PORTFOLIO COMMENTARY

SECOND QUARTER 2010

Management Team

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Calvert World Values International Equity Fund

For the quarter ended June 30, 2010, Calvert World Values International Equity Fund (Class A shares at NAV) returned -12.11%. The Fund outperformed its benchmark, the MSCI Europe, Australasia, and Far East (EAFE) Global Investable Market Index (IMI), which returned -13.46%. Both stock selection and sector allocation were factors in the Fund's outperformance relative to the benchmark.

Market Review

Global equity markets experienced sharp sell-offs through most of the second quarter of 2010, breaking the steady, extended market ascent that lasted from mid-January through the second half of April. The selling activity caused volatility, as measured by the VIX Index, to almost triple in May from January levels. The major indices were all down significantly for the quarter, with the Standard & Poor's (S&P) 500 and Russell 1000 Indices down 11.43% and 11.44% respectively. International stocks suffered as well, with the MSCI EAFE Index down 13.75% for the quarter. As the flight to quality trade intensified, investors fled to the safety of U.S. Treasuries, which gained significantly during the quarter. Gold reached record highs as investors sold fiat currencies amid heightened global economic risks.

The risk trade was on during the second quarter as investors continued to take money off the table after a healthy run-up in equity markets worldwide for the year through the second half of April. A combination of factors—the fact

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HISTORICAL FUND PERFORMANCE

Average Annual Total Returns as of 6/30/2010. Inception Date 7/2/1992.

CALVERT WORLD VALUES INTERNATIONAL EQUITY FUND	QTR	YTD	1YR	3YRS	5YRS	10YRS	SINCE INCEPTION
A Shares at NAV	-12.11%	-11.07%	3.73%	-18.48%	-3.03%	-2.89%	2.74%
A Shares Max load of 4.75%	-16.26	-15.32	-1.17	-19.79	-3.96	-3.36	2.46
MSCI EAFE Global IMI	*-13.46*	*-12.27*	*7.06*	*-12.80*	*1.51*	*0.77*	*N/A*

Source: Calvert Performance Analytics

*Expense ratio: 1.87%. 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.*

Calvert INVESTMENTS

that corporate earnings posted in the next two to three months are likely to look unfavorable, impending financial regulation, a potential slow-down in the Chinese economy, the risk of sovereign debt contagion in Europe, and growing fears of a double-dip recession—is creating multiple uncertainties for investors globally and causing re-pricing of risk in both equity and fixed-income assets.

All 10 economic sectors in the S&P 500 Index lost value in the second quarter, reflecting investors' deteriorating outlook for global economic growth. The economically sensitive Materials and Financials sectors led the underperformance for the quarter, falling by close to 15% and over 13%, respectively, in both the S&P 500 Index and the Russell 1000 Index. Energy, Industrials, and Information Technology also struggled, with each posting losses of over 12% in the second quarter. The best-performing sectors were Utilities (down less than 4%) and Telecommunications, which fell over 4%.

During the quarter, the Financials sector was held closely under the regulatory microscope. In May, after a substantial market sell-off that included some erroneous trades, the Securities and Exchange Commission proposed new circuit breakers for rapid intra-day single stock moves of over 10%. These trading halts will be introduced on a trial basis for several months and will apply in all markets to companies included in the S&P 500 Index. At quarter-end, the U.S. House of Representatives passed new financial regulation measures which could involve major changes in the oversight of the financial sector, especially involving complex financial products. While banks may still be permitted to be involved in derivatives, proprietary trading, hedge funds, and private equity, the degree of such involvement will likely be drastically reduced. Overall, the new regulations seem to be more lenient towards banks than investors had anticipated.

Portfolio Review

Relative to the benchmark, both stock and sector selection in the Fund were positive performance factors in the second quarter. The Fund's stock selection was strongest in the Energy, Utilities, Financials, and Industrials sectors. Holdings like Bank Mandiri, Novo Nordisk, Canadian National Railway, and Tokyo Gas were among the Fund's top contributors. Avoiding investment in oil & gas giant BP, which does not meet the Fund's sustainability criteria but is included in the benchmark, was a significant contributor to the Fund's relative performance. However, the Fund's stock selection in the Consumer Discretionary and Materials sectors was weaker, as names like Pearson, Potash Corporation of Saskatchewan, and BlueScope Steel detracted from performance.

The Fund's underweight position in the Materials sector and overweight position in Health Care were the most significant contributors to its positive sector selection relative to the benchmark index.

Outlook

From the March 2009 market low through the April 23, 2010 high, the S&P 500 Index returned 60.77%; for 2010 through April 23, it posted a 9.16% gain. Given these facts, it is not surprising that at the end of April investors were inclined to lock in their gains in the face of mounting uncertainty in the global economic and geopolitical landscape. Through April, financial markets had apparently anticipated a V-shaped economic recovery, while the underlying economic recovery has been firmly U-shaped—and the two need to reconcile. We view this correction as a healthy development for the equity markets, one that should likely produce attractive investment opportunities once volatility subsides.

The sell-off in the equity markets has been relatively orderly so far. We could see a total decline of 20-25% off the April highs if corporate earnings posted in the next two to three months don't look favorable. At that point, more investors are likely to move back into equities to try to take advantage of the attractive valuations.

We also believe that, with so much turmoil in the markets, investors and regulators are not sufficiently focused on the potential long-term effects of climate change. If not mitigated, we believe that climate change could have a very significant negative impact on global gross domestic product growth, possibly subtracting as much as one-fifth of the potential growth rate for an extended period of time. ■

This commentary represents the opinions of its authors as of 6/30/10, and may change based on market and other conditions. The authors' opinions are not intended to forecast future events, guarantee future results, or serve as investment advice.

As of June 30, 2010, Calvert World Values International Equity Fund's holdings included Bank Mandiri (0.92% of the portfolio), Novo Nordisk (1.93%), Canadian National Railway (2.27%), Tokyo Gas (0.98%), BP (0.00%), Pearson (1.93%), Potash Corporation of Saskatchewan (1.20%), and BlueScope Steel (0.47%). 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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