

EATON VANCE CORP
Form 8-K
May 19, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 19, 2010

EATON VANCE CORP.

(Exact name of registrant as specified in its charter)

Maryland -

(State or other jurisdiction

of incorporation)

1-8100 -

(Commission File Number)

04-2718215 -

(IRS Employer Identification No.)

Two International Place, Boston, Massachusetts

(Address of principal executive offices)

02110 -

(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

INFORMATION INCLUDED IN THE REPORT

Item 2.02. Results of Operations and Financial Condition

Registrant has reported its results of operations for the three and six months ended April 30, 2010, as described in Registrant's news release dated May 19, 2010, a copy of which is furnished herewith as Exhibit 99.1 and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits

| <u>Exhibit No.</u> | <u>Document</u> |
|--------------------|--|
| 99.1 | Press release issued by the Registrant dated May 19, 2010. |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

EATON VANCE CORP.

(Registrant)

Date: May 19, 2010

/s/ Robert J. Whelan

Robert J. Whelan, Chief Financial Officer

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EXHIBIT INDEX

Each exhibit is listed in this index according to the number assigned to it in the exhibit table set forth in Item 601 of Regulation S-K. The following exhibit is filed as part of this Report:

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
| 99.1 | Copy of Registrant's news release dated May 19, 2010. |

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Exhibit 99.1

Contact:

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EATON VANCE CORP.

REPORT FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2010

Boston, MA, May 19, 2010 - Eaton Vance Corp. (NYSE: EV) reported earnings per diluted share of \$0.29 for the second quarter of fiscal 2010 compared to earnings per diluted share of \$0.21 in the second quarter of fiscal 2009 and \$0.37 in the first quarter of fiscal 2010. Earnings were reduced approximately \$0.07 per diluted share in the second quarter of fiscal 2010 and approximately \$0.02 per diluted share in the first quarter of fiscal 2010 by adjustments in connection with an increase in the estimated redemption value of non-controlling interests redeemable at other than fair value, as required following adoption in fiscal 2010 of a new accounting standard on non-controlling interests. The Company earned \$0.66 per diluted share in the first six months of fiscal 2010 compared to \$0.42 per diluted share in the first six months of fiscal 2009.

Net inflows of \$5.3 billion into long-term funds and separate accounts in the second quarter of fiscal 2010 compare to net inflows of \$0.8 billion in the second quarter of fiscal 2009 and \$3.0 billion in the first quarter of fiscal 2010. The Company's annualized internal growth rate for the quarter was 13 percent. Assets under management on April 30, 2010 were \$176.2 billion, an increase of 39 percent over the \$127.2 billion of managed assets as of April 30, 2009 and an increase of nine percent over the \$161.6 billion of managed assets as of January 31, 2010.

The \$5.3 billion of net inflows in the second quarter rank this among the highest growth periods in Company history, said Thomas E. Faust Jr., Chairman and Chief Executive Officer. Growth in managed assets resulting from strong net sales and market appreciation positions the Company for continued improvement in financial performance.

Comparison to Second Quarter of Fiscal 2009

Long-term fund net inflows of \$3.2 billion in the second quarter of fiscal 2010 compare to \$0.7 billion of long-term fund net inflows in the second quarter of fiscal 2009, and reflect \$8.5 billion of fund sales and other inflows and \$5.3 billion of fund redemptions. Institutional and high-net-worth separate account net inflows in the second quarter of fiscal 2010 were \$1.5 billion, consisting of gross inflows of \$3.6 billion offset by \$2.1

billion of outflows. In the second quarter of fiscal 2009, inflows of \$1.6 billion in institutional and high-net-worth separate accounts were offset by outflows of \$1.6 billion. Retail managed account net inflows were \$0.5 billion in the second quarter of fiscal 2010 compared to \$0.1 billion in the second quarter of fiscal 2009. Retail managed accounts gross inflows of \$1.8 billion in the second quarter of fiscal 2010 decreased from the \$2.2 billion of inflows in the second quarter of fiscal 2009, while outflows of \$1.3 billion in the second quarter of fiscal 2010 decreased from outflows of \$2.1 billion in the second quarter of fiscal 2009. Tables 1-4 on page 7 summarize the Company's assets under management and asset flows by investment category.

