

# Calvert Foundation GIVING FUND

## Investment Supplement

Effective August 15, 2010

### Investments Available at the Calvert Foundation<sup>1</sup> Giving Fund

Our belief that all investments have social, environmental, and financial returns is at the core of the investment options offered by the Calvert Foundation Giving Fund (“the Giving Fund”). All the investments in the Giving Fund are chosen to provide a financial return to preserve and grow your capital, as well as social and environmental returns to meet your philanthropic goals.

The choice of investments is wide, ranging from community investment loan pools to private equity funds on the leading edge of impact investing. Many of these investments provide gap-filling financing to social enterprises too small or too ‘unconventional’ to raise capital from traditional sources. All of them provide funds to pioneers in the emerging field of impact investing.

Investment options also cover an exhaustive range of social and environmental themes, such as renewable energy, affordable housing, or policies that specifically target the developing world. You can mix and match investments into a diversified portfolio to meet your financial goals, while supporting the issues and causes that mean the most to you. Alternatively, you can choose our *standard* or *balanced* investment allocations. Please talk to your financial advisor or a member of the Giving Fund services team to discuss the different options available.

Donors can choose from the following three categories of investments for their Giving Fund<sup>2</sup>:

- ❖ The Calvert Foundation's **Community Investment Note** is a professionally managed portfolio of affordable loans to more than 250 leading nonprofit organizations and social enterprises working in over 120 countries focusing on poverty alleviation in key impact sectors (e.g. affordable housing, microcredit, small business funding, and fair trade). This option provides a very high, direct impact global option without a long-term commitment.
- ❖ The Calvert Group's **Sustainable and Responsible Investing (“SRI”) Mutual Funds** use screening and shareholder engagement to improve the social, environmental, and governance practices of publicly held companies. There are more than a dozen diverse SRI strategies, many of which have allocations to community investment and social venture capital, in addition to themed funds that focus on impact areas such as Global Alternative Energy and Global Water.
- ❖ The Giving Fund's **Global Impact Ventures (“GIV”)** platform offers specially reviewed, professionally managed funds that have private debt and/or equity stakes in social enterprises, innovative nonprofits, and microfinance institutions. With minimums of only \$25,000 per fund, GIV allows relatively modest sized Giving Funds to create diversified selections across multiple venture-like funds that usually would have much higher minimums per fund, essentially creating a customizable fund of funds platform for our donors.

### Community Investment Note

**Calvert Foundation's Community Investment Note** provides affordable credit to nonprofit facilities and small business/microcredit nonprofit lenders that serve disadvantaged communities globally. It is not a mutual fund and as such, it does not fall within a traditional risk/return landscape. It returns a fixed rate of interest between 0-2%, determined by recommendation of the Donor, which is paid as simple interest to the Giving Fund monthly. The goal of the program is to attract funds at a 1% interest rate, which is the default rate unless otherwise recommended. A Donor may recommend targeting to geographic impact areas (highly customized social impact targeting is available for allocations above \$50,000).

### Calvert Group Sustainable and Responsible Investing Mutual Funds<sup>3</sup>

**Calvert Social Investment Fund (CSIF) Money Market Portfolio** invests in short-term securities including commercial paper, CDs and U.S Government agency issues. Only institutions with excellence in Community Reinvestment Act performance are considered. The Fund also invests up to 1% of its assets directly into community development banks and credit unions.

**Calvert Social Investment Fund (CSIF) Bond Portfolio** provides a competitive level of income through investment in fixed-income securities by corporations and government agencies. It may invest up to 1% of assets in community investment.

**Calvert Conservative Allocation Fund** seeks current income and capital appreciation, consistent with the preservation of capital. The Fund seeks to achieve its investment objective by investing in a portfolio of underlying Calvert fixed-income, equity and money market funds. Underlying funds in which the Fund invests may invest assets in community development banks, credit unions, community investment and may engage in social venture capital. *The Fund is subject to asset allocation risk, which is the chance that the selection by the investment advisor of underlying funds and the allocation of Fund assets to those funds will cause the Fund to underperform. The Fund shares the principal risks of each underlying fund in which it invests.*

