

Eaton Vance Short Duration Diversified Income Fund  
Form N-CSRS  
July 08, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-21563

Eaton Vance Short Duration Diversified Income Fund  
(Exact name of registrant as specified in charter)

The Eaton Vance Building, 255 State Street, Boston, Massachusetts  
(Address of principal executive offices)

02109  
(Zip code)

Alan R. Dynner  
The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109  
(Name and address of agent for service)

Registrant's telephone number, including area code: (617) 482 8260

Date of fiscal year end: October 31

Date of reporting period: April 30, 2005

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**Item 1. Reports to Stockholders**

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Semiannual Report April 30, 2005

EATON VANCE  
SHORT  
DURATION  
DIVERSIFIED  
INCOME  
FUND

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**IMPORTANT NOTICES REGARDING PRIVACY,  
DELIVERY OF SHAREHOLDER DOCUMENTS,  
PORTFOLIO HOLDINGS AND PROXY VOTING**

**Privacy.** The Eaton Vance organization is committed to ensuring your financial privacy. Each of the financial institutions identified below has in effect the following policy ("Privacy Policy") with respect to nonpublic personal information about its customers:

Only such information received from you, through application forms or otherwise, and information about your Eaton Vance fund transactions will be collected. This may include information such as name, address, social security number, tax status, account balances and transactions.

None of such information about you (or former customers) will be disclosed to anyone, except as permitted by law (which includes disclosure to employees necessary to service your account). In the normal course of servicing a customer's account, Eaton Vance may share information with unaffiliated third parties that perform various required services such as transfer agents, custodians and broker/dealers.

Policies and procedures (including physical, electronic and procedural safeguards) are in place that are designed to protect the confidentiality of such information.

We reserve the right to change our Privacy Policy at any time upon proper notification to you. Customers may want to review our Policy periodically for changes by accessing the link on our homepage: [www.eatonvance.com](http://www.eatonvance.com).

Our pledge of privacy applies to the following entities within the Eaton Vance organization: the Eaton Vance Family of Funds, Eaton Vance Management, Eaton Vance Investment Counsel, Boston Management and Research, and Eaton Vance Distributors, Inc.

In addition, our Privacy Policy only applies to those Eaton Vance customers who are individuals and who have a direct relationship with us. If a customer's account (i.e., fund shares) is held in the name of a third-party financial adviser/broker-dealer, it is likely that only such adviser's privacy policies apply to the customer. This notice supersedes all previously issued privacy disclosures.

For more information about Eaton Vance's Privacy Policy, please call 1-800-262-1122.

**Delivery of Shareholder Documents.** The Securities and Exchange Commission (the "SEC") permits funds to deliver only one copy of shareholder documents, including prospectuses, proxy statements and shareholder reports, to fund investors with multiple accounts at the same residential or post office box address. This practice is often called "householding" and it helps eliminate duplicate mailings to shareholders.

**Eaton Vance, or your financial adviser, may household the mailing of your documents indefinitely unless you instruct Eaton Vance, or your financial adviser, otherwise.**

If you would prefer that your Eaton Vance documents not be househanded, please contact Eaton Vance at 1-800-262-1122, or contact your financial adviser.

Your instructions that householding not apply to delivery of your Eaton Vance documents will be effective within 30 days of receipt by Eaton Vance or your financial adviser.

**Portfolio Holdings.** The Fund and its underlying Portfolio will file a schedule of its portfolio holdings on Form N-Q with the SEC for the first and third quarters of each fiscal year. The Form N-Q will be available on the Eaton Vance website [www.eatonvance.com](http://www.eatonvance.com), by calling Eaton Vance at 1-800-262-1122 or in the EDGAR database on the SEC's website at [www.sec.gov](http://www.sec.gov). Form N-Q may also be reviewed and copied at the SEC's public reference room in Washington, D.C. (call 1-800-732-0330 for information on the operation of the public reference room).

**Proxy Voting.** From time to time, funds are required to vote proxies related to the securities held by the funds. The Eaton Vance Funds or their underlying Portfolios (if applicable) vote proxies according to a set of policies and procedures approved by the Funds' and Portfolios' Boards. You may obtain a description of these policies and procedures and information on how the Fund or Portfolio voted proxies relating to portfolio securities during the 12 month period ended June 30, without charge, upon request, by calling 1-800-262-1122. This description is also available on the SEC's website at [www.sec.gov](http://www.sec.gov).

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**Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005**

**INVESTMENT UPDATE**

**The Fund**

**Performance**

We are pleased to welcome the shareholders of Eaton Vance Short Duration Diversified Income Fund (the Fund), a closed-end fund traded on the New York Stock Exchange under the symbol EVG. Based on the Fund's April 2005 monthly dividend of \$0.113 and a closing share price of \$18.01, the Fund had a market yield of 7.50% as of April 30, 2005.(1)

Based on share price (traded on the New York Stock Exchange), the Fund had a total return of -5.12% during the period from inception on February 28, 2005 through April 30, 2005. That return was the result of a decrease in share price from \$19.10 (offering price, less all commissions and fees) on February 28, 2005 to \$18.01 on April 30, 2005 and the reinvestment of \$0.113 in monthly dividends.(2)

Based on net asset value (NAV) per share for the period from inception on February 28, 2005 through April 30, 2005, the Fund had a total return of -0.59%. This return resulted from a decrease in NAV per share from \$19.10 (offering price, less all commissions and fees) on February 28, 2005 to \$18.87 on April 30, 2005, and the reinvestment of \$0.113 in monthly dividends.(2)

**Management Discussion**

The Fund's investment objective is to provide a high level of current income from a diversified short duration portfolio. The Fund invests primarily in three categories: senior floating-rate loans, foreign obligations and mortgage-backed securities. In its initial months of operation, the Fund's managers directed their efforts at investing and diversifying the Fund's assets within these three categories.

Within the senior, floating-rate loan segment, the Fund had exposure to companies that respond to economic growth, as well as non-cyclical companies whose earnings are less dependent on economic expansion. At April 30, 2005, the Fund's loan investments spanned 35 industries, with no single industry representing as much as 4% of the Fund's net assets. The Fund's largest industry weightings at April 30, 2005 were publishing, health care, telecommunications, automotive and building and development.

Due to relatively stable credit conditions and continuing strong technical factors, credit spreads in the loan market remained at historical lows and prices were slightly above par at the beginning of 2005. However, in recent weeks, loan pricing eased slightly in response to significant spread widening in the high-yield bond market. Importantly, the loan market once again demonstrated relatively lower volatility than the high-yield and equity markets. This was largely due to the seniority and floating-rate characteristics of loans.

Within the mortgage-backed securities (MBS) segment, management focused the Fund's investments on the seasoned segment of the market. In a stable to rising interest rate environment, seasoned MBS typically benefit from declining prepayment rates and tighter yield spreads over U.S. Treasuries. Yield spreads on seasoned MBS have tightened approximately 35-40 basis points (0.35-0.40%) since the inception of the Fund on February 28, 2005, while prepayments have stabilized in the 20-25% per annum range.

The Fund's investments in foreign obligations generally took the form of long and short forward foreign currency contracts and other foreign obligation derivatives. In Europe, the Fund's currency exposures included the Polish zloty, the Slovakian koruna and the Turkish lira, all declining during the period. However, this loss was partially offset by the Fund's short position in the euro, which was under pressure due, in part, to speculation that referenda on the European Union constitution would fail. The Fund's Asian currency exposure was also modestly negative, as the Indonesian rupiah, Thai baht and Taiwanese dollar registered declines. The Fund was modestly helped by its investments in a rising Indian rupee.

Shares of the Fund are not insured by the FDIC and are not deposits or other obligations of, or guaranteed by, any depository institution. Shares are subject to investment risks, including possible loss of principal invested. Yield will vary.

*Past performance is no guarantee of future results. Returns are historical and are calculated by determining the percentage change in net asset value or share price (as applicable) with all distributions reinvested. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Performance is for the stated time period only; due to market volatility, the Fund's current performance may be lower or higher than the quoted return.*

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(1) *The Fund's market yield is calculated by dividing the most recent dividend per share by the share market price at the end of the period and annualizing the result.*

(2) *Share price and net asset value on 2/28/05 are calculated assuming an offering price of \$20.00, less the sales load of \$0.90 per share paid by the shareholder.*

*The views expressed in this report are those of the portfolio managers and are current only through the end of the period of the report as stated on the cover. These views are subject to change at any time based upon market or other conditions, and Eaton Vance disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for an Eaton*

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*Vance fund are based on many factors, may not be relied on as an indication of trading intent on behalf of any Eaton Vance fund.*

**Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005**

**PERFORMANCE**

**Performance (1)**

|  |         |
|--|---------|
| Average Annual Total Return (by share price, NYSE)<br>Life of Fund (2/28/05) | -5.12%% |
| Average Annual Total Return (at net asset value)<br>Life of Fund (2/28/05)   | -0.59%  |

(1) Share price and net asset value on 2/28/05 are calculated assuming an offering price of \$20.00, less the sales load of \$0.90 per share paid by the shareholder.

Past performance is no guarantee of future results. Returns are historical and are calculated by determining the percentage change in net asset value or share price (as applicable) with all distributions reinvested. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Performance is for the stated time period only; due to market volatility, the Fund's current performance may be lower or higher than the quoted return.

**Fund Allocations (2)**

(2) Fund Allocations are as of 4/30/05 and are as a percentage of the Fund's total leveraged assets. Total leveraged



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assets include all assets of the Fund (including those acquired with financial leverage), the notional value of long and short forward foreign currency contracts and other foreign obligations derivatives held by the Fund. Fund Allocations are subject to change due to active management. The following Portfolio of Investments is reported based on a percentage of total net assets. Please refer to definition of total leveraged assets within the Notes to Financial Statements included herein.

## Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005

## PORTFOLIO OF INVESTMENTS (Unaudited)

| Senior, Floating Rate Interests - 48.1% <sup>(1)</sup> |                                  |   |               |
|--|----------------------------------|---|---------------|
| Principal Amount                                       |                                  | Borrower/Tranche Description  | Value         |
| Aerospace and Defense - 0.7%                           |                                  |   |               |
|  | Hexcel Corp.                     |   |               |
| \$ 1,000,000   |                                  | Term Loan, 4.83%,<br>Maturing March 1,<br>2012                      | \$ 1,012,344  |
|  | K&F Industries, Inc.             |   |               |
|  | 620,476                          | Term Loan, 5.57%,<br>Maturing<br>November 18, 2012                  | 631,657       |
|  | Vought Aircraft Industries, Inc. |   |               |
|  | 181,818                          | Term Loan, 5.02%,<br>Maturing<br>December 17, 2011                  | 184,545       |
|  | 816,257                          | Term Loan, 5.57%,<br>Maturing<br>December 22, 2011                  | 829,011       |
|  |                                  |   | \$ 2,657,557  |
| Air Transport - 0.2%                                   |                                  |   |               |
|  | United Airlines, Inc.            |   |               |
| \$ 726,478   |                                  | DIP Loan, 8.00%,<br>Maturing June 30,<br>2005                       | \$ 731,321    |
|  |                                  |   | \$ 731,321    |
| Automotive - 3.4%                                      |                                  |   |               |
|  | Accuride Corp.                   |   |               |
| \$ 808,409   |                                  | Term Loan, 5.31%,<br>Maturing January 31,<br>2012                   | \$ 809,082    |
|  | Affina Group, Inc.               |   |               |
|  | 995,000                          | Term Loan, 5.44%,<br>Maturing<br>November 30, 2011                  | 1,008,184     |
|  | CSA Acquisition Corp.            |   |               |
|  | 382,375                          | Term Loan, 5.13%,<br>Maturing<br>December 23, 2011                  | 384,127       |
|  | 615,125                          | Term Loan, 5.13%,<br>Maturing<br>December 23, 2011                  | 617,944       |
|  | Exide Technologies               |   |               |
|  | 1,549,748                        | Term Loan, 6.15%,<br>Maturing May 5, 2010                           | EUR 1,995,646 |
|  | Goodyear Tire & Rubber Co.       |   |               |
|  | 1,000,000                        | Revolving Loan,<br>0.00%, Maturing<br>April 30, 2010 <sup>(2)</sup> | 996,875       |
|  | 635,000                          | Term Loan, 5.89%,<br>Maturing April 30,<br>2010                     | 630,805       |
|  | 500,000                          | Term Loan, 6.64%,<br>Maturing March 1,<br>2011                      | 476,250       |
|  | HLI Operating Co., Inc.          |   |               |

