

Eaton Vance Short Duration Diversified Income Fund
Form N-CSR
January 08, 2007

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: October 31, 2006

Item 1. Reports to Stockholders

Annual Report October 31, 2006

EATON VANCE
SHORT
DURATION
DIVERSIFIED
INCOME
FUND

**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.

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 (if applicable) 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, by calling Eaton Vance at 1-800-262-1122 or in the EDGAR database on the SEC's website at 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.

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

MANAGEMENT'S DISCUSSION OF PERFORMANCE

The Fund

Performance

- Based on share price, Eaton Vance Short Duration Diversified Income Fund (the Fund), a closed-end fund traded on the New York Stock Exchange under the symbol EVG, had a total return of 19.96% for the year ended October 31, 2006. That return was the result of an increase in share price to \$17.75 on October 31, 2006, from \$16.07 on October 31, 2005, and the reinvestment of \$1.403 in monthly distributions.
- Based on net asset value (NAV) per share, the Fund had a total return of 7.73% during the same period. This return resulted from a decrease in NAV per share to \$18.42 on October 31, 2006, from \$18.57 on October 31, 2005, and the reinvestment of \$1.403 in monthly distributions.
- For comparison, the Fund's peer group, the Lipper Global Income Funds Classification had an average total return of 8.63%, at net asset value, and a 12.47% annual return at share price during the same period.(1)
- 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 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.

Management Discussion

- In pursuing the Fund's objective, the Fund's investments have been allocated primarily to senior floating-rate loans, mortgage-backed securities (MBS) and foreign obligations.
- Within the senior, floating-rate loan segment, the Fund emphasizes broad diversification across economic and industry groups. At October 31, 2006, the Fund's 303 bank loan investments represented 37 industries, with no single industry representing as much as 7% of the Fund's net assets. The loan segment's largest industry weightings at October 31, 2006, were chemicals and plastics, business equipment and services, cable and satellite television and automotive.
- The loan market enjoyed relatively stable fundamentals during the year. Technical factors came more into balance, as record new issuance from strong merger activity met continuing robust investor demand. As a result, credit spreads stabilized after a long period during which they had narrowed. The Fund's shareholders also benefited from an increase in the London Inter-Bank Offered Rate—the benchmark over which loan interest rates are typically set—which rose in response to rate hikes from the Federal Reserve.
- Management continued to focus on the seasoned sector of the MBS market. MBS spreads tightened during the fiscal year, as market fundamentals remained positive. Prepayment rates fell and investor demand was brisk for high quality investments with a yield advantage over U.S. Treasuries. Incremental demand was especially strong from foreign buyers, such as central banks.
- The Fund maintained exposure to selected foreign markets through long and short forward currency contracts. Tighter spreads provided a more challenging environment for emerging markets investing. The Fund was overweighted in Asia. Some of the larger foreign exchange positions were held in Indonesia, Malaysia, India, the Philippines and Korea. The Fund continued to partially balance these Asian positions with a short position in the Japanese yen. The Fund increased its exposure to Latin America, primarily in the form of local bonds in Brazil and interest rate swaps in Mexico. These countries have benefited from low inflation and a commitment by their central

banks to target any renewal of inflation. In Euro-related exposures, the Fund shifted its investments, eliminating Slovakia in favor of a larger currency exposure in Romania and a T-bill position in Egypt. Management found Romania attractive because of its economic reforms, compelling yield spreads over the Euro and its anticipated membership in the European Union. Egyptian T-bills were attractive due to the continuing inflow of petro-dollars into its local financial markets. The Fund cross-hedged most of its European positions by shorting the Euro, a move that protected the Fund from the Euro's roughly 9% decline against the dollar during the fiscal year.

- The Fund's NAV again displayed relatively low volatility during the year ended October 31, 2006, and was among the lowest in volatility within its peer group. A low duration (1.5 years at October 31), a large exposure to floating-rate loan assets, and minimal correlation among the Fund's three investment sectors contributed to the Fund's relative NAV stability. (Duration measures the Fund's responsiveness to changes in interest rates.) In addition, the share price discount-to-NAV narrowed dramatically during the fiscal year, to 3.64% at October 31, 2006, from 13.46% at October 31, 2005.

(1) It is not possible to invest directly in a Lipper Classification. The Lipper averages are the average total returns of the funds that are in the same Lipper Classification as the Fund.

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. For performance as of the most recent month end, please refer to www.eatonvance.com.

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

PERFORMANCE

Performance(1)

Average Annual Total Return (by share price, NYSE)

One Year	19.96 %
Life of Fund (2/28/05)	3.29 %

Average Annual Total Return (at net asset value)

One Year	7.73 %
Life of Fund (2/28/05)	5.59 %

(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. For performance as of the most recent month end, please refer to www.eatonvance.com.

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 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.

Fund Allocations(2)

By total leveraged assets

(2) Fund Allocations are as of 10/31/06 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 approximately 202% as of 10/31/06. 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.

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Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

PORTFOLIO OF INVESTMENTS

Senior, Floating Rate Interests 74.8%			
Principal Amount		Borrower/Tranche Description	Value
Aerospace and Defense 1.7%			
Delta Air Lines, Inc.			
\$	425,000	Term Loan, 12.77%, Maturing March 27, 2008	\$ 437,644
Hexcel Corp.			
	818,070	Term Loan, 7.13%, Maturing March 1, 2012	820,115
K&F Industries, Inc.			
	574,212	Term Loan, 7.32%, Maturing November 18, 2012	576,994
Spirit Aerosystems, Inc.			
	1,839,643	Term Loan, 7.57%, Maturing December 31, 2011	1,856,027
Standard Aero Holdings, Inc.			
	670,085	Term Loan, 7.61%, Maturing August 24, 2012	671,342
Transdigm, Inc.			
	475,000	Term Loan, 7.39%, Maturing June 23, 2013	478,503
Vought Aircraft Industries, Inc.			
	181,818	Term Loan, 7.33%, Maturing December 17, 2011	182,898
	804,706	Term Loan, 7.88%, Maturing December 17, 2011	810,155
			\$ 5,833,678
Air Transport 0.3%			
Northwest Airlines, Inc.			
\$	600,000	Dip Loan, 7.90%, Maturing August 21, 2008	\$ 602,625
United Airlines, Inc.			
	62,188	Term Loan, 9.13%, Maturing February 1, 2012	63,276
	435,313	Term Loan, 9.25%, Maturing February 1, 2012	442,930
			\$ 1,108,831
Automotive 4.6%			
AA Acquisitions Co., Ltd.			
	1,000,000	GBP Term Loan, 9.58%, Maturing June 25, 2014	\$ 1,956,465
Accuride Corp.			
	681,136	Term Loan, 7.44%, Maturing January 31, 2012	683,265
Affina Group, Inc.			
	888,482	Term Loan, 8.38%, Maturing November 30, 2011	893,202
Axletech International Holding, Inc.			
	425,000	Term Loan, 11.87%, Maturing April 21, 2013	428,896
CSA Acquisition Corp.			
	326,625	Term Loan, 7.88%, Maturing December 23, 2011	327,339

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	605,874	Term Loan, 7.88%, Maturing December 23, 2011	607,199
Dayco Europe S.R.I.			
	821,582	EURTerm Loan, 5.56%, Maturing June 21, 2010	1,052,559
Principal Amount		Borrower/Tranche Description	Value
Automotive (continued)			
Dayco Products, LLC			
\$	573,563	Term Loan, 8.02%, Maturing June 21, 2011	\$ 578,462
Delphi Corp.			
	500,000	Term Loan, 8.13%, Maturing October 8, 2007	505,000
Exide Technologies			
	949,088	EURTerm Loan, 9.87%, Maturing May 5, 2010	1,271,937
Federal-Mogul Corp.			
	500,000	DIP Loan, 7.38%, Maturing December 9, 2006	501,328
	361,345	Term Loan, 7.57%, Maturing December 9, 2006	352,086
	420,728	Term Loan, 7.59%, Maturing December 9, 2006	410,999
Goodyear Tire & Rubber Co.			
	635,000	Term Loan, 8.14%, Maturing April 30, 2010	640,897
	500,000	Term Loan, 8.89%, Maturing March 1, 2011	507,291
Insurance Auto Auctions, Inc.			
	222,826	Term Loan, 7.90%, Maturing May 19, 2012 ⁽²⁾	224,219
R.J. Tower Corp.			
	370,000	DIP Revolving Loan, 8.94%, Maturing February 2, 2007	359,131
Tenneco Automotive, Inc.			
	963,141	Term Loan, 7.40%, Maturing December 14, 2009	968,709
	418,922	Term Loan, 7.31%, Maturing December 13, 2010	421,344
Teutates Vermögensverwaltung			
	500,000	EURTerm Loan, 5.75%, Maturing March 11, 2014	643,987
	500,000	EURTerm Loan, 6.25%, Maturing March 11, 2015	646,950
The Goodyear Dunlop Tires			
	990,000	EURTerm Loan, 5.91%, Maturing April 30, 2010	1,269,642
Trimas Corp.			
	70,313	Term Loan, 8.13%, Maturing August 2, 2011	70,840
	304,688	Term Loan, 8.25%, Maturing August 2, 2013	306,973
United Components, Inc.			
	441,667	Term Loan, 7.70%, Maturing June 30, 2010	444,427
			\$ 16,073,147
Beverage and Tobacco 0.4%			
Alliance One International, Inc.			
\$	216,250	Term Loan, 8.82%, Maturing May 13, 2010	\$ 218,953

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Culligan International Co.

397,916	Term Loan, 7.07%, Maturing September 30, 2011	399,533
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National Dairy Holdings, L.P.

458,214	Term Loan, 7.32%, Maturing March 15, 2012	459,933
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National Distribution Co.

