

Eaton Vance Short Duration Government Income Fund

MORTGAGE & SECURITIZED TEAM

Performance Review

In the quarter period ending December 31, 2025, the Fund's I shares returned 1.59% (net of fees)¹, while the benchmark returned 1.12%.

U.S. growth remained positive during the fourth quarter, supported by steady consumer spending, although labor market data showed softening trends and highlighted an increasingly "K-shaped" economy in which higher-income households continued to spend while lower-income consumers pulled back. Inflation moderated compared with earlier in the year, reinforcing the Federal Reserve's pivot toward accommodation.

The agency mortgage-backed securities (MBS) market delivered a solid quarter, benefiting from falling short-term interest rates and improving demand. The sector posted a total return of more than 8% in 2025, marking its third consecutive calendar year of positive returns.² Spreads were relatively stable during the quarter, but mortgage rates fell, resulting in slightly faster prepayment speeds.² Overall, a steeper yield curve, lower volatility and a diverse buyer base, which includes money managers, banks and government-sponsored enterprises (GSEs), have sustained performance for the sector.

A Word On The Markets

In the fourth quarter, world equity markets continued to post positive returns, capping a year of gains in both developed and developing markets. The same was mostly true for global fixed income in the quarter, with positive returns across the asset class broadly, excluding some non-U.S. developed markets. The U.S. Federal Reserve (Fed) delivered two interest rate cuts of 0.25 percentage points in October and December — the second and third reductions by that amount in 2025. Nine other central banks joined the Fed in lowering policy rates in the quarter. Contrary to other major markets, Japan announced a large fiscal stimulus package in November against the backdrop of ongoing rate hikes.

A supportive macro backdrop plus strong country-level fundamentals helped drive gains across the emerging markets debt universe, with both the hard currency and local currency segments posting robust returns. Sovereign credit spreads tightened to historically low levels and local currency bonds outperformed, as inflation generally declined and some fiscal narratives improved. The top-performing currencies for the quarter included the South African rand, Chilean peso and Turkish lira.

Geopolitics remained prominent, as Presidents Trump and Xi met in October and agreed to a series of mutual actions to reduce trade barriers between the U.S. and China. Also in that month, India was in advanced talks to establish free-trade agreements with the European Union, New Zealand, Chile and Oman. Strategic and economic realignment was also the theme of high-level gatherings in November, such as the G20 Johannesburg summit, the Asia-Pacific Economic Cooperation (APEC) summit, and the European Union-African Union summit.

During the quarter, Japanese Prime Minister Sanae Takaichi asserted Japan's right to self-defense if China were to attack Taiwan, prompting a furious response from China. The U.S. continued its military build-up near the coast of Venezuela, sparking a rally in Venezuelan assets. Elsewhere in South America, the party of Argentina's President Javier Milei won a decisive victory in midterm elections, prompting a short-lived rally in the peso and local equities. In October, the U.S. helped broker a ceasefire between Israel and Hamas. However, an end to the Russia-Ukraine conflict proved intractable.

Contributors

The Fund's curve steepening bias was a positive contributor during the quarter, as the front end of the yield curve fell while the back end rose modestly. The Fund's allocation to collateralized mortgage obligations (CMOs) benefited performance during the period, as the higher coupon income generated by these securities boosted returns relative to the benchmark. A small allocation to floating-rate agency MBS also contributed positively, as spreads tightened during the quarter.

¹ Source: Eaton Vance. Data as of December 31, 2025. Performance for other share classes will vary.

² Source: Bloomberg L.P. Data as of December 31, 2025.

This document constitutes a commentary and does not constitute investment advice nor a recommendation to invest. The value of investments may rise as well as fall. Independent investment advice should be sought before any decision to invest.

Detractors

A small allocation to interest-only agency MBS detracted from performance during the period. In addition, a portion of the Fund's CMO exposure that benefits from slower prepayments weighed on relative returns, as mortgage rates once again fell during the quarter.