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|                                 |                            |  |               |
|---------------------------------|----------------------------|--|---------------|
|                                 | 500,000                    | Term Loan, 8.69%,<br>Maturing June 3, 2010         | 498,750       |
| R.J. Tower Corp.                |                            |  |               |
|                                 | 370,000                    | DIP Loan, 6.19%,<br>Maturing February 2,<br>2007   | 374,086       |
| Tenneco Automotive, Inc.        |                            |  |               |
|                                 | 963,141                    | Term Loan, 5.12%,<br>Maturing<br>December 12, 2009 | 983,207       |
|                                 | 418,922                    | Term Loan, 5.11%,<br>Maturing<br>December 12, 2010 | 427,649       |
| Trimas Corp.                    |                            |  |               |
|                                 | 997,501                    | Term Loan, 6.90%,<br>Maturing<br>December 31, 2009 | 1,013,294     |
| TRW Automotive, Inc.            |                            |  |               |
|                                 | 997,500                    | Term Loan, 3.88%,<br>Maturing October 31,<br>2010  | 1,002,176     |
|                                 | 997,500                    | Term Loan, 4.38%,<br>Maturing June 30,<br>2012     | 1,000,867     |
|                                 |                            |  | \$ 12,218,942 |
| Principal<br>Amount             |                            | Borrower/Tranche<br>Description                    | Value         |
| Beverage and Tobacco - 0.5%     |                            |  |               |
|                                 | Constellation Brands, Inc. |  |               |
| \$                              | 1,246,250                  | Term Loan, 4.99%,<br>Maturing<br>November 30, 2011 | \$ 1,258,615  |
| National Dairy Holdings, L.P.   |                            |  |               |
|                                 | 500,000                    | Term Loan, 4.97%,<br>Maturing March 15,<br>2012    | 506,562       |
|                                 |                            |  | \$ 1,765,177  |
| Building and Development - 3.1% |                            |  |               |
|                                 | AIMCO Properties, L.P.     |  |               |
| \$                              | 1,500,000                  | Term Loan, 4.75%,<br>Maturing November 2,<br>2009  | \$ 1,526,250  |
| General Growth Properties, Inc. |                            |  |               |
|                                 | 2,000,000                  | Term Loan, 5.11%,<br>Maturing<br>November 12, 2007 | 2,011,980     |
| LNR Property Corp.              |                            |  |               |
|                                 | 1,469,955                  | Term Loan, 5.81%,<br>Maturing March 8,<br>2008     | 1,477,856     |
| NCI Building Systems, Inc.      |                            |  |               |
|                                 | 750,000                    | Term Loan, 4.75%,<br>Maturing June 18,<br>2010     | 760,078       |
| Nortek, Inc.                    |                            |  |               |
|                                 | 1,000,000                  | Term Loan, 5.59%,<br>Maturing August 27,<br>2011   | 1,014,375     |
| Stile Acquisition Corp.         |                            |  |               |
|                                 | 194,834                    | Term Loan, 6.75%,<br>Maturing April 6,             | 195,139       |



## Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005

## PORTFOLIO OF INVESTMENTS (Unaudited) CONT'D

| Principal Amount                      |              | Borrower/Tranche Description                        | Value         |
|---------------------------------------|--------------|---|---------------|
| Cable and Satellite Television - 3.0% |              |   |               |
| Adelphia Communications Corp.         |              |   |               |
| \$                                    | 500,000      | DIP Loan, 5.38%,<br>Maturing March 31,<br>2006      | \$ 502,578    |
| Charter Communications Operating, LLC |              |   |               |
|                                       | 2,500,000    | Term Loan, 6.19%,<br>Maturing April 27,<br>2010     | 2,466,902     |
| NTL Investment Holdings Ltd.          |              |   |               |
|                                       | 1,000,000    | Term Loan, 8.00%,<br>Maturing April 13,<br>2011     | GBP 1,924,727 |
| Telewest Global Finance, LLC          |              |   |               |
|                                       | 1,000,000    | Term Loan, 2.25%,<br>Maturing<br>December 22, 2012  | GBP 1,923,365 |
| UGS Corp.                             |              |   |               |
|                                       | 1,995,000    | Term Loan, 4.87%,<br>Maturing March 31,<br>2012     | 2,034,900     |
| UPC Broadband Holdings B.V.           |              |   |               |
|                                       | 1,500,000    | Term Loan, 4.27%,<br>Maturing<br>September 30, 2012 | EUR 1,928,464 |
|                                       |              |   | \$ 10,780,936 |
| Chemicals and Plastics - 1.4%         |              |   |               |
| Huntsman International, LLC           |              |   |               |
| \$                                    | 1,227,318    | Term Loan, 5.50%,<br>Maturing<br>December 31, 2010  | \$ 1,249,103  |
| Innophos, Inc.                        |              |   |               |
|                                       | 748,120      | Term Loan, 5.36%,<br>Maturing August 13,<br>2010    | 756,069       |
| Niagara Acquisition, Inc.             |              |   |               |
|                                       | 1,000,000    | Term Loan, 5.13%,<br>Maturing February 11,<br>2012  | 1,012,500     |
| Rockwood Specialties Group            |              |   |               |
|                                       | 1,500,000    | Term Loan, 5.13%,<br>Maturing July 30,<br>2012      | EUR 1,957,726 |
|                                       |              |   | \$ 4,975,398  |
| Clothing/Textiles - 0.1%              |              |   |               |
| St. John Knits International, Inc.    |              |   |               |
| \$                                    | 175,000      | Term Loan, 5.60%,<br>Maturing March 23,<br>2012     | \$ 176,750    |
|                                       |              |   | \$ 176,750    |
| Conglomerates - 1.3%                  |              |   |               |
|                                       | Gentek, Inc. |   |               |

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|                                       |            |  |               |
|---------------------------------------|------------|--|---------------|
|                                       | \$ 750,000 | Term Loan, 5.81%,<br>Maturing February 25,<br>2011 | \$ 748,711    |
| Goodman Global Holdings, Inc.         |            |  |               |
|                                       | 500,000    | Term Loan, 5.50%,<br>Maturing<br>December 23, 2011 | 508,437       |
| Johnson Diversey, Inc.                |            |  |               |
|                                       | 255,000    | Term Loan, 4.64%,<br>Maturing<br>November 30, 2009 | 256,912       |
|                                       | 1,372,825  | Term Loan, 5.01%,<br>Maturing<br>November 30, 2009 | 1,391,487     |
| PP Acquisition Corp.                  |            |  |               |
|                                       | 1,110,000  | Term Loan, 5.35%,<br>Maturing<br>November 12, 2011 | 1,123,875     |
| Rexnord Corp.                         |            |  |               |
|                                       | 466,101    | Term Loan, 6.27%,<br>Maturing<br>November 25, 2009 | 467,995       |
|                                       |            |  | \$ 4,497,417  |
|                                       |            |  |               |
| Principal<br>Amount                   |            | Borrower/Tranche<br>Description                    | Value         |
| Containers and Glass Products - 2.5%  |            |  |               |
|                                       | Ball Corp. |  |               |
| \$                                    | 1,054,532  | Term Loan, 4.81%,<br>Maturing<br>December 31, 2009 | \$ 1,059,146  |
| Berry Plastics Corp.                  |            |  |               |
|                                       | 852,287    | Term Loan, 4.77%,<br>Maturing June 30,<br>2010     | 866,670       |
| Celanese Holdings, LLC                |            |  |               |
|                                       | 998,778    | Term Loan, 5.63%,<br>Maturing April 6,<br>2009     | 1,017,661     |
|                                       | 996,368    | Term Loan, 4.69%,<br>Maturing April 6,<br>2011     | EUR 1,302,340 |
| Graham Packaging Holdings Co.         |            |  |               |
|                                       | 1,246,875  | Term Loan, 5.64%,<br>Maturing October 7,<br>2011   | 1,264,910     |
|                                       | 500,000    | Term Loan, 7.31%,<br>Maturing April 7,<br>2012     | 513,062       |
| Graphic Packaging International, Inc. |            |  |               |
|                                       | 1,000,000  | Term Loan, 5.51%,<br>Maturing August 8,<br>2009    | 1,015,375     |
| Smurfit-Stone Container Corp.         |            |  |               |
|                                       | 341,166    | Term Loan, 2.10%,<br>Maturing November 1,<br>2010  | 347,403       |
|                                       | 1,037,207  | Term Loan, 4.80%,<br>Maturing November 1,<br>2011  | 1,054,817     |
|                                       | 617,481    | Term Loan, 4.92%,<br>Maturing November 1,<br>2011  | 627,965       |

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|  |                               |  |              |
|--|-------------------------------|--|--------------|
|  |                               |  | \$ 9,069,349 |
| Cosmetics/Toiletries - 0.5%              |                               |  |              |
|  | American Safety Razor Co.     |  |              |
| \$                                       | 500,000                       | Term Loan, 5.71%,<br>Maturing February 28,<br>2012 | \$ 508,750   |
| Prestige Brands, Inc.                    |                               |  |              |
|  | 750,000                       | Term Loan, 5.38%,<br>Maturing April 7,<br>2011     | 760,937      |
| Revlon Consumer Products Corp.           |                               |  |              |
|  | 656,250                       | Term Loan, 9.24%,<br>Maturing July 9, 2010         | 684,141      |
|  |                               |  | \$ 1,953,828 |
| Drugs - 0.4%                             |                               |  |              |
|  | Warner Chilcott Corp.         |  |              |
| \$                                       | 316,964                       | Term Loan, 5.72%,<br>Maturing January 18,<br>2012  | \$ 320,134   |
|  | 146,429                       | Term Loan, 5.72%,<br>Maturing January 18,<br>2012  | 147,893      |
|  | 786,607                       | Term Loan, 6.73%,<br>Maturing January 18,<br>2012  | 794,473      |
|  |                               |  | \$ 1,262,500 |
| Ecological Services and Equipment - 0.6% |                               |  |              |
|  | Allied Waste Industries, Inc. |  |              |
| \$                                       | 202,703                       | Term Loan, 4.87%,<br>Maturing January 15,<br>2010  | \$ 203,324   |
|  | 547,297                       | Term Loan, 5.14%,<br>Maturing January 15,<br>2012  | 549,194      |
| Environmental Systems, Inc.              |                               |  |              |
|  | 744,557                       | Term Loan, 6.51%,<br>Maturing<br>December 12, 2008 | 758,983      |
| Sensus Metering Systems, Inc.            |                               |  |              |
|  | 434,783                       | Term Loan, 5.43%,<br>Maturing<br>December 17, 2010 | 439,130      |
|  | 65,217                        | Term Loan, 5.43%,<br>Maturing<br>December 17, 2010 | 65,870       |
|  |                               |  | \$ 2,016,501 |

See notes to financial statements

## Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005

## PORTFOLIO OF INVESTMENTS (Unaudited) CONT'D

| Principal Amount                |   | Borrower/Tranche Description                        | Value        |
|---------------------------------|---|---|--------------|
| Electronics/Electrical - 1.5%   |   |   |              |
|                                 | AMI Semiconductor, Inc.                       |   |              |
| \$ 255,000                      |   | Term Loan, 4.36%,<br>Maturing April 1,<br>2012      | \$ 256,753   |
| Amphenol Corp.                  |   |   |              |
|                                 | 1,150,000                                     | Term Loan, 4.33%,<br>Maturing May 6, 2010           | 1,165,992    |
| Memec Group, Ltd.               |   |   |              |
|                                 | 1,000,000                                     | Term Loan, 5.53%,<br>Maturing June 15,<br>2009      | 1,000,000    |
| Rayovac Corp.                   |   |   |              |
|                                 | 1,500,000                                     | Term Loan, 4.86%,<br>Maturing February 1,<br>2015   | 1,527,657    |
| Telcordia Technologies, Inc.    |   |   |              |
|                                 | 425,000                                       | Term Loan, 5.83%,<br>Maturing<br>September 15, 2012 | 423,141      |
| United Online, Inc.             |   |   |              |
|                                 | 461,111                                       | Term Loan, 5.95%,<br>Maturing<br>December 13, 2008  | 467,451      |
| Vertafore, Inc.                 |   |   |              |
|                                 | 498,750                                       | Term Loan, 5.62%,<br>Maturing<br>December 22, 2010  | 505,608      |
|                                 |   |   | \$ 5,346,602 |
| Equipment Leasing - 0.4%        |   |   |              |
|                                 | Ashtead Group, PLC                            |   |              |
| \$ 1,000,000                    |   | Term Loan, 5.31%,<br>Maturing<br>November 12, 2009  | \$ 1,014,375 |
| Maxim Crane Works, L.P.         |   |   |              |
|                                 | 500,000                                       | Term Loan, 8.56%,<br>Maturing January 28,<br>2012   | 514,062      |
|                                 |   |   | \$ 1,528,437 |
| Financial Intermediaries - 0.8% |   |   |              |
|                                 | Fidelity National Information Solutions, Inc. |   |              |
| \$ 1,817,625                    |   | Term Loan, 4.66%,<br>Maturing March 9,<br>2013      | \$ 1,813,081 |
| Refco Group Ltd., LLC           |   |   |              |
|                                 | 996,914                                       | Term Loan, 5.02%,<br>Maturing August 5,<br>2011     | 1,006,883    |
|                                 |   |   | \$ 2,819,964 |
| Food Products - 1.4%            |   |   |              |
|                                 | Acosta Sales Co., Inc.                        |   |              |
| \$ 1,250,000                    |   |   | \$ 1,267,187 |



