

Eaton Vance Short Duration Diversified Income Fund
Form DEF 14A
December 29, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

**SCHEDULE 14A
(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

[] Preliminary Proxy Statement

[] **Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

[X] Definitive Proxy Statement

[] Definitive Additional Materials

[] Soliciting Material Pursuant to Section 240.14a-12

Eaton Vance Short Duration Diversified Income Fund

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[] Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3)

Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

EATON VANCE SHORT DURATION DIVERSIFIED INCOME FUND

**The Eaton Vance Building
255 State Street
Boston, Massachusetts 02109**

December 29, 2006

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Eaton Vance Short Duration Diversified Income Fund (the Fund), which will be held at the principal office of the Fund, The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109, on Friday, February 23, 2007 at 2:00 P.M. (Boston time).

At this meeting you will be asked to consider the election of Trustees. The enclosed proxy statement contains additional information.

We hope that you will be able to attend the meeting. Whether or not you plan to attend and regardless of the number of shares you own, it is important that your shares be represented. I urge you to complete, sign and date the enclosed proxy card and return it in the enclosed postage-paid envelope as soon as possible to assure that your shares are represented at the meeting.

Sincerely,
/s/ Thomas E. Faust Jr.
Thomas E. Faust Jr.
President

YOUR VOTE IS IMPORTANT - PLEASE RETURN YOUR PROXY CARD PROMPTLY.

It is important that your shares be represented at the Annual Meeting. Whether or not you plan to attend in person, you are requested to complete, sign and return the enclosed proxy card as soon as possible. You may withdraw your proxy if you attend the Annual Meeting and desire to vote in person.

EATON VANCE SHORT DURATION DIVERSIFIED INCOME FUND

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held Friday, February 23, 2007

The Annual Meeting of Shareholders of Eaton Vance Short Duration Diversified Income Fund, a Massachusetts business trust (the Fund), will be held at the principal office of the Fund, The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109, on Friday, February 23, 2007 at 2:00 P.M. (Boston time), for the following purposes:

1. To elect two Class II Trustees of the Fund.
2. To consider and act upon any other matters that may properly come before the meeting and any adjourned or postponed session thereof.

The Board of Trustees has fixed the close of business on December 18, 2006 as the record date for the determination of the shareholders of the Fund entitled to notice of and to vote at the meeting and any adjournments or postponement(s) thereof.

By Order of the Board of Trustees
/s/ Alan R. Dynner
Alan R. Dynner
Secretary

December 29, 2006
Boston, Massachusetts

IMPORTANT

Shareholders can help the Board of Trustees of the Fund avoid the necessity and additional expense to the Fund of further solicitations by promptly returning the enclosed proxy. The enclosed addressed envelope requires no postage if mailed in the United States and is intended for your convenience.

EATON VANCE SHORT DURATION DIVERSIFIED INCOME FUND

**The Eaton Vance Building
255 State Street
Boston, Massachusetts 02109**

PROXY STATEMENT

A proxy is enclosed with the foregoing Notice of the Annual Meeting of Shareholders of Short Duration Diversified Income Fund (the Fund), to be held February 23, 2007, for the benefit of shareholders who do not expect to be present at the meeting. This proxy is solicited on behalf of the Board of Trustees of the Fund, and is revocable by the person giving it prior to exercise by a signed writing filed with the Fund's Secretary, or by executing and delivering a later dated proxy, or by attending the meeting and voting the shares in person. Each proxy will be voted in accordance with its instructions; if no instruction is given, an executed proxy will authorize the persons named as attorneys, or any of them, to vote in favor of the election of each Trustee. This proxy material is being mailed to shareholders on or about December 29, 2006.

The Board of Trustees of the Fund has fixed the close of business on December 18, 2006 as the record date for the determination of the shareholders entitled to notice of and to vote at the meeting and any adjournments or postponements(s) thereof. Shareholders at the close of business on the record date will be entitled to one vote for each share held. As of December 18, 2006, there were 18,855,000 Common Shares of beneficial interest, \$.01 par value per share of the Fund outstanding. As of such date, to the Fund's knowledge, (i) no shareholder beneficially owned more than 5% of the outstanding shares of the Fund; and (ii) the Trustees and executive officers of the Fund, individually and as a group, beneficially owned less than 1% of the outstanding shares of the Fund.

The Board of Trustees of the Fund knows of no business other than that mentioned in Item 1 of the Notice of Meeting that will be presented for consideration. If any other matters are properly presented, it is the intention of the persons named as attorneys in the enclosed proxy to vote the proxies in accordance with their judgment on such matters.

