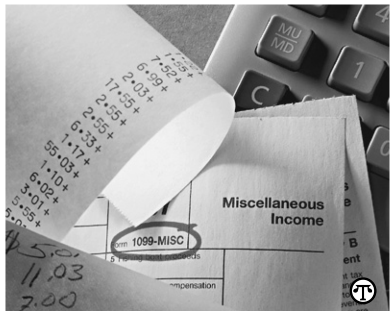
THE TAX PICTURE

Feeling Taxed by Taxes?

(NAPSA)—A recent report by Lipper Inc. found that, despite poor equity returns and eight-year-low total distribution payouts, U.S. mutual fund investors in taxable accounts still paid Uncle Sam an estimated $8.6 billion in 2002. According to the study, over the last 10 years, taxable equity and fixed-income mutual fund shareholders, on average, have given up almost 1.8 percentage points and 1.5 percentage points, respectively, in returns because of taxes. As a result, shareholders are giving up, on average, over 25 percent of their returns to government coffers. The report states, for equity funds, pre-liquidation tax burden is generally two times larger than any other component of drag on performance for the 10-year period ended December 31, 2002.

Consider this hypothetical, but realistic, example. If a conventionally managed equity fund investment returns 10.0 percent in one year and derives 3.0 percent of that return from dividend income and short-term gains distributions, 5.0 percent from long-term gains distributions and 2.0 percent from price appreciation, its real return could be only 7.8 percent after federal income taxes. In other words, 22 percent of the fund's total return could be lost to taxes. And that's before state and local taxes payable upon exiting the fund!

What's an investor to do? Consider tax-managed equity funds. Tax-managed equity funds employ a number of investment techniques and strategies directed



toward the objective of long-term, after-tax returns. A tax-managed equity fund can reduce shareholder taxes by shifting the mix of returns toward distributions of long-term gains taxed at federal income tax rates of up to 20 percent and away from income and short-term gain distributions taxed at federal rates of up to 38.6 percent. A tax-managed equity fund can delay shareholder taxes by holding most of its successful investments well beyond the one-year holding period necessary to qualify for long-term gains treatment, allowing for the minimization of taxes until shareholders exit the fund.

Mutual fund investors fall into two categories—those who pay taxes on distributed income and gains, and those who don't. The latter group consists primarily of investors in qualified retirement accounts like IRAs and 401(k) plans. For qualified plan investors, all fund returns, regardless of type, are tax-deferred until the plan account is liquidated. In contrast, investors holding funds in taxable accounts must pay taxes on fund distributions of income and realized gains in the year the distributions are made. Because they are taxed differently, the interests of qualified plan investors and taxable investors in the same fund may not always be fully aligned.

Today, Eaton Vance and its affiliates offer more tax-managed funds than any other investment organizations. The firm manages $18 billion in tax-managed equity assets and offers a family of eight such funds as of March 31, 2003.

"With the SEC now requiring after-tax performance disclosure, and shareholders increasingly seeking ways to maximize returns in uncertain markets, Eaton Vance is responding to a very real demand among investors and their financial professionals for a family of funds that emphasizes both superior pre- and after-tax returns," observed Thomas E. Faust Jr., Eaton Vance Corp. Executive Vice President and the firm's Chief Investment Officer.

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 $55.5 billion in assets as of March 31, 2003 for more than 70 mutual funds, as well as individual and institutional accounts, including those of corporations, hospitals, retirement plans, universities, foundations and trusts.

For more complete information on Eaton Vance mutual funds, including charges and expenses, contact your financial advisor for a prospectus. Read the prospectus carefully before investing.