

Eaton Vance Short Duration Diversified Income Fund
Form N-CSR
December 30, 2008

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)

Maureen A. Gemma

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, 2008

Item 1. Reports to Stockholders

Annual Report October 31, 2008

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, 2008

MANAGEMENT'S DISCUSSION OF FUND PERFORMANCE

Payson F. Swaffield, CFA
Co-Portfolio Manager

Scott H. Page, CFA
Co-Portfolio Manager

Catherine C. McDermott
Co-Portfolio Manager

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Mark S. Venezia, CFA
Co-Portfolio Manager

Susan Schiff, CFA
Co-Portfolio Manager

Christine Johnston, CFA
Co-Portfolio Manager

Economic and Market Conditions

- The credit crisis that began in mid-2007 resulted in unprecedented events in the U.S. financial markets in 2008. Within a two week period in September, investors saw the U.S. government's bailout of the two largest government sponsored enterprises – Fannie Mae and Freddie Mac, the bankruptcy of Lehman Brothers Holding, Inc., and the subsequent bailout of one of the world's largest insurers amidst other government intervention and uncertainty surrounding the future of many of the largest U.S. financial institutions. As the crisis intensified in the last two months of the fiscal year, the global fixed income and currency markets reacted with a flight-to-quality. The U.S. dollar strengthened against the Euro and many emerging market currencies, and U.S. interest rates fell as foreign investors headed for the relative safety of U.S. Treasury bonds. For the year ended October 31, 2008, 2-year and 5-year U.S. Treasury yields fell 240 (2.40%) and 134 basis points (1.34%), respectively. The Federal Funds rate started the year at 4.5% on October 31, 2007 and was cut to 1.0% by October 31, 2008. Many foreign central banks also cut their benchmark short-term interest rates in response to the global financial crisis, including the European Central Bank (ECB), Bank of Japan, Bank of England, and those of selected emerging market countries.

- Within U.S. credit markets, yield spread widening left no market unscathed. The yield spread of seasoned U.S. agency mortgage-backed securities (MBS) widened by about 200 basis points (2.00%) to finish the year valued at approximately 300 basis points (3.00%) over U.S. Treasuries. Below investment-grade corporate debt yield spreads widened by approximately 1,140 basis points (11.40%), with the Merrill Lynch U.S. High Yield Master II Index closing the fiscal year valued at 1,587 basis points (15.87%) over U.S. Treasuries. Similarly, senior, secured loan spreads over LIBOR – the London Inter-Bank Offered Rate – widened by approximately 1,300 basis points (13.00%), with the S&P/LSTA Leveraged Loan Index First Lien Loans valued at approximately 1,695 basis points (16.95%)

over LIBOR on October 31, 2008.

Management Discussion

- The Fund is a closed-end fund that trades on the New York Stock Exchange under the symbol **EVG**. The Fund's investment objective is to provide a high level of current income. In pursuing the Fund's objective, the Fund's investments have been allocated primarily to senior, secured loans, MBS and foreign obligations.

- The Fund's performance was hurt by its investment in senior, secured loans. Loan prices plunged during the year, as forced selling by hedge funds and other leveraged vehicles pushed loan prices to approximately 72 cents on the dollar at October 31, 2008. With historical recovery rates at roughly 70 cents, the market

Eaton Vance Short Duration Diversified Income Fund

Total Return Performance 10/31/07 10/31/08

| NYSE Symbol | | EVG |
|--|----------------|---------|
| At Net Asset Value (NAV)(1) | | -11.57% |
| At Share Price(1) | | -16.36% |
| Lipper Global Income Funds Average (At NAV)(2) | | -17.75% |
| Premium/(Discount) to NAV | | -15.70% |
| Total Distributions per share | \$ | 1.366 |
| Distribution Rate(3) | At NAV | 7.82% |
| | At Share Price | 9.27% |

See page 3 for more performance information.

(1) Performance results reflect the effects of leverage resulting from the Fund's derivative instruments, the reinvestment of securities lending collateral and borrowings.

(2) It is not possible to invest directly in a Lipper Classification. The Lipper total return is the average total return, at net asset value, of the funds that are in the same Lipper Classification as the Fund.

(3) The Distribution Rate is based on the Fund's most recent monthly distribution per share (annualized) divided by the Fund's NAV or share price at the end of the period. The Fund's monthly distributions may be comprised of ordinary income, net realized capital gains and return of capital.

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. The Fund's performance at market share price will differ from its results

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at NAV. Although share price performance generally reflects investment results over time, during shorter periods, returns at share price can also be affected by factors such as changing perceptions about the Fund, market conditions, fluctuations in supply and demand for the Fund's shares, or changes in Fund distributions. Investment return and principal value will fluctuate so that shares, when sold, may be worth more or less than their original cost. Performance is for the stated time period only; due to market volatility, the Fund's current performance may be lower or higher than the quoted return. For performance as of the most recent month end, please refer to www.eatonvance.com.

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

appeared to be implying near universal default rates or dramatically lower recoveries, thus far exaggerating any weakening in the market's fundamentals.

- During the year, all credit markets experienced unprecedented volatility, and the bank loan market was no exception. The total return for the S&P/LSTA Leveraged Loan Index (the Index) through the first nine months of the fiscal year was -2.91%. However, September brought a series of events that rattled the markets more deeply. In the Fund's fiscal fourth quarter, the Index declined -18.66%, by far its worst quarterly showing ever.
- The Fund's investments in senior, secured loans remain diverse with respect to individual borrowers, geography, and industry holdings. The largest industries represented were publishing, cable and satellite television, and healthcare. The largest borrowers and industries represented in the Fund tend to be relatively non-cyclical, with borrowers possessing good capital structures and strong collateral value.
- Within the MBS portion of the Fund, the focus remained on seasoned, fixed-rate, U.S. government agency MBS. The underlying mortgages to the Fund's seasoned MBS investments were typically originated in the 1980s or 1990s; therefore, the homeowners have typically built up considerable equity in their homes over time. As a result, these mortgages have a relatively low loan-to-value ratio and more predictable cash flows than generic MBS. In addition, the loans are guaranteed by the U.S. government agencies.
- Similar to other U.S. credit markets, yield spreads over U.S. Treasuries for seasoned U.S. agency MBS widened over the year ended October 31, 2008. The widening of approximately 200 basis points (2.00%), however, was more than offset by a decline in Treasury yields, thereby generating positive returns for the sector.
- The Fund's foreign obligations were slightly negative for the Fund's performance. The Fund's foreign investments consisted primarily of long and short forward currency contracts, foreign-denominated sovereign bonds, and other derivatives.
- The two primary drivers of the sector's negative performance were positions in Iceland and the Latin American region. In addition, certain positions in Asia also contributed to underperformance, specifically, a short position in Japanese Government bonds and a long Indonesian currency position. Iceland was the Fund's worst performer. The Icelandic government seized the nation's banks in October, as the banks collapsed under the weight of a falling currency and large debts abroad. In Latin America, the Fund's position in Uruguay declined in value toward the end of the fiscal year in response to negative developments in Argentina, one of its major trading partners. The Fund's position in Colombia also detracted from performance; despite relatively stable economic growth, the Colombian peso fared poorly, as the government suspended its efforts to support it. The Fund's position in Brazil also weakened; however, the country's influence as an economic power in Latin America continued to grow.

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- The Fund's positions in Egyptian T-bills were additive to performance, as Egypt benefited from an inflow of Middle East oil revenues. The government has encouraged a stronger pound as a weapon against inflation. Elsewhere, the Fund continued to benefit from a short South African Rand position. The Rand declined to its lowest level in six years as demand for gold and other precious metals fell amid the global economic downturn.
- Additionally, the Fund benefitted from its positions in Eastern Europe, most notably Poland and Turkey. The Fund's exposure to the Polish Zloty added to performance. The currency was helped by strong industrial production, an economic growth rate twice that of the Euro zone and continuing remittances from workers abroad. Investments in the Turkish Lira were also additive, as the Turkish central bank raised rates to fight inflation. The currency strengthened further late in the period following a loan accord with the International Monetary Fund.
- The Fund employs leverage through the use of derivative instruments and borrowings. The Fund's leverage was comprised of approximately 14% through borrowings and 32% through derivative investments. Use of leverage creates an opportunity for increased total return but, at the same time, creates special risks (including the likelihood of greater volatility of net asset and market price).

The views expressed throughout this report are those of the portfolio managers and are current only through the end of the period of the report as stated on the cover. These views are subject to change at any time based upon market or other conditions, and the investment adviser disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a fund are based on many factors, may not be relied on as an indication of trading intent on behalf of any Eaton Vance fund. Portfolio information provided in the report may not be representative of the Fund's current or future investments and may change due to active management.

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

FUND PERFORMANCE

Performance (1)

New York Stock Exchange Symbol

EVG

Average Annual Total Returns (by share price, NYSE)

| | |
|------------------------|---------|
| One Year | -16.36% |
| Life of Fund (2/28/05) | -3.15 |

Average Annual Total Returns (at net asset value)

| | |
|------------------------|---------|
| One Year | -11.57% |
| Life of Fund (2/28/05) | 1.45 |

(1) Performance results reflect the effects of leverage.

Fund Composition

Fund Allocations(2)

By total leveraged assets

(2) Fund Allocations are as of 10/31/08 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 183.6% as of 10/31/08. Fund Allocations are subject to change

due to active management. Please refer to definition of total leveraged assets within the Notes to Financial Statements included herein.

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. The Fund's performance at market share price will differ from its results at NAV. Although share price performance generally reflects investment results over time, during shorter periods, returns at share price can also be affected by factors such as changing perceptions about the Fund, market conditions, fluctuations in supply and demand for the Fund's shares, or changes in Fund distributions. Investment return and principal value will fluctuate so that shares, when sold, may be worth more or less than their original cost. Performance is for the stated time period only; due to market volatility, the Fund's current performance may be lower or higher than the quoted return. For performance as of the most recent month end, please refer to www.eatonvance.com.

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

PORTFOLIO OF INVESTMENTS

| Principal Amount* | Borrower/Tranche Description | Value |
|---|--|--------------|
| Senior Floating-Rate Interests 47.8% ⁽¹⁾ | | |
| Aerospace and Defense 1.0% | | |
| ACTS Aero Technical Support & Service, Inc. | | |
| 187,773 | Term Loan, 7.89%, Maturing October 5, 2014 | \$ 91,070 |
| DAE Aviation Holdings, Inc. | | |
| 113,548 | Term Loan, 7.17%, Maturing July 31, 2014 | 84,594 |
| 114,894 | Term Loan, 7.37%, Maturing July 31, 2014 | 85,596 |
| Evergreen International Aviation | | |
| 263,674 | Term Loan, 9.00%, Maturing October 31, 2011 | 201,051 |
| Hawker Beechcraft Acquisition | | |
| 110,132 | Term Loan, 5.76%, Maturing March 26, 2014 | 71,507 |
| 1,880,323 | Term Loan, 5.76%, Maturing March 26, 2014 | 1,220,867 |
| Hexcel Corp. | | |
| 388,666 | Term Loan, 5.25%, Maturing March 1, 2012 | 345,913 |
| Vought Aircraft Industries, Inc. | | |
| 789,305 | Term Loan, 5.62%, Maturing December 17, 2011 | 627,497 |
| 181,818 | Term Loan, 6.42%, Maturing December 17, 2011 | 136,364 |
| | | \$ 2,864,459 |
| Air Transport 0.3% | | |
| Delta Air Lines, Inc. | | |
| 345,625 | Term Loan - Second Lien, 6.25%, Maturing April 30, 2014 | \$ 198,734 |
| Northwest Airlines, Inc. | | |
| 813,112 | DIP Loan, 5.00%, Maturing August 21, 2009 | 661,670 |
| | | \$ 860,404 |
| Automotive 3.6% | | |
| Accuride Corp. | | |
| 535,682 | Term Loan, 7.31%, Maturing January 31, 2012 | \$ 405,779 |
| Adesa, Inc. | | |
| 885,330 | Term Loan, 6.02%, Maturing October 18, 2013 | 589,482 |
| Allison Transmission, Inc. | | |
| 803,444 | Term Loan, 5.67%, Maturing September 30, 2014 | 551,794 |
| ATU AFM Auto Holding GmbH & Co. | | |
| EUR 750,000 | Term Loan, 8.09%, Maturing August 20, 2013 | 333,887 |
| AxleTech International Holding, Inc. | | |
| 425,000 | Term Loan - Second Lien, 10.39%, Maturing April 21, 2013 | 333,625 |

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| | | | |
|--------------------------------------|-----------|---|---------------|
| Chrysler Financial | | | |
| | 496,244 | Term Loan, 6.82%, Maturing August 1, 2014 | 340,340 |
| Dayco Europe S.R.I. | | | |
| EUR | 271,850 | Term Loan, 9.40%, Maturing June 21, 2010 | 260,523 |
| Dayco Products, LLC | | | |
| | 496,832 | Term Loan, 8.01%, Maturing June 21, 2011 | 168,923 |
| Principal Amount* | | | |
| | | Borrower/Tranche Description | Value |
| Automotive (continued) | | | |
| Delphi Corp. | | | |
| | 1,000,000 | DIP Loan, 7.25%, Maturing December 31, 2008 | \$ 860,000 |
| Federal-Mogul Corp. | | | |
| | 294,425 | Term Loan, 5.48%, Maturing December 27, 2014 | 179,231 |
| | 227,943 | Term Loan, 6.12%, Maturing December 27, 2015 | 138,760 |
| Ford Motor Co. | | | |
| | 491,250 | Term Loan, 7.59%, Maturing December 15, 2013 | 272,994 |
| General Motors Corp. | | | |
| | 1,406,256 | Term Loan, 5.80%, Maturing November 29, 2013 | 777,660 |
| Goodyear Tire & Rubber Co. | | | |
| | 3,175,000 | Term Loan - Second Lien, 4.78%, Maturing April 30, 2010 | 2,259,543 |
| HLI Operating Co., Inc. | | | |
| EUR | 27,273 | Term Loan, 4.87%, Maturing May 30, 2014 | 29,894 |
| EUR | 1,307,091 | Term Loan, 7.67%, Maturing May 30, 2014 | 1,299,443 |
| Keystone Automotive Operations, Inc. | | | |
| | 238,332 | Term Loan, 6.78%, Maturing January 12, 2012 | 137,041 |
| LKQ Corp. | | | |
| | 247,116 | Term Loan, 6.77%, Maturing October 12, 2014 | 205,106 |
| TriMas Corp. | | | |
| | 1,070,313 | Term Loan, 4.88%, Maturing August 2, 2011 | 813,437 |
| | 298,594 | Term Loan, 5.63%, Maturing February 28, 2012 | 226,931 |
| | | | \$ 10,184,393 |
| Beverage and Tobacco 0.2% | | | |
| Culligan International Co. | | | |
| EUR | 300,000 | Term Loan - Second Lien, 9.78%, Maturing May 31, 2013 | \$ 76,473 |
| Liberator Midco, Ltd. | | | |
| EUR | 250,000 | Term Loan, 6.75%, Maturing October 27, 2013 | 249,732 |
| EUR | 244,357 | Term Loan, 7.13%, Maturing October 27, 2014 | 244,095 |
| | | | \$ 570,300 |
| Building and Development 1.3% | | | |
| Brickman Group Holdings, Inc. | | | |
| | 596,970 | | \$ 468,621 |

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|-------------------------------------|---------|---|---------|
| | | Term Loan, 5.12%, Maturing January 23, 2014 | |
| Building Materials Corp. of America | | | |
| | 393,052 | Term Loan, 6.62%, Maturing February 22, 2014 | 274,350 |
| Epco/Fantome, LLC | | | |
| | 460,000 | Term Loan, 5.80%, Maturing November 23, 2010 | 432,400 |
| Hovstone Holdings, LLC | | | |
| | 132,500 | Term Loan, 6.25%, Maturing February 28, 2009 | 86,973 |
| LNR Property Corp. | | | |
| | 704,000 | Term Loan, 6.04%, Maturing July 3, 2011 | 385,440 |
| Panolam Industries Holdings, Inc. | | | |
| | 155,749 | Term Loan, 6.51%, Maturing September 30, 2012 | 133,944 |

See notes to financial statements

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Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

PORTFOLIO OF INVESTMENTS CONT'D

| Principal Amount* | Borrower/Tranche Description | Value |
|--------------------------------------|--|--------------|
| Building and Development (continued) | | |
| Realogy Corp. | | |
| 256,600 | Term Loan, 3.78%, Maturing September 1, 2014 | \$ 165,079 |
| 953,087 | Term Loan, 6.50%, Maturing September 1, 2014 | 613,153 |
| TRU 2005 RE Holding Co. | | |
| 575,000 | Term Loan, 6.72%, Maturing December 9, 2008 | 420,229 |
| United Subcontractors, Inc. | | |
| 251,473 | Term Loan - Second Lien, 12.42%, Maturing June 27, 2013 ⁽²⁾ | 95,560 |
| Wintergames Acquisition ULC | | |
| 733,068 | Term Loan, 10.74%, Maturing April 25, 2010 | 542,397 |
| | | \$ 3,618,146 |
| Business Equipment and Services 2.7% | | |
| Axiom Corp. | | |
| 472,249 | Term Loan, 4.94%, Maturing September 15, 2012 | \$ 344,742 |
| Affinion Group, Inc. | | |
| 908,129 | Term Loan, 5.32%, Maturing October 17, 2012 | 724,233 |
| Allied Barton Security Service | | |
| 200,000 | Term Loan, 7.75%, Maturing February 21, 2015 | 178,500 |
| Education Management, LLC | | |
| 1,426,094 | Term Loan, 5.56%, Maturing June 1, 2013 | 1,005,396 |
| Info USA, Inc. | | |
| 194,535 | Term Loan, 5.77%, Maturing February 14, 2012 | 171,191 |
| Intergraph Corp. | | |
| 421,020 | Term Loan, 4.81%, Maturing May 29, 2014 | 328,396 |
| Mitchell International, Inc. | | |
| 192,063 | Term Loan, 5.81%, Maturing March 28, 2014 | 166,134 |
| N.E.W. Holdings I, LLC | | |
| 270,038 | Term Loan, 5.89%, Maturing May 22, 2014 | 208,604 |
| Protection One, Inc. | | |
| 191,018 | Term Loan, 5.42%, Maturing March 31, 2012 | 154,724 |
| Sabre, Inc. | | |
| 1,364,593 | Term Loan, 5.25%, Maturing September 30, 2014 | 790,705 |
| Sitel (Client Logic) | | |
| 273,201 | Term Loan, 6.51%, Maturing January 29, 2014 | 163,921 |
| SunGard Data Systems, Inc. | | |

