

Eaton Vance Tax-Managed Diversified Equity Income Fund  
Form N-CSR  
December 29, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-21832

Eaton Vance Tax-Managed Diversified Equity Income Fund  
(Exact name of registrant as specified in charter)

The Eaton Vance Building, 255 State Street, Boston, Massachusetts  
(Address of principal executive offices)

02109  
(Zip code)

Maureen A. Gemma

The Eaton Vance Building, 255 State Street, Boston, Massachusetts 02109  
(Name and address of agent for service)

Registrant's telephone number, including area code: (617) 482-8260

Date of fiscal year end: October 31

Date of reporting period: October 31, 2008

---

**Item 1. Reports to Stockholders**

---

Annual Report October 31, 2008

EATON VANCE  
TAX-MANAGED  
DIVERSIFIED  
EQUITY INCOME  
FUND

---

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

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

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

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

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

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

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

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

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

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

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

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

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

**Portfolio Holdings.** 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](http://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](http://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](http://www.sec.gov).

---



**Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008**

**MANAGEMENT'S DISCUSSION OF FUND PERFORMANCE**

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

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

Ronald M. Egalka  
Rampart Investment Management  
Co-Portfolio Manager

Economic and Market Conditions

- Global stock markets moved dramatically lower during the year that ended October 31, 2008. After reaching record highs in October 2007, the major market indices began to decline at the end of 2007, as investors realized that the difficulties in subprime lending and the troubled housing market were likely to slow the economy significantly. By

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

the summer of 2008, the magnitude of the damage became increasingly apparent. Many banks in the U.S. and Europe were faced with enormous write-offs from bad real estate loans, losses that severely impaired their overall lending capacity. As global markets declined further, investor and consumer sentiment worsened. That trend was accelerated by soaring energy prices, as oil hit \$145 per barrel in July and pinched consumers even more.

- The failure of Lehman Brothers in September 2008 and the tenuous condition of other capital-starved banks and financial institutions sparked fears of a global financial collapse. In late September 2008, in an effort to jump-start lending, the U.S. Treasury department unveiled a controversial proposal to purchase troubled loans from banks and financial institutions. A revised version of the measure was approved by Congress, and similar plans were undertaken across Europe. A coordinated effort by the world's central banks to inject liquidity into the global banking system followed. While those actions reassured many investors, volatility remained high as the one-year period drew to a close.

### Management Discussion

- The Fund is a closed-end fund and trades on the New York Stock Exchange (NYSE) under the symbol ETY. At net asset value (NAV), the Fund outperformed the S&P 500 Index, the FTSE Eurotop 100 Index, and its Lipper peer group average, while trailing the CBOE S&P 500 BuyWrite Index for the year ended October 31, 2008.

- The Fund outperformed a blended index consisting of an 80% weighting in the S&P 500 Index and a 20% weighting in the FTSE Eurotop 100 (reflecting the Fund's composition) at net asset value (NAV) for the year ended October 31, 2008. (It is important to remember that the blended index does not include the hedging characteristics that are utilized by the Fund in the execution of its covered call option writing strategy.)

Eaton Vance Tax-Managed Diversified Equity Income Fund  
Total Return Performance 10/31/07 - 10/31/08

NYSE symbol	ETY
At Net Asset Value (NAV)	-26.02%
At Share Price	-22.15%
S&P 500 Index(1)	-36.08%
CBOE S&P 500 BuyWrite Index (BXM)(1)	-23.23%
FTSE Eurotop 100 Index(1)	-37.33%
Lipper Options Arbitrage/Options Strategies Funds Average(1)	-32.35%
Premium/(Discount) to NAV	-8.04%
Total Distributions per share	\$ 1.85
Distribution Rate(2)	14.30%
<i>At NAV</i>	
<i>At Share Price</i>	15.55%

See page 3 for more performance information.

(1) *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 return for the FTSE Eurotop 100 Index is calculated in U.S. dollars. 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.*

(2) *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.*

*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](http://www.eatonvance.com).*

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



- With the financials sector suffering significant losses during the fiscal year, management maintained an underweighting relative to the blended index, which contributed to the Fund's relative positive performance for the year. In addition, stock selection in the financials sector made positive relative contributions, especially among insurance companies and diversified financial services, as selected Fund holdings outperformed their counterparts in the blended index.
- The relative performance of Fund holdings in the information technology and industrials sectors also aided performance. In contrast, the Fund's holdings in the materials, utilities, and energy sectors detracted the most from relative performance.
- At October 31, 2008, the Fund had written call options on approximately 60% of its equity holdings. The Fund seeks current earnings, in large part, from option premiums, which can vary with investors' expectation of the future volatility (implied volatility) of the underlying asset. The year witnessed continued high levels of implied volatility in concert with the high level of actual volatility in the equity markets, especially in September and October of 2008. The Fund was able to monetize some of this volatility in the form of higher premiums during the fiscal year ended October 31, 2008.
- The Fund's primary investment objective is to provide current income and gains, with a secondary objective of capital appreciation. In pursuing its investment objectives, the Fund evaluates returns on an after-tax basis, seeking to minimize and defer shareholder federal income taxes. Under normal market conditions, the Fund's investment program consists primarily of owning a diversified portfolio of common stocks. The Fund seeks to earn high levels of tax-advantaged income and gains by emphasizing investments in stocks that pay dividends that qualify for favorable federal income tax treatment and by writing (selling) stock index call options with respect to a portion of its common stock portfolio value.

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

**Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008**

**FUND PERFORMANCE**

**Fund Performance**

NYSE Symbol:

ETY

Average Annual Total Returns (at share price, New York Stock Exchange)

One Year	-22.15%
Life of Fund (11/30/06)	-13.90

Average Annual Total Returns (at net asset value)

One Year	-26.02%
Life of Fund (11/30/06)	-10.06

Fund Composition

Top Ten Holdings(1)

By total investments

Berkshire Hathaway, Inc., Class A	2.6%
Exxon Mobil Corp.	2.3
Microsoft Corp.	2.1
JPMorgan Chase & Co.	2.1
International Business Machines Corp.	2.0
Hewlett-Packard Co.	1.8
General Electric Co.	1.8
Philip Morris International, Inc.	1.8
Nestle SA	1.7
AT&T, Inc.	1.7

(1) Top Ten Holdings represented 19.9% of the Fund's total investments as of 10/31/08. The Top Ten Holdings are presented without the offsetting effect of the Fund's written option positions at 10/31/08. Excludes cash equivalents.

