INVESTMENT NEWS & NOTES

Investors Increasingly Risk Averse; Little Reallocation Taking Place Despite Stock Market Rise

(NAPSA)—Given the roller coaster stock market of the last few years, it should not be surprising that investors have become increasingly risk-averse. According to the fifth annual investor survey commissioned by Boston-based investment manager Eaton Vance, two-thirds of investors (67 percent) say they have less appetite for investment risk-taking than in the past due to stock market volatility. Nine of 10 investors (89 percent) say that minimizing risk is an important consideration for them in making investment decisions.

The nationwide survey, conducted by Penn, Schoen and Berland Associates, reveals that most investors continue to be sensitive to the risks of investing a large portion of their assets in a single company's stock. Nearly nine of 10 investors (88 percent) believe that it is too risky to have a large percentage of their personal assets invested in a single stock. Further, nearly two-thirds of investors (63 percent) say that the recent stock market volatility and highly visible scandals involving leading corporations have changed their views on the risks of single-stock investing. Among investors who have received stock options or other stock-based compensation, over half (51 percent) express concern about having significant financial exposure to their current or former employer.

Risk considerations are causing more investors to consider using a financial advisor. A majority of direct investors (52 percent) say that the greater perceived risks of investing in the stock market make them more likely to consider using a financial professional to manage their portfolios than previously.

Despite the significant stock market rise in the past year and the reported increase in risk-sensitivity, most investors seem to be standing pat with their investment programs. Only four in 10 investors (42 percent) say they have reallocated any of their investments in the past year.

Among investors who did reallocate their portfolios, 40 percent increased their exposure to stocks and about a third (32 percent) reduced their stock exposure. Only six percent increased allocations to cash and other short-term investments, compared to 19 percent who reduced cash and other short-term investment allocations. Twenty-five percent of investors who did reallocate increased their exposure to bonds and other fixed-income investments, while 22 percent cut their fixed-income exposure.

"There is an apparent contradiction between investors' growing concern about risk and their lack of action to lower the risk profile of their portfolios," stated Thomas E. Faust Jr., Executive Vice President and Chief Investment Officer of Eaton Vance. "Investors say they want to lower risk but don't seem to be acting in a way that achieves that objective."

Eaton Vance and its affiliates manage approximately $85 billion in assets as of March 31, 2004, for more than 70 mutual funds and thousands of individual and institutional accounts, including those of corporations, hospitals, retirement plans, universities, foundations and trusts.

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