PROPOSAL 1. ELECTION OF TRUSTEES

The Fund's Agreement and Declaration of Trust provides that a majority of the Trustees shall fix the number of the entire Board and that such number shall be at least two and no greater than fifteen. The Board has currently fixed the number of Trustees at eight. The Fund's Agreement and Declaration of Trust further provides that the Board of Trustees shall be divided into three classes. The term of office of the Class II Trustees expires on the date of the 2007 Annual Meeting, and the term of office of the Class III and Class I Trustees will expire one and two years thereafter, respectively. Accordingly, only nominees for Class II Trustee are currently proposed for election. Trustees chosen to succeed the Trustees whose terms are expiring will be elected for a three-year term. An effect of staggered terms is to limit the ability of entities or persons to acquire control of the Fund.

Proxies will be voted for the election of the following Class II Trustee nominees: William H. Park and Ronald A. Pearlman. Each nominee is currently serving as a Trustee and has consented to continue to so serve. In the event that a nominee is unable to serve for any reason (which is not now expected) when the election occurs, the accompanying Proxy will be voted for such other person or persons as the Board of Trustees may recommend. Election of Trustees is non-cumulative. Shareholders do not have appraisal rights in connection with the proposals in this proxy statement. The Trustees of the Fund shall be elected by the affirmative vote of a plurality of the shares of the Fund entitled to vote. No nominee is a party adverse to the Fund or any of its affiliates in any material pending legal proceeding, nor does any nominee have an interest materially adverse to the Fund.

The Class III Trustees serving until the 2008 Annual Meeting are Norton H. Reamer, Lynn A. Stout and Ralph F. Verni. The Class I Trustees serving until the 2009 Annual Meeting are Benjamin C. Esty, James B. Hawkes and Samuel L. Hayes, III.

The nominees for Class II Trustee and the Fund's current Class I and Class III Trustees and their principal occupations for at least the last five years are as described below.

TRUSTEES

Name, Address and Age ⁽¹⁾	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee ⁽²⁾	Other Directorships Held by Trustee
CLASS II TRUSTEES NOMINATED FOR ELECTION					
NONINTERESTED TRUSTEES					
William H. Park DOB: 9/19/47	Class II Trustee	Until 2007. 3 years. Trustee since 2005.	Vice Chairman, Commercial Industrial Finance Corp. (specialty finance company) (since 2005). Formerly, President and Chief Executive Officer, Prizm Capital Management, LLC (investment management firm) (2002-2005). Formerly, Executive Vice President and Chief Financial Officer, United Asset Management Corporation (a holding company owning institutional investment management firms) (1982-2001).	170	None
Ronald A. Pearlman DOB: 7/10/40	Class II Trustee	Until 2007. 3 years. Trustee since 2005.	Professor of Law, Georgetown University Law Center.	170	None

CLASS I AND CLASS III TRUSTEES

INTERESTED TRUSTEE

<p>James B. Hawkes DOB: 11/9/41</p>	<p>Vice President and Class I Trustee</p>	<p>Until 2009. 3 years. Trustee since 2004.</p>	<p>Chairman and Chief Executive Officer of Eaton Vance Corp. (EVC), Boston Management and Research (BMR), Eaton Vance Management (EVM or Eaton Vance) and Eaton Vance, Inc. (EV); Director of EV, Vice President and Director of Eaton Vance Distributors (EVD). Trustee and/or officer of 170 registered investment companies in the Eaton Vance Fund Complex.</p>	<p>170</p>	<p>Director of Eaton Vance Corp.</p>
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NONINTERESTED TRUSTEES

<p>Benjamin C. Esty DOB: 1/2/63</p>	<p>Class I Trustee</p>	<p>Until 2009. 3 years. Trustee since 2005.</p>	<p>Ray and Elizabeth Simmons Professor of Business Administration, Harvard University Graduate School of Business Administration (since 2003). Formerly, Associate Professor, Harvard University Graduate School of Business Administration (2000-2003).</p>	<p>170</p>	<p>None</p>
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Name, Address and Age ⁽¹⁾	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupations During Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee ⁽²⁾	Other Directorships Held by Trustee
Samuel L. Hayes, III DOB: 2/23/35	Chairman of the Board and Class I Trustee	Until 2009. 3 years. Trustee since 2005; Chairman since 2005.	Jacob H. Schiff Professor of Investment Banking Emeritus, Harvard University Graduate School of Business Administration. Director of Yakima Products, Inc. (manufacturer of automotive accessories) (since 2001) and Director of Telect, Inc. (telecommunication services company) (since 2000).	170	Director of Tiffany & Co. (specialty retailer)
Norton H. Reamer DOB: 9/21/35	Class III Trustee	Until 2008. 3 years. Trustee since 2005.	President, Chief Executive Officer and a Director of Asset Management Finance Corp. (a specialty finance company serving the investment management industry) (since October 2003). President, Unicorn Corporation (an investment and financial advisory services company) (since September 2000). Formerly, Chairman and Chief Operating Officer, Hellman, Jordan Management Co., Inc. (an investment management company) (2000-2003). Formerly, Advisory Director of Berkshire Capital Corporation (investment banking firm) (2002-2003).	170	None
				170	None

