

Edgar Filing: Eaton Vance Risk-Managed Diversified Equity Income Fund - Form N-CSR

Eaton Vance Risk-Managed Diversified Equity Income Fund
Form N-CSR
March 02, 2009

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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)

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

(Address of Principal Executive Offices)

Maureen A. Gemma

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

(Name and Address of Agent for Services)

(617) 482-8260

(registrant's Telephone Number)

December 31

Date of Fiscal Year End

December 31, 2008

Date of Reporting Period

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Item 1. Reports to Stockholders

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**IMPORTANT NOTICES REGARDING PRIVACY,
DELIVERY OF SHAREHOLDER DOCUMENTS,
PORTFOLIO HOLDINGS AND PROXY VOTING**

Privacy. The Eaton Vance organization is committed to ensuring your financial privacy. Each of the financial institutions identified below has in effect the following policy (Privacy Policy) with respect to nonpublic personal information about its customers:

Only such information received from you, through application forms or otherwise, and information about your Eaton Vance fund transactions will be collected. This may include information such as name, address, social security number, tax status, account balances and transactions.

None of such information about you (or former customers) will be disclosed to anyone, except as permitted by law (which includes disclosure to employees necessary to service your account). In the normal course of servicing a customer's account, Eaton Vance may share information with unaffiliated third parties that perform various required services such as transfer agents, custodians and broker/dealers.

Policies and procedures (including physical, electronic and procedural safeguards) are in place that are designed to protect the confidentiality of such information.

We reserve the right to change our Privacy Policy at any time upon proper notification to you. Customers may want to review our Policy periodically for changes by accessing the link on our homepage: www.eatonvance.com.

Our pledge of privacy applies to the following entities within the Eaton Vance organization: the Eaton Vance Family of Funds, Eaton Vance Management, Eaton Vance Investment Counsel, Boston Management and Research, and Eaton Vance Distributors, Inc.

In addition, our Privacy Policy only applies to those Eaton Vance customers who are individuals and who have a direct relationship with us. If a customer's account (i.e., fund shares) is held in the name of a third-party financial adviser/broker dealer, it is likely that only such adviser's privacy policies apply to the customer. This notice supersedes all previously issued privacy disclosures.

For more information about Eaton Vance's Privacy Policy, please call 1-800-262-1122.

Delivery of Shareholder Documents. The Securities and Exchange Commission (the SEC) permits funds to deliver only one copy of shareholder documents, including prospectuses, proxy statements and shareholder reports, to fund investors with multiple accounts at the same residential or post office box address. This practice is often called householding and it helps eliminate duplicate mailings to shareholders.

Eaton Vance, or your financial adviser, may household the mailing of your documents indefinitely unless you instruct Eaton Vance, or your financial adviser, otherwise.

If you would prefer that your Eaton Vance documents not be householded, please contact Eaton Vance at 1-800-262-1122, or contact your financial adviser.

Your instructions that householding not apply to delivery of your Eaton Vance documents will be effective within 30 days of receipt by Eaton Vance or your financial adviser.

Portfolio Holdings. Each Eaton Vance Fund and its underlying Portfolio (if applicable) will file a schedule of its portfolio holdings on Form N-Q with the SEC for the first and third quarters of each fiscal year. The Form N-Q will be available on the Eaton Vance website www.eatonvance.com, by calling Eaton Vance at 1-800-262-1122 or in the EDGAR database on the SEC's website at www.sec.gov. Form N-Q may also be reviewed and copied at the SEC's public reference room in Washington, D.C. (call 1-800-732-0330 for information on the operation of the public reference room).

Proxy Voting. From time to time, funds are required to vote proxies related to the securities held by the funds. The Eaton Vance Funds or their underlying Portfolios (if applicable) vote proxies according to a set of policies and procedures approved by the Funds' and Portfolios' Boards. You may obtain a description of these policies and procedures and information on how the Funds or Portfolios voted proxies relating to portfolio securities during the most recent 12 month period ended June 30, without charge, upon request, by calling 1-800-262-1122. This description is also available on the SEC's website at www.sec.gov.

