

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

Eaton Vance Short Duration Diversified Income Fund

Form N-CSR

December 30, 2009

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**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)

Two International Place Boston, Massachusetts 02110

(Address of Principal Executive Offices)

Maureen A. Gemma

Two International Place Boston, Massachusetts 02110

(Name and Address of Agent for Services)

(617) 482-8260

(registrant's Telephone Number)

October 31

Date of Fiscal Year End

October 31, 2009

Date of Reporting Period

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**IMPORTANT NOTICES REGARDING PRIVACY,  
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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 Privacy 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 applies only 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.**

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If you would prefer that your Eaton Vance documents not be householded, 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(s) (if applicable) will file a schedule of 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 at [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 most recent 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 October 31, 2009

**MANAGEMENT'S DISCUSSION OF FUND PERFORMANCE**

Economic and Market Conditions

Payson F. Swaffield, CFA

Co-Portfolio Manager

Scott H. Page, CFA

Co-Portfolio Manager

Catherine C. McDermott

Co-Portfolio Manager

Mark S. Venezia, CFA

Co-Portfolio Manager

Susan Schiff, CFA

Co-Portfolio Manager

Christine Johnston, CFA

Co-Portfolio Manager

The year ending October 31, 2009, closed with economic data showing a modest rebound in global economic fundamentals. For the markets, this rebound was a welcome change after witnessing a freefall in world economic output for the first two quarters of this period, followed by a slowdown in the pace of economic deterioration in the subsequent quarter. As signs of improving economic fundamentals began to emerge, investors' aversion to risk reversed course and the capital markets staged a comeback.

In the aftermath of the Lehman Brothers collapse in late 2008, with credit markets at a virtual standstill and global economic activity in decline, prices on riskier assets remained depressed. The last three months of 2008 were marked by outperformance of U.S. Government securities and a strong U.S. dollar, viewed as a safe haven amidst the economic downturn. Credit markets, however, rallied sharply in the final two quarters of this twelve month period, and currencies in both developed and emerging markets rose against the dollar.

Amidst historic levels of central bank and government intervention, yield spreads across virtually all fixed income markets have tightened substantially, producing extraordinary returns in the riskier credit markets during the last six months of this 12-month period. A similar return story played out in the currency markets, as the higher yielding emerging market currencies, and currencies of commodity exporting countries, outperformed during the second half of the fiscal year.

The bank loan market had strong performance during the period. The S&P/LSTA Leveraged Loan Index returned 30.44% for the 12-months ending October 31, 2009.<sup>1</sup> Performance was driven by a combination of technical factors, which improved the market's supply and demand picture. Limited new loan issuance and a contraction of the existing supply through loan repayments reduced the available universe of purchasable loans. Matched with little selling activity and modest but steady inflows, loan prices improved significantly. Lower-quality securities led the performance.

The mortgage-backed securities (MBS) market benefited from government programs aimed at bolstering the economy and the housing market. One of the most significant positives for the market was the purchase by the Federal Reserve (the Fed) of MBS in the secondary market. This program, designed to sustain lower mortgage rates, started in January 2009. By the end of October, the Fed had purchased just under one trillion dollars in U.S. Government Agency MBS. The Fed

*Past performance is no guarantee of future results. Returns are historical and are calculated by determining the percentage change in net asset value or market price (as applicable) with all distributions reinvested. The Fund's performance at market price will differ from its results at NAV. Although market price performance generally reflects investment results over time, during shorter periods, returns at market price can also be affected by factors such as changing perceptions about the Fund, market conditions, fluctuations in supply and demand for the Fund's shares, or changes in Fund distributions. Investment return and principal value will fluctuate so that shares, when sold, 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. For performance as of the most*

recent month end, please refer to [www.eatonvance.com](http://www.eatonvance.com).

**Fund shares 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.**

**Total Return Performance 10/31/08 10/31/09**

<b>NYSE Symbol</b>	<b>EVG</b>
At Net Asset Value (NAV) <sup>2</sup>	28.04%
At Market Price <sup>2</sup>	33.90
Lipper Global Income Funds Average (At NAV) <sup>1</sup>	35.69
Premium/(Discount) to NAV (10/31/09)	-11.84%
Total Distributions per share	\$ 1.11
Distribution Rate <sup>3</sup>	<div>At NAV 6.12%</div> <div>At Market Price 6.94%</div>

See page 3 for more performance information.

<sup>1</sup> It is not possible to invest directly in an Index or Lipper Classification. The S&P/LSTA Leveraged Loan Index is an unmanaged loan market index. The Lipper total return is the average total return, at net asset value, of the funds that are in the same Lipper Classification as the Fund. <sup>2</sup> Performance results reflect the effects of leverage. <sup>3</sup> The Distribution Rate is based on the Fund's most recent monthly distribution per share (annualized) divided by the Fund's NAV or market price at the end of the period. The Fund's monthly distributions may be comprised of ordinary income, net

realized capital gains  
and return of capital.

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Eaton Vance Short Duration Diversified Income Fund as of October 31, 2009

**MANAGEMENT'S DISCUSSION OF FUND PERFORMANCE**

expects to purchase a total of \$1.25 trillion in MBS by the end of March 2010. For the 12-month period, MBS yield spreads over U.S. Treasuries, as represented by the BofA Merrill Lynch Mortgage Master Index, tightened 70 basis points through October 31, 2009.<sup>1</sup>

**Management Discussion**

The Fund is a closed-end fund that trades on the New York Stock Exchange under the symbol EVG. The Fund's investment objective is to provide a high level of current income. In pursuing its objective, the Fund's investments have been allocated primarily to senior, secured loans, U.S. Government agency MBS, and foreign obligations. During the twelve-month period, the Fund experienced strong total returns driven primarily by the recovery in the bank loan market as well as the yield spread tightening in the MBS market of 33.90% at market price and 28.04% at NAV.