220,000	Term Loan, 11.82%, Maturing June 22, 2010	220,550
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\$ 1,298,969

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

PORTFOLIO OF INVESTMENTS CONT'D

Principal Amount		Borrower/Tranche Description	Value
Building and Development	3.6%		
Biomed Realty, L.P.			
\$	660,000	Term Loan, 7.57%, Maturing May 31, 2010	\$ 658,350
Capital Automotive REIT			
	415,134	Term Loan, 7.08%, Maturing December 16, 2010	417,485
EpcO / Fantome, LLC			
	500,000	Term Loan, 8.37%, Maturing November 23, 2010	502,500
Gables GP, Inc.			
	25,579	Term Loan, 7.07%, Maturing December 31, 2006	25,630
Hovstone Holdings, LLC			
	265,000	Term Loan, 7.37%, Maturing February 28, 2009	261,025
Kyle Acquisition Group, LLC			
	115,371	Term Loan, 8.25%, Maturing July 20, 2010	115,371
Lanoga Corp.			
	374,063	Term Loan, 7.12%, Maturing June 29, 2013	373,439
LNR Property Corp.			
	800,000	Term Loan, 8.22%, Maturing July 3, 2011	803,917
MAAX Corp.			
	612,552	Term Loan, 8.38%, Maturing June 4, 2011	609,489
Mueller Group, Inc.			
	472,465	Term Loan, 7.39%, Maturing October 3, 2012	475,664
Newkirk Master, L.P.			
	401,485	Term Loan, 7.07%, Maturing August 11, 2008	402,112
	313,523	Term Loan, 7.07%, Maturing August 11, 2008	314,013
Nortek, Inc.			
	984,925	Term Loan, 7.32%, Maturing August 27, 2011	983,693
Panolam Industries Holdings, Inc.			
	178,054	Term Loan, 8.12%, Maturing September 30, 2012	178,944
Ply Gem Industries, Inc.			
	32,648	Term Loan, 8.40%, Maturing August 15, 2011	32,628
	489,727	Term Loan, 8.40%, Maturing August 15, 2011	489,420
Ristretto Investissements SAS			
	308,150	EURTerm Loan, 5.76%, Maturing September 30, 2013	397,339
	130,995	GBPTerm Loan, 7.45%, Maturing September 30, 2013	252,339
	308,150		399,305

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		EURTerm Loan, 6.13%, Maturing September 30, 2014	
	130,995	GBPTerm Loan, 7.82%, Maturing September 30, 2014	253,380
Rubicon GSA II, LLC			
	675,000	Term Loan, 8.07%, Maturing July 31, 2008	675,000
Stile Acquisition Corp.			
	930,033	Term Loan, 7.38%, Maturing April 6, 2013	910,633
Stile U.S. Acquisition Corp.			
	931,617	Term Loan, 7.38%, Maturing April 6, 2013	912,185
TRU 2005 RE Holding Co.			
	1,325,000	Term Loan, 8.32%, Maturing December 9, 2008	1,329,141
Trustreet Properties, Inc.			
	385,000	Term Loan, 7.32%, Maturing April 8, 2010	385,962
Principal Amount		Borrower/Tranche Description	Value
Building and Development (continued)			
United Subcontractors, Inc.			
\$	250,000	Term Loan, 12.86%, Maturing June 27, 2013	\$ 242,500
			\$ 12,401,464
Business Equipment and Services 5.5%			
Acco Brands Corp.			
\$	1,199,248	Term Loan, 7.14%, Maturing August 17, 2012	\$ 1,204,495
Affiliated Computer Services			
	248,125	Term Loan, 7.39%, Maturing March 20, 2013	248,861
	623,438	Term Loan, 7.40%, Maturing March 20, 2013	625,229
Affinion Group, Inc.			
	507,907	Term Loan, 8.17%, Maturing October 17, 2012	511,320
Allied Security Holdings, LLC			
	373,295	Term Loan, 8.37%, Maturing June 30, 2010	376,562
Audatex North America, Inc.			
	1,000,000	EURTerm Loan, 9.13%, Maturing January 13, 2013	1,307,063
BSG Clearing Solutions GmbH			
	975,000	EURTerm Loan, 5.74%, Maturing May 5, 2012	1,250,663
Buhrmann US, Inc.			
	1,979,747	EURTerm Loan, 5.08%, Maturing December 23, 2010	2,561,594
DynCorp International, LLC			
	492,500	Term Loan, 7.75%, Maturing February 11, 2011	495,578
Education Management, LLC			
	448,875	Term Loan, 7.88%, Maturing June 1, 2013	452,466
Gate Gourmet Borrower, LLC			
	497,500	EURTerm Loan, 6.13%, Maturing March 9, 2013	643,517
Info USA, Inc.			

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	198,500	Term Loan, 7.07%, Maturing February 14, 2012	198,252
La Petite Academy, Inc.			
	200,000	Term Loan, 10.04%, Maturing August 21, 2012	201,375
N.E.W. Holdings I, LLC			
	200,000	Term Loan, 12.35%, Maturing February 8, 2014	204,000
	149,625	Term Loan, 8.11%, Maturing August 8, 2014	150,607
Nielsen Finance, LLC			
	2,000,000	Term Loan, 8.19%, Maturing August 9, 2013	2,009,532
Protection One, Inc.			
	194,936	Term Loan, 7.86%, Maturing March 31, 2012	195,789
Quintiles Transnational Corp.			
	500,000	Term Loan, 9.37%, Maturing March 31, 2014	509,140
RGIS Holdings, LLC			
	347,402	Term Loan, 7.87%, Maturing February 15, 2013	347,294
SS&C Technologies, Inc.			
	38,877	Term Loan, 8.00%, Maturing November 23, 2012	39,120
	457,373	Term Loan, 8.00%, Maturing November 23, 2012	460,232

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

PORTFOLIO OF INVESTMENTS CONT'D

Principal Amount	Borrower/Tranche Description	Value
Business Equipment and Services (continued)		
Sungard Data Systems, Inc.		
\$ 2,967,450	Term Loan, 8.00%, Maturing February 11, 2013	\$ 2,998,854
TDS Investor Corp.		
1,000,000	EURTerm Loan, 6.13%, Maturing August 23, 2013	1,280,206
Williams Scotsman, Inc.		
930,000	Term Loan, 6.82%, Maturing June 28, 2010	927,675
		\$ 19,199,424
Cable and Satellite Television 5.2%		
Cablecom Luxembourg SCA		
1,000,000	EURTerm Loan, 5.79%, Maturing September 28, 2012	\$ 1,283,529
Charter Communications Operating, LLC		
2,991,833	Term Loan, 8.01%, Maturing April 28, 2013	3,021,003
CSC Holdings, Inc.		
895,500	Term Loan, 7.15%, Maturing March 29, 2013	895,860
Insight Midwest Holdings, LLC		
381,250	Term Loan, 0.00%, Maturing April 6, 2014 ⁽²⁾	384,258
1,143,750	Term Loan, 7.57%, Maturing April 6, 2014	1,152,774
Kabel Deutschland GmbH		
1,000,000	EURTerm Loan, 5.38%, Maturing March 31, 2012	1,279,028
NTL Investment Holdings Ltd.		
538,924	GBPTerm Loan, 7.07%, Maturing September 3, 2012	1,027,151
461,076	GBPTerm Loan, 7.07%, Maturing September 3, 2012	878,777
Persona Communications Corp.		
250,000	Term Loan, 11.37%, Maturing April 12, 2014	251,562
PKS Media (Netherlands) B.V.		
482,500	EURTerm Loan, 5.24%, Maturing October 5, 2013	618,058
1,000,000	EURTerm Loan, 5.74%, Maturing October 5, 2013	1,294,570
1,000,000	EURTerm Loan, 6.24%, Maturing October 5, 2014	1,300,654
UGS Corp.		
1,629,021	Term Loan, 7.13%, Maturing March 31, 2012	1,629,360
UPC Broadband Holding B.V.		
662,500	EURTerm Loan, 5.51%, Maturing March 31, 2013	846,505
750,000	EURTerm Loan, 5.51%, Maturing December 31, 2013	958,451
Ypso Holding SA		

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	496,137	EURTerm Loan, 5.84%, Maturing June 15, 2014	620,749
	191,468	EURTerm Loan, 5.84%, Maturing June 15, 2014	239,558
	312,395	EURTerm Loan, 5.84%, Maturing June 15, 2014	390,858
			\$ 18,072,705
Chemicals and Plastics 6.2%			
Basell Af S.A.R.L.			
\$	208,333	Term Loan, 7.60%, Maturing August 1, 2013	\$ 211,068
	41,667	Term Loan, 7.60%, Maturing August 1, 2013	42,214
Principal Amount		Borrower/Tranche Description	Value
Chemicals and Plastics (continued)			
\$	208,333	Term Loan, 8.35%, Maturing August 1, 2014	\$ 211,068
	41,667	Term Loan, 8.35%, Maturing August 1, 2014	42,214
Brenntag Holding GmbH and Co.			
	1,020,189	EURTerm Loan, 12.28%, Maturing January 18, 2016	1,340,097
Celanese Holdings, LLC			
	1,846,358	EURTerm Loan, 5.70%, Maturing April 6, 2011	2,377,710
	925,231	Term Loan, 7.37%, Maturing June 4, 2011	931,509
Gentek, Inc.			
	700,884	Term Loan, 7.37%, Maturing February 25, 2011	704,827
Georgia Gulf Corp.			
	425,000	Term Loan, 7.32%, Maturing October 3, 2013	427,568
Hexion Specialty Chemicals			
	231,420	Term Loan, 7.37%, Maturing May 5, 2013	231,110
	1,065,330	Term Loan, 7.38%, Maturing May 5, 2013	1,063,904
Huntsman International, LLC			
	1,316,456	Term Loan, 7.07%, Maturing August 16, 2012	1,317,280
Ineos Group			
	500,000	Term Loan, 7.61%, Maturing December 14, 2013	506,614
	500,000	Term Loan, 8.11%, Maturing December 14, 2014	506,614
Innophos, Inc.			
	541,094	Term Loan, 7.57%, Maturing August 10, 2010	543,631
ISP Chemo, Inc.			
	696,500	Term Loan, 7.45%, Maturing February 16, 2013	699,609
Kranton Polymers, LLC			
	738,693	Term Loan, 7.38%, Maturing May 12, 2013	741,925
Lucite International Group Holdings			
	64,886	Term Loan, 0.00%, Maturing July 7, 2013 ⁽²⁾	65,434
	184,652	Term Loan, 8.07%, Maturing July 7, 2013	186,212

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Lyondell Chemical		Term Loan, 7.11%, Maturing August 16, 2013	
	1,100,000		1,106,989
Nalco Co.		Term Loan, 7.16%, Maturing November 4, 2010	
	1,770,571		1,777,613
PQ Corp.		Term Loan, 7.38%, Maturing February 10, 2012	
	488,779		490,917
Professional Paint, Inc.		Term Loan, 7.63%, Maturing May 31, 2012	
	199,500		199,874
Propex Fabrics, Inc.		Term Loan, 7.63%, Maturing July 31, 2012	
	279,563		280,261
Rockwood Specialties Group		EURTerm Loan, 6.31%, Maturing July 30, 2012	
	1,477,500		1,901,522
Sigmakalon (BC) Holdco B.V.		EURTerm Loan, 5.99%, Maturing September 9, 2013	
	8,871		11,412
	173,632	EURTerm Loan, 5.99%, Maturing September 9, 2013	223,368
	317,498	EURTerm Loan, 5.99%, Maturing September 9, 2013	408,445
	107,857	EURTerm Loan, 6.49%, Maturing September 9, 2014	139,344