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|                                 |           |   |              |
|---------------------------------|-----------|---|--------------|
|                                 |           | Term Loan, 5.58%,<br>Maturing August 13,<br>2010    |              |
| Doane Pet Care Co.              |           |   |              |
|                                 | 750,000   | Term Loan, 6.70%,<br>Maturing November 5,<br>2009   | 764,531      |
| Dole Food Company, Inc.         |           |   |              |
|                                 | 250,000   | Term Loan, 4.57%,<br>Maturing April 18,<br>2012     | 250,000      |
| Herbalife International, Inc.   |           |   |              |
|                                 | 997,500   | Term Loan, 4.66%,<br>Maturing<br>December 21, 2010  | 1,015,580    |
| Michael Foods, Inc.             |           |   |              |
|                                 | 1,000,000 | Term Loan, 6.59%,<br>Maturing<br>November 20, 2011  | 1,030,000    |
| Nash-Finch Co.                  |           |   |              |
|                                 | 500,000   | Term Loan, 5.00%,<br>Maturing<br>November 12, 2010  | 508,125      |
|                                 |           |   | \$ 4,835,423 |
| Principal<br>Amount             |           | Borrower/Tranche<br>Description                     | Value        |
|                                 |           | Food Service - 0.9%                                 |              |
| Denny's, Inc.                   |           |   |              |
| \$                              | 997,502   | Term Loan, 6.33%,<br>Maturing<br>September 21, 2009 | \$ 1,023,687 |
|                                 |           | Domino's, Inc.                                      |              |
|                                 | 1,163,146 | Term Loan, 4.88%,<br>Maturing June 25,<br>2010      | 1,182,532    |
|                                 |           | Jack in the Box, Inc.                               |              |
|                                 | 985,380   | Term Loan, 4.70%,<br>Maturing January 8,<br>2011    | 1,000,777    |
|                                 |           |   | \$ 3,206,996 |
|                                 |           | Food/Drug Retailers - 1.1%                          |              |
| General Nutrition Centers, Inc. |           |   |              |
| \$                              | 997,475   | Term Loan, 5.97%,<br>Maturing December 5,<br>2009   | \$ 1,009,527 |
|                                 |           | Rite Aid Corp.                                      |              |
|                                 | 1,241,880 | Term Loan, 4.73%,<br>Maturing<br>September 22, 2009 | 1,250,418    |
|                                 |           | The Jean Coutu Group (PJC), Inc.                    |              |
|                                 | 1,496,241 | Term Loan, 5.50%,<br>Maturing July 30,<br>2011      | 1,520,905    |
|                                 |           |   | \$ 3,780,850 |
|                                 |           | Forest Products - 0.4%                              |              |
| RLC Industries Co.              |           |   |              |
| \$                              | 1,523,158 | Term Loan, 4.59%,<br>Maturing February 24,<br>2010  | \$ 1,530,774 |
|                                 |           |   | \$ 1,530,774 |

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| Healthcare - 3.4%              |           |   |            |
|--------------------------------|-----------|---|------------|
| Alliance Imaging, Inc.         |           |   |            |
| \$                             | 493,429   | Term Loan, 5.39%,<br>Maturing<br>December 29, 2011  | \$ 500,214 |
| AMN Healthcare, Inc.           |           |   |            |
|                                | 442,413   | Term Loan, 6.10%,<br>Maturing October 2,<br>2008    | 447,667    |
| AMR HoldCo, Inc.               |           |   |            |
|                                | 500,000   | Term Loan, 5.35%,<br>Maturing February 10,<br>2012  | 506,875    |
| Colgate Medical, Ltd.          |           |   |            |
|                                | 1,315,789 | Term Loan, 5.09%,<br>Maturing<br>December 30, 2008  | 1,332,237  |
| Community Health Systems, Inc. |           |   |            |
|                                | 997,494   | Term Loan, 4.64%,<br>Maturing August 19,<br>2011    | 1,009,859  |
| Encore Medical IHC, Inc.       |           |   |            |
|                                | 592,500   | Term Loan, 5.90%,<br>Maturing October 4,<br>2010    | 601,017    |
| Envision Worldwide, Inc.       |           |   |            |
|                                | 500,000   | Term Loan, 8.13%,<br>Maturing<br>September 30, 2010 | 505,000    |
| Healthsouth Corp.              |           |   |            |
|                                | 446,875   | Term Loan, 5.52%,<br>Maturing June 14,<br>2007      | 449,738    |
|                                | 53,125    | Term Loan, 2.85%,<br>Maturing March 21,<br>2010     | 53,465     |
| Kinetic Concepts, Inc.         |           |   |            |
|                                | 432,308   | Term Loan, 4.85%,<br>Maturing August 11,<br>2010    | 439,198    |
| Knowledge Learning Corp.       |           |   |            |
|                                | 959,259   | Term Loan, 5.56%,<br>Maturing January 7,<br>2012    | 969,001    |
| Lifepoint Hospitals, Inc.      |           |   |            |
|                                | 815,000   | Term Loan, 4.58%,<br>Maturing April 15,<br>2012     | 817,547    |

See notes to financial statements

## Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005

## PORTFOLIO OF INVESTMENTS (Unaudited) CONT'D

| Principal Amount                 |           | Borrower/Tranche Description                        | Value         |
|----------------------------------|-----------|---|---------------|
| Healthcare (continued)           |           |   |               |
| Medcath Holdings Corp.           |           |   |               |
| \$                               | 498,744   | Term Loan, 5.55%,<br>Maturing June 30,<br>2011      | \$ 505,913    |
| National Mentor, Inc.            |           |   |               |
|                                  | 997,494   | Term Loan, 5.27%,<br>Maturing<br>September 30, 2011 | 1,013,080     |
| Select Medical Holding Corp.     |           |   |               |
|                                  | 500,000   | Term Loan, 4.63%,<br>Maturing February 24,<br>2012  | 499,312       |
| Talecris Biotherapeutics, Inc.   |           |   |               |
|                                  | 250,000   | Term Loan, 6.17%,<br>Maturing March 31,<br>2010     | 251,250       |
| Triad Hospitals Holdings, Inc.   |           |   |               |
|                                  | 1,304,921 | Term Loan, 5.07%,<br>Maturing<br>September 30, 2006 | 1,319,058     |
| Vanguard Health Holding Co., LLC |           |   |               |
|                                  | 748,120   | Term Loan, 6.34%,<br>Maturing<br>September 23, 2011 | 762,849       |
|                                  |           |   | \$ 11,983,280 |
| Home Furnishings - 0.4%          |           |   |               |
| Jarden Corp.                     |           |   |               |
| \$                               | 498,750   | Term Loan, 5.09%,<br>Maturing January 24,<br>2012   | \$ 501,815    |
| Oreck Corp.                      |           |   |               |
|                                  | 500,000   | Term Loan, 5.85%,<br>Maturing February 2,<br>2012   | 506,250       |
| Sealy Mattress Co.               |           |   |               |
|                                  | 555,000   | Term Loan, 4.94%,<br>Maturing April 6,<br>2012      | 558,237       |
|                                  |           |   | \$ 1,566,302  |
| Industrial Equipment - 0.6%      |           |   |               |
| Douglas Dynamics Holdings, Inc.  |           |   |               |
| \$                               | 997,500   | Term Loan, 5.02%,<br>Maturing<br>December 16, 2010  | \$ 1,004,981  |
| MTD Products, Inc.               |           |   |               |
|                                  | 1,250,000 | Term Loan, 4.63%,<br>Maturing June 1, 2010          | 1,256,250     |
|                                  |           |   | \$ 2,261,231  |
| Insurance - 0.4%                 |           |   |               |
| Conseco, Inc.                    |           |   |               |
| \$                               | 500,000   |   | \$ 509,792    |

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|                     |   |  |               |
|---------------------|---|--|---------------|
|                     |   | Term Loan, 6.56%,<br>Maturing June 22,<br>2010     |               |
|                     | Hilb, Rogal & Hobbs Co.                     |  |               |
|                     | 975,056                                     | Term Loan, 5.38%,<br>Maturing June 30,<br>2007     | 989,073       |
|                     |   |  | \$ 1,498,865  |
|                     | Leisure Goods/Activities/Movies - 3.0%      |  |               |
|                     | Cinemark, Inc.                              |  |               |
| \$                  | 1,480,038                                   | Term Loan, 4.35%,<br>Maturing March 31,<br>2011    | \$ 1,508,252  |
|                     | Fender Musical Instruments Co.              |  |               |
|                     | 250,000                                     | Term Loan, 9.25%,<br>Maturing March 30,<br>2012    | 248,750       |
|                     | Loews Cineplex Entertainment Corp.          |  |               |
|                     | 2,020,201                                   | Term Loan, 4.01%,<br>Maturing July 30,<br>2011     | 2,053,976     |
|                     | Metro-Goldwyn-Mayer Holdings                |  |               |
|                     | 2,165,000                                   | Term Loan, 5.38%,<br>Maturing April 8,<br>2012     | 2,170,075     |
| Principal<br>Amount |   | Borrower/Tranche<br>Description                    | Value         |
|                     | Leisure Goods/Activities/Movies (continued) |  |               |
|                     | Regal Cinemas Corp.                         |  |               |
| \$                  | 1,994,962                                   | Term Loan, 4.84%,<br>Maturing<br>November 10, 2010 | \$ 2,026,668  |
|                     | Six Flags Theme Parks, Inc.                 |  |               |
|                     | 1,497,487                                   | Term Loan, 5.38%,<br>Maturing June 30,<br>2009     | 1,504,819     |
|                     | Universal City Development Partners, Ltd.   |  |               |
|                     | 997,500                                     | Term Loan, 4.90%,<br>Maturing June 9, 2011         | 1,013,086     |
|                     |   |  | \$ 10,525,626 |
|                     | Lodging and Casinos - 2.0%                  |  |               |
|                     | CNL Hospitality Partners, L.P.              |  |               |
| \$                  | 500,000                                     | Term Loan, 5.39%,<br>Maturing October 13,<br>2006  | \$ 508,125    |
|                     | Isle of Capri Casinos, Inc.                 |  |               |
|                     | 1,995,000                                   | Term Loan, 4.61%,<br>Maturing February 4,<br>2012  | 2,024,177     |
|                     | Marina District Finance Co., Inc.           |  |               |
|                     | 997,500                                     | Term Loan, 4.99%,<br>Maturing October 14,<br>2011  | 1,010,385     |
|                     | Pinnacle Entertainment, Inc.                |  |               |
|                     | 1,000,000                                   | Term Loan, 6.07%,<br>Maturing August 27,<br>2010   | 1,015,625     |
|                     | Resorts International Holdings, LLC         |  |               |
|                     | 231,299                                     | Term Loan, 7.25%,<br>Maturing March 24,            | 231,299       |

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|                                   |   |              |
|-----------------------------------|---|--------------|
|                                   | 2012  |              |
|                                   | Term Loan, 8.81%,<br>Maturing March 22,<br>2013               |              |
| 195,000                           |   | 195,000      |
| Venetian Casino Resort, LLC       |   |              |
|                                   | Term Loan, 0.00%,<br>Maturing June 15,<br>2011 <sup>(2)</sup> |              |
| 256,410                           |   | 257,532      |
|                                   | Term Loan, 4.81%,<br>Maturing June 15,<br>2011                |              |
| 1,243,590                         |   | 1,252,450    |
| Wynn Las Vegas, LLC               |   |              |
|                                   | Term Loan, 5.18%,<br>Maturing<br>December 14, 2011            |              |
| 500,000                           |   | 508,203      |
|                                   |   | \$ 7,002,796 |
| Nonferrous Metals/Minerals - 1.0% |   |              |
| Foundation Coal Corp.             |   |              |
|                                   | Term Loan, 5.03%,<br>Maturing July 30,<br>2011                |              |
| \$ 961,170                        |   | \$ 976,388   |
| Murray Energy Corp.               |   |              |
|                                   | Term Loan, 5.94%,<br>Maturing January 28,<br>2010             |              |
| 750,000                           |   | 752,813      |
| Novelis, Inc.                     |   |              |
|                                   | Term Loan, 4.50%,<br>Maturing January 6,<br>2012              |              |
| 512,241                           |   | 520,449      |
|                                   | Term Loan, 4.50%,<br>Maturing January 6,<br>2012              |              |
| 889,682                           |   | 903,937      |
| Trout Coal Holdings, LLC          |   |              |
|                                   | Term Loan, 9.75%,<br>Maturing March 23,<br>2012               |              |
| 500,000                           |   | 510,313      |
|                                   |   | \$ 3,663,900 |
| Oil and Gas - 1.7%                |   |              |
| El Paso Corp.                     |   |              |
|                                   | Term Loan, 5.88%,<br>Maturing<br>November 23, 2009            |              |
| \$ 1,244,980                      |   | \$ 1,255,441 |
| LB Pacific, L.P.                  |   |              |
|                                   | Term Loan, 6.01%,<br>Maturing March 3,<br>2012                |              |
| 720,000                           |   | 726,750      |
| Lyondell-Citgo Refining, L.P.     |   |              |
|                                   | Term Loan, 4.59%,<br>Maturing May 21,<br>2007                 |              |
| 1,985,000                         |   | 2,016,016    |