The Fund's larger, higher-quality loans benefited performance in the earlier part of 2009, as these loans were the first to benefit from price recovery. However, the last six months witnessed a junk rally, with the market's lowest-quality loans skyrocketing back to life. As a result, the Fund's relative underweight to the lowest-quality loans, including second-lien loans and those rated below CCC, detracted slightly from relative performance in the second half of the year.

In terms of industry sectors, a relative overweight to the cable television; leisure goods, activities and movies; and business equipment and services industries benefited relative performance. Detractors included underweights to the automotive and lodging and casino industries. The Fund's diversification was an important risk mitigator during the fiscal year.

In the MBS portion of the Fund, the investment emphasis remained on seasoned, U.S. Government Agency MBS (seasoned MBS) during the entire period. Typically, seasoned MBS were originated in the 1980s and 1990s. As a result, they have generally lower loan-to-home value ratios, meaning that these homeowners have more equity in their homes than the average borrower. In addition, these loans are guaranteed by government agencies. In the seasoned MBS market, yield spreads to U.S. Treasuries tightened by more than 140 basis points, contributing significantly to the Fund's performance. Principal prepayment rates on these securities were relatively stable for the entire period, paying consistently at an annualized rate in the low teens.

The Fund's foreign obligations contributed positively, overall, to its performance. The Fund's foreign investments consisted primarily of long and short forward currency contracts, foreign-denominated sovereign bonds, and other derivatives. The positive performance in this sector was led by Latin America, with significant contributions from individual country investments as well, including Indonesia, Georgia, and Iceland.

In Latin America, a region that contributed positively to the Fund's returns, investments in Brazil and Uruguay performed well. Brazil's economy proved particularly resilient during the economic crisis. As a result, the currency rebounded significantly as evidence of that resilience emerged. Uruguay, an exporter to Brazil, not only benefited from Brazil's resilience but also its own growth momentum, as its economy avoided recession amidst global economic deterioration.

In Eastern and Western Europe, the Fund benefited from bond positions in Georgia, Macedonia, and Kazakhstan, as well as long exposure to U.S. dollar-denominated bonds in Iceland. In Iceland, bonds rebounded from the lows seen in 2008 during the collapse of the banking sector. Bonds in Eastern Europe generally benefited from the rally in relatively risky assets in the second half of the fiscal year. Offsetting those positives slightly was a long position in the Polish Zloty, which detracted from performance, primarily in the first half of the year, as it moved with general market sentiment.

A standout in the Fund's Asian exposures was Indonesia. Due in part to a closed economy, Indonesia was sheltered from the economic downturn more than most of its Asian counterparts. Additionally, Indonesia benefited as political stability was reinforced when President Yudhoyono was overwhelmingly reelected. Offsetting these gains were losses on short positions in the Philippines, reflecting a stronger-than-expected Philippine economy.

While the Fund benefited from positions in Egyptian T-Bills and Zambian currency, the performance in the African region was overwhelmed by the negative performance of a short position in South African currency. Like many other relatively risky investments, the South African rand rallied substantially in the second half of the fiscal year.

The Fund employs leverage through the use of derivative instruments and borrowings. The Fund's leverage was comprised of approximately 18% through borrowings and 30% through derivative investments. Use of leverage creates an opportunity for increased total return but, at the same time, creates special risks (including the likelihood of greater volatility of net asset value and market price).

- <sup>1</sup> It is not possible to invest directly in an Index. The BofA Merrill Lynch Mortgage Master Index consists of fixed-rate, coupon-bearing bonds that are comprised of generic pass-through securities that are composed of numerous mortgage pools with various maturities.

*The views expressed throughout 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 the investment adviser disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a fund are based on many factors, may not be relied on as an indication of trading intent on behalf of any Eaton Vance fund. Portfolio information provided in the report may not be representative of the Fund's current or future investments and may change due to active management.*

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Eaton Vance Short Duration Diversified Income Fund as of **October 31, 2009**

**FUND PERFORMANCE**

**Performance<sup>1</sup>**

**New York Stock Exchange Symbol**

**EVG**

Average Annual Total Returns (at market price, NYSE)

One Year

33.90%

Life of Fund (2/28/05)

3.80

Average Annual Total Returns (at net asset value)

One Year

28.04%

Life of Fund (2/28/05)

6.63

<sup>1</sup> *Performance results reflect the effects of leverage.*

*Past performance is no guarantee of future results. Returns are historical and are calculated by determining the percentage change in net asset value or market price (as applicable) with all distributions reinvested. The Fund's performance at market price will differ from its results at NAV. Although market price performance generally reflects investment results over time, during shorter periods, returns at market price can also be affected by factors such as changing perceptions about the Fund, market conditions, fluctuations in supply and demand for the Fund's shares, or changes in Fund distributions. Investment return and principal value will fluctuate so that shares, when sold, 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. For performance as of the most recent month end, please refer to [www.eatonvance.com](http://www.eatonvance.com).*

**Fund Composition**

**Fund Allocations<sup>2</sup>**

By total leveraged assets

<sup>2</sup> Fund Allocations are as of 10/31/09 and are as a percentage of the Fund's total leveraged assets. Total leveraged 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 as a  
percentage of  
the Fund's net  
assets amounted  
to 190.5% as of  
10/31/09. Fund  
Allocations are  
subject to  
change due to  
active  
management.  
Please refer to  
the definition of  
total leveraged  
assets within the  
Notes to  
Financial  
Statements  
included herein.