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Lynn A. Stout DOB: 9/14/57	Class III Trustee	Until 2008. 3 years. Trustee since 2005.	Professor of Law, University of California at Los Angeles, School of Law.		
Ralph F. Verni DOB: 1/26/43	Class III Trustee	Until 2008. 3 years. Trustee since 2005.	Consultant and private investor.	170	None

- (1) The business address of each Trustee is The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109.
- (2) Includes both master and feeder funds in master-feeder structure.

Interested Trustee

James B. Hawkes is an interested person (as defined in the Investment Company Act of 1940 (the 1940 Act)) by reason of his affiliations with EVM, the Fund's investment adviser, and EVC, a publicly-held holding company, which owns all the outstanding shares of EVM and of EVM's trustee, EV. (EVM, EVC, and their affiliates are sometimes referred to collectively as the Eaton Vance Organization .) Mr. Hawkes holds a position with other Eaton Vance affiliates that is comparable to his position with Eaton Vance listed above.

Board Meetings and Committees

During the Fund's fiscal year ended October 31, 2006, the Trustees of the Fund met nine times. The Board of Trustees has three formal standing committees, an Audit Committee, a Special Committee and a Governance Committee. The Audit Committee met five times, the Special Committee met ten times and the Governance Committee met five times during such period. Each Trustee attended at least 75% of the Board and Committee meetings on which he or she serves.

The Audit, Special and Governance Committees of the Board of Trustees of the Fund are each comprised of Trustees who are not interested persons as that term is defined under the 1940 Act (Independent Trustees). The respective duties and responsibilities of these Committees remain under the continuing review of the Governance Committee and the Board.

Messrs. Reamer (Chair), Hayes, Park, Verni and Ms. Stout serve on the Audit Committee of the Board of Trustees of the Fund, such Audit Committee being established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. Each Audit Committee member is independent under the listing standards of the New York Stock Exchange. The purposes of the Audit Committee are to (i) oversee the Fund's accounting and financial reporting processes, its internal control over financial reporting, and, as appropriate, the internal control over financial reporting of certain service providers; (ii) oversee or, as appropriate, assist Board oversight of the quality and integrity of the Fund's financial statements and the independent audit thereof; (iii) oversee, or, as appropriate, assist Board oversight of, the Fund's compliance with legal and regulatory requirements that relate to the Fund's accounting and financial reporting, internal control over financial reporting and independent audits; (iv) approve, prior to appointment, the engagement and, when appropriate, replacement of the independent auditors, and, if applicable, nominate independent auditors to be proposed for shareholder ratification in any proxy statement of the Fund; (v) evaluate the qualifications, independence and performance of the independent auditors and the audit partner in charge of leading the audit; and (vi) prepare such Audit Committee reports consistent with the requirements of Rule 306 of Regulation S-K for inclusion in the proxy statement for the Annual Meeting of Shareholders of the Fund. The Fund's Board of Trustees has adopted a written charter for its Audit Committee, a copy of which, without appendices, is attached as Exhibit A. The Audit Committee's Report is set forth below under Additional Information. The Board of Trustees of the Fund has designated Messrs. Park, Hayes and Reamer as the Fund's Audit Committee financial experts.

Messrs. Hayes (Chair), Esty, Park, Pearlman and Reamer serve on the Special Committee of the Board of Trustees of the Fund. The purposes of the Special Committee are to consider, evaluate and make recommendations to the Board of Trustees concerning the following matters: (i) contractual arrangements with each service provider to the Fund, including advisory, sub-advisory, transfer agency, custodial and fund accounting, distribution services (if any) and administrative services; (ii) any and all other matters in which any of the Fund's service providers (including Eaton Vance or any affiliated entity thereof) has an actual or potential conflict of interest with the interests of the Fund or its shareholders; and (iii) any other matter appropriate for review by the Independent Trustees, unless the matter is within the responsibilities of the Audit Committee or the Governance Committee of the Fund.