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Eaton Vance Risk-Managed Diversified Equity Income Fund as of December 31, 2008

MANAGEMENT'S DISCUSSION OF FUND PERFORMANCE

Economic and Market Conditions

Global equity markets suffered profound losses during 2008, a year that will likely go down as one of the worst in modern financial market history. The U.S. economy held up relatively well during the first half of the year, but the simultaneous bursting of the housing, credit and commodity bubbles created a global financial crisis of unforeseen levels. Equity markets collapsed during the second half of the year, as a series of catastrophic events on Wall Street induced panic and fear among market participants. Additionally, commodity prices collapsed during the second half of 2008 and after peaking at more than \$145 per barrel in July, oil prices traded down to around \$44 at year end. The U.S. economy was officially declared in recession during the fourth quarter as unemployment continued to rise. The Federal Reserve responded to the crises with a dramatic cut in interest rates.

Equity markets posted double-digit declines for the year ended December 31, 2008. The S&P 500 Index suffered its worst loss since 1937, while the Dow Jones Industrials Average experienced the third-worst loss in its history. By the end of 2008, equity losses approached \$7 trillion of shareholder wealth, erasing the gains of the last six years. On average, small-capitalization stocks slightly outperformed large-capitalization stocks and value-style investments fared better than growth-style investments.

Walter A. Row, CFA
Eaton Vance
Management
Co-Portfolio Manager

Michael A. Allison, CFA
Eaton Vance
Management
Co-Portfolio Manager

Ronald M. Egalka
Rampart Investment
Management
Co-Portfolio Manager

Past performance is no guarantee of future results. Returns are historical and are calculated by determining the percentage change in net asset value or share price (as applicable) with all distributions reinvested. The Fund's performance at share price will differ from its results at NAV. Although share price performance generally reflects investment results over time, during shorter periods, returns at share price can also be affected by factors such as changing perceptions about the Fund, market conditions, fluctuations in supply and demand for the Fund's shares, or changes in Fund distributions. The Fund has no current intention to utilize leverage, but may do so in the future through borrowings and/or other permitted methods. Investment return and principal value will fluctuate so that shares, when sold, may be worth more or less than their original cost. Performance is for the stated time period only; due to market volatility, the Fund's current performance may be lower or higher than the quoted return. For performance as of the most recent month end, please refer to www.eatonvance.com.

Management Discussion

The Fund is a closed-end fund and trades on the New York Stock Exchange (NYSE) under the symbol ETJ. The Fund's primary investment objective is to provide current income and gains, with a secondary objective of capital appreciation. The Fund pursues its investment objectives by investing in a portfolio of common stocks and index put options. Under normal market conditions, the Fund seeks to generate current earnings by writing (selling) put options on individual stocks and index call options with respect to a portion of its common stock portfolio value. During the year ended December 31, 2008, the Fund continued to provide shareholders with attractive quarterly

distributions.

Eaton Vance Risk-Managed Diversified Equity Income Fund
Total Return Performance 12/31/07 12/31/08

NYSE Symbol	ETJ
At Net Asset Value (NAV) ¹	-1.17%
At Share Price ¹	9.60%
S&P 500 Index ²	-36.99%
CBOE S&P 500 BuyWrite Index ²	-28.65%
Lipper Options Arbitrage/Options Strategies Average ²	-31.82%
Premium/(Discount) to NAV as of 12/31/08	3.69%
Total Distributions per share ³	\$ 1.80
Distribution Rate ⁴	<i>At NAV</i> 10.38%
	<i>At Share Price</i> 10.01%

See page 3 for more performance information.

¹ 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 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 Return at Net Asset Value would have been -4.54% and the Total Return at Share Price would have been 5.87%.

- 2 It is not possible to invest directly in an Index or a Lipper Classification. The Indices total returns do not reflect commissions or expenses that would have been incurred if an investor individually purchased or sold the securities represented in the Indices. The Lipper total return is the average total return, at net asset value, of the funds that are in the same Lipper Classification as the Fund.

- 3 The economic benefit to common shareholders of the tax credit or refund available to them because the Fund retained and paid federal corporate income tax on a portion of its long-term capital gains equaled \$0.612 per share. This amount is not included in Total Distributions per share.

- 4 The Distribution Rate is based on the Fund's most recent quarterly distribution per share (annualized) divided by the Fund's NAV or share price at the end of the period.

The Fund's quarterly distributions may be comprised of ordinary income, net realized capital gains and return of capital.

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.