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| | | | |
|---|-----------|--|--------------|
| | 1,915,714 | Term Loan, 4.55%, Maturing February 11, 2013 | 1,476,468 |
| TDS Investor Corp. | | | |
| EUR | 525,796 | Term Loan, 7.39%, Maturing August 23, 2013 | 422,197 |
| Valassis Communications, Inc. | | | |
| | 109,126 | Term Loan, 5.52%, Maturing March 2, 2014 | 76,752 |
| | 484,971 | Term Loan, 5.52%, Maturing March 2, 2014 | 341,096 |
| VWR International, Inc. | | | |
| | 450,000 | Term Loan, 5.67%, Maturing June 28, 2013 | 314,250 |
| Principal Amount* | | | |
| | | Borrower/Tranche Description | Value |
| Business Equipment and Services (continued) | | | |
| WAM Acquisition, S.A. | | | |
| EUR | 153,716 | Term Loan, 7.09%, Maturing May 4, 2014 | \$ 112,776 |
| EUR | 93,087 | Term Loan, 7.09%, Maturing May 4, 2014 | 68,294 |
| EUR | 153,716 | Term Loan, 7.59%, Maturing May 4, 2015 | 112,776 |
| EUR | 93,087 | Term Loan, 7.59%, Maturing May 4, 2015 | 68,294 |
| West Corp. | | | |
| | 687,776 | Term Loan, 5.73%, Maturing October 24, 2013 | 445,335 |
| | | | \$ 7,674,784 |
| Cable and Satellite Television 3.7% | | | |
| Cequel Communications, LLC | | | |
| | 475,000 | Term Loan - Second Lien, 7.30%, Maturing May 5, 2014 | \$ 304,000 |
| | 1,064,755 | Term Loan - Second Lien, 8.80%, Maturing May 5, 2014 | 697,415 |
| Charter Communications Operating, Inc. | | | |
| | 1,976,894 | Term Loan, 5.31%, Maturing April 28, 2013 | 1,488,540 |
| CSC Holdings, Inc. | | | |
| | 1,492,347 | Term Loan, 4.57%, Maturing March 29, 2013 | 1,297,276 |
| CW Media Holdings, Inc. | | | |
| | 198,000 | Term Loan, 7.01%, Maturing February 16, 2015 | 158,400 |
| Insight Midwest Holdings, LLC | | | |
| | 1,029,375 | Term Loan, 5.93%, Maturing April 6, 2014 | 814,922 |
| Kabel Deutschland GmbH | | | |
| EUR | 1,000,000 | Term Loan, 6.91%, Maturing March 31, 2012 | 971,844 |
| Mediacom Broadband Group | | | |
| | 1,989,873 | Term Loan, 3.89%, Maturing January 31, 2015 | 1,447,633 |
| Orion Cable GmbH | | | |
| EUR | 225,566 | Term Loan, 7.69%, Maturing October 31, 2014 | 189,028 |
| EUR | 225,566 | Term Loan, 8.41%, Maturing October 31, 2015 | 189,028 |
| ProSiebenSat.1 Media AG | | | |
| EUR | 9,415 | Term Loan, 6.85%, Maturing June 26, 2015 | 6,529 |

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|----------------------------|-----------|--|---------------|
| EUR | 231,985 | Term Loan, 6.85%, Maturing June 26, 2015 | 160,867 |
| EUR | 61,836 | Term Loan, 7.53%, Maturing March 2, 2015 | 19,703 |
| EUR | 61,836 | Term Loan, 7.78%, Maturing March 2, 2016 | 19,703 |
| UPC Broadband Holding B.V. | | | |
| EUR | 1,150,000 | Term Loan, 7.01%, Maturing October 16, 2011 | 977,155 |
| | 1,550,000 | Term Loan, 5.47%, Maturing December 31, 2014 | 1,112,125 |
| YPSO Holding SA | | | |
| EUR | 496,137 | Term Loan, 7.00%, Maturing July 28, 2014 | 312,224 |
| EUR | 191,468 | Term Loan, 7.00%, Maturing July 28, 2014 | 120,493 |
| EUR | 312,395 | Term Loan, 7.00%, Maturing July 28, 2014 | 196,593 |
| | | | \$ 10,483,478 |

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

PORTFOLIO OF INVESTMENTS CONT'D

| Principal Amount* | | Borrower/Tranche Description | Value |
|-------------------------------------|-----------|---|--------------|
| Chemicals and Plastics | 2.5% | | |
| Brenntag Holding GmbH and Co. | | | |
| EUR | 1,094,382 | Term Loan, 12.14%, Maturing December 23, 2013 | \$ 899,674 |
| Celanese Holdings, LLC | | | |
| | 994,949 | Term Loan, 5.55%, Maturing April 2, 2014 | 808,752 |
| Cognis GmbH | | | |
| | 400,000 | Term Loan, 4.82%, Maturing September 15, 2013 | 254,667 |
| Foamex International, Inc. | | | |
| | 211,265 | Term Loan, 8.04%, Maturing February 12, 2013 | 97,710 |
| Georgia Gulf Corp. | | | |
| | 186,599 | Term Loan, 9.05%, Maturing October 3, 2013 | 149,466 |
| INEOS Group | | | |
| | 1,230,602 | Term Loan, 5.95%, Maturing December 14, 2013 | 685,035 |
| | 1,230,602 | Term Loan, 6.45%, Maturing December 14, 2014 | 673,755 |
| Innophos, Inc. | | | |
| | 433,832 | Term Loan, 6.76%, Maturing August 10, 2010 | 373,096 |
| Kleopatra | | | |
| | 225,000 | Term Loan, 6.82%, Maturing January 3, 2016 | 106,875 |
| EUR | 200,000 | Term Loan, 7.88%, Maturing January 3, 2016 | 130,641 |
| Kranton Polymers, LLC | | | |
| | 628,454 | Term Loan, 5.31%, Maturing May 12, 2013 | 486,005 |
| Lucite International Group Holdings | | | |
| | 180,949 | Term Loan, 5.37%, Maturing July 7, 2013 | 164,212 |
| | 64,074 | Term Loan, 5.37%, Maturing July 7, 2013 | 51,046 |
| MacDermid, Inc. | | | |
| EUR | 400,909 | Term Loan, 7.39%, Maturing April 12, 2014 | 355,130 |
| Millenium Inorganic Chemicals | | | |
| | 300,000 | Term Loan - Second Lien, 9.51%, Maturing October 31, 2014 | 162,000 |
| Propex Fabrics, Inc. | | | |
| | 239,908 | Term Loan, 8.00%, Maturing July 31, 2012 | 72,572 |
| Rockwood Specialties Group | | | |
| EUR | 1,447,500 | Term Loan, 6.23%, Maturing July 30, 2012 | 1,577,399 |
| | | | \$ 7,048,035 |
| Clothing / Textiles | 0.1% | | |

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| | | | |
|------------------------------------|-------------|---|--------------|
| Hanesbrands, Inc. | | | |
| | | Term Loan - Second Lien, 7.27%, Maturing January 13, 2016 | \$ 195,833 |
| | 250,000 | | |
| St. John Knits International, Inc. | | | |
| | | Term Loan, 6.12%, Maturing March 23, 2012 | 96,470 |
| | 115,533 | | |
| | | | \$ 292,303 |
| Principal Amount* | | | |
| Borrower/Tranche Description | | | |
| Value | | | |
| Conglomerates 1.5% | | | |
| Doncasters (Dunde HoldCo 4 Ltd.) | | | |
| | | Term Loan, 4.85%, Maturing July 13, 2015 | \$ 92,298 |
| | 123,889 | | |
| | | Term Loan, 5.35%, Maturing July 13, 2015 | 92,298 |
| | 123,889 | | |
| | | Term Loan - Second Lien, 9.77%, Maturing January 13, 2016 | 263,531 |
| | GBP 250,000 | | |
| ISS Holdings A/S | | | |
| | | Term Loan, 6.96%, Maturing December 31, 2013 | 104,088 |
| | EUR 122,807 | | |
| | | Term Loan, 6.96%, Maturing December 31, 2013 | 743,487 |
| | EUR 877,193 | | |
| Jarden Corp. | | | |
| | | Term Loan, 5.51%, Maturing January 24, 2012 | 166,063 |
| | 202,825 | | |
| | | Term Loan, 6.26%, Maturing January 24, 2012 | 415,284 |
| | 496,232 | | |
| Polymer Group, Inc. | | | |
| | | Term Loan, 5.73%, Maturing November 22, 2012 | 961,279 |
| | 1,209,155 | | |
| RGIS Holdings, LLC | | | |
| | | Term Loan, 5.46%, Maturing April 30, 2014 | 581,215 |
| | 846,429 | | |
| | | Term Loan, 5.62%, Maturing April 30, 2014 | 29,061 |
| | 42,321 | | |
| The Manitowoc Company, Inc. | | | |
| | | Term Loan, Maturing August 21, 2014 ⁽¹⁾ | 197,625 |
| | 250,000 | | |
| US Investigations Services, Inc. | | | |
| | | Term Loan, 5.95%, Maturing February 21, 2015 | 369,013 |
| | 519,737 | | |
| Vertrue, Inc. | | | |
| | | Term Loan, 6.77%, Maturing August 16, 2014 | 185,625 |
| | 247,500 | | |
| | | | \$ 4,200,867 |
| Containers and Glass Products 1.7% | | | |
| Berry Plastics Corp. | | | |
| | | Term Loan, 4.80%, Maturing April 3, 2015 | \$ 396,123 |
| | 538,028 | | |
| Consolidated Container Co. | | | |
| | | Term Loan, 5.75%, Maturing March 28, 2014 | 194,743 |
| | 320,125 | | |
| Crown Americas, Inc. | | | |
| | | Term Loan, 6.87%, Maturing November 15, 2012 | 1,236,568 |
| | EUR 980,000 | | |
| JSG Acquisitions | | | |
| | | Term Loan, 6.96%, Maturing December 31, 2014 | 419,236 |
| | EUR 500,000 | | |

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| | | | |
|-------------------------------|---------|---|--------------|
| EUR | 500,000 | Term Loan, 7.12%, Maturing December 31, 2014 | 419,236 |
| Pregis Corp. | | | |
| | 970,000 | Term Loan, 6.01%, Maturing October 12, 2012 | 873,000 |
| Smurfit-Stone Container Corp. | | | |
| | 428,496 | Term Loan, 3.83%, Maturing November 1, 2011 | 340,654 |
| | 719,761 | Term Loan, 4.88%, Maturing November 1, 2011 | 572,210 |
| | 244,516 | Term Loan, 4.90%, Maturing November 1, 2011 | 194,390 |
| | | | \$ 4,646,160 |

See notes to financial statements

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Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

PORTFOLIO OF INVESTMENTS CONT'D

| Principal Amount* | Borrower/Tranche Description | Value |
|--|--|--------------|
| Cosmetics / Toiletries 0.2% | | |
| Bausch & Lomb, Inc. | | |
| 40,000 | Term Loan, 4.71%, Maturing April 30, 2015 ⁽³⁾ | \$ 32,467 |
| 158,800 | Term Loan, 7.01%, Maturing April 30, 2015 | 128,893 |
| Prestige Brands, Inc. | | |
| 526,367 | Term Loan, 5.82%, Maturing April 7, 2011 | 423,725 |
| | | \$ 585,085 |
| Drugs 0.3% | | |
| Pharmaceutical Holdings Corp. | | |
| 116,826 | Term Loan, 6.51%, Maturing January 30, 2012 | \$ 98,134 |
| Stiefel Laboratories, Inc. | | |
| 152,903 | Term Loan, 7.00%, Maturing December 28, 2013 | 124,616 |
| 199,906 | Term Loan, 7.00%, Maturing December 28, 2013 | 162,924 |
| Warner Chilcott Corp. | | |
| 156,933 | Term Loan, 5.76%, Maturing January 18, 2012 | 129,705 |
| 418,254 | Term Loan, 5.76%, Maturing January 18, 2012 | 345,687 |
| | | \$ 861,066 |
| Ecological Services and Equipment 0.4% | | |
| Big Dumpster Merger Sub, Inc. | | |
| 96,794 | Term Loan, 6.01%, Maturing February 5, 2013 | \$ 70,176 |
| Blue Waste B.V. (AVR Acquisition) | | |
| EUR 500,000 | Term Loan, 7.21%, Maturing April 1, 2015 | 505,040 |
| Sensus Metering Systems, Inc. | | |
| 359,361 | Term Loan, 4.92%, Maturing December 17, 2010 | 332,409 |
| Wastequip, Inc. | | |
| 398,206 | Term Loan, 6.01%, Maturing February 5, 2013 | 288,699 |
| | | \$ 1,196,324 |
| Electronics / Electrical 1.6% | | |
| Aspect Software, Inc. | | |
| 448,500 | Term Loan, 6.25%, Maturing July 11, 2011 | \$ 363,285 |
| 500,000 | Term Loan - Second Lien, 10.00%, Maturing July 11, 2013 | 380,000 |
| Freescale Semiconductor, Inc. | | |
| 1,203,563 | Term Loan, 5.47%, Maturing December 1, 2013 | 823,438 |
| Infor Enterprise Solutions Holdings | | |
| 740,600 | Term Loan, 7.52%, Maturing July 28, 2012 | 468,429 |
| 386,400 | | 244,398 |

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| Principal Amount* | Borrower/Tranche Description | Value |
|--------------------------------------|--|--------------|
| | Term Loan, 7.52%, Maturing July 28, 2012 | |
| 250,000 | Term Loan - Second Lien, 9.26%, Maturing March 2, 2014 | 80,000 |
| 91,667 | Term Loan - Second Lien, 10.01%, Maturing March 2, 2014 | 29,333 |
| 158,333 | Term Loan - Second Lien, 10.01%, Maturing March 2, 2014 | 51,062 |
| Network Solutions, LLC | | |
| 195,101 | Term Loan, 5.95%, Maturing March 7, 2014 | 112,183 |
| Electronics / Electrical (continued) | | |
| Open Solutions, Inc. | | |
| 320,182 | Term Loan, 5.96%, Maturing January 23, 2014 | \$ 176,100 |
| Sensata Technologies Finance Co. | | |
| 984,887 | Term Loan, 5.26%, Maturing April 27, 2013 | 636,237 |
| Spectrum Brands, Inc. | | |
| 16,486 | Term Loan, 3.57%, Maturing March 30, 2013 | 11,314 |
| 325,662 | Term Loan, 7.58%, Maturing March 30, 2013 | 223,486 |
| SS&C Technologies, Inc. | | |
| 386,420 | Term Loan, 5.77%, Maturing November 23, 2012 | 294,645 |
| Vertafore, Inc. | | |
| 488,843 | Term Loan, 5.31%, Maturing January 31, 2012 | 397,185 |
| 275,000 | Term Loan - Second Lien, 8.81%, Maturing January 31, 2013 | 188,375 |
| | | \$ 4,479,470 |
| Equipment Leasing 0.1% | | |
| AWAS Capital, Inc. | | |
| 555,140 | Term Loan - Second Lien, 9.25%, Maturing March 22, 2013 | \$ 319,206 |
| | | \$ 319,206 |
| Farming / Agriculture 0.1% | | |
| BF Bolthouse HoldCo, LLC | | |
| 375,000 | Term Loan - Second Lien, 9.26%, Maturing December 16, 2013 | \$ 285,000 |
| | | \$ 285,000 |
| Financial Intermediaries 0.3% | | |
| Jupiter Asset Management Group | | |
| GBP 220,143 | Term Loan, 7.89%, Maturing June 30, 2015 | \$ 267,486 |
| LPL Holdings, Inc. | | |
| 496,222 | Term Loan, 5.51%, Maturing December 18, 2014 | 396,977 |
| Travelex America Holdings, Inc. | | |
| 125,000 | Term Loan, 5.93%, Maturing October 31, 2013 | 98,125 |
| 125,000 | Term Loan, 6.43%, Maturing October 31, 2014 | 98,125 |
| | | \$ 860,713 |

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Food Products 1.9%

| | | | |
|-----------------------------------|---------|---|------------|
| Acosta, Inc. | 610,938 | Term Loan, 5.37%, Maturing July 28, 2013 | \$ 450,566 |
| Advantage Sales & Marketing, Inc. | 987,702 | Term Loan, 5.20%, Maturing March 29, 2013 | 693,861 |
| American Seafoods Group, LLC | 683,900 | Term Loan, 5.01%, Maturing September 30, 2011 | 629,188 |

See notes to financial statements

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Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

PORTFOLIO OF INVESTMENTS CONT'D

| Principal Amount* | | Borrower/Tranche Description | Value |
|-------------------------------|-----------|---|--------------|
| Food Products (continued) | | | |
| Black Lion Beverages III B.V. | | | |
| EUR | 1,000,000 | Term Loan - Second Lien, 9.49%, Maturing January 24, 2016 | \$ 775,351 |
| Charden International B.V. | | | |
| EUR | 242,629 | Term Loan, 7.80%, Maturing March 14, 2014 | 254,094 |
| EUR | 242,629 | Term Loan, 8.30%, Maturing March 14, 2015 | 254,094 |
| Michael Foods, Inc. | | | |
| | 197,824 | Term Loan, 4.87%, Maturing November 21, 2010 | 175,074 |
| Pinnacle Foods Finance, LLC | | | |
| | 1,061,563 | Term Loan, 6.76%, Maturing April 2, 2014 | 770,694 |
| Reddy Ice Group, Inc. | | | |
| | 925,000 | Term Loan, 6.50%, Maturing August 9, 2012 | 691,437 |
| Ruby Acquisitions, Ltd. | | | |
| GBP | 385,043 | Term Loan, 8.84%, Maturing January 5, 2015 | 480,243 |
| Wrigley Company | | | |
| | 257,699 | Term Loan, 7.75%, Maturing October 6, 2014 | 244,879 |
| | | | \$ 5,419,481 |
| Food Service 0.9% | | | |
| Aramark Corp. | | | |
| GBP | 540,375 | Term Loan, 8.38%, Maturing January 27, 2014 | \$ 695,722 |
| Buffets, Inc. | | | |
| | 127,599 | Term Loan, 10.42%, Maturing January 22, 2009 | 39,556 |
| | 12,713 | Term Loan, 10.42%, Maturing January 22, 2009 | 3,941 |
| | 258,662 | DIP Loan, 12.25%, Maturing January 22, 2009 | 259,955 |
| | 39,458 | Term Loan, 3.66%, Maturing May 1, 2013 | 11,640 |
| | 265,418 | Term Loan, 10.42%, Maturing November 1, 2013 | 78,298 |
| Denny's, Inc. | | | |
| | 37,000 | Term Loan, 3.70%, Maturing March 31, 2012 | 29,415 |
| | 136,652 | Term Loan, 4.75%, Maturing March 31, 2012 | 108,639 |
| JRD Holdings, Inc. | | | |
| | 615,856 | Term Loan, 5.75%, Maturing June 26, 2014 | 468,051 |
| OSI Restaurant Partners, LLC | | | |
| | 18,797 | Term Loan, 2.64%, Maturing May 9, 2013 | 9,884 |
| | 220,644 | | 116,022 |

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Term Loan, 5.25%, Maturing May 9, 2014

QCE Finance, LLC

275,000

Term Loan - Second Lien, 9.51%,
Maturing
November 5, 2013

162,937

Selecta

EUR

741,246

Term Loan, 7.50%, Maturing June 28, 2015

632,986

\$ 2,617,046

Principal
Amount*

Borrower/Tranche Description

Value

Food / Drug Retailers 0.8%

General Nutrition Centers, Inc.

791,722

Term Loan, 6.14%, Maturing
September 16, 2013

\$ 548,927

Iceland Foods Group, Ltd.

GBP

250,000

Term Loan, 7.61%, Maturing May 2, 2014

349,028

GBP

250,000

Term Loan, 8.61%, Maturing May 2, 2015

349,028

Roundy's Supermarkets, Inc.