Ms. Stout (Chair) and Messrs. Esty, Hayes, Park, Pearlman, Reamer and Verni serve on the Governance Committee of the Board of Trustees of the Fund. Each Governance Committee member is independent under applicable listing standards of the New York Stock Exchange. The purpose of the Governance Committee is to consider, evaluate and make recommendations to the Board of Trustees with respect to the structure, membership and operation of the Board of Trustees and the Committees thereof, including the nomination and selection of Independent Trustees and a Chairperson of the Board and the compensation of Independent Trustees.

The Fund's Board of Trustees has adopted a written charter for its Governance Committee, not available on the

Fund's website, a copy of which is attached as Exhibit B. The Governance Committee identifies candidates by obtaining referrals from such sources as it deems appropriate, which may include current Trustees, management of the Fund, counsel and other advisors to the Trustees, and shareholders of

the Fund who submit recommendations in accordance with the procedures described in the Committee's charter. In no event shall the Governance Committee consider as a candidate to fill any vacancy an individual recommended by management of the Fund, unless the Governance Committee has invited management to make such a recommendation. The Governance Committee will, when a vacancy exists or is anticipated, consider any nominee for Independent Trustee recommended by a shareholder if such recommendation is submitted in writing to the Governance Committee, contains sufficient background information concerning the candidate, including evidence the candidate is willing to serve as an Independent Trustee if selected for the position, and is received in a sufficiently timely manner. The Governance Committee's procedures for identifying and evaluating candidates for the position of Independent Trustee, including the procedures to be followed by shareholders of the Fund wishing to recommend such candidates for consideration by the Governance Committee and the qualifications the Governance Committee will consider, are set forth in Appendix A to the Committee's charter.

Communications with the Board

Shareholders wishing to communicate with the Board may do so by sending a written communication to the Chairperson of the Board, the Chairperson of any of the Audit Committee, Special Committee or Governance Committee or to the Independent Trustees as a group, at the following address: The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109, c/o the Secretary of the Fund.

Share Ownership by Trustee

The following table shows the dollar range of shares beneficially owned in the Fund and in all Eaton Vance funds by each Trustee:

Name of Trustee	Dollar Range of Fund Shares Held ⁺	Aggregate Dollar Range of Equity Securities in all Eaton Vance Funds Overseen by Trustee ⁺
Interested Trustee		
James B. Hawkes	\$10,001-\$50,000	Over \$100,000
Noninterested Trustees		
Benjamin C. Esty	None	Over \$100,000
Samuel L. Hayes, III	None	Over \$100,000*
William H. Park	None	Over \$100,000
Ronald A. Pearlman	None	Over \$100,000
Norton H. Reamer	None	Over \$100,000
Lynn A. Stout	None	Over \$100,000*
Ralph F. Verni	None	Over \$100,000*

* Includes shares which may be deemed to be beneficially owned through the Trustee Deferred Compensation Plan.

+ Figures are as of December 18, 2006.

Remuneration of Trustees

The fees and expenses of those Trustees of the Fund who are not members of the Eaton Vance Organization will be paid by the Fund. For the fiscal year ended October 31, 2006, the Trustees of the Fund earned the compensation set

forth below in their capacities as Trustees of the Fund. For the calendar year ended December 31, 2005, the Trustees earned the compensation set forth below in their capacities as Trustees of the funds in the Eaton Vance fund complex⁽¹⁾:

Name of Trustee	Aggregate Compensation from Fund ⁽³⁾	Total Compensation From Fund and Fund Complex
Benjamin C. Esty ⁽²⁾	\$2,342	\$ 180,000
Samuel L. Hayes, III	3,769	271,248
William H. Park	2,299 ⁽⁴⁾	180,000 ⁽⁵⁾
Ronald A. Pearlman	2,302	180,000
Norton H. Reamer	2,425	190,000
Lynn A. Stout	2,431 ⁽⁶⁾	190,000 ⁽⁷⁾
Ralph F. Verni ⁽²⁾	2,345 ⁽⁸⁾	180,000 ⁽⁹⁾

- (1) As of December 18, 2006, the Eaton Vance Fund Complex consisted of 168 registered investment companies or series thereof.
- (2) Messrs. Esty and Verni were elected as Trustees of certain other Funds in the Eaton Vance Fund Complex on April 29, 2005, and thus the compensation figures listed for the Fund and Fund Complex are estimated for the calendar year ended December 31, 2005 based on amounts they would have received if they had been Trustees for the full calendar year.
- (3) Compensation data is based on amounts actually paid for the period from November 1, 2005 through September 30, 2006 and on an estimate of the compensation due for the month of October 2006.
- (4) Includes \$2,299 of deferred compensation.
- (5) Includes \$141,806 of deferred compensation.
- (6) Includes \$685 of deferred compensation
- (7) Includes \$45,000 of deferred compensation
- (8) Includes \$1,405 of deferred compensation
- (9) Includes \$60,000 of deferred compensation