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Eaton Vance Risk-Managed Diversified Equity Income Fund as of December 31, 2008

MANAGEMENT'S DISCUSSION OF FUND PERFORMANCE

At net asset value (NAV), the Fund outperformed the comparative indices – the S&P 500 Index and the CBOE S&P 500 BuyWrite Index – for the year ended December 31, 2008. The Fund's market share price traded at a premium to NAV, as equity markets reached record levels of volatility in the last three months of the year, which created opportunities to earn option premiums. More specifically, the Fund's use of long put options helped offset significant equity market downside experienced in the second half of the year. As of December 31, 2008, the Fund's premium to NAV was 3.69%.

At December 31, 2008, the Fund maintained a portfolio of dividend-paying stocks, broadly diversified across the U.S. economy. Among the Fund's common stock holdings, its largest sector weightings at December 31, 2008 were information technology, health care, consumer staples, financials and industrials. The Fund's relative performance was helped by stock selection in financials, information technology and health care. The Fund's relatively limited exposure to insurance and diversified financial companies helped performance, particularly in the second half of 2008. The Fund's investments in utilities and energy companies detracted from performance as oil prices declined significantly in the fourth quarter, contributing to further weakness in the overall economy.

As of December 31, 2008, the Fund had written call options on approximately 100% of its equity holdings. The Fund seeks current earnings in large part from option premiums, which can vary with investors' expectations of the future volatility (implied volatility) of the underlying assets. The year 2008 witnessed continued high levels of implied volatility in concert with a significant level of actual volatility in the equity markets, particularly in the last four months of the year. The Fund was able to monetize some of this volatility in the form of higher premiums, which provided a positive benefit to the Fund. Of course, in future periods of strong market growth, this strategy may lessen returns relative to the market.

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

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Eaton Vance Risk-Managed Diversified Equity Income Fund as of December 31, 2008

FUND PERFORMANCE

Fund Performance

NYSE Symbol	ETJ
Average Annual Total Returns ¹ (at share price, New York Stock Exchange)	
One Year	9.60%
Life of Fund (7/31/07)	6.96
Average Annual Total Returns ¹ (at net asset value)	
One Year	-1.17%
Life of Fund (7/31/07)	4.27

¹ 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 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 returns would have been 5.87% (at share price) and -4.54% (at net

asset value) for
the one year
ended
December 31,
2008 and 4.38%
(at share price)
and 1.76% (at
net asset value)
for the Life of
Fund.

Past performance is no guarantee of future results. Returns are historical and are calculated by determining the percentage change in net asset value or share price (as applicable) with all distributions reinvested. The Fund's performance at share price will differ from its results at NAV. Although share price performance generally reflects investment results over time, during shorter periods, returns at share price can also be affected by factors such as changing perceptions about the Fund, market conditions, fluctuations in supply and demand for the Fund's shares, or changes in Fund distributions. The Fund has no current intention to utilize leverage, but may do so in the future through borrowings and/or other permitted methods. Investment return and principal value will fluctuate so that shares, when sold, may be worth more or less than their original cost. Performance is for the stated time period only; due to market volatility, the Fund's current performance may be lower or higher than the quoted return. For performance as of the most recent month end, please refer to www.eatonvance.com.

Fund Composition

Top Ten Holdings¹

By total investments

Exxon Mobil Corp.	2.4%
Wal-Mart Stores, Inc.	2.1
International Business Machines Corp.	2.0
Microsoft Corp.	2.0
Chevron Corp.	1.9
JPMorgan Chase & Co.	1.8
Philip Morris International, Inc.	1.8
AT&T, Inc.	1.7
Hewlett-Packard Co.	1.6
Johnson & Johnson	1.6

¹ Top Ten Holdings represented 18.9% of the Fund's total investments as of 12/31/08. The Top Ten Holdings are presented without the offsetting effect of the Fund's written option positions at

12/31/08.

Excludes cash
equivalents.

Common Stock Sector Weightings²

By total investments

² Reflects the
Fund's total
investments as
of 12/31/08.
Common Stock
Sector
Weightings are
presented
without the
offsetting effect
of the Fund's
written option
positions at
12/31/08.
Excludes cash
equivalents.

