

# Eaton Vance Strategic Income Fund

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## Market Update as of 31/12/2025

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.

## Performance Review as of 31/12/2025

In the quarter period ending December 31, 2025, Eaton Vance Strategic Income Fund (the Fund) outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, at net asset value.<sup>1</sup>

- During the quarter, asset allocation decisions contributed positively to overall Fund performance. The Fund's overweight to securitized assets — including agency mortgage-backed securities (MBS), non-agency MBS and commercial mortgage-backed securities (CMBS) — boosted returns, as spreads tightened in the sector. The Fund's allocation to Global Macro Absolute Return strategy also benefited performance, as the strategy delivered strong returns with relatively low correlation versus the benchmark. Exposure to emerging markets debt also supported relative performance, as exposures to emerging markets corporate credit and specific sovereign credit positions, such as South Africa, were favorable.
- The Fund's duration positioning had a modestly positive impact on relative returns during the quarter, as the higher long-term Treasury yields weighed on the benchmark. In addition, the Fund's yield curve positioning, which was biased toward a steeper yield curve, also contributed positively as short-term yields edged lower.
- Currency management had a somewhat muted impact on Fund performance during the fourth quarter. While the U.S. dollar strengthened modestly during the period, the Fund benefited from select currency exposures, including to Australian dollar and Uzbekistani som.

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<sup>1</sup> Source: Eaton Vance. Data as of 31/12/2025.

## Outlook as of 31/12/2025

The fourth quarter capped off a strong year of performance for fixed income markets, 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, while the labor market may continue to show signs of deterioration. This, in our view, will likely result in the Fed cutting through its “neutral rate,” an accommodation that would put further downward pressure on the front end of the yield curve and lead to continued steepening.

At quarter-end, the Fund’s largest allocation was to mortgage-backed securities, which includes an overweight to agency MBS and increasing allocations to non-agency MBS and CMBS. In a world of relatively tight spreads across a variety of fixed income sectors, agency MBS remain an attractive allocation, generating above long-term average yields and offering cheaper valuations than many other investment grade sectors. Despite being a U.S. government-backed asset class, agency MBS spreads are wider than even BBB-rated corporate bonds.<sup>2</sup> Non-agency MBS represent another sector in which yields are higher than average, spreads remain attractive and fundamentals are quite strong. Given the substantial home price appreciation we have seen in recent years, the sector may prove resilient even if home prices fall. CMBS also represent a small but growing allocation within the portfolio. While there remain a number of risks in the commercial real estate market, we have been identifying idiosyncratic opportunities on a property-by-property basis that we believe appear attractive from a risk-return standpoint.

Outside of the U.S., the Fund continues to invest a notable amount in select areas of emerging markets debt, a sector often underrepresented in many investors’ fixed income portfolios. The U.S. dollar weakened relative to many other countries’ currencies in 2025, and this has served as a tailwind to the sector. In addition, after multiple years of outflows, the sector has recently seen a turning of the tides in asset flows, which may offer another tailwind in 2026. While political uncertainty may create volatility in non-U.S. fixed income sectors, including emerging markets debt, we believe that an active, flexible approach focused on country research can add value despite potential macro headwinds. Rather than focusing on some of the larger-weighted countries in the emerging markets benchmarks, higher yields and attractive total return opportunities may be found in select off-benchmark countries.

The Fund’s corporate credit exposure remains significantly smaller than its longer-term average allocation, and those views are currently being driven more by valuations than fundamentals. There has been a tremendous demand for corporate credit among “yield buyers” attracted to today’s high absolute yields. However, as base rates come down, we expect many of those investors to look elsewhere at more attractively valued opportunities. Within corporate credit, we have maintained a slight preference for high yield corporate bonds over floating-rate bank loans. While loans appear cheaper on the surface, weakening fundamentals and a relatively higher level of defaults have left us cautious on the space.

Lastly, the declines in interest rates in 2025, as well as our expectations for further Fed rate cuts in 2026, have resulted in a slight overweight to U.S. interest rates. As noted above, we believe that weakening employment data will likely be a greater concern for the Fed than inflation, which is driving our slight overweight to U.S. duration versus history, especially on the front end of the yield curve.

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<sup>2</sup> Source: Bloomberg L.P. Data as of December 31, 2025.

**% Average Annual Total Returns**

As of 31/12/2025

	Q4	YTD	1 YR	3 YRS	5 YRS	10 YRS
Class A\$ (Inc) M Share at NAV	2.97	12.16	12.16	8.13	4.13	4.03
Class M\$ (Inc) M Share at NAV	3.08	12.66	12.66	8.60	4.60	4.50
Benchmark	1.10	7.30	7.30	4.66	-0.36	2.01

Benchmark: Bloomberg U.S. Aggregate Bond Index

Source: Eaton Vance and RIMES.

