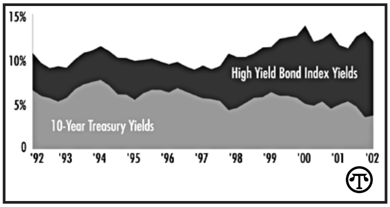
MANAGING YOUR MONEY

Looking For Yield?

(NAPSA)—People are seeking more attractive yields from their investments these days. And is it any wonder, with the stock market delivering three consecutive years of negative returns and interest rates at 40-year lows? Take a closer look at the high-yield bond market. High-yield, or below-investment-grade, bonds are issued by companies with lower credit ratings. To compensate investors for the higher risks involved, high-yield bonds typically pay higher yields than those available from other fixed-income alternatives. A benefit of high-yield bonds is a higher rate of income from higher coupon payments. Positive industry trends, as well as announcements by specific borrowers of constructive developments, such as improved earnings, mergers, or acquisitions, can result in capital appreciation.

Billionaire Warren Buffet of Berkshire Hathaway, also known as the "Oracle of Omaha," is bullish about high-yield bonds. His eagerly anticipated annual letter to shareholders highlighted a movement of his investments from equities to high-yield. According to the recent letter, Buffet made sensible investments in high-yield or "junk bonds" last year, and Berkshire Hathaway's commitments increased six-fold. This investing giant's endorsement seems to reflect a developing trend. According to The Investment Company Institute, the ongoing bear market resulted in equity fund out-flows of $27 billion for 2002. In contrast, high-yield bond funds saw positive new cash flow of $11 billion for 2002, up 36 percent from the previous year.



Historically, high-yield bonds have had a low correlation to other major asset classes. However, like a common stock with its risks, high-yield bonds tend to react more to underlying company fundamentals than to interest rate fluctuations. This similarity can positively impact high-yield bonds during an economic recovery. The opportunity may exist for potentially higher equity-like returns in the high-yield market. A slowly improving economy that delivers sustained growth, along with stabilized and rising corporate earnings and an end to the credit crunch, can be all positives in the high-yield market. High-yield bonds are less sensitive to interest rate changes, therefore, less likely to be as severely impacted as high-grade bonds should interest rates climb. As part of an overall asset allocation plan, high-yield bonds may provide investors with an effective way to achieve diversification.

Michael Weilheimer, co-manager of Eaton Vance's high-yield portfolios, including Income Fund of Boston, advocates allocating a portion of one's investment portfolio to the high-yield bond market, noting, "the market may benefit from several key factors, such as a stabilizing economy with slow, but steady growth; improving environment for access to capital; and a downward trend in the default rate, which means losses due to credit deteriorization could be meaningfully lower."

The spread between 10-year U.S. Treasury bonds and high-yield bonds typically widens in periods of economic instability and had widened to near historical highs at year-end 2002. In early April 2003, the spread was approximately 7.50 percent, having closed somewhat during the first quarter. However, this means high-yield bonds may still be relatively inexpensive compared to their historical averages. The SEC 30-Day Yield for Income Fund of Boston A-shares as of March 31, 2003 was 8.78 percent. As of the same date, the average annual total returns for A shares of Income Fund of Boston was -0.25 percent for one year, -3.35 percent for three years, 0.26 percent for five years, 6.02 percent for 10 years and 8.80 percent since inception on June 15, 1972.

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