Common Stock Sector Weightings(2)

By total investments

---

(2) Reflects the Fund's total investments as of 10/31/08. Common Stock Sector Weightings are presented without the offsetting effect of the Fund's written option positions at 10/31/08. Excludes cash equivalents.

*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](http://www.eatonvance.com).*

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

Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008

PORTFOLIO OF INVESTMENTS

Common Stocks 99.2%		
Security	Shares	Value
Aerospace & Defense 4.7%		
General Dynamics Corp.	362,188	\$ 21,847,180
Lockheed Martin Corp.	271,765	23,113,613
Raytheon Co.	341,979	17,478,547
United Technologies Corp.	534,507	29,376,505
		\$ 91,815,845
Auto Components 0.5%		
Johnson Controls, Inc.	498,752	\$ 8,842,873
		\$ 8,842,873
Beverages 2.5%		
Coca-Cola Co. (The)	418,283	\$ 18,429,549
PepsiCo, Inc.	515,673	29,398,518
		\$ 47,828,067
Biotechnology 2.4%		
Amgen, Inc. <sup>(1)</sup>	236,712	\$ 14,176,682
Biogen Idec, Inc. <sup>(1)</sup>	172,845	7,354,555
Genzyme Corp. <sup>(1)</sup>	331,555	24,163,728
		\$ 45,694,965
Capital Markets 3.4%		
Bank of New York Mellon Corp. (The)	342,331	\$ 11,159,991
Credit Suisse Group	368,122	13,765,507
Goldman Sachs Group, Inc.	131,166	12,132,855
Invesco, Ltd.	508,607	7,583,330
Julius Baer Holding AG	363,391	14,212,307
T. Rowe Price Group, Inc.	194,233	7,679,973
		\$ 66,533,963
Chemicals 0.9%		
E.I. Du Pont de Nemours & Co.	529,290	\$ 16,937,280
		\$ 16,937,280
Commercial Banks 1.6%		
Banco Bradesco SA ADR	1	\$ 6
Banco Santander Central Hispano SA	585,659	6,333,995
HSBC Holdings PLC	1,144,104	13,551,027
Security		
Commercial Banks (continued)		
Toronto-Dominion Bank	152,515	\$ 7,174,306
U.S. Bancorp	160,656	4,789,155
		\$ 31,848,489
Commercial Services & Supplies 0.8%		
Waste Management, Inc.	498,002	\$ 15,552,602
		\$ 15,552,602

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

Communications Equipment 3.8%		
Cisco Systems, Inc. <sup>(1)</sup>	1,812,593	\$ 32,209,778
Nokia Oyj ADR	300,000	4,554,000
QUALCOMM, Inc.	734,207	28,090,760
Research In Motion, Ltd. <sup>(1)</sup>	189,686	9,565,865
		\$ 74,420,403
Computers & Peripherals 5.0%		
Apple, Inc. <sup>(1)</sup>	194,590	\$ 20,935,938
Hewlett-Packard Co.	959,803	36,741,259
International Business Machines Corp.	431,798	40,144,260
		\$ 97,821,457
Diversified Financial Services 2.9%		
Bank of America Corp.	268,414	\$ 6,487,566
Citigroup, Inc.	586,313	8,003,172
JPMorgan Chase & Co.	997,650	41,153,063
		\$ 55,643,801
Diversified Telecommunication Services 2.8%		
AT&T, Inc.	1,241,203	\$ 33,227,004
Verizon Communications, Inc.	691,682	20,522,205
		\$ 53,749,209
Electric Utilities 2.8%		
E.ON AG	564,258	\$ 21,145,474
Edison International	484,150	17,230,899
FirstEnergy Corp.	235,932	12,306,213
Iberdrola SA	538,537	3,864,389
		\$ 54,546,975

See notes to financial statements

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

Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008

PORTFOLIO OF INVESTMENTS CONT'D

Security	Shares	Value
<b>Electrical Equipment 1.4%</b>		
ABB, Ltd. <sup>(1)</sup>	252,429	\$ 3,312,148
Emerson Electric Co.	609,703	19,955,579
Vestas Wind Systems A/S <sup>(1)</sup>	118,396	4,849,508
		\$ 28,117,235
<b>Energy Equipment &amp; Services 3.7%</b>		
Diamond Offshore Drilling, Inc.	205,096	\$ 18,212,525
Halliburton Co.	294,038	5,819,012
National-Oilwell Varco, Inc. <sup>(1)</sup>	195,649	5,847,949
Schlumberger, Ltd.	430,344	22,227,268
Transocean, Inc. <sup>(1)</sup>	232,106	19,109,287
		\$ 71,216,041
<b>Food &amp; Staples Retailing 2.3%</b>		
CVS Caremark Corp.	624,937	\$ 19,154,319
Kroger Co. (The)	204,381	5,612,302
Wal-Mart Stores, Inc.	349,620	19,512,292
		\$ 44,278,913
<b>Food Products 3.3%</b>		
Groupe Danone	84,641	\$ 4,712,884
Nestle SA	861,427	33,498,305
Nestle SA ADR	319,837	12,297,733
Unilever NV	566,760	13,658,619
		\$ 64,167,541
<b>Health Care Equipment &amp; Supplies 2.5%</b>		
Baxter International, Inc.	218,713	\$ 13,229,949
Becton, Dickinson and Co.	93,781	6,508,401
Boston Scientific Corp. <sup>(1)</sup>	877,418	7,923,085
Medtronic, Inc.	356,536	14,379,097
Zimmer Holdings, Inc. <sup>(1)</sup>	145,854	6,772,001
		\$ 48,812,533
<b>Health Care Providers &amp; Services 1.0%</b>		
Aetna, Inc.	299,251	\$ 7,442,372
Fresenius Medical Care AG & Co. KGaA ADR	97,630	4,401,160
UnitedHealth Group, Inc.	323,476	7,676,086
		\$ 19,519,618
<b>Security</b>	<b>Shares</b>	<b>Value</b>
<b>Hotels, Restaurants &amp; Leisure 1.4%</b>		
McDonald's Corp.	477,077	\$ 27,637,071
		\$ 27,637,071
<b>Household Durables 2.3%</b>		
Centex Corp.	514,627	\$ 6,304,181

