

Eaton Vance Risk-Managed Diversified Equity Income Fund
Form N-CSR
February 27, 2013

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: 811-22044

Eaton Vance Risk-Managed Diversified Equity Income Fund

(Exact Name of Registrant as Specified in Charter)

Two International Place, Boston, Massachusetts 02110

(Address of Principal Executive Offices)

Maureen A. Gemma

Two International Place, Boston, Massachusetts 02110

(Name and Address of Agent for Services)

(617) 482-8260

(Registrant's Telephone Number)

December 31

Date of Fiscal Year End

December 31, 2012

Date of Reporting Period

Item 1. Reports to Stockholders

Eaton Vance

Risk-Managed

Diversified Equity

Income Fund (ETJ)

Annual Report

December 31, 2012

Managed Distribution Plan. Pursuant to an exemptive order issued by the Securities and Exchange Commission (Order), the Fund is authorized to distribute long-term capital gains to shareholders more frequently than once per year. Pursuant to the Order, the Fund's Board of Trustees approved a Managed Distribution Plan (MDP) pursuant to which the Fund makes quarterly cash distributions to common shareholders, stated in terms of a fixed amount per common share.

As of December 31, 2012, the Fund distributed quarterly cash distributions equal to \$0.2790 per share in accordance with the MDP. The Fund's distribution frequency changed to monthly beginning in January 2013. You should not draw any conclusions about the Fund's investment performance from the amount of these distributions or from the terms of the MDP. The MDP will be subject to regular periodic review by the Fund's Board of Trustees and the Board may amend or terminate the MDP at any time without prior notice to Fund shareholders. However, at this time there are no reasonably foreseeable circumstances that might cause the termination of the MDP.

The Fund may distribute more than its net investment income and net realized capital gains and, therefore, a distribution may include a return of capital. A return of capital distribution does not necessarily reflect the Fund's investment performance and should not be confused with yield or income. With each distribution, the Fund will issue a notice to shareholders and a press release containing information about the amount and sources of the distribution and other related information. The amounts and sources of distributions contained in the notice and press release are only estimates and are not provided for tax purposes. The amounts and sources of the Fund's distributions for tax purposes will be reported to shareholders on Form 1099-DIV for each calendar year.

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.

Annual Report December 31, 2012

Eaton Vance

Risk-Managed Diversified Equity Income Fund

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Eaton Vance

Risk-Managed Diversified Equity Income Fund

December 31, 2012

Management's Discussion of Fund Performance

Economic and Market Conditions

Early in the 12-month period ended December 31, 2012, U.S. stocks began a rally that continued through early April 2012. Equities were generally fueled by stronger economic growth, falling unemployment and what the markets perceived as a successful restructuring of Greek debt, which lowered the potential for European contagion. Then in May 2012, the third consecutive mid-year economic slowdown arrived amid renewed concerns over Europe, slowing growth in China and continuing political uncertainty in the United States ahead of the elections.

However, despite a slowdown in consumer spending, weakening employment data and downward revisions of growth expectations, U.S. stocks rallied from June 2012 through early October 2012. Several catalysts appeared to be driving a market rally that defied U.S. economic data. First, investors anticipated that worsening economic news would prompt the U.S. Federal Reserve to initiate another round of quantitative easing to stimulate the economy which it did in September 2012. Second, many of the investors who were hunting for yield in a historically low interest-rate environment were driven to stocks that offered higher yields than bonds. Finally, Europe's ongoing debt crisis and a slowdown in Chinese growth made the United States, despite its problems, look relatively attractive to many global investors.

In the final months of the fiscal year, however, from early October 2012 through December 2012, U.S. stocks gave back some of their gains amid elevated market volatility. With the U.S. elections leaving Congress still divided on economic issues, investors grew increasingly worried about a political deadlock on tax and spending policies an impasse that left the United States rushing toward a so-called fiscal cliff that threatened to drag down its economy. On the positive side, investors appeared to be encouraged by improving employment numbers, signs of an accelerating recovery in the housing market, and the European Central Bank's efforts to strengthen and centralize the European banking system.

Fund Snapshot at December 31, 2012⁶

Objective	The primary investment objective is to provide current income and gains, with a secondary objective of capital appreciation.
Strategy	The Fund invests in a diversified portfolio of common stocks and purchases out-of-the-money, short-dated S&P 500 Index put options and sells out-of-the-money S&P 500 Index call options of the same term as the put options with roll dates that are staggered across the options portfolio. The Fund evaluates returns on an after tax basis and seeks to minimize and defer federal income taxes incurred by shareholders in connection with their investment in the Fund.

Write Index Covered Calls;

Options Strategy	Buy Index Puts
Equity Benchmark²	S&P 500 Index
Morningstar Category	Large Blend
Distribution Frequency	Quarterly*
Common Stock Portfolio	
Positions Held	80
% US / Non-US	97.5/2.5

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Avg. Market Cap	\$81.5 Billion
Call Options	
% Portfolio with Call Options	94
Average Days to Expiration	15 days
Weighted Average % of Strike Prices:	2.03% out-of-the-money
Put Options	
% Portfolio with Put Options	94
Average Days to Expiration	15 days
Weighted Average % of Strike Prices:	4.99% out-of-the-money

* Distribution is changed from quarterly to monthly. See page 3 for additional details.

See Endnotes and Additional Disclosures in this report.

Past performance is no guarantee of future results. Returns are historical and are calculated by determining the percentage change in net asset value (NAV) or market price (as applicable) with all distributions reinvested. Fund performance at market price will differ from its results at NAV due to factors such as changing perceptions about the Fund, market conditions, fluctuations in supply and demand for Fund 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 less than one year is cumulative. Performance is for the stated time period only; due to market volatility, current Fund 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

Risk-Managed Diversified Equity Income Fund

December 31, 2012

Management's Discussion of Fund Performance *continued*

Fund Performance

For the fiscal year ending December 31, 2012, Eaton Vance Risk-Managed Diversified Equity Income Fund (the Fund) shares at net asset value (NAV) had a total return of 5.42%, underperforming the 16.00% return of the S&P 500 Index (the Index)² and outperforming the 5.20% return of the CBOE S&P 500 BuyWrite Index. While the Fund's underlying common stock portfolio underperformed the common stock Index during the period, the Fund's options overlay strategy was a larger detractor from Fund performance relative to the Index.