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Eaton Vance Risk-Managed Diversified Equity Income Fund as of December 31, 2008

PORTFOLIO OF INVESTMENTS

Common Stocks 82.6%

Security**Shares****Value**

Aerospace & Defense 4.0%

Boeing Co. (The)	80,987	\$	3,455,715
General Dynamics Corp.	185,629		10,690,374
Lockheed Martin Corp.	145,323		12,218,758
Raytheon Co.	221,309		11,295,611
United Technologies Corp.	212,884		11,410,582
		\$	49,071,040

Auto Components 0.6%

Johnson Controls, Inc.	374,200	\$	6,795,472
		\$	6,795,472

Beverages 2.0%

Coca-Cola Co. (The)	146,838	\$	6,647,356
PepsiCo, Inc.	316,682		17,344,673
		\$	23,992,029

Biotechnology 3.0%

Amgen, Inc. ⁽¹⁾	269,225	\$	15,547,744
Biogen Idec, Inc. ⁽¹⁾	95,566		4,551,809
Genzyme Corp. ⁽¹⁾	200,377		13,299,021
Gilead Sciences, Inc. ⁽¹⁾	64,128		3,279,506

\$ 36,678,080

Capital Markets 1.9%

Goldman Sachs Group, Inc.	73,398	\$	6,194,057
Invesco, Ltd.	185,422		2,677,494
Julius Baer Holding AG	72,607		2,814,053
Northern Trust Corp.	124,319		6,481,993
T. Rowe Price Group, Inc.	134,024		4,749,811

\$ 22,917,408

Chemicals 1.0%

E.I. Du Pont de Nemours & Co.	287,906	\$	7,284,022
Monsanto Co.	80,121		5,636,512

\$ 12,920,534

Commercial Banks 1.6%

Banco Bradesco SA ADR	1	\$	5
Wells Fargo & Co.	677,494		19,972,523

\$ 19,972,528

Commercial Services & Supplies 0.9%

Waste Management, Inc.	321,556	\$	10,656,366
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\$ 10,656,366

Communications Equipment 2.7%

Cisco Systems, Inc. ⁽¹⁾	938,817	\$	15,302,717
QUALCOMM, Inc.	496,158		17,777,341

		\$	33,080,058
Computers & Peripherals 5.0%			
Apple, Inc. ⁽¹⁾	192,888	\$	16,462,991
Hewlett-Packard Co.	554,054		20,106,620
International Business Machines Corp.	300,410		25,282,506
		\$	61,852,117
Diversified Financial Services 3.1%			
Bank of America Corp.	744,180	\$	10,478,054
Citigroup, Inc.	674,384		4,525,117
JPMorgan Chase & Co.	738,611		23,288,405
		\$	38,291,576
Diversified Telecommunication Services 2.8%			
AT&T, Inc.	736,453	\$	20,988,910
Verizon Communications, Inc.	409,824		13,893,034
		\$	34,881,944
Electric Utilities 1.5%			
Edison International	254,177	\$	8,164,165
FirstEnergy Corp.	209,233		10,164,539
		\$	18,328,704
Electrical Equipment 1.5%			
Emerson Electric Co.	326,024	\$	11,935,739
Vestas Wind Systems A/S ⁽¹⁾	101,595		5,978,539

\$ 17,914,278

Energy Equipment & Services 1.2%

Diamond Offshore Drilling, Inc.	68,034	\$	4,009,924
Schlumberger, Ltd.	246,717		10,443,531

\$ 14,453,455

Food & Staples Retailing 3.2%

CVS Caremark Corp.	298,765	\$	8,586,506
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See notes to financial statements

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Eaton Vance Risk-Managed Diversified Equity Income Fund as of December 31, 2008

PORTFOLIO OF INVESTMENTS CONT D

Security	Shares	Value
Food & Staples Retailing (continued)		
Kroger Co. (The)	150,931	3,986,088
Wal-Mart Stores, Inc.	484,099	27,138,590
		\$ 39,711,184
Food Products 1.7%		
Nestle SA	212,194	\$ 8,402,488
Nestle SA ADR	305,917	12,144,905
		\$ 20,547,393
Health Care Equipment & Supplies 1.9%		
Baxter International, Inc.	125,057	\$ 6,701,805
Becton, Dickinson & Co.	79,365	5,427,772
Boston Scientific Corp. ⁽¹⁾	458,032	3,545,168
Covidien, Ltd.	86,803	3,145,741
Medtronic, Inc.	157,666	4,953,866
		\$ 23,774,352
Health Care Providers & Services 1.2%		
Aetna, Inc.	157,946	\$ 4,501,461
Fresenius Medical Care AG & Co. KGaA ADR	117,129	5,526,146
UnitedHealth Group, Inc.	172,480	4,587,968