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

D.R. Horton, Inc.	858,770	6,337,723
KB HOME	387,851	6,473,233
Lennar Corp., Class A	660,357	5,111,163
NVR, Inc. <sup>(1)</sup>	10,335	5,066,320
Pulte Homes, Inc.	560,142	6,239,982
Ryland Group, Inc.	106,254	1,996,513
Toll Brothers, Inc. <sup>(1)</sup>	279,790	6,468,745
		\$ 43,997,860
Household Products 2.9%		
Clorox Co. (The)	96,834	\$ 5,888,476
Colgate-Palmolive Co.	291,647	18,303,766
Kimberly-Clark Corp.	213,739	13,100,063
Procter & Gamble Co.	283,641	18,306,190
		\$ 55,598,495
Industrial Conglomerates 2.3%		
General Electric Co.	1,862,318	\$ 36,333,824
Siemens AG	145,329	8,546,157
		\$ 44,879,981
Insurance 6.5%		
Allianz SE	110,480	\$ 8,108,124
Berkshire Hathaway, Inc., Class A <sup>(1)</sup>	461	53,240,890
Chubb Corp.	309,971	16,062,697
Travelers Companies, Inc. (The)	571,396	24,312,900
Zurich Financial Services AG	115,592	23,451,032
		\$ 125,175,643
Internet Software & Services 1.5%		
Google, Inc., Class A <sup>(1)</sup>	83,054	\$ 29,846,285
		\$ 29,846,285

See notes to financial statements

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

Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008

PORTFOLIO OF INVESTMENTS CONT'D

Security	Shares	Value
<b>IT Services 1.6%</b>		
Accenture, Ltd., Class A	248,425	\$ 8,210,446
MasterCard, Inc., Class A	97,580	14,424,276
Visa, Inc., Class A	169,114	9,360,460
		\$ 31,995,182
<b>Life Sciences Tools &amp; Services 0.6%</b>		
Thermo Fisher Scientific, Inc. <sup>(1)</sup>	264,139	\$ 10,724,043
		\$ 10,724,043
<b>Machinery 1.4%</b>		
Danaher Corp.	323,637	\$ 19,172,256
Illinois Tool Works, Inc.	230,795	7,706,245
		\$ 26,878,501
<b>Media 2.6%</b>		
Comcast Corp., Class A	1,650,164	\$ 26,006,585
Omnicom Group, Inc.	291,085	8,598,651
Time Warner, Inc.	880,013	8,879,331
Vivendi SA	238,195	6,226,204
		\$ 49,710,771
<b>Metals &amp; Mining 1.8%</b>		
Anglo American PLC	177,796	\$ 4,461,130
Arcelor Mittal	83,309	2,166,817
Companhia Vale do Rio Doce ADR	329,554	4,323,749
Goldcorp, Inc.	1,089,666	20,333,168
Rio Tinto PLC	77,369	3,614,075
		\$ 34,898,939
<b>Multi-Utilities 1.1%</b>		
Public Service Enterprise Group, Inc.	597,835	\$ 16,829,055
RWE AG	64,864	5,317,613
		\$ 22,146,668
<b>Oil, Gas &amp; Consumable Fuels 9.3%</b>		
Anadarko Petroleum Corp.	490,457	\$ 17,313,132
Apache Corp.	75,144	6,186,606
BP PLC	997,257	8,129,130
ConocoPhillips	317,824	16,533,205
ENI SpA	463,131	11,054,078
Exxon Mobil Corp.	633,804	46,977,553
<b>Security</b>		
<b>Oil, Gas &amp; Consumable Fuels (continued)</b>		
Hess Corp.	355,292	\$ 21,392,131
Occidental Petroleum Corp.	285,634	15,864,112
Peabody Energy Corp.	161,671	5,579,266
Royal Dutch Shell PLC, Class B	278,455	7,549,413



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

Total SA	195,743	10,768,495
Williams Cos., Inc.	347,764	7,292,611
XTO Energy, Inc.	169,031	6,076,664
		\$ 180,716,396
Pharmaceuticals 5.6%		
Bayer AG	70,858	\$ 3,878,846
Johnson & Johnson	491,604	30,154,989
Merck & Co., Inc.	670,235	20,743,773
Novartis AG	206,853	10,499,448
Novo-Nordisk A/S, Class B	116,072	6,221,827
Roche Holding AG	71,637	10,955,221
Sanofi-Aventis SA	179,473	11,370,890
Schering-Plough Corp.	477,778	6,923,003
Teva Pharmaceutical Industries, Ltd. ADR	163,785	7,023,101
		\$ 107,771,098
Real Estate Investment Trusts (REITs) 0.6%		
Boston Properties, Inc.	87,818	\$ 6,224,540
Simon Property Group, Inc.	75,096	5,033,685
		\$ 11,258,225
Semiconductors & Semiconductor Equipment 0.8%		
ASML Holding NV	918,083	\$ 16,112,357
		\$ 16,112,357
Software 3.2%		
Microsoft Corp.	1,859,828	\$ 41,529,959
Oracle Corp. <sup>(1)</sup>	1,141,867	20,884,747
		\$ 62,414,706
Specialty Retail 2.0%		
Best Buy Co., Inc.	536,445	\$ 14,382,090
Home Depot, Inc.	282,080	6,654,267
Staples, Inc.	885,038	17,196,288
		\$ 38,232,645

See notes to financial statements

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

Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008

PORTFOLIO OF INVESTMENTS CONT'D

Security	Shares	Value
<b>Tobacco 2.5%</b>		
British American Tobacco PLC	441,140	\$ 12,100,174
Philip Morris International, Inc.	825,726	35,894,309
		\$ 47,994,483
<b>Wireless Telecommunication Services 0.9%</b>		
Rogers Communications, Inc., Class B	284,698	\$ 8,281,865
Vodafone Group PLC	4,476,148	8,610,843
		\$ 16,892,708
<b>Total Common Stocks (identified cost \$2,486,906,109)</b>		<b>\$ 1,922,229,867</b>
<b>Investment Funds 0.5%</b>		
<b>Security</b>	<b>Shares</b>	<b>Value</b>
<b>Capital Markets 0.5%</b>		
SPDR S&P Homebuilders ETF	630,303	\$ 8,887,272
		\$ 8,887,272
<b>Total Investment Funds (identified cost \$8,760,959)</b>		<b>\$ 8,887,272</b>
<b>Call Options Purchased 0.3%</b>		