Revenue in the second quarter of fiscal 2010 increased \$74.6 million, or 38 percent, to \$273.0 million from revenue of \$198.4 million in the second quarter of fiscal 2009. Investment advisory and administration fees increased 39 percent to \$212.1 million, reflecting a 40 percent increase in average assets under management. Distribution and underwriter fees increased 32 percent due to an increase in average fund assets that pay these fees. Service fee revenue increased 34 percent due to an increase in average fund assets subject to service fees. Other revenue, which increased by \$0.8 million, included \$0.2 million of net realized and unrealized gains on investments of consolidated funds in the second quarter of fiscal 2010 compared to \$0.3 million of net realized and unrealized losses on investments of consolidated funds in the second quarter of fiscal 2009.

Operating expenses increased \$38.6 million, or 25 percent, to \$191.9 million in the second quarter of fiscal 2010 compared to operating expenses of \$153.3 million in the second quarter of fiscal 2009. Compensation expense increased 31 percent due to increases in employee headcount and base salaries, adjusted operating income-based bonus accruals, sales-based incentives and stock-based compensation. Distribution expense increased 43 percent from the prior fiscal year's second quarter due primarily to increases in asset- and sales-based distribution expenses, including intermediary marketing support payments, Class C distribution fees, payments made under certain closed-end fund compensation agreements and commissions paid on certain sales of Class A shares. Service fee expense increased 42 percent, in line with the increase in assets subject to service fees. Amortization of deferred sales commissions decreased 12 percent, consistent with an overall declining trend in Class B fund share sales and assets. Fund expenses increased 16 percent in the second quarter of fiscal 2010 compared to the second quarter of fiscal 2009, primarily reflecting an increase in fund-related expenses offset by a decrease in subadvisory expenses related to certain sub-advisory agreements that were terminated in the fourth quarter of fiscal 2009. Other expenses increased one percent, primarily due to increases in information technology expenses, consulting expenses and travel expenses offset by a decrease in facilities expenses.

Operating income in the second quarter of fiscal 2010 was \$81.1 million, an increase of 80 percent over operating income of \$45.1 million in the second quarter of fiscal 2009.

In evaluating operating performance, the Company considers operating income and net income, which are calculated on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), as well as adjusted operating income, a non-GAAP performance measure. Adjusted operating income is defined as operating income excluding the results of consolidated funds and adding back closed-end fund structuring fees, stock-based compensation, write-offs of intangible assets and other items that we consider non-operating in nature. The Company believes that adjusted operating income is a key indicator of the Company's ongoing profitability and therefore uses this measure as the basis for calculating performance-based management incentives. Adjusted operating income is not, and should not be construed to be, a substitute for operating income computed in accordance with GAAP. However, in assessing the performance of the business, management and the Board of Directors look at adjusted operating income as a measure of underlying performance, since operating results of consolidated funds and amounts resulting from one-time events do not necessarily represent normal results of operations. In addition, when assessing performance, management and the Board look at performance both with and without stock-based compensation, a non-cash operating expense.

Adjusted operating income of \$92.4 million in the second quarter of fiscal 2010 was 68 percent higher than the \$55.0 million of adjusted operating income in the second quarter of fiscal 2009. The Company's adjusted operating margin improved to 33.9 percent in the second quarter of fiscal 2010 from 27.7 percent in the second quarter of fiscal 2009.

The following table provides a reconciliation of operating income to adjusted operating income for the periods presented:

Reconciliation of Operating Income to Adjusted Operating Income

| <i>(in thousands)</i> | For the Three Months Ended | | | | |
|---|----------------------------|-------------|-------------|-----------------------|-----------------------|
| | April | January | April | % Change | |
| | 30, 2010 | 31, 2010 | 30, 2009 | Q2 2010 to Q1 2010 | Q2 2010 to Q2 2009 |
| Operating income | \$81,089 | \$87,347 | \$45,123 | (7)% | 80% |
| Operating income of consolidated funds | (446) | (1,555) | 151 | (71)% | NM |
| Stock-based compensation | 11,761 | 13,284 | 9,682 | (11)% | 21% |
| Adjusted operating income | \$92,404 | \$99,076 | \$54,956 | (7)% | 68% |