Trustees of the Fund who are not affiliated with Eaton Vance may elect to defer receipt of all or a percentage of their annual fees in accordance with the terms of a Trustees Deferred Compensation Plan (the "Trustees Plan"). Under the Trustees Plan, an eligible Trustee may elect to have his or her deferred fees invested by the Fund in the shares of one or more funds in the Eaton Vance Fund Complex, and the amount paid to the Trustees under the Trustees Plan will be determined based upon the performance of such investments. Deferral of Trustees fees in accordance with the Trustees Plan will have a negligible effect on the Fund's assets, liabilities, and net income per share, and will not obligate the Fund to retain the services of any Trustee or obligate the Fund to pay any particular level of compensation to the Trustee. The Fund does not have a retirement plan for its Trustees.

The Board of Trustees recommends that shareholders vote FOR the election of the two Class II Trustee nominees.

NOTICE TO BANKS AND BROKER/DEALERS

The Fund has previously solicited all Nominee and Broker/Dealer accounts as to the number of additional proxy statements required to supply owners of shares. Should additional proxy material be required for beneficial owners, please forward such requests to PFPC Inc., P.O. Box 43027, Providence, RI 02940-3027.

ADDITIONAL INFORMATION

Audit Committee Report

The Audit Committee reviewed and discussed the audited financial statements with Fund management. The Audit Committee also discussed with the independent registered public accounting firm the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards), as modified or supplemented. The Audit Committee received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), as

modified or supplemented, and discussed with the independent registered public accounting firm their independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Trustees that the audited financial statements be included in the Fund's annual report to shareholders for the Fund's fiscal year ended October 31, 2006 for filing with the Securities and Exchange Commission. As mentioned, the Audit Committee is comprised of Messrs. Reamer (Chair), Hayes, Park, Verni and Ms. Stout.

Auditors, Audit Fees and All Other Fees. Deloitte & Touche LLP (Deloitte), 200 Berkeley Street, Boston, Massachusetts 02116, serves as the independent registered public accounting firm of the Fund. Deloitte is expected to be present at the Annual Meeting, but if not, a representative will be available by telephone should the need for consultation arise. Representatives of Deloitte will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

The following table presents the aggregate fees billed by the Fund for each of the fiscal years ended October 31, 2005 and October 31, 2006 by the Fund's independent registered public accounting firm for professional services rendered for the audit of the Fund's annual financial statements and fees billed for other services rendered by the independent registered public accounting firm during these periods.

Fiscal Period/Year Ended	10/31/05⁽¹⁾	10/31/06
Audit Fees	\$53,005	\$58,450
Audit-Related Fees ⁽²⁾	20,000	----
Tax Fees ⁽³⁾	8,400	16,145
All Other Fees ⁽⁴⁾	----	----
Total	\$81,405	\$74,595

(1) For the period from the Fund's commencement of operations on February 28, 2005 to October 31, 2005.

(2) 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 Fund's financial statements and are not reported under the category of audit fees. Audit-related fees for the period of February 28, 2005 (commencement of operations) to October 31, 2005 includes fees related to the initial organization of the Fund as well as the performance of certain agreed upon procedures.

(3) Tax fees consist of the aggregate fees billed for professional services rendered by the independent registered public accounting firm relating to tax compliance, tax advice, and tax planning and specifically include fees for tax return preparation.

(4) All other fees consist of the aggregate fees billed for products and services provided by the Fund's independent registered public accounting firm other than audit, audit-related, and tax services.

No services described in the table above were approved by the Fund's Audit Committee pursuant to the de minimis exception set forth in Rule 2-01(c)(7)(i)(C) of Regulation S-X.

The Fund's Audit Committee has adopted policies and procedures relating to the pre-approval of services provided by the Fund's independent registered public accounting firm (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 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 Fund's Audit Committee at least annually. The Fund's Audit Committee maintains full responsibility for the appointment, compensation, and oversight of the work of the Fund's independent registered public accounting firm.

The following table presents (i) the aggregate non-audit fees (i.e., fees for audit-related, tax, and other services) billed for services rendered to the Fund by the Fund's independent registered public accounting firm for the Fund's fiscal years ended October 31, 2005 and October 31, 2006; and (ii) the aggregate non-audit fees (i.e., fees for audit-related, tax, and other services) billed for services rendered to the Eaton Vance Organization by the Fund's independent registered public accounting firm for the Fund's fiscal years ended October 31, 2005 and October 31, 2006.