Description	Number of Contracts	Strike Price	Expiration Date	Value
S&P 500 Index	2,014	\$ 1,010	11/22/08	\$ 5,739,900

**Total Call Options Purchased  
(identified cost \$6,347,927)** \$ 5,739,900

**Short-Term Investments 3.7%**

Description	Interest (000's omitted)	Value
Cash Management Portfolio, 1.90%(2)	\$ 72,198	\$ 72,197,977
<b>Total Short-Term Investments (identified cost \$72,197,977)</b>		<b>\$ 72,197,977</b>
<b>Total Investments 103.7% (identified cost \$2,574,212,972)</b>		<b>\$ 2,009,055,016</b>

**Covered Call Options Written (3.4)%**

Description	Number of Contracts	Strike Price	Expiration Date	Value
S&P 500 Index	1,546	\$ 915	11/22/08	\$ (9,894,400)
S&P 500 Index	2,050	925	11/22/08	(16,006,400)
S&P 500 Index	2,054	955	11/22/08	(11,933,740)
S&P 500 Index	2,533	970	11/22/08	(12,363,573)
S&P 500 Index	2,469	995	11/22/08	(9,357,510)
S&P 500 Index	4,028	1,050	11/22/08	(6,042,000)

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

Total Covered Call Options Written (premiums received \$70,390,742)	\$ (65,597,623)
Other Assets, Less Liabilities (0.3)%	\$ (5,674,438)
Net Assets 100.0%	\$ 1,937,782,955

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 October 31, 2008.

Country Concentration of Portfolio		
Country	Percentage of Net Assets	Value
United States	81.8%	\$ 1,584,150,964
Switzerland	6.3	121,991,701
United Kingdom	3.0	58,015,792
Germany	2.7	51,397,374
Canada	2.3	45,355,204
France	1.7	33,078,473
Netherlands	1.5	29,770,976
Cayman Islands	1.0	19,109,287
Bermuda	0.8	15,793,776
Denmark	0.6	11,071,335
Italy	0.6	11,054,078
Spain	0.5	10,198,384
Israel	0.4	7,023,101
Finland	0.2	4,554,000
Brazil	0.2	4,323,754
Luxembourg	0.1	2,166,817
	103.7%	\$ 2,009,055,016

See notes to financial statements



Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008

FINANCIAL STATEMENTS

Statement of Assets and Liabilities

As of October 31, 2008

<b>Assets</b>	
Unaffiliated investments, at value (identified cost, \$2,502,014,995)	\$ 1,936,857,039
Affiliated investments, at value (identified cost, \$72,197,977)	72,197,977
Dividends and interest receivable	3,121,047
Interest receivable from affiliated investment	298,622
Tax reclaims receivable	1,555,388
<b>Total assets</b>	<b>\$ 2,014,030,073</b>
<b>Liabilities</b>	
Written options outstanding, at value (premiums received, \$70,390,742)	\$ 65,597,623
Payable for investments purchased	8,612,405
Payable to affiliate for investment adviser fee	1,571,930
Payable to affiliate for Trustees' fees	5,634
Accrued expenses	459,526
<b>Total liabilities</b>	<b>\$ 76,247,118</b>
<b>Net Assets</b>	<b>\$ 1,937,782,955</b>
<b>Sources of Net Assets</b>	
Common shares, \$0.01 par value, unlimited number of shares authorized, 149,711,079 shares issued and outstanding	\$ 1,497,111
Additional paid-in capital	2,601,422,306
Accumulated net realized loss (computed on the basis of identified cost)	(104,653,703)
Net unrealized depreciation (computed on the basis of identified cost)	(560,482,759)
<b>Net Assets</b>	<b>\$ 1,937,782,955</b>
<b>Net Asset Value</b>	
(\$1,937,782,955 ÷ 149,711,079 common shares issued and outstanding)	\$ 12.94

Statement of Operations

For the Year Ended  
October 31, 2008

<b>Investment Income</b>	
Dividends (net of foreign taxes, \$1,632,483)	\$ 61,712,960
<b>Interest</b>	<b>282</b>
Interest income allocated from affiliated investment	5,276,063
Expenses allocated from affiliated investment	(715,128)
<b>Total investment income</b>	<b>\$ 66,274,177</b>
<b>Expenses</b>	
Investment adviser fee	\$ 24,923,112
Trustees' fees and expenses	54,249
Custodian fee	578,204

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

Printing and postage	463,850
Legal and accounting services	89,929
Transfer and dividend disbursing agent fees	30,843
Miscellaneous	178,654
Total expenses	\$ 26,318,841
Deduct	
Reduction of custodian fee	\$ 2
Total expense reductions	\$ 2
Net expenses	\$ 26,318,839
Net investment income	\$ 39,955,338
Realized and Unrealized Gain (Loss)	
Net realized gain (loss)	
Investment transactions (identified cost basis)	\$ (263,006,913)
Written options	252,791,364
Foreign currency transactions	464,817
Net realized loss	\$ (9,750,732)
Change in unrealized appreciation (depreciation)	
Investments (identified cost basis)	\$ (748,259,377)
Written options	(582,596)
Foreign currency	(324,196)
Net change in unrealized appreciation (depreciation)	\$ (749,166,169)
Net realized and unrealized loss	\$ (758,916,901)
Net decrease in net assets from operations	\$ (718,961,563)