Interest income in the second quarter of fiscal 2010 decreased 14 percent from the second quarter of fiscal 2009 due to lower effective interest rates earned on cash balances. In the second quarter of fiscal 2010, the Company recognized \$1.6 million of net realized and unrealized gains on separate account and corporate investments compared to \$1.6 million of net realized and unrealized gains on separate account investments and \$1.2 million of impairment losses on investments in collateralized debt

obligation entities in the second quarter of fiscal 2009. The Company's effective tax rate, calculated as a percentage of income before income taxes and equity in net income (loss) of affiliates, was 38.4 percent and 28.6 percent in the second quarter of fiscal 2010 and fiscal 2009, respectively. The increase in the Company's effective tax rate was due primarily to the execution of a state voluntary disclosure agreement in the second quarter of fiscal 2009 that resulted in a net reduction in the Company's income tax expense of \$3.4 million.

Net income attributable to non-controlling interests in the second quarter of fiscal 2010 increased \$8.8 million over the second quarter of fiscal 2009, reflecting the adoption of a new accounting pronouncement in fiscal 2010 that requires changes in the estimated redemption value of non-controlling interests redeemable at other than fair value to be recognized in net income attributable to non-controlling interests.

Net income attributable to Eaton Vance Corp. shareholders in the second quarter of fiscal 2010 was \$36.0 million, compared to net income attributable to Eaton Vance Corp. shareholders of \$25.8 million in the second quarter of fiscal 2009.

Comparison to First Quarter of Fiscal 2010

Revenue in the second quarter of fiscal 2010 increased \$1.0 million to \$273.0 million from \$272.0 million in the first quarter of fiscal 2010. Investment advisory and administration fees increased one percent to \$212.1 million, reflecting a six percent increase in average assets under management offset by a decrease in the number of quarterly fee days and a reduction in performance-related fees payable on an annual basis. Distribution and underwriter fees decreased one percent due to a decrease in the number of fee days in the quarter, partially offset by an increase in average fund assets that pay these fees. Service fee revenue increased one percent due to an increase in average fund assets subject to service fees, also partially offset by the decrease in the number of fee days in the quarter. Other revenue, which decreased by \$0.9 million over the prior quarter, included \$0.2 million of net realized and unrealized gains on investments of consolidated funds recognized in the second quarter of fiscal 2010 compared to \$1.4 million of net realized and unrealized gains on investments of consolidated funds in the first quarter of fiscal 2010.

Operating expenses increased \$7.2 million, or four percent, to \$191.9 million in the second quarter of fiscal 2010 from \$184.7 million in the first quarter of fiscal 2010. Compensation expense increased one percent, reflecting increases in employee headcount, base salaries, severance accruals and sales-based incentives offset by a decrease in stock-based compensation and adjusted operating income-based bonus accruals. Distribution expense increased five percent from the prior fiscal quarter, reflecting an increase in asset- and sales-based distribution expenses, including commissions paid on certain sales of Class A shares, an increase in Class C distribution fees and an increase in intermediary marketing support payments. Service fee expense increased five percent, in line with the increase in assets subject to service fees. Fund expenses increased 19 percent from the first quarter of fiscal 2010 due to an increase in institutional fund expenses borne by the Company. Other expenses

increased six percent due to increases in travel, facilities, information technology and consulting expenses.

Operating income in the second quarter of fiscal 2010 was \$81.1 million, a decrease of seven percent over operating income of \$87.3 million in the first quarter of fiscal 2010. The Company's adjusted operating margin decreased to 33.9 percent in the second quarter of fiscal 2010 from 36.4 percent in the first quarter of fiscal 2010. Adjusted operating income of \$92.4 million in the second quarter of fiscal 2010 was seven percent lower than the \$99.1 million of adjusted operating income in the first quarter of fiscal 2010.

Interest income in the second quarter of fiscal 2010 decreased seven percent from the first quarter of fiscal 2010 due to lower average cash balances. In the second quarter of fiscal 2010, the Company recognized \$1.6 million of net realized and unrealized gains on separate account and corporate investments. In the first quarter of fiscal 2010, the Company recognized \$2.5 million of net realized and unrealized gains on separate account investments. The Company's effective tax rate, calculated as a percentage of income before income taxes and equity in net income (loss) of affiliates, was 38.4 percent in the second quarter and first quarter of fiscal 2010.

