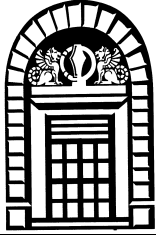


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## NEWS RELEASE

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## ***Inside the Mind of the 21<sup>st</sup> Century Investor: Election Implications; Optimistic Outlooks on the Market and Retirement; Tax Turmoil***

### ***Eaton Vance's Sixth Annual Investor Survey Results Show Dramatic Voter Differences and Investment Views That May Differ From Reality***

BOSTON, December 7, 2004- Investors' priorities echo the great divide between Red and Blue state voters, according to the sixth annual investor survey released today by Eaton Vance Corp. A bullish consensus on the market, personal financial situations and retirement may be unwarranted if investors' words are not followed up with actions. Education could counter the destructive habit of chasing performance and a high level of confusion about taxes and their effect on investments.

#### ***Important Issues Divided Red States and Blue States***

The nationwide survey of 1,000 investors, conducted by Penn, Schoen & Berland Associates, Inc., revealed that more than twice as many investors who voted for President Bush than Senator John Kerry say that their candidate's stance on the issues of homeland security (82% vs. 43%), values (65% vs. 33%) and making tax cuts permanent (58% vs. 21%) was a top reason they voted for him. Conversely, many more investors who voted for Senator Kerry than President Bush say that their candidate's stance on the issue of reducing the federal deficit (69% vs. 37%), job creation (62% vs. 45%) and energy policy (58% vs. 33%) was a very important reason they voted for him.

#### ***Terrorism, the Federal Deficit and Taxes Top the List of Investor Concerns, but Supporters of Bush and Kerry Differ Widely on the Importance of Issues***

When provided with a list of issues and asked which ones concerned them most personally, investors selected terrorism, the federal deficit and high income taxes above concerns about Social Security, inflation, high college costs or high drug prices. But supporters of President Bush (27%) are four times more likely than investors who voted for Senator Kerry (6%) to say that terrorism concerns them the most—in fact this was their top issue of concern. And investors who voted for Senator Kerry (33%) are four times more likely than investors who voted for President Bush (8%) to say that the federal deficit concerns them the most—this issue topped their list.

However, when asked to choose among a list of personal concerns about which were most likely to keep them up at night, investors chose the health of their parents and concerns about their kids and substance abuse (52%) as more important than terrorism (12%), personal economic issues (19%) and stock market volatility (2%) for both supporters of President Bush and Senator Kerry. Interestingly, terrorism ranked low on the list of concerns, although the issue is twice as likely to

keep investors who voted for President Bush up at night (15%) compared to Senator Kerry's supporters (7%).

The greatest divide of opinion among investors was about the importance of income taxes: Investors who voted for President Bush (19%) are more than six times as likely than investors who voted for Senator Kerry (3%) to say that high income taxes concern them the most.

***Consensus on Extending President Bush's Tax Cuts; Most (56%) Say Privatize Social Security But Blue Staters Oppose (60%)***

Most investors who voted for President Bush believe his tax cuts have helped the economy (79%) and nearly half of investors who voted for Senator Kerry (48%) think they hurt the economy. The economic effect of past tax cuts was controversial, but there is surprising consensus that future tax hikes would be harmful to the economy. Investors who voted for President Bush agreed by more than a 3-to-1 margin (51%) and Kerry voters by nearly a 2-to-1 margin (45%).

A majority of respondents (59%) also believe that President Bush's tax cuts helped them personally, although more investors who voted for Bush (79%) than those who voted for Kerry (34%) hold this view.

In addition, nearly 6 in 10 investors (59%) – 65% of investors with investments of less than \$250,000 and 52% with investments greater than \$250,000 – say they are not confident that social security will be solvent when they retire. Investors who voted for Senator Kerry (65%) are much more likely to believe that the system will not be solvent compared to investors who voted for President Bush (47%). The majority of investors (56%) support privatization of Social Security. This view is deeply divided along party lines, with 70% of investors who voted for President Bush supporting the idea and 60% of investors who voted for Senator Kerry opposing it.

***Investors Say White House Occupant Affects Economy and Markets, but Not Investment Decisions***

Despite their differences in opinion on important issues and the choice of President, Bush and Kerry voters are united in the conviction that the outcome of the election does have an impact on the U.S. economy. The majority of investors (56%), including 59% of Bush voters and 58% of Kerry voters disagreed with a statement that said the election outcome does not affect most sectors of the economy. However, a majority of investors (57%) also say that the Presidential election will have little if any affect on their investment decisions, and two-thirds (63%) had no plans to reallocate their investments as a result of the election.