See notes to financial statements

Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008

FINANCIAL STATEMENTS CONT'D

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Year Ended October 31, 2008	Period Ended October 31, 2007 <sup>(1)</sup>
From operations		
Net investment income	\$ 39,955,338	\$ 194,432,340
Net realized loss from investment transactions, written options and foreign currency transactions	(9,750,732)	(100,997,385)
Net change in unrealized appreciation (depreciation) of investments, written options and foreign currency	(749,166,169)	188,683,410
Net increase (decrease) in net assets from operations	\$ (718,961,563)	\$ 282,118,365
Distributions		
From net investment income	\$ (35,731,879)	\$ (192,561,385)
Tax return of capital	(241,233,617)	(14,497,588)
Total distributions	\$ (276,965,496)	\$ (207,058,973)
Capital share transactions		
Proceeds from sale of shares	\$	\$ 2,841,125,000 <sup>(2)</sup>
Reinvestment of distributions		18,767,049
Offering costs		(1,341,427)
Total increase in net assets from capital share transactions	\$	\$ 2,858,550,622
Net increase (decrease) in net assets	\$ (995,927,059)	\$ 2,933,610,014
Net Assets		
At beginning of period	\$ 2,933,710,014	\$ 100,000
At end of period	\$ 1,937,782,955	\$ 2,933,710,014

(1) For the period from the start of business, November 30, 2006, to October 31, 2007.

(2) Proceeds from sale of shares are net of sales load paid of \$133,875,000.

See notes to financial statements





Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008

FINANCIAL STATEMENTS CONT'D

Financial Highlights

	Year Ended October 31, 2008	Period Ended October 31, 2007 <sup>(1)</sup>
Net asset value Beginning of period	\$ 19.600	\$ 19.100 <sup>(2)</sup>
Income (loss) from operations		
Net investment income <sup>(3)</sup>	\$ 0.267	\$ 1.314
Net realized and unrealized gain (loss)	(5.077)	0.583
Total income (loss) from operations	\$ (4.810)	\$ 1.897
Less distributions		
From net investment income	\$ (0.239)	\$ (1.290)
Tax return of capital	(1.611)	(0.098)
Total distributions	\$ (1.850)	\$ (1.388)
Offering costs charged to paid-in capital <sup>(3)</sup>	\$	\$ (0.009)
Net asset value End of period	\$ 12.940	\$ 19.600
Market value End of period	\$ 11.900	\$ 17.130
Total Investment Return on Net Asset Value <sup>(4)</sup>	(26.02)%	10.26% <sup>(5)(8)</sup>
Total Investment Return on Market Value <sup>(4)</sup>	(22.15)%	(3.63)% <sup>(5)(8)</sup>
Ratios/Supplemental Data		
Net assets, end of period (000's omitted)	\$ 1,937,783	\$ 2,933,710
Ratios (As a percentage of average net assets):		
Expenses before custodian fee reduction <sup>(6)</sup>	1.05%	1.06% <sup>(7)</sup>
Net investment income	1.56%	7.27% <sup>(7)</sup>
Portfolio Turnover	95%	221% <sup>(8)</sup>

(1) For the period from the start of business, November 30, 2006, to October 31, 2007.

(2) Net asset value at beginning of period reflects a 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) Returns are historical and are calculated by determining the percentage change in market value or net asset value with all distributions reinvested.

(5) Total investment return on net asset value is calculated assuming a purchase at the offering price of \$20.00 less the sales load of \$0.90 per share paid by the shareholder on the first day and a sale at the net asset value on the last day of the period reported with all distributions reinvested. Total investment return on market value is calculated assuming a purchase at the offering price of \$20.00 less the sales load of \$0.90 per share paid by the shareholder on the first day and a sale at the current market price on the last day of the period reported with all distributions reinvested.

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

(7) Annualized.

(8) Not annualized.

See notes to financial statements

10

---



Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008

NOTES TO FINANCIAL STATEMENTS

1 Significant Accounting Policies

Eaton Vance Tax-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 diversified portfolio of common stocks. Under normal market conditions, the Fund seeks to generate current earnings in part by employing an options strategy of writing 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, 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

Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008

NOTES TO FINANCIAL STATEMENTS CONT'D

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

At October 31, 2008, the Fund, for federal income tax purposes, had a capital loss carryforward of \$99,781,516, which will reduce its taxable income arising from future net realized gains on investment transactions, if any, to the extent permitted by the Internal Revenue Code, and thus will reduce the amount of distributions to shareholders, which would otherwise be necessary to relieve the Fund of any liability for federal income or excise tax. Such capital loss carryforward will expire on October 31, 2015.

During the year ended October 31, 2008, a capital loss carryforward of \$1,266,606 was utilized to offset net realized gains by the Fund.

As of October 31, 2008, the Fund had no uncertain tax positions that would require financial statement recognition, de-recognition, or disclosure. Each of the Fund's federal tax returns filed since the start of business on November 30, 2006 to October 31, 2008 remains subject to examination by the Internal Revenue Service.

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

**F 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 performance of their duties to the Fund, and shareholders are indemnified against personal liability for the obligations of the Fund. Additionally, in the normal course of business, the Fund enters into agreements with service providers that may contain indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred.

**J Written Options** Upon the writing of a call or a 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. 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.

**K 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

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

## Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008

### NOTES TO FINANCIAL STATEMENTS CONT'D

the option purchased, in accordance with the Fund's policies on investment valuations discussed above. If an option which the Fund had purchased expires on the stipulated expiration date, the Fund will realize a loss in the amount of the cost of the option. If the Fund enters into a closing sale transaction, the Fund will realize a gain or loss, depending on whether the sales proceeds from the closing sale transaction are greater or less than the cost of the option. If the Fund exercises a put option, it will realize a gain or loss from the sale of the underlying security, and the proceeds from such sale will be decreased by the premium originally paid. If the Fund exercises a call option, the cost of the security which the Fund purchases upon exercise will be increased by the premium originally paid. The risk associated with purchasing options is limited to the premium originally paid.

### 2 Distributions to Shareholders

The Fund intends to make quarterly distributions 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. At least annually, the Fund intends to distribute all or substantially all of its net realized capital gains, 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 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 year ended October 31, 2008 and the period from the start of business, November 30, 2006, to October 31, 2007 was as follows:

	Year Ended October 31, 2008	Period Ended October 31, 2007
Distributions declared from:		
Ordinary income	\$ 35,731,879	\$ 192,561,385
Tax return of capital	\$ 241,233,617	\$ 14,497,588

During the year ended October 31, 2008, accumulated net realized loss was decreased by \$4,223,459 and accumulated undistributed net investment income was decreased by \$4,223,459 due to differences between book and tax accounting, primarily for foreign currency gain (loss), distributions from real estate investment trusts and return of capital distributions from securities. These reclassifications had no effect on the net assets or net asset value per share of the Fund.

