

A Strategy That Focuses on Opportunistic Trading of Government-Backed Securities

Portfolio Management

Greg Habeeb leads the portfolio management team for **Calvert Government Fund**.



Greg Habeeb, Senior Vice President and Head of the Taxable Bond Division for CAMCO, is the senior member of the portfolio management team and oversees all investment

management decisions and operations. He received a B.S. in mathematics from MIT and an M.S. in mathematics from NYU's Courant Institute of Mathematical Sciences. He has more than 25 years of experience in the financial services industry, including nine years on Wall Street as an analyst and trader.

Overview

Calvert Government Fund is managed by Calvert Asset Management Company, Inc. (CAMCO), using an investment process that seeks to capitalize on anticipated changes in yields on U.S. government debt with various maturities. The Fund invests in securities, or related derivatives, that have the implicit or explicit backing of the U.S. government. In order to maintain maximum flexibility to take best advantage of anticipated changes in yields, the Fund does not have a duration target. The Fund can hold short-, intermediate-, and long-term bonds. Duration measures a portfolio's sensitivity to changes in interest rates. The longer the duration, the greater the price change relative to interest-rate movements.

CAMCO:

- Has been managing mutual funds since 1976.
- Had more than \$7 billion in taxable fixed-income assets under management as of October 31, 2008.
- Employs a team management approach, led by portfolio manager Greg Habeeb. Greg is supported by a strong and experienced team of two portfolio managers and two assistant portfolio managers.

Investment Approach

Maximizing income and minimizing interest rate risk using active duration and yield curve strategies.

GOAL:

The Fund seeks to maximize income, to the extent consistent with preservation of capital, through investment in U.S. government debt securities. Under normal circumstances, the Fund will invest at least 80% of its net assets (including borrowings for investment purposes) in debt securities issued or guaranteed by the U.S. government, its agencies or instrumentalities ("U.S. Government Securities"), futures contracts related to U.S. Government Securities, and repurchase agreements collateralized by U.S. Government Securities.

INVESTMENT PROCESS:

CAMCO uses two primary strategies to help deliver competitive results, even in difficult market conditions:

- **Managing duration.** The portfolio management team applies multiple strategies to adjust the interest-rate sensitivity of the portfolio, allowing the Fund to benefit from its flexible duration.
- **Monitoring the yield curve.** CAMCO uses proprietary trading strategies based on the ever-changing shape of the U.S. government debt yield curve. The yield curve denotes yields across the range of Treasury debt maturities.

“The market for debt with government backing has outstanding opportunities to generate incremental capital gains while still preserving significant stability of investment.”

—Greg Habeeb
Portfolio Manager

More Information

For more information on any Calvert fund, please contact your financial advisor or call Calvert at **800.368.2748** for a free prospectus. An investor should consider the investment objectives, risks, charges, and expenses of an investment carefully before investing. The prospectus contains this and other information. Read it carefully before you invest or send money. Visit www.calvert.com for current performance information.

Investment Approach

(continued from front)

Overall, CAMCO’s investment strategy includes the following:

Relative-Value Strategy. The Fund’s managers constantly compare the appreciation potential and attractiveness of the bonds in the Fund’s portfolio against those available in the marketplace. Within the realm of government-backed debt, that means comparing securities of various types, structures, and durations. In terms of type, the Fund may invest in Treasury bills, notes, or bonds; Treasury derivatives, such as futures; and securities issued or guaranteed by “instrumentalities” of the U.S. government, including government-sponsored entities (GSEs). These holdings may include mortgage-backed securities with credit guarantees from GSEs, or bonds issued by the GSEs themselves. The portfolio management team uses an active trading strategy in order to quickly take advantage of opportunities to buy underpriced securities and sell overpriced investments as they arise.

Structural opportunities and duration management. The Fund’s portfolio management team seeks to strike a balance between returns and interest-rate risk by actively managing its average duration. Strategies for doing this may include the purchase or sale of Treasury futures and other derivatives. The goal of all of these strategies is to take advantage of expected changes in interest rates and the yield curve.

Investment Risk

Investment in Calvert mutual funds involves risk, including possible loss of principal invested. The Fund is subject to interest rate risk, the risk that changes in interest rates will adversely affect the value of an investor’s securities. When interest rates rise, the value of fixed-income securities will generally fall. Conversely, a drop in interest rates will generally cause an increase in the value of fixed-income securities. The Fund may also be subject to prepayment risk, which is the risk that, during periods of declining interest rates, the principal of mortgage-backed securities will be repaid earlier than scheduled, resulting in reinvestment of the unanticipated repayments at generally lower interest rates.

In addition, the Fund is subject to credit risk, which is the risk that an issuer of a security will be unable to make payments of principal and/or interest on a security held by the Fund. The credit risk to the Fund should be low. The value of a futures contract tends to increase and decrease in tandem with the value of the underlying instrument. The price of futures can be highly volatile; using them could lower total return, and the potential loss from futures can exceed the Fund’s initial investment in such contracts.

May Lose Value. Not FDIC Insured. Not a Deposit. No Bank Guarantee. Not NCUA/NCUSIF Insured. No Credit Union Guarantee.

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