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

PORTFOLIO OF INVESTMENTS CONT'D

Principal Amount	Borrower/Tranche Description	Value
Chemicals and Plastics (continued)		
30,222	EUR Term Loan, 6.49%, Maturing September 9, 2014	\$ 38,959
26,409	EUR Term Loan, 6.49%, Maturing September 9, 2014	34,119
335,513	EUR Term Loan, 6.49%, Maturing September 9, 2014	433,462
1,000,000	EUR Term Loan, 8.74%, Maturing September 9, 2015	1,293,102
Solo Cup Co.		
932,856	Term Loan, 8.61%, Maturing February 27, 2011	938,760
200,000	Term Loan, 11.37%, Maturing March 31, 2012	205,250
		\$ 21,634,005
Clothing / Textiles 0.3%		
Hanesbrands, Inc.		
\$ 525,000	Term Loan, 7.68%, Maturing September 5, 2013	\$ 530,119
250,000	Term Loan, 9.19%, Maturing March 5, 2014	256,607
St. John Knits International, Inc.		
133,418	Term Loan, 9.32%, Maturing March 23, 2012	132,751
		\$ 919,477
Conglomerates 1.6%		
Amsted Industries, Inc.		
\$ 519,729	Term Loan, 7.37%, Maturing October 15, 2010	\$ 522,003
Bushnell Performance Optics		
495,119	Term Loan, 8.37%, Maturing August 19, 2011	498,213
Euramax International, Inc.		
167,105	Term Loan, 12.37%, Maturing June 28, 2013	168,359
82,895	Term Loan, 12.37%, Maturing June 28, 2013	83,516
Goodman Global Holdings, Inc.		
442,177	Term Loan, 7.25%, Maturing December 23, 2011	441,992
Jarden Corp.		
253,611	Term Loan, 7.12%, Maturing January 24, 2012	253,674
450,585	Term Loan, 7.37%, Maturing January 24, 2012	451,958
Johnson Diversey, Inc.		
738,478	Term Loan, 7.97%, Maturing December 16, 2011	745,286
Polymer Group, Inc.		
1,339,875	Term Loan, 7.61%, Maturing November 22, 2012	1,342,666
Rexnord Corp.		
400,000		402,750

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		Term Loan, 7.88%, Maturing July 19, 2013	
US Investigations Services, Inc.		Term Loan, 7.89%, Maturing October 14, 2012	669,700
	665,954		
			\$ 5,580,117
Containers and Glass Products	3.6%		
Bluegrass Container Co.		Term Loan, 7.60%, Maturing June 30, 2013	\$ 110,263
	\$ 109,120		
	364,692	Term Loan, 7.60%, Maturing June 30, 2013	368,510
Principal Amount		Borrower/Tranche Description	Value
Containers and Glass Products (continued)			
	\$ 84,848	Term Loan, 10.32%, Maturing December 30, 2013	\$ 86,002
	265,152	Term Loan, 10.32%, Maturing December 30, 2013	268,756
Crown Americas, Inc.		EURTerm Loan, 4.86%, Maturing November 15, 2012	1,275,552
	1,000,000		
Graham Packaging Holdings Co.		Term Loan, 7.73%, Maturing October 7, 2011	1,235,362
	1,228,125		
	357,143	Term Loan, 9.69%, Maturing April 7, 2012	360,603
Graphic Packaging International, Inc.		Term Loan, 7.88%, Maturing August 8, 2010	2,424,849
	2,394,279		
ISG Acquisitions		EURTerm Loan, 5.81%, Maturing December 31, 2014	1,606,645
	1,250,000		
	1,250,000	EURTerm Loan, 6.26%, Maturing December 31, 2014	1,613,785
Pregis Corp.		Term Loan, 7.62%, Maturing October 12, 2011	998,044
	990,000		
Smurfit-Stone Container Corp.		Term Loan, 4.73%, Maturing November 1, 2011	431,685
	428,496		
	1,030,690	Term Loan, 7.66%, Maturing November 1, 2011	1,038,361
	820,778	Term Loan, 7.67%, Maturing November 1, 2011	826,887
			\$ 12,645,304
Cosmetics / Toiletries	0.5%		
American Safety Razor Co.		Term Loan, 11.72%, Maturing January 31, 2014	\$ 306,000
	\$ 300,000		
Prestige Brands, Inc.		Term Loan, 7.71%, Maturing April 7, 2011	743,010
	738,548		
Revlon Consumer Products Corp.		Term Loan, 11.44%, Maturing July 9, 2010	672,049
	654,593		
			\$ 1,721,059
Drugs	0.4%		
Patheon, Inc.			\$ 576,405
	\$ 587,793		

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		Term Loan, 9.57%, Maturing December 14, 2011	
Warner Chilcott Corp.			
	187,526	Term Loan, 7.87%, Maturing January 18, 2012	188,732
	683,032	Term Loan, 7.93%, Maturing January 18, 2012	687,423
			\$ 1,452,560
Ecological Services and Equipment	0.7%		
Duratek, Inc.			
	\$ 172,115	Term Loan, 7.76%, Maturing June 7, 2013	\$ 173,675
Energysolutions, LLC			
	18,082	Term Loan, 7.57%, Maturing June 7, 2013	18,246
	379,886	Term Loan, 7.76%, Maturing June 7, 2013	383,329

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

PORTFOLIO OF INVESTMENTS CONT'D

Principal Amount		Borrower/Tranche Description	Value
Ecological Services and Equipment (continued)			
Environmental Systems Products Holdings, Inc.			
\$ 482,429		Term Loan, 8.88%, Maturing December 12, 2008	\$ 485,444
Sensus Metering Systems, Inc.			
403,727		Term Loan, 7.45%, Maturing December 17, 2010	403,727
53,627		Term Loan, 7.50%, Maturing December 17, 2010	53,627
Sulo GmbH			
625,000		EURTerm Loan, 9.87%, Maturing January 19, 2016	817,413
Synagro Technologies, Inc.			
37,857		Term Loan, 7.57%, Maturing June 21, 2012	37,928
227,143		Term Loan, 7.57%, Maturing June 21, 2012	227,143
			\$ 2,600,532
Electronics / Electrical 2.5%			
Advanced Micro Devices, Inc.			
\$ 775,000		Term Loan, 7.57%, Maturing December 31, 2013	\$ 775,000
Aspect Software, Inc.			
575,000		Term Loan, 8.44%, Maturing July 11, 2011	577,228
500,000		Term Loan, 12.38%, Maturing July 11, 2013	502,083
Infor Global Solutions Holdings			
755,714		Term Loan, 9.12%, Maturing July 28, 2012	762,484
394,286		Term Loan, 9.12%, Maturing July 28, 2012	397,818
Invensys International Holding Co.			
650,000		EURTerm Loan, 5.43%, Maturing December 15, 2010	835,331
Network Solutions, LLC			
297,750		Term Loan, 10.37%, Maturing January 9, 2012	301,472
Open Solutions, Inc.			
350,000		Term Loan, 11.90%, Maturing November 30, 2012	358,750
Security Co., Inc.			
738,685		Term Loan, 8.63%, Maturing June 28, 2010	744,226
Spectrum Brands, Inc.			
1,860,755		EURTerm Loan, 6.52%, Maturing February 7, 2012	2,360,132
Telcordia Technologies, Inc.			
666,112		Term Loan, 8.15%, Maturing September 15, 2012	642,382
Vertafore, Inc.			
275,000		Term Loan, 11.42%, Maturing January 31, 2013	279,698

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			\$ 8,536,604
Equipment Leasing 0.4%			
Awas Capital, Inc.			
\$	755,032	Term Loan, 11.44%, Maturing March 22, 2013	\$ 762,583
Maxim Crane Works, L.P.			
	339,034	Term Loan, 7.33%, Maturing January 28, 2010	340,305
Principal Amount			
		Borrower/Tranche Description	Value
Equipment Leasing (continued)			
United Rentals, Inc.			
\$	84,034	Term Loan, 6.00%, Maturing February 14, 2011	\$ 84,410
	185,574	Term Loan, 7.32%, Maturing February 14, 2011	186,405
			\$ 1,373,703
Farming / Agriculture 0.1%			
BF Bolthouse HoldCo, LLC			
\$	375,000	Term Loan, 10.87%, Maturing December 16, 2013	\$ 378,750
			\$ 378,750
Financial Intermediaries 0.2%			
Blitz F04-506 GmbH			
	500,000	EURTerm Loan, 6.35%, Maturing June 30, 2014	\$ 648,261
			\$ 648,261
Food Products 2.6%			
Acosta, Inc.			
\$	623,438	Term Loan, 8.08%, Maturing July 28, 2013	\$ 629,802
American Seafoods Group, LLC			
	938,372	Term Loan, 7.12%, Maturing September 30, 2011	938,080
BL Marketing, Ltd.			
	300,000	GBPTerm Loan, 7.75%, Maturing December 20, 2013	580,615
	300,000	GBPTerm Loan, 8.25%, Maturing December 20, 2014	583,228
Black Lion Beverages III B.V.			
	1,000,000	EURTerm Loan, 8.31%, Maturing January 24, 2016	1,303,340
Charden International B.V.			
	250,000	EURTerm Loan, 6.06%, Maturing March 14, 2014	319,719
	250,000	EURTerm Loan, 6.56%, Maturing March 14, 2015	321,082
Chiquita Brands, LLC			
	905,419	Term Loan, 7.62%, Maturing June 28, 2012	905,560
Michael Foods, Inc.			
	249,375	Term Loan, 7.54%, Maturing November 21, 2010	249,947
Nash-Finch Co.			
	485,714	Term Loan, 7.63%, Maturing November 12, 2010	486,625
Picard Surgeles S.A.			
	500,000		643,440

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		EURTerm Loan, 5.44%, Maturing June 4, 2014	
Pinnacle Foods Holdings Corp.			
	248,859	Term Loan, 7.37%, Maturing November 25, 2010	249,574
Reddy Ice Group, Inc.			
	925,000	Term Loan, 7.12%, Maturing August 9, 2012	926,156
Ruby Acquisitions Ltd.			
	500,000	GBPTerm Loan, 7.66%, Maturing January 5, 2015	964,353
			\$ 9,101,521

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

PORTFOLIO OF INVESTMENTS CONT'D

Principal Amount		Borrower/Tranche Description	Value
Food Service 0.5%			
Carrols Corp.			
\$	425,951	Term Loan, 7.88%, Maturing December 31, 2010	\$ 427,975
Denny's, Inc.			
	626,741	Term Loan, 8.59%, Maturing September 21, 2009	629,353
QCE Finance, LLC			
	275,000	Term Loan, 11.12%, Maturing November 5, 2013	279,537
Sonic Corp.			
	198,000	Term Loan, 7.32%, Maturing September 22, 2013	198,742
			\$ 1,535,607
Food / Drug Retailers 0.9%			
General Nutrition Centers, Inc.			
\$	982,323	Term Loan, 8.11%, Maturing December 5, 2009	\$ 991,226
Roundy's Supermarkets, Inc.			
	818,813	Term Loan, 8.42%, Maturing November 3, 2011	826,284
The Jean Coutu Group (PJC), Inc.			
	1,352,471	Term Loan, 7.94%, Maturing July 30, 2011	1,358,584
			\$ 3,176,094
Forest Products 2.3%			
Boise Cascade Holdings, LLC			
\$	2,021,668	Term Loan, 7.11%, Maturing October 29, 2011	\$ 2,033,167
Buckeye Technologies, Inc.			
	453,803	Term Loan, 7.38%, Maturing April 15, 2010	454,181
Georgia Pacific Corp.			
	1,736,875	Term Loan, 7.39%, Maturing December 20, 2012	1,747,850
	850,000	Term Loan, 8.39%, Maturing December 23, 2013	861,920
NewPage Corp.			
	745,135	Term Loan, 8.36%, Maturing May 2, 2011	754,449
Xerium Technologies, Inc.			
	1,570,602	EURTerm Loan, 5.63%, Maturing May 18, 2012	2,018,003
			\$ 7,869,570
Healthcare 4.3%			
Accellent, Inc.			
\$	595,500	Term Loan, 7.40%, Maturing November 22, 2012	\$ 596,989
Alliance Imaging, Inc.			
	481,026	Term Loan, 7.94%, Maturing December 29, 2011	482,379