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Eaton Vance Short Duration Diversified Income Fund as of October 31, 2009

**PORTFOLIO OF INVESTMENTS****Senior Floating-Rate Interests 53.1%****Principal****Amount\*****(000 s omitted)****Borrower/Tranche Description****Value**

Aerospace and Defense 1.3%

**ACTS Aero Technical Support & Service, Inc.**

188	Term Loan, 0.00%, Maturing October 5, 2014 <sup>(2)</sup>	\$ 53,046
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**AWAS Capital, Inc.**

488	Term Loan - Second Lien, 6.31%, Maturing March 22, 2013	338,232
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**DAE Aviation Holdings, Inc.**

112	Term Loan, 4.01%, Maturing July 31, 2014	105,657
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115	Term Loan, 4.04%, Maturing July 31, 2014	108,000
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**Evergreen International Aviation**

261	Term Loan, 12.00%, Maturing October 31, 2011	207,397
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**Hawker Beechcraft Acquisition**

1,861	Term Loan, 2.26%, Maturing March 26, 2014	1,479,681
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110	Term Loan, 2.28%, Maturing March 26, 2014	87,555
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**Hexcel Corp.**

469	Term Loan, 6.50%, Maturing May 21, 2014	472,266
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**TransDigm, Inc.**

1,000	Term Loan, 2.29%, Maturing June 23, 2013	961,607
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**Vought Aircraft Industries, Inc.**

121	Term Loan, 7.50%, Maturing December 17, 2011	121,212
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367	Term Loan, 7.50%, Maturing December 17, 2011	367,500
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**\$ 4,302,153**

Air Transport 0.2%

**Delta Air Lines, Inc.**

500	Term Loan, 2.20%, Maturing April 30, 2012	\$ 426,875
342	Term Loan - Second Lien, 3.53%, Maturing April 30, 2014	288,411
		<b>\$ 715,286</b>

Automotive 2.7%

**Accuride Corp.**

536	Term Loan, 10.00%, Maturing January 31, 2012	\$ 533,171
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**Adesa, Inc.**

885	Term Loan, 2.50%, Maturing October 18, 2013	849,917
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**Allison Transmission, Inc.**

792	Term Loan, 3.01%, Maturing September 30, 2014	712,237
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**Dayco Europe S.R.I.**

EUR	222	Term Loan, 0.00%, Maturing June 21, 2010 <sup>(2)</sup>	79,460
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**Dayco Products, LLC**

491	Term Loan, 0.00%, Maturing June 21, 2011 <sup>(2)</sup>	224,947
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**Federal-Mogul Corp.**

291	Term Loan, 2.19%, Maturing December 27, 2014	224,605
226	Term Loan, 2.19%, Maturing December 27, 2015	173,889

**Ford Motor Co.**

485	Term Loan, 3.29%, Maturing December 15, 2013	433,506
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**Goodyear Tire & Rubber Co.**

3,175	Term Loan - Second Lien, 2.34%, Maturing April 30, 2010	2,910,796
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**HLI Operating Co., Inc.**

	364	DIP Loan, 26.00%, Maturing November 30, 2009 <sup>(3)</sup>	367,831
EUR	27	Term Loan, 11.00%, Maturing May 30, 2014	3,010
EUR	1,297		295,891

		Term Loan, 11.50%, Maturing May 30, 2014	
		<b>Keystone Automotive Operations, Inc.</b>	
	236	Term Loan, 3.78%, Maturing January 12, 2012	144,493
		<b>LKQ Corp.</b>	
	240	Term Loan, 2.50%, Maturing October 12, 2014	236,781
		<b>TriMas Corp.</b>	
	296	Term Loan, 2.50%, Maturing August 2, 2013	272,273
	1,070	Term Loan, 2.52%, Maturing August 2, 2011	986,025
		<b>TRW Automotive, Inc.</b>	
	458	Term Loan, 6.25%, Maturing February 2, 2014	458,913
			<b>\$ 8,907,745</b>

Beverage and Tobacco 0.1%

		<b>Culligan International Co.</b>	
EUR	300	Term Loan - Second Lien, 5.19%, Maturing May 31, 2013	\$ 164,457
			<b>\$ 164,457</b>

Building and Development 0.9%

		<b>Brickman Group Holdings, Inc.</b>	
	587	Term Loan, 2.28%, Maturing January 23, 2014	\$ 553,894
		<b>Building Materials Corp. of America</b>	
	389	Term Loan, 3.00%, Maturing February 22, 2014	360,275
		<b>Epco/Fantome, LLC</b>	
	440	Term Loan, 2.87%, Maturing November 23, 2010	336,600
		<b>LNR Property Corp.</b>	
	631	Term Loan, 3.75%, Maturing July 3, 2011	501,862
		<b>Mueller Water Products, Inc.</b>	
	240	Term Loan, 5.78%, Maturing May 24, 2014	234,823

**Panolam Industries Holdings, Inc.**

156	Term Loan, 5.00%, Maturing September 30, 2012	140,564
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**Realogy Corp.**

254	Term Loan, 3.24%, Maturing September 1, 2014	213,543
943	Term Loan, 3.29%, Maturing September 1, 2014	793,160

**\$ 3,134,721**

See notes to financial statements

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Eaton Vance Short Duration Diversified Income Fund as of October 31, 2009