Investment Outlook And Fund Positioning

The fourth quarter capped off a strong year for fixed income markets in 2025, as the Bloomberg U.S. Aggregate Bond Index posted a calendar year return in excess of 7%. Yields on the front end of the Treasury curve fell during the quarter, while credit spreads continued grinding tighter. Despite the fact that inflation remained above its 2% target, the Fed continued its cutting cycle in response to weakening employment data, lowering the fed funds rate by 25 basis points each at both the October and December Federal Open Market Committee meetings. We continue to believe that inflation will likely gradually subside in 2026, most notably due to cooling wage inflation and shelter inflation. As of the end of December, the market was pricing in fewer than 2.5 additional interest rate cuts for this easing cycle, which would end the cutting cycle at approximately 3%. We believe that the job market will likely continue to deteriorate and that the Fed may be forced to act more aggressively to prevent significant damage to the labor market. This, in our view, will likely result in the Fed cutting through its "neutral rate," which would put further downward pressure on the front end of the yield curve and lead to continued steepening.

While the agency MBS sector saw tightening spreads over the course of 2025, it remains one of the only investment grade sectors trading at inexpensive valuations when compared to longer-term averages. In addition, despite being a U.S. government-backed asset class, agency MBS spreads remain wider than even BBB-rated corporate bonds.² Elevated mortgage rates are currently making it an incredibly difficult environment for homebuyers, but it is a great environment to be lending into that market, and that is in essence what investors in agency MBS are doing. As noted, spreads remain wide relative to history, partially as a result of Fed quantitative tightening and regional banking challenges from a couple of years ago. In recent quarters, however, banks have begun growing their allocations to agency MBS, and various policy actions, either monetary or fiscal, have the potential to further compress agency MBS spreads.

From a security selection standpoint, we continue to avoid low-coupon, fixed-rate agency MBS pools, which make up the bulk of the Bloomberg U.S. Mortgage Backed Securities Index, because they trade significantly tighter than higher-coupon agency MBS. While we believe mortgage rates will likely continue to decline over the coming year, we think the borrowers in low-coupon mortgages would need rates to fall several percentage points from their current levels before seeing a substantial prepayment pickup in these deep-discount bonds. On the other hand, we're finding more attractive opportunities in the CMO bond market, which offers investors an opportunity to pick up longer-duration structures comparable to low coupons, at substantially wider spreads. Lastly, we believe investors in specified pools of high-coupon MBS can add value through collateral analysis, which involves targeting stories which are less likely to refinance, despite declining mortgage rates.

Fund Facts

Class I inception	09/30/2002
Class A inception	09/30/2002
Performance inception	09/30/2002
Benchmark	ICE BofA 1-3 Year U.S. Treasury Index Secondary- ICE BofA 0-1 Yr U.S. Treasury Index
Class I expense ratio	Gross 1.15 % Net 1.15 %
Class A expense ratio	Gross 1.40 % Net 1.40 %
Class I adjusted expense ratio	Gross 0.60 % Net 0.60 %
Class A adjusted expense ratio	Gross 0.85 % Net 0.85 %

Adjusted Expense Ratios excludes certain investment expenses such as interest expense from borrowings and repurchase agreements and dividend expense from short sales, incurred directly by the Fund or indirectly through the Fund's investment in

² Source: Bloomberg L.P. Data as of December 31, 2025.

underlying Eaton Vance Funds, if applicable none of which are paid to Eaton Vance.

Where the net expense ratio is lower than the gross expense ratio, certain fees have been waived and/or expenses reimbursed. These waivers and/or reimbursements will continue for at least one year from the date of the applicable fund's current prospectus (unless otherwise noted in the applicable prospectus) or until such time as the fund's Board of Trustees acts to discontinue all or a portion of such waivers and/or reimbursements. Absent such waivers and/or reimbursements, returns would have been lower. Expenses are based on the fund's current prospectus, in effect as of the date of this commentary. For information on the applicable fund's current fees and expenses, please see the fund's current prospectus. The minimum investment is \$1,000 for A Shares and \$1,000,000 for I Shares.