Net income attributable to non-controlling interests in the second quarter of fiscal 2010 increased \$4.7 million over the prior quarter, reflecting adjustments made in the second quarter of fiscal 2010 to the carrying value of non-controlling interests redeemable at other than fair value.

Net income attributable to Eaton Vance Corp. shareholders in the second quarter of fiscal 2010 was \$36.0 million compared to net income attributable to Eaton Vance Corp. shareholders of \$46.2 million in the first quarter of fiscal 2010.

Cash and cash equivalents and short-term investments totaled \$323.7 million as of April 30, 2010 compared to \$360.5 million on October 31, 2009. The Company used \$78.0 million to fund share repurchases and paid \$74.1 million of common share dividends over the past twelve months. There were no outstanding borrowings against the Company's \$200.0 million credit facility on April 30, 2010.

During the first six months of fiscal 2010, the Company used \$44.6 million to repurchase and retire approximately 1.4 million shares of its Non-Voting Common Stock under its repurchase authorizations. Approximately 7.1 million shares remain of the current 8.0 million share repurchase authorization.

Eaton Vance Corp. is one of the oldest investment management firms in the United States, with a history dating back to 1924. Eaton Vance and its affiliates offer individuals and institutions a broad array of investment products and wealth management solutions. The Company's long record of providing exemplary service and attractive returns through a variety of market conditions has made Eaton Vance the investment manager of choice for many of today's most discerning investors. For more information about Eaton Vance, visit www.eatonvance.com.

This news release contains statements that are not historical facts, referred to as forward-looking statements. The Company's actual future results may differ significantly from those stated in any forward-looking statements, depending on factors such as changes in securities or financial markets or general economic conditions, client sales and redemption activity, the continuation of investment advisory, administration, distribution and service contracts, and other risks discussed from time to time in the Company's filings with the Securities and Exchange Commission.

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Eaton Vance Corp.
Summary of Results of Operations
(in thousands, except per share figures)
(unaudited)

| | Three Months Ended | | | | | April 30, 2010 | April 30, 2010 |
|---|--------------------|----------------|----------------|-----------------------|-----------------------|-------------------|-------------------|
| | April 30, | January 31, | April 30, | % Change | % Change | | |
| | 2010 | 2010 | 2009 | Q2 2010 to Q1 2009 | Q2 2010 to Q2 2009 | | |
| Revenue: | | | | | | | |
| Investment advisory and administration fees | \$ 212,141 | \$ 210,387 | \$ 153,158 | 1 % | 39 % | \$ 422,528 | |
| Distribution and underwriter fees | 24,666 | 25,034 | 18,719 | (1) | 32 | 49,700 | |
| Service fees | 34,453 | 33,990 | 25,641 | 1 | 34 | 68,443 | |
| Other revenue | 1,693 | 2,624 | 871 | (35) | 94 | 4,317 | |
| Total revenue | 272,953 | 272,035 | 198,389 | 0 | 38 | 544,988 | |
| Expenses: | | | | | | | |
| Compensation of officers and employees | 88,089 | 86,874 | 67,237 | 1 | 31 | 174,963 | |
| Distribution expense | 30,598 | 29,111 | 21,451 | 5 | 43 | 59,709 | |
| Service fee expense | 29,593 | 28,136 | 20,827 | 5 | 42 | 57,729 | |
| Amortization of deferred sales commissions | 8,376 | 7,959 | 9,523 | 5 | (12) | 16,335 | |
| Fund expenses | 5,103 | 4,293 | 4,384 | 19 | 16 | 9,396 | |
| Other expenses | 30,105 | 28,315 | 29,844 | 6 | 1 | 58,420 | |
| Total expenses | 191,864 | 184,688 | 153,266 | 4 | 25 | 376,552 | |
| Operating Income | 81,089 | 87,347 | 45,123 | (7) | 80 | 168,436 | |
| Other Income/(Expense): | | | | | | | |
| Interest income | 716 | 770 | 828 | (7) | (14) | 1,486 | |
| Interest expense | (8,411) | (8,416) | (8,407) | - | - | (16,827) | |
| Realized gains (losses) on investments | (251) | 1,748 | (1,256) | NM | (80) | 1,497 | |
| Unrealized gains on investments | 1,802 | 793 | 2,839 | 127 | (37) | 2,595 | |
| Foreign currency gains (losses) | 200 | 134 | (25) | 49 | NM | 334 | |
| Impairment losses on investments | - | - | (1,162) | - | NM | - | |
| Income Before Income Taxes and Equity in Net | | | | | | | |
| Income (Loss) of Affiliates | 75,145 | 82,376 | 37,940 | (9) | 98 | 157,521 | |