## PORTFOLIO OF INVESTMENTS CONT'D

<b>Principal Amount*</b> <b>(000 \$ omitted)</b>	<b>Borrower/Tranche Description</b>	<b>Value</b>
	Business Equipment and Services 5.1%	
<b>Activant Solutions, Inc.</b>		
476	Term Loan, 2.31%, Maturing May 1, 2013	\$ 443,973
<b>Acxiom Corp.</b>		
431	Term Loan, 2.24%, Maturing September 15, 2012	428,469
<b>Affiliated Computer Services</b>		
496	Term Loan, 2.24%, Maturing March 20, 2013	490,950
<b>Affinion Group, Inc.</b>		
1,394	Term Loan, 2.74%, Maturing October 17, 2012	1,341,036
<b>Allied Barton Security Service</b>		
198	Term Loan, 6.75%, Maturing February 21, 2015	200,876
<b>Education Management, LLC</b>		
1,411	Term Loan, 2.06%, Maturing June 1, 2013	1,326,321
<b>Info USA, Inc.</b>		
81	Term Loan, 2.29%, Maturing February 14, 2012	78,096
<b>Intergraph Corp.</b>		
921	Term Loan, 2.37%, Maturing May 29, 2014	883,604
<b>Mitchell International, Inc.</b>		
190	Term Loan, 2.31%, Maturing March 28, 2014	172,290
<b>N.E.W. Holdings I, LLC</b>		
260	Term Loan, 2.74%, Maturing May 22, 2014	243,306
<b>Protection One, Inc.</b>		
1,048	Term Loan, 2.49%, Maturing March 31, 2012	1,003,207
<b>Quintiles Transnational Corp.</b>		
886		845,172

		Term Loan, 2.28%, Maturing March 31, 2013	
<b>Sabre, Inc.</b>			
	1,365	Term Loan, 2.49%, Maturing September 30, 2014	1,184,638
<b>Serena Software, Inc.</b>			
	1,193	Term Loan, 2.32%, Maturing March 10, 2013	1,104,553
<b>Sitel (Client Logic)</b>			
	273	Term Loan, 5.77%, Maturing January 29, 2014	237,685
<b>SunGard Data Systems, Inc.</b>			
	82	Term Loan, 1.99%, Maturing February 11, 2013	77,052
	2,312	Term Loan, 4.07%, Maturing February 28, 2016	2,249,487
<b>TDS Investor Corp.</b>			
EUR	526	Term Loan, 3.24%, Maturing August 23, 2013	692,540
<b>Ticketmaster</b>			
	1,000	Term Loan, 3.55%, Maturing July 22, 2014	985,000
<b>Valassis Communications, Inc.</b>			
	480	Term Loan, 2.04%, Maturing March 2, 2014	448,858
	108	Term Loan, 2.04%, Maturing March 2, 2014	101,012
<b>VWR International, Inc.</b>			
	948	Term Loan, 2.74%, Maturing June 28, 2013	867,077
<b>West Corp.</b>			
	682	Term Loan, 2.62%, Maturing October 24, 2013	627,978
	991	Term Loan, 4.12%, Maturing July 15, 2016	933,719
			<b>\$ 16,966,899</b>

Cable and Satellite Television 4.3%

<b>Cequel Communications, LLC</b>			
	1,133	Term Loan, 6.29%, Maturing May 5, 2014	\$ 1,131,015
	475	Term Loan - Second Lien, 4.79%, Maturing May 5, 2014	465,263
<b>Charter Communications Operating, Inc.</b>			
	1,957	Term Loan, 6.25%, Maturing April 28, 2013	1,784,343

**CSC Holdings, Inc.**

1,477	Term Loan, 2.05%, Maturing March 29, 2013	1,408,954
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**CW Media Holdings, Inc.**

1,188	Term Loan, 3.53%, Maturing February 15, 2015	1,105,217
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**Insight Midwest Holdings, LLC**

1,029	Term Loan, 2.29%, Maturing April 6, 2014	981,031
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**Kabel Deutschland GmbH**

EUR 1,000	Term Loan, 2.18%, Maturing March 31, 2012	1,411,447
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**MCC Iowa, LLC**

1,970	Term Loan, 1.98%, Maturing January 31, 2015	1,812,051
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**ProSiebenSat.1 Media AG**

EUR 9	Term Loan, 2.73%, Maturing June 26, 2015	11,725
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EUR 232	Term Loan, 2.73%, Maturing June 26, 2015	288,911
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EUR 62	Term Loan, 3.53%, Maturing March 2, 2015	60,920
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EUR 62	Term Loan, 3.78%, Maturing March 2, 2016	60,920
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**UPC Broadband Holding B.V.**

EUR 1,394	Term Loan, 4.19%, Maturing December 31, 2016	1,887,743
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EUR 1,006	Term Loan, 4.44%, Maturing December 31, 2017	1,367,907
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**YPSO Holding SA**

EUR 96	Term Loan, 2.68%, Maturing July 28, 2014	109,070
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EUR 156	Term Loan, 2.68%, Maturing July 28, 2014	177,956
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EUR 248	Term Loan, 2.68%, Maturing July 28, 2014	282,625
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**\$ 14,347,098**

Chemicals and Plastics 3.4%

**Ashland, Inc.**

178	Term Loan, 7.65%, Maturing November 20, 2014	\$ 181,651
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**Brenntag Holding GmbH and Co.**

EUR 1,128	Term Loan, 8.21%, Maturing December 23, 2013 <sup>(3)</sup>	1,579,939
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**Celanese Holdings, LLC**

1,481	Term Loan, 2.04%, Maturing April 2, 2014	1,389,141
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**Cognis GmbH**

400	Term Loan, 2.30%, Maturing September 15, 2013	358,500
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**Georgia Gulf Corp.**

185	Term Loan, 10.00%, Maturing October 3, 2013	184,761
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**Huntsman International, LLC**

2,475	Term Loan, 1.99%, Maturing August 16, 2012	2,266,112
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**INEOS Group**

1,218	Term Loan, 7.50%, Maturing December 14, 2013	1,045,082
1,218	Term Loan, 10.00%, Maturing December 14, 2014	1,045,082

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Eaton Vance Short Duration Diversified Income Fund as of October 31, 2009