1,173,829

Term Loan, 5.38%, Maturing
November 3, 2011

953,736

\$ 2,200,719

Forest Products 1.0%

Georgia-Pacific Corp.

2,870,154

Term Loan, 5.37%, Maturing
December 20, 2012

\$ 2,390,999

Newpage Corp.

372,188

Term Loan, 7.00%, Maturing
December 5, 2014

303,865

\$ 2,694,864

Healthcare 4.0%

Accellent, Inc.

1,005,544

Term Loan, 5.31%, Maturing
November 22, 2012

\$ 693,825

American Medical Systems

314,249

Term Loan, 5.44%, Maturing July 20, 2012

270,254

AMR HoldCo, Inc.

317,769

Term Loan, 4.82%, Maturing February 10, 2012

282,814

Biomet, Inc.

767,250

Term Loan, 6.76%, Maturing
December 26, 2014

669,617

EUR

346,500

Term Loan, 8.14%, Maturing
December 26, 2014

378,699

Cardinal Health 409, Inc.

419,688

Term Loan, 6.01%, Maturing April 10, 2014

271,748

Carestream Health, Inc.

941,635

Term Loan, 5.43%, Maturing April 30, 2013

619,909

Carl Zeiss Vision Holding GmbH

400,000

Term Loan, 5.62%, Maturing March 23, 2015

228,667

Community Health Systems, Inc.

82,401

66,240

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| | | | |
|-------------------------------------|-----------|--|-----------|
| | | Term Loan, 0.00%, Maturing July 25, 2014 ⁽³⁾ | |
| | 1,610,482 | Term Loan, 5.16%, Maturing July 25, 2014 | 1,294,627 |
| Dako EQT Project Delphi | | | |
| | 250,000 | Term Loan - Second Lien, 7.63%, Maturing December 12, 2016 | 100,000 |
| DJO Finance, LLC | | | |
| | 198,500 | Term Loan, 6.74%, Maturing May 15, 2014 | 151,852 |
| HCA, Inc. | | | |
| | 1,918,387 | Term Loan, 6.01%, Maturing November 18, 2013 | 1,587,945 |
| Health Management Association, Inc. | | | |
| | 1,056,547 | Term Loan, 5.51%, Maturing February 28, 2014 | 744,866 |

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

PORTFOLIO OF INVESTMENTS CONT'D

| Principal Amount* | Borrower/Tranche Description | Value |
|----------------------------------|--|---------------|
| Healthcare (continued) | | |
| IM U.S. Holdings, LLC | | |
| 320,938 | Term Loan, 5.16%, Maturing June 26, 2014 | \$ 236,959 |
| Invacare Corp. | | |
| 193,200 | Term Loan, 5.60%, Maturing February 12, 2013 | 165,186 |
| MultiPlan Merger Corp. | | |
| 461,972 | Term Loan, 5.63%, Maturing April 12, 2013 | 363,803 |
| National Mentor Holdings, Inc. | | |
| 16,800 | Term Loan, 2.44%, Maturing June 29, 2013 | 14,196 |
| 276,828 | Term Loan, 5.77%, Maturing June 29, 2013 | 233,920 |
| Nyco Holdings | | |
| EUR 307,765 | Term Loan, 7.42%, Maturing December 29, 2014 | 214,519 |
| EUR 307,765 | Term Loan, 8.17%, Maturing December 29, 2015 | 214,519 |
| P&F Capital S.A.R.L. | | |
| EUR 206,748 | Term Loan, 7.63%, Maturing February 21, 2014 | 221,349 |
| EUR 64,291 | Term Loan, 7.63%, Maturing February 21, 2014 | 68,831 |
| EUR 123,769 | Term Loan, 7.63%, Maturing February 21, 2014 | 132,510 |
| EUR 99,350 | Term Loan, 7.63%, Maturing February 21, 2014 | 106,367 |
| EUR 93,422 | Term Loan, 8.13%, Maturing February 21, 2015 | 100,169 |
| EUR 34,708 | Term Loan, 8.13%, Maturing February 21, 2015 | 37,214 |
| EUR 72,073 | Term Loan, 8.13%, Maturing February 21, 2015 | 77,278 |
| EUR 293,557 | Term Loan, 8.13%, Maturing February 21, 2015 | 314,756 |
| ReAble Therapeutics Finance, LLC | | |
| 447,325 | Term Loan, 5.76%, Maturing November 16, 2013 | 337,730 |
| Select Medical Corp. | | |
| 494,975 | Term Loan, 5.72%, Maturing February 24, 2012 | 381,131 |
| Select Medical Holdings Corp. | | |
| 482,500 | Term Loan, 4.91%, Maturing February 24, 2012 | 371,525 |
| Viant Holdings, Inc. | | |
| 494,987 | Term Loan, 6.02%, Maturing June 25, 2014 | 294,518 |
| | | \$ 11,247,543 |
| Home Furnishings 0.4% | | |
| Interline Brands, Inc. | | |
| 276,250 | Term Loan, 4.75%, Maturing June 23, 2013 | \$ 212,712 |

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| | | | |
|--|---------|--|--------------|
| | 191,304 | Term Loan, 4.75%, Maturing June 23, 2013 | 147,304 |
| Oreck Corp. | | | |
| | 444,874 | Term Loan, 5.61%, Maturing February 2, 2012 ⁽²⁾ | 173,946 |
| Simmons Co. | | | |
| | 806,601 | Term Loan, 5.44%, Maturing December 19, 2011 | 572,687 |
| | | | \$ 1,106,649 |
| Industrial Equipment 1.3% | | | |
| Brand Energy and Infrastructure Services, Inc. | | | |
| | 198,000 | Term Loan, 6.96%, Maturing February 7, 2014 | \$ 155,430 |
| | | | |
| Principal Amount* | | Borrower/Tranche Description | Value |
| Industrial Equipment (continued) | | | |
| CEVA Group PLC U.S. | | | |
| | 758,358 | Term Loan, 6.17%, Maturing November 4, 2013 | \$ 608,582 |
| | 265,066 | Term Loan, 6.75%, Maturing November 4, 2013 | 212,715 |
| | 262,114 | Term Loan, 6.76%, Maturing January 4, 2014 | 210,347 |
| EPD Holdings (Goodyear Engineering Products) | | | |
| | 86,844 | Term Loan, 5.50%, Maturing July 13, 2014 | 62,962 |
| | 606,375 | Term Loan, 5.50%, Maturing July 13, 2014 | 439,622 |
| | 200,000 | Term Loan - Second Lien, 8.75%, Maturing April 30, 2014 | 116,000 |
| Generac Acquisition Corp. | | | |
| | 367,146 | Term Loan, 6.65%, Maturing November 7, 2013 | 231,914 |
| Gleason Corp. | | | |
| | 20,089 | Term Loan, 5.22%, Maturing June 30, 2013 | 17,176 |
| | 174,893 | Term Loan, 5.22%, Maturing June 30, 2013 | 149,534 |
| John Maneely Co. | | | |
| | 534,636 | Term Loan, 7.66%, Maturing December 8, 2013 | 394,294 |
| Polypore, Inc. | | | |
| | 839,375 | Term Loan, 5.39%, Maturing July 3, 2014 | 654,712 |
| Sequa Corp. | | | |
| | 397,522 | Term Loan, 6.38%, Maturing November 30, 2014 | 298,638 |
| TFS Acquisition Corp. | | | |
| | 220,500 | Term Loan, 7.26%, Maturing August 11, 2013 | 205,065 |
| | | | \$ 3,756,991 |
| Insurance 0.9% | | | |
| CCC Information Services Group, Inc. | | | |
| | 568,938 | Term Loan, 6.02%, Maturing February 10, 2013 | \$ 457,995 |
| Conseco, Inc. | | | |
| | 784,017 | Term Loan, 5.00%, Maturing October 10, 2013 | 519,411 |
| Crawford & Company | | | |
| | 349,143 | | 303,754 |

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Term Loan, 6.52%, Maturing October
31, 2013

Crump Group, Inc.

240,333

Term Loan, 6.71%, Maturing August 4,
2014

179,048

Getty Images, Inc.

475,000

Term Loan, 8.05%, Maturing July 2,
2015

432,487

Hub International Holdings, Inc.

131,469

Term Loan, 6.26%, Maturing June 13,
2014

90,714

584,916

Term Loan, 6.26%, Maturing June 13,
2014

403,592

U.S.I. Holdings Corp.

222,187

Term Loan, 6.52%, Maturing May 4,
2014

161,641

\$ 2,548,642

Leisure Goods / Activities / Movies 2.5%

24 Hour Fitness Worldwide, Inc.

394,875

Term Loan, 6.18%, Maturing June 8,
2012

\$ 294,182

See notes to financial statements

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Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

PORTFOLIO OF INVESTMENTS CONT'D

| Principal Amount* | Borrower/Tranche Description | Value |
|---|--|--------------|
| Leisure Goods / Activities / Movies (continued) | | |
| AMC Entertainment, Inc. | | |
| 1,989,770 | Term Loan, 5.01%, Maturing January 26, 2013 | \$ 1,525,905 |
| Bombardier Recreational Products | | |
| 524,051 | Term Loan, 6.16%, Maturing June 28, 2013 | 362,905 |
| Metro-Goldwyn-Mayer Holdings, Inc. | | |
| 1,614,692 | Term Loan, 7.01%, Maturing April 8, 2012 | 816,429 |
| National CineMedia, LLC | | |
| 725,000 | Term Loan, 4.57%, Maturing February 13, 2015 | 505,084 |
| Regal Cinemas Corp. | | |
| 1,989,848 | Term Loan, 5.26%, Maturing November 10, 2010 | 1,504,546 |
| Revolution Studios Distribution Co., LLC | | |
| 305,861 | Term Loan, 6.87%, Maturing December 21, 2014 | 253,865 |
| 225,000 | Term Loan, 10.12%, Maturing June 21, 2015 | 159,750 |
| Six Flags Theme Parks, Inc. | | |
| 839,375 | Term Loan, 5.69%, Maturing April 30, 2015 | 549,791 |
| Universal City Development Partners, Ltd. | | |
| 925,455 | Term Loan, 6.68%, Maturing June 9, 2011 | 795,891 |
| Zuffa, LLC | | |
| 493,750 | Term Loan, 5.81%, Maturing June 20, 2016 | 308,594 |
| | | \$ 7,076,942 |
| Lodging and Casinos 1.4% | | |
| Harrah's Operating Co. | | |
| 1,990,000 | Term Loan, 6.45%, Maturing January 28, 2015 | \$ 1,365,994 |
| 497,500 | Term Loan, 6.54%, Maturing January 28, 2015 | 342,377 |
| Herbst Gaming, Inc. | | |
| 994,937 | Term Loan, 10.50%, Maturing December 2, 2011 | 552,190 |
| Isle of Capri Casinos, Inc. | | |
| 566,360 | Term Loan, 5.51%, Maturing November 30, 2013 | 384,181 |
| 170,769 | Term Loan, 5.51%, Maturing November 30, 2013 | 115,838 |
| 226,544 | Term Loan, 5.51%, Maturing November 30, 2013 | 153,673 |
| New World Gaming Partners, Ltd. | | |
| 289,479 | Term Loan, 6.26%, Maturing June 30, 2014 | 144,740 |
| 58,333 | Term Loan, 6.55%, Maturing June 30, 2014 | 29,167 |
| Venetian Casino Resort, LLC | | |

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| | | | |
|-----------------------------------|-----------|---|--------------|
| | 167,647 | Term Loan, 5.52%, Maturing May 14, 2014 | 96,439 |
| | 829,832 | Term Loan, 5.52%, Maturing May 23, 2014 | 477,361 |
| VML US Finance, LLC | | | |
| | 133,333 | Term Loan, 6.02%, Maturing May 25, 2012 | 85,667 |
| | 266,667 | Term Loan, 6.02%, Maturing May 25, 2013 | 171,333 |
| | | | \$ 3,918,960 |
| Principal Amount* | | | |
| | | Borrower/Tranche Description | Value |
| Nonferrous Metals / Minerals 0.4% | | | |
| Euramax International, Inc. | | | |
| | 167,105 | Term Loan - Second Lien, 11.00%, Maturing June 28, 2013 | \$ 79,375 |
| | 82,895 | Term Loan - Second Lien, 11.00%, Maturing June 28, 2013 | 39,375 |
| Murray Energy Corp. | | | |
| | 723,750 | Term Loan, 6.94%, Maturing January 28, 2010 | 629,662 |
| Noranda Aluminum Acquisition | | | |
| | 523,439 | Term Loan, 4.81%, Maturing May 18, 2014 | 418,751 |
| | | | \$ 1,167,163 |
| Oil and Gas 0.2% | | | |
| Dresser, Inc. | | | |
| | 300,000 | Term Loan - Second Lien, 8.56%, Maturing May 4, 2015 | \$ 185,500 |
| Enterprise GP Holdings, L.P. | | | |
| | 300,000 | Term Loan, 6.68%, Maturing October 31, 2014 | 253,500 |
| Targa Resources, Inc. | | | |
| | 87,903 | Term Loan, 3.64%, Maturing October 31, 2012 | 67,158 |
| | 229,912 | Term Loan, 5.97%, Maturing October 31, 2012 | 175,653 |
| | | | \$ 681,811 |
| Publishing 4.2% | | | |
| American Media Operations, Inc. | | | |
| | 976,936 | Term Loan, 7.56%, Maturing January 31, 2013 | \$ 656,989 |
| CanWest MediaWorks, Ltd. | | | |
| | 222,187 | Term Loan, 4.81%, Maturing July 10, 2014 | 158,864 |
| GateHouse Media Operating, Inc. | | | |
| | 375,000 | Term Loan, 4.81%, Maturing August 28, 2014 | 92,500 |
| | 175,000 | Term Loan, 4.98%, Maturing August 28, 2014 | 43,167 |
| Idearc, Inc. | | | |
| | 2,805,062 | Term Loan, 5.74%, Maturing November 17, 2014 | 1,210,853 |
| Laureate Education, Inc. | | | |
| | 59,434 | Term Loan, 7.00%, Maturing August 17, 2014 | 42,495 |
| | 397,171 | Term Loan, 7.00%, Maturing August 17, 2014 | 283,977 |
| MediaNews Group, Inc. | | | |
| | 198,790 | | 104,365 |

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| | | | |
|------------------------------|-----------|---|-----------|
| | | Term Loan, 7.07%, Maturing August 2, 2013 | |
| Mediannuaire Holding | | | |
| EUR | 242,204 | Term Loan, 7.38%, Maturing October 10, 2014 | 137,629 |
| EUR | 242,204 | Term Loan, 7.88%, Maturing October 10, 2015 | 137,629 |
| Nebraska Book Co., Inc. | | | |
| | 718,139 | Term Loan, 6.38%, Maturing March 4, 2011 | 524,241 |
| Nielsen Finance, LLC | | | |
| | 1,465,069 | Term Loan, 4.80%, Maturing August 9, 2013 | 1,068,035 |
| Philadelphia Newspapers, LLC | | | |
| | 212,423 | Term Loan, 7.25%, Maturing June 29, 2013 | 63,727 |

See notes to financial statements

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Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

PORTFOLIO OF INVESTMENTS CONT'D

| Principal Amount* | Borrower/Tranche Description | Value |
|---|---|---------------|
| Publishing (continued) | | |
| R.H. Donnelley Corp. | | |
| 974,032 | Term Loan, 6.85%, Maturing June 30, 2010 | \$ 618,713 |
| Reader's Digest Association, Inc. (The) | | |
| 911,125 | Term Loan, 5.23%, Maturing March 3, 2014 | 464,674 |
| Seat Pagine Gialle SpA | | |
| EUR 1,574,725 | Term Loan, 4.61%, Maturing May 25, 2012 | 1,372,833 |
| TL Acquisitions, Inc. | | |
| 497,487 | Term Loan, 5.62%, Maturing July 5, 2014 | 373,392 |
| Trader Media Corp. | | |
| GBP 437,625 | Term Loan, 8.26%, Maturing March 23, 2015 | 364,471 |
| Tribune Co. | | |
| 179,200 | Term Loan, 7.08%, Maturing June 4, 2009 | 141,030 |
| 790,000 | Term Loan, 6.00%, Maturing May 17, 2014 | 354,710 |
| World Directories Acquisition | | |
| EUR 877,676 | Term Loan, 6.72%, Maturing May 31, 2014 | 682,371 |
| Xsys US, Inc. | | |
| EUR 1,000,000 | Term Loan, 7.54%, Maturing September 27, 2014 | 809,339 |
| YBR Acquisition BV | | |
| EUR 450,000 | Term Loan, 7.01%, Maturing June 30, 2013 | 441,632 |
| EUR 450,000 | Term Loan, 7.51%, Maturing June 30, 2014 | 442,269 |
| Yell Group, PLC | | |
| 2,000,000 | Term Loan, 6.12%, Maturing February 10, 2013 | 1,380,000 |
| | | \$ 11,969,905 |
| Radio and Television 1.6% | | |
| Block Communications, Inc. | | |
| 267,438 | Term Loan, 5.27%, Maturing December 22, 2011 | \$ 215,287 |
| CMP KC, LLC | | |
| 483,094 | Term Loan, 7.81%, Maturing May 5, 2013 | 314,108 |
| NEP II, Inc. | | |
| 172,373 | Term Loan, 6.01%, Maturing February 16, 2014 | 126,694 |
| Nexstar Broadcasting, Inc. | | |
| 382,226 | Term Loan, 5.51%, Maturing October 1, 2012 | 265,647 |
| 361,707 | Term Loan, 5.51%, Maturing October 1, 2012 | 251,387 |
| PanAmSat Corp. | | |

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| | | | |
|---------------------------------------|-----------|---|--------------|
| | 228,713 | Term Loan, 6.65%, Maturing January 3, 2014 | 189,832 |
| | 228,644 | Term Loan, 6.65%, Maturing January 3, 2014 | 189,774 |
| | 228,644 | Term Loan, 6.65%, Maturing January 3, 2014 | 189,774 |
| Paxson Communications Corp. | | | |
| | 850,000 | Term Loan, 8.00%, Maturing January 15, 2012 | 471,750 |
| SFX Entertainment | | | |
| | 343,484 | Term Loan, 7.02%, Maturing June 21, 2013 | 276,505 |
| Tyrol Acquisition 2 SAS | | | |
| EUR | 250,000 | Term Loan, 6.50%, Maturing January 19, 2015 | 194,369 |
| EUR | 250,000 | Term Loan, 7.40%, Maturing January 19, 2016 | 194,369 |
| Principal Amount* | | | |
| | | Borrower/Tranche Description | Value |
| Radio and Television (continued) | | | |
| Univision Communications, Inc. | | | |
| | 154,100 | Term Loan - Second Lien, 5.50%, Maturing March 29, 2009 | \$ 135,223 |
| | 2,024,990 | Term Loan, 5.25%, Maturing September 29, 2014 | 1,100,582 |
| Young Broadcasting, Inc. | | | |
| | 241,875 | Term Loan, 6.30%, Maturing November 3, 2012 | 159,940 |
| | 487,500 | Term Loan, 6.56%, Maturing November 3, 2012 | 322,359 |
| | | | \$ 4,597,600 |
| Rail Industries 0.1% | | | |
| Rail America, Inc. | | | |
| | 27,360 | Term Loan, 7.88%, Maturing August 14, 2009 | \$ 24,487 |
| | 422,640 | Term Loan, 7.88%, Maturing August 13, 2010 | 378,263 |
| | | | \$ 402,750 |
| Retailers (Except Food and Drug) 0.8% | | | |
| American Achievement Corp. | | | |
| | 305,810 | Term Loan, 5.07%, Maturing March 25, 2011 | \$ 275,229 |
| Josten's Corp. | | | |
| | 375,045 | Term Loan, 5.17%, Maturing October 4, 2011 | 312,694 |
| Neiman Marcus Group, Inc. | | | |
| | 205,696 | Term Loan, 4.57%, Maturing April 5, 2013 | 156,393 |
| Orbitz Worldwide, Inc. | | | |
| | 311,850 | Term Loan, 6.39%, Maturing July 25, 2014 | 200,364 |
| Oriental Trading Co., Inc. | | | |
| | 300,000 | Term Loan - Second Lien, 9.12%, Maturing January 31, 2013 | 125,000 |
| | 452,727 | Term Loan, 5.25%, Maturing July 31, 2013 | 277,861 |
| Rent-A-Center, Inc. | | | |
| | 258,415 | Term Loan, 4.95%, Maturing November 15, 2012 | 209,316 |

