on a broadening in the markets. Time will tell if these near-term trends persist, but it appears the play book that prevailed since calendar 2022's correction is now under review.

What's behind this dramatic pivot? The surprising late January revelation of DeepSeek, a competing AI platform developed in China, defied the then-sacrosanct wisdom that U.S.-based models were without peers. Could these emerging challengers dramatically alter the auspicious return profile assigned to many of the stock market's recent standouts? Additionally, while the installation of a new administration in Washington was always expected to provide some fireworks, few anticipated the scope of proposed changes. From recommended eliminations of entire Cabinet-level departments to reimagining long-standing administrative and diplomatic norms, President Trump's campaign pledges to challenge the status quo are coming to fruition at a rapid pace. The "shock and awe" environment of the past few months has many investors seeking shelter from increasingly volatile markets.

Fortunately, our high quality investment philosophy emphasizes consistent growth businesses that are well placed to thrive in times such as these. Established companies with a track record of compounding earnings stand out during periods of heightened uncertainty. Whether this dependability derives from established leadership in secularly growing markets, high recurring revenues, or reliable free cash flow deployment — high quality stocks have often been a preferred focus in volatile markets. As always, and in concert with Calvert's responsible investing guidelines, our discipline strives to participate in up markets, protect principal in more challenging environments and outperform over the long term.

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	**0.65 %**
Class A expense ratio	**0.90 %**

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 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, in effect as of the date of this commentary. For information on the applicable fund's current fees and expenses, please see 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, 2025	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class I Shares at NAV	-3.55	-0.38	-0.38	2.48	5.70	14.52	12.42
Class A Shares at NAV	-3.58	-0.44	-0.44	2.22	5.44	14.23	12.09
A Shares with Max. 5.25% Sales Charge	-8.64	-5.68	-5.68	-3.15	3.56	13.00	11.49
Russell 1000 Growth Index	-8.42	-9.97	-9.97	7.76	10.09	20.07	15.11

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
Visa Inc	4.84
MasterCard Inc	4.79
Danaher Corp	4.56
Thermo Fisher Scientific Inc	4.24
Microsoft Corp	4.16
S&P Global Inc	4.05
Alphabet Inc - CL C	3.94
Verisk Analytics Inc	3.83
Zoetis Inc	3.62
TJX Cos Inc	3.56

^ 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.

S&P 500® Indexmeasures 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. **STOXX Europe 600 Index**is a fixed component number index designed to provide a broad yet liquid representation of large, mid and small capitalization companies in Europe. The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance of emerging markets. MSCI indexes are net of foreign withholding taxes.

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 0.235% of the portfolio as of 03/31/2025. 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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