See notes to financial statements

## Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005

## PORTFOLIO OF INVESTMENTS (Unaudited) CONT'D

| Principal Amount               |                                   | Borrower/Tranche Description                       | Value         |
|--------------------------------|-----------------------------------|--|---------------|
| Oil and Gas (continued)        |                                   |  |               |
|                                | Magellan Midstream Holdings, L.P. |  |               |
| \$                             | 468,801                           | Term Loan, 5.09%,<br>Maturing<br>December 10, 2011 | \$ 477,005    |
| Semgroup, L.P.                 |                                   |  |               |
|                                | 576,923                           | Term Loan, 6.50%,<br>Maturing August 27,<br>2008   | 583,233       |
|                                | 881,850                           | Term Loan, 7.50%,<br>Maturing August 27,<br>2008   | 891,496       |
|                                |                                   |  | \$ 5,949,941  |
| Publishing - 3.5%              |                                   |  |               |
|                                | Advanstar Communications, Inc.    |  |               |
| \$                             | 408,740                           | Term Loan, 7.57%,<br>Maturing<br>November 17, 2007 | \$ 411,721    |
| Advertising Directory Solution |                                   |  |               |
|                                | 990,750                           | Term Loan, 5.07%,<br>Maturing November 9,<br>2011  | 994,671       |
|                                | 997,500                           | Term Loan, 6.82%,<br>Maturing May 9, 2012          | 1,020,567     |
| CBD Media, LLC                 |                                   |  |               |
|                                | 980,392                           | Term Loan, 5.63%,<br>Maturing<br>December 31, 2009 | 994,894       |
| Dex Media East, LLC            |                                   |  |               |
|                                | 1,947,807                         | Term Loan, 4.64%,<br>Maturing May 8, 2009          | 1,979,053     |
| Dex Media West, LLC            |                                   |  |               |
|                                | 951,153                           | Term Loan, 4.76%,<br>Maturing March 9,<br>2010     | 966,015       |
| Liberty Group Operating, Inc.  |                                   |  |               |
|                                | 1,000,000                         | Term Loan, 5.13%,<br>Maturing February 28,<br>2012 | 1,015,208     |
| R.H. Donnelley Corp.           |                                   |  |               |
|                                | 1,994,987                         | Term Loan, 4.80%,<br>Maturing June 30,<br>2011     | 2,022,646     |
| SP Newsprint Co.               |                                   |  |               |
|                                | 652,602                           | Term Loan, 5.83%,<br>Maturing January 9,<br>2010   | 666,470       |
|                                | 320,394                           | Term Loan, 6.06%,<br>Maturing January 9,<br>2010   | 322,997       |
| World Directories ACQI Corp.   |                                   |  |               |
|                                | 1,500,000                         | Term Loan, 5.37%,<br>Maturing<br>November 29, 2013 | EUR 1,956,136 |

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|   |           |  |               |
|---|-----------|--|---------------|
|   |           |  | \$ 12,350,378 |
| Radio and Television - 1.3%             |           |  |               |
| ALM Media Holdings, Inc.                |           |  |               |
| \$                                      | 500,000   | Term Loan, 5.36%,<br>Maturing March 4,<br>2010     | \$ 500,000    |
| DirecTV Holdings, LLC                   |           |  |               |
|   | 1,255,000 | Term Loan, 4.45%,<br>Maturing April 13,<br>2013    | 1,260,177     |
| Nexstar Broadcasting, Inc.              |           |  |               |
|   | 394,048   | Term Loan, 4.87%,<br>Maturing October 1,<br>2012   | 396,839       |
|   | 415,952   | Term Loan, 4.87%,<br>Maturing October 1,<br>2012   | 418,898       |
| PanAmSat Corp.                          |           |  |               |
|   | 403,594   | Term Loan, 5.45%,<br>Maturing August 20,<br>2010   | 407,217       |
|   | 188,162   | Term Loan, 5.45%,<br>Maturing August 20,<br>2010   | 190,966       |
| Rainbow National Services, LLC          |           |  |               |
|   | 500,000   | Term Loan, 5.69%,<br>Maturing March 31,<br>2012    | 507,552       |
| Raycom National, LLC                    |           |  |               |
|   | 1,000,000 | Term Loan, 4.56%,<br>Maturing April 6,<br>2012     | 1,013,750     |
|   |           |  | \$ 4,695,399  |
| Principal Amount                        |           |  |               |
| Borrower/Tranche Description            |           |  |               |
| Value                                   |           |  |               |
| Retailers (Except Food and Drug) - 0.7% |           |  |               |
| Josten's Corp.                          |           |  |               |
| \$                                      | 1,000,000 | Term Loan, 5.19%,<br>Maturing October 4,<br>2011   | \$ 1,015,729  |
| Oriental Trading Co., Inc.              |           |  |               |
|   | 493,245   | Term Loan, 5.63%,<br>Maturing August 4,<br>2010    | 499,719       |
| Stewart Enterprises, Inc.               |           |  |               |
|   | 974,747   | Term Loan, 4.64%,<br>Maturing<br>November 19, 2011 | 987,540       |
|   |           |  | \$ 2,502,988  |
| Surface Transport - 0.3%                |           |  |               |
| Rural/Metro Operating Co., LLC          |           |  |               |
| \$                                      | 102,941   | Term Loan, 5.37%,<br>Maturing March 4,<br>2011     | \$ 103,263    |
|   | 397,059   | Term Loan, 5.43%,<br>Maturing March 4,<br>2011     | 398,300       |
| Sirva Worldwide, Inc.                   |           |  |               |
|   | 500,000   | Term Loan, 5.53%,<br>Maturing<br>December 10, 2010 | 492,813       |

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|  |           |  |    |            |
|--|-----------|--|----|------------|
|  |           |  | \$ | 994,376    |
| Telecommunications - 3.5%                    |           |  |    |            |
| Alaska Communications Systems Holdings, Inc. |           |  |    |            |
| \$   | 500,000   | Term Loan, 5.09%,<br>Maturing February 1,<br>2012  | \$ | 505,000    |
| Centennial Cellular Operating Co., LLC       |           |  |    |            |
|  | 748,111   | Term Loan, 5.45%,<br>Maturing February 9,<br>2011  |    | 758,281    |
| Fairpoint Communications, Inc.               |           |  |    |            |
|  | 2,000,000 | Term Loan, 5.17%,<br>Maturing February 8,<br>2012  |    | 2,025,500  |
| Intelsat Ltd.                                |           |  |    |            |
|  | 500,000   | Term Loan, 4.88%,<br>Maturing July 28,<br>2011     |    | 504,125    |
| NTelos, Inc.                                 |           |  |    |            |
|  | 498,750   | Term Loan, 5.57%,<br>Maturing February 18,<br>2011 |    | 498,958    |
| Qwest Corp.                                  |           |  |    |            |
|  | 2,000,000 | Term Loan, 7.39%,<br>Maturing June 4, 2007         |    | 2,060,626  |
| Spectrasite Communications, Inc.             |           |  |    |            |
|  | 997,500   | Term Loan, 4.52%,<br>Maturing May 23,<br>2012      |    | 1,007,371  |
| Stratos Global Corp.                         |           |  |    |            |
|  | 500,000   | Term Loan, 5.34%,<br>Maturing December 3,<br>2010  |    | 506,407    |
| Syniverse Holdings, Inc.                     |           |  |    |            |
|  | 498,750   | Term Loan, 5.01%,<br>Maturing February 15,<br>2012 |    | 507,478    |
| Triton PCS, Inc.                             |           |  |    |            |
|  | 750,000   | Term Loan, 6.32%,<br>Maturing<br>November 18, 2009 |    | 759,938    |
| Valor Telecom Enterprise, LLC                |           |  |    |            |
|  | 1,225,000 | Term Loan, 5.07%,<br>Maturing February 14,<br>2012 |    | 1,240,313  |
| Western Wireless Corp.                       |           |  |    |            |
|  | 2,000,000 | Term Loan, 6.01%,<br>Maturing May 31,<br>2011      |    | 2,011,458  |
|  |           |  | \$ | 12,385,455 |
| Utilities - 1.5%                             |           |  |    |            |
| Cogentrix Delaware Holdings, Inc.            |           |  |    |            |
| \$   | 400,000   | Term Loan, 4.71%,<br>Maturing April 14,<br>2012    | \$ | 401,400    |

See notes to financial statements



## Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005

## PORTFOLIO OF INVESTMENTS (Unaudited) CONT'D

| Principal Amount                    |  | Borrower/Tranche Description   | Value          |
|-------------------------------------|--|--|----------------|
|                                     | Utilities (continued)                  |  |                |
|                                     | KGen, LLC                              |  |                |
| \$                                  | 190,000                                | Term Loan, 5.64%,<br>Maturing August 5,<br>2011                                | \$ 186,200     |
|                                     | NRG Energy, Inc.                       |  |                |
|                                     | 546,875                                | Term Loan, 4.33%,<br>Maturing<br>December 24, 2011                             | 553,779        |
|                                     | 701,367                                | Term Loan, 5.25%,<br>Maturing<br>December 24, 2011                             | 710,222        |
|                                     | Pike Electric, Inc.                    |  |                |
|                                     | 750,000                                | Term Loan, 5.19%,<br>Maturing July 1, 2012                                     | 761,485        |
|                                     | Plains Resources, Inc.                 |  |                |
|                                     | 500,000                                | Term Loan, 4.87%,<br>Maturing July 23,<br>2010                                 | 507,032        |
|                                     | Reliant Energy, Inc.                   |  |                |
|                                     | 748,125                                | Term Loan, 6.04%,<br>Maturing<br>December 22, 2010                             | 749,060        |
|                                     | Texas Genco, LLC                       |  |                |
|                                     | 438,462                                | Term Loan, 4.00%,<br>Maturing<br>December 14, 2011                             | 442,389        |
|                                     | 1,058,885                              | Term Loan, 5.01%,<br>Maturing<br>December 14, 2011                             | 1,068,370      |
|                                     |  |  | \$ 5,379,937   |
|                                     |  | Total Senior, Floating<br>Rate Interests<br>(identified cost<br>\$171,772,407) | \$ 171,080,868 |
|                                     | Mortgage Pass-Throughs - 38.4%         |  |                |
| Principal Amount<br>(000's omitted) |  | Security   | Value          |
|                                     | Federal Home Loan Mortgage Corp.:      |  |                |
| \$                                  | 11,160                                 | 7.00%, with maturity<br>at 2013  | \$ 11,732,826  |
|                                     | 21,097                                 | 8.00%, with various<br>maturities to 2031                                      | 22,868,086     |
|                                     | 10,263                                 | 8.50%, with maturity<br>at 2031  | 11,375,634     |
|                                     | 1,675                                  | 9.00%, with maturity<br>at 2031  | 1,881,174      |
|                                     |  |  | \$ 47,857,720  |
|                                     | Federal National Mortgage Association: |  |                |
| \$                                  | 5,359                                  | 6.00%, with maturity<br>at 2026  | \$ 5,543,982   |
|                                     | 21,439                                 | 6.50%, with maturity<br>at 2018  | 22,328,785     |
|                                     | 8,121                                  |  | 8,752,456      |

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|   |       |  |               |
|---|-------|--|---------------|
|   |       | 7.50%, with maturity at 2028   |               |
|   | 1,024 | 8.50%, with maturity at 2027   | 1,132,209     |
|   | 801   | 9.00%, with maturity at 2028   | 894,163       |
|   | 3,130 | 10.00%, with various maturities to 2026                                | 3,624,090     |
|   |       |  | \$ 42,275,685 |
| Government National Mortgage Association: |       |  |               |
| \$  | 1,492 | 6.50%, with maturity at 2024   | \$ 1,566,873  |
|   | 1,462 | 8.00%, with maturity at 2017   | 1,590,652     |
|   | 7,931 | 9.00%, with maturities at 2026   | 8,905,584     |
|   |       |  | \$ 12,063,109 |
| Collateralized Mortgage Obligations:      |       |  |               |
| \$  | 6,149 | Federal Home Loan Mortgage Corp., Series 2137, Class Z, 6.00%, 3/15/29 | \$ 6,392,295  |

Principal Amount (000's omitted)

|    |        | Security  | Value          |
|----|--------|---|----------------|
| \$ | 6,686  | Federal Home Loan Mortgage Corp., Series 2167, Class BZ, 7.00%, 6/15/29         | \$ 7,125,838   |
|    | 606    | Federal National Mortgage Association, Series 1989-89, Class H, 9.00%, 11/25/19 | 666,895        |
|    | 10,060 | Federal National Mortgage Association, Series 1993-84, Class M, 7.50%, 6/25/23  | 10,603,513     |
|    | 3,342  | Federal National Mortgage Association, Series 1997-38, Class N, 8.00%, 5/20/27  | 3,606,973      |
|    | 5,662  | Federal National Mortgage Association, Series G-33, Class PT, 7.00%, 10/25/21   | 5,986,472      |
|    |        |   | \$ 34,381,986  |
|    |        | Total Mortgage Pass-Throughs (identified cost \$136,590,155)                    | \$ 136,578,500 |

Corporate Bonds & Notes - 0.4%

Security Value

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Principal  
Amount  
(000's omitted)

|  |       |  |  |              |
|--|-------|--|--|--------------|
| Financial Intermediaries - 0.1%                |       |  |  |              |
| General Motors Acceptance Corp., Variable Rate |       |  |  |              |
| \$   | 155   |  | 4.395%, 10/20/05   | \$ 154,686   |
|  | 40    |  | 3.695%, 5/18/06  | 39,217       |
|  |       |  |  | \$ 193,903   |
| Radio and Television - 0.3%                    |       |  |  |              |
| Paxson Communications Corp., Variable Rate     |       |  |  |              |
| \$   | 1,000 |  | 5.891%, 1/15/10 <sup>(3)</sup>                                       | \$ 995,000   |
|  |       |  |  | \$ 995,000   |
|  |       |  | Total Corporate<br>Bonds & Notes<br>(identified cost<br>\$1,197,215) | \$ 1,188,903 |
| Sovereign Issues - 1.1%                        |       |  |  |              |