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| | | | |
|---------------------------------|---------|---|--------------|
| Rover Acquisition Corp. | | Term Loan, 5.74%, Maturing October 26, 2013 | |
| | 417,563 | | 314,425 |
| Savers, Inc. | | Term Loan, 5.75%, Maturing August 11, 2012 | |
| | 100,736 | | 79,581 |
| | | Term Loan, 5.75%, Maturing August 11, 2012 | |
| | 110,204 | | 87,061 |
| The Yankee Candle Company, Inc. | | Term Loan, 5.76%, Maturing February 6, 2014 | |
| | 184,654 | | 124,641 |
| | | | \$ 2,162,565 |
| Steel 0.3% | | | |
| Algoma Acquisition Corp. | | Term Loan, 6.00%, Maturing June 20, 2013 | |
| | 706,822 | | \$ 572,526 |
| Niagara Corp. | | Term Loan, 8.50%, Maturing June 29, 2014 | |
| | 296,250 | | 204,413 |
| | | | \$ 776,939 |

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

PORTFOLIO OF INVESTMENTS CONT'D

| Principal Amount* | Borrower/Tranche Description | Value |
|---------------------------------------|--|--------------|
| Surface Transport 0.1% | | |
| Swift Transportation Co., Inc. | | |
| 501,163 | Term Loan, 6.06%, Maturing May 10, 2014 | \$ 290,674 |
| | | \$ 290,674 |
| Telecommunications 1.7% | | |
| Alltell Communication | | |
| 496,241 | Term Loan, 5.32%, Maturing May 16, 2014 | \$ 473,662 |
| 767,250 | Term Loan, 5.50%, Maturing May 16, 2015 | 734,402 |
| Asurion Corp. | | |
| 425,000 | Term Loan, 6.06%, Maturing July 13, 2012 | 318,042 |
| 250,000 | Term Loan - Second Lien, 10.84%, Maturing January 13, 2013 | 168,333 |
| BCM Luxembourg, Ltd. | | |
| EUR 375,000 | Term Loan, 6.38%, Maturing September 30, 2014 | 304,830 |
| EUR 375,000 | Term Loan, 6.63%, Maturing September 30, 2015 | 304,830 |
| EUR 500,000 | Term Loan - Second Lien, 8.75%, Maturing March 31, 2016 | 331,383 |
| CommScope, Inc. | | |
| 497,494 | Term Loan, 6.10%, Maturing November 19, 2014 | 383,070 |
| Intelsat Subsidiary Holding Co. | | |
| 294,000 | Term Loan, 6.65%, Maturing July 3, 2013 | 243,653 |
| IPC Systems, Inc. | | |
| GBP 296,250 | Term Loan, 8.56%, Maturing May 31, 2014 | 238,385 |
| Macquarie UK Broadcast Ventures, Ltd. | | |
| GBP 219,163 | Term Loan, 7.67%, Maturing December 1, 2014 | 276,436 |
| Stratos Global Corp. | | |
| 305,500 | Term Loan, 6.26%, Maturing February 13, 2012 | 252,038 |
| Windstream Corp. | | |
| 866,637 | Term Loan, 6.05%, Maturing July 17, 2013 | 757,549 |
| | | \$ 4,786,613 |
| Utilities 1.7% | | |
| AEI Finance Holding, LLC | | |
| 75,414 | Revolving Loan, 6.76%, Maturing March 30, 2012 | \$ 50,151 |
| 543,845 | Term Loan, 6.76%, Maturing March 30, 2014 | 361,657 |
| Astoria Generating Co. | | |
| 375,000 | | 291,563 |

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Term Loan - Second Lien, 6.96%,
 Maturing
 August 23, 2013

| | | | |
|---------------------------|---------|--|---------|
| BRSP, LLC | | | |
| | 498,382 | Term Loan, 5.86%, Maturing July 13, 2009 | 356,044 |
| Calpine Corp. | | | |
| | 246,264 | DIP Loan, 6.65%, Maturing March 30, 2009 | 198,155 |
| Mirant North America, LLC | | | |
| | 993,671 | Term Loan, 4.87%, Maturing January 3, 2013 | 828,296 |

| Principal Amount* | | Borrower/Tranche Description | Value |
|--|-----------|---|----------------|
| Utilities (continued) | | | |
| NRG Energy, Inc. | | | |
| | 556,432 | Term Loan, 5.26%, Maturing June 1, 2014 | \$ 484,559 |
| | 1,132,506 | Term Loan, 5.26%, Maturing June 1, 2014 | 986,223 |
| TXU Texas Competitive Electric Holdings Co., LLC | | | |
| | 1,215,237 | Term Loan, 6.44%, Maturing October 10, 2014 | 948,797 |
| | 222,750 | Term Loan, 6.66%, Maturing October 10, 2014 | 174,735 |
| | | | \$ 4,680,180 |
| Total Senior Floating-Rate Interests (identified cost \$189,597,776) | | | \$ 135,134,230 |

Mortgage-Backed Securities 62.2%
 Collateralized Mortgage Obligations 9.8%

| Principal Amount (000's omitted) | | Security | Value |
|--|-------|--|---------------|
| Federal Home Loan Mortgage Corp.: | | | |
| \$ | 7,386 | Series 2113, Class QG, 6.00%, 1/15/29 | \$ 7,221,424 |
| | 3,679 | Series 2167, Class BZ, 7.00%, 6/15/29 | 3,778,262 |
| | 4,619 | Series 2182, Class ZB, 8.00%, 9/15/29 | 4,881,789 |
| Federal National Mortgage Association: | | | |
| | 263 | Series 1989-89, Class H, 9.00%, 11/25/19 | 286,369 |
| | 561 | Series 1991-122, Class N, 7.50%, 9/25/21 | 588,786 |
| | 5,178 | Series 1993-84, Class M, 7.50%, 6/25/23 | 5,410,110 |
| | 1,494 | Series 1997-28, Class ZA, 7.50%, 4/20/27 | 1,558,312 |
| | 1,378 | Series 1997-38, Class N, 8.00%, 5/20/27 | 1,457,804 |
| | 2,456 | Series G-33, Class PT, 7.00%, 10/25/21 | 2,558,600 |
| Total Collateralized Mortgage Obligations (identified cost \$27,765,637) | | | \$ 27,741,456 |

| Principal Amount (000's omitted) | | Security | Value |
|-----------------------------------|--------|------------------------------|---------------|
| Mortgage Pass-Throughs 52.4% | | | |
| Federal Home Loan Mortgage Corp.: | | | |
| \$ | 13,371 | 5.00%, with maturity at 2019 | \$ 13,160,370 |

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| | | |
|--------|--|------------|
| 12,034 | 6.00%, with various maturities to 2029 | 12,152,408 |
| 2,594 | 6.15%, with maturity at 2027 | 2,635,888 |
| 6,892 | 6.50%, with maturity at 2019 | 7,176,007 |
| 5,104 | 7.00%, with various maturities to 2013 | 5,242,071 |
| 4,467 | 7.50%, with maturity at 2024 | 4,749,994 |

See notes to financial statements

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Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

PORTFOLIO OF INVESTMENTS CONT'D

| Principal Amount (000's omitted) | | Security | Value |
|---|--------|--|----------------|
| Mortgage Pass-Throughs (continued) | | | |
| \$ | 6,676 | 8.00%, with various maturities to 2031 | \$ 7,183,103 |
| | 6,829 | 8.50%, with various maturities to 2031 | 7,488,269 |
| | 639 | 9.00%, with maturity at 2031 | 704,643 |
| | 638 | 9.50%, with various maturities to 2022 | 699,693 |
| | 1,501 | 11.50%, with maturity at 2019 ⁽⁴⁾ | 1,675,128 |
| | | | \$ 62,867,574 |
| Federal National Mortgage Association: | | | |
| \$ | 11,438 | 5.00%, with maturity at 2013 | \$ 11,546,610 |
| | 3,101 | 5.50%, with maturity at 2029 | 3,068,203 |
| | 3,711 | 6.321%, with maturity at 2032 ⁽⁵⁾ | 3,802,995 |
| | 8,573 | 6.50%, with maturity at 2018 | 8,765,986 |
| | 8,368 | 7.00%, with various maturities to 2032 | 8,710,435 |
| | 15,846 | 7.50%, with various maturities to 2031 | 16,824,532 |
| | 4,858 | 8.00%, with various maturities to 2029 | 5,217,617 |
| | 905 | 8.50%, with maturity at 2027 | 969,806 |
| | 2,108 | 9.00%, with various maturities to 2029 | 2,336,997 |
| | 293 | 9.50%, with maturity at 2014 | 307,684 |
| | 1,974 | 10.00%, with various maturities to 2031 ⁽⁴⁾ | 2,255,770 |
| | | | \$ 63,806,635 |
| Government National Mortgage Association: | | | |
| \$ | 7,334 | 7.50%, with maturity at 2025 | \$ 7,805,917 |
| | 7,172 | 8.00%, with various maturities to 2027 | 7,776,172 |
| | 3,768 | 9.00%, with maturity at 2026 | 4,206,653 |
| | 694 | 9.50%, with maturity at 2025 | 780,145 |
| | 844 | 11.00%, with maturity at 2018 | 955,568 |
| | | | \$ 21,524,455 |
| Total Mortgage Pass-Throughs (identified cost \$148,022,332) | | | \$ 148,198,664 |
| Total Mortgage-Backed Securities (identified cost \$175,787,969) | | | \$ 175,940,120 |
| Asset Backed Securities 0.1% | | | |
| Principal Amount (000's omitted) | | Security | Value |
| \$ | 500 | Centurion CDO 9 Ltd., Series 2005-9A, Class D1, 9.30%, 7/17/19 ⁽⁵⁾⁽⁶⁾ | \$ 152,700 |
| Total Asset Backed Securities (identified cost \$500,000) | | | \$ 152,700 |

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| Corporate Bonds & Notes 1.2% | | | |
|---|------------|--------------------------------|--------------|
| Principal Amount (000's omitted) | | Security | Value |
| Building and Development 0.1% | | | |
| Grohe Holding, Variable Rate | | | |
| EUR | 500 | 8.193%, 1/15/14 | \$ 353,688 |
| | | | \$ 353,688 |
| Cable and Satellite Television 0.7% | | | |
| Iesy Hessen & ISH NRW, Variable Rate | | | |
| EUR | 2,000 | 7.702%, 4/15/13 | \$ 1,937,316 |
| | | | \$ 1,937,316 |
| Commercial Banks 0.3% | | | |
| Kazkommerts International BV | | | |
| \$ | 2,000 | 7.875%, 4/7/14 | \$ 917,820 |
| | | | \$ 917,820 |
| Telecommunications 0.1% | | | |
| Qwest Corp., Sr. Notes, Variable Rate | | | |
| \$ | 200 | 6.069%, 6/15/13 | \$ 146,000 |
| | | | \$ 146,000 |
| Total Corporate Bonds & Notes (identified cost \$4,907,079) | | | \$ 3,354,824 |
| Foreign Government Securities 5.9% | | | |
| Principal Amount (000's omitted) | | Security | Value |
| Ghanaian Government Bond | | | |
| GHS | 730 | 13.69%, 3/15/10 ⁽²⁾ | \$ 575,007 |
| GHS | 320 | 13.50%, 3/30/10 ⁽²⁾ | 250,841 |
| GHS | 1,300 | 13.67%, 6/11/12 ⁽²⁾ | 909,501 |
| JP Morgan Chilean Inflation Linked Note | | | |
| \$ | 2,365 | 3.8%, 11/17/15 ⁽⁷⁾ | 1,940,396 |
| Indonesia Government | | | |
| IDR | 20,911,000 | 11.00%, 12/15/12 | 1,583,193 |
| IDR | 18,100,000 | 9.00%, 9/15/18 | 1,014,181 |
| Ivory Coast | | | |
| \$ | 562 | 0.00%, 3/31/28 | 187,339 |
| Kenyan Treasury Bond | | | |
| KES | 4,050 | 9.50%, 3/23/09 | 51,086 |

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

PORTFOLIO OF INVESTMENTS CONT'D

| Principal Amount (000's omitted) | | Security | Value |
|---|---------|-------------------------------|---------------|
| Letra Tesouro Nacional | | | |
| BRL | 86 | 0.00%, 1/1/09 | \$ 38,844 |
| Nota Do Tesouro Nacional | | | |
| BRL | 2,749 | 6.00%, 5/15/15 ⁽⁸⁾ | 1,046,224 |
| Republic of Ecuador | | | |
| \$ | 187 | 10.00%, 8/15/30 | 55,165 |
| Republic of Georgia | | | |
| \$ | 7,551 | 7.50%, 4/15/13 | 5,436,720 |
| Republic of Indonesia | | | |
| \$ | 600 | 6.875%, 1/17/18 | 393,413 |
| Republic of Nigeria | | | |
| NGN | 119,000 | 17.00%, 12/16/08 | 1,020,842 |
| NGN | 39,700 | 12.00%, 4/28/09 | 341,717 |
| Republic of Sri Lanka | | | |
| LKR | 38,900 | 11.50%, 11/1/08 | 353,010 |
| Republic of Turkey | | | |
| \$ | 187 | 6.875%, 3/17/36 | 128,095 |
| Republic of Uruguay | | | |
| UYU | 44,943 | 5.00%, 9/14/18 ⁽⁹⁾ | 1,270,954 |
| \$ | 187 | 7.875%, 1/15/33 | 117,857 |
| Total Foreign Government Securities (identified cost \$20,147,378) | | | \$ 16,714,385 |

Currency Options Purchased 0.1%

| Description | Principal | | Strike Price | Expiration Date | Value |
|---|--|-----------|--------------|-----------------|------------|
| | Amount of Contracts (000's omitted) | | | | |
| Euro Put Option | EUR | 300 | 1.3195 | 11/13/08 | \$ 17,509 |
| Euro Put Option | EUR | 300 | 1.3540 | 11/26/08 | 27,748 |
| Euro Put Option | EUR | 300 | 1.3506 | 12/11/08 | 28,559 |
| Euro Put Option | EUR | 300 | 1.3270 | 1/8/09 | 25,795 |
| Euro Put Option | EUR | 300 | 1.3375 | 2/12/09 | 30,218 |
| Euro Put Option | EUR | 300 | 1.3705 | 4/8/09 | 39,177 |
| Euro Put Option | EUR | 300 | 1.3745 | 5/13/09 | 41,150 |
| South Korean Won | | | | | |
| Call Option | KRW | 1,831,000 | 915.5 | 6/2/09 | 45,610 |
| Total Currency Options Purchased (identified cost \$140,949) | | | | | \$ 255,766 |

Short-Term Investments 4.9%

Foreign Government Securities 2.4%

| Principal Amount | | Security | Value |
|------------------|--|----------|-------|
|------------------|--|----------|-------|

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(000's omitted)

Central Bank of Iceland⁽⁵⁾

| | | | |
|-----|---------|-----------------|------------|
| ISK | 100,000 | 17.75%, 3/25/09 | \$ 660,438 |
|-----|---------|-----------------|------------|

Principal

Amount

(000's omitted)

| | Security | Value |
|--|----------|-------|
|--|----------|-------|

Nigerian Treasury Bill

| | | | |
|-----|--------|---------------|------------|
| NGN | 13,500 | 0.00%, 7/2/09 | \$ 107,951 |
|-----|--------|---------------|------------|

| | | | |
|-----|--------|---------------|---------|
| NGN | 49,042 | 0.00%, 9/3/09 | 385,839 |
|-----|--------|---------------|---------|

Republic of Iceland

| | | | |
|-----|---------|-----------------|-----------|
| ISK | 850,933 | 8.50%, 12/12/08 | 5,569,164 |
|-----|---------|-----------------|-----------|

Total Foreign Government Securities

(identified cost \$12,355,403)

\$ 6,723,392

Other Securities 2.5%

| Description | Interest/Principal (000's omitted) | Value |
|-------------|---------------------------------------|-------|
|-------------|---------------------------------------|-------|

| | | |
|--|----------|--------------|
| Cash Management Portfolio, 1.90% ⁽¹⁰⁾ | \$ 6,205 | \$ 6,204,656 |
|--|----------|--------------|

| | | |
|---|-----|---------|
| State Street Bank and Trust Time Deposit, 0.50%, 11/3/08 | 900 | 900,000 |
|---|-----|---------|

| | | |
|---|--|--------------|
| Total Other Securities (identified cost \$7,104,656) | | \$ 7,104,656 |
|---|--|--------------|

| | | |
|--|--|---------------|
| Total Short-Term Investments (identified cost \$19,460,059) | | \$ 13,828,048 |
|--|--|---------------|

| | | |
|---|--|----------------|
| Gross Investments 122.2% (identified cost \$410,541,210) | | \$ 345,380,073 |
|---|--|----------------|

| | | |
|--|--|-------------|
| Less Unfunded Loan Commitments (0.0)% | | \$ (98,398) |
|--|--|-------------|

| | | |
|---|--|----------------|
| Net Investments 122.2% (identified cost \$410,442,812) | | \$ 345,281,675 |
|---|--|----------------|

| | | |
|--|--|-----------------|
| Other Assets, Less Liabilities (22.2)% | | \$ (62,546,670) |
|--|--|-----------------|

| | | |
|--|--|----------------|
| Net Assets Applicable to Common Shares 100.0% | | \$ 282,735,005 |
|--|--|----------------|

BRL - Brazilian Real

EUR - Euro

GBP - British Pound Sterling

GHS - Ghanaian Cedi

IDR - Indonesian Rupiah

ISK - Icelandic Krona

KES - Kenyan Shilling

KRW - South Korean Won

LKR - Sri Lankan Rupee

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

PORTFOLIO OF INVESTMENTS CONT'D

NGN - Nigerian Naira

UYU - Uruguayan Peso

* In U.S. dollars unless otherwise indicated.

DIP - Debtor in Possession

(1) Senior floating-rate interests (Senior Loans) often require prepayments from excess cash flows or permit the borrower to repay at their 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, Senior Loans will have an expected average life of approximately two to four 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) Security valued at fair value using methods determined in good faith by or at the direction of the Trustees.