Not surprisingly, investors who voted for President Bush are far more likely to say his reelection will have a positive impact on the economy, stock market and bond market. While investors who voted for President Bush are overwhelmingly sure (91% and 93%, respectively) of the positive impact of his reelection on the economy and the stock market, they seemed slightly less certain of its positive affect on the bond market (60%). In fact, 18% of total investors say they don't know what impact President Bush's reelection would have on the bond market.

***More Bush Voters Predict A Near-Term Stock Market Run; Kerry Voters View Crash As More Likely***

Investors who voted for President Bush are much more optimistic than investors who voted for Senator Kerry about future increases in the stock market. A majority of investors who voted for

President Bush (55%) say another huge market run like we saw in the 1990s will happen within the next 5 years. Only 41% of investors who voted for Senator Kerry think it will come that soon. In fact, 15% of investors who voted for President Bush say a market run is likely within the next 2 years compared to only 3% of investors who voted for Senator Kerry.

Only 28% of investors who voted for President Bush said it is likely they will see a stock market crash in their lifetime similar to the one experienced in 1929. A majority of investors who voted for Senator Kerry (51%) think such a stock market crash is likely in their lifetime.

“The political skew we observed in market expectations was interesting. Adopting a radical view of stock market returns is hazardous to your wealth, since market timing is rarely productive,” said Duncan W. Richardson, senior vice president and chief equity investment officer at Eaton Vance Management. “Proper asset allocation and periodic rebalancing guard against over-concentration and create tolerable volatility for most investors.”

### ***Less Than Half of All Investors Reallocated Investments in 2004; Many Reduced Equities, Cash***

Less than half of investors (43%) say they reallocated their investments in 2004. Investors with investments greater than \$250,000 (50%) were more likely than investors with investments of less than \$250,000 (36%) to have reallocated their investments in the past year. Investors who voted for Senator Kerry (58%) were more likely than investors who voted for President Bush to have reallocated their investments (39%).

In 2004, investors were most likely to reallocate their investments in equities, followed by cash, money market funds or CDs. Regardless of the size of their investment portfolios, more than one-third of investors (37%) say they reduced equity investments in 2004. One in four investors (25%) – 19% of investors with investments of less than \$250,000 and 31% with investments greater than \$250,000 – say they increased investments in equities in 2004.

One in four investors (25%) – 19% of investors with investments of less than \$250,000 and 31% with investments greater than \$250,000 – say they reduced investments in cash, money market funds or CDs in 2004, while only one in five investors (21%) say they increased cash investments. Yet, 44% of investors say they plan to increase the level of cash in their portfolios and 50% plan to keep cash or short-term investment levels the same. Plans to sideline cash seem to contradict investors’ professed bullish stance on the equity markets.

### ***Investors Are More Risk Averse; Seek Diversified Portfolios and Recognize Risks of Single Stock Portfolio Concentration***

Investors have less of an appetite for risk than in past surveys, and most say that minimizing risk is an important investment objective. Nearly 9 in 10 of all investors (88%) say that minimizing risk is important to them when making investment decisions. By more than a 3-to-1 margin, investors say that, compared to last year, they have a lesser (58%), not a greater (16%), appetite for risk. The reason is greater stock market volatility.

### **Concern Expressed About Investing Heavily in a Single Company’s Stock**

Many investors who work for a company with publicly traded stock have received stock options or some other form of stock-based compensation from their employer. About half of these investors (49%) are concerned about their exposure, and nearly all (91%) agree that it is too risky to have a large percentage of their personal assets invested in a single stock.

### Investors Reluctant to Have Too Large a Percentage of Their Investments in One Category

The aversion to risk helps explain why investors say the maximum amount they are willing to invest in any investment category is 24%. When read a list of investment categories and asked what the maximum percentage they would be willing to have in their portfolio, no investment category exceeded 24%.

### ***Awareness of Recent SEC Reforms is Low***

A large majority of investors (60%) are unaware of recent SEC reforms proposed or enacted to combat mutual fund trading abuses. Only 2 in 5 investors (40%) say they have heard anything about recent SEC reforms. Awareness among investors with investments greater than \$250,000 (56%) was nearly twice as high as among investors with less than \$250,000 (23%). The 40% of investors who said they were aware of recent SEC reforms had the highest recall of two new proposed rules: A hard close at 4:00 p.m. to deal with late trading (37%), and additional oversight of hedge funds (27%). Only one in five investors were also aware of measures that require an independent chairman of fund boards (21%) and require 75% of fund directors to be independent (19%).

