INVESTMENT TRENDS

Survey: Despite Concerns, Shareholders Not Taking Action To Minimize Risk

(NAPSA)—According to a new survey, investors are not taking significant action to minimize risk, despite concerns about the current bear market and recessionary economy.

Investor sentiment is split over whether the U.S. economy will experience a continued recession or an economic recovery in 2002. More than four in 10 (43 percent) believe the U.S. will experience a continued recession, and five percent are not sure whether the recession will continue. Only a slight majority (52 percent) say that an economic recovery will take place in 2002.

According to the third annual investor survey released by Eaton Vance Corp., fewer investors expect the S&P 500 and NASDAQ Composite Index to have positive returns in 2002, compared to last year. Less than half of investors (49 percent) believe that S&P 500 returns will be positive this current year (2002). When asked the same question at the beginning of 2001, 62 percent projected a positive return. Similarly, less than half of investors (44 percent) believe that returns for the NASDAQ Composite Index will be positive in the current year. At the beginning of 2001, 52 percent projected a positive return.

Six in 10 investors (61 percent) say that because of recent developments in the stock market, they have less appetite for risk. But most investors are not actually taking measures to diversify their portfolios or rid themselves of mutual funds and stocks that may be poor investments. Only one in four (25 percent) has ever redeemed or sold a mutual fund because of poor performance; only 16 percent have reallocated or increased their investments in bonds because of the recent volatility in the stock market; and only one in five has changed the amount he or she normally invests in mutual funds (21 percent) or individual stocks (19 percent).

Few investors are actually taking steps to protect themselves in the stock market.

Despite lowered expectations of investment returns, investors have not changed their philosophy or style of investing because of recent losses in the stock market. More say they are more comfortable being a momentum investor (42 percent) than taking a contrary approach (31 percent). More than half (54 percent) label themselves as growth investors rather than value investors (30 percent).

More than eight in 10 investors (81 percent) say that technology stocks will be a good (36 percent) or fair (45 percent) investment in 2002. Investors are more bullish about technology in this year's survey compared to last year's (76 percent good or fair investment). Nearly all investors (98 percent) say that technology stocks will be either a good (73 percent) or fair (25 percent) investment over the next three years. This is higher than last year (91 percent). Investor sentiment about technology stocks has not, however, corresponded with investment activity. Four in 10 (41 percent) say that they have decreased, rather than increased (18 percent), their exposure to technology stocks as part of their overall investment portfolio.

The uncertainty about the stock market outlook is reflected in attitudes about the risk of index funds. In 2002, nearly half of investors (45 percent) say that investments in index funds have become more risky over the past five years, an increase compared to 2001 (39 percent). By a nearly two to one margin, investors say that they are less likely (50 percent), not more likely (27 percent), to invest in index funds over the next couple of years. Interestingly, six in 10 (66 percent) do not know that Standard & Poor's makes decisions about adding a stock to the S&P 500 Index on the basis of whether the addition would make the index more representative of the U.S. economy.

Eaton Vance Corp., a Boston-based investment management firm, is traded on the New York Stock Exchange under the symbol EV.