In the Fund's underlying common stock portfolio, stock selection in the financials sector, as well as an underweighting in the sector, detracted from Fund performance relative to the Index during the period. Relative Fund returns were also hurt by stock selection and an overweighting in the energy sector. And in a generally rising market during the period, the Fund's cash position was a relative detractor from Fund performance versus the Index during the period as well. In contrast, stock selection in the information technology, health care, and consumer discretionary sectors helped relative Fund performance versus the Index during the period.

The Fund employs an options strategy that can be beneficial during times of market weakness such as we saw in May 2012, but detract during periods of market strength. When the market was trending upward, as it was for most of the fiscal year, the Fund's writing of call options and purchasing of put options held back Fund returns versus the Index, as premium income from selling call options was relatively low and some short calls and purchases of put options ended in losses. For the period as a whole, the Fund's options program detracted from relative Fund returns versus the Index.

Beginning in early October 2012, the Fund began the process of modifying the implementation of its collared options strategy, which consists of purchasing out-of-the-money S&P 500 Index put options and selling out-of-the-money S&P 500 Index call options on all or substantially all of the value of the Fund's common stock portfolio. Purchasing index put options provides protection against loss of principal value during periods of market weakness, and selling index call options generates premium income. Going forward, the Fund generally intends to purchase short-dated (generally 28-day) index put options and sell index call options of the same term, staggering roll dates across the options portfolio. Management believes that, under normal market conditions, this approach should result in a more consistent level of market exposure and market protection than the historical implementation of the Fund's options strategy.

In January 2013, the Fund began paying distributions to shareholders on a monthly basis instead of quarterly. As a result of this change, beginning in January 2013 you will receive each month a distribution equal to one-twelfth of the Fund's planned distribution for the calendar year, rather than receiving one-quarter of that total amount four times a year. In October 2012, you received a quarterly distribution of \$0.2790 per share. In January 2013, you received a distribution of \$0.0930 per share as your first monthly distribution, followed by expected distributions in the same amount in February, March and so on. The Fund's distribution rate is determined by the investment adviser based on its current assessment of the Fund's long-term return potential. As portfolio and market conditions change, the rate of distributions paid by the Fund could change. Additional information about the Fund, including the change in distribution frequency, is available on the Eaton Vance website (www.eatonvance.com).

See Endnotes and Additional Disclosures in this report.

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Past performance is no guarantee of future results. Returns are historical and are calculated by determining the percentage change in net asset value (NAV) or market price (as applicable) with all distributions reinvested. Fund performance at market price will differ from its results at NAV due to factors such as changing perceptions about the Fund, market conditions, fluctuations in supply and demand for Fund 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 less than one year is cumulative. Performance is for the stated time period only; due to market volatility, current Fund 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.

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Performance²**Portfolio Managers** Walter A. Row III, CFA, CMT, Michael A. Allison, CFA and Kevin J. Amell

% Average Annual Total Returns	Inception Date	One Year	Five Years	Since Inception
Fund at NAV ³	07/31/2007	5.42%	1.27%	2.51%
Fund at Market Price ³		11.20	0.13	0.05
S&P 500 Index	07/31/2007	16.00%	1.66%	1.86%
CBOE S&P 500 BuyWrite Index	07/31/2007	5.20	1.13	1.94

% Premium/Discount to NAV

12.79%

Distributions⁴

Total Distributions per share for the period	\$ 1.157
Distribution Rate at NAV	9.33%
Distribution Rate at Market Price	10.70%

Fund Profile

Sector Allocation (% of total investments)⁵Top 10 Holdings (% of total investments)⁵

Exxon Mobil Corp.	3.7%
Apple, Inc.	3.3
International Business Machines Corp.	2.5
Google, Inc., Class A	2.4
Wells Fargo & Co.	2.3
Amazon.com, Inc.	2.3
Gilead Sciences, Inc.	2.2
Pfizer, Inc.	2.1
eBay, Inc.	1.9
Bank of America Corp.	1.9

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Total

24.6%

See Endnotes and Additional Disclosures in this report.

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Endnotes and Additional Disclosures

¹ The views expressed in this report are those of the portfolio manager(s) and are current only through the date stated at the top of this page. These views are subject to change at any time based upon market or other conditions, and Eaton Vance and the Fund(s) disclaim any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions are based on many factors, may not be relied upon as an indication of trading intent on behalf of any Eaton Vance fund. This commentary may contain statements that are not historical facts, referred to as forward looking statements. The Fund's actual future results may differ significantly from those stated in any forward looking statement, depending on factors such as changes in securities or financial markets or general economic conditions, the volume of sales and purchases of Fund shares, the continuation of investment advisory, administrative and service contracts, and other risks discussed from time to time in the Fund's filings with the Securities and Exchange Commission.

² S&P 500 Index is an unmanaged index of large-cap stocks commonly used as a measure of U.S. stock market performance. CBOE S&P 500 BuyWrite Index measures the performance of a hypothetical buy-write strategy on the S&P 500 Index. Unless otherwise stated, index returns do not reflect the effect of any applicable sales charges, commissions, expenses, taxes or leverage, as applicable. It is not possible to invest directly in an index.

³ During the year ended December 31, 2008, the Fund elected to retain a portion of its realized long-term gains and pay the required federal corporate income tax on such amount. The total returns include the economic benefit to common shareholders of the tax credit or refund available to them, which equaled their pro rata share of the tax paid by the Fund. If this benefit was not included, the returns for five years would have been 0.57% (at NAV) and -0.82% (at Market Price) and the returns for since inception would have been 1.85% (at NAV) and -0.68% (at Market Price).

