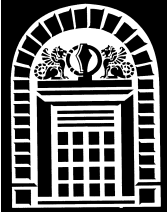

NEWS RELEASE



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FOR IMMEDIATE RELEASE

National Survey Examines Shareholders' Attitudes About Diversification, Views On Investment-Related Taxes, and Expectations of Market And Economy

Study Reveals Rising Concern About Risks Of Concentration In Single Stock; Most Investors Not Aware Of Recent SEC Rule On Fund After-Tax Disclosure; Despite Concerns About Stock Market, Shareholders Not Taking Action To Minimize Risk

(February 5, 2002) BOSTON—In response to heavy losses over the past year by some investors with concentrated stock positions, there is rising concern among shareholders about the risks associated with exposure to a single company's stock, according to results of the third annual investor survey released today by Eaton Vance Corp. The study also revealed that investors' knowledge about the impact of taxes on their investment returns continues to be low, with most shareholders unaware of a recently enacted SEC rule requiring after-tax performance disclosure by mutual funds. The poll's results also indicate that despite concerns about the current bear market and recessionary economy, investors are not taking significant action to minimize risk.

The nationwide survey of investors, conducted by Penn, Shoen & Berland Associates between January 17 and 22, 2002, indicates that more than seven in 10 (73%) investors who have worked for a public company say they have received stock options or other types of stock compensation from their employer. More than half (53%) of investors who have worked for a public company say they currently hold company stock or stock options. Of those holding employer stock or options, 50% say that employer stock and options now represent a larger percentage of their total financial assets than five years ago, compared to 21% who say that the percentage of their financial assets held in employer stock and options has decreased over the past five years. 24% of investors report that employer stock now represents more than 10% of the value of their investment portfolio.

Given recent trends in the market and the highly visible collapse of Enron, it should not be surprising that investors are becoming more aware of single stock risk. Of investors holding employer stock or options, nearly four in ten (39%) say they are concerned about having a significant financial exposure to the stock of their employer. An overwhelming 87% of surveyed investors agree that it is too risky to have a large percentage of their personal assets invested in the stock of any single company. More than four in ten investors (41%) say their views about the risks of investing heavily in a single company stock have changed for the worse in the past year. And nearly one in five investors (18%) says he or she maintains greater exposure to a single stock than he or she considers to be prudent.

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What is their reasoning for holding overly large positions in a single stock? The most popular answer among investors (31%) was high return expectations. Next, 21% do so because of past successes. In third place (19%), “sense of loyalty” was named as the reason.

“The survey response indicates that attitudes about single stock risk are in the process of changing,” said Thomas E. Faust Jr., Chief Investment Officer of Eaton Vance Management. “The demise of Enron, Kmart, Polaroid, Bethlehem Steel and a host of other public companies in recent months gives investors a valuable lesson in the risks of entrusting too much of their retirement nest egg to the fortunes of a single stock. In today’s rapidly changing economy, even the strongest and best-managed companies face the risk of a decline in competitive position and stock underperformance over time. What’s an investor to do? It’s pretty simple – diversify. Like your grandmother told you, don’t put all of your eggs in one basket.”

Most investors are not aware of the recently enacted SEC rule on mutual fund after-tax performance disclosure; Investors want a reduction in capital gains tax that applies to all investments, not just mutual funds.

Most (73%) investors say that taxes have an important effect on the returns they receive from their investments in stock mutual funds, with two in three investors (66%) saying that the impact of taxes on their returns is more important this year when compared to last year. Nearly four out of five (79%) investors say they carefully examine tax implications in the investment statements they receive from their mutual fund provider, broker or other financial advisor.

However, only 30% of investors are aware of the recently enacted SEC rule requiring after-tax performance disclosure by mutual funds. Although there is a higher awareness of this rule among investors earning more than \$100,000 (35%) compared to those earning less (25%), it is significant that two in three higher income investors have no knowledge of this important new development.

Investors continue to lack awareness and knowledge of tax efficient investments. One in four investors (27%) is completely unfamiliar with the term "tax efficiency" as applied to investments, the same percentage as last year. Four in 10 investors (40%) are unable to cite any investments that offer high tax efficiency--higher than last year (33%).

A substantial percentage of investors says that they would be more inclined to hold variable annuities (35%) and municipal bonds (32%) in a qualified retirement plan rather than outside such a plan, even though such tax-deferred investments are not designed to be held in qualified plans.

Compared to last year (25%), a higher percentage of investors (39%) do not know their federal income tax bracket. More than four in 10 investors (42%) who use a broker or other financial advisor say that their advisor rarely or never discusses the tax implications of their investments with them. This is actually higher than last year (36%).