		\$	14,615,575
Hotels, Restaurants & Leisure	1.4%		
McDonald's Corp.	273,699	\$	17,021,341
		\$	17,021,341
Household Durables	2.1%		
Centex Corp.	328,045	\$	3,490,399
D.R. Horton, Inc.	547,417		3,870,238
KB Home	247,231		3,367,286
Lennar Corp., Class A	420,940		3,649,550
NVR, Inc. ⁽¹⁾	6,588		3,005,775
Pulte Homes, Inc.	357,059		3,902,655
Ryland Group, Inc.	59,212		1,046,276
Toll Brothers, Inc. ⁽¹⁾	178,349		3,822,019
		\$	26,154,198
Household Products	2.4%		
Clorox Co. (The)	53,631	\$	2,979,739
Colgate-Palmolive Co.	160,003		10,966,606
Procter & Gamble Co.	251,475		15,546,184
		\$	29,492,529
Industrial Conglomerates	2.3%		
3M Co.	188,422	\$	10,841,802
General Electric Co.	1,043,130		16,898,706
		\$	27,740,508

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Insurance 3.7%

ACE, Ltd.	126,078	\$	6,672,048
Aflac, Inc.	191,158		8,762,683
Chubb Corp.	208,148		10,615,548
MetLife, Inc.	198,663		6,925,392
Travelers Companies, Inc. (The)	287,772		13,007,294
		\$	45,982,965

Internet Software & Services 0.4%

Google, Inc., Class A ⁽¹⁾	15,941	\$	4,904,249
		\$	4,904,249

IT Services 1.5%

Accenture, Ltd., Class A	183,638	\$	6,021,490
MasterCard, Inc., Class A	47,565		6,798,465
Visa, Inc., Class A	110,396		5,790,270
		\$	18,610,225

Life Sciences Tools & Services 0.4%

Thermo Fisher Scientific, Inc. ⁽¹⁾	140,708	\$	4,793,922
		\$	4,793,922

Machinery 0.8%

Danaher Corp.	173,065	\$	9,797,210
		\$	9,797,210

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Media 2.2%

Comcast Corp., Class A	915,491	\$	15,453,488
Time Warner, Inc.	528,203		5,313,722
Vivendi SA	189,955		6,191,406
		\$	26,958,616

Metals & Mining 2.1%

BHP Billiton, Ltd. ADR	79,726	\$	3,420,245
Goldcorp, Inc.	601,513		18,965,705
Nucor Corp.	77,446		3,578,005
		\$	25,963,955

See notes to financial statements

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Eaton Vance Risk-Managed Diversified Equity Income Fund as of December 31, 2008

PORTFOLIO OF INVESTMENTS CONT D

Security	Shares		Value
Multi-Utilities 0.4%			
Public Service Enterprise Group, Inc.	158,208	\$	4,614,927
		\$	4,614,927
Oil, Gas & Consumable Fuels 7.9%			
Anadarko Petroleum Corp.	224,073	\$	8,638,014
Chevron Corp.	318,771		23,579,491
ConocoPhillips	180,562		9,353,112
Exxon Mobil Corp.	382,051		30,499,131
Hess Corp.	186,519		10,004,879
Occidental Petroleum Corp.	179,602		10,774,324
XTO Energy, Inc.	116,632		4,113,611
		\$	96,962,562
Pharmaceuticals 6.3%			
Abbott Laboratories	372,919	\$	19,902,687
Bristol-Myers Squibb Co.	140,673		3,270,647
Johnson & Johnson	335,793		20,090,495
Novartis AG ADR	84,897		4,224,475
Novo-Nordisk A/S, Class B	78,308		4,039,431
Pfizer, Inc.	528,143		9,353,412
Roche Holding AG	40,010		6,194,233
Schering-Plough Corp.	283,696		4,831,343
Teva Pharmaceutical Industries, Ltd. ADR	115,262		4,906,703
		\$	76,813,426