⁴ The Distribution Rate is based on the Fund's last regular distribution per share in the period (annualized) divided by the Fund's NAV or market price at the end of the period. The Fund's distributions may be composed of ordinary income, tax-exempt income, net realized capital gains and return of capital. In recent years, a significant portion of the Fund's distributions has been characterized as a return of capital. The Fund's distribution rate is determined by the investment adviser based on its current assessment of the Fund's long-term return potential. As portfolio and market conditions change, the rate of distributions paid by the Fund could change.

⁵ Depictions do not reflect the Fund's option positions. Excludes cash and cash equivalents.

⁶ The following terms as used in the Fund snapshot:

Average Market Cap: The average market capitalization of the companies that have issued the common stocks owned by a Fund. Market Cap is determined by multiplying the price of a share of a company's common stock by the number of shares outstanding.

Call Option: For a call option on a security, the option buyer has the right to purchase, and the option seller (or writer) has the obligation to sell, a specified security at a specified price (exercise price or strike price) on or before a specified date (option expiration date). For an index call option, the buyer has the right to receive from the seller a cash payment at the option expiration date equal to any positive difference between the value of the index at contract expiration and the exercise price. The buyer of a call option makes a cash payment (premium) to the seller (writer) of the option upon entering into the option contract.

Covered Call Strategy: A strategy of owning a portfolio of common stocks and writing call options on all or a portion of such stocks to generate current earnings from option premium.

Index Put Option: Gives the option buyer the right to receive from the option seller (writer) a cash payment if the value of the index exceeds a specified value (exercise price or strike price) on or before a specified date (option expiration date). The buyer makes a cash payment (premium) to the seller of the option upon entering into the contract.

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Out-of-the-Money: For a call option on an index, the extent to which the exercise price of the option exceeds the current price of the value of the index.

Fund snapshot and profile subject to change due to active management.

Important Notice to Shareholders

On August 6, 2012, the Fund's Board of Trustees adopted a share repurchase program for the Fund and authorized it to repurchase up to 10% of its then currently outstanding common shares in open-market transactions at a discount to net asset value. Establishing the repurchase program does not obligate the Fund to purchase specific amounts of shares. For more information on the Fund's share repurchase program, please see Note 5 in the Fund's Notes to Financial Statements.

Effective October 5, 2012, Kevin J. Amell became a portfolio manager of the Fund, joining current managers Walter A. Row III and Michael A. Allison. Going forward, Mr. Row and Mr. Allison will continue to manage the Fund's common stock portfolio, while Mr. Amell will manage the Fund's options overlay program and collaborate with the other managers to direct the Fund's overall investment program. Mr. Amell joined Eaton Vance Management as an equity options trader in 2009. He was previously a senior trader at Numeric Investors and Jacobs Levy Equity Management.

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Portfolio of Investments

Common Stocks 99.3%

Security	Shares	Value
Aerospace & Defense 2.5%		
Boeing Co. (The)	166,130	\$ 12,519,557
United Technologies Corp.	103,866	8,518,050
		\$ 21,037,607
Automobiles 0.7%		
Bayerische Motoren Werke AG	58,194	\$ 5,662,915
		\$ 5,662,915
Beverages 2.1%		
Beam, Inc.	84,050	\$ 5,134,615
Coca-Cola Co. (The)	335,932	12,177,535
		\$ 17,312,150
Biotechnology 3.6%		
Celgene Corp. ⁽¹⁾	157,419	\$ 12,392,024
Gilead Sciences, Inc. ⁽¹⁾	248,005	18,215,967
		\$ 30,607,991
Capital Markets 0.8%		
Goldman Sachs Group, Inc. (The)	50,381	\$ 6,426,600
		\$ 6,426,600
Chemicals 2.9%		
LyondellBasell Industries NV, Class A	139,045	\$ 7,938,079
Monsanto Co.	156,779	14,839,133
PPG Industries, Inc.	13,561	1,835,481
		\$ 24,612,693

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Commercial Banks 4.2%			
PNC Financial Services Group, Inc.	151,102	\$ 8,810,757	
Regions Financial Corp.	982,098	6,992,538	
Wells Fargo & Co.	580,067	19,826,690	
		\$ 35,629,985	
Communications Equipment 0.8%			
QUALCOMM, Inc.	101,068	\$ 6,268,237	
		\$ 6,268,237	
Computers & Peripherals 4.3%			
Apple, Inc.	51,998	\$ 27,716,494	
EMC Corp. ⁽¹⁾	320,697	8,113,634	
		\$ 35,830,128	
Security	Shares	Value	
Consumer Finance 1.1%			
American Express Co.	165,526	\$ 9,514,434	
		\$ 9,514,434	
Diversified Financial Services 5.5%			
Bank of America Corp.	1,383,956	\$ 16,053,890	
Citigroup, Inc.	373,190	14,763,396	
JPMorgan Chase & Co.	343,986	15,125,064	
		\$ 45,942,350	
Diversified Telecommunication Services 2.5%			
AT&T, Inc.	364,108	\$ 12,274,080	
CenturyLink, Inc.	221,423	8,662,068	
		\$ 20,936,148	
Electric Utilities 3.0%			
American Electric Power Co., Inc.	114,868	\$ 4,902,566	
Duke Energy Corp.	65,511	4,179,602	
Edison International	103,463	4,675,493	
PPL Corp.	162,448	4,650,886	
Southern Co. (The)	153,691	6,579,512	
		\$ 24,988,059	
Electrical Equipment 1.3%			
Emerson Electric Co.	210,973	\$ 11,173,130	
		\$ 11,173,130	
Energy Equipment & Services 1.7%			
Halliburton Co.	215,263	\$ 7,467,473	

