INVESTMENT TRENDS

Minds Over Moods

(NAPSA)—A cynic, when asked the difference between an optimist and a pessimist, responds, “The pessimist knows more.” Not necessarily, say experts on economics.

“Investors are currently facing one of the most chaotic markets of this century,” said Duncan W. Richardson, Chief Equity Strategist of Eaton Vance Management. “The existing pre-attack economic uncertainty has been magnified over the last month and we have new concerns about our physical safety and jobs. Now is the time for our minds, not our moods to drive our investment decisions. If we step back from the tragic events of September 11th and view the underpinnings of our stock market, many positives emerge.”

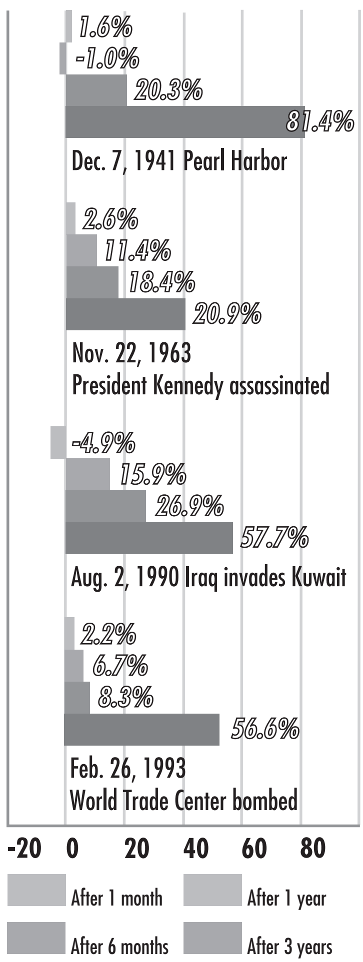
The Fed has lowered rates faster and to a greater degree than in any point in its history, including the 1987 crash and the Long Term Capital debacle. Stimulus is in the pipeline, there is room for further actions and the Fed appears ready to do whatever is necessary to rescue the economy. This is extremely positive for stocks.

A previously divided partisan government has united in the wake of the September 11th disaster in a way America hasn’t since Pearl Harbor. Congress so far has given the President the money he seeks. Security forces will be built up, infrastructures will be repaired, and the transportation system will be bailed out. While potentially inflationary, inflation is well down on our worry list. This short-term increase in government spending should be stimulative to the economy while offsetting some of the slowdown in the consumer.

This crisis has occurred well along in a bear market whose duration and decline had already reached or exceeded most historical precedents. Risk taking over the past 18 months has been unrewarding, to put it mildly.

U.S. Market Recovery after Tragedy

Cumulative return of the S&P 500 after tragic events



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While downturns are always part of the equity experience, few were prepared for the speed and severity of the decline of the speculative bubble created in the late ‘90s. Valuation levels are increasingly attractive across many market sectors, and sentiment and technical measures were already approaching bearish extremes.

Today there is over $2.2 trillion sitting in short-term instruments, yielding approximately three percent. A three percent rate of return in a taxable account means that after taxes and inflation, investors are losing money. Sooner or later much of this money will move to the equity markets from which it fled over the last 18 months. This is extremely positive for stocks.

“In our mind, with all of these positives, the probability for successful equity market participation is high,” stated Mr. Richardson. “Optimists armed with a realistic plan for taking market risks should be well rewarded. To take advantage of today’s market, sit down with your advisor and put together a written investment plan based on realistic goals and time horizon—three to five years is a minimum. Reposition your assets in accordance with that plan. Take losses where appropriate to offset future gains. Tax planning now can save taxes in the future. Remember, rash, emotionally driven investment decisions on asset allocation, sectors and individual stocks generally prove to be wrong.”

“Successful investment comes from properly assessing risks and rewards,” he continued. “Our mood remains anxious but our mind knows the market will anticipate an economic recovery well before the news headlines are positive. The rewards from equities may not approach the tremendous returns over the last 20 years, but we believe they will be superior to most other asset alternatives.”

Eaton Vance Management, a wholly-owned subsidiary of Eaton Vance Corp., and its affiliates manage over $50 billion (as of September 30, 2001) in assets for more than 70 mutual funds, individuals and various institutional accounts, including those of corporations, hospitals, retirement plans, universities, foundations and trusts.