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Semiconductors & Semiconductor Equipment 0.8%

ASML Holding NV	527,234	\$	9,527,118
		\$	9,527,118

Software 2.9%

Microsoft Corp.	1,285,336	\$	24,986,932
Oracle Corp. ⁽¹⁾	620,422		11,000,082
		\$	35,987,014

Specialty Retail 2.0%

Best Buy Co., Inc.	269,692	\$	7,581,042
Home Depot, Inc.	386,002		8,885,766
Staples, Inc.	480,157		8,604,413
		\$	25,071,221

Tobacco 1.8%

Philip Morris International, Inc.	518,256	\$	22,549,319
		\$	22,549,319

Wireless Telecommunication Services 0.4%

Rogers Communications, Inc., Class B	149,464	\$	4,495,877
		\$	4,495,877

Total Common Stocks

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(identified cost \$1,204,333,622) \$ **1,013,895,275**

Put Options Purchased 15.9%

Description	Number of Contracts	Strike Price	Expiration Date	Value
S&P 500 Index	1,877	\$ 1,185	3/21/09	\$ 53,447,575
S&P 500 Index	804	1,225	3/21/09	26,077,740
S&P 500 Index	1,877	1,185	6/20/09	54,836,555
S&P 500 Index	1,998	1,200	6/20/09	61,128,810

Total Put Options Purchased
(identified cost \$56,145,241) \$ **195,490,680**

Short-Term Investments 4.7%

Description	Interest (000 s omitted)	Value
Cash Management Portfolio, 0.75% ⁽²⁾	\$ 57,522	\$ 57,521,820

Total Short-Term Investments
(identified cost \$57,521,820) \$ **57,521,820**

Total Investments 103.2%
(identified cost \$1,318,000,683) \$ **1,266,907,775**

See notes to financial statements

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Eaton Vance Risk-Managed Diversified Equity Income Fund as of December 31, 2008

PORTFOLIO OF INVESTMENTS CONT D

Covered Call Options Written (0.2)%

Description	Number of Contracts	Strike Price	Expiration Date	Value
S&P 500 Index	2,009	\$ 965	1/17/09	\$ (954,275)
S&P 500 Index	4,050	975	1/17/09	(1,053,000)
S&P 500 Index	3,775	980	1/17/09	(615,325)
Total Covered Call Options Written (premiums received \$11,956,243)				\$ (2,622,600)
Other Assets, Less Liabilities (3.0)%				\$ (36,808,485)
Net Assets 100.0%				\$ 1,227,476,690

Industry classifications included in the Portfolio of Investments are unaudited.

ADR - American Depository Receipt

- (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, 2008.

See notes to financial statements

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Eaton Vance Risk-Managed Diversified Equity Income Fund as of December 31, 2008

FINANCIAL STATEMENTS

Statement of Assets and Liabilities

As of December 31, 2008

Assets

Unaffiliated investments, at value (identified cost, \$1,260,478,863)	\$	1,209,385,955
Affiliated investment, at value (identified cost, \$57,521,820)		57,521,820
Cash		6,087,294
Dividends and interest receivable		1,795,015
Interest receivable from affiliated investment		57,478
Tax reclaims receivable		100,565
Total assets	\$	1,274,948,127

Liabilities

Accrued federal corporate income tax	\$	43,353,768
Written options outstanding, at value (premiums received, \$11,956,243)		2,622,600
Payable for investments purchased		232,375
Payable to affiliate for investment adviser fee		1,024,463
Payable to affiliate for Trustees' fees		9,533
Accrued expenses		228,698
Total liabilities	\$	47,471,437

Net Assets	\$	1,227,476,690
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Sources of Net Assets

Common shares, \$0.01 par value, unlimited number of shares authorized, 70,805,825 shares issued and outstanding	\$	708,058
Additional paid-in capital		1,430,131,028

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Accumulated distributions in excess of net realized gains (computed on the basis of identified cost)	(161,744,967)
Accumulated undistributed net investment income	147,930
Net unrealized depreciation (computed on the basis of identified cost)	(41,765,359)

