Calvert Interview

INVESTMENTS THAT MAKE A DIFFERENCE®



An interview with

Greg Habeeb,

*Calvert Senior Vice President and lead portfolio manager for **Calvert Income Fund, Calvert Short Duration Income Fund** and **CSIF Bond Portfolio.***

Anticipating a future increase in interest rates, Greg Habeeb and his team of analysts have adopted a more defensive stance in their relative-value investment approach.

We talked to Greg to learn more about how Calvert's three award-winning* corporate bond funds are strategically positioned to weather changing market conditions.

1. 2003 was another very successful year for your corporate bond funds. How did you achieve these results?

Last year was a year where nearly everything rallied — and some of our previously humbled bonds came roaring back. Our relative-value, investment-grade strategy for all three Funds remained the same as we continued to hunt for cheaply priced bonds frequently overlooked by other managers. However, we tightened the credit guidelines for the securities we purchase. We also diversified our Funds more by owning a greater variety of issues with smaller positions in each individual security. In response to market conditions, we increased our taxable municipal bond holdings, increased overall credit quality, and shortened portfolio duration as a precaution against the inevitable rise in interest rates.

2. What other factors contribute to your success?

Excellent credit selection and our active trading style are two key factors. We conduct in-depth, primary credit analysis and constantly compare the appreciation potential and attractiveness of the bonds we hold against those available in the marketplace. And, we play the yield curve. We continually evaluate the spread — the difference in yield — between corporate bonds and those of the U.S. Treasury. Finally, we also actively pursue bonds with complex and unusual structures — which are typically issued by lesser-known institutions and often trade below fair-market value.

Basically, we work every angle with the intention of maximizing return while minimizing risk — regardless of market conditions.

***Calvert's taxable bond funds have received six Annual Lipper Awards over the past five years, including four for Calvert Income Fund.**

3. Calvert Short Duration Income Fund has a #1 Lipper rating' since its inception on 1/31/02. What's behind the Fund's exceptional success?

The same factors I mentioned before are generally behind the success of this Fund. We are still buying high-yielding, attractive securities overlooked by many other managers. And since this Fund has a shorter duration — which is a measure of a bond's price sensitivity to interest rates — than Calvert Income Fund, it was less affected by the sharp increase in rates that we saw in the middle of last year.

4. How will rising rates affect your Funds' performance? Will it affect your strategy?

We have already planned for the inevitable rise in interest rates by taking a fairly defensive stance within our portfolios. In the past year, we have upgraded the credit quality of the Funds and shortened duration. The average duration for Calvert Income Fund and Calvert Social Investment Fund (CSIF) Bond Portfolio is now four years, with a two-year average for Calvert Short Duration Income Fund. This tactic has actually been hurting us a little, as we await the beginning of the rise, but we are still performing competitively.

Our key strategies allow us a great deal of flexibility and our management style has historically performed well in every type of market environment — including the aggressive interest rate increases we saw in 1999. When the Federal Reserve increased rates three times in 1999, Calvert Income Fund returned 7.24% — so we intend to stay our course.

5. Why do you use "core" and "non-core" positions in your Funds?

Our core positions are typically issues from established companies who have solid balance sheets and reliability and provide a solid base to the portfolios.

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They tend to remain in the Funds longer than non-core positions and typically comprise up to 80% of our portfolios.

Non-core positions are short-term opportunities that offer greater value in the marketplace. Usually these issues are deeply underpriced and offer tremendous short-term, upside potential. So they tend not to remain in the portfolio very long. Typically, they may make up as much as 20% of our portfolios.

6. Tell us about your strategy for CSIF Bond Portfolio.

CSIF Bond features the same credit analysis and relative-value trading style that we use for the Income Fund, except we add another layer of environmental and social analysis. In fact, Calvert's screens prevented us from investing in many companies, such as Tyco and WorldCom, that were hard hit by corporate scandals. The Fund's prospectus limits the amount of high-yield bonds that can be included to 5% — while the Income Fund can go as high as 35% but tends to average about 10% — which is basically the one key difference that affects our management. As a result of the limitation, CSIF Bond's overall quality rating is higher, in the A category.

In March 2004, the CSIF Bond Portfolio received a 2004 Lipper Fund Award for the highest consistent return scores in its category of A-Rated Corporate Debt Funds.[5]

AVERAGE ANNUAL TOTAL RETURNS AND LIPPER RANKINGS[2] *(as of 3/31/04)*

FUND/BENCHMARK[3]	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION[4]
CALVERT INCOME FUND (CFICX) — *Class A Shares NAV*	15.10%	9.12%	8.93%	8.88%	9.87%
CALVERT INCOME FUND (CFICX) — *Class A Shares Max Load*	10.78%	7.73%	8.11%	8.47%	9.67%
LEHMAN U.S. CREDIT INDEX TR	8.61%	9.18%	7.95%	8.16%	10.17%
LIPPER CORPORATE DEBT FUNDS BBB RATED AVERAGE	9.71%	7.82%	6.72%	7.16%	N/A
LIPPER RANKING	14/184	20/136	12/93	3/32	2/8
CSIF BOND PORTFOLIO (CSIBX) — *Class A Shares NAV*	10.30%	7.67%	7.45%	7.09%	8.09%
CSIF BOND PORTFOLIO(CSIBX) — *Class A Shares Max Load*	6.16%	6.32%	6.63%	6.68%	7.84%
LEHMAN U.S. CREDIT INDEX TR	8.61%	9.18%	7.95%	8.16%	9.06%
LIPPER A-RATED CORPORATE DEBT FUNDS INDEX	6.03%	6.92%	6.54%	6.89%	7.94%
LIPPER RANKING	17/198	30/156	10/125	17/62	10/24
CALVERT SHORT DURATION INCOME FUND (CSDAX) — *Class A Shares NAV*	8.18%	N/A	N/A	N/A	10.11%
CALVERT SHORT DURATION INCOME FUND (CSDAX) — *Class A Shares Max Load*	5.22%	N/A	N/A	N/A	8.71%
LEHMAN 1-5 US CREDIT INDEX	5.55%	N/A	N/A	N/A	7.30%
LIPPER SHORT TERM INVESTMENT GRADE FUNDS	2.86%	N/A	N/A	N/A	3.62%
LIPPER RANKING	2/155	N/A	N/A	N/A	1/121

Past performance is no guarantee of future results. The investment return and principal value of an investor's shares, when redeemed, may be worth more or less than their original cost.

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. Current performance may be higher or lower than the performance data quoted. Visit **www.calvert.com** for current month-end fund and performance information.

1. Lipper rankings are based on total returns at NAV, assuming reinvestment of dividends, capital gains, distributions, and the deduction of all fund expenses. Lipper rankings reflect historical, risk-adjusted performance as of 3/31/04 and are subject to change every month.
2. Max Load returns reflect the deduction of the maximum front-end sales charge of 3.75% for Calvert Income Fund and CSIF Bond Portfolio and 2.75% for Calvert Short Duration Income Fund. Source: Lipper Analytical Services.
3. It is not possible to directly invest in an index. No fees or sales charges apply to benchmarks.
4. Calvert Income Fund's inception date is 10/12/82; CSIF Bond Portfolio's inception date is 8/24/87; Calvert Short Duration Income Fund's inception date is 01/31/02.
5. Lipper's Consistent Return score for a fund evaluated its risk-adjusted returns, adjusted for volatility, relative to peers, for the overall period ended December 31, 2003. The fund was chosen from among 149 funds.

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