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American Medical Systems			
	500,000	Term Loan, 7.81%, Maturing July 20, 2012	500,625
AMR HoldCo, Inc.			
	324,355	Term Loan, 7.28%, Maturing February 10, 2012	324,963
Carl Zeiss Topco GMBH			
	166,667	Term Loan, 8.12%, Maturing March 21, 2013	168,125
Principal Amount		Borrower/Tranche Description	Value
Healthcare (continued)			
\$	333,333	Term Loan, 8.62%, Maturing March 22, 2014	\$ 337,916
	500,000	Term Loan, 10.87%, Maturing September 22, 2014	507,437
Community Health Systems, Inc.			
	982,456	Term Loan, 7.15%, Maturing August 19, 2011	984,122
Concentra Operating Corp.			
	1,002,348	Term Loan, 7.62%, Maturing September 30, 2011	1,008,142
Davita, Inc.			
	1,535,514	Term Loan, 7.43%, Maturing October 5, 2012	1,544,905
Encore Medical IHC, Inc.			
	520,762	Term Loan, 8.30%, Maturing October 4, 2010	522,064
FHC Health Systems, Inc.			
	294,118	Term Loan, 11.40%, Maturing December 18, 2009	305,147
	205,882	Term Loan, 13.40%, Maturing December 18, 2009	213,603
Kinetic Concepts, Inc.			
	252,937	Term Loan, 7.12%, Maturing October 3, 2009	253,649
Lifecare Holdings, Inc.			
	222,750	Term Loan, 7.57%, Maturing August 11, 2012	205,765
Moon Acquisition Co. AB			
	458,140	EURTerm Loan, 5.88%, Maturing June 28, 2013	592,853
	500,000	EURTerm Loan, 6.38%, Maturing November 4, 2014	649,755
National Mentor Holdings, Inc.			
	16,800	Term Loan, 5.32%, Maturing June 29, 2013	16,884
	282,492	Term Loan, 7.87%, Maturing June 29, 2013	283,904
P&F Capital S.A.R.L.			
	209,223	EURTerm Loan, 5.63%, Maturing February 21, 2014	271,006
	125,235	EURTerm Loan, 5.63%, Maturing February 21, 2014	162,216
	100,494	EURTerm Loan, 5.63%, Maturing February 21, 2014	130,169
	65,049	EURTerm Loan, 6.13%, Maturing February 21, 2014	84,257
	94,595	EURTerm Loan, 6.13%, Maturing February 21, 2015	123,037
	35,135	EURTerm Loan, 6.13%, Maturing February 21, 2015	45,700

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	72,973	EURTerm Loan, 6.13%, Maturing February 21, 2015	94,915
	297,297	EURTerm Loan, 6.13%, Maturing February 21, 2015	386,689
Select Medical Holding Corp.			
	492,500	Term Loan, 7.15%, Maturing February 24, 2012	483,974
Sirona Dental Systems GmbH			
	500,000	EURTerm Loan, 5.85%, Maturing June 30, 2013	645,924
Talecris Biotherapeutics, Inc.			
	246,250	Term Loan, 8.64%, Maturing March 31, 2010	247,481
	218,750	Term Loan, 8.89%, Maturing May 31, 2010	218,750
Vanguard Health Holding Co., LLC			
	738,806	Term Loan, 7.87%, Maturing September 23, 2011	740,423
VWR International, Inc.			
	1,274,423	EURTerm Loan, 6.28%, Maturing April 7, 2011	1,642,197
			\$ 14,775,965

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Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

PORTFOLIO OF INVESTMENTS CONT'D

Principal Amount		Borrower/Tranche Description	Value
Home Furnishings 0.5%			
Interline Brands, Inc.			
\$	216,848	Term Loan, 7.11%, Maturing June 23, 2013	\$ 217,254
	281,902	Term Loan, 7.12%, Maturing June 23, 2013	282,431
Oreck Corp.			
	454,119	Term Loan, 8.12%, Maturing February 2, 2012	454,544
Simmons Co.			
	832,620	Term Loan, 7.17%, Maturing December 19, 2011	838,995
			\$ 1,793,224
Industrial Equipment 1.5%			
Alliance Laundry Holdings, LLC			
\$	305,274	Term Loan, 7.57%, Maturing January 27, 2012	\$ 307,468
Douglas Dynamics Holdings, Inc.			
	861,611	Term Loan, 7.12%, Maturing December 16, 2010	859,456
Gleason Corp.			
	200,000	Term Loan, 7.91%, Maturing June 30, 2013	201,500
	200,000	Term Loan, 10.94%, Maturing December 31, 2013	202,500
MTD Products, Inc.			
	1,231,108	Term Loan, 6.88%, Maturing June 1, 2010	1,221,875
PP Acquisition Corp.			
	1,052,888	Term Loan, 8.32%, Maturing November 12, 2011	1,061,223
Prysmian S.R.L.			
	400,000	EURTerm Loan, 5.79%, Maturing August 22, 2014	512,951
	400,000	EURTerm Loan, 6.29%, Maturing August 22, 2015	515,220
TFS Acquisition Corp.			
	225,000	Term Loan, 8.92%, Maturing August 11, 2013	226,688
			\$ 5,108,881
Insurance 0.4%			
ARG Holding, Inc.			
\$	400,000	Term Loan, 12.62%, Maturing November 30, 2012	\$ 405,000
CCC Information Services Group			
	225,000	Term Loan, 7.87%, Maturing February 10, 2013	226,266
Conseco, Inc.			
	800,000	Term Loan, 7.32%, Maturing October 10, 2013	803,000
			\$ 1,434,266
Leisure Goods / Activities / Movies 4.3%			

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24 Hour Fitness Worldwide, Inc.			
\$	402,975	Term Loan, 7.99%, Maturing June 8, 2012	\$ 405,997
AMC Entertainment, Inc.			
	570,688	Term Loan, 7.45%, Maturing January 26, 2013	575,934
Augustus 2 Ltd.			
	400,000	GBPTerm Loan, 7.53%, Maturing June 22, 2014	764,807
Principal Amount		Borrower/Tranche Description	Value
Leisure Goods / Activities / Movies (continued)			
	400,000	GBPTerm Loan, 8.03%, Maturing June 22, 2015	\$ 768,622
Bombardier Recreational Product			
	575,000	Term Loan, 8.13%, Maturing June 28, 2013	575,000
Cedar Fair, L.P.			
	872,813	Term Loan, 7.87%, Maturing August 30, 2012	883,381
Cinemark, Inc.			
	1,050,000	Term Loan, 7.32%, Maturing October 5, 2013	1,057,793
Deluxe Entertainment Services			
	290,000	Term Loan, 9.12%, Maturing January 28, 2011	300,875
Fender Musical Instruments Co.			
	250,000	Term Loan, 11.38%, Maturing October 1, 2012	252,500
Metro-Goldwyn-Mayer Holdings, Inc.			
	2,154,175	Term Loan, 8.62%, Maturing April 8, 2012	2,130,132
Red Football Ltd.			
	1,000,000	GBPTerm Loan, 7.58%, Maturing August 16, 2014	1,920,959
	1,000,000	GBPTerm Loan, 7.83%, Maturing August 16, 2015	1,930,496
Six Flags Theme Parks, Inc.			
	1,474,855	Term Loan, 8.66%, Maturing June 30, 2009	1,492,946
Universal City Development Partners, Ltd.			
	925,455	Term Loan, 7.39%, Maturing June 9, 2011	929,503
WMG Acquisition Corp.			
	985,292	Term Loan, 7.37%, Maturing February 28, 2011	990,157
			\$ 14,979,102
Lodging and Casinos 3.1%			
Bally Technologies, Inc.			
\$	988,854	Term Loan, 9.33%, Maturing September 5, 2009	\$ 992,356
	495,000	Columbia Entertainment Term Loan, 7.82%, Maturing October 24, 2011	497,475
Fairmont Hotels and Resorts, Inc.			
	230,693	Term Loan, 8.57%, Maturing May 12, 2011	232,711
Gala Electric Casinos, Ltd.			
	875,000		1,684,870

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	GBPTerm Loan, 7.55%, Maturing December 12, 2013	
875,000	GBPTerm Loan, 8.05%, Maturing December 12, 2014	1,692,036
Isle of Capri Casinos, Inc.		
1,965,000	Term Loan, 7.18%, Maturing February 4, 2011	1,972,369
Penn National Gaming, Inc.		
1,400,850	Term Loan, 7.13%, Maturing October 3, 2012	1,409,956
Pinnacle Entertainment, Inc.		
200,000	Term Loan, 7.32%, Maturing December 14, 2011	200,775
Venetian Casino Resort, LLC		
1,243,590	Term Loan, 7.12%, Maturing June 15, 2011	1,248,059
256,410	Term Loan, 7.12%, Maturing June 15, 2011	257,332

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

PORTFOLIO OF INVESTMENTS CONT'D

Principal Amount		Borrower/Tranche Description	Value
Lodging and Casinos (continued)			
VML US Finance, LLC			
\$	133,333	Term Loan, 0.00%, Maturing May 25, 2012 ⁽²⁾	\$ 133,278
	266,667	Term Loan, 8.12%, Maturing May 25, 2013	268,729
			\$ 10,589,946
Nonferrous Metals / Minerals 0.8%			
Almatis Holdings 5 BV			
	250,000	EUR Term Loan, 5.74%, Maturing December 21, 2013	\$ 323,595
	250,000	EUR Term Loan, 6.24%, Maturing December 21, 2014	324,871
Murray Energy Corp.			
	738,750	Term Loan, 8.40%, Maturing January 28, 2010	746,138
Novelis, Inc.			
	299,756	Term Loan, 7.72%, Maturing January 6, 2012	301,087
	520,629	Term Loan, 7.72%, Maturing January 6, 2012	522,941
Tube City IMS Corp.			
	495,000	Term Loan, 8.12%, Maturing December 31, 2010	496,856
			\$ 2,715,488
Oil and Gas 2.3%			
Coffeyville Resources, LLC			
\$	400,601	Term Loan, 5.27%, Maturing June 24, 2011	\$ 403,555
	593,428	Term Loan, 7.63%, Maturing July 8, 2012	597,803
Concho Resources, Inc.			
	623,438	Term Loan, 9.37%, Maturing July 6, 2011 ⁽³⁾	621,505
Dresser Rand Group, Inc.			
	976,902	EUR Term Loan, 5.51%, Maturing October 29, 2011	1,251,544
El Paso Corp.			
	375,000	Term Loan, 5.33%, Maturing July 31, 2011	377,980
Epcor Holdings, Inc.			
	990,000	Term Loan, 7.37%, Maturing August 18, 2010	996,806
Key Energy Services, Inc.			
	496,250	Term Loan, 9.19%, Maturing June 30, 2012	499,274
LB Pacific, L.P.			
	709,200	Term Loan, 8.07%, Maturing March 3, 2012	710,973
Niska Gas Storage			
	72,727	Term Loan, 0.00%, Maturing May 13, 2011 ⁽²⁾	72,818