Principal  
Amount  
(000's omitted)

|                      | Security       |  | Value        |
|----------------------|----------------|--|--------------|
| Republic of Colombia |                |  |              |
| \$ 9,304,000         | 11.75%, 3/1/10 | COP  | \$ 4,035,984 |
|                      |                |  | \$ 4,035,984 |
|                      |                | Total Sovereign Issues<br>(identified cost<br>\$4,139,465) | \$ 4,035,984 |

See notes to financial statements

## Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005

## PORTFOLIO OF INVESTMENTS (Unaudited) CONT'D

## U.S. Treasury Obligations - 5.9%

|                                     |        |                     |               |
|-------------------------------------|--------|---------------------|---------------|
| Principal Amount<br>(000's omitted) |        | Security            | Value         |
|                                     |        | United States       |               |
|                                     |        | Treasury Note,      |               |
| \$                                  | 20,000 | 12.75%, 11/15/10    | \$ 21,002,360 |
|                                     |        | Total U.S. Treasury |               |
|                                     |        | Obligations         |               |
|                                     |        | (identified cost    |               |
|                                     |        | \$21,332,531)       | \$ 21,002,360 |

## Commercial Paper - 8.4%

| Principal Amount | Maturity Date | Borrower   | Rate  | Amount        |
|------------------|---------------|--|-------|---------------|
| \$ 100,000       | 05/02/05      | Broadhollow Funding, LLC                                   | 3.10% | \$ 99,991     |
| 17,500,000       | 05/02/05      | Broadhollow Funding, LLC                                   | 3.00% | 17,498,542    |
| 12,450,000       | 05/02/05      | Ecolab, Inc.   | 2.98% | 12,448,970    |
|                  |               | Total Commercial Paper<br>(at amortized cost \$30,047,503) |       | \$ 30,047,503 |

## Gross Investments - 102.3%

(identified cost \$365,079,276) \$ 363,934,118

Less Unfunded Loan

Commitments - (0.4%) \$ (1,256,410)

## Net Investments - 101.9%

(identified cost \$363,822,866) \$ 362,677,708

Other Assets, Less Liabilities - (1.9%) \$ (6,902,916)

Net Assets - 100.0% \$ 355,774,792

EUR - Euro

GBP - British Pound

COP - Colombian Peso

(1) Senior floating-rate interests often require prepayments from excess cash flows or permit the borrower to repay at its election. The degree to which borrowers repay, whether as a contractual requirement or at their election, cannot be predicted with accuracy. As a result, the actual remaining maturity may be substantially less than the stated maturities shown. However, it is anticipated that the senior floating-rate interests will have an expected average life of approximately two to three years. The stated interest rate represents the weighted average interest rate of all contracts within the senior loan facility. Senior Loans typically have rates of interest which are redetermined either daily, monthly, quarterly or semi-annually by reference to a base lending rate, plus a premium. These base lending rates are primarily the London-Interbank Offered Rate ("LIBOR"), and secondarily the prime rate offered by one or more major United States banks (the "Prime Rate") and the certificate of deposit ("CD") rate or other base lending rates used by commercial lenders.

(2) Unfunded loan commitments. See Note 1E for description.

(3) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At April 30, 2005, the aggregate value of the securities is \$995,000 or 0.3% of the Fund's net assets.

See notes to financial statements



## Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005

## FINANCIAL STATEMENTS (Unaudited)

## Statement of Assets and Liabilities

As of April 30, 2005

|  |                |
|--|----------------|
| <b>Assets</b>  |                |
| Investments, at value (identified cost, \$363,822,866)                   | \$ 362,677,708 |
| Cash   | 7,389,455      |
| Foreign currency, at value (cost \$9,432)                                | 9,432          |
| Receivable from the Investment Adviser                                   | 5,000          |
| Receivable for open swap contracts                                       | 1,388,687      |
| Interest receivable  | 2,461,318      |
| Receivable for open forward foreign currency contracts                   | 610,303        |
| Prepaid expenses   | 16,081         |
| Total assets   | \$ 374,557,984 |
| <b>Liabilities</b>   |                |
| Payable for investments purchased  | \$ 16,438,448  |
| Payable for open forward foreign currency contracts                      | 1,583,039      |
| Payable to affiliate for Trustees' fees                                  | 8,530          |
| Other liabilities  | 15,626         |
| Accrued expenses   | 737,549        |
| Total liabilities  | \$ 18,783,192  |
| Net Assets   | \$ 355,774,792 |
| <b>Sources of Net Assets</b>   |                |
| Common Shares, \$0.01 par value, unlimited number of shares authorized,  |                |
| 18,855,000 shares issued and outstanding                                 | \$ 188,550     |
| Additional paid-in capital   | 359,223,426    |
| Accumulated net realized loss (computed on the basis of identified cost) | (4,351,177)    |
| Accumulated undistributed net investment income                          | 1,444,049      |
| Net unrealized depreciation (computed on the basis of identified cost)   | (730,056)      |
| Net Assets   | \$ 355,774,792 |
| <b>Net Asset Value</b>   |                |
| (\$355,774,792 ÷ 18,855,000 shares issued and outstanding)               | \$ 18.87       |

## Statement of Operations

For the Period Ended April 30, 2005<sup>(1)</sup>

|                             |              |
|-----------------------------|--------------|
| <b>Investment Income</b>    |              |
| Interest                    | \$ 3,123,483 |
| Total investment income     | \$ 3,123,483 |
| <b>Expenses</b>             |              |
| Investment adviser fee      | \$ 645,042   |
| Trustees' fees and expenses | 8,530        |

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|  |                |
|--|----------------|
| Custodian fee  | 38,899         |
| Legal and accounting services  | 24,630         |
| Organization expenses  | 20,000         |
| Printing and postage   | 12,992         |
| Transfer and dividend disbursing agent fees  | 10,496         |
| Miscellaneous  | 9,221          |
| Total expenses   | \$ 769,810     |
| Deduct -   |                |
| Reduction of custodian fee   | \$ 13,097      |
| Reduction of investment adviser fee  | 172,011        |
| Expense reimbursement from investment adviser  | 20,000         |
| Total expense reductions   | \$ 205,108     |
| Net expenses   | \$ 564,702     |
| Net investment income  | \$ 2,558,781   |
| Realized and Unrealized Gain (Loss)  |                |
| Net realized gain (loss) -   |                |
| Investment transactions (identified cost basis)  | \$ (976,160)   |
| Foreign currency and forward foreign currency exchange contract transactions           | (2,368,561)    |
| Net realized loss  | \$ (3,344,721) |
| Change in unrealized appreciation (depreciation) - Investments (identified cost basis) | \$ (1,145,158) |
| Swap contracts   | 1,388,687      |
| Foreign currency and forward foreign currency exchange contracts                       | (973,585)      |
| Net change in unrealized appreciation (depreciation)                                   | \$ (730,056)   |
| Net realized and unrealized loss \$  | (4,074,777)    |
| Net decrease in net assets from operations   | \$ (1,515,996) |

(1) For the period from the start of business, February 28, 2005, to April 30, 2005.

See notes to financial statements

## Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005

## FINANCIAL STATEMENTS (Unaudited) CONT'D

## Statement of Changes in Net Assets

| Increase (Decrease)<br>in Net Assets  | Period Ended<br>April 30, 2005 <sup>(1)</sup> |
|---|---|
| From operations -   |   |
| Net investment income   | \$ 2,558,781                                  |
| Net realized loss from investment transactions, foreign<br>currency<br>and forward foreign currency exchange contract<br>transactions                               | (3,344,721)                                   |
| Net change in unrealized appreciation (depreciation)<br>from<br>investments, swap contracts, foreign currency and<br>forward<br>foreign currency exchange contracts | (730,056)                                     |
| Net decrease in net assets from operations  | \$ (1,515,996)                                |
| Distributions to shareholders -   |   |
| From net investment income  | \$ (2,121,188)                                |
| Total distributions to shareholders   | \$ (2,121,188)                                |
| Capital share transactions -  |   |
| Proceeds from sale of common shares <sup>(2)</sup>  | \$ 360,035,000                                |
| Offering costs  | (723,024)                                     |
| Net increase in net assets from capital share transactions  | \$ 359,311,976                                |
| Net increase in net assets  | \$ 355,674,792                                |
| <b>Net Assets</b>   |   |
| At beginning of period  | \$ 100,000                                    |
| At end of period  | \$ 355,774,792                                |
| Accumulated undistributed<br>net investment income<br>included in net assets  |   |
| At end of period  | \$ 1,444,049                                  |

(1) For the period from the start of business, February 28, 2005, to April 30, 2005.

(2) Proceeds from sales of shares net of sales load paid of \$16,965,000.

See notes to financial statements



Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005

FINANCIAL STATEMENTS (Unaudited) CONT'D

Financial Highlights

|   | Period Ended<br>April 30, 2005 <sup>(1)(2)</sup> |
|---|--|
| Net asset value - Beginning of period <sup>(3)</sup>      | \$ 19.100  |
| Income (loss) from operations                             |  |
| Net investment income                                     | \$ 0.140   |
| Net realized and unrealized loss                          | (0.217)  |
| Total loss from operations                                | \$ (0.077)                                       |
| Less distributions  |  |
| From net investment income                                | \$ (0.113)                                       |
| Total distributions                                       | \$ (0.113)                                       |
| Offering costs charged to paid-in capital                 | \$ (0.040)                                       |
| Net asset value - End of period                           | \$ 18.870  |
| Market value - End of period                              | \$ 18.010  |
| Total Investment Return on Net Asset Value <sup>(4)</sup> | (0.59)%  |
| Total Investment Return on Market Value <sup>(4)</sup>    | (5.12)%  |

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005

FINANCIAL STATEMENTS (Unaudited) CONT'D

Financial Highlights

|  | Period Ended<br>April 30, 2005 <sup>(1)</sup> |
|--|---|
| <b>Ratios/Supplemental Data</b>                              |   |
| Net assets, end of period (000's omitted)                    | \$ 355,775                                    |
| <b>Ratios (As a percentage of average daily net assets):</b> |   |
| Net expenses   | 0.97% <sup>(5)</sup>                          |
| Net expenses after custodian fee reduction                   | 0.95% <sup>(5)</sup>                          |
| Net investment income  | 4.29% <sup>(5)</sup>                          |
| Portfolio Turnover   | 70%   |

The operating expenses of the Fund reflect a reduction of the investment adviser fee and a reimbursement of expenses by the Adviser. Had such actions not been taken, the ratios and net investment income per share would have been as follows:

|  |                      |
|--|----------------------|
| <b>Ratios (As a percentage of average daily net assets):</b> |                      |
| Expenses   | 1.29% <sup>(5)</sup> |
| Expenses after custodian fee reduction                       | 1.27% <sup>(5)</sup> |
| Net investment income  | 3.97% <sup>(5)</sup> |
| Net investment income per share                              | \$ 0.130             |

(1) For the period from the start of business, February 28, 2005, to April 30, 2005.

(2) Computed using average common shares outstanding.

(3) Net asset value at beginning of period reflects the deduction of the sales load of \$0.90 per share paid by the shareholder from the \$20.00 offering price.

(4) Total investment return on net asset value is calculated assuming a purchase at the offering price of \$20.00 less the sales load of \$0.90 per share paid by the shareholder on the first day and a sale at the net asset value on the last day of the period reported. Total investment return on market value is calculated assuming a purchase at the offering price of \$20.00 less the sales load of \$0.90 per share paid by the shareholder on the first day and a sale at the current market price on the last day of the period reported. Total investment return on net asset value and total investment return on market value are not computed on an annualized basis.

(5) Annualized.

See notes to financial statements

## Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005

### NOTES TO FINANCIAL STATEMENTS (Unaudited)

#### 1 Significant Accounting Policies

Eaton Vance Short Duration Diversified Income Fund (the Fund) is registered under the Investment Company Act of 1940, as amended, as a newly organized, diversified, closed-end management investment company. The Fund was organized under the laws of the Commonwealth of Massachusetts by an Agreement and Declaration of Trust dated April 15, 2004. The Fund's investment objective is to provide a high level of current income. The Fund may, as a secondary objective, also seek capital appreciation to the extent consistent with its primary goal of high current income. The Fund pursues its objectives by investing its assets primarily in; senior, secured floating-rate loans made to corporate and other business entities; bank deposits denominated in foreign currencies, debt obligations of foreign governmental and corporate issuers, including emerging market issuers, which are denominated in foreign currencies or U.S. dollars, and positions in foreign currencies (Foreign Obligations); and mortgage-backed securities that are issued, backed or otherwise guaranteed by the U.S. Government or its agencies or instrumentalities or that are issued by private issuers. These investments may consist of derivatives. Senior Loans are typically of below investment grade quality, as may be certain Foreign Obligations and other Fund investments. The following is a summary of significant accounting policies of the Fund. The policies are in conformity with accounting principles generally accepted in the United States of America.