Effective December 31, 2023, the Fund changed its primary benchmark to the ICE BofA 1-3 Year U.S. Treasury Index because the investment adviser believes it is a more appropriate benchmark for the Fund.

Performance (%)

As of December 31, 2025

	MTD	QTD	YTD	1 YR	3 YR	5 YR	10 YR
Class I Shares at NAV	0.35	1.59	8.13	8.13	5.29	2.45	2.25
Class A Shares at NAV	0.33	1.40	7.73	7.73	4.99	2.17	1.99
A Shares with Max. 2.25% Sales Charge	-1.94	-0.91	5.24	5.24	4.21	1.70	1.76
ICE BofA 1-3 Year U.S. Treasury Index	0.32	1.12	5.09	5.09	4.48	1.79	1.85
ICE BofA 0-1 Yr U.S. Treasury Index	0.38	1.04	4.32	4.32	4.85	3.03	2.22

Performance data quoted represents past performance, which is no guarantee of future results, and current performance may be lower or higher than the figures shown. For the Fund's performance as of the most recent month-end, please refer to eatonvance.com. Investment returns and principal value will fluctuate and fund shares, when redeemed, may be worth more or less than their original cost.

Returns are net of fees and assume the reinvestment of all dividends and income. Returns for less than one year are cumulative (not annualized). Performance of other share classes will vary.

INDEX INFORMATION: ICE BofA 1-3 Year U.S. Treasury Index is an unmanaged index of short-term U.S. Treasury securities. The **ICE BofA 0-1 Year U.S. Treasury Index** is an unmanaged index of short-term U.S. Treasury securities having a maturity of less than one year. ICE® BofA® indices are not for redistribution or other uses; provided "as is", without warranties, and with no liability. Eaton Vance has prepared this report and ICE Data Indices, LLC does not endorse it, or guarantee, review, or endorse Eaton Vance's products. BofA® is a licensed registered trademark of Bank of America Corporation in the United States and other countries.

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RISK CONSIDERATIONS: The value of investments held by the Fund may increase or decrease in response to economic, and

financial events (whether real, expected or perceived) in the U.S. and global markets. Securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations. As interest rates rise, the value of certain income investments is likely to decline. Mortgage- and asset-backed securities are subject to credit, interest rate, prepayment and extension risk. Investments in debt instruments may be affected by changes in the creditworthiness of the issuer and are subject to the risk of non-payment of principal and interest. The value of income securities also may decline because of real or perceived concerns about the issuer's ability to make principal and interest payments. U.S. Treasury securities generally have a lower return than other obligations because of their higher credit quality and market liquidity. While certain U.S. Government-sponsored agencies may be chartered or sponsored by acts of Congress, their securities are neither issued nor guaranteed by the U.S. Treasury. The Fund's exposure to derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other investments. Derivatives instruments can be highly volatile, result in leverage (which can increase both the risk and return potential of the Fund), and involve risks in addition to the risks of the underlying instrument on which the derivative is based, such as counterparty, correlation and liquidity risk. If a counterparty is unable to honor its commitments, the value of Fund shares may decline and/or the

Fund could experience delays in the return of collateral or other assets held by the counterparty. The Fund is exposed to liquidity risk when trading volume, lack of a market maker or trading partner, large position size, market conditions, or legal restrictions impair its ability to sell particular investments or to sell them at advantageous market prices. The impact of the coronavirus on global markets could last for an extended period and could adversely affect the Fund's performance. No fund is a complete investment program and you may lose money investing in a fund. The Fund may engage in other investment practices that may involve additional risks and you should review the Fund prospectus for a complete description.

IMPORTANT INFORMATION

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Please consider the investment objective, risks, charges and expenses of the fund carefully before investing. The prospectus contains this and other information about the fund. To obtain a prospectus (which includes the applicable fund's current fees and expenses, if different from those in effect as of the date of this commentary), download one at <https://funds.eatonvance.com/all-mutual-funds.php> or contact your financial professional. Please read the prospectus carefully before investing.

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