
NEWS RELEASE



Eaton Vance Corp.
The Eaton Vance Building
255 State Street, Boston, MA 02109
Contact: Meg Pier
(617) 598-8036
Email: mpier@eatonvance.com

**Annual Eaton Vance Investor Survey Shows Unshaken Faith In Capitalism;
Confidence in Corporate Management And Wall Street Dips**

Investors Support Stronger Regulation Of Capital Markets

Investors Are Bullish About The Stock Market For The Coming Year

Concern About Single Stock Concentration and Portfolio Risk Jumps

BOSTON, January 7, 2003 – Eaton Vance Corp. announced today the findings of its fourth annual survey of investors. The nationwide survey, conducted by Penn, Schoen & Berland Associates, Inc., reveals that investors' faith in capitalism remains largely unshaken despite the recent controversies and scandals. More than 7 in 10 investors (72%) said they have about the same amount of faith in capitalism as they had five years ago.

But faith in corporate management and in Wall Street has declined. More than 6 in 10 investors (63%) said they have less faith in the ethical standards of corporate management compared to five years ago. Only 8% of all investors said they have more faith in corporate management and 28% of investors said they have the same amount of faith compared to five years ago.

Similarly, nearly half of investors (47%) said they had less faith in the ethical standards of Wall Street. Only 9% of all investors said they have more faith in Wall Street and 43% said they have the same amount of faith in Wall Street compared to five years ago.

When asked about the financial and accounting scandals of 2002, one-third of investors (32%) said that the scandals represented a failure of corporate governance that is common among U.S. corporations, and that they expect similar scandals in 2003. 25% of investors said these kinds of scandals have always happened, but we are hearing more about them because "somebody finally got caught." 12% of investors said that the scandals were overplayed in the media and are unlikely to be repeated in 2003.

More than 7 in 10 investors (73%) support stronger regulation of capital markets by the SEC.

"The message here is that investors have retained faith in capitalism but not in the capitalists—those who run and finance corporations," stated Duncan W. Richardson, senior vice president and chief equity investment officer of Eaton Vance Management. "The behavior of a relatively small number of bad actors has tainted the public perception of all corporate managers. A clarion call has been sounded for greater corporate oversight and regulation. Investors believe that corporate America needs a major regulatory overhaul to protect the public."

Investors continue to express confidence in the outlook for the stock market. More than 8 in 10 investors (81%) said that they have either a great deal (38%) or some (43%) confidence in the stock market for 2003 and only 17% said they had either not much (14%) or very little (3%) confidence.

Nearly half of investors (46%) said that the major cause of the decline in the stock market in 2002 was that the market had been artificially overvalued. 1 in 4 investors (25%) said that the decline represented structural problems with the economy and a failure of corporate governance. 14% of investors said the most important cause of the decline was September 11th and its aftermath, 5% cited uncompetitive firms falling by the wayside, and 3% the specter of war with Iraq.

Concerns About Single Stock Concentration and Portfolio Risk on the Rise.

Compared to a year ago, investors are more concerned about the risk of having a significant concentration of their assets in a single stock. Of investors owning stock in their current or former employer, more than 6 in 10 (61%) say they are concerned about their outsized exposure to the company's stock. This is a significant increase over last year, when 39% of investors polled said they were concerned about the risk of financial exposure to the stock of their current or former employer.

More than 9 in 10 investors (94%) agree that it is too risky to have a large percentage exposure to a single stock. Half of all investors (50%) say that the risks of investing heavily in a single company stock have increased in the past year due to corporate governance and accounting concerns.

Most investors who work for a company with publicly traded stock have received some employee stock compensation. Nearly 7 in 10 of such investors (69%) say they have received stock options or some other type of stock compensation from their employers. More than 4 in 10 investors (43%) receiving stock-based compensation say that the value of stocks and stock options as a percentage of their total financial assets has increased, rather than decreased (31%), over the past 5 years.