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	75,982	Term Loan, 7.14%, Maturing May 13, 2011	75,970
	50,909	Term Loan, 7.16%, Maturing May 13, 2011	50,973
	398,091	Term Loan, 7.17%, Maturing May 12, 2013	398,029
Petroleum Geo-Services ASA			
	222,129	Term Loan, 7.61%, Maturing December 16, 2012	223,878
Primary Natural Resources, Inc.			
	497,500	Term Loan, 9.35%, Maturing July 28, 2010 ⁽³⁾	495,958
Principal Amount		Borrower/Tranche Description	Value
Oil and Gas (continued)			
Targa Resources, Inc.			
\$	390,000	Term Loan, 7.62%, Maturing October 31, 2007	\$ 390,548
	87,903	Term Loan, 7.62%, Maturing October 31, 2012	88,453
	541,626	Term Loan, 7.63%, Maturing October 31, 2012	545,011
			\$ 7,801,078
Publishing 4.3%			
American Media Operations, Inc.			
\$	1,000,000	Term Loan, 8.37%, Maturing January 31, 2013	\$ 1,007,396
CBD Media, LLC			
	718,954	Term Loan, 7.70%, Maturing December 31, 2009	724,945
Dex Media West, LLC			
	794,842	Term Loan, 6.88%, Maturing March 9, 2010	792,809
Gatehouse Media Operating, Inc.			
	465,000	Term Loan, 7.57%, Maturing June 6, 2013	466,163
Hanley-Wood, LLC			
	51,738	Term Loan, 7.61%, Maturing August 1, 2012	51,770
	433,161	Term Loan, 7.69%, Maturing August 1, 2012	433,432
Medianews Group, Inc.			
	274,313	Term Loan, 7.07%, Maturing August 2, 2013	274,827
Nebraska Book Co., Inc.			
	731,810	Term Loan, 7.88%, Maturing March 4, 2011	735,012
Philadelphia Newspapers, LLC			
	224,438	Term Loan, 8.12%, Maturing June 29, 2013	223,596
R.H. Donnelley Corp.			
	1,468,747	Term Loan, 6.89%, Maturing June 30, 2010	1,464,566
Seat Pagine Gialle Spa			
	1,744,216	EUR Term Loan, 5.88%, Maturing June 8, 2013	2,246,805
SP Newsprint Co.			
	652,602	Term Loan, 5.32%, Maturing January 9, 2010	655,865
	76,231	Term Loan, 8.48%, Maturing January 9, 2010	76,612

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World Directories ACQI Corp.

500,000	EURTerm Loan, 6.01%, Maturing November 29, 2012	642,506
2,000,000	EURTerm Loan, 6.51%, Maturing November 29, 2013	2,580,961

Xsys, Inc.

1,000,000	EURTerm Loan, 6.56%, Maturing September 27, 2014	1,291,108
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YBR Acquisition BV

450,000	EURTerm Loan, 5.74%, Maturing June 30, 2013	582,757
450,000	EURTerm Loan, 6.24%, Maturing June 30, 2014	585,026

\$ 14,836,156

Radio and Television 3.1%

Adams Outdoor Advertising, L.P.

\$ 455,068	Term Loan, 7.13%, Maturing October 15, 2011	\$ 456,348
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See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

PORTFOLIO OF INVESTMENTS CONT'D

Principal Amount		Borrower/Tranche Description	Value
Radio and Television (continued)			
ALM Media Holdings, Inc.			
\$ 488,761		Term Loan, 7.87%, Maturing March 4, 2010	\$ 489,219
Block Communications, Inc.			
272,938		Term Loan, 7.37%, Maturing December 22, 2012	273,790
Cequel Communications, LLC			
475,000		Term Loan, 9.99%, Maturing May 5, 2014	473,565
858,576		Term Loan, 11.49%, Maturing May 5, 2014	853,388
CMP KC, LLC			
496,547		Term Loan, 9.31%, Maturing May 5, 2013	497,168
Intelsat Subsidiary Holding Co.			
300,000		Term Loan, 7.62%, Maturing July 3, 2013	302,297
Nexstar Broadcasting, Inc.			
390,107		Term Loan, 7.12%, Maturing October 1, 2012	389,254
369,730		Term Loan, 7.12%, Maturing October 1, 2012	368,921
P7S1 Holding II S.A.R.L.			
1,000,000		EURTerm Loan, 7.26%, Maturing July 18, 2011	1,281,934
PanAmSat Corp.			
700,000		Term Loan, 7.87%, Maturing January 3, 2014	706,660
Paxson Communications Corp.			
850,000		Term Loan, 8.62%, Maturing January 15, 2012	865,406
SFX Entertainment			
446,625		Term Loan, 7.62%, Maturing June 21, 2013	446,904
TDF SA			
1,305,762		EURTerm Loan, 5.54%, Maturing March 11, 2013	1,674,469
305,762		EURTerm Loan, 6.42%, Maturing March 11, 2014	393,209
388,476		EURTerm Loan, 7.17%, Maturing March 11, 2015	499,993
Young Broadcasting, Inc.			
246,875		Term Loan, 8.00%, Maturing November 3, 2012	246,682
497,500		Term Loan, 8.00%, Maturing November 3, 2012	497,111
			\$ 10,716,318
Rail Industries 0.1%			
Railamerica, Inc.			
\$ 465,207		Term Loan, 7.44%, Maturing September 29, 2011	\$ 467,678
			\$ 467,678

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Retailers (Except Food and Drug) 1.6%

Principal Amount		Borrower/Tranche Description	Value
Retailers (Except Food and Drug) (continued)			
American Achievement Corp.			
\$	431,525	Term Loan, 7.68%, Maturing March 25, 2011	\$ 434,761
Coinmach Laundry Corp.			
	1,121,595	Term Loan, 7.91%, Maturing December 19, 2012	1,131,830
Josten's Corp.			
	849,035	Term Loan, 7.37%, Maturing October 4, 2011	854,165
Mapco Express, Inc			
\$	447,408	Term Loan, 8.07%, Maturing April 28, 2011	\$ 451,603
Mauser Werke GMBH & Co. KG			
	375,000	Term Loan, 8.10%, Maturing December 3, 2011	377,344
Neiman Marcus Group, Inc.			
	237,342	Term Loan, 7.64%, Maturing April 5, 2013	239,493
Oriental Trading Co., Inc.			
	300,000	Term Loan, 11.47%, Maturing January 31, 2013	301,250
	473,813	Term Loan, 8.18%, Maturing July 31, 2013	474,898
Savers, Inc.			
	102,792	Term Loan, 8.16%, Maturing August 11, 2012	103,499
	122,208	Term Loan, 8.16%, Maturing August 11, 2012	123,048
Stewert Enterprises, Inc.			
	376,716	Term Loan, 7.23%, Maturing November 19, 2011	376,952
Travelcenters of America, Inc.			
	744,375	Term Loan, 7.11%, Maturing November 30, 2008	745,422
			\$ 5,614,265
Steel 0.0%			
Gibraltar Industries, Inc.			
\$	162,293	Term Loan, 7.13%, Maturing December 8, 2010	\$ 162,192
			\$ 162,192
Surface Transport 0.2%			
Sirva Worldwide, Inc.			
\$	327,576	Term Loan, 11.61%, Maturing December 1, 2010	\$ 302,906
Vanguard Car Rental USA			
	444,125	Term Loan, 8.35%, Maturing June 14, 2013	447,900
			\$ 750,806
Telecommunications 3.0%			
Alaska Communications Systems Holdings, Inc.			
\$	500,000	Term Loan, 7.12%, Maturing February 1, 2012	\$ 500,375
Asurion Corp.			
	369,528		371,607

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	Term Loan, 8.32%, Maturing July 13, 2012	
400,000	Term Loan, 11.58%, Maturing January 13, 2013	405,250
BCM Luxembourg Ltd.		
375,000	EURTerm Loan, 5.93%, Maturing September 30, 2014	478,538
375,000	EURTerm Loan, 6.31%, Maturing September 30, 2015	481,949
Cellular South, Inc.		
989,873	Term Loan, 7.14%, Maturing May 4, 2011	990,802
Centennial Cellular Operating Co., LLC		
692,695	Term Loan, 7.62%, Maturing February 9, 2011	698,756

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

PORTFOLIO OF INVESTMENTS CONT'D

Principal Amount	Borrower/Tranche Description	Value
Telecommunications (continued)		
Consolidated Communications, Inc.		
\$ 1,000,000	Term Loan, 7.38%, Maturing July 27, 2015	\$ 1,003,125
Fairpoint Communications, Inc.		
1,000,000	Term Loan, 7.13%, Maturing February 8, 2012	999,609
Hawaiian Telcom Communications, Inc.		
497,778	Term Loan, 7.62%, Maturing October 31, 2012	499,333
Madison River Capital, LLC		
990,476	Term Loan, 7.62%, Maturing July 29, 2012	996,512
NTelos, Inc.		
491,261	Term Loan, 7.57%, Maturing August 24, 2011	493,472
Stratos Global Corp.		
325,000	Term Loan, 8.11%, Maturing February 13, 2012	325,271
Syniverse Holdings, Inc.		
337,446	Term Loan, 7.37%, Maturing February 15, 2012	338,290
Triton PCS, Inc.		
738,722	Term Loan, 8.57%, Maturing November 18, 2009	745,801
Windstream Corp.		
1,200,000	Term Loan, 7.12%, Maturing July 17, 2013	1,207,715
		\$ 10,536,405
Utilities 1.2%		
Astoria Generating Co.		
\$ 375,000	Term Loan, 9.14%, Maturing August 23, 2013	\$ 381,172
BRSP, LLC		
550,000	Term Loan, 8.58%, Maturing July 13, 2009	552,750
Covanta Energy Corp.		
234,146	Term Loan, 5.37%, Maturing June 24, 2012	236,390
167,370	Term Loan, 7.62%, Maturing May 27, 2013	168,974
162,500	Term Loan, 10.87%, Maturing June 24, 2013	165,750
La Paloma Generating Co., LLC		
65,152	Term Loan, 7.07%, Maturing August 16, 2012	64,990
373,890	Term Loan, 7.12%, Maturing August 16, 2012	372,955
29,333	Term Loan, 7.12%, Maturing August 16, 2012	29,260
LSP General Finance Co., LLC		
11,925	Term Loan, 7.12%, Maturing April 14, 2013	11,927

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	280,379	Term Loan, 7.12%, Maturing April 14, 2013	280,437
NRG Energy, Inc.			
	575,000	Term Loan, 7.37%, Maturing February 1, 2013	578,398
	1,467,625	Term Loan, 7.37%, Maturing February 1, 2013	1,477,103
			\$ 4,320,106
Total Senior, Floating Rate Interests (identified cost \$256,765,123)			\$ 259,763,258