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

Capital loss carryforward	\$ (99,781,516)
Net unrealized depreciation	\$ (565,354,946)

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 and written options contracts.

### 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. Prior to May 1, 2008, the fee was computed at an annual rate of 1.00% of the Fund's average daily gross assets. Gross assets as referred to herein represent net assets plus obligations attributable to investment leverage, if any. The Fund entered into a fee reduction agreement with EVM pursuant to which, effective May 1, 2008 through April 30, 2009, the Fund's adviser fee is computed at an annual rate of 1.00% of its average daily gross assets up to and including \$1.5 billion, 0.985% over \$1.5 billion up to and including \$3 billion, 0.97% over \$3 billion up to and including \$5 billion, and 0.955% on average daily gross assets over \$5 billion, and is payable monthly. The agreement also provides for additional reductions in rates beginning May 1, 2009 on average gross assets over \$1.5 billion. The fee reduction cannot be terminated without the consent of the Trustees and shareholders. The portion of the adviser fee payable by Cash Management on the Fund's investment of cash therein is credited against the Fund's adviser fee. For the year ended October 31, 2008, the Fund's adviser fee totaled \$25,603,071 of which \$679,959 was allocated from Cash Management and \$24,923,112 was paid or accrued directly by the Fund. For the year ended October 31, 2008, the Fund's adviser fee, including the portion allocated from Cash Management, was 1.00% of the Fund's average daily gross assets. Pursuant to a sub-advisory agreement, EVM has delegated the investment management of the Fund's options strategy to Rampart Investment Management Company, Inc. (Rampart). EVM pays Rampart a portion of



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

## Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008

### NOTES TO FINANCIAL STATEMENTS CONT'D

its advisory fee for sub-advisory services provided to the Fund. EVM also serves as administrator of the Fund, but receives no compensation.

Except for Trustees of the Fund who are not members of EVM's organization, officers and Trustees receive remuneration for their services to the Fund out of the investment adviser fee. Trustees of the Fund who are not affiliated with EVM may elect to defer receipt of all or a percentage of their annual fees in accordance with the terms of the Trustees Deferred Compensation Plan. For the year ended October 31, 2008, no significant amounts have been deferred. Certain officers and Trustees of the Fund are officers of EVM.

#### 4 Purchases and Sales of Investments

Purchases and sales of investments, other than short-term obligations, aggregated \$2,525,454,238 and \$2,359,562,256, respectively, for the year ended October 31, 2008.

#### 5 Common Shares of Beneficial Interest

The Fund may issue common shares pursuant to its dividend reinvestment plan. Transactions in common shares were as follows:

	Year Ended October 31, 2008	Period Ended October 31, 2007 <sup>(1)</sup>
Sales		148,755,000
Issued to shareholders electing to receive payments of distributions in Fund shares		956,079
Net increase		149,711,079

<sup>(1)</sup> For the period from the start of business, November 30, 2006, to October 31, 2007.

#### 6 Federal Income Tax Basis of Investments

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

Aggregate cost	\$ 2,574,292,040
Gross unrealized appreciation	\$ 12,742,807
Gross unrealized depreciation	(577,979,831)
Net unrealized depreciation	\$ (565,237,024)

#### 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 does not necessarily represent the amounts potentially subject to risk. The measurement of the risks associated with these instruments is meaningful only when all related and offsetting transactions are considered. A summary of written call options at October 31, 2008 is included in the Portfolio of Investments.

Written call options activity for the year ended October 31, 2008 was as follows:

	Number of Contracts	Premiums Received
Outstanding, beginning of year	9,430	\$ 29,045,955



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

Options written	139,233	425,009,385
Options terminated in closing purchase transactions	(133,983)	(383,664,598)
Outstanding, end of year	14,680	\$ 70,390,742

All of the assets of the Fund are subject to segregation to satisfy the requirements of the escrow agent. At October 31, 2008, the Fund had sufficient cash and/or securities to cover commitments under these contracts.

### 8 Risks Associated with Foreign Investments

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

Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008

NOTES TO FINANCIAL STATEMENTS CONT'D

of some foreign issuers (particularly those located in developing countries) may be less liquid and more volatile than securities of comparable U.S. companies. In general, there is less overall governmental supervision and regulation of foreign securities markets, broker-dealers and issuers than in the United States.

9 Recently Issued Accounting Pronouncements

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

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



Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Shareholders  
of Eaton Vance Tax-Managed  
Diversified Equity Income Fund:

We have audited the accompanying statement of assets and liabilities of Eaton Vance Tax-Managed Diversified Equity Income Fund (the "Fund"), including the portfolio of investments, as of October 31, 2008, and the related statement of operations for the year then ended, and the statements of changes in net assets and the financial highlights for the year then ended and for the period from the start of business, November 30, 2006, to October 31, 2007. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

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

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008, the results of its operations for the year then ended, and the changes in its net assets and the financial highlights for the year then ended and for the period from the start of business, November 30, 2006, to October 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP  
Boston, Massachusetts  
December 15, 2008

Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008

FEDERAL TAX INFORMATION (Unaudited)

The Form 1099-DIV you receive in January 2009 will show the tax status of all distributions paid to your account in calendar 2008. Shareholders are advised to consult their own tax adviser with respect to the tax consequences of their investment in the Fund. As required by the Internal Revenue Code regulations, shareholders must be notified within 60 days of the Fund's fiscal year end regarding the status of qualified dividend income for individuals and the dividends received deduction for corporations.

**Qualified Dividend Income.** The Fund designates \$57,492,643, or up to the maximum amount of such dividends allowable pursuant to the Internal Revenue Code, as qualified dividend income eligible for the reduced tax rate of 15%.

**Dividends Received Deduction.** Corporate shareholders are generally entitled to take the dividends received deduction on the portion of the Fund's dividend distribution that qualifies under tax law. For the Fund's fiscal 2008 ordinary income dividends, 67.6% qualifies for the corporate dividends received deduction.