### ***Recent Scandals Have NOT Affected Investor Confidence or Their Choices; Few Personally Affected***

Most investors (60%) say the mutual fund scandals have not negatively affected their confidence in the industry or their investment choices. Only 33% say the scandals had either a great deal (10%) or some (23%) negative impact on their perceptions of the industry and 8% say they don't know. In fact, a majority of investors (57%) say they have not considered reallocating investments out of fund companies that were involved in the scandals. Only 34% of investors say they have considered reallocation and 10% say they are unsure.

One reason that the mutual fund scandals have not negatively affected investor confidence in the industry or caused investors to reallocate their investments is because so few—only 12% of investors surveyed—say they have been personally affected by any of the scandals that have been in the news since September 2003.

### ***Investors Rate Alan Greenspan and Mutual Fund Companies Highly***

Survey results show investors hold mostly favorable opinions of people and organizations who had some role to play in the mutual fund scandals. Nine in 10 investors (90%) hold a favorable view of Federal Reserve Chairman Alan Greenspan and nearly 3 in 4 investors (73%) hold a favorable view of mutual fund companies. These were followed by the SEC, in which 67% of investors held a positive view and the U.S. Congress, which 60% of investors viewed favorably.

Remarkably, despite being inundated with over a year of headline news, many investors had no opinion about key figures in the mutual fund scandal and reform drama, including Eliot Spitzer (39% expressed no opinion) and SEC Chairman William Donaldson (36% responded don't know).

### ***Majority of Investors Believe They Are Financially Better Off Than Four Years Ago***

Four times as many investors say they are better off financially than those who say they are worse off. Three in four investors (75%) – including 76% of investors with investments of less than \$250,000 and 73% of investors with greater than \$250,000 – say they are better off financially since 2000 compared to only 16% who say they are worse off. Nine percent of investors say their financial situations have not changed. Voters for President Bush and Senator Kerry both agree that they are better off (76% and 67% respectively).

A majority of investors who say that they are better off financially since 2000 credit either real estate or equities, including stocks or stock mutual funds. Investors with investments of less than \$250,000 and those who voted for Senator Kerry are more likely to credit real estate, while investors with investments greater than \$250,000 and those who voted for President Bush are more likely to credit equities.

Interestingly, although equities were cited by 3 in 10 investors (29%) as the asset class that helped them the most since 2000, more investors (37%) say that equities are the asset class that hurt them the most. This is especially the case with investors with less than \$250,000 in investments (53%). Similarly, half of investors who voted for Senator Kerry (50%) say equities have hurt them the most, compared to 43% of investors who voted for President Bush.

### ***Bulls Outnumber Bears 2- to-1; Technology Voted Sector Most Likely to Succeed in 2005***

Among all investors, bulls (59%) outnumbered bears (26%), but those with significant investments and investors who voted for President Bush are more optimistic about the market's prospects in 2005. Investors with investments greater than \$250,000 are much more bullish about the stock market for the coming year than are investors with investments less than \$250,000 (70% compared to 47%). Investors who voted for President Bush (70%) are much more bullish than investors who voted for Senator Kerry (43%).

Investors are most bullish about the technology and energy sectors and, going forward, they believe equities and real estate will offer the best rate of return. One in five investors (20%) – 23% of investors with investments greater than \$250,000 and 16% with investments of less than \$250,000 – identified technology as the best performing sector. Only 9% of investors say technology will be the worst performing sector in 2005.

Health care was the most controversial sector—with 18% of investors predicting it would outperform in 2005 and nearly 1 in 4 investors (24%) predicting it would perform worst. Investors with invested assets of more than \$250,000 appeared more skeptical about the sector, with 23% saying it would tank and only 13% predicting outperformance.

### ***Most Investors Are Happy With Their Current Financial Security and Are Most Thankful About the Increased Value of their House; Investors are Also Optimistic About Leaving Their Children A Larger Inheritance***

A large majority (68%) of investors say they are as financially secure today as they hoped they would be 10 years ago and more (47%) credit the increased value of their houses than they do a rebound of their investments (22%). Not surprisingly, investors with investments of less than \$250,000 (51%) are more likely to be thankful for the increased value of their houses compared to investors with investments greater than \$250,000 (43%). Most investors (68%) also believe that they will provide a larger inheritance to their children than what they received or expect to receive.