## PORTFOLIO OF INVESTMENTS CONT'D

<b>Principal Amount*</b> (000 \$ omitted)	<b>Borrower/Tranche Description</b>	<b>Value</b>
Chemicals and Plastics (continued)		
<b>Kranton Polymers, LLC</b>		
622	Term Loan, 2.31%, Maturing May 12, 2013	\$ 591,841
<b>MacDermid, Inc.</b>		
EUR 362	Term Loan, 2.64%, Maturing April 12, 2014	419,825
<b>Millenium Inorganic Chemicals</b>		
300	Term Loan - Second Lien, 6.03%, Maturing October 31, 2014	247,500
<b>Rockwood Specialties Group, Inc.</b>		
EUR 1,418	Term Loan, 6.25%, Maturing May 15, 2014	2,031,843
		<b>\$ 11,341,277</b>
Clothing / Textiles 0.4%		
<b>Hanesbrands, Inc.</b>		
835	Term Loan, 5.03%, Maturing September 5, 2013	\$ 840,164
250	Term Loan - Second Lien, 3.99%, Maturing March 5, 2014	242,188
<b>St. John Knits International, Inc.</b>		
105	Term Loan, 9.25%, Maturing March 23, 2012	85,009
		<b>\$ 1,167,361</b>

Conglomerates 1.9%

**Doncasters (Dunde HoldCo 4 Ltd.)**

	114	Term Loan, 4.24%, Maturing July 13, 2015	\$ 92,870
	114	Term Loan, 4.74%, Maturing July 13, 2015	92,870
GBP	250	Term Loan - Second Lien, 5.02%, Maturing January 13, 2016	272,858

**Jarden Corp.**

	769	Term Loan, 2.03%, Maturing January 24, 2012	743,604
	156	Term Loan, 2.03%, Maturing January 24, 2012	150,087
	381	Term Loan, 2.78%, Maturing January 24, 2012	373,740

**Manitowoc Company, Inc. (The)**

	248	Term Loan, 7.50%, Maturing August 21, 2014	244,713
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**Polymer Group, Inc.**

	1,008	Term Loan, 7.00%, Maturing November 22, 2014	1,010,476
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**RBS Global, Inc.**

	2,000	Term Loan, 2.79%, Maturing July 19, 2013	1,926,666
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**RGIS Holdings, LLC**

	41	Term Loan, 2.75%, Maturing April 30, 2014	36,218
	813	Term Loan, 2.77%, Maturing April 30, 2014	724,368

**US Investigations Services, Inc.**

	514	Term Loan, 3.29%, Maturing February 21, 2015	479,489
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**Vertrue, Inc.**

	242	Term Loan, 3.29%, Maturing August 16, 2014	200,116
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**\$ 6,348,075**

Containers and Glass Products 1.4%

**Berry Plastics Corp.**

	533	Term Loan, 2.30%, Maturing April 3, 2015	\$ 458,895
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**Consolidated Container Co.**

	317	Term Loan, 2.50%, Maturing March 28, 2014	294,958
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**Crown Americas, Inc.**

EUR	970	Term Loan, 2.18%, Maturing November 15, 2012	1,379,323
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**Graham Packaging Holdings Co.**

	89	Term Loan, 2.55%, Maturing October 7, 2011	87,106
	891	Term Loan, 6.75%, Maturing April 5, 2014	893,325

**Smurfit-Stone Container Corp.**

	41	DIP Loan, 10.00%, Maturing August 6, 2010	41,289
	596	Revolving Loan, 2.84%, Maturing July 28, 2010	584,522
	198	Revolving Loan, 3.06%, Maturing July 28, 2010	193,868
	136	Term Loan, 2.50%, Maturing November 1, 2011	132,723
	257	Term Loan, 2.50%, Maturing November 1, 2011	249,574
	78	Term Loan, 2.50%, Maturing November 1, 2011	75,457
	120	Term Loan, 4.50%, Maturing November 1, 2011	116,626

**\$ 4,507,666**

Cosmetics / Toiletries 0.3%

**Bausch & Lomb, Inc.**

	114	Term Loan, 3.52%, Maturing April 30, 2015	\$ 109,175
	471	Term Loan, 3.53%, Maturing April 30, 2015	449,572

**Prestige Brands, Inc.**

	407	Term Loan, 2.49%, Maturing April 7, 2011	399,674
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**\$ 958,421**

Drugs 0.0%

**Pharmaceutical Holdings Corp.**

	101		\$ 95,519
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Term Loan, 3.50%, Maturing January 30,  
2012

\$ 95,519

Ecological Services and Equipment 0.4%

**Big Dumpster Merger Sub, Inc.**

95 Term Loan, 2.50%, Maturing February 5,  
2013 \$ 61,836

**Blue Waste B.V. (AVR Acquisition)**

EUR 500 Term Loan, 2.68%, Maturing April 1,  
2015 681,006

**Sensus Metering Systems, Inc.**

352 Term Loan, 7.00%, Maturing June 3,  
2013 353,144

**Wastequip, Inc.**

390 Term Loan, 2.50%, Maturing February 5,  
2013 254,388

\$ 1,350,374

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Eaton Vance Short Duration Diversified Income Fund as of October 31, 2009