Net Assets **\$ 1,227,476,690**

Net Asset Value

(\$1,227,476,690 , 70,805,825 common shares issued and outstanding) **\$ 17.34**

Statement of Operations

**For the Year Ended
December 31, 2008**

Investment Income

Dividends (net of foreign taxes, \$286,830)	\$ 23,110,467
Interest	48,933
Interest income allocated from affiliated investment	1,955,291
Expenses allocated from affiliated investment	(325,754)

Total investment income **\$ 24,788,937**

Expenses

Investment adviser fee	\$ 12,918,013
Trustees' fees and expenses	29,315
Custodian fee	306,235
Printing and postage	145,076
Legal and accounting services	109,402
Transfer and dividend disbursing agent fees	18,627
Miscellaneous	91,341

Total expenses **\$ 13,618,009**

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Net investment income	\$ 11,170,928
Realized and Unrealized Gain (Loss)	
Net realized gain (loss)	
Investment transactions (identified cost basis), including federal corporate income tax of \$43,353,768 on long-term capital gains retained	\$ (79,727,287)
Written options	136,609,223
Foreign currency transactions	(48,697)
Disposal of investment in violation of restrictions	14,487
Net realized gain	\$ 56,847,726
Change in unrealized appreciation (depreciation)	
Investments (identified cost basis)	\$ (132,615,019)
Written options	3,468,446
Foreign currency	(6,094)
Net change in unrealized appreciation (depreciation)	\$ (129,152,667)
Net realized and unrealized loss	\$ (72,304,941)
Net decrease in net assets from operations	\$ (61,134,013)

See notes to financial statements

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Eaton Vance Risk-Managed Diversified Equity Income Fund as of December 31, 2008

FINANCIAL STATEMENTS CONT D

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Year Ended December 31, 2008	Period Ended December 31, 2007⁽¹⁾
From operations		
Net investment income	\$ 11,170,928	\$ 7,264,785
Net realized gain from investment transactions, written options, foreign currency transactions and disposal of investment in violation of restrictions	56,847,726	1,524,119
Net change in unrealized appreciation (depreciation) of investments, written options and foreign currency	(129,152,667)	87,387,308
Net increase (decrease) in net assets from operations	\$ (61,134,013)	\$ 96,176,212
Distributions		
From net investment income	\$ (11,532,334)	\$ (6,705,729)
From net realized gain	(114,987,293)	(24,886,521)
Total distributions	\$ (126,519,627)	\$ (31,592,250)
Capital share transactions		
Proceeds from sale of shares	\$	\$ 1,340,820,000 ⁽²⁾
Reinvestment of distributions	10,956,109	
Offering costs	75,643	(1,405,384)
Net increase in net assets from capital share transactions	\$ 11,031,752	\$ 1,339,414,616
Net increase (decrease) in net assets	\$ (176,621,888)	\$ 1,403,998,578

Net Assets

At beginning of period	\$	1,404,098,578	\$	100,000
At end of period	\$	1,227,476,690	\$	1,404,098,578

Accumulated undistributed
net investment income
included in net assets

At end of period	\$	147,930	\$	558,420
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(1) For the period from the start of business, July 31, 2007, to December 31, 2007.

(2) Proceeds from sale of shares are net of sales load paid of \$63,180,000.

See notes to financial statements

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Eaton Vance Risk-Managed Diversified Equity Income Fund as of December 31, 2008

FINANCIAL STATEMENTS CONT D

Financial Highlights

	Year Ended December 31, 2008	Period Ended December 31, 2007⁽¹⁾
Net asset value Beginning of period	\$ 20.000	\$ 19.100 ⁽²⁾
Income (loss) from operations		
Net investment income ⁽³⁾	\$ 0.159	\$ 0.106
Net realized and unrealized gain (loss)	(1.020) ⁽⁴⁾	1.265
Total income (loss) from operations	\$ (0.861)	\$ 1.371
Less distributions		
From net investment income	\$ (0.164)	\$ (0.096)
From net realized gain	(1.636)	(0.354)
Total distributions	\$ (1.800)	\$ (0.450)
Offering costs charged to paid-in capital⁽³⁾	\$ 0.001	\$ (0.021)
Net asset value End of period	\$ 17.340	\$ 20.000

Market value	End of period	\$	17.980	\$	18.700
Total Investment Return on Net Asset Value⁽⁵⁾			(1.17)%⁽⁹⁾		7.38%⁽⁶⁾⁽¹⁰⁾
Total Investment Return on Market Value⁽⁵⁾			9.60%⁽⁹⁾		0.40%⁽⁶⁾⁽¹⁰⁾