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National Oilwell Varco, Inc.	102,553	7,009,498
		\$ 14,476,971
Food & Staples Retailing 1.6%		
Costco Wholesale Corp.	135,745	\$ 13,407,534
		\$ 13,407,534
Food Products 2.2%		
Hershey Co. (The)	86,446	\$ 6,243,130
Kraft Foods Group, Inc.	137,608	6,257,036
Mondelez International, Inc., Class A	244,492	6,227,211
		\$ 18,727,377
Health Care Equipment & Supplies 2.9%		
Abbott Laboratories	190,727	\$ 12,492,618
Covidien PLC	211,609	12,218,304
		\$ 24,710,922

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Portfolio of Investments continued

Security	Shares	Value
Health Care Providers & Services 0.6%		
Express Scripts Holding Co. ⁽¹⁾	92,895	\$ 5,016,330
		\$ 5,016,330
Hotels, Restaurants & Leisure 1.5%		
McDonald's Corp.	144,219	\$ 12,721,558
		\$ 12,721,558
Household Products 3.2%		
Colgate-Palmolive Co.	127,405	\$ 13,318,919
Procter & Gamble Co.	199,928	13,573,112
		\$ 26,892,031
Industrial Conglomerates 3.4%		
Danaher Corp.	233,877	\$ 13,073,724
General Electric Co.	750,112	15,744,851
		\$ 28,818,575
Insurance 1.5%		
ACE, Ltd.	78,029	\$ 6,226,714
Aflac, Inc.	125,325	6,657,264
		\$ 12,883,978
Internet & Catalog Retail 2.3%		
Amazon.com, Inc. ⁽¹⁾	77,638	\$ 19,498,007
		\$ 19,498,007
Internet Software & Services 4.4%		
eBay, Inc. ⁽¹⁾	319,527	\$ 16,302,268
Google, Inc., Class A ⁽¹⁾	29,033	20,595,139

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\$ 36,897,407

IT Services 6.3%

Accenture PLC, Class A	210,160	\$ 13,975,640
International Business Machines Corp.	110,453	21,157,272
Teradata Corp. ⁽¹⁾	34,044	2,106,983
Visa, Inc., Class A	100,318	15,206,203

\$ 52,446,098

Machinery 1.1%

Deere & Co.	104,137	\$ 8,999,520
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\$ 8,999,520

Security

Shares Value

Media 3.8%

Comcast Corp., Class A	395,091	\$ 14,768,501
Virgin Media, Inc.	63,160	2,321,130
Walt Disney Co. (The)	297,220	14,798,584

\$ 31,888,215

Metals & Mining 0.4%

Freeport-McMoRan Copper & Gold, Inc.	105,470	\$ 3,607,074
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\$ 3,607,074

Multi-Utilities 0.6%

Sempra Energy	69,500	\$ 4,930,330
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\$ 4,930,330

Multiline Retail 2.0%

Dollar General Corp. ⁽¹⁾	229,966	\$ 10,139,201
Macy's, Inc.	179,029	6,985,712

\$ 17,124,913

Oil, Gas & Consumable Fuels 9.6%

Anadarko Petroleum Corp.	79,015	\$ 5,871,605
Apache Corp.	72,873	5,720,531
Chevron Corp.	67,182	7,265,061
ConocoPhillips	262,044	15,195,932
Exxon Mobil Corp.	356,018	30,813,358
Occidental Petroleum Corp.	111,789	8,564,155
Phillips 66	131,022	6,957,268

\$ 80,387,910

Pharmaceuticals 4.9%

Allergan, Inc.	131,661	\$ 12,077,264
Johnson & Johnson	156,091	10,941,979

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Pfizer, Inc.	713,340	17,890,567
		\$ 40,909,810

Real Estate Investment Trusts (REITs) 1.7%

AvalonBay Communities, Inc.	54,354	\$ 7,369,859
Boston Properties, Inc.	65,336	6,913,202
		\$ 14,283,061

Road & Rail 1.6%

Union Pacific Corp.	107,172	\$ 13,473,664
		\$ 13,473,664

Eaton Vance

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Portfolio of Investments continued

Security	Shares	Value
Semiconductors & Semiconductor Equipment 0.3%		
Broadcom Corp., Class A	63,776	\$ 2,118,001
		\$ 2,118,001
Software 2.9%		
Microsoft Corp.	526,642	\$ 14,077,141
Oracle Corp.	313,357	10,441,055
		\$ 24,518,196
Specialty Retail 0.8%		
Home Depot, Inc. (The)	112,056	\$ 6,930,664
		\$ 6,930,664
Textiles, Apparel & Luxury Goods 1.1%		
NIKE, Inc., Class B	171,616	\$ 8,855,386
		\$ 8,855,386
Tobacco 1.0%		
Philip Morris International, Inc.	98,727	\$ 8,257,526
		\$ 8,257,526
Wireless Telecommunication Services 0.6%		
Rogers Communications, Inc., Class B	104,606	\$ 4,761,665
		\$ 4,761,665
Total Common Stocks (identified cost \$638,550,623)		\$ 833,485,150
Put Options Purchased 0.4%		

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Description	Number of Contracts	Strike Price	Expiration Date	Value
S&P 500 Index	465	\$ 1,360	1/4/13	\$ 59,288
S&P 500 Index	465	1,360	1/11/13	174,375
S&P 500 Index	465	1,360	1/19/13	253,425
S&P 500 Index	455	1,335	1/25/13	216,125
S&P 500 Index FLEX	465	1,355	1/2/13	1,244
S&P 500 Index FLEX	465	1,365	1/7/13	102,233
S&P 500 Index FLEX	465	1,370	1/9/13	172,114
S&P 500 Index FLEX	465	1,360	1/14/13	235,488
S&P 500 Index FLEX	465	1,385	1/16/13	482,987
S&P 500 Index FLEX	460	1,356	1/22/13	376,753
S&P 500 Index FLEX	465	1,360	1/23/13	430,258
S&P 500 Index FLEX	462	1,335	1/28/13	272,071

Total Put Options Purchased
(identified cost \$4,691,039) **\$ 2,776,361**

Short-Term Investments 0.9%

Description	Interest (000 s omitted)	Value
Eaton Vance Cash Reserves Fund, LLC, 0.12%(2)	\$ 7,661	\$ 7,661,071