(3) Unfunded or partially unfunded loan commitments. See Note 1G for description.

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

(5) Adjustable rate security. Rate shown is the rate at October 31, 2008.

(6) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At October 31, 2008, the aggregate value of the securities is \$152,700 or 0.1% of the Fund's net assets.

(7) Bond pays a coupon of 3.8% on the face at the end of the payment period. Principal is adjusted based on changes in the Chilean UF (Unidad de Fomento) Rate. The original face is \$2,000,000 and the current face is \$2,365,124.

(8) Bond pays a coupon of 6% on the face at the end of the payment period. Principal is adjusted based on the ICPA (Amplified Consumer Price Index) as determined by the Brazilian Institute of Geography and Statistics. The original face is BRL 1,569,000 and the current face is BRL 2,748,949.

(9) Bond pays a coupon of 5% on the face at the end of the payment period. Principal is adjusted with the Uruguayan inflation rate. Original face of the bond is UYU 38,030,000 and current face is UYU 44,942,578.

(10) Affiliated investment company available to Eaton Vance portfolios and funds which invests in high quality, U.S. dollar denominated money market instruments. The rate shown is the annualized seven-day yield as of October 31, 2008.

(11) This Senior Loan will settle after October 31, 2008, at which time the interest rate will be determined.

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

FINANCIAL STATEMENTS

Statement of Assets and Liabilities

As of October 31, 2008

| | |
|--|-----------------------|
| Assets | |
| Unaffiliated investments, at value (identified cost, \$404,238,156) | \$ 339,077,019 |
| Affiliated investment, at value (identified cost, \$6,204,656) | 6,204,656 |
| Cash | 1,718,474 |
| Receivable for investments sold | 770,788 |
| Interest receivable | 3,378,075 |
| Interest receivable from affiliated investment | 5,007 |
| Receivable for daily variation margin on open financial futures contracts | 162,625 |
| Receivable for open forward foreign currency exchange contracts | 4,990,614 |
| Receivable for closed forward foreign currency exchange contracts | 312,874 |
| Receivable for open swap contracts | 2,792,131 |
| Prepaid expenses and other assets | 51,699 |
| Total assets | \$ 359,463,962 |
| Liabilities | |
| Demand note payable | \$ 70,900,000 |
| Payable for open swap contracts | 3,077,827 |
| Payable for open forward foreign currency exchange contracts | 969,234 |
| Payable for closed forward foreign currency exchange contracts | 193,512 |
| Payable for investments purchased | 677,736 |
| Payable for interest on swap contracts | 75,621 |
| Due to custodian - foreign currency, at value (identified cost \$278,283) | 257,189 |
| Payable to affiliate for investment adviser fee | 227,641 |
| Payable to affiliate for Trustees' fees | 814 |
| Accrued expenses | 349,383 |
| Total liabilities | \$ 76,728,957 |
| Net Assets | \$ 282,735,005 |
| Sources of Net Assets | |
| Common shares, \$0.01 par value, unlimited number of shares authorized, 18,886,596 shares issued and outstanding | \$ 188,866 |
| Additional paid-in capital | 369,515,542 |
| Accumulated net realized loss (computed on the basis of identified cost) | (24,747,117) |
| Accumulated distributions in excess of net investment income | (436,423) |
| Net unrealized depreciation (computed on the basis of identified cost) | (61,785,863) |
| Net Assets | \$ 282,735,005 |
| Net Asset Value | |
| (\$282,735,005 ÷ 18,886,596 common shares issued and outstanding) | \$ 14.97 |

Statement of Operations

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For the Year Ended
October 31, 2008

| | |
|--|------------------------|
| Investment Income | |
| Interest (net of foreign taxes, \$32,761) | \$ 22,270,949 |
| Securities lending income, net | 3,186,550 |
| Interest income allocated from affiliated investment | 221,498 |
| Expenses allocated from affiliated investment | (33,809) |
| Total investment income | \$ 25,645,188 |
| Expenses | |
| Investment adviser fee | \$ 4,119,366 |
| Trustees' fees and expenses | 12,328 |
| Custodian fee | 494,439 |
| Interest expense and fees | 204,313 |
| Legal and accounting services | 114,855 |
| Printing and postage | 49,570 |
| Transfer and dividend disbursing agent fees | 32,807 |
| Miscellaneous | 63,245 |
| Total expenses | \$ 5,090,923 |
| Deduct | |
| Reduction of investment adviser fee | \$ 1,107,067 |
| Reduction of custodian fee | 1,666 |
| Total expense reductions | \$ 1,108,733 |
| Net expenses | \$ 3,982,190 |
| Net investment income | \$ 21,662,998 |
| Realized and Unrealized Gain (Loss) | |
| Net realized gain (loss) | |
| Investment transactions (identified cost basis) | \$ (2,256,277) |
| Financial futures contracts | (614,398) |
| Swap contracts | 876,772 |
| Foreign currency and forward foreign currency exchange contract transactions | 5,482,568 |
| Net realized gain | \$ 3,488,665 |
| Change in unrealized appreciation (depreciation) | |
| Investments (identified cost basis) | \$ (70,251,700) |
| Financial futures contracts | 117,519 |
| Swap contracts | 1,008,269 |
| Foreign currency and forward foreign currency exchange contracts | 2,895,624 |
| Net change in unrealized appreciation (depreciation) | \$ (66,230,288) |
| Net realized and unrealized loss | \$ (62,741,623) |
| Net decrease in net assets from operations | \$ (41,078,625) |

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

FINANCIAL STATEMENTS CONT'D

Statements of Changes in Net Assets

| Increase (Decrease) in Net Assets | Year Ended October 31, 2008 | Year Ended October 31, 2007 |
|--|--------------------------------|--------------------------------|
| From operations | | |
| Net investment income | \$ 21,662,998 | \$ 21,313,467 |
| Net realized gain from investment transactions, financial futures contracts, swap contracts and foreign currency and forward foreign currency exchange contract transactions | 3,488,665 | 4,458,263 |
| Net change in unrealized appreciation (depreciation) of investments, financial futures contracts, swap contracts and foreign currency and forward foreign currency exchange contracts | (66,230,288) | 2,815,225 |
| Net increase (decrease) in net assets from operations | \$ (41,078,625) | \$ 28,586,955 |
| Distributions to shareholders From net investment income | \$ (25,806,645) | \$ (26,792,626) |
| Total distributions | \$ (25,806,645) | \$ (26,792,626) |
| Capital share transactions Reinvestment of distributions to shareholders | \$ | \$ 585,011 |
| Total increase in net assets from capital share transactions | \$ | \$ 585,011 |
| Net increase (decrease) in net assets | \$ (66,885,270) | \$ 2,379,340 |
| Net Assets | | |
| At beginning of year | \$ 349,620,275 | \$ 347,240,935 |
| At end of year | \$ 282,735,005 | \$ 349,620,275 |
| Accumulated undistributed (distributions in excess of) net investment income included in net assets | | |
| At end of year | \$ (436,423) | \$ 228,536 |

Statement of Cash Flows

| Cash Flows From Operating Activities | For the Year Ended October 31, 2008 |
|--|--|
| Net decrease in net assets from operations | \$ (41,078,625) |
| Adjustments to reconcile net decrease in net assets from operations to net cash provided by (used in) operating activities: | |
| Investments purchased | (247,521,183) |
| Investments sold and principal repayments | 347,726,913 |
| Increase in short-term investments, net | (2,960,710) |
| Net amortization of premium (discount) | 838,826 |

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| | |
|---|-----------------|
| Decrease in interest receivable | 817,068 |
| Decrease in interest receivable from affiliated investment | 20,141 |
| Decrease in payable for investments purchased | (5,382,815) |
| Increase in receivable for investments sold | (714,795) |
| Increase in receivable for daily variation margin on open financial futures contracts | (156,255) |
| Increase in receivable for open swap contracts | (2,684,072) |
| Increase in receivable for open forward foreign currency exchange contracts | (3,425,796) |
| Increase in prepaid expenses and other assets | (25,359) |
| Decrease in receivable for closed forward foreign currency exchange contracts | 496,956 |
| Increase in payable for open swap contracts | 1,675,803 |
| Increase in payable for interest on swap contracts | 75,621 |
| Increase in payable for closed forward foreign currency exchange contracts | 140,275 |
| Increase in payable for open forward foreign currency exchange contracts | 89,924 |
| Decrease in payable to affiliate for investment adviser fee | (41,311) |
| Decrease in payable to affiliate for Trustees' fees | (606) |
| Decrease in unfunded loan commitments | (1,366,551) |
| Decrease in collateral for securities loaned | (168,177,644) |
| Increase in accrued expenses | 24,298 |
| Net change in unrealized appreciation (depreciation) on investments | 70,251,700 |
| Net realized (gain) loss on investments | 2,256,277 |
| Net cash used in operating activities | \$ (49,121,920) |
| Cash Flows From Financing Activities | |
| Cash distributions paid, net of reinvestments | \$ (25,806,645) |
| Proceeds from demand note payable | 93,400,000 |
| Repayment of demand note payable | (22,500,000) |
| Increase in due to custodian foreign currency | 257,189 |
| Net cash provided by financing activities | \$ 45,350,544 |
| Net decrease in cash | \$ (3,771,376) |
| Cash at beginning of year ⁽¹⁾ | \$ 5,489,850 |
| Cash at end of year | \$ 1,718,474 |
| Supplemental disclosure of cash flow information: | |
| Cash paid for interest and fees on borrowings | \$ 93,975 |

(1) Balance includes foreign currency, at value.

See notes to financial statements

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

FINANCIAL STATEMENTS CONT'D

Financial Highlights

| | Year Ended October 31, | | | Period Ended |
|---|------------------------|------------|------------|---------------------------------|
| | 2008 | 2007 | 2006 | October 31, 2005 ⁽¹⁾ |
| Net asset value Beginning of period | \$ 18.510 | \$ 18.420 | \$ 18.570 | \$ 19.100 ⁽²⁾ |
| Income (loss) from operations | | | | |
| Net investment income ⁽³⁾ | \$ 1.147 | \$ 1.129 | \$ 1.015 | \$ 0.540 |
| Net realized and unrealized gain (loss) | (3.321) | 0.381 | 0.238 | (0.250) |
| Total income (loss) from operations | \$ (2.174) | \$ 1.510 | \$ 1.253 | \$ 0.290 |
| Less distributions | | | | |
| From net investment income | \$ (1.366) | \$ (1.420) | \$ (1.322) | \$ (0.667) |
| Tax return of capital | | | (0.081) | (0.113) |
| Total distributions | \$ (1.366) | \$ (1.420) | \$ (1.403) | \$ (0.780) |
| Offering costs charged to paid-in capital ⁽³⁾ | \$ | \$ | \$ | \$ (0.040) |
| Net asset value End of period | \$ 14.970 | \$ 18.510 | \$ 18.420 | \$ 18.570 |
| Market value End of period | \$ 12.620 | \$ 16.500 | \$ 17.750 | \$ 16.070 |
| Total Investment Return on Net Asset Value ⁽⁴⁾ | (11.57)% | 8.82% | 7.73% | 1.71% ⁽⁵⁾⁽⁸⁾ |
| Total Investment Return on Market Value ⁽⁴⁾ | (16.36)% | 0.66% | 19.96% | (11.98)% ⁽⁵⁾⁽⁸⁾ |
| Ratios/Supplemental Data | | | | |
| Net assets, end of period (000's omitted) | \$ 282,735 | \$ 349,620 | \$ 347,241 | \$ 350,146 |
| Expenses before custodian fee reduction excluding interest and fees | 1.15% | 1.14% | 1.11% | 1.02% ⁽⁷⁾ |
| Interest and fee expense ⁽⁹⁾ | 0.06% | | | |
| Total expenses before custodian fee reduction | 1.21% | 1.14% | 1.11% | 1.02% ⁽⁷⁾ |
| Expenses after custodian fee reduction excluding interest and fees | 1.15% | 1.14% | 1.11% | 1.01% ⁽⁷⁾ |
| Net investment income | 6.54% | 6.12% | 5.50% | 4.26% ⁽⁷⁾ |
| Portfolio Turnover | 31% | 114% | 56% | 89% ⁽⁸⁾ |
| Senior Securities: | | | | |
| Total notes payable outstanding (in 000's) | \$ 70,900 | \$ | \$ | \$ |
| Asset coverage per \$1,000 of notes payable ⁽⁶⁾ | \$ 4,988 | \$ | \$ | \$ |

(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.

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- (4) Returns are historical and are calculated by determining the percentage change in net asset value or market value with all distributions reinvested.
- (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 with all distributions reinvested. 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 with all distributions reinvested.
- (6) Calculated by subtracting the Fund's total liabilities (not including notes payable) from the Fund's total assets and dividing the result by the notes payable balance in thousands.
- (7) Annualized.
- (8) Not annualized.
- (9) Interest expense relates to borrowings for the purpose of financial leverage. See Note 9 to Notes to Financial Statements.

See notes to financial statements

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Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

NOTES TO FINANCIAL STATEMENTS

1 Significant Accounting Policies

Eaton Vance Short Duration Diversified Income Fund (the Fund) is a Massachusetts business trust registered under the Investment Company Act of 1940, as amended (the 1940 Act), as a diversified, closed-end management investment company. The Fund's primary investment objective is to provide a high level of current income, with a secondary objective of seeking capital appreciation to the extent consistent with its primary goal of high current income.

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 Interests in senior floating-rate loans (Senior Loans) for which reliable market quotations are readily available are valued generally at the average mean of bid and ask quotations obtained from an independent pricing service. Other Senior Loans are valued at fair value by the investment adviser under procedures approved by the Trustees. In fair valuing a Senior Loan, the investment adviser utilizes one or more of the following valuation techniques: (i) 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; (ii) a comparison of the value of the borrower's outstanding equity and debt to that of comparable public companies; (iii) a discounted cash flow analysis; or (iv) when the investment adviser believes it is likely that a borrower will be liquidated or sold, an analysis of the terms of such liquidation or sale. In certain cases, the investment adviser will use a combination of analytical methods to determine fair value, such as when only a portion of a borrower's assets are likely to be sold. In conducting its assessment and analyses for purposes of determining fair value of a Senior Loan, the investment adviser will use its discretion and judgment in considering and appraising relevant factors. Fair value determinations are made by the portfolio managers of the Fund based on information available to such managers. The portfolio managers of other funds managed by the investment adviser that invest in Senior Loans may not possess the same information about a Senior Loan borrower as the portfolio managers of the Fund. At times, the fair value of a Senior Loan determined by the portfolio managers of other funds managed by the investment adviser that invest in Senior Loans may vary from the fair value of the same Senior Loan determined by the portfolio managers of the Fund. The fair value of each Senior Loan is periodically reviewed and approved by the investment adviser's Valuation Committee and by the Trustees based upon procedures approved by the Trustees. Junior Loans are valued in the same manner as Senior Loans.

Debt obligations, including listed securities and securities for which quotations are available, will normally be valued on the basis of market quotations provided by independent pricing services. The pricing services consider various factors relating to bonds and/or market transactions to determine market value. Most seasoned, fixed-rate 30-year mortgage-backed securities are valued through the use of the investment adviser's matrix pricing system, which takes into account bond prices, yield differentials, anticipated prepayments and interest rates provided by dealers. Short-term debt securities with a remaining maturity of sixty days or less (excluding those that are non-U.S. dollar denominated, which typically are valued by a pricing service or dealer quotes) are valued at amortized cost, which approximates market value. If short-term debt securities are acquired with a remaining maturity of more than sixty days, they will be valued by a pricing service. Exchange-traded options are valued at the last sale price for the day of valuation as quoted on any exchange on which the options are traded or, in the absence of sales on such date, at the mean between the closing bid and asked prices therefore. Over-the-counter options are valued based on broker quotations. Financial futures contracts and options on financial futures contracts listed on commodity exchanges are valued based on the closing price on the primary exchange on which such contracts trade. Forward foreign currency exchange contracts are generally valued using prices supplied by a pricing vendor or dealers. Interest rate swaps are normally valued using valuations provided by a pricing vendor. Such vendor valuations are based on the present value of fixed and projected floating rate cash flows over the term of the swap contract. Future cash flows are discounted to their present value using swap curves provided by electronic data services or by broker/dealers. Credit default swaps are valued by a broker-dealer (usually the counterparty to the agreement). Sovereign credit default swaps, foreign interest rate swaps and over-the-counter currency options are valued by a pricing service. Foreign securities and currencies are valued in U.S. dollars, based on foreign currency exchange rate quotations supplied by an independent quotation service. The independent service uses a proprietary model to determine the exchange rate. Inputs to the model include reported trades and implied bid/ask spreads. Investments for which valuations or market quotations are not readily available are valued at fair value using methods determined in good faith by or at the direction of the Trustees of the Fund considering

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

NOTES TO FINANCIAL STATEMENTS CONT'D

relevant factors, data and information including the market value of freely tradable securities of the same class in the principal market on which such securities are normally traded.

The Fund may invest in Cash Management Portfolio (Cash Management), an affiliated investment company managed by Boston Management and Research, a subsidiary of Eaton Vance Management (EVM). Cash Management values its investment securities utilizing the amortized cost valuation technique permitted by Rule 2a-7 of the 1940 Act, pursuant to which Cash Management must comply with certain conditions. This technique involves initially valuing a portfolio security at its cost and thereafter assuming a constant amortization to maturity of any discount or premium. If amortized cost is determined not to approximate fair value, Cash Management may value its investment securities based on available market quotations provided by a pricing service.

B Investment Transactions Investment transactions for financial statement purposes are accounted for on a trade date basis. Realized gains and losses on investments sold are determined on the basis of identified cost.

C Income 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 recognized immediately.

D 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 substantially all of its net investment income, and all or substantially all of its net realized capital gains. Accordingly, no provision for federal income or excise tax is necessary.

At October 31, 2008, the Fund, for federal income tax purposes, had a capital loss carryforward of \$22,255,201 which will reduce its taxable income arising from future net realized gains on investment transactions, if any, to the extent permitted by the Internal Revenue Code, and thus will reduce the amount of distributions to shareholders, which would otherwise be necessary to relieve the Fund of any liability for federal income or excise tax. Such capital loss carryforward will expire on October 31, 2013 (\$2,603,915), October 31, 2014 (\$1,684,823) and October 31, 2016 (\$17,966,463).

As of October 31, 2008, the Fund had no uncertain tax positions that would require financial statement recognition, de-recognition, or disclosure. Each of the Fund's federal tax returns filed in the 3-year period ended October 31, 2008 remains subject to examination by the Internal Revenue Service.

E Expense Reduction State Street Bank and Trust Company (SSBT) serves as custodian of the Fund. Pursuant to the custodian agreement, SSBT receives a fee reduced by credits, which are determined based on the average daily cash balance the Fund maintains with SSBT. All credit balances, if any, used to reduce the Fund's custodian fees are reported as a reduction of expenses in the Statement of Operations.

F Foreign Currency Translation Investment valuations, other assets, and liabilities initially expressed in foreign currencies are translated each business day into U.S. dollars based upon current exchange rates. Purchases and sales of foreign investment securities and income and expenses denominated in foreign currencies are translated into U.S. dollars based upon currency exchange rates in effect 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.