A Investment Valuation - Marketable securities listed on foreign or U.S. securities exchanges generally are valued at closing sale prices or, if there were no sales, at the mean between the closing bid and asked prices therefore on the exchange where such securities are principally traded (such prices may not be used, however, where an active over-the-counter market in an exchange listed security better reflects current market value). Marketable securities listed on the NASDAQ National Market System generally are valued at the NASDAQ official closing price. Unlisted or listed securities for which closing sale prices are not available are valued at the mean between the latest bid and asked prices. An option is valued at the last sale price as quoted on the principal exchange or board of trade on which such option or contract is traded, or in the absence of a sale, at the mean between the last bid and asked prices. The Fund's investments include interests in senior floating rate loans (Senior Loans). Certain Senior Loans are deemed to be liquid because reliable market quotations are readily available for them. Liquid Senior Loans are valued on the basis of prices furnished by a pricing service. Other Senior Loans are valued at fair value by the Fund's investment adviser, EatonVance Management (EVM), under procedures established by the Trustees. In connection with determining the fair value of a Senior Loan, the investment adviser makes an assessment of the likelihood that the borrower will make a full repayment of the Senior Loan. The primary factors considered by the investment adviser when making this assessment are (i) the creditworthiness of the borrower, (ii) the value of the collateral backing the Senior Loan, and (iii) the priority of the Senior Loan versus other creditors of the borrower. If, based on its assessment, the investment adviser believes there is a reasonable likelihood that the borrower will make a full repayment of the Senior Loan, the investment adviser will determine the fair value of the Senior Loan using a matrix pricing approach that considers the yield on the Senior Loan relative to yields on other loan interests issued by companies of comparable credit quality. If, based on its assessment, the investment adviser believes there is not a reasonable likelihood that the borrower will make a full repayment of the Senior Loan, the investment adviser will determine the fair value of the Senior Loan using analyses that include, but are not limited to (i) a comparison of the value of the borrower's outstanding equity and debt to that of comparable public companies; (ii) a discounted cash flow analysis; or (iii) when the investment adviser believes it is likely that a borrower will be liquidated or sold, an analysis of the terms of such liquidation or sale. In certain cases, the investment adviser will use a combination of analytical methods to determine fair value, such as when only a portion of a borrower's assets are likely to be sold. In conducting its assessment and analyses for purposes of determining fair value of a Senior Loan, the investment adviser will use its discretion and judgment in considering and appraising such factors, data and information and the relative weight to be given thereto as it deems relevant, including without limitation, some or all of the following: (i) the fundamental characteristics of and fundamental analytical data relating to the Senior Loan, including the cost, size, current interest rate, maturity and base lending rate of the Senior Loan, the terms and conditions of the Senior Loan and any related agreements, and the position of the Senior Loan in the Borrower's debt structure; (ii) the nature, adequacy and value of the collateral securing the Senior Loan, including the Fund's rights, remedies and interests with respect to the collateral; (iii) the creditworthiness of the Borrower, based on an evaluation of, among other things, its financial condition, financial statements and information about the Borrower's business, cash flows, capital structure and future prospects; (iv) information relating to the market for the Senior Loan, including price quotations for and trading in the Senior Loan and interests in similar Senior Loans and the market environment and investor attitudes towards the Senior

Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005

NOTES TO FINANCIAL STATEMENTS (Unaudited) CONT'D

Loan and interests in similar Senior Loans; (v) the experience, reputation, stability and financial condition of the agent and any intermediate participants in the Senior Loan; and (vi) general economic and market conditions affecting the fair value of the Senior Loan.

Non-loan holdings (other than debt securities, including short term obligations) may be valued on the basis of prices furnished by one or more pricing services which determine prices for normal, institutional-size trading units of such securities which may use market information, transactions for comparable securities and various relationships between securities which are generally recognized by institutional traders. In certain circumstances, portfolio securities will be valued at the last sale price on the exchange that is the primary market for such securities, or the average of the last quoted bid price and asked price for those securities for which the over-the-counter market is the primary market or for listed securities in which there were no sales during the day. The value of interest rate swaps will be based upon a dealer quotation.

Debt securities for which the over-the-counter market is the primary market are normally valued on the basis of prices furnished by one or more pricing services at the mean between the latest available bid and asked prices. OTC options are valued at the mean between the bid and asked prices provided by dealers. Financial futures contracts listed on commodity exchanges and exchange-traded options are valued at closing settlement prices. Short-term debt securities with a remaining maturity of 60 days or less are valued at amortized cost. If short-term debt securities were acquired with a remaining maturity of more than 60 days, their amortized cost value will be based on their value on the sixty-first day prior to maturity. As authorized by the Trustees, debt securities (other than short-term obligations) may be valued on the basis of valuations furnished by a pricing service which determines valuations based upon market transactions for normal, institutional-size trading units of such securities. Mortgage-backed "pass-through" securities are valued through use of an independent matrix pricing system applied by the investment adviser which takes into account closing bond valuations, yield differentials, anticipated prepayments and interest rates provided by dealers. Securities for which there is no such quotation or valuations and all other assets are valued at fair value as determined in good faith by or at the direction of the Fund's Trustees.

For foreign investments, if trading or events occurring in other markets after the close of the principal exchange in which the securities are traded are expected to materially affect the value of the investments, then those investments are valued, taking into consideration these events, at their fair value following procedures approved by the Trustees. Foreign securities and currencies are valued in U.S. dollars, based on foreign currency exchange rate quotations supplied by an independent quotation service.

All other securities are valued at fair value as determined in good faith by or at the direction of the Trustees.

**B Income** - Interest income from Senior Loans is recorded on the accrual basis at the then-current interest rate, while all other interest income is determined on the basis of interest accrued, adjusted for amortization of premium or accretion of discount. Dividend income is recorded on the ex-dividend date for dividends received in cash and/or securities.

**C Federal Taxes** - The Fund's policy is to comply with the provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute to shareholders each year all of its taxable income, including any net realized gain on investments. Accordingly, no provision for federal income or excise tax is necessary.

**D Offering Costs** - Costs incurred by the Fund in connection with the offering of the common shares were recorded as a reduction of capital paid in excess of par applicable to common shares.

**E Unfunded Loan Commitments** - The Fund may enter into certain credit agreements, all or a portion of which may be unfunded. The Fund is obligated to fund these loan commitments at the borrower's discretion. These commitments are disclosed in the accompanying Portfolio of Investments.

**F Expense Reduction** - Investors Bank & Trust Company (IBT) serves as custodian of the Fund. Pursuant to the custodian agreement, IBT receives a fee reduced by credits which are determined based on the average daily cash balances the Fund maintains with IBT. All credit balances used to reduce the Fund's custodian fees are reported as a reduction of expenses in the Statement of Operations.

**G Financial Futures Contracts** - Upon entering into a financial futures contract, the Fund is required to deposit an amount (initial margin) either in cash or securities, equal to a certain percentage of the purchase price indicated in the financial futures contract. Subsequent payments are made or received by the Fund (margin)

## Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005

### NOTES TO FINANCIAL STATEMENTS (Unaudited) CONT'D

maintenance) each day, dependent on the daily fluctuations in the value of the underlying securities, and are recorded for book purposes as unrealized gains or losses by the Fund.

If the Fund enters into a closing transaction, the Fund will realize, for book purposes, a gain or loss equal to the difference between the value of the financial futures contract to sell and the financial futures contract to buy. The Fund's investment in financial futures contracts is designed for both hedging against anticipated future changes in interest rates and investment purposes. Should interest rates move unexpectedly, the Fund may not achieve the anticipated benefits of the financial futures contracts and may realize a loss.

**H Foreign Currency Translation** - Investment valuations, other assets, and liabilities initially expressed in foreign currencies are converted each business day into U.S. dollars based upon current exchange rates. Purchases and sales of foreign investment securities and income and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions. Realized gains or losses on investment transactions attributable to changes in foreign currency exchange rates are recorded for financial statement purposes as net realized gains and losses on investments. That portion of unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

**I Forward Foreign Currency Exchange Contracts** - The Fund may enter into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. Risks may arise upon entering these contracts from the potential inability of counterparties to meet the terms of their contracts and from movements in the value of a foreign currency relative to the U.S. dollar. The Fund will enter into forward contracts for hedging purposes as well as nonhedging purposes. The forward foreign currency exchange contracts are adjusted by the daily exchange rate of the underlying currency and any gains and losses are recorded for financial statement purposes as unrealized until such time as the contracts have been closed.

**J Credit Default Swaps** - The Fund may enter into credit default swaps for investment and risk management purposes, including diversification. When the Fund is the buyer of a credit default swap contract, the Fund is entitled to receive the par or other agreed-upon value, of a referenced debt obligation from the counterparty to the contract in the event of a default by a third party, such as a U.S. or foreign corporate issuer, on the debt obligation. In return, the Fund would pay the counterparty a periodic stream of payments over the term of the contract provided that no event of default has occurred. If no default occurs, the Fund would have made a stream of payments and received no benefit from the contract reducing exposure to the credit by the notional amount of the contract. When the Fund is the seller of a credit default swap contract, it receives a stream of payments, but is obligated to pay par value of the notional amount of the contract upon default of the referenced debt obligation. As the seller, the Fund would effectively add leverage to its portfolio because, in addition to its total net assets, the Fund would be subject to investment exposure on the notional amount of the swap. The Fund will segregate assets in the form of cash and cash equivalents in an amount equal to the aggregate market value of the credit default swaps of which it is the seller, marked to market on a daily basis. These transactions involve certain risks, including the risk that the seller may be unable to fulfill the transaction.

**K Other** - Investment transactions are accounted for on the date the securities are purchased or sold. Realized gains and losses are computed based on the specific identification of the securities sold.

**L Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

**M Indemnifications** - Under the Fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the Fund, and shareholders are indemnified against personal liability for obligations of the Fund. Additionally, in the normal course of business, the Fund enters into agreements with service providers that may contain indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred.

**N Interim Financial Statements** - The interim financial statements relating to the period from the start of business, February 28, 2005, to April 30, 2005, have not been audited by an independent registered public

## Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005

## NOTES TO FINANCIAL STATEMENTS (Unaudited) CONT'D

accounting firm, but in the opinion of the Fund's management reflect all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the financial statements.

## 2 Distributions to Shareholders

The Fund intends to make monthly distributions to shareholders and at least one distribution annually of all or substantially all of its net realized capital gains, if any. Distributions are recorded on the ex-dividend date. The Fund distinguishes between distributions on a tax basis and a financial reporting basis. Accounting principles generally accepted in the United States of America require that only distributions in excess of tax basis earnings and profits be reported in the financial statements as a return of capital. Permanent differences between book and tax accounting relating to distributions are reclassified to paid-in capital. These differences relate primarily to the different treatment for paydown gain/losses on mortgage-backed securities and the method for amortizing premiums.

The tax character of distributions paid for the period from the start of business, February 28, 2005 to April 30, 2005 was as follows:

### Distributions declared from:

|                 |              |
|-----------------|--------------|
| Ordinary Income | \$ 2,121,188 |
|-----------------|--------------|

During the period from the start of business, February 28, 2005, to April 30, 2005, accumulated undistributed net investment income was increased by \$1,006,456, and accumulated net realized loss was increased by \$1,006,456. This change had no effect on the net assets or the net asset value per share.

As of April 30, 2005, the components of distributable earnings (accumulated losses) on a tax basis were as follows:

|                             |                |
|-----------------------------|----------------|
| Undistributed income        | \$ 1,305,024   |
| Unrealized depreciation     | \$ (715,234)   |
| Other temporary differences | \$ -           |
| Capital losses              | \$ (4,226,974) |

## 3 Investment Adviser Fee and Other Transactions with Affiliates

The investment adviser fee, computed at an annual rate of 0.75% of the Fund's average daily total leveraged assets, was earned by EVM as compensation for management and investment advisory services rendered to the Fund. "Total leveraged assets" means the value of all assets of the Fund (including assets acquired with financial leverage), plus the notional value of long and short forward foreign currency contracts and futures contracts and swaps based upon foreign currencies, issuers or markets held by the Fund, minus all accrued expenses incurred in the normal course of operations, but not excluding any liabilities or obligations attributable to any investment leverage obtained through (i) indebtedness of any type (including, without limitation, borrowing through a credit facility/commercial paper program or the issuance of debt securities), (ii) the issuance of preferred shares or other similar preference securities, (iii) the reinvestment of collateral received for securities loaned in accordance with the Fund's investment objectives and policies and/or (iv) any other means. The advisory agreement provides that if investment leverage exceeds 40% on the Fund's total leveraged assets, the Adviser will not receive a management fee on total leveraged assets in excess of this amount. When the Fund holds both long and short forward currency contracts in the same foreign currency, the offsetting positions will be netted for purposes of determining total leveraged assets. When the Fund holds other long and short positions in Foreign Obligations in a given country denominated in the same currency, total leveraged assets will be calculated by excluding the smaller of the long or short position.

The "notional value" of a forward foreign currency contract or a futures contract or swap based upon foreign currencies, issuers or markets for purposes of calculating total leveraged assets is the stated dollar value of the underlying reference instrument at the time the derivative position is entered into. This amount remains constant throughout the life of the derivative contract. However, the negative or positive payment obligations of the Fund under the derivative contract are marked-to-market on a daily basis and are reflected in the Fund's net assets.

For the period from the start of business, February 28, 2005, to April 30, 2005, the fee was equivalent to 0.75% (annualized) of the Fund's average daily total leveraged assets for such period and amounted to \$645,042. EVM serves as the administrator of the Fund, but currently receives no compensation for providing administrative services to the Fund.