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| | | | | | | |
|---|-----------|-----------|------------|------|-----|-----------|
| Income Taxes | (28,880) | (31,645) | (10,866) | (9) | 166 | (60,525) |
| Equity in Net Income (Loss) of Affiliates, Net of Tax | (281) | 814 | (108) | NM | 160 | 533 |
| Net Income | 45,984 | 51,545 | 26,966 | (11) | 71 | 97,529 |
| Net Income Attributable to Non-Controlling Interests | (9,984) | (5,303) | (1,213) | 88 | 723 | (15,287) |
| Net Income Attributable to Eaton Vance Corp. Shareholders | \$ 36,000 | \$ 46,242 | \$ 25,753 | (22) | 40 | \$ 82,242 |
| Earnings Per Share Attributable to Eaton Vance Corp. Shareholders: | | | | | | |
| Basic | \$ 0.30 | \$ 0.39 | \$ 0.22 | (23) | 36 | \$ 0.69 |
| Diluted | \$ 0.29 | \$ 0.37 | \$ 0.21 | (22) | 38 | \$ 0.66 |
| Dividends Declared, Per Share | \$ 0.160 | \$ 0.160 | \$ 0.155 - | | 3 | \$ 0.320 |
| Weighted Average Shares Outstanding: | | | | | | |
| Basic | 116,565 | 116,603 | 115,965 | (0) | 1 | 116,557 |
| Diluted | 123,515 | 122,920 | 119,432 | 0 | 3 | 123,218 |

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Eaton Vance Corp.
Balance Sheet
(in thousands, except per share figures)
(unaudited)

| | April 30, 2010 | October 31, 2009 |
|---|-------------------|---------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 323,715 | \$ 310,586 |
| Short-term investments | - | 49,924 |
| Investment advisory fees and other receivables | 118,048 | 107,975 |
| Note receivable from affiliate | 2,500 | - |
| Other current assets | 40,823 | 19,677 |
| Total current assets | 485,086 | 488,162 |
| Other Assets: | | |
| Deferred sales commissions | 51,469 | 51,966 |
| Goodwill | 135,786 | 135,786 |
| Other intangible assets, net | 76,926 | 80,834 |
| Long-term investments | 191,206 | 133,536 |
| Deferred income taxes | 112,447 | 97,044 |
| Equipment and leasehold improvements, net | 73,022 | 75,201 |
| Note receivable from affiliate | - | 8,000 |
| Other assets | 4,313 | 4,538 |
| Total other assets | 645,169 | 586,905 |
| Total assets | \$ 1,130,255 | \$ 1,075,067 |
| LIABILITIES, TEMPORARY EQUITY AND PERMAMENT EQUITY | | |
| Current Liabilities: | | |
| Accrued compensation | \$ 60,138 | \$ 85,273 |
| Accounts payable and accrued expenses | 58,003 | 51,881 |
| Dividend payable | 18,976 | 18,812 |
| Deferred income taxes | 19,757 | 15,580 |
| Contingent purchase price liability | 5,079 | 13,876 |
| Other current liabilities | 3,873 | 2,902 |
| Total current liabilities | 165,826 | 188,324 |
| Long-Term Liabilities: | | |
| Long-term debt | 500,000 | 500,000 |
| Other long-term liabilities | 44,170 | 35,812 |
| Total long-term liabilities | 544,170 | 535,812 |
| Total liabilities | 709,996 | 724,136 |
| Commitments and contingencies | - | - |
| Temporary Equity: | | |
| Redeemable non-controlling interests | 54,841 | 43,871 |
| Total temporary equity | 54,841 | 43,871 |
| Permanent Equity: | | |

