

**Survey Reveals That Despite Recent Market Correction, Fund Shareholders
Don't Pay Attention To Bite Uncle Sam Takes Out Of Returns;
Low Awareness Of How To Minimize Tax Implications Of Investments**

(March 15, 2000) BOSTON - While today's investor is widely believed to be savvy, they have a surprising lack of understanding about the tax implications of investing, according to a new study released today by Eaton Vance Management.

The national survey of investors, conducted by Penn, Schoen and Berland Associates, indicates individual investors believe themselves to be well-informed about the tax implications of their investments. *Eight in ten investors (81%) say the impact of taxes on their stock mutual funds returns is important--half say very important--and 80% claim to carefully examine their investment statements to determine the degree to which taxes affect their returns. The overwhelming majority of investors (84%) claim to be familiar with the IRS 1099 form.* These findings are perhaps to be expected, given that, according to the Investment Company Institute (ICI), in 1998 about \$166 billion of capital gains were distributed by stock and bond funds--more than four times 1995 capital gains distributions of about \$35 billion.

Investors, however, would be hard-pressed to pass a test about taxes and investments. *In fact, 22% of those surveyed did not know which income tax bracket they are in.* The study demonstrates that most investors have a significant lack of understanding about the tax implications of investments and a low awareness level of how to approach investing with an eye to tax efficiency.

Lack of Understanding About Tax Efficiency

Nearly one-third of investors (31%) are completely unfamiliar with the term "tax-efficient" investing. Over one-third of investors (35%) are unable to cite any investments that offer tax-efficiency. This lack of knowledge of tax-efficient investment vehicles was higher among women (42%) than men (29%). *Six of 10 investors (60%) say they have never invested specifically with consideration of tax efficiency. Three of every four investors (77%) are not familiar with the difference between tax-efficient funds that are actively managed and passively managed index funds.*

"No tax relief legislation is likely in the near future and the issue is a lower priority in this year's election cycle, given these prosperous economic times. So, it's up to individual investors or their advisors to look out for number one," said said Duncan Richardson, Portfolio Manager of Eaton Vance Tax-Managed Growth Fund. "In 1999, 48% of American households owned mutual funds, up from 27% in 1992. Yet, surprisingly, the growing interest in investing has not been accompanied by an increased understanding of how taxes can and do erode fund returns."

According to the study, more investors believe that managing a mutual fund for after-tax returns is most important during a bull market (43%), as compared to a weak market (25%). Four in 10 investors (40%) say they would be LESS likely to be tax-conscious about their investments during a sluggish market environment where investment returns would be significantly lower.

“Tax-managed funds are designed for any long-term shareholder in a taxable account. That said, the study indicates a lack of knowledge about how tax-managed funds operate, because these funds are in fact even more attractive in a flattish market where average rates of return are lower--often much lower--when compared to a bull market,” said Mr. Faust. “In a weak market that produces lower rates of return, returns lost to taxes may represent a greater percentage of pretax returns than in a strong market environment.”

Interestingly, two-thirds of investors surveyed (68%) believe the bull market will continue for less than a year, although they are divided over whether the market uptrend will continue for just six months (37%) or for an entire year (31%). Twelve percent of investors believe that stock returns will continue at their present level for two more years and only 10% say high returns will persist for five or more years.

In fact, the study reveals most investors (79%) believe that a significant market correction will take place during their investing lifetime. Although divided over when it will actually take place, 62% of investors who believe they will see a correction think it will take place within the next two years (36% within the next year and 26% within the next two years). Younger investors ages 18 to 34 are the exception: 47% believe that a correction may be five to 10 years away and only 46% believe it will take place with the next two years.

Nearly half of investors (47%) do not know what level of return their best performing stock mutual fund achieved last year. Awareness levels vary widely by gender and age. For example, twice as many women (65%) are unaware of their return compared to men (32%).

Seven in 10 investors (70%) feel that they have accumulated a “significant” amount of assets during the time that they have invested, and greater than eight of 10 (82%) believe that investing has made a significant impact on their future financial security. 91% of investors indicated their approach is long-term, with retirement being either the top or second most important objective for 96% of respondents.

“The good news is that investors say that recent record-setting stock market performance has allowed them to accumulate significant assets and that their investment focus is long term,” said Mr. Richardson. “It is also very reassuring that the survey indicates that most investors have what they themselves term a realistic view of the market: the seemingly continual upward trend cannot proceed indefinitely.

This demonstrates that shareholders are facing a fact of life--markets do go down and corrections are part of the investing cycle,” he continued. “Contrary to widely held perceptions about “irrational exuberance,” it appears that investors in fact have a healthy recognition that there are in fact pockets of speculation in the market, which creates volatility. The question is whether investor concern will translate into more risk aversion in their investment strategy or behavior.”

This study, which represents a portrait of American investors’ attitudes and practices concerning investing, specifically with reference to the *tax implications* of investing, was conducted by Penn, Schoen & Berland Associates, Inc. The study was based on a comprehensive, nationally representative telephone survey of 500 U.S. residents who have invested in both qualified retirement plans *and* investments outside of qualified retirement plans (stock mutual funds, bond mutual funds, individual stocks, individual bonds, variable annuities or money market funds). The margin of error for this study was +/- 4.4% at the 95% confidence level.

Penn, Schoen & Berland Associates is a premiere polling and research firm whose clients include President Clinton, many domestic and international political leaders, over 25 Fortune 100 companies and numerous trade associations and foundations. PSB has completed studies for many leading financial service

providers, including American Express, Bank of Bermuda, Bankers' Trust, Chase Manhattan, Chemical Bank, Citicorp, Dime Bank, First Fidelity and Fleet Bank.

Eaton Vance Management, a wholly owned subsidiary of Boston-based Eaton Vance Corp., manages approximately \$42 billion in assets and acts as investment adviser to over 65 mutual funds, as well as to individuals and various institutional accounts, including corporations, hospitals, retirement plans, universities, foundations and trusts.

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