Ratios/Supplemental Data

Net assets, end of period (000 s omitted)	\$	1,227,477	\$	1,404,099
Ratios (As a percentage of average daily net assets):				
Expenses before custodian fee reduction ⁽⁷⁾		1.06%		1.08% ⁽⁸⁾
Net investment income		0.85%		1.29% ⁽⁸⁾
Portfolio Turnover		100%		30% ⁽¹⁰⁾

- (1) For the period from the start of business, July 31, 2007, to December 31, 2007.
- (2) Net asset value at beginning of period reflects the deduction of the sales load of \$0.90 per share paid by the shareholder from the \$20.00 offering price.
- (3) Computed using average shares outstanding.
- (4) Includes per share federal corporate income tax on long-term capital gains retained by the Fund of \$(0.612).
- (5) Returns are historical and are calculated by determining the percentage change in net asset value or market value with all distributions reinvested. 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%.
- (6) Total investment return on net asset value is calculated assuming a purchase at the offering price of \$20.00 less the sales load of \$0.90 per share paid by the shareholder on the first day and a sale at the net asset value on the last day of the period reported with all distributions reinvested. Total investment return on market value is calculated assuming a purchase at the offering price of \$20.00 less the sales load of \$0.90 per share paid by the shareholder on the first day and a sale at the current market price on the last day of the period reported with all distributions reinvested.
- (7) Excludes the effect of custody fee credits, if any, of less than 0.005%.

- (8) Annualized.
- (9) 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.
- (10) Not annualized.

See notes to financial statements

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Eaton Vance Risk-Managed Diversified Equity Income Fund as of December 31, 2008

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 Fund pursues its investment objectives by investing primarily in a portfolio of common stocks and index put options. Under normal market conditions, the Fund seeks to generate current earnings in part by employing an options strategy of writing put options on individual stocks and index call options with respect to a portion of its common stock portfolio.

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 listed on a U.S. securities exchange generally are valued at the last sale 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 an independent pricing service. Exchange-traded options are valued at the last sale price for the day of valuation as quoted on any exchange on which the options are traded or, in the absence of sales on such date, at the mean between the closing bid and asked prices therefore. Over-the-counter options are valued based on broker quotations. Short-term debt securities with a remaining maturity of sixty days or less are valued at amortized cost, which approximates market value. If short-term debt securities are acquired with a remaining maturity of more than sixty days, they will be valued by a pricing service. Foreign securities and currencies are valued in U.S. dollars, based on foreign currency exchange rate quotations supplied by an independent quotation service. The independent service uses a proprietary model to determine the exchange rate. Inputs to the model include reported trades and implied bid/ask spreads. 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 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 are valued at fair value using methods determined in good faith by or at the direction of the Trustees of the Fund considering relevant factors, data and information including the market value of freely tradable securities of the same class in the principal market on which such securities are normally traded.

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

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

C Income 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 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. Alternatively, the Fund may choose to retain all or a portion of its net capital gains and pay a federal corporate income tax on such amount retained. For the year ended December 31, 2008, the Fund accrued a federal corporate income tax of \$43,353,768 on realized capital gains of \$123,867,909 that it retained.

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Eaton Vance Risk-Managed Diversified Equity Income Fund as of December 31, 2008

NOTES TO FINANCIAL STATEMENTS CONT D

Additionally, at December 31, 2008, the Fund had net capital losses of \$148,580,880 attributable to security transactions incurred after October 31, 2008. These net capital losses are treated as arising on the first day of the Fund's taxable year ending December 31, 2009.

As of December 31, 2008, the Fund had no uncertain tax provisions that would require financial statement recognition, de-recognition, or disclosure. Each of the Fund's federal tax returns filed since the start of business on July 31, 2007 to December 31, 2008 remains subject to examination by the Internal Revenue Service.

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

F Organization and Offering Costs Costs incurred by the Fund in connection with its organization are expensed. Costs incurred by the Fund in connection with the offering of its common shares are recorded as a reduction of additional paid-in capital.

G 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.

H Use of Estimates The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from those estimates.

I Indemnifications Under the Fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the perform