Total Short-Term Investments
(identified cost \$7,661,071) **\$ 7,661,071**

Total Investments 100.6%
(identified cost \$650,902,733) **\$ 843,922,582**

Call Options Written (0.5)%

Description	Number of Contracts	Strike Price	Expiration Date	Value
S&P 500 Index	465	\$ 1,450	1/4/13	\$ (123,225)
S&P 500 Index	465	1,450	1/11/13	(334,800)
S&P 500 Index	465	1,460	1/19/13	(292,950)
S&P 500 Index	455	1,450	1/25/13	(598,325)
S&P 500 Index FLEX	465	1,442	1/2/13	(75,927)
S&P 500 Index FLEX	465	1,450	1/7/13	(207,738)
S&P 500 Index FLEX	465	1,467	1/9/13	(120,546)
S&P 500 Index FLEX	465	1,456	1/14/13	(321,179)
S&P 500 Index FLEX	465	1,480	1/16/13	(152,991)
S&P 500 Index FLEX	460	1,458	1/22/13	(461,401)
S&P 500 Index FLEX	465	1,462	1/23/13	(433,436)
S&P 500 Index FLEX	462	1,445	1/28/13	(675,566)

Total Call Options Written
(premiums received \$4,805,536) **\$ (3,798,084)**

Other Assets, Less Liabilities (0.1)% **\$ (421,899)**

Net Assets 100.0% **\$ 839,702,599**

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The percentage shown for each investment category in the Portfolio of Investments is based on net assets.

FLEX FLExible EXchange traded option, representing a customized option contract with negotiated contract terms.

(1) Non-income producing security.

(2) 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 December 31, 2012.

Eaton Vance

Risk-Managed Diversified Equity Income Fund

December 31, 2012

Statement of Assets and Liabilities

	December 31, 2012
Assets	
Unaffiliated investments, at value (identified cost, \$643,241,662)	\$ 836,261,511
Affiliated investment, at value (identified cost, \$7,661,071)	7,661,071
Dividends receivable	824,308
Interest receivable from affiliated investment	1,131
Receivable for investments sold	461,293
Tax reclaims receivable	190,902
Total assets	\$ 845,400,216
Liabilities	
Written options outstanding, at value (premiums received, \$4,805,536)	\$ 3,798,084
Payable for investments purchased	462,707
Payable for Fund shares repurchased	534,583
Payable to affiliates:	
Investment adviser fee	710,086
Trustees fees	8,893
Accrued expenses	183,264
Total liabilities	\$ 5,697,617
Net Assets	\$ 839,702,599
Sources of Net Assets	
Common shares, \$0.01 par value, unlimited number of shares authorized, 70,262,683 shares issued and outstanding	\$ 702,627
Additional paid-in capital	1,034,541,032
Accumulated net realized loss	(389,648,142)
Accumulated undistributed net investment income	45,743
Net unrealized appreciation	194,061,339
Net Assets	\$ 839,702,599
Net Asset Value	
(\$839,702,599 ÷ 70,262,683 common shares issued and outstanding)	\$ 11.95

Eaton Vance

Risk-Managed Diversified Equity Income Fund

December 31, 2012

Statement of Operations

	Year Ended
	December 31, 2012
Investment Income	
Dividends (net of foreign taxes, \$74,666)	\$ 19,114,539
Interest income allocated from affiliated investment	31,149
Expenses allocated from affiliated investment	(4,183)
Total investment income	\$ 19,141,505
Expenses	
Investment adviser fee	\$ 8,837,657
Trustees' fees and expenses	37,486
Custodian fee	338,569
Transfer and dividend disbursing agent fees	18,569
Legal and accounting services	148,895
Printing and postage	159,890
Miscellaneous	106,425
Total expenses	\$ 9,647,491
Deduct	
Reduction of custodian fee	\$ 577
Total expense reductions	\$ 577
Net expenses	\$ 9,646,914
Net investment income	\$ 9,494,591
Realized and Unrealized Gain (Loss)	
Net realized gain (loss)	
Investment transactions	\$ 7,976,174
Investment transactions allocated from affiliated investment	442
Written options	(39,631,863)
Foreign currency transactions	13,368
Net realized loss	\$ (31,641,879)
Change in unrealized appreciation (depreciation)	
Investments	\$ 44,981,943
Written options	7,145,696
Foreign currency	(1,123)
Net change in unrealized appreciation (depreciation)	\$ 52,126,516
Net realized and unrealized gain	\$ 20,484,637
Net increase in net assets from operations	\$ 29,979,228

Eaton Vance

Risk-Managed Diversified Equity Income Fund

December 31, 2012

Statements of Changes in Net Assets

	Year Ended December 31,	
	2012	2011
Increase (Decrease) in Net Assets		
From operations		
Net investment income	\$ 9,494,591	\$ 5,652,356
Net realized loss from investment transactions, written options and foreign currency transactions	(31,641,879)	(7,826,893)
Net change in unrealized appreciation (depreciation) from investments, written options and foreign currency	52,126,516	(38,340,598)
Net increase (decrease) in net assets from operations	\$ 29,979,228	\$ (40,515,135)
Distributions to shareholders		
From net investment income	\$ (9,367,917)	\$ (5,569,829)
Tax return of capital	(74,596,079)	(87,671,496)
Total distributions	\$ (83,963,996)	\$ (93,241,325)
Capital share transactions		
Cost of shares repurchased (see Note 5)	\$ (28,538,342)	\$
Net decrease in net assets from capital share transactions	\$ (28,538,342)	\$
Net decrease in net assets	\$ (82,523,110)	\$ (133,756,460)
Net Assets		
At beginning of year	\$ 922,225,709	\$ 1,055,982,169
At end of year	\$ 839,702,599	\$ 922,225,709
Accumulated undistributed net investment income		
included in net assets		
At end of year	\$ 45,743	\$ 48,848