**PORTFOLIO OF INVESTMENTS CONT'D**

<b>Principal Amount*</b> (000 \$ omitted)	<b>Borrower/Tranche Description</b>	<b>Value</b>
Electronics / Electrical	1.8%	
<b>Aspect Software, Inc.</b>		
369	Term Loan, 3.31%, Maturing July 11, 2011	\$ 338,732
500	Term Loan - Second Lien, 7.38%, Maturing July 11, 2013	422,500
<b>Freescal Semiconductor, Inc.</b>		
1,183	Term Loan, 2.00%, Maturing December 1, 2013	964,545
<b>Infor Enterprise Solutions Holdings</b>		
382	Term Loan, 4.00%, Maturing July 28, 2012	337,518
733	Term Loan, 4.00%, Maturing July 28, 2012	646,910
250	Term Loan, 5.74%, Maturing March 2, 2014	170,313
92	Term Loan - Second Lien, 6.49%, Maturing March 2, 2014	63,708
158	Term Loan - Second Lien, 6.49%, Maturing March 2, 2014	108,458
<b>Network Solutions, LLC</b>		
643	Term Loan, 2.78%, Maturing March 7, 2014	578,437
<b>Open Solutions, Inc.</b>		
317	Term Loan, 2.41%, Maturing January 23, 2014	257,243
<b>Sensata Technologies Finance Co.</b>		
975	Term Loan, 2.03%, Maturing April 27, 2013	839,252
<b>Spectrum Brands, Inc.</b>		
16	Term Loan, 8.00%, Maturing March 30, 2013	16,165
324	Term Loan, 8.00%, Maturing March 30, 2013	317,913
<b>SS&amp;C Technologies, Inc.</b>		
342		328,496

Term Loan, 2.28%, Maturing  
November 23, 2012

**Vertafore, Inc.**

484 Term Loan, 5.50%, Maturing July 31,  
2014 476,577

275 Term Loan - Second Lien, 6.39%,  
Maturing January 31, 2013 235,813

**\$ 6,102,580**

Farming / Agriculture 0.1%

**BF Bolthouse HoldCo, LLC**

375 Term Loan - Second Lien, 5.74%,  
Maturing December 16, 2013 \$ 355,312

**\$ 355,312**

Financial Intermediaries 0.5%

**Citco III, Ltd.**

988 Term Loan, 2.85%, Maturing June 30,  
2014 \$ 864,849

**Jupiter Asset Management Group**

GBP 213 Term Loan, 2.74%, Maturing June 30,  
2015 330,479

**LPL Holdings, Inc.**

491 Term Loan, 2.01%, Maturing  
December 18, 2014 464,169

**\$ 1,659,497**

Food Products 1.3%

**Acosta, Inc.**

605 Term Loan, 2.50%, Maturing July 28,  
2013 \$ 576,343

**Advantage Sales & Marketing, Inc.**

918 Term Loan, 2.29%, Maturing March 29,  
2013 874,390

**American Seafoods Group, LLC**

577	Term Loan, 4.03%, Maturing September 30, 2011	524,685
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**Michael Foods, Inc.**

197	Term Loan, 6.50%, Maturing April 30, 2014	199,627
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**Pinnacle Foods Finance, LLC**

1,051	Term Loan, 3.00%, Maturing April 2, 2014	986,450
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**Reddy Ice Group, Inc.**

925	Term Loan, 2.00%, Maturing August 9, 2012	827,875
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**Wrigley Company**

248	Term Loan, 6.50%, Maturing October 6, 2014	251,587
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**\$ 4,240,957**

Food Service 1.4%

**Aramark Corp.**

119	Term Loan, 2.14%, Maturing January 26, 2014	\$ 109,862
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1,821	Term Loan, 2.16%, Maturing January 26, 2014	1,674,373
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GBP 535	Term Loan, 2.67%, Maturing January 27, 2014	803,245
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**Buffets, Inc.**

30	Term Loan, 7.53%, Maturing November 1, 2013 <sup>(3)</sup>	26,779
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152	Term Loan - Second Lien, 17.78%, Maturing November 1, 2013 <sup>(3)</sup>	134,045
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**Denny's, Inc.**

37	Term Loan, 2.38%, Maturing March 31, 2012	35,520
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107	Term Loan, 2.70%, Maturing March 31, 2012	102,386
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**JRD Holdings, Inc.**

616	Term Loan, 2.50%, Maturing June 26, 2014	592,762
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**OSI Restaurant Partners, LLC**

19	Term Loan, 2.46%, Maturing May 9, 2013	15,706
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207	Term Loan, 2.56%, Maturing May 9, 2014	173,296
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**QCE Finance, LLC**

275	Term Loan - Second Lien, 6.03%, Maturing November 5, 2013	149,050
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**Selecta**

EUR	741	Term Loan, 3.71%, Maturing June 28, 2015	812,687
			<b>\$ 4,629,711</b>

Food / Drug Retailers 1.4%

**General Nutrition Centers, Inc.**

774	Term Loan, 2.52%, Maturing September 16, 2013	\$ 717,955
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**Iceland Foods Group, Ltd.**

GBP	250	Term Loan, 3.01%, Maturing May 2, 2015	405,158
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Eaton Vance Short Duration Diversified Income Fund as of October 31, 2009

**PORTFOLIO OF INVESTMENTS CONT'D**

<b>Principal Amount*</b> (000 \$ omitted)	<b>Borrower/Tranche Description</b>	<b>Value</b>
Food / Drug Retailers (continued)		
<b>Rite Aid Corp.</b>		
992	Term Loan, 2.00%, Maturing June 1, 2014	\$ 860,738
1,489	Term Loan, 6.00%, Maturing June 4, 2014	1,399,399
<b>Roundy's Supermarkets, Inc.</b>		
1,162	Term Loan, 6.03%, Maturing November 3, 2011	1,146,390
		<b>\$ 4,529,640</b>

Forest Products 0.8%

<b>Appleton Papers, Inc.</b>		
497	Term Loan, 6.63%, Maturing June 5, 2014	\$ 452,685
<b>Georgia-Pacific Corp.</b>		
1,915	Term Loan, 2.33%, Maturing December 20, 2012	1,848,292
426	Term Loan, 3.59%, Maturing December 23, 2014	423,916
		<b>\$ 2,724,893</b>