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| | | |
|--|--------------|--------------|
| Voting Common stock, par value \$0.00390625 per share: | | |
| Authorized, 1,280,000 shares | | |
| Issued, 417,863 and 431,790 shares, respectively | 2 | 2 |
| Non-voting common stock, par value \$0.00390625 per share: | | |
| Authorized, 190,720,000 shares | | |
| Issued, 118,143,629 and 117,087,810 shares, respectively | 461 | 457 |
| Additional paid-in capital | 56,346 | 44,786 |
| Notes receivable from stock option exercises | (2,558) | (3,078) |
| Accumulated other comprehensive loss | (576) | (1,394) |
| Retained earnings | 311,327 | 266,196 |
| Total Eaton Vance Corp. shareholders' equity | 365,002 | 306,969 |
| Non-redeemable non-controlling interests | 416 | 91 |
| Total permanent equity | 365,418 | 307,060 |
| | | |
| Total liabilities, temporary equity and permanent equity | \$ 1,130,255 | \$ 1,075,067 |

Table 1
Asset Flows (in millions)
Twelve Months Ended April 30, 2010
(unaudited)

| | |
|---|------------|
| Assets 4/30/2009 - beginning of period | \$ 127,237 |
| Long-term fund sales and inflows | 27,895 |
| Long-term fund redemptions and outflows | (21,058) |
| Long-term fund net exchanges | 627 |
| Institutional/HNW account inflows | 14,274 |
| Institutional/HNW account outflows | (6,159) |
| Institutional/HNW account net exchanges | (579) |
| Retail managed account inflows | 7,836 |
| Retail managed account outflows | (5,105) |
| Market value change | 30,535 |
| Change in cash management funds | 743 |
| Net change | 49,009 |
| Assets 4/30/2010 - end of period | \$ 176,246 |

Table 2
Assets Under Management
By Investment Category (in millions)
(unaudited)

| | April 30, 2010 | January 31, 2010 | % Change | April 30, 2009 | % Change |
|-----------------------|-------------------|---------------------|-------------|-------------------|-------------|
| Equity Funds | \$ 60,997 | \$ 56,606 | 8% | \$ 47,137 | 29% |
| Fixed Income Funds | 29,383 | 26,697 | 10% | 21,251 | 38% |
| Bank Loan Funds | 17,739 | 16,879 | 5% | 13,786 | 29% |
| Cash Management Funds | 1,524 | 1,409 | 8% | 781 | 95% |
| Separate Accounts | 66,602 | 59,993 | 11% | 44,282 | 50% |
| Total | \$ 176,245 | \$ 161,584 | 9% | \$127,237 | 39% |

Table 3
Asset Flows by Investment Category (in millions)
(unaudited)

| | Three Months Ended | | | Six Months Ended | |
|---|--------------------|---------------------|-------------------|-------------------|-------------------|
| | April 30, 2010 | January 31, 2010 | April 30, 2009 | April 30, 2010 | April 30, 2009 |
| Equity fund assets - beginning of period | \$ 56,606 | \$ 54,779 | \$ 46,591 | \$ 54,779 | \$ 51,956 |
| Sales/inflows | 3,425 | 3,298 | 3,513 | 6,723 | 8,302 |
| Redemptions/outflows | (2,985) | (3,180) | (3,497) | (6,165) | (7,027) |
| Exchanges | (12) | 461 | (53) | 449 | (87) |
| Market value change | 3,963 | 1,248 | 583 | 5,211 | (6,007) |
| Net change | 4,391 | 1,827 | 546 | 6,218 | (4,819) |
| Equity assets - end of period | \$ 60,997 | \$ 56,606 | \$ 47,137 | \$ 60,997 | \$ 47,137 |
| Fixed income fund assets - beginning of period | 26,697 | 24,970 | 19,851 | 24,970 | 20,382 |
| Sales/inflows | 3,827 | 2,579 | 1,388 | 6,406 | 2,786 |
| Redemptions/outflows | (1,678) | (1,477) | (1,051) | (3,155) | (2,442) |
| Exchanges | (11) | 121 | 57 | 110 | 86 |
| Market value change | 548 | 504 | 1,006 | 1,052 | 439 |
| Net change | 2,686 | 1,727 | 1,400 | 4,413 | 869 |