Eaton Vance

Risk-Managed Diversified Equity Income Fund

December 31, 2012

Financial Highlights

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Net asset value Beginning of year	\$ 12.640	\$ 14.470	\$ 16.410	\$ 17.340	\$ 20.000
Income (Loss) From Operations					
Net investment income ⁽¹⁾	\$ 0.131	\$ 0.077	\$ 0.113	\$ 0.161	\$ 0.159
Net realized and unrealized gain (loss)	0.281	(0.629)	(0.253)	0.709	(1.020) ⁽²⁾
Total income (loss) from operations	\$ 0.412	\$ (0.552)	\$ (0.140)	\$ 0.870	\$ (0.861)
Less Distributions					
From net investment income	\$ (0.129)	\$ (0.076)	\$ (0.113)	\$ (0.161)	\$ (0.164)
From net realized gain				(0.010)	(1.636)
Tax return of capital	(1.028)	(1.202)	(1.687)	(1.629)	
Total distributions	\$ (1.157)	\$ (1.278)	\$ (1.800)	\$ (1.800)	\$ (1.800)
Anti-dilutive effect of share repurchase program (see Note 5)⁽¹⁾	\$ 0.055	\$	\$	\$	\$
Offering costs charged to paid-in capital⁽¹⁾	\$	\$	\$	\$	\$ 0.001
Net asset value End of year	\$ 11.950	\$ 12.640	\$ 14.470	\$ 16.410	\$ 17.340
Market value End of year	\$ 10.430	\$ 10.450	\$ 13.280	\$ 16.660	\$ 17.980
Total Investment Return on Net Asset Value⁽³⁾	5.42%	(2.79)%	(0.48)%	5.68%	(1.17)%⁽⁴⁾
Total Investment Return on Market Value⁽³⁾	11.20%	(12.43)%	(10.03)%	3.47%	9.60%⁽⁴⁾
Ratios/Supplemental Data					
Net assets, end of year (000 s omitted)	\$ 839,703	\$ 922,226	\$ 1,055,982	\$ 1,183,154	\$ 1,227,477
Ratios (as a percentage of average daily net assets):					
Expenses ⁽⁵⁾	1.09%	1.09%	1.07%	1.08%	1.06%
Net investment income	1.07%	0.57%	0.76%	0.99%	0.85%
Portfolio Turnover	48%	103%	39%	59%	100%

⁽¹⁾ Computed using average shares outstanding.

⁽²⁾ Includes per share federal corporate income tax on long-term capital gains retained by the Fund of \$(0.612).

⁽³⁾ Returns are historical and are calculated by determining the percentage change in net asset value or market value with all distributions reinvested. Distributions are assumed to be reinvested at prices obtained under the Fund's dividend reinvestment plan. During the year ended December 31, 2008, the Fund elected to retain a portion of its realized long-term gains and pay the required federal corporate income tax on such amount. The total returns for the year ended December 31, 2008, presented in the table, include the economic benefit to common shareholders of the tax credit or refund available to them, which equaled their pro rata share of the tax paid by the Fund. If this benefit were not included in the returns, the Total Investment Return on Net Asset Value would have been (4.54)% and the Total Investment Return on Market Value would have been 5.87%.

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(4) During the year ended December 31, 2008, the Fund realized a gain on the disposal of an investment security which did not meet investment guidelines. The gain was less than \$0.001 per share and had no effect on total return for the year ended December 31, 2008.

(5) Excludes the effect of custody fee credits, if any, of less than 0.005%.

Eaton Vance

Risk-Managed Diversified Equity Income Fund

December 31, 2012

Notes to Financial Statements

1 Significant Accounting Policies

Eaton Vance Risk-Managed Diversified Equity 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 current income and gains, with a secondary objective of capital appreciation.

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 Equity securities (including common shares of closed-end investment companies) listed on a U.S. securities exchange generally are valued at the last sale or closing price on the day of valuation or, if no sales took place on such date, at the mean between the closing bid and asked prices therefore on the exchange where such securities are principally traded. Equity securities listed on the NASDAQ Global or Global Select Market generally are valued at the NASDAQ official closing price. Unlisted or listed securities for which closing sales prices or closing quotations are not available are valued at the mean between the latest available bid and asked prices or, in the case of preferred equity securities that are not listed or traded in the over-the-counter market, by a third party pricing service that will use various techniques that consider factors including, but not limited to, prices or yields of securities with similar characteristics, benchmark yields, broker/dealer quotes, quotes of underlying common stock, issuer spreads, as well as industry and economic events. Exchange-traded options (other than FLEXible EXchange traded options) are valued at the mean between the bid and asked prices at valuation time as reported by the Options Price Reporting Authority for U.S. listed options or by the relevant exchange or board of trade for non-U.S. listed options. Over-the-counter options (including options on securities, indices and foreign currencies) and FLEXible EXchange traded options traded at the Chicago Board Options Exchange are valued by a third party pricing service using techniques that consider factors including the value of the underlying instrument, the volatility of the underlying instrument and the period of time until option expiration. Short-term obligations purchased with a remaining maturity of sixty days or less are generally valued at amortized cost, which approximates market value. Foreign securities and currencies are valued in U.S. dollars, based on foreign currency exchange rate quotations supplied by a third party pricing service. The pricing service uses a proprietary model to determine the exchange rate. Inputs to the model include reported trades and implied bid/ask spreads. The daily valuation of exchange-traded foreign securities generally is determined as of the close of trading on the principal exchange on which such securities trade. Events occurring after the close of trading on foreign exchanges may result in adjustments to the valuation of foreign securities to more accurately reflect their fair value as of the close of regular trading on the New York Stock Exchange. When valuing foreign equity securities that meet certain criteria, the Fund's Trustees have approved the use of a fair value service that values such securities to reflect market trading that occurs after the close of the applicable foreign markets of comparable securities or other instruments that have a strong correlation to the fair-valued securities. Investments for which valuations or market quotations are not readily available or are deemed unreliable are valued at fair value using methods determined in good faith by or at the direction of the Trustees of the Fund in a manner that fairly reflects the security's value, or the amount that the Fund might reasonably expect to receive for the security upon its current sale in the ordinary course. Each such determination is based on a consideration of relevant factors, which are likely to vary from one pricing context to another. These factors may include, but are not limited to, the type of security, the existence of any contractual restrictions on the security's disposition, the price and extent of public trading in similar securities of the issuer or of comparable companies or entities, quotations or relevant information obtained from broker/dealers or other market participants, information obtained from the issuer, analysts, and/or the appropriate stock exchange (for exchange-traded securities), an analysis of the company's or entity's financial condition, and an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold.