Eaton Vance Tax-Managed Diversified Equity Income Fund as of October 31, 2008

ANNUAL MEETING OF SHAREHOLDERS (Unaudited)

The Fund held its Annual Meeting of Shareholders on August 29, 2008. The following action was taken by the shareholders:

**Item 1:** The election of William H. Park, Ronald A. Pearlman and Heidi L. Steiger as Class II Trustees of the Fund for a three-year term expiring in 2011.

Nominee for Trustee	Number of Shares	
	For	Withheld
Elected by All Shareholders		
William H. Park	137,230,155	2,722,350
Ronald A. Pearlman	137,098,692	2,853,813
Heidi L. Steiger	137,206,790	2,745,715



## Eaton Vance Tax-Managed Diversified Equity Income Fund

### DIVIDEND REINVESTMENT PLAN

The Fund offers a dividend reinvestment plan (the Plan) pursuant to which shareholders automatically have dividends and capital gains distributions reinvested in common shares (the Shares) of the Fund unless they elect otherwise through their investment dealer. On the distribution payment date, if the net asset value per Share is equal to or less than the market price per Share plus estimated brokerage commissions, then new Shares will be issued. The number of Shares shall be determined by the greater of the net asset value per Share or 95% of the market price. Otherwise, Shares generally will be purchased on the open market by the Plan Agent. Distributions subject to income tax (if any) are taxable whether or not shares are reinvested.

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

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

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

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

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



## Eaton Vance Tax-Managed Diversified Equity Income Fund

### APPLICATION FOR PARTICIPATION IN DIVIDEND REINVESTMENT PLAN

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

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

Please print exact name on account:

Shareholder signature Date

Shareholder signature Date

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

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

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

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

#### **Number of Employees**

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

#### **Number of Shareholders**

As of October 31, 2008, our records indicate that there are 146 registered shareholders and approximately 105,511 shareholders owning the Fund shares in street name, such as through brokers, banks, and financial intermediaries.

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

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

#### **New York Stock Exchange symbol**

The New York Stock Exchange symbol is ETY.

## Eaton Vance Tax-Managed Diversified Equity Income Fund

### BOARD OF TRUSTEES' ANNUAL APPROVAL OF THE INVESTMENT ADVISORY AGREEMENT

#### Overview of the Contract Review Process

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

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

#### *Information about Fees, Performance and Expenses*

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

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

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

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

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

Profitability analyses for each adviser with respect to each fund;

#### *Information about Portfolio Management*

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

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

Data relating to portfolio turnover rates of each fund;

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

#### *Information about each Adviser*

Reports detailing the financial results and condition of each adviser;

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

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

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

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

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

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

### *Other Relevant Information*

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

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

The terms of each advisory agreement.

## Eaton Vance Tax-Managed Diversified Equity Income Fund

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

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

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

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

#### Results of the Process

Based on its consideration of the foregoing, and such other information as it deemed relevant, including the factors and conclusions described below, the Contract Review Committee concluded that the continuance of the investment advisory agreement of the Eaton Vance Tax-Managed Diversified Equity Income Fund (the "Fund") with Eaton Vance Management (the "Adviser"), and the sub-advisory agreement with Rampart Investment Management Company, Inc. ("Rampart," the "Sub-adviser") including their fee structures, is in the interests of shareholders and, therefore, the Contract Review Committee recommended to the Board approval of the respective agreements. The Board accepted the recommendation of the Contract Review Committee as well as the factors considered and conclusions reached by the Contract Review Committee with respect to the agreements. Accordingly, the Board, including a majority of the Independent Trustees, voted to approve continuation of the investment advisory agreement and the sub-advisory agreement for the Fund.

#### Nature, Extent and Quality of Services

In considering whether to approve the investment advisory and sub-advisory agreements of the Fund, the Board evaluated the nature, extent and quality of services provided to the Fund by the Adviser and the Sub-adviser.

The Board considered the Adviser's and the Sub-adviser's management capabilities and investment process with respect to the types of investments held by the Fund, including the education, experience and number of its investment professionals and other personnel who provide portfolio management, investment research, and similar services to the Fund and whose responsibilities include supervising each Sub-adviser and coordinating their activities in implementing the Fund's investment strategy. In particular, the Board evaluated the abilities and experience of such investment personnel in analyzing factors such as tax efficiency and special considerations relevant to investing in stocks and selling call options on various indexes, including the S&P 500 Index. With respect to Rampart, the Board considered Rampart's business reputation and its options strategy and its past experience in implementing this strategy. The Board also took into account the resources dedicated to portfolio management and other services, including the compensation paid to recruit and retain investment personnel, and the time and attention devoted to the Fund by senior management.

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

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

## Eaton Vance Tax-Managed Diversified Equity Income Fund

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

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

#### Fund Performance

The Board compared the Fund's investment performance to a relevant universe of similarly managed funds identified by an independent data provider and appropriate benchmark indices. The Board reviewed comparative performance data for the period from inception (November 2006) through September 30, 2007 for the Fund. In light of the Fund's relatively brief operating history, the Board concluded that additional time was required to evaluate Fund performance.

#### Management Fees and Expenses

The Board reviewed contractual investment advisory fee rates, including any administrative fee rates, payable by the Fund (referred to as "management fees"). As part of its review, the Board considered the Fund's management fees and total expense ratio for the period from inception through September 30, 2007, as compared to a group of similarly managed funds selected by an independent data provider. The Board considered the fact that the Adviser had waived fees and/or paid expenses for the Fund. The Board also noted that, at its request, the Adviser had agreed to add fee breakpoints effective May 1, 2008.

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

#### Profitability

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

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

#### Economies of Scale

In reviewing management fees and profitability, the Board also considered the extent to which the Adviser and its affiliates, including the Sub-adviser, on the one hand, and the Fund, on the other hand, can expect to realize benefits from economies of scale as the assets of the Fund increase. The Board acknowledged the difficulty in accurately measuring the benefits resulting from the economies of scale with respect to the management of any specific fund or group of funds. The Board reviewed data summarizing the increases and decreases in the assets of the Fund since inception and of all Eaton Vance Funds as a group over various time periods, and evaluated the extent to which the total expense ratio of the Fund and the profitability of the Adviser and its affiliates may have been affected by such increases and decreases. The Board also considered the fact that the Fund is not continuously offered, and noted that, at its request, the Adviser had agreed to add breakpoints to the Fund's advisory fee effective May 1, 2008. Based upon the foregoing, the Board concluded that the benefits from economies of scale are currently being shared equitably by the Adviser and its affiliates, including the Sub-adviser, and the Fund and that, assuming reasonably foreseeable increases in the assets of the Fund, the structure of the advisory fee, which includes breakpoints at several asset levels, can be expected to cause the Adviser and its affiliates and the Fund to continue to share such benefits equitably.