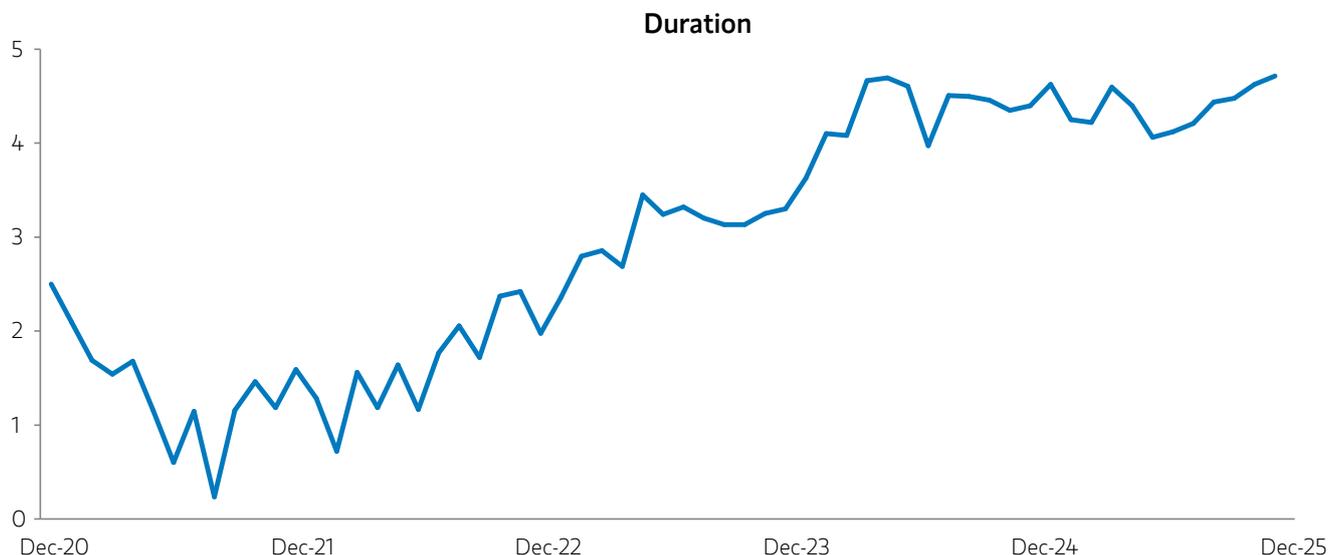
**Past performance is no guarantee of future results.** Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. Performance is for the stated time period only; due to market volatility, current performance may be lower or higher than quoted. Total return prior to the commencement of this class reflects the total return of a class of the U.S.-registered Fund, which prior to 10 December 2007 had invested in the same Portfolios. Prior return has not been adjusted to reflect the higher expenses of the offshore EVI (CI) Short Duration Strategic Income Fund. If adjusted for expenses, returns would be different. The performance inception date of the Fund is 26/11/1990. The inception date of Class A is 07/11/2005.

Fund primarily invests in one or more affiliated investment companies (Portfolios) and may also invest directly. Unless otherwise noted, references to investments are to the aggregate holdings of the Fund and the Portfolios. Portfolio profile subject to change due to active management. Percentages may not total 100% due to rounding.

Eaton Vance International (Cayman Islands) Funds may not be offered or sold to U.S. residents or citizens. The Fund is not offered for sale or sold in the United States, its territories or possessions.

**Fund Facts**

Class A\$ (Inc) M Inception	26/11/1990
Class M\$ (Inc) M Inception	26/11/1990
<b>Class A\$ (Inc) M Total Expense Ratio<sup>3</sup></b>	<b>1.99%</b>
<b>Class M\$ (Inc) M Total Expense Ratio<sup>3</sup></b>	<b>1.51%</b>
<b>Class A\$ (Inc) Adjusted Expense Ratio<sup>4</sup></b>	<b>1.58%</b>
<b>Class M\$ (Inc) Adjusted Expense Ratio<sup>4</sup></b>	<b>1.10%</b>

**Duration Management Over Time**

<sup>3</sup> Source: 2024 annual report. Expense ratio includes the Fund's share of the Portfolios' allocated expenses, other than the expenses of the EVI (CI) Floating-Rate Income Portfolio (the "Cayman FRIP"). The Fund also bears indirectly the expenses of the Cayman FRIP to the extent of its allocation to the Cayman FRIP, but those expenses are not included in the Fund's expense ratio. As of 31/10/2024, the total expense ratio of the Cayman FRIP was 0.78%. Effective 01/03/2025, Eaton Vance Management ("EVM"), as administrator to the Fund, shall receive no compensation from the Fund under the Administration Contract between Eaton Vance International (Cayman Islands) Funds, Ltd., on behalf of the Fund, and EVM. Accordingly, a 0.25% administrative fee is no longer charged to the Fund.