Fiscal Period/Year Ended	10/31/05 ⁽¹⁾	10/31/06
Fund	\$ 28,400	\$16,145
Eaton Vance ⁽²⁾	\$115,500	\$72,100

(1) For the period from the Fund's commencement of operations on February 28, 2005 to October 31, 2005.

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

The Fund's Audit Committee has considered whether the provision by the Fund's independent registered public accounting firm of non-audit services to the Fund's investment adviser, as well as any of its affiliates that provide ongoing services to the Fund, that were not pre-approved pursuant to Rule 2-01(c)(7)(ii) of Regulation S-X is compatible with maintaining the independent registered public accounting firm's independence.

Officers of the Fund

The officers of the Fund and their length of service are set forth below. The officers of the Fund hold indefinite terms of office. Because of their positions with Eaton Vance and their ownership of EVC stock, the officers of the Fund will benefit from the advisory fees paid by the Fund to Eaton Vance. Each officer affiliated with Eaton Vance may hold a position with other Eaton Vance affiliates that is comparable to his or her position with Eaton Vance listed below.

Name, Address and Age ⁽¹⁾	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupations During Past Five Years ⁽²⁾
Thomas E. Faust Jr.	President and Chief Executive	Since 2005	President of EVC, Eaton Vance and BMR and EV, and Director of EVC. Chief Investment Officer of EVC, Eaton Vance and BMR.

DOB:
5/31/58

Officer

Officer of 71 registered investment companies and 5 private investment companies managed by Eaton Vance or BMR.

Christine

Johnston Vice President

Since 2004

DOB:
11/9/72

Vice President of Eaton Vance and BMR. Officer of 3 registered investment companies managed by Eaton Vance or BMR.

Scott

H.

Page Vice President

Since 2004

DOB:
11/30/59

Vice President of Eaton Vance and BMR. Officer of 15 registered investment companies managed by Eaton Vance or BMR.

Susan

Schiff Vice President

Since 2004

DOB:
3/13/61

Vice President of Eaton Vance and BMR. Officer of 30 registered investment companies managed by Eaton Vance or BMR.

Payson

F.

Swaffield Vice President

Since 2004

DOB:
8/13/56

Vice President of Eaton Vance and BMR. Officer of 15 registered investment companies managed by Eaton Vance or BMR.

Mark S. Venezia DOB: 5/23/49	Vice President	Since 2005	Vice President of Eaton Vance and BMR. Officer of 5 registered investment companies managed by Eaton Vance or BMR.
Barbara E. Campbell DOB: 6/19/57	Treasurer	Since 2005	Vice President of Eaton Vance and BMR. Officer of 170 registered investment companies managed by Eaton Vance or BMR.
Alan R. Dynner DOB: 10/10/40	Secretary	Since 2004	Vice President, Secretary and Chief Legal Officer of Eaton Vance, BMR, EVD, EV and EVC. Officer of 170 registered investment companies managed by Eaton Vance or BMR.
Paul M. O Neil DOB: 7/11/53	Chief Compliance Officer	Since 2004	Vice President of Eaton Vance and BMR. Officer of 170 registered investment companies managed by Eaton Vance or BMR.

- (1) The business address of each officer is The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109.
- (2) Includes both master and feeder funds in master-feeder structure.

Investment Adviser and Administrator

Eaton Vance Management, with its principal office at The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109, serves as the investment adviser and administrator to the Fund.

Proxy Solicitation and Tabulation

The expense of preparing, printing and mailing this Proxy Statement and enclosures and the costs of soliciting proxies on behalf of the Board of Trustees of the Fund will be borne by the Fund. Proxies will be solicited by mail and may be solicited in person or by telephone or facsimile by officers of the Fund, by personnel of its administrator, Eaton Vance, by the transfer agent, PFPC Inc., or by broker-dealer firms. The expenses associated with the solicitation of these proxies and with any further proxies which may be solicited by the Fund's officers, by Eaton Vance personnel, by PFPC Inc., or by broker-dealer firms, in person, or by telephone or by facsimile will be borne by the Fund. A written proxy may be delivered to the Fund or its transfer agent prior to the meeting by facsimile machine, graphic communication equipment or similar electronic transmission. The Fund will reimburse banks, broker-dealer firms, and other persons holding shares registered in their names or in the names of their nominees, for their expenses incurred in sending proxy material to and obtaining proxies from the beneficial owners of such shares. Total estimated proxy solicitation costs are approximately \$43,000.