The Fund may invest in Eaton Vance Cash Reserves Fund, LLC (Cash Reserves Fund), an affiliated investment company managed by Eaton Vance Management (EVM). Cash Reserves Fund generally values its investment securities utilizing the amortized cost valuation technique in accordance with Rule 2a-7 under the 1940 Act. 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 Reserves Fund may value its investment securities based on available market quotations provided by a third party 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 Dividend income is recorded on the ex-dividend date for dividends received in cash and/or securities. However, if the ex-dividend date has passed, certain dividends from foreign securities are recorded as the Fund is informed of the ex-dividend date. Withholding taxes on foreign dividends and capital gains

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have been provided for in accordance with the Fund's understanding of the applicable countries' tax rules and rates. Interest income is recorded on the basis of interest accrued, adjusted for amortization of premium or accretion of discount.

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 December 31, 2012, the Fund, for federal income tax purposes, had a capital loss carryforward of \$332,065,202 and current year deferred capital losses of \$54,234,022 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 December 31, 2017 (\$232,948,451) and

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Risk-Managed Diversified Equity Income Fund

December 31, 2012

Notes to Financial Statements continued

December 31, 2018 (\$99,116,751). The current year deferred capital losses are treated as arising on the first day of the Fund's next taxable year and are treated as realized prior to the utilization of the capital loss carryforward.

As of December 31, 2012, the Fund had no uncertain tax positions that would require financial statement recognition, de-recognition, or disclosure. The Fund files a U.S. federal income tax return annually after its fiscal year-end, which is subject to examination by the Internal Revenue Service for a period of three years from the date of filing.

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 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.

H 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. Under Massachusetts law, if certain conditions prevail, shareholders of a Massachusetts business trust (such as the Fund) could be deemed to have personal liability for the obligations of the Fund. However, the Fund's Declaration of Trust contains an express disclaimer of liability on the part of Fund shareholders and the By-laws provide that the Fund shall assume the defense on behalf of any Fund shareholders. Moreover, the By-laws also provide for indemnification out of Fund property of any shareholder held personally liable solely by reason of being or having been a shareholder for all loss or expense arising from such liability. Additionally, in the normal course of business, the Fund enters into agreements with service providers that may contain indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred.

I Written Options Upon the writing of a call or put option, the premium received by the Fund is included in the Statement of Assets and Liabilities as a liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the option written, in accordance with the Fund's policies on investment valuations discussed above. Premiums received from writing options which expire are treated as realized gains. Premiums received from writing options which are exercised or are closed are added to or offset against the proceeds or amount paid on the transaction to determine the realized gain or loss. When an index option is exercised, the Fund is required to deliver an amount of cash determined by the excess of the strike price of the option over the value of the index (in the case of a put) or the excess of the value of the index over the strike price of the option (in the case of a call) at contract termination. If a put option on a security is exercised, the premium reduces the cost basis of the securities purchased by the Fund. The Fund, as a writer of an option, may have no control over whether the underlying securities or other assets may be sold (call) or purchased (put) and, as a result, bears the market risk of an unfavorable change in the price of the securities or other assets underlying the written option. The Fund may also bear the risk of not being able to enter into a closing transaction if a liquid secondary market does not exist.

J Purchased Options Upon the purchase of a call or put option, the premium paid by the Fund is included in the Statement of Assets and Liabilities as an investment. The amount of the investment is subsequently marked-to-market to reflect the current market value of the option purchased, in accordance with the Fund's policies on investment valuations discussed above. As the purchaser of an index option, the Fund has the right to receive a cash payment equal to any depreciation in the value of the index below the strike price of the option (in the case of a put) or equal to any appreciation in the value of the index over the strike price of the option (in the case of a call) as of the valuation date of the option. If an option which the Fund had purchased expires on the stipulated expiration date,

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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 on a security, 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 on a security, 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.

2 Distributions to Shareholders

Subject to its Managed Distribution Plan, the Fund makes quarterly distributions (monthly distributions beginning in January 2013) from its cash available for distribution, which consists of the Fund's dividends and interest income after payment of Fund expenses, net option premiums and net realized and unrealized gains on stock investments. The Fund intends to distribute all or substantially all of its net realized capital gains (reduced by available capital loss carryforwards from prior years, if any). Distributions are recorded on the ex-dividend date. The Fund distinguishes between distributions on a tax basis and a financial reporting basis. Accounting principles generally accepted in the United States of America require that only distributions in excess of tax

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December 31, 2012

Notes to Financial Statements continued

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. Distributions in any year may include a substantial return of capital component.

The tax character of distributions declared for the years ended December 31, 2012 and December 31, 2011 was as follows:

	Year Ended December 31,	
	2012	2011
Distributions declared from:		
Ordinary income	\$ 9,367,917	\$ 5,569,829
Tax return of capital	\$ 74,596,079	\$ 87,671,496

During the year ended December 31, 2012, accumulated net realized loss was decreased by \$129,779 and accumulated undistributed net investment income was decreased by \$129,779 due to differences between book and tax accounting, primarily for investments in partnerships, distributions from real estate investment trusts (REITs) and foreign currency gain (loss). These reclassifications had no effect on the net assets or net asset value per share of the Fund.

As of December 31, 2012, the components of distributable earnings (accumulated losses) and unrealized appreciation (depreciation) on a tax basis were as follows:

Capital carryforward and deferred capital losses	\$ (386,299,224)
Net unrealized appreciation	\$ 190,758,164

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 wash sales, purchased and written options contracts, distributions from REITs and investments in partnerships.