## Edgar Filing: Eaton Vance Short Duration Diversified Income Fund - Form N-CSRS

In addition, the Adviser has contractually agreed to reimburse the Fund for fees and other expenses in the amount of 0.20% (annualized) of average daily total leveraged assets of the Fund for the first five full years of the Fund's operations, 0.15% of average daily total leveraged assets of the Fund in year six, 0.10% in year

Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005

NOTES TO FINANCIAL STATEMENTS (Unaudited) CONT'D

seven and 0.05% in year eight. For the period the start of business, February 28, 2005, to April 30, 2005, the Investment Adviser waived \$172,011 of its advisory fee.

EVM has agreed to reimburse the Fund for costs incurred in the Fund's organization. For the period from the start of business, February 28, 2005, to April 30, 2005, EVM reimbursed the Fund \$15,000 in organization expenses.

Trustees of the Fund, who are not affiliated with EVM may elect to defer receipt of all or a percentage of their annual fees in accordance with the terms of the Trustees Deferred Compensation Plan. For the period from the start of business, February 28, 2005, to April 30, 2005, no significant amounts have been deferred.

Certain officers and Trustees of the Fund are officers of the above organization.

4 Purchases and Sales of Investments

Purchases and sales of investments, other than short-term obligations and including paydowns on mortgage-backed securities, for the period from the start of business, February 28, 2005, to April 30, 2005 were as follows:

| Purchases                         |                |
|-----------------------------------|----------------|
| Investments (non-U.S. Government) | \$ 183,263,980 |
| U.S. Government Securities        | 365,622,474    |
|                                   | \$ 548,886,454 |
| Sales                             |                |
| Investments (non-U.S. Government) | \$ 6,052,375   |
| U.S. Government Securities        | 205,817,527    |
|                                   | \$ 211,869,902 |

5 Common Shares of Beneficial Interest

The Agreement and Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional \$0.01 par value common shares of beneficial interest. Transactions in common shares were as follows:

|              | Period Ended<br>April 30, 2005 <sup>(1)</sup> |
|--------------|---|
| Sales        | 18,855,000                                    |
| Net increase | 18,855,000                                    |

<sup>(1)</sup> For the period from the start of business, February 28, 2005, to April 30, 2005.

6 Federal Income Tax Basis of Unrealized Appreciation (Depreciation)

The cost and unrealized appreciation (depreciation) in value of the investments owned at April 30, 2005, as computed on a federal income tax basis, were as follows:

|                               |                |
|-------------------------------|----------------|
| Aggregate cost                | \$ 363,808,044 |
| Gross unrealized appreciation | \$ 659,061     |
| Gross unrealized depreciation | (1,789,397)    |
| Net unrealized depreciation   | \$ (1,130,336) |



## Edgar Filing: Eaton Vance Short Duration Diversified Income Fund - Form N-CSRS

The unrealized appreciation on foreign currency, swaps and forward contracts at April 30, 2005 on a federal income tax basis was \$415,102.

### 7 Financial Instruments

The Fund regularly trades in financial instruments with off-balance sheet risk in the normal course of its investing activities to assist in managing exposure to various market risks. These financial instruments include written options, forward foreign currency contracts, financial futures contracts, and swaps and may involve, to a varying degree, elements of risk in excess of the amounts recognized for financial statement purposes. The notional or contractual amounts of these instruments represent the investment the Fund has in particular classes of financial instruments and does not necessarily represent the amounts potentially subject to risk. The measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are considered. A summary of obligations under these financial instruments at April 30, 2005 is as follows:

#### Forward Foreign Currency Exchange Contracts

##### Sales

| Settlement Date(s) | Deliver                | In Exchange For      | Net Unrealized Appreciation (Depreciation) |
|--------------------|------------------------|----------------------|--|
| 5/18/05            | British Pound Sterling | United States Dollar |  |
|                    | 2,018,000              | 3,794,849            | \$ (56,439)                                |
| 5/18/05            | Euro                   | United States Dollar |  |
|                    | 7,137,231              | 9,167,941            | (49,527)                                   |
| 5/31/05            | Euro                   | United States Dollar |  |
|                    | 5,500,000              | 7,117,880            | 12,390                                     |
| 5/06/05            | Japanese Yen           | United States Dollar |  |
|                    | 1,200,000,000          | 11,104,325           | (336,423)                                  |
| 5/04/05            | New Mexican Peso       | United States Dollar |  |
|                    | 89,000,000             | 7,900,928            | (123,480)                                  |
|                    |                        |                      | \$ (553,479)                               |

## Eaton Vance Short Duration Diversified Income Fund as of April 30, 2005

## NOTES TO FINANCIAL STATEMENTS (Unaudited) CONT'D

## Purchases

| Settlement Date(s) | In Exchange For                      | Deliver                            | Net Unrealized Appreciation (Depreciation) |
|--------------------|--------------------------------------|------------------------------------|--|
| 5/23/05            | Euro<br>2,670,640                    | Czech Koruna<br>3,475,571          | \$ 27,533                                  |
| 5/17/05            | Icelandic Krona<br>430,174,800       | Euro<br>6,836,267                  | (40,494)                                   |
| 5/12/05            | Indian Rupee<br>437,000,000          | United States Dollar<br>9,946,512  | 87,522                                     |
| 5/31/05            | Indonesian Rupiah<br>150,000,000,000 | United States Dollar<br>15,486,269 | 134,007                                    |
| 5/04/05            | New Mexican Peso<br>89,000,000       | United States Dollar<br>7,913,925  | 110,483                                    |
| 5/12/05            | New Taiwan Dollar<br>269,334,960     | United States Dollar<br>8,584,928  | 45,229                                     |
| 5/31/05            | New Taiwan Dollar<br>111,400,000     | United States Dollar<br>3,547,771  | 36,896                                     |
| 5/04/05            | Polish Zloty<br>35,363,000           | Euro<br>11,210,653                 | (480,292)                                  |
| 5/04/05            | Slovakia Koruna<br>341,926,000       | Euro<br>11,371,232                 | (162,960)                                  |
| 5/31/05            | Thai Baht<br>460,000,000             | United States Dollar<br>11,627,907 | 38,814                                     |
| 5/04/05            | Turkish Lira<br>12,927,000           | United States Dollar<br>9,522,652  | (215,995)                                  |
|                    |                                      |                                    | \$ (419,257)                               |

At April 30, 2005, the Fund had sufficient cash and/or securities to cover potential obligations arising from open forward contracts.

## Credit Default Swaps

| Notional Amount | Expiration Date | Description   | Net Unrealized Appreciation |
|-----------------|-----------------|---|-----------------------------|
| 10,000,000USD   | 3/20/2010       | Agreement with Credit Suisse First Boston dated 3/05/2005 whereby the Fund will pay 2.01% per year times the notional amount. In exchange for that periodic payment, upon a default event in Turkey, Credit Suisse First Boston agrees to pay the Fund the notional amount of the swap. To receive that payment, the Fund must deliver a bond (with par value equal to the notional amount of the swap) issued by Turkey to Credit Suisse First | \$ 692,263                  |

Boston.

Agreement with JP Morgan Chase Bank dated 3/05/2005 whereby the Fund will pay 2.00% per year times the notional amount. In exchange for that periodic payment, upon a default event in Turkey,

JP Morgan Chase Bank agrees to pay the Fund the notional amount of the swap. To receive that payment, the Fund must deliver a bond (with par value equal to the notional amount of the swap) issued

by Turkey to JP Morgan Chase Bank.

10,000,000USD

3/20/2010

696,424

## Eaton Vance Short Duration Diversified Income Fund

### DIVIDEND REINVESTMENT PLAN

Each Fund offers a dividend reinvestment plan (the Plan) pursuant to which shareholders may elect to have dividends and capital gains distributions automatically reinvested in shares (the Shares) of the Fund. You may elect to participate in the Plan by completing the Dividend Reinvestment Plan Application Form. If you do not participate, you will receive all distributions in cash paid by check mailed directly to you by PFPC Inc. as dividend paying agent. On the distribution payment date, if the net asset value per Share is equal to or less than the market price per Share plus estimated brokerage commissions then new Shares will be issued. The number of Shares shall be determined by the greater of the net asset value per Share or 95% of the market price. Otherwise, Shares generally will be purchased on the open market by the Plan Agent. Distributions subject to income tax (if any) are taxable whether or not shares are reinvested.

If your shares are in the name of a brokerage firm, bank, or other nominee, you can ask the firm or nominee to participate in the Plan on your behalf. If the nominee does not offer the Plan, you will need to request that your shares be re-registered in your name with each Fund's transfer agent, PFPC Inc., or you will not be able to participate.

The Plan Agent's service fee for handling distributions will be paid by the Fund. Each participant will be charged their pro rata share of brokerage commissions on all open-market purchases.

Plan participants may withdraw from the Plan at any time by writing to the Plan Agent at the address noted on the following page. If you withdraw, you will receive shares in your name for all Shares credited to your account under the Plan. If a participant elects by written notice to the Plan Agent to have the Plan Agent sell part or all of his or her Shares and remit the proceeds, the Plan Agent is authorized to deduct a \$5.00 fee plus brokerage commissions from the proceeds.

If you wish to participate in the Plan and your shares are held in your own name, you may complete the form on the following page and deliver it to the Plan Agent.

Any inquiries regarding the Plan can be directed to the Plan Agent, PFPC Inc., at 1-800-331-1710.

## Eaton Vance Short Duration Diversified Income Fund

### APPLICATION FOR PARTICIPATION IN DIVIDEND REINVESTMENT PLAN

This form is for shareholders who hold their common shares in their own names. If your common shares are held in the name of a brokerage firm, bank, or other nominee, you should contact your nominee to see if it will participate in the Plan on your behalf. If you wish to participate in the Plan, but your brokerage firm, bank, or nominee is unable to participate on your behalf, you should request that your common shares be re-registered in your own name which will enable your participation in the Plan.

The following authorization and appointment is given with the understanding that I may terminate it at any time by terminating my participation in the Plan as provided in the terms and conditions of the Plan.

Please print exact name on account

Shareholder signature Date

Shareholder signature Date

Please sign exactly as your common shares are registered. All persons whose names appear on the share certificate must sign.

**YOU SHOULD NOT RETURN THIS FORM IF YOU WISH TO RECEIVE YOUR DIVIDENDS AND DISTRIBUTIONS IN CASH. THIS IS NOT A PROXY.**

*This authorization form, when signed, should be mailed to the following address:*

Eaton Vance Short Duration Diversified Income Fund  
c/o PFPC Inc.  
P.O.Box 43027  
Providence, RI 02940-3027  
800-331-1710

#### **Number of Employees**

The Fund is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as a diversified closed-end management investment company and has no employees.

#### **Number of Shareholders**

As of April 30, 2005, our records indicate that there are 12 registered shareholders and approximately 12,514 shareholders owning the Fund shares in street name, such as through brokers, banks, and financial intermediaries.

If you are a street name shareholder and wish to receive Fund reports directly, which contain important information about the Fund, please write or call:

Eaton Vance Distributors, Inc.  
The Eaton Vance Building  
255 State Street  
Boston, MA 02109  
1-800-225-6265

#### **New York Stock Exchange Symbol**

The New York Stock Exchange Symbol is EVG.



## Eaton Vance Short Duration Diversified Income Fund

### BOARD OF TRUSTEES' APPROVAL OF THE INVESTMENT ADVISORY AGREEMENT

Prior to approving the investment advisory agreement (the "Advisory Agreement") between Eaton Vance Short Duration Diversified Income Fund (the "Fund") and Eaton Vance Management ("Eaton Vance" or the "Adviser"), the Special Committee of the Fund's Board of Trustees considered, among other things, the following:

- A report comparing the fees and expenses of the Fund and certain profitability analyses prepared by Eaton Vance;
- Information on the relevant peer group(s) of funds;
- The economic outlook and the general investment outlook in the relevant investment markets;
- Eaton Vance's results and financial condition and the overall organization of the Adviser;
- Arrangements regarding the distribution of Fund shares;
- The procedures used to determine the fair value of the Fund's assets;
- The allocation of brokerage and the benefits received by the Adviser as the result of brokerage allocation; including allocations to soft dollar brokerage and allocations to firms that sell Eaton Vance fund shares;
- Eaton Vance's management of the relationship with the custodian, subcustodians and fund accountants;
- The resources devoted to Eaton Vance's compliance efforts undertaken on behalf of the funds it manages and the record of compliance with the investment policies and restrictions and with policies on personal securities transactions;
- The quality, nature, cost and character of the administrative and other non-investment management services provided by Eaton Vance and its affiliates;
- The terms of the Advisory Agreement, and the reasonableness and appropriateness of the particular fee paid by the Fund for the services described therein;
- Operating expenses (including transfer agency expenses) to be paid to third parties; and
- Information to be provided to investors, including the Fund's shareholders.

In evaluating the Advisory Agreement between the Fund and Eaton Vance, the Special Committee reviewed material furnished by Eaton Vance at the initial Board meeting held on January 14, 2005, including the above referenced considerations and information relating to the education, experience and number of investment professionals and other personnel who would provide services under the Advisory Agreement. The Special Committee also took into account the time and attention to be devoted by senior management to the Fund and the other funds in the complex. The Special Committee evaluated the level of skill required to manage the Fund and concluded that the human resources available at Eaton Vance were appropriate to fulfill effectively the duties of the Adviser on behalf of the Fund. The Special Committee also considered the business reputation of the Adviser, its financial resources and professional liability insurance coverage and concluded that Eaton Vance would be able to meet any reasonably foreseeable obligations under the Advisory Agreement.