Health Care 5.0%

**Accellent, Inc.**

	986	Term Loan, 2.87%, Maturing November 22, 2012	\$ 937,975
<b>American Medical Systems</b>			
	186	Term Loan, 2.50%, Maturing July 20, 2012	180,703
<b>AMR HoldCo, Inc.</b>			
	286	Term Loan, 2.25%, Maturing February 10, 2012	275,397
<b>Biomet, Inc.</b>			
	760	Term Loan, 3.28%, Maturing December 26, 2014	731,256
EUR	343	Term Loan, 3.58%, Maturing December 26, 2014	483,113
<b>Cardinal Health 409, Inc.</b>			
	415	Term Loan, 2.49%, Maturing April 10, 2014	362,262
<b>Carestream Health, Inc.</b>			
	875	Term Loan, 2.24%, Maturing April 30, 2013	820,217
<b>Carl Zeiss Vision Holding GmbH</b>			
	400	Term Loan, 2.74%, Maturing March 23, 2015	282,000
<b>Community Health Systems, Inc.</b>			
	105	Term Loan, 2.49%, Maturing July 25, 2014	97,632
	2,049	Term Loan, 2.61%, Maturing July 25, 2014	1,913,138
<b>Concentra, Inc.</b>			
	492	Term Loan, 2.54%, Maturing June 25, 2014	459,168
<b>Dako EQT Project Delphi</b>			
	250	Term Loan - Second Lien, 4.04%, Maturing December 12, 2016	143,125
<b>DJO Finance, LLC</b>			
	197	Term Loan, 3.26%, Maturing May 15, 2014	189,868
<b>Fenwal, Inc.</b>			
	425	Term Loan, 2.62%, Maturing February 28, 2014	372,356
	73	Term Loan, 2.62%, Maturing February 28, 2014	63,651
<b>HCA, Inc.</b>			
	1,823	Term Loan, 2.53%, Maturing November 18, 2013	1,701,630
<b>Health Management Association, Inc.</b>			
	1,028	Term Loan, 2.03%, Maturing February 28, 2014	955,785
<b>HealthSouth Corp.</b>			
	264	Term Loan, 2.55%, Maturing March 10, 2013	251,748
	217		212,623

		Term Loan, 4.05%, Maturing March 15, 2014	
<b>IM U.S. Holdings, LLC</b>			
	814	Term Loan, 2.26%, Maturing June 26, 2014	771,152
<b>Invacare Corp.</b>			
	48	Term Loan, 2.49%, Maturing February 12, 2013	45,780
<b>MultiPlan Merger Corp.</b>			
	413	Term Loan, 2.75%, Maturing April 12, 2013	390,908
<b>Mylan, Inc.</b>			
	1,000	Term Loan, 3.55%, Maturing October 2, 2014	975,000
<b>National Mentor Holdings, Inc.</b>			
	274	Term Loan, 2.29%, Maturing June 29, 2013	246,768
	17	Term Loan, 4.59%, Maturing June 29, 2013	15,131
<b>Nyco Holdings</b>			
EUR	308	Term Loan, 2.93%, Maturing December 29, 2014	421,064
EUR	308	Term Loan, 3.68%, Maturing December 29, 2015	421,064
<b>P&amp;F Capital S.A.R.L.</b>			
EUR	98	Term Loan, 3.95%, Maturing February 21, 2014	140,822
EUR	63	Term Loan, 3.95%, Maturing February 21, 2014	91,131
EUR	204	Term Loan, 3.95%, Maturing February 21, 2014	293,220
EUR	122	Term Loan, 3.95%, Maturing February 21, 2014	175,535
EUR	92	Term Loan, 4.45%, Maturing February 21, 2015	132,418
EUR	34	Term Loan, 4.45%, Maturing February 21, 2015	49,210
EUR	71	Term Loan, 4.45%, Maturing February 21, 2015	102,157
EUR	290	Term Loan, 4.45%, Maturing February 21, 2015	416,219
<b>ReAble Therapeutics Finance, LLC</b>			
	433	Term Loan, 2.29%, Maturing November 16, 2013	413,061
<b>Select Medical Holdings Corp.</b>			
	375	Term Loan, 4.16%, Maturing August 5, 2014	376,342
	385	Term Loan, 4.16%, Maturing August 5, 2014	377,949
<b>Viant Holdings, Inc.</b>			
	483		470,500

Term Loan, 2.54%, Maturing June 25,  
2014

**\$ 16,759,078**

Home Furnishings 0.8%

**Interline Brands, Inc.**

83	Term Loan, 1.99%, Maturing June 23, 2013	\$ 76,206
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264	Term Loan, 2.04%, Maturing June 23, 2013	243,109
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**National Bedding Co., LLC**

992	Term Loan, 2.28%, Maturing August 31, 2011	905,517
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Eaton Vance Short Duration Diversified Income Fund as of October 31, 2009

