

INVESTMENT PROCESS

Management Team



Jens Peers, CFA, is the lead manager of Calvert Global Water Fund. Mr. Peers joined KBC Bank in 1998 and

KBC Asset Management International in 2003. He holds a Licentiate (equivalent to a master's degree) in Applied Economics from the University of Antwerp in Belgium.



Craig Bonthron is the lead investment analyst for Calvert Global Water Fund. Mr. Bonthron joined KBC in January

2008 as research analyst for Eco stocks. He previously worked as a financial analyst at Alliance Trust. Mr. Bonthron holds a master's degree from Strathclyde Graduate Business School in Glasgow, Scotland and a bachelor's degree from Glasgow Caledonian University.

Calvert Global Water Fund (CFWAX)

A Global Sector Fund Investing in Stocks Across the Market-Cap Range

Overview

Calvert Global Water Fund is an all-market-cap, water sector mutual fund that invests in non-U.S. and U.S. stocks. Calvert sub-advisor KBC Asset Management International, Ltd. (KBC) of Dublin, Ireland manages the Fund. KBC uses an investment process that combines quantitative and fundamental investment techniques to select companies for the Fund. KBC's stock-selection process does not use a pre-determined geographic allocation framework.

KBC:

- Was founded in 1980 as Ulster Bank Investment Managers. The company was acquired and renamed in 2000 by KBC Group, a major financial services company.
- Launched one of the first water mutual funds in Europe in 2000.
- Is one of the leading managers of sustainable and "environmental," or Eco, investments in Europe.

Investment Approach

Uses a three-step investment process with a major fundamental analysis component to select stocks for the Fund. Evaluates and applies the research and insights of an External Advisory Committee (EAC), which is a panel of academic, scientific, and business experts in the water sector.

GOAL:

Seeks to provide capital appreciation by investing in companies whose main business is in the water sector or that are significantly involved in water-related services or technologies. Water-related services companies include providers of water treatment or filtration equipment, manufacturers of water-related equipment, and water utilities. Water-related technologies can include tools for water distribution, environmental monitoring, or water conservation.

INVESTMENT PROCESS:

KBC's portfolio construction process for the Fund employs three distinct steps: 1) defining the universe of investable stocks in the water sector, 2) establishing target allocations for sub-sectors within the Fund, and 3) determining a weight for each individual holding in the portfolio.

Defining the Investment Universe: Under normal circumstances, at least 80% of the Fund's net assets will be invested in equity securities of U.S. and non-U.S. companies whose main business is in the water sector or are significantly involved in water-related services or technologies. The Fund's managers will seek additional diversification opportunities with the remaining 20% of the Fund, which may include investing in other Eco (related to environmental technology) areas.



Sell Discipline

When a stock reaches a price that KBC considers to be fair value, the portfolio manager will review the reason behind the original stock purchase to determine if it's appropriate to raise the target price for the stock or to sell it. The target price is not an automatic sale level, but it is a trigger for further review. If a company no longer meets the Fund's criteria for environmental responsibility, sustainability, and governance, it would be sold.

WATER SUPPLY AND DEMAND

"The precarious situation related to the supply of and demand for fresh water creates a significant need for global investment in sustainable methods of obtaining and delivering water."

— Jens Peers,
Portfolio Manager

Establishing Core Targets: KBC portfolio managers formulate target portfolio weights for the sub-sectors—water technology, water and wastewater utilities, and water infrastructure—within the broad water sector after considering the latest industry outlooks for each area.

The portfolio managers meet with the EAC annually to discuss long-term strategic allocations for each sub-category of the water sector. The managers also can examine and implement tactical re-weightings within the general sub-sector framework as needed.

Selecting Stocks and Determining Stock Weightings: The portfolio managers select individual stocks based on an evaluation of fundamental factors, such as each company's:

- business model, products, and financial structure
- absolute valuation based on discounted free cash flows
- valuation relative to peers based on price-to-earnings ratio, cashflow yield, dividend yield, price-to-book-value ratio, and ratio of enterprise value to EBITDA (earnings before interest, taxes, depreciation, and amortization).

The portfolio managers establish a "neutral point" for each stock in the portfolio based on its market capitalization relative to the total market cap of its sub-sector. The portfolio managers over- or underweight each stock relative to its neutral point based on the company's fundamental strength.

Portfolio Risk Control: KBC manages the Fund to control the risk of being under- or overexposed to any one stock holding or water sub-sector.

Market Capitalization: The Fund can invest in companies with any market capitalization. However, because many companies in the water sector are relatively new, the Fund may contain a greater number of small- and mid-cap stocks than large-cap stocks.

INVESTMENT RISK:

Calvert Global Water Fund is subject to the risk that stocks that comprise the water sector may decline in value. The water industry can be significantly affected by common economic trends, such as the availability of water, the level of rainfall and consumption, and other climatic events, in addition to environmental considerations, taxation, and government regulation (including the cost of compliance). Furthermore, prices of small-cap and mid-cap stocks may respond to market activity differently from and can be more volatile than those of larger, more established companies. The Fund is non-diversified and may invest more of its assets in a smaller number of companies; therefore, gains or losses on a single stock may have greater impact on the Fund. The stock markets in which the Fund invests may also experience periods of volatility and instability. Consequently, the Fund may tend to be more volatile than other mutual funds. Lastly, foreign investments involve greater risks than U.S. investments, including political and economic risks and the risk of currency fluctuations.

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