Evident in this year's study is investors' heightened sensitivity to risk: 87% of investors said that minimizing risk is important when making investment decisions. 64% of investors said that recent stock market trends have reduced their appetite for investment risk, compared to only 14% of investors who are now inclined to take more risks with their investment portfolios.

42% of investors reported that they have increased the diversification of their investments in the past year in response to equity market declines. Of those who did not diversify, nearly a quarter (24%) said they wished they had done so.

"Given the losses stock investors have incurred in recent years, it should come as no surprise that many have grown more sensitive to the risk side of the equation. Losing money is usually a sobering experience," observed William M. Gillen, senior vice president and national sales director, Eaton Vance Distributors, Inc.

Investors Are Bullish About The Stock Market For The Coming Year; Believe That Health-Related Stocks Will Be The Best-Performing Investment Area In 2003; Technology Stocks The Worst.

A majority of surveyed investors believe the downward trend in the U.S. stock market will be reversed in 2003. More than 6 in 10 investors report that they are bullish (62%) – rather than bearish (30%) – about the stock market for the coming year.

Most investors believe the stock market will increase or at least stay at the same level in 2003. Two in three investors (65%) believe the stock market will increase in 2003; 56% say it will increase slightly and 9% say it will increase a lot. More than 6 in 10 investors (61%) believe that the S&P 500 will be higher at the end of 2003 compared to the end of 2002, and 10% say it will be at about the same level. Only 9% think the S&P 500 will decline in 2003. Investors are generally more pessimistic about the technology-laden NASDAQ. A slim majority of investors (52%) believe that the NASDAQ will be higher at the end of 2003 compared to the end of 2002, and 9% say it will be at the same level. Twice as many respondents (18%) think the NASDAQ will decline in 2003 as think the S&P will fall this year (9%).

When asked which industry sectors will be the best performing investment areas in 2003, several health-related stock groups were commonly cited by investors: biotechnology (18%), pharmaceutical (15%), and healthcare (15%).

When asked which industry sectors will be the worst performing investment areas in 2003, investors most frequently cited technology and computers (13%), manufacturing (13%), and communications (10%).

Most Investors Who Utilize Financial Advisors Remain Satisfied With Their Advisors; Independent Investors Say They Are Now More Likely To Seek Advice.

Nearly 9 in 10 investors (88%) who utilize a professional financial advisor report that they are satisfied with their advisor relationship, with 54% very satisfied and 34% somewhat satisfied. 59% of investors who use a professional advisor report having the same satisfaction level as three years ago and 11% increased satisfaction vs. three years ago. Given the losses experienced since the stock market peak in early 2000, it seems remarkable that only a quarter (26%) of investors report that they are less satisfied with their advisory relationship than they were three years ago.

Among “do it yourself” investors who do not now utilize a professional financial advisor, 33% report that they are likely to seek the advice of a financial professional within the next year. In the prior two annual surveys, 30% (January 2002) and 22% (February 2001) of independent investors reported that they were likely to begin working with a financial professional in the next year.

“It is heartening that most investors who utilize financial advisors continue to report a high level of satisfaction with their advisors. Investors seem to understand that, as bad as the experience of the last three years has been, it could have been a lot worse if they had not received sound investment advice,” commented Mr. Gillen. “At the same time, it is telling that independent investors seem more inclined to seek advice than was true in the past. A bear market can be particularly unkind to amateurs.”

Investors Continue To Recognize The Importance of Tax Considerations; Understanding of Investment Tax Matters Remains Discouragingly Low.

An overwhelming majority of investors (81%) consider the impact of taxes on their stock mutual funds to be an important consideration when making investment decisions. Two-thirds of investors (67%) say that the impact of taxes on their investment returns has *increased in importance* over the past year.

Consistent with the widespread concern about investment taxes, 87% of investors consider disclosure by mutual fund organizations of the tax implications of fund investing to be important. 71% of surveyed investors support the recent SEC rule that requires mutual funds to disclose their after-tax returns. 78% of those surveyed said they carefully examine the investment statements they receive with regard to the tax implications of their investments.

