INVESTMENT OPPORTUNITIES

Is Now The Time To Re-Examine Utilities?

(NAPSA)—The utilities sector has historically been a safe-haven for investors. In the past few years, trends such as deregulation, coupled with recent corporate scandals, such as those of Enron and WorldCom, have radically changed the landscape of utilities. Although the sector has experienced volatility over the past few years, there are many indicators pointing toward a rebound.

Many believe that the sector has seen the bottom and is now poised for growth opportunities. Judith A. Saryan, manager of Eaton Vance Utilities Fund, believes that we have "either seen the worst or at least very close to it." In particular, one significant factor points to positive momentum. On a valuation basis, utilities are looking very attractive and are often selling at better values than other sectors of the market. The instances of corporate scandal have caused the companies within the industry to restructure, cut expenses, and put extra emphasis on honest financial statements. Accounting practices are being monitored more closely than ever. Against the backdrop of the overall market showing signs of a recovery, utilities appear to be a bargain as a sector that is appealing on a valuation basis in comparison to other areas of the market.

An Increasing Current of Popularity? Many believe the utility sector is poised for a rebound.

Eaton Vance Utilities Fund (A-shares without sales charges) has beaten the S&P 500 Composite Index and the S&P Utilities Index for the one-, three-, five- and ten-year periods as of 11/30/02. The Fund's A-shares are ahead of more than 97 percent of its peers in the Lipper Utilities Classification year-to-date as of December 6, 2002 according to Lipper Inc. With the sector having taken such tricky turns, conservative management has proven that it was still possible to beat the market in tough times.

What have been a few of Ms. Saryan's successful strategies? First, she has found that through holding more "traditional" utilities—companies that are regulated and pay dividends—risk has been minimized. Although there are many good investments both in regulated and de-regulated utilities, the key is keeping an eye on future change in regulations. If a significant change in legislation is on the horizon, decisions have to be made in regard to how the new regulations will affect certain companies and industries within the sector. Second, diversifying a portfolio with international holdings spreads out risk geographically. Third, a strict sell discipline helps to decrease risk as well. Also, emphasizing predictability in the companies she invests in, as opposed to focusing only on potential big returns, is key in an unstable market. All of these elements have helped to keep Eaton Vance Utilities Fund ahead of the game.

Ms. Saryan made an early call on the stocks of Enron and WorldCom, choosing to exit the Fund's position in these companies before scandal erupted—and did so at a profit. She says, "Our main way of reducing risk is fundamental analysis; we really are on top of the companies." She could not make sense of the financial reports of these corporations and felt that the companies' balance sheets were no longer sound. Relying on conviction in her analytical ability and research proved to be critical.

Eaton Vance Corp., a Boston-based investment management firm, is traded on the New York Stock Exchange under the symbol EV. Eaton Vance and its affiliates manage over $57 billion in assets.