All proxy cards solicited by the Board of Trustees that are properly executed and received by the Secretary prior to the meeting, and which are not revoked, will be voted at the meeting. Shares represented by such proxies will be voted

in accordance with the instructions thereon. If no specification is made on the proxy card with respect to Proposal 1, it will be voted FOR the matters specified on the proxy card. All shares that are voted and votes to ABSTAIN will be counted towards establishing a quorum, as will broker non-votes. (Broker non-votes are shares for which (i) the beneficial owner has not voted and (ii) the broker holding the shares does not have discretionary authority to vote on the particular matter.) Accordingly, abstentions and broker non-votes, which will be treated as shares that are present at the meeting but which have not been voted, will assist the Fund in obtaining a quorum, but will have no effect on the outcome of Proposal 1.

In the event that a quorum is not present at the meeting, or if a quorum is present at the meeting but sufficient votes by the shareholders of the Fund in favor of the Proposal set forth in the Notice of this meeting are not received by February 23, 2007, the persons named as attorneys in the enclosed proxy may propose one or more adjournments of the meeting to permit further solicitation of proxies. Any such adjournment will require the affirmative vote of the holders of a majority of the shares present in person or by proxy at the session of the meeting to be adjourned. The persons named as attorneys in the enclosed proxy will vote in favor of such adjournment those proxies which they are entitled to vote in favor of the Proposal for which further solicitation of proxies is to be made. They will vote against any such adjournment those proxies required to be voted against such Proposal. The costs of any such additional

solicitation and of any adjourned session will be borne by the Fund. If any of the nominees are not elected by shareholders, the current Trustees may consider other courses of action.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of the copies of the forms received by the Fund, all of the Trustees and officers of the Fund, EVM and its affiliates, and any person who owns more than ten percent of the Fund's outstanding securities have made all filings required under Section 16(a) of the Securities Exchange Act of 1934 regarding ownership of shares of the Fund for the Fund's fiscal year ended October 31, 2006.

The Fund will furnish without charge a copy of its most recent Annual Report for the fiscal year ended October 31, 2006 to any shareholder upon request. Shareholders desiring to obtain a copy of such report should write to the Fund c/o PFPC Inc., P.O. Box 43027, Providence, RI 02940-3027, or call 1-800-331-1710.

SHAREHOLDER PROPOSALS

To be considered for presentation at the Fund's 2008 Annual Meeting of Shareholders, a shareholder proposal submitted pursuant to Rule 14a-8 under the Securities Exchange Act of 1934 must be received at the Fund's principal office c/o the Secretary of the Fund no later than August 31, 2007. Written notice of a shareholder proposal submitted outside of the processes of Rule 14a-8 must be delivered to the Fund's principal office c/o the Secretary of the Fund no later than November 26, 2007 and no earlier than October 26, 2007. In order to be included in the Fund's proxy statement and form of proxy, a shareholder proposal must comply with all applicable legal requirements. Timely submission of a proposal does not guarantee that such proposal will be included.

EATON VANCE SHORT DURATION DIVERSIFIED INCOME FUND

December 29, 2006

EXHIBIT A

EATON VANCE FUNDS

AUDIT COMMITTEE CHARTER

- I. Composition of the Audit Committee. The Audit Committee of each registered investment company sponsored by Eaton Vance Management (each a Fund) shall be comprised of at least three Trustees of the Board. All members of the Audit Committee shall be Trustees who are not interested persons (as defined under the Investment Company Act of 1940, as amended) of any Fund or of the investment adviser or sub-adviser of any Fund (each, an Independent Trustee and collectively, the Independent Trustees). The members of the Audit Committee shall consist of the Chairperson of the Board of Trustees and such other Independent Trustees as may be appointed by the Board, which shall also determine the number and term of such members. Each member of the Audit Committee shall have been determined by the Board of Trustees to have no material relationship that would interfere with the exercise of his or her independent judgment. No member of the Audit Committee shall receive any compensation from a Fund except compensation for service as a member or Chairperson of the Board of Trustees or of a committee of the Board. Each member of the Audit Committee shall also satisfy the applicable Audit Committee membership requirements imposed under the rules of the American Stock Exchange and New York Stock Exchange (and any other national securities exchange on which a Fund s shares are listed), as in effect from time to time, including with respect to the member s former affiliations or employment and financial literacy. At least one member of the Audit Committee must have the accounting or related financial management expertise and financial sophistication required under applicable rules of the American Stock Exchange and New York Stock Exchange. Unless it determines that no member of the Audit Committee qualifies as an audit committee financial expert as defined in Item 3 of Form N-CSR, the Board of Trustees will identify one (or in its discretion, more than one) member of the Audit Committee as an audit committee financial expert. A Chairperson of the Audit Committee shall be appointed by the Board of Trustees on the recommendation of the Governance Committee.
- II. Purposes of the Audit Committee. The purposes of the Audit Committee are to:
1. oversee each Fund s accounting and financial reporting processes, its internal control over financial reporting, and, as appropriate, the internal control over financial reporting of certain service providers;
 2. oversee or, as appropriate, assist Board oversight of the quality and integrity of the Funds financial statements and the independent audit thereof;
 3. oversee, or, as appropriate, assist Board oversight of, the Funds compliance with legal and regulatory requirements that relate to the Funds accounting and financial reporting, internal control over financial reporting and independent audits;
 4. approve prior to appointment the engagement and, when appropriate, replacement of the independent registered public accountants (independent auditors), and, if applicable, nominate independent auditors to be proposed for shareholder ratification in any proxy statement of a Fund;