Only minor differences were found based on Presidential preference and amount of investable assets.

***Investors are Focused on Retirement; Most Contribute the Maximum to their 401(k) or IRA***

Almost all investors (90%) have given either a “great deal” (55%) or “some” (35%) thought to retirement. Investors with investments greater than \$250,000 are more likely to have given a great deal of thought to retirement than investors with investments of less than \$250,000 (61% vs. 49%). Three in four investors – 77% of investors with investments of less than \$250,000 and 71% with investments greater than \$250,000 – cite retirement as the primary funding objective of their investments.

Investors are also taking full advantage of retirement vehicles available to them. Nine in ten investors (90%) – 87% of investors with investments of less than \$250,000 and 93% with investments greater than \$250,000 – participate in a 401(k) plan or IRA investment plan. Three in four (75%) – 69% of investors with investments of less than \$250,000 and 81% with investments greater than \$250,000 – are contributing the maximum amount.

***Most Investors Believe They Will Live Comfortably in Retirement; Over Half Think They Will Need More than \$1 Million to Retire;***

More than 4 in 5 investors (84%) are optimistic that they will live comfortably in retirement. This is especially the case with investors with investments greater than \$250,000 (90%), but 77% of investors with investments of less than \$250,000 also believe they will live well. Investors who voted for President Bush (86%) are more likely to believe that they will live comfortably in retirement than investors who voted for Senator Kerry (74%).

Over half of investors (55%) believe they will need \$1 million dollars or more to retire, and the average investor says he will need about \$1.9 million to retire (\$1.4 million is the average estimate for investors with investments of less than \$250,000 and \$2.4 for investors with investments of more than \$250,000).

***Investors Want to Retire at an Average Age of 61***

More than one-third of investors (35%) say they would like to retire by the time they are 60, half of investors hope to retire between the ages of 60 and 65, and only 16% of investors want to retire after age 65. The age the average investor wants to retire is 61. These opinions did not vary much by the amount of assets they had invested.

The overall lack of faith in Social Security helps explain why many investors say they will have to work until they are 61 or even 65 to retire. More than half of investors (53%) say they will have to work until at least 61 to achieve their asset goal for retirement. Nearly 1 in 4 investors (22%) believe they will have to work past 65 to achieve their asset goal.

“Apparently there is a contradiction between investors’ optimism about retirement lifestyle and expectations about the age they can retire and the amount they need to have saved,” said Richardson. “To live comfortably, investors will need to either save more or work longer, and if they haven’t started planning early, maybe both.”

## ***Investors Say They Understand Tax Implications and Want After-Tax Performance Information***

Investors generally believe they are well informed about the tax implications of their investments. Eight in ten (80%) claim that they carefully examine their investment statements with this in mind, and more than 8 in 10 (85%) say that the impact of taxes on their stock mutual fund returns is important to them. Nearly 9 in 10 investors (87%) say that they consider the disclosure by mutual fund organizations of the tax implications of their investments (including differences between pre-tax and after-tax returns) to be important.

## ***But Investor Knowledge About the Tax Implications of Investing is Actually Low***

Investors say that the tax implications of their investments are important to them, however, as results from the Eaton Vance November 2004 Investor Study indicate, investors' actual level of knowledge about the subject is low. Many are unaware of current tax rates, are unfamiliar with the Alternative Minimum Tax and generally know little about tax-managed investing. One third of financial advisors don't discuss taxes and 29% of investors have to raise the topic of taxes themselves. When informed about the advantageous tax treatment of dividends and the historical advantage of tax-managed investing, the majority of investors surveyed became more interested. This lack of investor knowledge and advisor education has repeatedly shown up in Eaton Vance's investor surveys.

For instance, in this year's survey, nearly 1 in 4 investors (24%) – 34% of investors with investments of less than \$250,000 and 13% of investors with investments greater than \$250,000 are not aware of their tax bracket. This is a very high number considering that the tax code was recently changed. There is low awareness among investors of the maximum federal tax rate on 1) ordinary income (only 26% of investors are aware that it is 35%); 2) qualified dividend income (only 16% of investors are aware it is 15% for those with a tax bracket greater than 25%); and long-term capital gains (only 22% of investors are aware that it is 15% for those with a tax bracket greater than 25%).