## PORTFOLIO OF INVESTMENTS CONT'D

<b>Principal Amount*</b> (000 \$ omitted)	<b>Borrower/Tranche Description</b>	<b>Value</b>
Home Furnishings (continued)		
<b>Oreck Corp.</b>		
442	Term Loan, 0.00%, Maturing February 2, 2012 <sup>(2)(4)</sup>	\$ 158,701
<b>Simmons Co.</b>		
1,307	Term Loan, 10.50%, Maturing December 19, 2011	1,295,985
		<b>\$ 2,679,518</b>
Industrial Equipment 1.5%		
<b>Brand Energy and Infrastructure Services, Inc.</b>		
196	Term Loan, 3.66%, Maturing February 7, 2014	\$ 181,496
<b>CEVA Group PLC U.S.</b>		
750	Term Loan, 3.24%, Maturing January 4, 2014	633,324
262	Term Loan, 3.24%, Maturing January 4, 2014	221,494
262	Term Loan, 3.28%, Maturing January 4, 2014	217,992
<b>EPD Holdings (Goodyear Engineering Products)</b>		
86	Term Loan, 2.50%, Maturing July 13, 2014	69,581
600	Term Loan, 2.50%, Maturing July 13, 2014	485,827
200	Term Loan - Second Lien, 6.00%, Maturing July 13, 2015	122,000
<b>Generac Acquisition Corp.</b>		
363	Term Loan, 2.78%, Maturing November 7, 2013	329,479
<b>Gleason Corp.</b>		
175	Term Loan, 2.09%, Maturing June 30, 2013	170,521

20	Term Loan, 2.09%, Maturing June 30, 2013	19,587
<b>John Maneely Co.</b>		
1,497	Term Loan, 3.51%, Maturing December 8, 2013	1,375,791
<b>Polypore, Inc.</b>		
831	Term Loan, 2.46%, Maturing July 3, 2014	777,907
<b>Sequa Corp.</b>		
397	Term Loan, 3.88%, Maturing November 30, 2014	354,476
<b>TFS Acquisition Corp.</b>		
221	Term Loan, 14.00%, Maturing August 11, 2013 <sup>(3)</sup>	147,215
		<b>\$ 5,106,690</b>

Insurance 1.3%

<b>CCC Information Services Group, Inc.</b>		
563	Term Loan, 2.50%, Maturing February 10, 2013	\$ 546,914
<b>Conseco, Inc.</b>		
776	Term Loan, 6.50%, Maturing October 10, 2013	702,954
<b>Crawford &amp; Company</b>		
345	Term Loan, 3.04%, Maturing October 31, 2013	330,906
<b>Crump Group, Inc.</b>		
211	Term Loan, 3.25%, Maturing August 4, 2014	190,888
<b>Getty Images, Inc.</b>		
1,444	Term Loan, 6.25%, Maturing July 2, 2015	1,454,412
<b>Hub International Holdings, Inc.</b>		
579	Term Loan, 2.74%, Maturing June 13, 2014	510,715
130	Term Loan, 2.74%, Maturing June 13, 2014	114,795
<b>U.S.I. Holdings Corp.</b>		
716	Term Loan, 3.04%, Maturing May 4, 2014	623,630
		<b>\$ 4,475,214</b>

Leisure Goods / Activities / Movies 3.0%

<b>24 Hour Fitness Worldwide, Inc.</b>		
391	Term Loan, 2.77%, Maturing June 8, 2012	\$ 366,073
<b>AMC Entertainment, Inc.</b>		

1,969	Term Loan, 1.74%, Maturing January 26, 2013	1,864,690
<b>Bombardier Recreational Products</b>		
524	Term Loan, 3.00%, Maturing June 28, 2013	368,146
<b>Cinemark, Inc.</b>		
992	Term Loan, 2.07%, Maturing October 5, 2013	943,774
<b>Metro-Goldwyn-Mayer Holdings, Inc.</b>		
1,598	Term Loan, 0.00%, Maturing April 8, 2012 <sup>(2)</sup>	919,724
<b>National CineMedia, LLC</b>		
725	Term Loan, 2.05%, Maturing February 13, 2015	678,328
<b>Regal Cinemas Corp.</b>		
1,515	Term Loan, 4.03%, Maturing November 10, 2010	1,505,169
<b>Revolution Studios Distribution Co., LLC</b>		
287	Term Loan, 4.00%, Maturing December 21, 2014	261,466
225	Term Loan - Second Lien, 7.25%, Maturing June 21, 2015	129,375
<b>Six Flags Theme Parks, Inc.</b>		
835	Term Loan, 2.50%, Maturing April 30, 2015	819,049
<b>Universal City Development Partners, Ltd.</b>		
675	Term Loan, Maturing November 6, 2014 <sup>(5)</sup>	664,875
925	Term Loan, 6.00%, Maturing June 9, 2011	923,141
<b>Zuffa, LLC</b>		
489	Term Loan, 2.31%, Maturing June 20, 2016	441,097
		<b>\$ 9,884,907</b>

Lodging and Casinos 1.3%

**Harrah's Operating Co.**

403	Term Loan, 3.28%, Maturing January 28, 2015	\$ 321,957
1,594	Term Loan, 3.28%, Maturing January 28, 2015	1,273,942

**Herbst Gaming, Inc.**

976	Term Loan, 0.00%, Maturing December 2, 2011 <sup>(2)</sup>	542,629
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**Isle of Capri Casinos, Inc.**

162	Term Loan, 1.99%, Maturing November 30, 2013	152,670
215	Term Loan, 1.99%, Maturing November 30, 2013	202,521
538	Term Loan, 2.03%, Maturing November 30, 2013	506,301

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<b>Principal Amount* (000 \$ omitted)</b>	<b>Borrower/Tranche Description</b>	<b>Value</b>
Lodging and Casinos (continued)		
<b>New World Gaming Partners, Ltd.</b>		
287	Term Loan, 2.79%, Maturing June 30, 2014	\$ 237,489
58	Term Loan, 2.79%, Maturing June 30, 2014	48,102
<b>Venetian Casino Resort/Las Vegas Sands, Inc.</b>		
166	Term Loan, 2.04%, Maturing May 14, 2014	135,470
821	Term Loan, 2.04%, Maturing May 23, 2014	670,491
<b>VML US Finance, LLC</b>		
133	Term Loan, 5.79%, Maturing May 25, 2012	123,314
265	Term Loan, 5.79%, Maturing May 25, 2013	246,627

&amp;nbs