5. evaluate the qualifications, independence and performance of the independent auditors and the audit partner in charge of leading the audit; and

A-1

6. prepare such audit committee reports consistent with the requirements of Rule 306 of Regulation S-K for inclusion in the proxy statement for the annual meeting of shareholders of a Fund.

The primary function of the Audit Committee is oversight. The Committee is not responsible for managing the Funds or for performing tasks that are delegated to the officers of any Fund, any investment adviser to a Fund, the custodian of a Fund, and other service providers for the Funds, and nothing in this charter shall be construed to reduce the responsibilities or liabilities of management or the Funds' service providers, including the independent auditors. It is management's responsibility to maintain appropriate systems for accounting and internal control over financial reporting. Specifically, management is responsible for: (1) the preparation, presentation and integrity of the financial statements of each Fund; (2) the maintenance of appropriate accounting and financial reporting principles and policies; and (3) the maintenance of internal control over financial reporting and other procedures designed to assure compliance with accounting standards and related laws and regulations. The independent auditors are responsible for planning and carrying out an audit consistent with applicable legal and professional standards and the terms of their engagement letter, and shall report directly to the Audit Committee. In performing its oversight function, the Committee shall be entitled to rely upon advice and information that it receives in its discussions and communications with management, the independent auditors and such experts, advisors and professionals as may be consulted by the Committee.

III. Meetings of the Audit Committee. Meetings of the Audit Committee shall be held at such times (but not less frequently than annually), at such places and for such purposes (consistent with the purposes set forth in this charter) as determined from time to time by the Board of Trustees, the Chairperson of the Board of Trustees, the Committee or the Chairperson of the Committee. The Audit Committee shall set its agenda and the places and times of its meetings. The Audit Committee may meet alone and outside the presence of management personnel with any auditor of a Fund, and shall periodically meet separately with management, with internal auditors (or other personnel responsible for internal control of financial reporting), with any independent auditors rendering reports to the Audit Committee or the Board of Trustees and with legal counsel. A majority of the members of the Audit Committee shall constitute a quorum for the transaction of business at any meeting, and the decision of a majority of the members present and voting shall determine any matter submitted to a vote. The Audit Committee may adopt such procedures or rules as it deems appropriate to govern its conduct under this charter.

IV. Duties and Powers of the Audit Committee. To carry out its purposes, the Audit Committee shall have the following duties and powers with respect to each Fund:

1. To meet to review and discuss with management and the independent auditors the audited financial statements and other periodic financial statements of the Fund (including the Fund's specific disclosures under the item Management's Discussion of Fund Performance).
2. To consider the results of the examination of the Fund's financial statements by the independent auditors, the independent auditors' opinion with respect thereto, and any management letter issued by the independent auditors.
3. To review and discuss with the independent auditors: (a) the scope of audits and audit reports and the policies relating to internal auditing procedures and controls and the accounting principles employed in the Fund's financial reports and any proposed changes therein; (b) the personnel, staffing, qualifications and experience of the independent

auditors; and (c) the compensation of the independent auditors.

A-2

4. To review and assess the performance of the independent auditors and to approve, on behalf of the Board of Trustees, the appointment and compensation of the independent auditors. Approval by the Audit Committee shall be in addition to any approval required under applicable law by a majority of the members of the Board of Trustees who are not interested persons of the Fund as defined in Section 2(a)(19) of the 1940 Act. In performing this function, the Committee shall: (a) consider whether there should be a regular rotation of the Fund's independent auditing firm; (b) discuss with the independent auditors matters bearing upon the qualifications of such auditors as independent under applicable standards of independence established from time to time by the Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board and other regulatory authorities; and (c) shall secure from the independent auditors the information required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as in effect from time to time. The Audit Committee shall actively engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors.

5. To pre-approve: (a) audit and non-audit services provided by the independent auditors to the Fund; and (b) non-audit services provided by the independent auditors to the adviser or any other entity controlling, controlled by or under common control with the adviser that provides on-going services to the Fund (Adviser Affiliates) if the engagement of the independent auditors relates directly to the ope