**Calvert Moderate Allocation Fund** seeks long-term capital appreciation and growth of income, with current income a secondary objective, consistent with the preservation of capital. The Fund seeks to achieve its investment objective by investing in a portfolio of underlying Calvert fixed-income, equity and money market funds. Underlying funds in which the Fund invests may invest assets in community development banks, credit unions, community investment and may engage in social venture capital. *The Fund is subject to asset allocation risk, which is the chance that the selection by the investment advisor of underlying funds and the allocation of Fund assets to those funds will cause the Fund to underperform. The Fund shares the principal risks of each underlying fund in which it invests.*

**Calvert Aggressive Allocation Fund** seeks long-term capital appreciation. The Fund seeks to achieve its investment objective by investing in a portfolio of underlying Calvert fixed-income, equity and money market funds. Underlying funds in which the Fund invests may invest assets in community development banks, credit unions, community investment and may engage in social venture capital. *The Fund is subject to asset allocation risk, which is the chance that the selection by the investment advisor of the underlying funds and the allocation of Fund assets to those funds will cause the Fund to underperform. The Fund shares the principal risks of each underlying fund in which it invests.*

**Calvert Social Investment Fund (CSIF) Balanced Portfolio** seeks to achieve a competitive total return and broad portfolio diversification through an actively managed portfolio of stocks, bonds and money market instruments, which offer income and capital growth opportunity and satisfy the Fund's investment and social criteria. It may invest up to 1% in community investment and may also engage in social venture capital.

**Calvert Social Investment Fund (CSIF) Enhanced Equity Portfolio** seeks to achieve a rate of return that, over time and after expenses, exceeds the total return of the Russell 1000® Index. Using an enhanced index management strategy, the Fund seeks to identify stocks in the Index that offer superior earnings-growth potential but are undervalued by the market. Although the Fund attempts to mirror the Russell 1000® Index, its construction is not identical to the Russell 1000®. As a result, its performance may deviate from this Index. *It is not possible to invest directly in an index. The performance of the Index is not reduced by the effects of sales charges or management expenses.*

**Calvert Social Investment Fund (CSIF) Equity Portfolio** seeks growth of capital through investment in the equity securities of issuers within industries perceived to offer opportunities for potential capital appreciation. The Fund's manager applies top-down and fundamental analyses to identify high-quality growth stocks that are favorably priced. It may invest up to 1% in community investment and may also engage in social venture capital.

**Calvert Social Index Fund** seeks to match the performance of the Calvert Social Index™ (CSI). The CSI is a broad-based, rigorously constructed benchmark for measuring the performance of large cap and mid-cap US-based socially responsible companies. It may invest up to 1% in community investment and 1% in social venture capital. *It is not possible to invest directly in an index. The performance of the Index is not reduced by the effects of sales charges or management expenses.*

**Calvert Large Cap Growth Fund** seeks to exceed the stock market total return primarily through capital appreciation, at a level of total risk roughly equal to that of the S&P 500 Index over longer periods of time. It may invest up to 1% of assets in community investment and may also engage in social venture capital. *The fund may own less than 60 securities, so the Fund's risk is increased because each investment has a greater impact on the Fund's performance.*

**Calvert Capital Accumulation Fund** seeks to provide long-term capital appreciation by investing primarily in mid-cap stocks that meet the Fund's investment and social criteria. The Fund uses a disciplined, growth-at-a-reasonable-price strategy. It may invest up to 3% in community investment and may also engage in social venture capital. *Investing in mid-cap stocks involves a higher degree of risk than investing in large-cap stocks due to the volatility of the investments.*

**Calvert Mid Cap Value Fund** seeks long-term growth of capital through investment in undervalued, mid-cap stocks of well-managed U.S. companies perceived to offer attractive price-appreciation potential. The manager looks for companies with long-term growth potential that are selling at a significant discount relative to their fair market, or intrinsic, value. It may invest up to 1% in community investment. *Investing in mid-cap stocks involves a higher degree of risk than investing in large-cap stocks due to the volatility of the investments.*

**Calvert World Values International Equity Fund<sup>4</sup>** seeks to achieve a high total return consistent with reasonable risk, by investing primarily in a diversified, multinational portfolio of equity securities. Using the MSCI EAFE Index as a base, the manager seeks to invest in international, predominantly large-cap stocks with superior return potential. The Fund offers investors access to the world's stock markets, and thus helps to broaden portfolio diversification. It may invest up to 3% in community investment and may also engage in social venture capital. *Investing in foreign markets comes with risks not found when investing in US securities.*