<sup>4</sup> In addition to the expenses excluded from the expense ratio, as described above in footnote 2, the adjusted expense ratio also excludes interest expense incurred directly by the Fund and indirectly through the Fund's investment in underlying funds, such as Cayman FRIP. Adjusted Expense Ratio excludes certain investment expenses, such as interest expense from borrowings and repurchase agreements and dividend expense from expenses on short sales, incurred directly by the Fund or indirectly through the Fund's investment in underlying Eaton Vance Funds (if applicable), none of which are paid to Eaton Vance. Interest costs can change over time. Adjusted expenses do not include all expenses paid by investor.

## Thoughts and Strategies

As of 31/12/2025

STRATEGY	% ALLOCATION <sup>5</sup>	DURATION CONTRIBUTION (YRS.)	% RETURN CONTRIBUTION Q4 2025	% RETURN CONTRIBUTION 1 YEAR	RATIONALE
<b>Absolute Return</b>	<b>17.73</b>	<b>0.65</b>	<b>1.02</b>	<b>3.17</b>	
Global Macro	17.73	0.65	1.02	3.17	An uncorrelated alternative to traditional core fixed income exposure.
<b>U.S. Corporate Credit</b>	<b>11.67</b>	<b>0.14</b>	<b>0.13</b>	<b>0.79</b>	
Floating-Rate Loans	5.58	0.01	0.06	0.36	CLOs continue to offer relatively attractive spreads versus history, but both CLOs and bank loans may see technical pressures if market begins pricing in more Fed rate cuts.
High Yield Corporate Bonds	6.09	0.13	0.08	0.43	Spreads are back near their richest levels over the last 10 years. Relative value buyers may look elsewhere, but many yield buyers still find HY attractive.
<b>Currency</b>	<b>2.89</b>	<b>0.03</b>	<b>0.02</b>	<b>0.19</b>	
Currency Instruments	2.89	0.03	0.02	0.19	Opportunistic long and short positions around the world. Still-expensive valuations and the potential for Fed rate cuts reduce the attractiveness of the US dollar.
<b>Non-U.S. Bond</b>	<b>13.74</b>	<b>0.71</b>	<b>0.59</b>	<b>2.17</b>	
Emerging Markets Bonds	13.74	0.71	0.59	2.16	Inefficiencies in emerging markets result in idiosyncratic opportunities to add alpha in undervalued EM corporates and currencies.
Inflation-Linked Bonds	0.00	0.00	0.00	0.00	
<b>Mortgage-Backed Securities</b>	<b>47.36</b>	<b>2.36</b>	<b>0.94</b>	<b>4.58</b>	
U.S. Agency MBS	33.33	2.09	0.62	3.15	High quality, high carry parking spot with more attractive valuations than other IG alternatives. With mortgage rates still at extremely high levels, prepayment risk remains quite low.
Non-Agency MBS	10.33	0.20	0.23	1.18	The housing market remains resilient, and lower mortgage rates will improve affordability in the short term, which also makes non-agency MBS attractive.
Commercial MBS	3.70	0.07	0.09	0.25	We remain underweight, but we've recently been finding attractive single-asset-single-borrower (SASB) deals.
<b>Other</b>	<b>5.23</b>	<b>0.85</b>	<b>0.20</b>	<b>1.06</b>	
U.S. Inflation-Linked Bonds	0.00	0.00	0.00	-0.01	
Other Net Assets	5.23	0.85	0.20	1.07	Select long & short rates positions and other opportunistic trades where value is perceived.
<b>Cash &amp; Cash Equivalents</b>	<b>1.37</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
					"Dry powder" available to take advantage of market dislocations.
<b>Total</b>	<b>100</b>	<b>4.74</b>	<b>2.88</b>	<b>12.45</b>	

### Past performance is no guarantee of future results.

<sup>5</sup> Percent of total net assets. Portfolio profile subject to change due to active management. Percentages may not total 100% due to rounding. Fund primarily invests in one or more affiliated investment companies (Portfolios) and may also invest directly. Unless otherwise noted, references to investments are to the aggregate holdings of the Fund, including its pro rata share of each Portfolio or Fund in which it invests. Other net assets represent other assets less liabilities and includes any investment type that represents less than 1% of net assets. Any securities sold short will be subtracted from that corresponding asset.

## DEFINITIONS

**U.S. duration** measures the Fund's average exposure to changes in yields only within the United States. Non-US duration measures the Fund's average exposure to changes in yields across all countries it is invested in, excluding the U.S.

## INDEX INFORMATION

**Bloomberg U.S. Aggregate Bond Index** is an unmanaged index of domestic investment-grade bonds, including corporate, government and mortgage-backed securities. Unless otherwise stated, index returns do not reflect the effect of any applicable sales charges, commissions, expenses, taxes or leverage, as applicable. It is not possible to invest directly in an index. Historical performance of the index illustrates market trends and does not represent the past or future performance of the fund.

## RISK CONSIDERATIONS

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programme 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.**

**Before investing, investors should consider carefully the investment objective, risks, charges, and expenses of a fund. This and other important information is contained in the prospectus, which can be obtained from a financial advisor. Prospective investors should read the prospectus carefully before investing.**

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