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

H 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.

I 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

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

NOTES TO FINANCIAL STATEMENTS CONT'D

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.

J Financial Futures Contracts The Fund may enter into financial futures contracts. The Fund's investment in financial futures contracts is designed for hedging against changes in interest rates or as a substitute for the purchase of securities. Upon entering into a financial futures contract, the Fund is required to deposit with the broker, either in cash or securities an amount equal to a certain percentage of the purchase price (initial margin). Subsequent payments, known as variation margin, are made or received by the Fund each business day, depending on the daily fluctuations in the value of the underlying security, and are recorded as unrealized gains or losses by the Fund. Gains (losses) are realized upon the expiration or closing of the financial futures contracts. Should market conditions change unexpectedly, the Fund may not achieve the anticipated benefits of the financial futures contracts and may realize a loss. In entering such contracts, the Fund bears the risk if the counterparties do not perform under the contracts' terms.

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. The Fund may enter into forward contracts for hedging purposes as well as non-hedging purposes. The forward foreign currency exchange contracts are adjusted by the daily exchange rate of the underlying currency and any gains or losses are recorded as unrealized until such time as the contracts have been closed or offset by another contract with the same broker for the same settlement date and currency. 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.

L 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 had 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 the 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. The risk associated with purchasing options is limited to the premium originally paid.

M 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 either makes floating-rate payments based on a benchmark interest rate in exchange for fixed-rate payments or the Fund makes fixed-rate payments in exchange for payments on a floating benchmark interest rate. During the term of the outstanding swap agreement, changes in the underlying value of the swap are recorded as unrealized gains or 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 movements in interest rates.

N Credit Default Swaps The Fund may enter into credit default swap contracts to buy or sell protection against default on an individual issuer or a basket of issuers of bonds. 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 (or basket of debt obligations) from the counterparty to the contract in the event of default by a third party, such as a U.S. or foreign corporate issuer, on the debt obligation. In return, the Fund pays 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 spent the stream of payments and received no benefits from the contract. When the Fund is the seller of a credit default swap contract, it receives the stream of payments, but is obligated to pay upon default of the referenced debt obligations. As the seller, the Fund effectively adds leverage to its portfolio because, in addition to its total net assets, the Fund is subject to investment exposure on the notional amount of the swap. The interest fee paid or received on the swap contract, which is based on a specified interest rate on a fixed notional amount, is accrued daily as a component of unrealized appreciation (depreciation) and is recorded as realized gain upon receipt or realized loss upon payment. The Fund also records an increase or decrease to unrealized appreciation (depreciation) in an amount

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

NOTES TO FINANCIAL STATEMENTS CONT'D

equal to the daily valuation. Up-front payments or receipts, if any, are recorded as other assets or other liabilities, respectively, and amortized over the life of the swap contract as realized gains or losses. The Fund segregates assets in the form of cash and cash equivalents in an amount equal to the aggregate market value of the credit default swaps of which it is the seller, marked to market on a daily basis. These transactions involve certain risks, including the risk that the seller may be unable to fulfill the transaction.

O Statement of Cash Flows The cash amount shown in the Statement of Cash Flows of the Fund is the amount included in the Fund's Statement of Assets and Liabilities and represents the cash on hand at its custodian and does not include any short-term investments.

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. 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. For tax purposes, distributions from short-term capital gains are considered to be from ordinary income. In certain circumstances, a portion of distributions to shareholders may include a return of capital component.

The tax character of distributions declared for the years ended October 31, 2008 and October 31, 2007 was as follows:

| | Year Ended October 31, | |
|------------------------------|------------------------|---------------|
| | 2008 | 2007 |
| Distributions declared from: | | |
| Ordinary income | \$ 25,806,645 | \$ 26,792,626 |

During the year ended October 31, 2008, accumulated net realized loss was increased by \$22,869,816, accumulated distributions in excess of net investment income was decreased by \$3,478,688 and paid-in capital was increased by \$19,391,128 due to differences between book and tax accounting, primarily for foreign currency gain (loss), paydown gain (loss), swap contracts, mixed straddles and premium amortization. These reclassifications had no effect on the net assets or net asset value per share of the Fund.

As of October 31, 2008, the components of distributable earnings (accumulated losses) and unrealized appreciation (depreciation) on a tax basis were as follows:

| | |
|-------------------------------|-----------------|
| Undistributed ordinary income | \$ 850,754 |
| Capital loss carryforward | \$ (22,255,201) |
| Net unrealized depreciation | \$ (65,564,956) |

The differences between components of distributable earnings (accumulated losses) on a tax basis and the amounts reflected in the Statement of Assets and Liabilities are primarily due to foreign currency transactions, futures contracts, swap contracts and premium amortization.

3 Investment Adviser Fee and Other Transactions with Affiliates

The investment adviser fee is earned by EVM as compensation for management and investment advisory services rendered to the Fund. The fee is computed at an annual rate of 0.75% of the Fund's average daily total leveraged assets, subject to the limitation described below, and is payable monthly. Total leveraged assets as referred to herein represent net assets plus liabilities or obligations attributable to investment leverage and the notional value of long and short forward currency contracts, futures contracts and swaps held by the Fund. The notional value of a contract 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 and remains constant throughout the life of the derivative contract. However, the derivative contracts are marked-to-market daily and any unrealized appreciation or depreciation is reflected in the Fund's net assets. When the Fund holds both long and short forward currency contracts in the same foreign currency, the offsetting positions are netted for purposes of determining total leveraged assets. When the Fund holds other long and short positions in foreign obligations denominated in the same currency, total leveraged assets are calculated by excluding the smaller of the long or short position.

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

NOTES TO FINANCIAL STATEMENTS CONT'D

The advisory agreement provides that if investment leverage exceeds 40% of the Fund's total leveraged assets, EVM will not receive a management fee on total leveraged assets in excess of this amount. As of October 31, 2008, the Fund's investment leverage was 46% of its total leveraged assets. The portion of the adviser fee payable by Cash Management on the Fund's investment of cash therein is credited against the Fund's adviser fee. For the year ended October 31, 2008, the Fund's adviser fee totaled \$4,151,502 of which \$32,136 was allocated from Cash Management and \$4,119,366 was paid or accrued directly by the Fund. For the year ended October 31, 2008, the adviser fee was equivalent to 0.63% of the Fund's average daily total leveraged assets, and 1.25% of the Fund's average daily net assets. EVM also serves as administrator of the Fund, but receives no compensation.

In addition, EVM has contractually agreed to reimburse the Fund for fees and other expenses at an annual rate of 0.20% of the Fund's average daily total leveraged assets during the first five full years of the Fund's operations, 0.15% of the Fund's average daily total leveraged assets in year six, 0.10% in year seven and 0.05% in year eight. Pursuant to this agreement, EVM waived \$1,107,067 of its adviser fee for the year ended October 31, 2008.

Except for Trustees of the Fund who are not members of EVM's organization, officers and Trustees receive remuneration for their services to the Fund out of the investment adviser fee. 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, 2008, no significant amounts have been deferred. Certain officers and Trustees of the Fund are officers of EVM.

4 Purchases and Sales of Investments

Purchases and sales of investments, other than short-term obligations and including maturities, paydowns and principal repayments on Senior Loans, for the year ended October 31, 2008 were as follows:

Purchases

| | |
|-----------------------------------|----------------|
| Investments (non-U.S. Government) | \$ 87,032,117 |
| U.S. Government Securities | 38,153,460 |
| | \$ 125,185,577 |

Sales

| | |
|-----------------------------------|----------------|
| Investments (non-U.S. Government) | \$ 140,147,447 |
| U.S. Government Securities | 86,461,978 |
| | \$ 226,609,425 |

Included in sales are proceeds of \$50,191,075 from the sale of securities by the Fund to investment companies advised by EVM or its affiliates. Such transactions were executed in accordance with affiliated transaction procedures approved by the Fund's Trustees.

5 Common Shares of Beneficial Interest

The Fund may issue common shares pursuant to its dividend reinvestment plan. There were no transactions in common shares for the year ended October 31, 2008. Common shares issued pursuant to the Fund's dividend reinvestment plan for the year ended October 31, 2007 were 31,596.

6 Federal Income Tax Basis of Investments

The cost and unrealized appreciation (depreciation) of investments of the Fund at October 31, 2008, as determined on a federal income tax basis, were as follows:

| | |
|-------------------------------|-----------------|
| Aggregate cost | \$ 412,072,550 |
| Gross unrealized appreciation | \$ 695,731 |
| Gross unrealized depreciation | (67,486,606) |
| Net unrealized depreciation | \$ (66,790,875) |

7 Financial Instruments

The Fund may trade in financial instruments with off-balance sheet risk in the normal course of its investing activities. These financial instruments may include forward foreign currency exchange contracts, financial futures contracts, credit default swaps and interest rate swaps and may involve, to a varying degree, elements of risk in excess of the amounts recognized for financial statement purposes. The notional or contractual amounts of these instruments represent the investment the Fund has in particular classes of financial instruments and does not necessarily represent the amounts potentially subject to risk. The measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are considered.

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

NOTES TO FINANCIAL STATEMENTS CONT'D

A summary of obligations under these financial instruments at October 31, 2008 is as follows:

Forward Foreign Currency Exchange Contracts

Sales

| Settlement Dates | Deliver | In Exchange For | Net Unrealized Appreciation (Depreciation) |
|------------------|-------------------------------------|------------------------------------|--|
| 1/05/09 | Brazilian Real 2,582,508 | United States Dollar 1,382,499 | \$ 211,904 |
| 11/28/08 | British Pound Sterling 2,524,312 | United States Dollar 4,143,153 | 86,710 |
| 12/22/08 | Croatia Kuna 5,884,000 | Euro 810,468 | (3,447) |
| 1/26/09 | Croatia Kuna 3,168,900 | Euro 433,324 | (2,881) |
| 11/03/08 | Euro 11,394 | United States Dollar 14,441 | (8,103) |
| 11/04/08 | Euro 1,820,000 | United States Dollar 2,313,220 | (6,461) |
| 11/04/08 | Euro 300,000 | United States Dollar 388,200 | 5,835 |
| 11/06/08 | Euro 3,143,676 | United States Dollar 4,322,555 | 316,092 |
| 11/12/08 | Euro 2,120,000 | United States Dollar 2,698,294 | (2,916) |
| 11/14/08 | Euro 728,377 | United States Dollar 928,827 | 833 |
| 11/28/08 | Euro 19,255,887 | United States Dollar 24,869,941 | 350,148 |
| 12/12/08 | Icelandic Krona 505,953,475 | United States Dollar 6,522,003 | 3,180,495 |
| 11/06/08 | Israeli Shekel 3,970,000 | United States Dollar 1,058,046 | (10,489) |
| 11/10/08 | Malaysian Ringgit 8,040,000 | United States Dollar 2,294,848 | 30,965 |
| 11/28/08 | Malaysian Ringgit 7,670,000 | United States Dollar 2,141,860 | (17,074) |
| 11/03/08 | Mauritian Rupee 38,900,000 | United States Dollar 1,234,921 | 24,968 |
| 11/04/08 | New Turkish Lira 1,673,080 | United States Dollar 992,926 | (90,579) |
| 11/28/08 | New Zealand Dollar 1,788,110 | United States Dollar 1,041,574 | 3,512 |
| 11/10/08 | Philippine Peso 108,800,000 | United States Dollar 2,255,390 | 41,398 |
| 11/03/08 | Polish Zloty 8,531,250 | Euro 2,401,816 | (22,312) |

| Settlement Dates | Deliver | In Exchange For | Net Unrealized Appreciation (Depreciation) |
|------------------|----------------------------------|-----------------------------------|--|
| 11/05/08 | South African Rand 11,671,406 | United States Dollar 1,054,280 | \$ (139,392) |
| 11/07/08 | South African Rand 32,448,983 | United States Dollar 3,177,690 | (139,115) |
| 11/03/08 | | | (6,346) |

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| | | | |
|----------|-----------------|----------------------|--------------|
| | Sri Lanka Rupee | United States Dollar | |
| | 41,136,750 | 367,030 | |
| 11/28/08 | Taiwan Dollar | United States Dollar | |
| | 76,350,000 | 2,297,346 | (25,123) |
| 12/26/08 | Taiwan Dollar | United States Dollar | |
| | 76,400,000 | 2,284,621 | (42,619) |
| 1/21/09 | Taiwan Dollar | United States Dollar | |
| | 59,600,000 | 1,833,282 | 16,209 |
| 11/28/08 | Thai Baht | United States Dollar | |
| | 150,000,000 | 4,294,303 | 29,304 |
| 11/04/08 | Zambian Kwacha | United States Dollar | |
| | 2,120,000,000 | 445,860 | (28,414) |
| 11/07/08 | Zambian Kwacha | United States Dollar | |
| | 2,120,000,000 | 450,011 | (23,865) |
| 1/15/09 | Zambian Kwacha | United States Dollar | |
| | 2,166,000,000 | 528,293 | 52,407 |
| | | | \$ 3,781,644 |

Purchases

| Settlement Dates | In Exchange For | Deliver | Net Unrealized Appreciation (Depreciation) |
|------------------|-----------------|----------------------|--|
| 12/02/08 | Brazilian Real | United States Dollar | |
| | 5,380,000 | 2,505,822 | \$ (50,793) |
| 11/07/08 | Colombian Peso | United States Dollar | |
| | 2,584,603,521 | 1,190,513 | (107,249) |
| 11/04/08 | Euro | United States Dollar | |
| | 2,375,746 | 3,024,827 | 3,180 |
| 11/03/08 | Mauritian Rupee | United States Dollar | |
| | 38,900,000 | 1,384,834 | (174,881) |
| 11/07/08 | Mauritian Rupee | United States Dollar | |
| | 38,900,000 | 1,234,043 | (24,466) |
| 11/17/08 | Mauritian Rupee | United States Dollar | |
| | 18,500,000 | 616,667 | (42,014) |
| 11/06/08 | Mexican Peso | United States Dollar | |
| | 54,760,000 | 4,164,259 | 88,857 |
| 11/07/08 | Mexican Peso | United States Dollar | |
| | 24,840,000 | 1,825,799 | 102,900 |
| 11/03/08 | Polish Zloty | Euro | |
| | 8,531,250 | 2,383,896 | 45,152 |

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

NOTES TO FINANCIAL STATEMENTS CONT'D

| Settlement Dates | In Exchange For | Deliver | Net Unrealized Appreciation (Depreciation) |
|------------------|-----------------------------------|---------------------------------|--|
| 11/14/08 | Polish Zloty 11,824,750 | Euro 3,072,960 | \$ 355,038 |
| 11/10/08 | Polish Zloty 8,531,250 | Euro 2,401,725 | 21,498 |
| 11/05/08 | Ugandan Shilling 1,124,090,089 | United States Dollar 592,172 | (695) |
| 11/04/08 | Zambian Kwacha 2,120,000,000 | United States Dollar 451,064 | 23,209 |
| | | | \$ 239,736 |

At October 31, 2008, closed forward foreign currency purchases and sales contracts excluded above amounted to a receivable of \$312,874 and a payable of \$193,512.

Futures Contracts

| Expiration Date | Contracts | Position | Aggregate Cost | Value | Net Unrealized Appreciation (Depreciation) |
|-----------------|---------------------------------|----------|-----------------|-----------------|--|
| 12/08 | 21 Japan 10 Year Bond* | Short | \$ (29,304,656) | \$ (29,264,846) | \$ 39,810 |
| 12/08 | 22 U.S. 5 Year Treasury Note | Short | \$ (2,474,486) | \$ (2,491,672) | \$ (17,186) |
| | | | | | \$ 22,624 |

* Japan 10-Year Bond: Japanese Government Bonds (JGB) having a maturity of 7 years or more but less than 11 years.

Credit Default Swaps

| Counterparty | Reference Entity | Buy/Sell | Notional Amount (000's omitted) | Pay/Receive Annual Fixed Rate | Termination Date | Net Unrealized Appreciation (Depreciation) |
|---------------------|-------------------------|----------|---------------------------------|-------------------------------|------------------|--|
| Barclays | | | | | | |
| Bank PLC: | Austria | Buy | \$ 2,200 | 0.44% | 12/20/13 | \$ 37,119 |
| | Iceland | Sell | 800 | 1.88 | 3/20/18 | (249,630) |
| | Kazakhstan | Buy | 2,000 | 2.43 | 9/20/13 | 367,995 |
| | Kazakhstan | Sell | 1,900 | 9.75 | 11/20/09 | 33,476 |
| | Turkey (Republic of) | Buy | 1,100 | 2.12 | 1/20/13 | 103,648 |
| Citigroup, Inc.: | Kazakhstan | Sell | 1,900 | 8.00 | 10/20/09 | 398 |
| | Peru | Sell | 1,900 | 2.00 | 9/20/11 | (47,930) |
| | Peru | Sell | 1,000 | 2.90 | 10/20/13 | (20,158) |
| Credit Suisse | | | | | | |
| First Boston, Inc.: | Columbia | Sell | 2,200 | 4.90 | 11/20/09 | 60,526 |
| | Italy | Buy | 6,800 | 0.20 | 12/20/16 | 445,376 |

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| | | | | | |
|----------------------------------|-----|--------|------|---------|---------|
| Philippines (Republic of the) | Buy | 5,000 | 2.15 | 9/20/11 | 279,002 |
| Turkey (Republic of) | Buy | 10,000 | 2.01 | 3/20/10 | 351,580 |
| Turkey (Republic of) | Buy | 880 | 2.11 | 1/20/13 | 83,226 |

| Counterparty | Reference Entity | Buy/Sell | Notional Amount (000's omitted) | Pay/Receive Annual Fixed Rate | Termination Date | Net Unrealized Appreciation (Depreciation) |
|-----------------|----------------------------------|----------|------------------------------------|----------------------------------|------------------|---|
| JPMorgan | | | | | | |
| Chase Bank: | Brazil | Sell | 2,100 | 5.25 | 11/20/09 | \$ 38,065 |
| | Iceland | Sell | 1,300 | 1.70 | 3/20/18 | (418,223) |
| | Iceland | Sell | 2,600 | 1.75 | 3/20/18 | (829,461) |
| | Iceland | Sell | 800 | 1.90 | 3/20/18 | (248,770) |
| | Iceland | Sell | 1,000 | 2.10 | 3/20/23 | (300,484) |
| | Iceland | Sell | 1,000 | 2.45 | 3/20/23 | (276,946) |
| | Philippines (Republic of the) | Buy | 5,000 | 2.17 | 9/20/11 | 276,401 |
| | Turkey (Republic of) | Buy | 10,000 | 2.00 | 3/20/10 | 352,893 |
| | Turkey (Republic of) | Buy | 3,740 | 2.12 | 1/20/13 | 352,404 |
| | | | | | | \$ 390,507 |

Interest Rate Swaps

| Counterparty | Notional Amount | Fund Pay/Receive Floating Rate | Floating Rate Index | Annual Fixed Rate | Termination Date | Net Unrealized Appreciation (Depreciation) |
|-------------------------|-------------------|--------------------------------|--|-------------------|------------------|---|
| Barclays Bank PLC: | 12,000,000 MYR | Pay | KLIBOR | 3.85% | 3/27/12 | \$ 10,022 |
| JPMorgan Chase Bank: | 3,693,637 BRL | Pay | Brazilian Interbank Deposit Rate | 12.73 | 1/2/12 | (213,583) |
| | 4,309,749 BRL | Pay | Brazilian Interbank Deposit Rate | 10.35 | 1/2/12 | (428,628) |
| | 10,259,445 BRL | Pay | Brazilian Interbank Deposit Rate | 11.34 | 1/2/09 | (44,014) |
| | | | | | | \$ (676,203) |

BRL Brazilian Real

MYR Malaysian Ringgit

KLIBOR Kuala Lumpur Interbank Offered Rate

At October 31, 2008, the Fund had sufficient cash and/or securities to cover commitments under these contracts.