**Calvert International Opportunities Fund<sup>4</sup>** seeks to provide long-term capital appreciation by investing primarily in non-U.S. small-cap and mid-cap stocks in both developed countries and emerging markets. The Fund primarily invests in developed countries but may invest up to 20% of its assets in emerging markets. It may invest up to 3% in community investment and may also engage in social venture capital. *Foreign investments involve greater risks than U.S. investments, including political and economic risks and the risk of currency fluctuations. Price of small-cap and mid-cap stocks may respond to market activities differently from and can be more volatile than those of larger, more established companies.*

**Calvert Small Cap Value Fund<sup>4</sup>** seeks long-term growth of capital through investment in undervalued, smaller-company U.S. stocks of well-managed companies perceived to offer attractive price-appreciation potential. The manager looks for companies with long-term growth potential that are selling at a significant discount relative to their fair market, or intrinsic, value. It may invest up to 1% in community investment. *Investing in small-cap stocks involves a higher degree of risk than investing in large-cap stocks due to the volatility of the investments.*

**Calvert New Vision Small Cap Fund<sup>4</sup>** seeks to provide long-term capital appreciation by investing primarily in small-cap stocks (currently those with a total capitalization of less than \$2 billion at the time of the Fund's initial investment) that meet the Fund's investment and social criteria. The manager uses a disciplined, multi-factor investment approach to identify small-company stocks with strong business and earnings momentum trading at reasonable valuations. It may invest up to 1% in community investment. *Investing in small cap funds involves a higher degree of risk than investing in large-cap stocks due to the volatility of investments.*

**Calvert Global Alternative Energy Fund<sup>4</sup>** seeks long-term growth of capital through investment in equity securities of domestic and international companies involved in alternative energy. For the fund's purposes alternative energy includes renewable energy sources, the technologies to enable the sources to be tapped and services and technologies that conserve or enable more efficient use of energy. *The fund is subject to the risk that stocks that comprise the energy sector may decline in value. Shares of the companies involved in the energy industry have been more volatile than shares of companies operating in other more established industries resulting in the fund tending to be more volatile than other mutual funds. In addition, foreign investments involve greater risks than US investments, including political and economic risks and the risk of currency fluctuations.*

**Calvert Global Water Fund<sup>4</sup>** seeks growth of capital through investment in equity securities of companies active in the water-related resource sectors. For the purposes of the fund, water related resource sectors include water treatment, engineering, filtration, environmental controls, water related equipment, water and wastewater services and water utilities. The fund plans to place at least 80% of its net assets in equity securities of both U.S. and non-U.S. companies. *The fund is subject to the risk that stocks that comprise the water sectors may decline in value. The water industry can be significantly affected by environmental changes and government regulation. The fund is non-diversified allowing greater risk in terms of the impact of each stock as well as allowing for a comparatively more volatile fund. In addition, foreign investments involve greater risks than US investments, including political and economic risks and the risk of currency fluctuations.*

### **Global Impact Ventures<sup>5</sup>**

Funds on the GIV Platform are selected first for their social and environmental mission impact and then for financial risk and return balanced in relation to the mission of the fund. Many of them provide unique "gap-filling" financing – channeling capital to markets that cannot get financing from traditional commercial sources. Others are ahead of the conventional thinking, finding opportunities earlier than traditional actors. This funding helps organizations scale their operations, and in many instances allows them to develop their business models to the point where more traditional financing becomes available to them. While these funds tend to be more risky and more illiquid than the standard investment options, their potential for making a difference is great. These funds are managing risk for incredibly powerful causes. Current fund options include:

**Root Capital Senior Notes (RCSN)** provide viable employment alternatives for the rural poor who lack opportunities. By supporting grassroots businesses that value environmental stewardship, RCSN is strengthening sustainable livelihoods and transforming rural economies in poor, environmentally vulnerable places. RCSN is a Senior Note debt investment with the option of a 3 year term and a 0% interest rate or a 3 year term and 2% interest rate, with interest paid annually.