## ***Investors Understand Little About Tax-Managed Investing***

Investors know little about tax-managed investing and are unable to identify the circumstances under which tax-managed investing is appropriate. Less than one-third of investors (31%) are aware of investments specifically designed to maximize after-tax returns: 24% of investors with investments of less than \$250,000 and 38% of investors with investments greater than \$250,000 are currently aware of tax-managed funds.

Investors also demonstrate a lack of knowledge about what types of investments are best held inside of or outside of a qualified plan for tax purposes. For instance, more investors say they would be inclined to hold a tax-managed fund in a qualified retirement plan (43%, including 45% of investors with investments of less than \$250,000 and 40% with investments greater than \$250,000) rather than outside of a plan (42%) and 1 in 5 investors (16%) say they are unsure.

## ***More Than Half of Investors Have Never Heard of the Alternative Minimum Tax (AMT); Few are Aware That One Third of US Taxpayers Will Be Subject to the AMT in 5 Years***

Over half of investors (53%), including 68% of investors with investments less than \$250,000 and 38% with investments greater than \$250,000, say they do not know what the AMT is. Yet, by 2010,

30 million Americans – or one-third of all taxpayers – will be subject to the AMT. Most investors do not know this (40%) or use a lower figure (43%) when estimating the number.

One-third of investors who use a broker or financial advisor (33%) – 41% of investors with investments of less than \$250,000 and 28% of investors with investments greater than \$250,000 – say that this person rarely or never discusses the tax implications of their investments with them. Even fewer investors (8%) say their broker or financial planner has discussed the AMT with them.

The fact that more than half of investors who are aware of the AMT (55%) – 39% of investors with investments of less than \$250,000 and 70% with investments greater than \$250,000 – express concern that they will be subject to the AMT indicates how important it is for financial advisors to raise the issue with their clients.

### ***Investors Are Concerned About Capital Gains Taxes; Many Think They Will Owe Less This Year Than Last***

A majority of investors (51%) paid capital gains taxes in 2003. Those with investments greater than \$250,000 (65%) and Bush voters (52%) were more likely to have paid capital gains taxes than investors with investments of less than \$250,000 (37%) and investors who voted for Senator Kerry (40%).

Many investors (54%) say they are concerned that they may be subject to increasing capital gains taxes. The now over 2-year-old bull market is reacquainting investors with the reality of sharing their investment returns with Uncle Sam. Investors who voted for President Bush are much more likely (62%) than investors who voted for Senator Kerry (42%) to be concerned.

Yet, surprisingly, only 41% of investors – 32% of investors with investments of less than \$250,000 and 49% of investors with investments greater than \$250,000 – expect to pay capital gains taxes this year. Most mutual fund investors may be in for a rude awakening. A recent report from Lipper Inc., the New York fund-research firm, predicts investors should anticipate a rise in capital gains taxes over the next few years as tax-loss carry forwards are exhausted. According to published reports by Chicago-based fund researcher Morningstar, the average potential loss had shrunk from almost 50% at the end of 2002 to 8% by mid-year 2004.

“Investors express concern about taxes and the tax implications of investing, but are confused by a subject that can, very quickly, become complicated. As with the weather, there is a lot of talk but, unlike the weather, investors *can do something about taxes*,” said Richardson. “There is a great opportunity for financial advisors to help their clients lower their tax drag by discussing tax basics, the AMT, and the implications of recent tax legislation.”

### ***About the Eaton Vance Investor Survey***

This summary highlights the major findings of a comprehensive telephone study among 1,000 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 and money market funds). This study, which represents a detailed portrait of American investors’ attitudes and practices about investing, specifically with reference to the *tax implications* of investing, was conducted by Penn, Schoen & Berland Associates, Inc. for Eaton Vance Company.

The study was conducted during the third week of November 2004. It is a random census-balanced representative poll of American households. Quotas were set so that 50% of respondents had investable assets of less than \$250,000 and 50% had investable assets greater than \$250,000. The margin of error for this study is +/- 3.1% at the 95% confidence level; for the asset and Bush voter sub-groups the margin of error is +/- 4.4%, and for the Kerry voter group it is +/-5.2%.

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

Eaton Vance Corp. is a Boston-based investment management firm whose stock trades on the New York Stock Exchange under the symbol EV. Eaton Vance and its affiliates manage over \$94 billion in assets as of October 31, 2004, for more than 100 investment companies, as well as individual and institutional accounts, including those of corporations, hospitals, retirement plans, universities, foundations and trusts.

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