Mortgage Pass-Throughs 57.5%

Principal Amount (000's omitted)		Security	Value
Federal Home Loan Mortgage Corp.:			
\$	3,510	6.15%, with maturity at 2027 ⁽⁴⁾	\$ 3,582,617
	10,389	6.50%, with maturity at 2019 ⁽⁴⁾	10,738,650
	11,790	7.00%, with various maturities to 2013 ⁽⁴⁾	12,135,835
	6,590	7.50%, with maturity at 2024 ⁽⁴⁾	7,051,069
	18,154	8.00%, with various maturities to 2031 ⁽⁴⁾	19,525,428
	10,434	8.50%, with various maturities to 2031 ⁽⁴⁾	11,478,267
	1,117	9.00%, with maturity at 2031	1,245,736
	1,137	9.50%, with various maturities to 2022	1,266,581
	2,628	11.50%, with maturity at 2019 ⁽⁶⁾	2,940,945
			\$ 69,965,128
Federal National Mortgage Association:			
\$	4,973	6.323%, with maturity at 2032 ⁽⁴⁾⁽⁵⁾	\$ 5,064,730
	17,996	6.50%, with various maturities to 2028 ⁽⁴⁾	18,384,091
	2,635	7.00%, with maturity at 2014	2,724,003
	12,885	7.50%, with various maturities to 2030 ⁽⁴⁾	13,684,343
	7,270	8.00%, with various maturities to 2029 ⁽⁴⁾	7,819,070
	1,688	8.50%, with maturity at 2027	1,840,787
	1,580	9.00%, with various maturities to 2028	1,747,554
	9,561	9.50%, with various maturities to 2031 ⁽⁴⁾	10,711,166
	3,946	10.00%, with various maturities to 2031	4,431,164
			\$ 66,406,908
Government National Mortgage Association:			
\$	7,969	7.50%, with maturity at 2022 ⁽⁴⁾	\$ 8,526,146
	10,327	8.00%, with various maturities to 2027 ⁽⁴⁾	11,169,221
	5,361	9.00%, with maturity at 2026	5,975,776
	1,023	9.50%, with maturity at 2025	1,148,446
	1,489	11.00%, with maturity at 2018	1,672,535
			\$ 28,492,124
Collateralized Mortgage Obligations:			
\$	4,234	Federal Home Loan Mortgage Corp., Series 2137, Class Z, 6.00%, 3/15/29	\$ 4,315,371
	4,950	Federal Home Loan Mortgage Corp., Series 2167, Class BZ, 7.00%, 6/15/29 ⁽⁴⁾	5,135,392
	1,075	Federal Home Loan Mortgage Corp., Series 2214, Class NC, 11.053%, 8/15/21 ⁽⁵⁾	1,186,614
	6,633		7,029,214

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	Federal Home Loan Mortgage Corp., Series S 2182, Class ZB, 8.00%, 9/15/29 ⁽⁴⁾	
377	Federal National Mortgage Association, Series 1989-89, Class H, 9.00%, 11/25/19	410,810
938	Federal National Mortgage Association, Series 1991-122, Class N, 7.50%, 9/25/21	979,320
7,026	Federal National Mortgage Association, Series 1993-84, Class M, 7.50%, 6/25/23 ⁽⁴⁾	7,470,573
2,209	Federal National Mortgage Association, Series 1997(2)8, Class ZA, 7.50%, 4/20/27	2,322,612

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

PORTFOLIO OF INVESTMENTS CONT'D

Principal Amount (000's omitted)		Security	Value
		Federal National Mortgage Association, Series 1997-38, Class N, 8.00%, 5/20/27	\$ 2,170,419
\$ 2,044		Federal National Mortgage Association, Series G-33, Class PT, 7.00%, 10/25/21 ⁽⁴⁾	3,726,907
	3,600		\$ 34,747,232
Total Mortgage Pass-Throughs (identified cost \$200,283,834)			\$ 199,611,392
Corporate Bonds & Notes 1.6%			
Principal Amount (000's omitted)			
Cable and Satellite Television 0.7%			
Iesy Hessen & ISH NRW, Variable Rate			
	2,000	EUR6.429%, 4/15/13 ⁽⁵⁾	\$ 2,523,982
			\$ 2,523,982
Financial Intermediaries 0.2%			
Centurion CDO 9 Ltd., Series 2005-9A			
\$ 500		9.35%, 7/17/19	\$ 518,497
			\$ 518,497
Index Linked Notes 0.6%			
JP Morgan Chilean Inflation Linked Note			
\$ 2,000		7.433%, 11/17/15 ⁽⁷⁾	\$ 2,147,400
			\$ 2,147,400
Telecommunications 0.1%			
Qwest Corp., Sr. Notes, Variable Rate			
\$ 200		8.64%, 6/15/13 ⁽⁵⁾	\$ 216,500
			\$ 216,500
Total Corporate Bonds & Notes (identified cost \$5,152,301)			\$ 5,406,379
Sovereign Issues 5.2%			
Principal Amount (000's omitted)			
Egyptian Treasury Bill			
	8,175	EGP0.00%, 11/21/06	\$ 1,418,573
	8,000	EGP0.00%, 12/5/06	1,383,247
	8,525	EGP0.00%, 12/12/06	1,471,399
	7,525	EGP0.00%, 12/26/06	1,294,182
	7,590	EGP0.00%, 2/27/07	1,284,463
Principal Amount (000's omitted)			
Federal Republic of Brazil			
	4,060	BRL10.00%, 1/1/14	\$ 1,591,793
Indonesia Government			
	30,000,000	IDR11.00%, 12/15/12	3,392,289

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Indonesia Recapitalization Bond			
	35,000,000	IDR12.25%, 7/15/07	3,920,140
Republic of Colombia			
	5,060,000	COP11.75%, 3/1/10	2,365,131
Total Sovereign Issues (identified cost \$17,691,162)			\$ 18,121,217
Call Options Purchased 0.0%			
Security		Contracts (000's omitted)	Value
	Euro Call Option, Expires 10/02/2008, Strike Price 1.2738 ⁽³⁾	300	\$ 18,572
	Euro Call Option, Expires 10/20/2008, Strike Price 1.2990 ⁽³⁾	300	15,019
	Euro Call Option, Expires 10/30/2008, Strike Price 1.3155 ⁽³⁾	300	13,042
	Euro Call Option, Expires 10/14/2008, Strike Price 1.2950 ⁽³⁾	300	15,500
Total Call Options Purchased (identified cost, \$62,580)			\$ 62,133
Put Options Purchased 0.0%			
Security		Contracts (000's omitted)	Value
	Euro Put Option, Expires 10/02/2008, Strike Price 1.2738 ⁽³⁾	300	\$ 9,682
	Euro Put Option, Expires 10/14/2008, Strike Price 1.2950 ⁽³⁾	300	12,317
	Euro Put Option, Expires 10/20/2008, Strike Price 1.2990 ⁽³⁾	300	12,880
	Euro Put Option, Expires 10/30/2008, Strike Price 1.3155 ⁽³⁾	300	15,274
Total Put Options Purchased (identified cost, \$62,580)			\$ 50,153

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

PORTFOLIO OF INVESTMENTS CONT'D

Principal Amount	Maturity Date	Borrower	Rate	Amount
Short-Term Investments 1.5%				
\$ 2,573,987	11/01/06	Investors Bank and Trust Company Time Deposit	5.31%	\$ 2,573,987
2,624,000	11/01/06	Societe Generale Time Deposit	5.31%	2,624,000
Total Short-Term Investments (at amortized cost \$5,197,987)				\$ 5,197,987
Gross Investments 140.6% (identified cost \$485,215,567)				\$ 488,212,519
Less Unfunded Loan				
Commitments (0.2)%				\$ (641,248)
Net Investments 140.4% (identified cost \$484,574,319)				\$ 487,571,271
Other Assets, Less Liabilities (40.4)%				\$ (140,330,336)
Net Assets 100.0%				\$ 347,240,935

BRL - Brazilian Real

COP - Colombian Peso

EGP - Egyptian Pound

EUR - Euro

GBP - British Pound

IDR - Indonesian Rupiah

(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 or partially unfunded loan commitments. See Note 1E for description.

(3) Security valued at fair value using methods determined in good faith by or at the direction of the Trustees.

(4) All or a portion of these securities were on loan at October 31, 2006.

(5) Adjustable rate securities. Rates shown are the rates at period end.

(6) Security (or a portion thereof) has been segregated to cover margin requirements on open financial futures contracts.

(7) Security pays 3.8% coupon and accrues principal based on annual increases in the Chilean UF Rate, for an effective yield of 7.433%.

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

FINANCIAL STATEMENTS

Statement of Assets and Liabilities

As of October 31, 2006

Assets	
Investments, at value including \$141,507,246 of securities on loan (identified cost, \$484,574,319)	\$ 487,571,271
Cash	2,474,604
Foreign currency, at value (identified cost, \$81,632)	84,306
Receivable for open swap contracts	212,006
Receivable for open forward foreign currency contracts	432,077
Receivable for investments sold	1,284,442
Interest receivable	3,892,560
Prepaid expenses	24,613
Total assets	\$ 495,975,879
Liabilities	
Collateral for securities loaned	\$ 144,861,787
Payable for investments purchased	1,325,179
Payable for open swap contracts	1,094,161
Payable for open forward foreign currency contracts	873,302
Payable for daily variation margin on open financial futures contracts	45,055
Payable to affiliate for investment advisory fees	269,840
Payable to affiliate for Trustees' fees	1,460
Other accrued expenses	264,160
Total liabilities	\$ 148,734,944
Net Assets	\$ 347,240,935
Sources of Net Assets	
Common Shares, \$0.01 par value, unlimited number of shares authorized, 18,855,000 shares issued and outstanding	\$ 188,550
Additional paid-in capital	352,981,219
Accumulated net realized loss (computed on the basis of identified cost)	(7,558,034)
Net unrealized appreciation (computed on the basis of identified cost)	1,629,200
Net Assets	\$ 347,240,935
Net Asset Value	
(\$347,240,935 ÷ 18,855,000 shares issued and outstanding)	\$ 18.42

Statement of Operations

For the Year Ended
October 31, 2006

Investment Income	
Interest (net of foreign taxes, \$31,048)	\$ 21,227,169
Security lending income, net	1,756,134

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Total investment income	\$ 22,983,303
Expenses	
Investment adviser fee	\$ 4,321,458
Trustees' fees and expenses	17,829
Custodian fee	372,449
Legal and accounting services	107,781
Printing and postage	72,095
Transfer and dividend disbursing agent fees	59,860
Miscellaneous	52,162
Total expenses	\$ 5,003,634
Deduct	
Reduction of custodian fee	\$ 3,240
Reduction of investment adviser fee	1,152,389
Total expense reductions	\$ 1,155,629
Net expenses	\$ 3,848,005
Net investment income	\$ 19,135,298
Realized and Unrealized Gain (Loss)	
Net realized gain (loss)	
Investment transactions (identified cost basis)	\$ (242,158)
Financial futures contracts	(399,442)
Swap contracts	(310,846)
Foreign currency and forward foreign currency exchange contract transactions	(96,000)
Net realized loss	\$ (1,048,446)
Change in unrealized appreciation (depreciation)	
Investments (identified cost basis)	\$ 6,155,770
Financial futures contracts	(71,700)
Swap contracts	(681,364)
Foreign currency and forward foreign currency exchange contracts	66,885
Net change in unrealized appreciation (depreciation)	\$ 5,469,591
Net realized and unrealized gain	\$ 4,421,145
Net increase in net assets from operations	\$ 23,556,443

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

FINANCIAL STATEMENTS CONT'D

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Year Ended October 31, 2006	Period Ended October 31, 2005 ⁽¹⁾
From operations		
Net investment income	\$ 19,135,298	\$ 10,141,121
Net realized loss from investment transactions, financial futures contracts, swap contracts, foreign currency and forward foreign currency exchange contract transactions	(1,048,446)	(829,030)
Net change in unrealized appreciation (depreciation) of investments, financial futures contracts, swap contracts, foreign currency and forward foreign currency exchange contracts	5,469,591	(3,840,391)
Net increase in net assets from operations	\$ 23,556,443	\$ 5,471,700
Distributions to shareholders		
From net investment income	\$ (24,928,763)	\$ (12,577,955)
Tax return of capital	(1,532,344)	(2,128,945)
Total distributions to shareholders	\$ (26,461,107)	\$ (14,706,900)
Capital share transactions		
Proceeds from sale of shares	\$	\$ 360,035,000 ⁽²⁾
Offering costs		(754,201) ⁽³⁾
Net increase in net assets from capital share transactions	\$	\$ 359,280,799
Net increase (decrease) in net assets	\$ (2,904,664)	\$ 350,045,599
Net Assets		
At beginning of year	\$ 350,145,599	\$ 100,000
At end of year	\$ 347,240,935	\$ 350,145,599

(1) For the period from the start of business, February 28, 2005, to October 31, 2005.