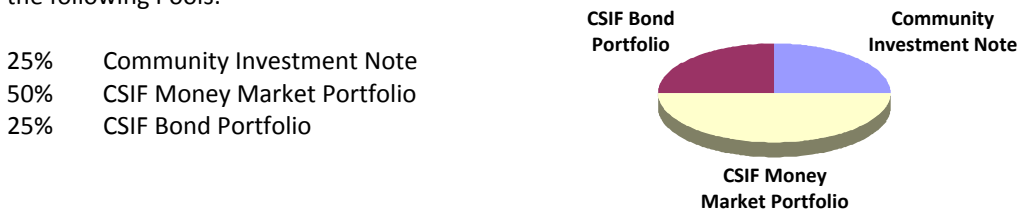
**Public Radio Fund Senior Notes (PRF)** work to provide the unbiased and in-depth news, diverse music, and cultural programming of noncommercial radio to those who currently have limited access. By providing short-term loans for the acquisition and expansion of not-for-profit public broadcasting stations, PRF will ensure that more people can connect to their communities and world, thereby expanding the platform for national and local debate. PRF is Senior Note debt investment with the option of a 3 year term and a 0% interest rate or a 5 year term and 4% interest rate, with interest paid annually.

**E + Co People and Planet Notes (ECO)** provides seed and growth capital to clean energy entrepreneurs in developing countries, end-user financing for customers of clean energy enterprises, and services directly related to these investments. These notes are offered by E + Co, a 15-year old non-profit that provides capacity building services and investment capital to small clean energy enterprises, with the goal of reducing the impact of climate change and alleviating poverty. E + Co is a Promissory Note with an 8 year term and up to 3% interest (at investor's discretion), with interest paid semi-annually.

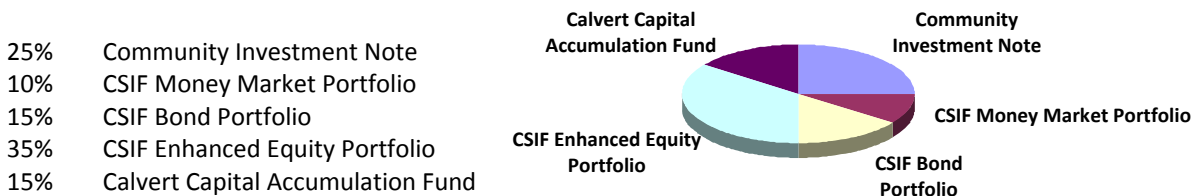
**Portfolio Asset Allocations – Standard and Balanced Investment Allocations**

The Giving Fund has established the following two investment allocation structures from the investments listed above to simplify the investment recommendation process if you are not interested in creating your own investment allocation. The allocations are crafted to offer either a short term stability approach or a longer term, higher risk and higher potential return approach.

**The Standard Allocation** is intended to offer a balance of high social and community impact, appreciation potential, and short-term stability for funds – protecting Giving Funds from unwanted volatility associated with investment in the stock market. It consists of the following Pools:



**The Balanced Allocation** is offered for Giving Funds considering longer-term grant making horizons, seeking potentially higher appreciation and willing to be exposed to the risks and volatility associated with some equity investment. It consists of the following Pools:



<sup>1</sup> Calvert Foundation, incorporated in 1988 in Maryland and classified as a public charity as described in Sections 501(c)(3) and 509(b)(1)(9A)(iv) of the Internal Revenue Code of 1986, as amended, is a separate legal entity from Calvert Group, Ltd., a mutual fund company.

<sup>2</sup> Note that the Giving Fund enables the use of outside investment advisors for accounts in excess of \$500,000. Please contact us for more information. Also note that from time to time, the Giving Fund may partner with investment advisory firms to offer further options to those firms' clients at lower minimums. It also considers recommendations from donors to other high impact investments.

<sup>3</sup> A particular Fund could underperform for any of the following reasons: the stock or bond market goes down, the individual stocks or bonds or underlying funds in the Fund do not perform as well as expected, and/or the Fund's portfolio management practices might not work to achieve their desired result.

<sup>4</sup> Donors recommending allocations to these funds should consider that these allocations will likely lead to significant volatility in assets available for grant making. These Pools are for the longer term and under most circumstances may not be appropriate for more than a 10% investment allocation.

<sup>5</sup> This is not a solicitation to buy or sell securities. It is an informational description of charitably oriented, social purpose investment fund options that have been approved by Calvert Foundation for use in its donor advised fund asset base. It is only for use by its Donors. Any allocation to Global Impact Ventures options may result in losses and illiquidity that will be borne solely by each individual donor advised fund with investment in these options, as will associated program fees. The minimum allocation per donor advised fund per fund is \$25,000 and waivers will be required that affirmatively acknowledge the terms of the investment. Grant making from the principal value will not be possible until distributions are returned to Calvert Foundation Giving Fund. There is no guarantee of any recovery of capital.