“The awareness and sensitivity to investment-related taxes demonstrated in the survey suggest that the current Bush Administration proposal to reform dividend taxation will be well received by the investing public,” commented Thomas E. Faust Jr., executive vice president and chief investment officer at Eaton Vance. “Cutting their taxes really resonates with investors.”

Although most investors recognize the importance of tax considerations, they have only a limited understanding of investment-related tax issues. One in four investors (27%) is unfamiliar with the concept of “tax-efficient” investing and 23% of investors are unable to cite any investments that offer high tax efficiency.

When asked whether they would be more inclined to hold municipal bonds and municipal bond funds in a qualified retirement plan such as an IRA or 401(k) plan or outside such a plan, 42% of survey respondents said they would be inclined to hold such investments within a qualified plan and 47% outside a qualified plan. When asked about variable annuities, 38% of respondents said they would be inclined to hold variable annuities within a qualified plan versus 47% who said outside a qualified plan. For tax-managed stock funds, 48% reported that they would be inclined to hold tax-managed funds in a qualified plan versus 43% who said outside a qualified plan.

“Of course, each of these tax-advantaged investments is best utilized *outside* a qualified retirement plan,” commented Mr. Faust. “Investors should use their qualified retirement plans to hold investments that would otherwise be fully taxable. The survey shows many investors are still not sophisticated enough in their understanding of investment taxes to make the right investment tax decisions on their own.”

Although investors’ understanding of tax issues remains discouraging, the situation has improved in the past year. Since last year’s survey, familiarity with tax-managed stock funds has increased from 28% of responding investors to 41%. Among investors familiar with these funds, they are viewed favorably by 59%, compared to 16% who view them unfavorably. In this year’s survey, 37% of investors familiar with tax-managed funds correctly identified their primary investment objective as maximizing after-tax returns for shareholders. This compares to only 17% of investors in the prior survey who could correctly identify the major objective of tax-managed funds.

Most Investors Don't Understand Criteria For Inclusion in Stock Indexes; Nearly 50% "Don't Know Why" They Invest In Index Funds.

Investors have a very poor understanding of how stock market indexes are constructed. Nearly a quarter of investors (22%) cite a company being considered a "good investment" as the most important criterion used by the S&P 500 committee in deciding what stocks to include in an index. An additional 19% of investors do not know any criteria that might be used. Only 1 in 4 investors (26%) knows that a company is added on the basis of whether it is representative of the U.S. economy.

Although more investors report that they are investing in index funds this year (30%), compared to last year (25%), nearly half of index fund investors (49%) are unable to provide a primary reason for choosing this investment option. The most common reason cited for investing in index funds is that their performance mirrors the market's return (34%) – a response mentioned by three times as many investors as the second most important reason, their low costs (11%).

Nearly 50% Polled Refinanced Their Home In The Past Year; 21% Invested The Proceeds.

Nearly half of surveyed investors (45%) refinanced their homes in 2002 due to falling mortgage rates. Investors spent the money they saved from refinancing in a number of different ways. Three in ten investors (30%) put the money they saved back into their homes and 29% paid off credit card and other debts. One in five investors (21%) invested the money and 14% placed the money into a savings account.

This study represents a portrait of the attitudes and practices of American investors. It was conducted during the last two weeks of December 2002. 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* stock mutual funds, bond mutual funds, individual stocks, individual bonds, variable annuities or money market funds held outside qualified retirement plans. Income quotas were set so that 50% of respondents had incomes less than \$100,000 and 50% had incomes greater than \$100,000. Results of the study can be projected to individual investors in the two income groups. The margin of error for this study is +/- 4.4% at the 95% confidence level.

Penn, Schoen & Berland Associates, Inc. is a Washington, D.C.-based full-service strategic polling and market research firm.

Eaton Vance Corp., a Boston-based investment management firm with \$57 billion in assets under management as of December 31, 2002, is traded on the New York Stock Exchange under the symbol EV. Through its subsidiaries, Eaton Vance Corp. advises and distributes investment products for individual and institutional clients.