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 1.00% of the Fund's average daily gross assets and is payable monthly. Gross assets as referred to herein represent net assets plus obligations attributable to investment leverage, if any. The Fund invests its cash in Cash Reserves Fund. EVM does not currently receive a fee for advisory services provided to Cash Reserves Fund. For the year ended December 31, 2012, the Fund's investment adviser fee amounted to \$8,837,657. EVM also serves as administrator of the Fund, but receives no compensation.

Trustees and officers of the Fund who are members of EVM's organization 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 December 31, 2012, 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, aggregated \$408,258,195 and \$561,787,147, respectively, for the year ended December 31, 2012.

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5 Common Shares of Beneficial Interest

The Fund may issue common shares pursuant to its dividend reinvestment plan. There were no common shares issued by the Fund for the years ended December 31, 2012 and December 31, 2011.

On August 6, 2012, the Board of Trustees of the Fund authorized the repurchase by the Fund of up to 10% of its then currently outstanding common shares in open-market transactions at a discount to net asset value (NAV). During the year ended December 31, 2012, the Fund repurchased 2,696,100 of its common shares under the share repurchase program at a cost, including brokerage commissions, of \$28,538,342 and an average price of \$10.59 per share. The weighted average discount per share to NAV on these repurchases amounted to 12.12%.

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Risk-Managed Diversified Equity Income Fund

December 31, 2012

Notes to Financial Statements continued

6 Federal Income Tax Basis of Investments

The cost and unrealized appreciation (depreciation) of investments of the Fund at December 31, 2012, as determined on a federal income tax basis, were as follows:

Aggregate cost	\$ 655,113,134
Gross unrealized appreciation	\$ 196,732,974
Gross unrealized depreciation	(7,923,526)
Net unrealized appreciation	\$ 188,809,448

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 written options 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 do not necessarily represent the amounts potentially subject to risk. The measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are considered. A summary of written options at December 31, 2012 is included in the Portfolio of Investments.

Written options activity for the year ended December 31, 2012 was as follows:

	Number of Contracts	Premiums Received
Outstanding, beginning of year	4,035	\$ 13,370,981
Options written	108,703	137,490,163
Options terminated in closing purchase transactions	(76,395)	(124,845,208)
Options expired	(30,781)	(21,210,400)
Outstanding, end of year	5,562	\$ 4,805,536

All of the assets of the Fund are subject to segregation to satisfy the requirements of the escrow agent. At December 31, 2012, the Fund had sufficient cash and/or securities to cover commitments under these contracts.

The Fund is subject to equity price risk in the normal course of pursuing its investment objectives. During the year ended December 31, 2012, the Fund entered into a combination of stand-alone purchased and written option transactions on individual securities, indices or exchange-traded funds to enhance return, to reduce the Fund's exposure to market risk and volatility and/or to generate premium income. The Fund also pursued a collared options strategy which consists of buying S&P 500 index put options below the current value of the index and writing S&P 500 index call options above the current value of the index with the same expiration. The strategy uses the premium income from the written call options to buy an equal number of put options. In buying put options on an index, the Fund in effect, acquires protection against decline in the value of the applicable index below the exercise price in exchange for the option premium paid. In writing index call options, the Fund in effect, sells potential appreciation in the value of the applicable index above the exercise price. The Fund retains the risk of lost appreciation, minus the premium received, should the price of the underlying index rise above the strike price. Under normal market conditions, the Fund's use of option collars is expected to provide a more consistent level of market exposure and market protection.

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Notes to Financial Statements continued

The fair value of open derivative instruments (not considered to be hedging instruments for accounting disclosure purposes) and whose primary underlying risk exposure is equity price risk at December 31, 2012 was as follows:

Derivative	Asset Derivative	Fair Value	Liability Derivative
Purchased options	\$ 2,776,361 ⁽¹⁾		\$
Written options			(3,798,084) ⁽²⁾

⁽¹⁾ Statement of Assets and Liabilities location: Unaffiliated investments, at value.

⁽²⁾ Statement of Assets and Liabilities location: Written options outstanding, at value.

The effect of derivative instruments (not considered to be hedging instruments for accounting disclosure purposes) on the Statement of Operations and whose primary underlying risk exposure is equity price risk for the year ended December 31, 2012 was as follows:

Derivative	Realized Gain (Loss) on Derivatives Recognized in Income⁽¹⁾	Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income⁽²⁾
Purchased options	\$ (70,700,929)	\$ 9,372,745
Written options	(39,631,863)	7,145,696

⁽¹⁾ Statement of Operations location: Net realized gain (loss) Investment transactions and Written options, respectively.

⁽²⁾ Statement of Operations location: Change in unrealized appreciation (depreciation) Investments and Written options, respectively.

The average number of purchased options contracts outstanding during the year ended December 31, 2012, which is indicative of the volume of this derivative type, was approximately 18,000 contracts.

8 Fair Value Measurements

Under generally accepted accounting principles for fair value measurements, a three-tier hierarchy to prioritize the assumptions, referred to as inputs, is used in valuation techniques to measure fair value. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

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Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including a fund's own assumptions in determining the fair value of investments)

In cases where the inputs used to measure fair value fall in different levels of the fair value hierarchy, the level disclosed is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

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Risk-Managed Diversified Equity Income Fund

December 31, 2012

Notes to Financial Statements continued

At December 31, 2012, the hierarchy of inputs used in valuing the Fund's investments and open derivative instruments, which are carried at value, were as follows:

Asset Description	Level 1	Level 2	Level 3	Total
Common Stocks				
Consumer Discretionary	\$ 97,018,743	\$ 5,662,915	\$	\$ 102,681,658
Consumer Staples	84,596,618			84,596,618
Energy	94,864,881			94,864,881
Financials	124,680,408			124,680,408
Health Care	101,245,053			101,245,053
Industrials	83,502,496			83,502,496
Information Technology	158,078,067			