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| | | | | | |
|--|------------|------------|------------|------------|------------|
| Fixed income assets - end of period | \$ 29,383 | \$ 26,697 | \$ 21,251 | \$ 29,383 | \$ 21,251 |
| Bank loan fund assets - beginning of period | 16,879 | 16,452 | 12,466 | 16,452 | 13,806 |
| Sales/inflows | 1,279 | 948 | 948 | 2,227 | 1,745 |
| Redemptions/outflows | (675) | (711) | (566) | (1,386) | (2,123) |
| Exchanges | 20 | 6 | 16 | 27 | (8) |
| Market value change | 236 | 184 | 922 | 419 | 366 |
| Net change | 860 | 427 | 1,320 | 1,287 | (20) |
| Bank loan assets - end of period | \$ 17,739 | \$ 16,879 | \$ 13,786 | \$ 17,739 | \$ 13,786 |
| Long-term fund assets - beginning of period | 100,182 | 96,201 | 78,908 | 96,201 | 86,144 |
| Sales/inflows | 8,531 | 6,825 | 5,849 | 15,356 | 12,833 |
| Redemptions/outflows | (5,338) | (5,368) | (5,114) | (10,706) | (11,592) |
| Exchanges | (3) | 588 | 20 | 586 | (9) |
| Market value change | 4,747 | 1,936 | 2,511 | 6,682 | (5,202) |
| Net change | 7,937 | 3,981 | 3,266 | 11,918 | (3,970) |
| Total long-term fund assets - end of period | \$ 108,119 | \$ 100,182 | \$ 82,174 | \$ 108,119 | \$ 82,174 |
| Separate accounts - beginning of period | 59,993 | 57,278 | 42,236 | 57,278 | 35,831 |
| Institutional/HNW account inflows | 3,571 | 2,699 | 1,580 | 6,269 | 5,011 |
| Institutional/HNW account outflows | (2,053) | (1,678) | (1,596) | (3,731) | (2,675) |
| Institutional/HNW account exchanges | - | (579) | - | (579) | - |
| Institutional/HNW assets acquired ¹ | - | - | - | - | 4,818 |
| Retail managed account inflows | 1,801 | 1,714 | 2,179 | 3,515 | 4,058 |
| Retail managed account outflows | (1,258) | (1,163) | (2,110) | (2,421) | (3,577) |
| Retail managed accounts acquired ¹ | - | - | - | - | 2,035 |
| Separate accounts market value change | 4,548 | 1,722 | 1,993 | 6,271 | (1,219) |
| Net change | 6,609 | 2,715 | 2,046 | 9,324 | 8,451 |
| Separate accounts - end of period | \$ 66,602 | \$ 59,993 | \$ 44,282 | \$ 66,602 | \$ 44,282 |
| Cash management fund assets - end of period | 1,524 | 1,409 | 781 | 1,524 | 781 |
| Total assets under management - end of period | \$ 176,245 | \$ 161,584 | \$ 127,237 | \$ 176,245 | \$ 127,237 |

Table 4
Long-Term Fund and Separate Account Net Flows (in millions)
(unaudited)

| | Three Months Ended | | Six Months Ended | | |
|----------------------------|--------------------|-------------|------------------|-----------|-----------|
| | April 30, | January 31, | April 30, | April 30, | April 30, |
| | 2010 | 2010 | 2009 | 2010 | 2009 |
| Long-term funds: | | | | | |
| Open-end and other funds | \$ 3,674 | \$ 2,492 | \$ 1,932 | \$ 6,166 | \$ 4,478 |
| Closed-end funds | 152 | (21) | (124) | 131 | (574) |
| Private funds | (633) | (1,014) | (1,073) | (1,647) | (2,663) |
| Institutional/HNW accounts | 1,518 | 1,021 | (16) | 2,538 | 2,336 |
| Retail managed accounts | 543 | 551 | 69 | 1,094 | 481 |
| Total net flows | \$ 5,254 | \$ 3,029 | \$ 788 | \$ 8,282 | \$ 4,058 |

¹ Tax Advantaged Bond Strategies acquired by Eaton Vance subsidiary, Eaton Vance Management, in December 2008.