8 Overdraft Advances

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Pursuant to the custodian agreement, SSBT may, in its discretion, advance funds to the Fund to make properly authorized payments. When such payments result in an overdraft, the Fund is obligated to repay SSBT at the current rate of interest charged by SSBT for secured loans (currently, a rate above the Federal Funds rate). This obligation is payable on demand to SSBT. SSBT has a lien on the Fund's assets to the extent of any overdraft. At October 31, 2008, the Fund had a payment due to SSBT pursuant to the foregoing arrangement of \$257,189.

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

NOTES TO FINANCIAL STATEMENTS CONT'D

9 Line of Credit

The Fund participates with other portfolios and funds managed by EVM and its affiliates in a \$450 million unsecured line of credit agreement with a group of banks. Borrowings are made by the Fund for the purpose of financial leverage. Interest is charged to the Fund based on its borrowings at an amount above either the Eurodollar rate or Federal Funds rate. In addition, a fee computed at an annual rate of 0.10% on the daily unused portion of the line of credit is allocated among the participating portfolios and funds at the end of each quarter. At October 31, 2008, the Fund had a balance outstanding pursuant to this line of credit of \$70,900,000. For the period from September 15, 2008, the date of the initial draw on the line of credit agreement, through October 31, 2008, the average borrowings and the average interest rate (annualized) were \$80,010,638 and 1.93%, respectively.

10 Risks Associated with Foreign Investments

Investing in securities issued by entities 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. Certain 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.

11 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 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 \$3,510,238 for the year ended October 31, 2008. At October 31, 2008, the Fund did not have any securities on loan. 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 loans. The Fund has the right under the lending agreement to recover the securities from the borrower on demand.

12 Recently Issued Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157 (FAS 157), "Fair Value Measurements". FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America and expands disclosure about fair value measurements. FAS 157 is effective for fiscal years beginning after November 15, 2007. As of October 31, 2008, management does not believe the adoption of FAS 157 will impact the amounts reported in the financial statements; however, additional disclosures may be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements on changes in net assets for the period.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 (FAS 161), "Disclosures about Derivative Instruments and Hedging Activities". FAS 161 requires enhanced disclosures about an entity's derivative and hedging activities, including qualitative disclosures about the objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk related contingent features in derivative instruments. FAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. Management is currently evaluating the impact the adoption of FAS 161 will have on the Fund's financial statement disclosures.

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Shareholders
of Eaton Vance Short Duration Diversified
Income Fund:

We have audited the accompanying statement of assets and liabilities of Eaton Vance Short Duration Diversified Income Fund (the "Fund"), including the portfolio of investments, as of October 31, 2008, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended and the period from the start of business, February 28, 2005, to October 31, 2005. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities and senior loans owned as of October 31, 2008, by correspondence with the custodian, brokers and selling or agent banks; where replies were not received from brokers and selling or agent banks, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended and the period from the start of business, February 28, 2005, to October 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP
Boston, Massachusetts
December 18, 2008

Eaton Vance Short Duration Diversified Income Fund as of October 31, 2008

FEDERAL TAX INFORMATION

The Form 1099-DIV you receive in January 2009 will show the tax status of all distributions paid to your account in calendar 2008. Shareholders are advised to consult their own tax adviser with respect to the tax consequences of their investment in the Fund.

Eaton Vance Short Duration Diversified Income Fund

NOTICE TO SHAREHOLDERS

The Fund may enter into forward commitments to purchase U.S. government agency generic MBS, with the total amount of such outstanding commitments not to exceed 10% of total net assets. Such forward commitments may be entered into for purposes of investment leverage. The Fund may also enter into forward commitments to sell generic U.S. government agency MBS, with the total amount of such outstanding commitments not to exceed 50% of MBS holdings.

Eaton Vance Short Duration Diversified Income Fund

DIVIDEND REINVESTMENT PLAN

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

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

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

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

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

Any inquiries regarding the Plan can be directed to the Plan Agent, American Stock & Transfer Trust Company, at 1-866-439-6787.

Eaton Vance Short Duration Diversified Income Fund

APPLICATION FOR PARTICIPATION IN DIVIDEND REINVESTMENT PLAN

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

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

Please print exact name on account:

Shareholder signature Date

Shareholder signature Date

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

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

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

Eaton Vance Short Duration Diversified Income Fund
c/o American Stock Transfer & Trust Company
P.O. Box 922
Wall Street Station
New York, NY 10269-0560

Number of Employees

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

Number of Shareholders

As of October 31, 2008, our records indicate that there are 73 registered shareholders and approximately 14,380 shareholders owning the Fund shares in street name, such as through brokers, banks, and financial intermediaries.

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

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

New York Stock Exchange symbol

The New York Stock Exchange symbol is EVG.

Eaton Vance Short Duration Diversified Income Fund

BOARD OF TRUSTEES' ANNUAL APPROVAL OF THE INVESTMENT ADVISORY AGREEMENT

Overview of the Contract Review Process

The Investment Company Act of 1940, as amended (the "1940 Act"), provides, in substance, that each investment advisory agreement between a fund and its investment adviser will continue in effect from year to year only if its continuance is approved at least annually by the fund's board of trustees, including by a vote of a majority of the trustees who are not "interested persons" of the fund ("Independent Trustees"), cast in person at a meeting called for the purpose of considering such approval.

At a meeting of the Boards of Trustees (each a "Board") of the Eaton Vance group of mutual funds (the "Eaton Vance Funds") held on April 21, 2008, the Board, including a majority of the Independent Trustees, voted to approve continuation of existing advisory and sub-advisory agreements for the Eaton Vance Funds for an additional one-year period. In voting its approval, the Board relied upon the affirmative recommendation of the Contract Review Committee of the Board (formerly the Special Committee), which is a committee comprised exclusively of Independent Trustees. Prior to making its recommendation, the Contract Review Committee reviewed information furnished for a series of meetings of the Contract Review Committee held in February, March and April 2008. Such information included, among other things, the following:

Information about Fees, Performance and Expenses

An independent report comparing the advisory and related fees paid by each fund with fees paid by comparable funds;

An independent report comparing each fund's total expense ratio and its components to comparable funds;

An independent report comparing the investment performance of each fund to the investment performance of comparable funds over various time periods;

Data regarding investment performance in comparison to relevant peer groups of funds and appropriate indices;

Comparative information concerning fees charged by each adviser for managing other mutual funds and institutional accounts using investment strategies and techniques similar to those used in managing the fund;

Profitability analyses for each adviser with respect to each fund;

Information about Portfolio Management

Descriptions of the investment management services provided to each fund, including the investment strategies and processes employed, and any changes in portfolio management processes and personnel;

Information concerning the allocation of brokerage and the benefits received by each adviser as a result of brokerage allocation, including information concerning the acquisition of research through "soft dollar" benefits received in connection with the funds' brokerage, and the implementation of a soft dollar reimbursement program established with respect to the funds;

Data relating to portfolio turnover rates of each fund;

The procedures and processes used to determine the fair value of fund assets and actions taken to monitor and test the effectiveness of such procedures and processes;

Information about each Adviser

Reports detailing the financial results and condition of each adviser;

Descriptions of the qualifications, education and experience of the individual investment professionals whose responsibilities include portfolio management and investment research for the funds, and information relating to their compensation and responsibilities with respect to managing other mutual funds and investment accounts;

Copies of the Codes of Ethics of each adviser and its affiliates, together with information relating to compliance with and the administration of such codes;

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Copies of or descriptions of each adviser's proxy voting policies and procedures;

Information concerning the resources devoted to compliance efforts undertaken by each adviser and its affiliates on behalf of the funds (including descriptions of various compliance programs) and their record of compliance with investment policies and restrictions, including policies with respect to market-timing, late trading and selective portfolio disclosure, and with policies on personal securities transactions;

Descriptions of the business continuity and disaster recovery plans of each adviser and its affiliates;

Other Relevant Information

Information concerning the nature, cost and character of the administrative and other non-investment management services provided by Eaton Vance Management and its affiliates;

Information concerning management of the relationship with the custodian, subcustodians and fund accountants by each adviser or the funds' administrator; and

The terms of each advisory agreement.

Eaton Vance Short Duration Diversified Income Fund

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

In addition to the information identified above, the Contract Review Committee considered information provided from time to time by each adviser throughout the year at meetings of the Board and its committees. Over the course of the twelve-month period ended April 30, 2008, the Board met eleven times and the Contract Review Committee, the Audit Committee and the Governance Committee, each of which is a Committee comprised solely of Independent Trustees, met twelve, seven and five times, respectively. At such meetings, the Trustees received, among other things, presentations by the portfolio managers and other investment professionals of each adviser relating to the investment performance of each fund and the investment strategies used in pursuing the fund's investment objective. The Portfolio Management Committee and the Compliance Reports and Regulatory Matters Committee are newly established and did not meet during the twelve-month period ended April 30, 2008.

For funds that invest through one or more underlying portfolios, the Board considered similar information about the portfolio(s) when considering the approval of advisory agreements. In addition, in cases where the fund's investment adviser has engaged a sub-adviser, the Board considered similar information about the sub-adviser when considering the approval of any sub-advisory agreement.

The Contract Review Committee was assisted throughout the contract review process by Goodwin Procter LLP, legal counsel for the Independent Trustees. The members of the Contract Review Committee relied upon the advice of such counsel and their own business judgment in determining the material factors to be considered in evaluating each advisory and sub-advisory agreement and the weight to be given to each such factor. The conclusions reached with respect to each advisory and sub-advisory agreement were based on a comprehensive evaluation of all the information provided and not any single factor. Moreover, each member of the Contract Review Committee may have placed varying emphasis on particular factors in reaching conclusions with respect to each advisory and sub-advisory agreement.

Results of the Process

Based on its consideration of the foregoing, and such other information as it deemed relevant, including the factors and conclusions described below, the Contract Review Committee concluded that the continuance of the investment advisory agreement between the Eaton Vance Short Duration Diversified Income Fund (the "Fund"), and Eaton Vance Management (the "Adviser"), including its fee structure, is in the interests of shareholders and, therefore, the Contract Review Committee recommended to the Board approval of the agreement. The Board accepted the recommendation of the Contract Review Committee as well as the factors considered and conclusions reached by the Contract Review Committee with respect to the agreement. Accordingly, the Board, including a majority of the Independent Trustees, voted to approve continuation of the investment advisory agreement for the Fund.

Nature, Extent and Quality of Services

In considering whether to approve the investment advisory agreement of the Fund, the Board evaluated the nature, extent and quality of services provided to the Fund by the Adviser.

The Board considered the Adviser's management capabilities and investment process with respect to the types of investments held by the Fund, including the education, experience and number of its investment professionals and other personnel who provide portfolio management, investment research, and similar services to the Fund. In particular, the Board evaluated the abilities and experience of such investment personnel in analyzing factors such as credit risk and special considerations relevant to investing in senior, secured floating-rate loans, foreign debt obligations, including debt of emerging market issuers, and mortgage-backed securities. The Board considered the Adviser's in-house research capabilities as well as other resources available to personnel of the Adviser. The Board also took into account the resources dedicated to portfolio management and other services, including the compensation paid to recruit and retain investment personnel, and the time and attention devoted to the Fund by senior management.

The Board also reviewed the compliance programs of the Adviser and relevant affiliates thereof. Among other matters, the Board considered compliance and reporting matters relating to personal trading by investment personnel, selective disclosure of portfolio holdings, late trading, frequent trading, portfolio valuation, business continuity and the allocation of investment opportunities. The Board also evaluated the responses of the Adviser and its affiliates to requests from regulatory authorities such as the Securities and Exchange Commission.

The Board considered shareholder and other administrative services provided or managed by Eaton Vance Management and its affiliates, including transfer agency and accounting services. The Board evaluated the benefits to shareholders of investing in a fund that is a part of a large family of funds.

After consideration of the foregoing factors, among others, the Board concluded that the nature, extent and quality of services provided by the Adviser, taken as a whole, are appropriate and consistent with the terms of the respective investment advisory agreements.

Eaton Vance Short Duration Diversified Income Fund

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

Fund Performance

The Board compared the Fund's investment performance to a relevant universe of similarly managed funds identified by an independent data provider and appropriate benchmark indices. The Board reviewed comparative performance data for the one-year period ended September 30, 2007 for the Fund. On the basis of the foregoing and other relevant information, the Board concluded that the performance of the Fund was satisfactory.

Management Fees and Expenses

The Board reviewed contractual investment advisory fee rates, including any administrative fee rates, payable by the Fund (referred to as "management fees"). The Board noted the nature of the management fees which are charged on total leveraged assets, and its relationship to the investment objectives of the Fund. The Board concluded that the fees were appropriate in light of the manner in which the leverage will be used by the Adviser in managing the portfolio.

As part of its review, the Board considered the Fund's management fees and total expense ratio for the year ended September 30, 2007, as compared to a group of similarly managed funds selected by an independent data provider. The Board considered the fact that the Adviser had waived fees and/or paid expenses for the Fund.

After reviewing the foregoing information, and in light of the nature, extent and quality of the services provided by the Adviser, the Board concluded that the management fees charged for advisory and related services and the Fund's total expense ratio are reasonable.

Profitability

The Board reviewed the level of profits realized by the Adviser and relevant affiliates thereof in providing investment advisory and administrative services to the Fund and to all Eaton Vance Funds as a group. The Board considered the level of profits realized with and without regard to revenue sharing or other payments by the Adviser and its affiliates to third parties in respect of distribution services. The Board also considered other direct or indirect benefits received by the Adviser and its affiliates in connection with its relationship with the Fund.

The Board concluded that, in light of the foregoing factors and the nature, extent and quality of the services rendered, the profits realized by the Adviser and its affiliates are reasonable.

Economies of Scale

In reviewing management fees and profitability, the Board also considered the extent to which the Adviser and its affiliates, on the one hand, and the Fund, on the other hand, can expect to realize benefits from economies of scale as the assets of the Fund increase. The Board acknowledged the difficulty in accurately measuring the benefits resulting from the economies of scale with respect to the management of any specific fund or group of funds. The Board also considered the fact that the Fund is not continuously offered and concluded that, in light of the level of the Adviser's profits with respect to the Fund, the implementation of breakpoints in the advisory fee schedule is not appropriate at this time. Based upon the foregoing, the Board concluded that the benefits from economies of scale are currently being shared equitably by the Adviser and its affiliates and the Fund.

Eaton Vance Short Duration Diversified Income Fund

MANAGEMENT AND ORGANIZATION

Fund Management. The Trustees of Eaton Vance Short Duration Diversified Income Fund (the Fund) are responsible for the overall management and supervision of the Fund's affairs. The Trustees and officers of the Fund are listed below. Except as indicated, each individual has held the office shown or other offices in the same company for the last five years. Trustees and officers of the Fund hold indefinite terms of office. The "noninterested Trustees" consist of those Trustees who are not "interested persons" of the Fund, as that term is defined under the 1940 Act. The business address of each Trustee and officer is The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109. As used below, "EVC" refers to Eaton Vance Corp., "EV" refers to Eaton Vance, Inc., "EVM" refers to Eaton Vance Management, "BMR" refers to Boston Management and Research, and "EVD" refers to Eaton Vance Distributors, Inc. EVC and EV are the corporate parent and trustee, respectively, of EVM and BMR. Each officer affiliated with Eaton Vance may hold a position with other Eaton Vance affiliates that is comparable to his or her position with EVM listed below.

| Name and Date of Birth | Position(s) with the Fund | Term of Office and Length of Service | Principal Occupation(s) During Past Five Years | Number of Portfolios in Fund Complex Overseen By Trustee ⁽¹⁾ | Other Directorships Held |
|--------------------------------|---------------------------|--|--|---|--|
| Interested Trustee | | | | | |
| Thomas E. Faust Jr. 5/31/58 | Class I Trustee | Until 2009. 1 year. Trustee since 2008. | Chairman, Chief Executive Officer and President of EVC, Director and President of EV, Chief Executive Officer and President of EVM and BMR, and Director of EVD. Trustee and/or Officer of 173 registered investment companies and 4 private companies managed by EVM or BMR. Mr. Faust is an interested person because of his positions with EVM, BMR, EVD, EVC and EV, which are affiliates of the Fund. | 173 | Director of EVC |
| Noninterested Trustees | | | | | |
| Benjamin C. Esty 1/2/63 | Class I Trustee | Until 2009. 3 years. Trustee since 2005. | Roy and Elizabeth Simmons Professor of Business Administration, Harvard University Graduate School of Business Administration. | 173 | None |
| Allen R. Freedman 4/3/40 | Class I Trustee | Until 2009. 2 years. Trustee since 2007. | Former Chairman (2002-2004) and a Director (1983-2004) of Systems & Computer Technology Corp. (provider of software to higher education). Formerly, a Director of Loring Ward International (fund distributor) (2005-2007). Formerly, Chairman and a Director of Indus International, Inc. (provider of enterprise management software to the power generating industry) (2005-2007). | 173 | Director of Assurant, Inc. and Stonemor Partners L.P. (owner and operator of cemeteries) |
| William H. Park 9/19/47 | Class II Trustee | Until 2010. 3 years. Trustee since 2004. | Vice Chairman, Commercial Industrial Finance Corp. (specialty finance company) (since 2006). Formerly, President and Chief Executive Officer, Prizm Capital Management, LLC (investment management firm) (2002-2005). | 173 | None |
| Ronald A. Pearlman 7/10/40 | Class II Trustee | Until 2010. 3 years. Trustee since 2004. | Professor of Law, Georgetown University Law Center. | 173 | None |
| Helen Frame Peters 3/22/48 | Class III Trustee | Until 2011. 3 years. Trustee since 2008. | Professor of Finance, Carroll School of Management, Boston College (since 2003). Adjunct Professor of Finance, Peking University, Beijing, China (since 2005). Formerly, Dean, Carroll School of Management, Boston College (2000-2003). | 173 | Director of Federal Home Loan Bank of Boston (a bank for banks) and BJ's Wholesale Clubs (wholesale club retailer); Trustee of SPDR Index Shares Funds and SPDR Series Trust (exchange traded funds) |
| Heidi L. Steiger 7/8/53 | Class II Trustee | Until 2010. 2 years. Trustee since 2008. | Managing Partner, Topridge Associates LLC (global wealth management firm) (since 2008); Senior Advisor (since 2008), President (2005-2008), Lowenhaupt Global Advisors, LLC (global wealth management firm). Formerly, President and | 173 | Director of Nuclear Electric Insurance Ltd. (nuclear insurance provider) and Aviva USA (insurance provider) |

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Contributing Editor, Worth Magazine (2004-2005). Formerly, Executive Vice President and Global Head of Private Asset Management (and various other positions), Neuberger Berman (investment firm) (1986-2004).