The Special Committee received information concerning the investment philosophy and investment process to be applied by Eaton Vance in managing the Fund. In this regard, the Special Committee considered Eaton Vance's in-house research capabilities as well as other resources available to Eaton Vance personnel, including research services that may be available to Eaton Vance as a result of securities transactions effected for the Fund and other investment advisory clients. The Special Committee concluded that Eaton Vance's investment process, research capabilities and philosophy were well suited to the Fund, given the Fund's investment objective and policies.

In addition to the factors mentioned above, the Special Committee also reviewed the level of the Adviser's profits in respect of the management of the Eaton Vance funds, including the Fund. The Special Committee considered the other profits realized by Eaton Vance and its affiliates in connection with the operation of the Fund. The Special Committee also considered profit margins of Eaton Vance in comparison with available industry data. In addition, the Special Committee considered the fiduciary duty assumed by the Adviser in connection with the service rendered to the Fund and the business reputation of the Adviser, its financial resources and its professional liability insurance coverage.

The Special Committee did not consider any single factor as controlling in determining whether or not to approve the Advisory Agreement. Nor are the items described herein all encompassing of the matters considered by the Special Committee. In assessing the information provided by Eaton Vance and its affiliates, the Special Committee also took into consideration the benefits to shareholders of investing in a fund that is part of a large family of funds which provides a large

variety of shareholder services.



## Eaton Vance Short Duration Diversified Income Fund

### BOARD OF TRUSTEES' APPROVAL OF THE INVESTMENT ADVISORY AGREEMENT CONT'D

The Special Committee was aware of the unusual nature of the management fee and the ways in which this fee differs from more traditional closed-end fund fee structures. In particular, the Special Committee was aware of and carefully considered the concept of "total leveraged assets." The Special Committee recognized that this will result in the payment of a fee based, in part, upon an amount consisting of notional exposures created by foreign forward currency contracts, futures contracts and swap agreements based upon foreign currencies, issuers or markets ("Foreign Synthetic Instruments"). The Special Committee was aware that this would cause the management fee borne by Common Shareholders to increase to the extent that the Adviser invests in such instruments.

The Special Committee believed that this fee structure is appropriate in the context of the Fund's specific investment program. In this regard, the Special Committee considered the advantages to the Fund's investment program of increasing investment exposure in the Fund's Foreign Obligations component through investments in Foreign Synthetic Instruments. The Adviser explained and the Special Committee considered the economic equivalence, and the similarities from an investment management perspective, of investments in Foreign Synthetic Instruments as compared, for example, to making foreign bank deposits or investing in foreign government debt obligations. The Adviser explained and the Special Committee also considered that, to make direct Foreign Obligation investments (such as foreign deposits or purchasing foreign debt securities), the Fund would have to deploy assets that could otherwise be utilized in the other two components of the Fund's investment program.

The Adviser also explained and the Special Committee considered that the Fund is designed to use leverage as part of its on-going investment strategy. The Adviser represented to the Special Committee that, if the Fund were to invest in direct Foreign Obligations on a leveraged basis through more conventional means, such as borrowings or the issuance of preferred shares, the Fund would incur significant additional costs not involved in obtaining these exposures through the use of Foreign Synthetic Instruments. In the case of borrowings, the Fund would be required to pay certain facility set up costs as well as interest on borrowed funds. These amounts would be borne by Common Shareholders. In the case of issuing preferred shares, Common Shareholders would bear the offering costs of such securities (including selling commissions), as well as the required periodic dividend payments. Preferred shares also provide substantially less flexibility and substantially higher costs in adjusting the level of leverage utilized from time-to-time. The Adviser explained and the Special Committee considered that the creation of leverage through investments in Foreign Synthetic Instruments can be expected to be more efficient and cost effective than the alternatives.

The Adviser also explained, and the Special Committee considered, that the analysis and work by the Adviser in connection with direct foreign investments is demanding and requires substantial expertise and that the analysis and work required in creating notional exposures through investments in Foreign Synthetic Instruments is similarly demanding and requires substantially the same level of expertise. The Adviser also explained, and the Special Committee considered, that substantial expertise is required in connection with creating investment leverage through lines of credit or issuances of preferred Stock and that substantial expertise is also required in creating leverage through Foreign Synthetic Instruments. Accordingly, the Special Committee concluded that it would be appropriate to compensate the Adviser for the exposures created by investing in Foreign Synthetic Instruments to the same extent as the Adviser would be compensated were the Adviser to create leverage and invest directly in foreign investments. The Special Committee also considered the potential conflicts of interest that may arise from the proposed method of compensating the Adviser and the manner in which these potential conflicts would be managed. In this regard, the Special Committee requested and the Adviser agreed to net long and short exposures in the same currency in determining "total leveraged assets" for purposes of calculating the fee so that the Adviser would only receive fees based upon the actual investment exposures created for the Fund. The Special Committee also considered the manner in which the Adviser would "segregate" or otherwise identify specific assets to cover the Fund's obligations with respect to Foreign Synthetic Instruments and the limitations resulting from such actions on the extent to which the Fund would be able to leverage its exposures through such investments. The Special Committee requested, and the Adviser agreed to provide periodic reports to the Special Committee on the manner in which fees with respect to these exposures are calculated as a means of further monitoring such potential conflicts. The Special Committee was advised by its independent legal counsel during these deliberations.

Based on its consideration of all factors that it deemed material and assisted by the advice of its independent counsel, the Special Committee concluded that the approval of the Advisory Agreement, including the fee structure (described herein) is in the interests of shareholders. The Special Committee also considered that the Adviser would enter into an Additional Compensation Agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated, whereby the Adviser (and not the Fund) would pay Merrill Lynch, Pierce, Fenner & Smith Incorporated to provide upon request certain market data and reports to support shareholder services pursuant to the agreement.

## Eaton Vance Short Duration Diversified Income Fund

### INVESTMENT MANAGEMENT

#### Officers

Thomas E. Faust Jr.  
President  
James B. Hawkes  
Vice President and Trustee  
Christine Johnston  
Vice President  
Scott H. Page  
Vice President  
Susan Schiff  
Vice President  
Payson F. Swaffield  
Vice President  
Mark S. Venezia  
Vice President  
James L. O'Connor  
Treasurer  
Alan R. Dynner  
Secretary  
Paul M. O'Neil  
Chief Compliance Officer

#### Trustees

Samuel L. Hayes, III  
Chairman  
Benjamin C. Esty  
James B. Hawkes  
William H. Park  
Ronald A. Pearlman  
Norton H. Reamer  
Lynn A. Stout  
Ralph F. Verni

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**Investment Adviser of Eaton Vance Short Duration Diversified Income Fund  
Eaton Vance Management**

The Eaton Vance Building  
255 State Street  
Boston, MA 02109

**Administrator of Eaton Vance Short Duration Diversified Income Fund  
Eaton Vance Management**

The Eaton Vance Building  
255 State Street  
Boston, MA 02109

**Custodian  
Investors Bank & Trust Company**

200 Clarendon Street  
Boston, MA 02116

**Transfer Agent  
PFPC Inc.**

Attn: Eaton Vance Funds  
P.O. Box 43027  
Providence, RI 02940-3027  
(800) 331-1710

**Eaton Vance Short Duration Diversified Income Fund  
The Eaton Vance Building  
255 State Street  
Boston, MA 02109**

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2319-6/05 CE-SDDISRC

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**Item 2. Code of Ethics**

The registrant has adopted a code of ethics applicable to its Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer. The registrant undertakes to provide a copy of such code of ethics to any person upon request, without charge, by calling 1-800-262-1122.

**Item 3. Audit Committee Financial Expert**

The registrant's Board has designated William H. Park, Samuel L. Hayes, III and Norton H. Reamer, each an independent trustee, as its audit committee financial experts. Mr. Park is a certified public accountant who is the President and Chief Executive Officer of Prizm Capital Management, LLC (investment management firm). Previously, he served as Executive Vice President and Chief Financial Officer of United Asset Management Corporation ( UAM ) (a holding company owning institutional investment management firms). Mr. Hayes is the Jacob H. Schiff Professor of Investment Banking Emeritus of the Harvard University Graduate School of Business Administration. Mr. Reamer is the President, Chief Executive Officer and a Director of Asset Management Finance Corp. (a specialty finance company serving the investment management industry) and is President of Unicorn Corporation (an investment and financial advisory services company). Formerly, Mr. Reamer was Chairman of Hellman, Jordan Management Co., Inc. (an investment management company) and Advisory Director of Berkshire Capital Corporation (an investment banking firm), Chairman of the Board of UAM and Chairman, President and Director of the UAM Funds (mutual funds).

**Item 4. Principal Accountant Fees and Services**

Not required in this filing

**Item 5. Audit Committee of Listed registrants**

Not required in this filing.

**Item 6. Schedule of Investments**

Please see schedule of investments contained in the Report to Stockholders included under Item 1 of this Form N-CSR.



**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies**

The Board of Trustees of the Trust has adopted a proxy voting policy and procedure (the Fund Policy ), pursuant to which the Trustees have delegated proxy voting responsibility to the Fund's investment adviser and adopted the investment adviser's proxy voting policies and procedures (the Policies ) which are described below. The Trustees will review the Fund's proxy voting records from time to time and will annually consider approving the Policies for the upcoming year. In the event that a conflict of interest arises between the Fund's shareholders and the investment adviser, the administrator, or any of their affiliates or any affiliate of the Fund, the investment adviser will generally refrain from voting the proxies related to the companies giving rise to such conflict until it consults with the Board's Special Committee except as contemplated under the Fund Policy. The Board's Special Committee will instruct the investment adviser on the appropriate course of action.

The Policies are designed to promote accountability of a company's management to its shareholders and to align the interests of management with those shareholders. The investment adviser will generally support company management on proposals relating to environmental and social policy issues, on matters regarding the state of organization of the company and routine matters related to corporate administration which are not expected to have a significant economic impact on the company or its shareholders. On all other matters, the investment adviser will review each matter on a case-by-case basis and reserves the right to deviate from the Policies' guidelines when it believes the situation warrants such a deviation. The Policies include voting guidelines for matters relating to, among other things, the election of directors, approval of independent auditors, executive compensation, corporate structure and anti-takeover defenses. The investment adviser may abstain from voting from time to time where it determines that the costs associated with voting a proxy outweighs the benefits derived from exercising the right to vote.

In addition, the investment adviser will monitor situations that may result in a conflict of interest between the Fund's shareholders and the investment adviser, the administrator, or any of their affiliates or any affiliate of the Fund by maintaining a list of significant existing and prospective corporate clients. The investment adviser's personnel responsible for reviewing and voting proxies on behalf of the Fund will report any proxy received or expected to be received from a company included on that list to members of senior management of the investment adviser identified in the Policies. Such members of senior management will determine if a conflict exists. If a conflict does exist, the investment adviser will seek instruction on how to vote from the Special Committee.

Information on how the Fund voted proxies relating to portfolio securities during the most recent 12 month period ended June 30 is available (1) without charge, upon request, by calling 1-800-262-1122, and (2) on the Securities and Exchange Commission's website at <http://www.sec.gov>.

**Item 8. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.**

No such purchases this period.

**Item 9. Submission of Matters to a Vote of Security Holders.**

Effective February 7, 2005, the Governance Committee of the Board of Trustees revised the procedures by which a Fund's shareholders may recommend nominees to the registrant's Board of Trustees to add the following (highlighted):

The Governance Committee shall, when identifying candidates for the position of Independent Trustee, consider any such candidate recommended by a shareholder of a Fund if such recommendation contains **(i)** sufficient background information concerning the candidate, **including evidence the candidate is willing to serve as an Independent Trustee if selected for the position; and (ii)** is received in a sufficiently timely manner (and in any event no later than the date specified for receipt of shareholder proposals in any applicable proxy statement with respect to a Fund). Shareholders shall be directed to address any such recommendations **in writing** to the attention of the Governance Committee, c/o the Secretary of the Fund. **The Secretary shall retain copies of any shareholder recommendations which meet the foregoing requirements for a period of not more than 12 months following receipt. The Secretary shall have no obligation to acknowledge receipt of any shareholder recommendations.**

**Item 10. Controls and Procedures**

(a) It is the conclusion of the registrant's principal executive officer and principal financial officer that the effectiveness of the registrant's current disclosure controls and procedures (such disclosure controls and procedures having been evaluated within 90 days of the date of this filing) provide reasonable assurance that the information required to be disclosed by the registrant has been recorded, processed, summarized and reported within the time period specified in the Commission's rules and forms and that the information required to be disclosed by the registrant has been accumulated and communicated to the registrant's principal executive officer and principal financial officer in order to allow timely decisions regarding required disclosure.

(b) There have been no changes in the registrant's internal controls over financial reporting during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 11. Exhibits**

- (a)(1) Registrant's Code of Ethics Not applicable (please see Item 2).
- (a)(2)(i) Treasurer's Section 302 certification.
- (a)(2)(ii) President's Section 302 certification.
- (b) Combined Section 906 certification.



**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Eaton Vance Short Duration Diversified Income Fund

By: /s/ Thomas E. Faust Jr.  
Thomas E. Faust Jr.  
President

Date: June 17, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ James L. O Connor  
James L. O Connor  
Treasurer

Date: June 17, 2005

By: /s/ Thomas E. Faust Jr.  
Thomas E. Faust Jr.  
President

Date: June 17, 2005

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