“The fact that investors in equity mutual funds have surrendered as much as a quarter of each dollar in investment returns to Uncle Sam in recent years was a driving force behind the SEC mandating disclosure of after-tax returns in the risk/return section of each fund’s prospectus. It is noteworthy that tax awareness does not seem to have increased in the past year despite the new SEC disclosure requirement, which goes fully into effect this month,” observed Duncan W. Richardson, Chief Equity Investment Officer of Eaton Vance Management. “While taxpaying investors seem to have a good understanding of the importance of after-tax returns as a goal, they are still too often in the dark about how investment taxes work. Helping investors make intelligent tax choices is one of the best ways for financial advisors to add value for their clients.”

Perhaps the reason investors know so little about the tax aspects of investing is simply the degree to which taxes are dreaded. By nearly a two to one margin (57%), investors think paying taxes on their investments is worse than going to the dentist (26%). And the majority of investors (74%) thinks paying taxes on returns is worse than visiting prospective in-laws (4%).

Investors are supportive (73% support) of a bill currently before Congress that would, subject to annual limits, allow investors to defer taxes on mutual fund capital gains distributions that are reinvested in the same fund. But this is not their first preference--more than eight in 10 investors (84%) would rather see a reduction in the capital gains tax rate that applies to all types of investments, not just mutual funds.

Investors are uncertain about the economy and express concern about the performance of the stock market in 2002, yet are not taking action to place themselves at less risk. Paradoxically, while shareholders are bullish about the future of technology stocks, they are decreasing their exposure to them.

Investor sentiment is split over whether the U.S. economy will experience a continued recession or an economic recovery in 2002. More than four in 10 investors (43%) believe the U.S. will experience a continued recession, and 5% are not sure whether the recession will continue. Only a slight majority (52%) says that an economic recovery will take place in 2002.

Fewer investors expect the S&P 500 and NASDAQ Composite Index to have positive returns in 2002, compared to last year. Less than half of investors (49%) believe that S&P 500 returns will be positive this current year (2002). When asked the same question at the beginning of 2001, 62% of investors projected a positive return. Similarly, less than half of investors (44%) believe that returns for the NASDAQ Composite Index will be positive in the current year (2002). At the beginning of 2001, 52% of investors projected a positive return.

Six in 10 investors (61%) say that because of recent developments in the stock market, they have less appetite for risk. But most investors are not actually taking measures to diversify their portfolios or rid themselves of mutual funds and stocks that may be poor investments. Only one in four investors (25%) has ever redeemed or sold a mutual fund because of poor performance. Only 16% of investors have reallocated or increased their investments in bonds because of the recent volatility in the stock market. Only one in five investors has changed the amount he or she normally invests in mutual funds (21%) or individual stocks (19%).

Despite lowered expectations of investment returns, investors have not changed their philosophy or style of investing because of recent losses in the stock market. More investors say they are more comfortable being a momentum investor (42%) than taking a contrary approach (31%). More than half of investors (54%) label themselves as growth investors rather than value investors (30%).

More than eight in 10 investors (81%) say that technology stocks will be a good (36%) or fair (45%) investment in 2002. Investors are more bullish about technology in this year's survey compared to last year's (76% good or fair investment). Nearly all investors (98%) say that technology stocks will be either a good (73%) or fair (25%) investment over the next three years. This is higher than last year (91%). Investor sentiment about technology stocks has not, however, corresponded with investment activity. Four in 10 investors (41%) say that they have decreased, rather than increased (18%), their exposure to technology stocks as part of their overall investment portfolio.

The uncertainty about the stock market outlook is reflected in attitudes about the risk of index funds. In 2002, nearly half of investors (45%) say that investments in index funds have become more risky over the past five years, an increase compared to 2001 (39%). By a nearly two to one margin, investors say that they are less likely (50%), not more likely (27%), to invest in index funds over the next couple of years. Interestingly, six in 10 investors (66%) do not know that Standard & Poor's makes decisions about adding a stock to the S&P 500 Index on the basis of whether the addition would make the index more representative of the U.S. economy.

Well over three-fourths (85%) of investors are not aware of exchange traded funds. And, among those who are aware, most (79%) have not invested in one.

The information contained in this report was derived from a study conducted by Penn, Schoen & Berland Associates, Inc. (PSB). PSB is a Washington DC-based full-service strategic polling and market research firm whose clients have included numerous senators, congressmen, other national and international political leaders, over 20 Fortune 100 companies and numerous trade associations. The study was conducted in January 2002 among U.S. residents who have invested in BOTH qualified retirement plans and in any of the following investments outside of qualified retirement plans: stock mutual funds, bond mutual funds, individual stocks, individual bonds, variable annuities and money market funds. Income quotas were set so that 50% of respondents had incomes less than \$100,000 and 50% had incomes greater than \$100,000. The margin of error for this study is +/- 4.4% at the 95% confidence level. Results of the study can be projected to individual investors in the two income groups.

Eaton Vance Corp., a Boston-based investment management firm, is traded on the New York Stock Exchange under the symbol EV.

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