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

(3) Net of an expense reimbursement from affiliate. See Note 3.

Statement of Cash Flows

Increase (Decrease) in Cash	Year Ended October 31, 2006
Cash Flows From (Used For) Operating Activities	
Purchases of loan interests, corporate bonds and options	\$ (349,005,586)
Proceeds from sales and principal repayments	261,498,070
Interest received	26,403,128
Decrease in receivable from Investment Adviser	146,913
Increase in prepaid expenses	(13,365)

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Facility fees received	127,375
Operating expenses paid	(3,772,497)
Increase in short-term investments	(421,987)
Increase in unfunded commitments	603,391
Net proceeds from securities lending	90,846,297
Foreign currency transactions	(65,935)
Swap contract transactions	(310,846)
Futures contract transactions	(426,087)
Net cash from operating activities	\$ 25,608,871
Cash Flows From (Used For) Financing Activities	
Cash distributions paid	\$ (26,461,107)
Net cash used for financing activities	\$ (26,461,107)
Net decrease in cash	\$ (852,236)
Cash at beginning of year ⁽¹⁾	\$ 3,411,146
Cash at end of year ⁽¹⁾	\$ 2,558,910
Reconciliation of Net Increase in Net Assets	
From Operations to Net Cash From	
Operating Activities	
Net increase in net assets from operations	\$ 23,556,443
Increase in receivable for investments sold	(634,845)
Increase in payable for investments purchased	342,949
Increase in interest receivable	(1,071,726)
Increase in prepaid expenses	(13,365)
Decrease in receivable from Investment Adviser	146,913
Increase in futures variation margin payable	45,055
Increase in payable to affiliate	5,533
Increase in payable for open swap contracts	893,370
Increase in receivable for open swap contracts	(212,006)
Increase in other accrued expenses	69,975
Increase in proceeds from securities lending	90,846,297
Increase in payable for foreign currency transactions	395,257
Increase in receivable for foreign currency transactions	(432,077)
Increase in unfunded commitments	603,391
Net increase in investments	(88,932,293)
Net cash from operating activities	\$ 25,608,871

⁽¹⁾ Balance includes foreign currency, at value.

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

FINANCIAL STATEMENTS CONT'D

Financial Highlights

	Year Ended October 31, 2006	Period Ended October 31 2005 ⁽¹⁾
Net asset value Beginning of year	\$ 18.570	\$ 19.100 ⁽²⁾
Income (loss) from operations		
Net investment income ⁽³⁾	\$ 1.015	\$ 0.540
Net realized and unrealized gain (loss)	0.238	(0.250)
Total income from operations	\$ 1.253	\$ 0.290
Less distributions		
From net investment income	\$ (1.322)	\$ (0.667)
From tax return of capital	(0.081)	(0.113)
Total distributions	\$ (1.403)	\$ (0.780)
Offering costs charged to paid-in capital ⁽³⁾	\$	\$ (0.040)
Net asset value End of year	\$ 18.420	\$ 18.570
Market value End of year	\$ 17.750	\$ 16.070
Total Investment Return on Net Asset Value	7.73% ⁽⁴⁾	1.71% ⁽⁵⁾
Total Investment Return on Market Value	19.96% ⁽⁴⁾	(11.98)% ⁽⁵⁾
Ratios/Supplemental Data		
Net assets, end of year (000's omitted)	\$ 347,241	\$ 350,146
Expenses before custodian fee reduction	1.11%	1.02% ⁽⁶⁾
Expenses after custodian fee reduction	1.11%	1.01% ⁽⁶⁾
Net investment income	5.50%	4.26% ⁽⁶⁾
Portfolio Turnover	56%	89%

(1) For the period from the start of business, February 28, 2005, to October 31, 2005.

(2) 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.

(3) Computed using average common shares outstanding.

(4) Returns are historical and are calculated by determining the percentage change in net asset value or market value with all distributions reinvested. Total investment return on net asset value and total investment return on market value are not computed on an annualized basis.

(5) 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 return on market value are not computed on an annualized basis.

(6) Annualized.

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

NOTES TO FINANCIAL STATEMENTS

I 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 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 (Senior Loans); 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 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 this 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 the fair value, such as when only a portion of the 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 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.

Debt securities (including collateralized mortgage obligations and certain mortgage backed securities ("MBS")) normally are valued by independent pricing services. The pricing services consider various factors

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

NOTES TO FINANCIAL STATEMENTS CONT'D

relating to bonds or loans and/or market transactions to determine market value. Most seasoned 30 year fixed rate MBS are valued by the investment adviser's matrix pricing system. The matrix pricing system also considers various factors relating to bonds and market transactions to determine market value.

Other portfolio securities (other than short-term obligations, but including listed issues) 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 last quoted bid 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 on dealer quotations. Short-term obligations which mature in 60 days or less, are valued at amortized cost. If short-term debt securities are acquired with a remaining maturity of more than 60 days, they will be valued by a pricing service. OTC options are valued at the mean between the bid and asked price provided by dealers. Financial futures contracts listed on commodity exchanges and exchange traded options are valued at closing settlement prices.

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 in 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.

Occasionally, events affecting the value of foreign securities may occur between the time trading is completed abroad and the close of the exchange which will not be reflected in the computation of the Fund's net asset value unless the Fund deems that such event would materially affect its net asset value in which case an adjustment would be made and reflected in such computation. Foreign securities and currencies are valued in U.S. dollars, based on foreign currency exchange rate quotations supplied by an independent quotation service.

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.

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 recorded on the basis of interest accrued, adjusted for amortization of premium or accretion of discount. Fees associated with loan amendments are paid/recognized immediately.

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. At October 31, 2006, the Fund, for federal income tax purposes, had a capital loss carryover of \$6,909,291 which will reduce the Fund's taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code, and thus will reduce the amount of the distributions to shareholders which would otherwise be necessary to relieve the Fund of any liability for federal income or excise tax. Such capital loss carryover will expire on October 31, 2013 (\$5,051,488) and October 31, 2014 (\$1,857,803).

D Offering Costs Costs incurred by the Fund in connection with the offering were recorded as a reduction of capital paid in excess of par.

E Unfunded Loan Commitments The Fund may enter into certain credit agreements whereby all or a portion of which may be unfunded. The Fund is obligated to fund these 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 balance the Fund maintains with IBT. All credit balances used to reduce the Fund's custodian

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

NOTES TO FINANCIAL STATEMENTS CONT'D

fees are reported as a reduction of expenses in the Statements 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 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. Recognized 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 Written Options Upon the writing of a call or a put option, an amount equal to the premium received by the Fund is included in the Statement of Assets and Liabilities as a liability. The amount of the liability is subsequently marked-to-market to reflect the current value of the option written in accordance with the Fund's policies on investment valuations discussed above. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or are closed are added to or offset against the proceeds or amount paid on the transaction to determine the realized gain or loss. If a put option is exercised, the premium reduces the cost basis of the securities purchased by the Fund. The Fund, as writer of an option, may have no control over whether the underlying securities may be sold (call) or purchased (put) and, as a result, bears the market risk of an unfavorable change in the price of the securities underlying the written option.

J Purchased Options Upon the purchase of a call or put option, the premium paid by the Fund is included in the Statement of Assets and Liabilities as an investment. The amount of the investment is subsequently marked-to-market to reflect the current market value of the option purchased, in accordance with the Fund's policies on investment valuations discussed above. If an option which the Fund has purchased expires on the stipulated expiration date, the Fund will realize a loss in the amount of the cost of the option. If the Fund enters into a closing sale transaction, the Fund will realize a gain or loss, depending on whether the sales proceeds from the closing sale transaction are greater or less than the cost of the option. If a Fund exercises a put option, it will realize a gain or loss from the sale of the underlying security, and the proceeds from such sale will be decreased by the premium originally paid. If the Fund exercises a call option, the cost of the security which the Fund purchases upon exercise will be increased by the premium originally paid.

K 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.

L Interest Rate Swaps The Fund may enter into interest rate swap agreements to enhance return, to hedge against fluctuations in securities prices or interest rates or as substitution for the purchase or sale of securities. Pursuant to these agreements, the Fund currently makes floating-rate payments based on the

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

NOTES TO FINANCIAL STATEMENTS CONT'D

benchmark interest rate. In exchange, the Fund receives payments at a fixed interest rate. During the term of the outstanding swap agreement, changes in the underlying value of the swap are recorded as unrealized gains and losses. The value of the swap is determined by changes in the relationship between two rates of interest. The Fund is exposed to credit loss in the event of non-performance by the swap counterparty. Risk may also arise from the unanticipated movements in value of interest rates.

M 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 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, cash equivalents or liquid securities 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.

N Other Investment transactions are accounted for on the date the securities are purchased or sold. Realized gains and losses on securities sold are determined on the basis of identified cost.

O 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.

P 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 the 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.

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. In its distributions, the Fund intends to include amounts attributable to the imputed interest on foreign currency exposures through long and short positions in forward currency exchange contracts (represented by the difference between the foreign currency spot rate and the foreign currency forward rate) and the imputed interest derived from certain other derivative positions. In certain circumstances, a portion of distributions to shareholders may be characterized as a return of capital for federal income tax purposes. As portfolio and market conditions change, the rate of distributions and the Fund's distribution policy could change. 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, foreign currency, swaps and the method for amortizing premiums.

The tax character of the distributions paid for the year ended October 31, 2006 and the period from the start of business February 28, 2005, to October 31, 2005 were as follows:

	Year Ended October 31, 2006	Period Ended October 31, 2005 ⁽¹⁾
Distributions declared from:		
Ordinary Income	\$ 24,928,763	\$ 12,577,955
Return of Capital	\$ 1,532,344	\$ 2,128,945

⁽¹⁾ For the period from the start of business February 28, 2005, to October 31, 2005.

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

NOTES TO FINANCIAL STATEMENTS CONT'D

During the year ended October 31, 2006, accumulated distributions in excess of net investment income was decreased by \$5,793,465, accumulated net realized loss was increased by \$1,386,776, and paid-in capital was decreased by \$4,406,689. This change had no effect on net assets or net asset value per share.