Eaton Vance Short Duration Diversified Income Fund

MANAGEMENT AND ORGANIZATION CONT'D

| Name and Date of Birth | Position(s) with the Fund | Term of Office and Length of Service | Principal Occupation(s) During Past Five Years | Number of Portfolios in Fund Complex Overseen By Trustee ⁽¹⁾ | Other Directorships Held |
|------------------------------------|---|---|---|---|--------------------------|
| Noninterested Trustees (continued) | | | | | |
| Lynn A. Stout 9/14/57 | Class III Trustee | Until 2011. 3 years. Trustee since 2004. | Paul Hastings Professor of Corporate and Securities Law (since 2006) and Professor of Law (2001-2006), University of California at Los Angeles School of Law. | 173 | None |
| Ralph F. Verni 1/26/43 | Chairman of the Board and Class III Trustee | Trustee until 2011. 3 years. Trustee since 2003; Chairman since 2007. | Consultant and private investor. | 173 | None |

Principal Officers who are not Trustees

| Name and Date of Birth | Position(s) with the Fund | Term of Office and Length of Service | Principal Occupation(s) During Past Five Years |
|-----------------------------------|---------------------------|--------------------------------------|--|
| Payson F. Swaffield 8/13/56 | President | Since 2007 | Chief Income Investment Officer of EVC. Vice President of EVM and BMR. Officer of 3 registered investment companies managed by EVM or BMR. |
| John R. Baur 2/10/70 | Vice President | Since 2007 | Vice President of EVM and BMR. Previously, attended Johnson Graduate School of Management, Cornell University (2002-2005), and prior thereto he was an Account Team Representative in Singapore for Applied Materials Inc. Officer of 33 registered investment companies managed by EVM or BMR. |
| Michael A. Cirami 12/24/75 | Vice President | Since 2007 | Vice President of EVM and BMR. Previously, attended the University of Rochester William E. Simon Graduate School of Business Administration (2001-2003), and prior thereto he was a Team Leader for the Institutional Services Group for State Street Bank in Luxembourg. Officer of 33 registered investment companies managed by EVM or BMR. |
| Christine M. Johnston 11/9/72 | Vice President | Since 2004 | Vice President of EVM and BMR. Officer of 35 registered investment companies managed by EVM or BMR. |
| Catherine C. McDermott 5/13/64 | Vice President | Since 2008 | Vice President of EVM and BMR. Officer of 2 registered investment companies managed by EVM or BMR. |
| Scott H. Page 11/30/59 | Vice President | Since 2004 | Vice President of EVM and BMR. Officer of 11 registered investment companies managed by EVM or BMR. |
| Susan Schiff 3/13/61 | Vice President | Since 2004 | Vice President of EVM and BMR. Officer of 36 registered investment companies managed by EVM or BMR. |
| Mark S. Venezia 5/23/49 | Vice President | Since 2005 | Vice President of EVM and BMR. Officer of 36 registered investment companies managed by EVM or BMR. |
| Barbara E. Campbell 6/19/57 | Treasurer | Since 2005 | Vice President of EVM and BMR. Officer of 173 registered investment companies managed by EVM or BMR. |

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| | | | |
|-----------------------------|--|--|--|
| Maureen A. Gemma 5/24/60 | Secretary and Chief Legal Officer | Secretary since 2007 and Chief Legal Officer since 2008 | Vice President of EVM and BMR. Officer of 173 registered investment companies managed by EVM or BMR. |
| Paul M. O'Neil 7/11/53 | Chief Compliance Officer | Since 2004 | Vice President of EVM and BMR. Officer of 173 registered investment companies managed by EVM or BMR. |

⁽¹⁾ Includes both master and feeder funds in a master-feeder structure.

In accordance with Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, the Fund's Annual CEO Certification certifying as to compliance with NYSE's Corporate Governance Listing Standards was submitted to the Exchange on March 10, 2008. The Fund has also filed its CEO and CFO certifications required by Section 302 of the Sarbanes-Oxley Act with the SEC as an exhibit to its most recent Form N-CSR.

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

The Eaton Vance Building
255 State Street
Boston, MA 02109

**Custodian
State Street Bank and Trust Company**

200 Clarendon Street
Boston, MA 02116

**Transfer Agent
American Stock Transfer & Trust Company**

59 Maiden Lane
Plaza Level
New York, NY 10038

**Independent Registered Public Accounting Firm
Deloitte & Touche LLP**

200 Berkeley Street
Boston, MA 02116

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

2319-12/08 CE-SDDISRC

Item 2. Code of Ethics

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

Item 3. Audit Committee Financial Expert

The registrant's Board has designated William H. Park, an independent trustee, as its audit committee financial expert. Mr. Park is a certified public accountant who is the Vice Chairman of Commercial Industrial Finance Corp (specialty finance company). Previously, he served as President and Chief Executive Officer of Prizm Capital Management, LLC (investment management firm) and as Executive Vice President and Chief Financial Officer of United Asset Management Corporation (UAM) (a holding company owning institutional investment management firms).

Item 4. Principal Accountant Fees and Services

(a) (d)

The following table presents the aggregate fees billed to the registrant for the registrant's fiscal years ended October 31, 2007 and October 31, 2008 by the Fund's principal accountant for professional services rendered for the audit of the registrant's annual financial statements and fees billed for other services rendered by the principal accountant during such period.

| Fiscal Years Ended | 10/31/07 | 10/31/08 |
|-----------------------|------------------|------------------|
| Audit Fees | \$ 67,350 | \$ 63,395 |
| Audit-Related Fees(1) | \$ 0 | \$ 0 |
| Tax Fees(2) | \$ 19,710 | \$ 20,400 |
| All Other Fees(3) | \$ 0 | \$ 301 |
| Total | \$ 87,060 | \$ 84,096 |

(1) Audit-related fees consist of the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under the category of audit fees.

(2) Tax fees consist of the aggregate fees billed for professional services rendered by the principal accountant relating to tax compliance, tax advice, and tax planning and specifically include fees for tax return preparation and other related tax compliance/planning matters.

(3) All other fees consist of the aggregate fees billed for products and services provided by the registrant's principal accountant other than audit, audit-related, and tax services.

For the fiscal years ended October 31, 2007 and October 31, 2008, the registrant was billed \$35,000 and \$40,000, respectively, by D&T the principal accountant for the registrant, for work done in connection with its Rule 17Ad-13 examination of Eaton Vance Management's assertion that it has maintained an effective internal control structure over sub-transfer agent and registrar functions, such services being pre-approved in accordance with Rule 2-01(c)(7)(ii) of Regulation S-X.

(e)(1) The registrant's audit committee has adopted policies and procedures relating to the pre-approval of services provided by the registrant's principal accountant (the Pre-Approval Policies). The Pre-Approval Policies establish a framework intended to assist the audit committee in the proper discharge of its pre-approval responsibilities. As a general matter, the Pre-Approval Policies (i) specify certain types of audit, audit-related, tax, and other services determined to be pre-approved by the audit

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committee; and (ii) delineate specific procedures governing the mechanics of the pre-approval process, including the approval and monitoring of audit and non-audit service fees. Unless a service is specifically pre-approved under the Pre-Approval Policies, it must be separately pre-approved by the audit committee.

The Pre-Approval Policies and the types of audit and non-audit services pre-approved therein must be reviewed and ratified by the registrant's audit committee at least annually. The registrant's audit committee maintains full responsibility for the appointment, compensation, and oversight of the work of the registrant's principal accountant.

(e)(2) No services described in paragraphs (b)-(d) above were approved by the registrant's audit committee pursuant to the de minimis exception set forth in Rule 2-01 (c)(7)(i)(C) of Regulation S-X.

(f) Not applicable.

(g) The following table presents (i) the aggregate non-audit fees (i.e., fees for audit-related, tax, and other services) billed to the registrant by the registrant's principal accountant for the registrant's fiscal year ended October 31, 2007 and the fiscal year ended October 31, 2008; and (ii) the aggregate non-audit fees (i.e., fees for audit-related, tax, and other services) billed to the Eaton Vance organization by the registrant's principal accountant for the same time periods.

| Fiscal Years Ended | 10/31/07 | 10/31/08 |
|---------------------------|-----------------|-----------------|
| Registrant | \$ 19,710 | \$ 20,701 |
| Eaton Vance(1) | \$ 286,446 | \$ 317,301 |

(1) The investment adviser to the registrant, as well as any of its affiliates that provide ongoing services to the registrant, are subsidiaries of Eaton Vance Corp.

(h) The registrant's audit committee has considered whether the provision by the registrant's principal accountant of non-audit services to the registrant's investment adviser and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant that were not pre-approved pursuant to Rule 2-01(c)(7)(ii) of Regulation S-X is compatible with maintaining the principal accountant's independence.

Item 5. Audit Committee of Listed registrants

The registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities and Exchange Act of 1934, as amended. William H. Park (Chair), Lynn A. Stout, Heidi L. Steiger and Ralph E. Verni are the members of the registrant's audit committee.

Item 6. Schedule of Investments

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

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

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

The Policies are designed to promote accountability of a company's management to its shareholders and to align the interests of management with those shareholders. An independent proxy voting service (Agent), currently Institutional Shareholder Services, Inc., has been retained to assist in the voting of proxies through the provision of vote analysis, implementation and recordkeeping and disclosure services. The investment adviser will generally vote proxies through the Agent. The Agent is required to vote all proxies and/or refer them back to the investment adviser pursuant to the Policies. It is generally the policy of the investment adviser to vote in accordance with the recommendation of the Agent. The Agent shall refer to the investment adviser proxies relating to mergers and restructurings, and the disposition of assets, termination, liquidation and mergers contained in mutual fund proxies. The investment adviser will normally vote against anti-takeover measures and other proposals designed to limit the ability of shareholders to act on possible transactions, except in the case of closed-end management investment companies. The investment adviser generally supports management on social and environmental proposals. The investment adviser may abstain from voting from time to time where it determines that the costs associated with voting a proxy outweighs the benefits derived from exercising the right to vote or the economic effect on shareholders interests or the value of the portfolio holding is indeterminable or insignificant.

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

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

Item 8. Portfolio Managers of Closed-End Management Investment Companies

Christine Johnston, Catherine M. McDermott, Scott H. Page, Susan Schiff, Payson F. Swaffield, Mark S. Venezia and other Eaton Vance Management (EVM) investment professionals comprise the investment team responsible for the overall management of the Fund's investments as well as allocations among the Fund's three principal investment categories.

Ms. Johnston has been with Eaton Vance since 1994 and is a Vice President of EVM and Boston Management and Research, an Eaton Vance subsidiary (BMR). Ms. McDermott has been with Eaton Vance since 2000 and is a Vice President of EVM and BMR. Mr. Page has been an Eaton Vance portfolio manager since 1996 and is a Vice President of EVM and BMR. He is head of Eaton Vance's Bank Loan Investment Group. Ms. Schiff has been an Eaton Vance portfolio manager since 1991 and is a Vice President of EVM and BMR. Mr. Swaffield is Chief Income Investment Officer of EVM and BMR and has been an Eaton Vance portfolio manager since 1996. Mr. Venezia has been an Eaton Vance portfolio manager since 1990 and is a Vice President of EVM and BMR. He is head of Eaton Vance's Global Bond Department. This information is provided as of the date of filing of this report.

The following tables show, as of the Fund's most recent fiscal year end, the number of accounts each portfolio manager managed in each of the listed categories and the total assets in the accounts managed within each category. The table also shows the number of accounts with respect to which the advisory fee is based on the performance of the account, if any, and the total assets in those accounts.

| | Number of All Accounts | Total Assets of All Accounts* | Number of Accounts Paying a Performance Fee | Total assets of Accounts Paying a Performance Fee* |
|-----------------------------------|------------------------------|----------------------------------|--|--|
| Christine M. Johnston | | | | |
| Registered Investment Companies | 3 | \$ 2,961.6 | 0 | \$ 0 |
| Other Pooled Investment Vehicles | 0 | \$ 0 | 0 | \$ 0 |
| Other Accounts | 0 | \$ 0 | 0 | \$ 0 |
| Catherine C. McDermott | | | | |
| Registered Investment Companies | 2 | \$ 2,689.0 | 0 | \$ 0 |
| Other Pooled Investment Vehicles | 0 | \$ 0 | 0 | \$ 0 |
| Other Accounts | 0 | \$ 0 | 0 | \$ 0 |
| Scott H. Page | | | | |
| Registered Investment Companies** | 10 | \$ 11,467.5 | 0 | \$ 0 |
| Other Pooled Investment Vehicles | 4 | \$ 2,343.6 | 1 | \$ 483.9 |
| Other Accounts | 5 | \$ 4,233.8 | 0 | \$ 0 |
| Susan Schiff | | | | |
| Registered Investment Companies | 5 | \$ 3,756.1 | 0 | \$ 0 |
| Other Pooled Investment Vehicles | 0 | \$ 0 | 0 | \$ 0 |
| Other Accounts | 0 | \$ 0 | 0 | \$ 0 |
| Payson F. Swaffield | | | | |
| Registered Investment Companies | 3 | \$ 2,805.3 | 0 | \$ 0 |
| Other Pooled Investment Vehicles | 0 | \$ 0 | 0 | \$ 0 |

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| | | | | | |
|----------------|---|----|---|----|---|
| Other Accounts | 0 | \$ | 0 | \$ | 0 |
|----------------|---|----|---|----|---|

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| | Number of All Accounts | Total Assets of All Accounts* | Number of Accounts Paying a Performance Fee | Total assets of Accounts Paying a Performance Fee* |
|-----------------------------------|------------------------|-------------------------------|---|--|
| Mark S. Venezia | | | | |
| Registered Investment Companies** | 10 | \$ 4,334.1*** | 0 | \$ 0 |
| Other Pooled Investment Vehicles | 0 | \$ 0 | 0 | \$ 0 |
| Other Accounts | 1 | \$ 5.0 | 0 | \$ 0 |

* In millions of dollars. For registered investment companies, assets represent net assets of all open-end investment companies and gross assets of all closed-end investment companies.

** Numbers provided include an investment company structured as a fund of funds which invests in funds in the Eaton Vance complex advised by other portfolio managers.

*** Certain of the funds that Mr. Venezia serves as portfolio manager may invest in underlying portfolios that Mr. Venezia also serves as portfolio manager.

The following table shows the dollar range of Fund shares beneficially owned by each portfolio manager as of the Fund's most recent fiscal year end.

| Portfolio Manager | Dollar Range of Equity Securities Owned in the Fund |
|------------------------|---|
| Christine Johnston | None |
| Catherine M. McDermott | None |
| Scott H. Page | None |
| Susan Schiff | None |
| Payson F. Swaffield | None |
| Mark S. Venezia | \$50,001 - \$100,000 |

Potential for Conflicts of Interest. It is possible that conflicts of interest may arise in connection with a portfolio manager's management of the Fund's investments on the one hand and investments of other accounts for which a portfolio manager is responsible on the other. For example, a portfolio manager may have conflicts of interest in allocating management time, resources and investment opportunities among the Fund and other accounts he or she advises. In addition, due to differences in the investment strategies or restrictions between the Fund and the other accounts, a portfolio manager may take action with respect to another account that differs from the action taken with respect to the Fund. In some cases, another account managed by a portfolio manager may compensate the investment adviser or sub-adviser based on the performance of the securities held by that account. The existence of such a performance based fee may create additional conflicts of interest for a portfolio manager in the allocation of management time, resources and investment opportunities. Whenever conflicts of interest arise, a portfolio manager will endeavor to exercise his or her discretion in a manner that he or she believes is equitable to all interested persons. EVM has adopted several policies and procedures designed to address these potential conflicts including: a code of ethics; and policies which govern the investment adviser's trading practices, including among other things the aggregation and

allocation of trades among clients, brokerage allocation, cross trades and best execution.

Compensation Structure for EVM

Compensation of EVM's portfolio managers and other investment professionals has three primary components: (1) a base salary, (2) an annual cash bonus, and (3) annual stock-based compensation consisting of options to purchase shares of EVC's nonvoting common stock and/or restricted shares of EVC's nonvoting common stock. EVM's investment professionals also receive certain retirement, insurance and other benefits that are broadly available to EVM's employees. Compensation of EVM's investment professionals is reviewed primarily on an annual basis. Cash bonuses, stock-based compensation awards, and adjustments in base salary are typically paid or put into effect at or shortly after the October 31st fiscal year end of EVC.

Method to Determine Compensation. EVM compensates its portfolio managers based primarily on the scale and complexity of their portfolio responsibilities and the total return performance of managed funds and accounts versus appropriate peer groups or benchmarks. Performance is normally based on periods ending on the September 30th preceding fiscal year end. Fund performance is normally evaluated primarily versus peer groups of funds as determined by Lipper Inc. and/or Morningstar, Inc. When a fund's peer group as determined by Lipper or Morningstar is deemed by EVM's management not to provide a fair comparison, performance may instead be evaluated primarily against a custom peer group. In evaluating the performance of a fund and its manager, primary emphasis is normally placed on three-year performance, with secondary consideration of performance over longer and shorter periods. For funds that are tax-managed or otherwise have an objective of after-tax returns, performance is measured net of taxes. For other funds, performance is evaluated on a pre-tax basis. In addition to rankings within peer groups of funds on the basis of absolute performance, consideration may also be given to risk-adjusted performance. For funds with an investment objective other than total return (such as current income), consideration will also be given to the fund's success in achieving its objective. For managers responsible for multiple funds and accounts, investment performance is evaluated on an aggregate basis, based on averages or weighted averages among managed funds and accounts. Funds and accounts that have performance-based advisory fees are not accorded disproportionate weightings in measuring aggregate portfolio manager performance.

The compensation of portfolio managers with other job responsibilities (such as heading an investment group or providing analytical support to other portfolios) will include consideration of the scope of such responsibilities and the managers' performance in meeting them.

EVM seeks to compensate portfolio managers commensurate with their responsibilities and performance, and competitive with other firms within the investment management industry. EVM participates in investment-industry compensation surveys and utilizes survey data as a factor in determining salary, bonus and stock-based compensation levels for portfolio managers and other investment professionals. Salaries, bonuses and stock-based compensation are also influenced by the operating performance of EVM and its parent company. The overall annual cash bonus pool is based on a substantially fixed percentage of pre-bonus operating income. While the salaries of EVM's portfolio managers are comparatively fixed, cash bonuses and stock-based compensation may fluctuate significantly from year to year, based on changes in manager performance and other factors as described herein. For a high performing portfolio manager, cash bonuses and stock-based compensation may represent a substantial portion of total compensation.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

No such purchases this period.

Item 10. Submission of Matters to a Vote of Security Holders.

No Material Changes.

Item 11. Controls and Procedures

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

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

Item 12. Exhibits

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

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

Eaton Vance Short Duration Diversified Income Fund

By: /s/ Payson F. Swaffield
Payson F. Swaffield
President

Date: December 15, 2008

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

By: /s/ Barbara E. Campbell
Barbara E. Campbell
Treasurer

Date: December 15, 2008

By: /s/ Payson F. Swaffield
Payson F. Swaffield
President

Date: December 15, 2008