As of October 31, 2006, the components of distributable earnings (accumulated loss) on a tax basis were as follows:

Unrealized appreciation	\$ 771,306
Capital loss carryforwards	\$ (6,909,291)
Other temporary differences	\$ 209,151

3 Investment Adviser Fee and Other Transactions with Affiliates

The Fund has agreed to pay the EVM, as compensation for management and investment advisory services, a fee in the amount of 0.75% of the total leveraged assets, subject to the limitation on total leveraged assets described below. "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. As of October 31, 2006, the Fund's investment leverage represents 50% of total leveraged assets. 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 year ended October 31, 2006, the fee was equivalent to 0.67% of the Fund's average daily total leveraged assets, and 1.24% of the Fund's average daily net assets, for such period and amounted to \$4,321,458. EVM serves as the administrator of the Fund, but currently receives no compensation for providing administrative services to the Fund.

In addition, the adviser has contractually agreed to reimburse the Fund for fees and other expenses in the amount of 0.20% 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 seven and 0.05% in year eight. For the year ended October 31, 2006, the Investment Adviser waived \$1,152,389 of its advisory fee.

EVM had agreed to reimburse the Fund for all Fund organizational costs and the amount by which the aggregate of all the Fund's offering costs exceeded \$0.04 per share. For the period from the start of business, February 28, 2005, to October 31, 2005, EVM reimbursed the Fund \$15,000, in organization costs and \$146,913 in offering costs, respectively.

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 year ended October 31, 2006, 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

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

NOTES TO FINANCIAL STATEMENTS CONT'D

mortgage-backed securities, for the year ended October 31, 2006, were as follows:

Purchases	
Investments (non-U.S. Government)	\$ 257,401,581
U.S. Government Securities	91,935,730
	\$ 349,337,311
Sales	
Investments (non-U.S. Government)	\$ 207,071,491
U.S. Government Securities	55,061,424
	\$ 262,132,915

5 Securities Lending Agreement

The Fund has established a securities lending agreement in which the Fund lends portfolio securities to a broker in exchange for collateral consisting of either cash or U.S. government securities in an amount at least equal to the market value of the securities on loan. Under the agreement, the Fund continues to earn interest on the securities loaned. Collateral received is generally cash, and the Fund invests the cash and receives any interest on the amount invested but it must also pay the broker a loan rebate fee computed as a varying percentage of the collateral received. The loan rebate fee paid by the Fund offsets a portion of the interest income received and amounted to \$6,701,197 for the year ended October 31, 2006. At October 31, 2006, the value of the securities loaned and the value of the collateral amounted to \$141,507,246 and \$144,861,787, respectively. In the event of counterparty default, the Fund is subject to potential loss if it is delayed or prevented from exercising its right to dispose of the collateral. The Fund bears risk in the event that invested collateral is not sufficient to meet obligations due on the loans. The Fund has the right under the lending agreement to recover the securities from the borrower on demand.

6 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 shares of beneficial interest. Transactions in shares were as follows:

	Year Ended October 31,	
	2006	2005 ⁽¹⁾
Sales		18,855,000
Net increase		18,855,000

⁽¹⁾ For the period from the start of business, February 28, 2005, to October 31, 2005.

7 Federal Income Tax Basis of Unrealized Appreciation (Depreciation)

The cost and unrealized appreciation (depreciation) in value of the investments owned at October 31, 2006, as determined on a federal income tax basis, were as follows:

Aggregate cost	\$ 485,432,213
Gross unrealized appreciation	\$ 4,228,495
Gross unrealized depreciation	(2,089,437)
Net unrealized appreciation	\$ 2,139,058

The unrealized depreciation on foreign currency, swap contracts, financial futures contracts and forward contracts at October 31, 2006 on a federal income tax basis was \$1,367,752.

8 Risks Associated with Foreign Investments

Investing in securities issued by companies whose principal business activities are outside the United States may involve significant risks not present in domestic investments. For example, there is generally less publicly available information about foreign companies, particularly those not subject to the disclosure and reporting requirements of the U.S. securities laws. Foreign issuers are generally not bound by uniform accounting, auditing, and financial reporting requirements and standards of practice comparable to those applicable to domestic issuers. Investments in foreign securities also involve the risk of possible adverse changes in investment or exchange control regulations, expropriation or confiscatory taxation, limitation on the removal of funds or other assets of the Fund, political or financial instability or diplomatic and other developments which could affect such investments. Foreign stock markets, while growing in volume and sophistication, are generally not as developed as those in the United States, and securities of some foreign issuers (particularly those located in developing countries) may be less liquid and more volatile than securities of comparable U.S. companies. In general, there is less overall governmental supervision and regulation of foreign securities markets, broker-dealers and issuers than in the United States.

9 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 swap contracts and may

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

NOTES TO FINANCIAL STATEMENTS CONT'D

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 October 31, 2006 is as follows:

Forward Foreign Currency Exchange Contracts

Sales

Settlement Date(s)	Deliver	In exchange for	Net Unrealized Appreciation (Depreciation)
11/03/06	Brazilian Real	United States Dollar	
	5,300,000	2,470,862	\$ (8,090)
11/10/06	Canadian Dollar	United States Dollar	
	4,000,000	3,547,672	(23,260)
11/02/06	Euro	United States Dollar	
	13,344	17,032	1
11/30/06	Euro	United States Dollar	
	53,126,658	67,425,368	(485,111)
11/30/06	Great British Pound	United States Dollar	
	7,999,288	15,117,414	(142,867)
11/16/06	Japanese Yen	United States Dollar	
	406,000,000	3,484,022	11,868
11/01/06	Malaysian Ringgit	United States Dollar	
	21,495,000	5,903,760	18,750
11/02/06	Serbian Dinar	Euro	
	45,000,000	569,620	(2,301)
01/08/07	Thai Baht	United States Dollar	
	130,000,000	3,447,361	(94,712)
			\$ (725,722)

Purchases

Settlement Date(s)	Acquire	In exchange for	Net Unrealized Appreciation (Depreciation)
11/14/06	Australian Dollar	New Zealand Dollar	
	4,500,000	5,227,290	\$ (16,167)
11/03/06	Brazilian Real	United States Dollar	
	5,300,000	2,411,502	67,450
12/04/06	Brazilian Real	United States Dollar	
	5,300,000	2,456,661	8,112
11/06/06	Egyptian Pound	United States Dollar	
	7,431,013	1,298,107	(2,806)
11/03/06	Indonesian Rupiah	United States Dollar	
	32,000,000,000	3,460,208	51,452

Settlement Date(s)	Acquire	In exchange for	Net Unrealized Appreciation (Depreciation)
11/03/06	Indian Rupee	United States Dollar	
	158,000,000	3,440,017	\$ 68,481

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11/09/06	Icelandic Kroner	Euro		
	376,674,800	4,370,129		(19,818)
11/27/06	Icelandic Kroner	Euro		
	211,144,000	2,435,537		(9,753)
11/28/06	Kazakhstan Tenge	United States Dollar		
	143,700,000	1,126,617		(1,665)
08/03/07	Kazakhstan Tenge	United States Dollar		
	66,000,000	557,432		(40,060)
11/09/06	Mexican Peso	United States Dollar		
	38,328,000	3,540,595		19,858
11/21/06	Mexican Peso	United States Dollar		
	18,600,000	1,716,453		10,413
11/01/06	Malaysian Ringgit	United States Dollar		
	21,495,000	5,836,433		48,577
11/10/06	Malaysian Ringgit	United States Dollar		
	26,000,000	7,087,945		33,197
12/01/06	Malaysian Ringgit	United States Dollar		
	34,495,000	9,461,390		(4,033)
11/03/06	Philippines Peso	United States Dollar		
	180,000,000	3,609,529		2,028
12/01/06	Philippines Peso	United States Dollar		
	185,000,000	3,698,595		7,105
11/03/06	Romanian Leu	Euro		
	28,500,000	8,082,584		26,381
11/20/06	Romanian Leu	Euro		
	5,100,000	1,448,041		(1,957)
11/02/06	Serbian Dinar	Euro		
	45,000,000	556,277		19,332
11/14/06	Serbian Dinar	Euro		
	63,000,000	784,704		18,865
11/16/06	Serbian Dinar	Euro		
	45,000,000	568,397		3,315
11/02/06	Turkish Lira	United States Dollar		
	1,285,000	877,612		2,802
11/03/06	Turkish Lira	United States Dollar		
	4,124,500	2,810,754		14,090
11/30/06	Turkish Lira	United States Dollar		
	4,000,000	2,733,174		(20,702)
				\$ 284,497

Futures Contracts

Expiration Date(s)	Contracts	Position	Aggregate Cost	Value	Net Unrealized Depreciation
	21 Japan				
12/06	10 Year Bond	Short	\$ (24,240,579)	\$ (24,312,279)	\$ (71,700)

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2006

NOTES TO FINANCIAL STATEMENTS CONT'D

Description of the underlying instruments to futures contracts: Japanese Government Bonds (JGB) having a maturity of 7 years or more but less than 11 years.

At October 31, 2006, the Fund had sufficient cash and/or securities to cover potential obligations arising from open futures and forward foreign currency exchange contracts as well as margin requirements on the open futures contracts.

Credit Default Swaps

The Fund has entered into credit default swaps whereby the Fund is buying or selling exposure to an increase in credit spreads for the underlying instrument. The maximum payouts are limited to the notional amount of each swap.

Notional Amount	Expiration Date	Description	Net Unrealized Appreciation (Depreciation)
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 involving Turkish sovereign issues, 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 Boston.	\$ (218,513)
10,000,000USD	3/20/2010	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 involving Turkish sovereign issues, 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.	\$ (215,461)
5,000,000USD	9/20/2011	Agreement with Credit Suisse First Boston dated 7/21/2006 whereby the Fund will pay 2.15% per year times the notional amount. In exchange for that periodic payment, upon a default event involving Filipino sovereign issues, 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 the Philippines to Credit Suisse First Boston.	\$ (165,680)
5,000,000USD	9/20/2011	Agreement with JP Morgan Chase Bank dated 7/21/2006 whereby the Fund will pay 2.17% per year times the notional amount. In exchange for that periodic payment, upon a default event involving Filipino sovereign issues, 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 the Philippines to JP Morgan Chase Bank.	\$ (169,919)
10,000,000USD	9/20/2011	Agreement with JP Morgan Chase Bank dated 7/21/2006 whereby the Fund will pay 2.09% per year times the notional amount. In exchange for that periodic payment, upon a default event involving Indonesian sovereign issues, JP Morgan Chase Bank agrees to pay the Fund the notional amount of the swap. To receive that payment,	\$ (322,757)

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the Fund must deliver a bond (with par value equal to the notional amount of the swap) issued by Indonesia to JP Morgan Chase Bank.

Agreement with JP Morgan Chase Bank dated 8/11/2006 whereby the Fund will pay 0.61% per year times

the notional amount. In exchange for that periodic payment, upon a default event involving Brazilian sovereign issues, JP Morgan Chase Bank agrees to pay the Fund the notional amount of the swap. To receive that payment,

5,388,000USD 8/20/2009