## Eaton Vance Tax-Managed Diversified Equity Income Fund

## MANAGEMENT AND ORGANIZATION

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

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

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

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

Aviva USA (insurance provider)



## Eaton Vance Tax-Managed Diversified Equity Income Fund

## MANAGEMENT AND ORGANIZATION CONT'D

Name and Date of Birth Noninterested Trustees (continued)	Position(s) with the Fund	Term of Office and Length of Service	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen By Trustee <sup>(1)</sup>	Other Directorships Held
Lynn A. Stout 9/14/57	Class III Trustee	Until 2009. 3 years. Trustee since 2005.	Paul Hastings Professor of Corporate and Securities Law (since 2006) and Professor of Law (2001-2006), University of California at Los Angeles School of Law.	173	None
Ralph F. Verni 1/26/43	Chairman of the Board and Class III Trustee.	Trustee until 2009, 3 years. Trustee since 2005; Chairman of the Board since 2007.	Consultant and private investor.	173	None

Principal Officers who are not Trustees

Name and Date of Birth	Position(s) with the Fund	Term of Office and Length of Service	Principal Occupation(s) During Past Five Years
Duncan W. Richardson 10/26/57	President	Since 2005	Executive Vice President and Chief Equity Investment Officer of EVC, EVM and BMR. Officer of 81 registered investment companies managed by EVM or BMR.
Michael A. Allison 10/26/64	Vice President	Since 2006	Vice President of EVM and BMR. Officer of 24 registered investment companies managed by EVM or BMR.
Walter A. Row, III 7/20/57	Vice President	Since 2005	Director of Equity Research and a Vice President of EVM and BMR. Officer of 25 registered investment companies managed by EVM or BMR.
Judith A. Saryan 8/21/54	Vice President	Since 2005	Vice President of EVM and BMR. Officer of 55 registered investment companies managed by EVM or BMR.
Barbara E. Campbell 6/19/57	Treasurer	Since 2005	Vice President of EVM and BMR. Officer of 173 registered investment companies managed by EVM or BMR.
Maureen A. Gemma 5/24/60	Secretary and Chief Legal Officer	Secretary since 2007 and Chief Legal Officer since 2008	Vice President of EVM and BMR. Officer of 173 registered investment companies managed by EVM or BMR.
Paul M. O'Neil 7/11/53	Chief Compliance Officer	Since 2005	Vice President of EVM and BMR. Officer of 173 registered investment companies managed by EVM or BMR.

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

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

In accordance with Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, the Fund's annual CEO Certification certifying as to compliance with NYSE's Corporate Governance Listing Standards was submitted to the Exchange on September 3, 2008. The Fund has also filed its CEO and CFO certifications required by Section 302 of the Sarbanes-Oxley Act with the SEC as an exhibit to its most recent Form N-CSR.

This Page Intentionally Left Blank

---

This Page Intentionally Left Blank

---

This Page Intentionally Left Blank

---



**Investment Adviser and Administrator of Eaton Vance Tax-Managed  
Diversified Equity Income Fund  
Eaton Vance Management**

The Eaton Vance Building  
255 State Street  
Boston, MA 02109

**Sub-Adviser of Eaton Vance Tax-Managed Diversified Equity Income Fund  
Rampart Investment Management Company, Inc.**

One International Place  
Boston, MA 02110

**Custodian  
State Street Bank and Trust Company**

200 Clarendon Street  
Boston, MA 02116

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

59 Maiden Lane  
Plaza Level  
New York, NY 10038

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

200 Berkeley Street  
Boston, MA 02116-5022

**Eaton Vance Tax-Managed Diversified Equity Income Fund  
The Eaton Vance Building  
255 State Street  
Boston, MA 02109**

---







**Item 2. Code of Ethics**

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

**Item 3. Audit Committee Financial Expert**

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

**Item 4. Principal Accountant Fees and Services**

(a) (d)

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

Fiscal Years Ended	10/31/07	10/31/08
Audit Fees	\$ 77,000	\$ 79,175
Audit-Related Fees(1)	\$ 0	\$ 0
Tax Fees(2)	\$ 10,000	\$ 10,350
All Other Fees(3)	\$ 0	\$ 2,230
Total	\$ 87,000	\$ 91,755

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

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

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

matters.

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

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

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

---

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

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

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

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

(f) Not applicable.

(g) The following table presents (i) the aggregate non-audit fees (i.e., fees for audit-related, tax, and other services) billed to the registrant by the registrant's principal accountant for the registrant's fiscal year ended September 30, 2006 and the fiscal year ended September 30, 2007; and (ii) the aggregate non-audit fees (i.e., fees for audit-related, tax, and other services) billed to the Eaton Vance organization by the registrant's principal accountant for the same time periods.

<b>Fiscal Years Ended</b>	<b>10/31/07</b>	<b>10/31/08</b>
<b>Registrant</b>	\$ 10,000	\$ 12,580
<b>Eaton Vance(1)</b>	\$ 286,446	\$ 317,301

---

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

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

### **Item 5. Audit Committee of Listed registrants**

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



**Item 6. Schedule of Investments**

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

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

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

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

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

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

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

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

Walter A. Row, Michael A. Allison and other Eaton Vance Management ( EVM ) investment professionals comprise the investment team responsible for the overall management of the Fund's investments, providing the sub-adviser with research support and supervising the performance of the sub-adviser, Rampart Investment Management Company, Inc. ( Rampart ). Mr. Row and Mr. Allison are the portfolio managers responsible for the day-to-day management of EVM's responsibilities with respect to the Fund's investment portfolio. Mr. Row is a Vice President and the Director of Equity Research at EVM and Boston Management and Research ( BMR ). He is a member of EVM's Equity Strategy Committee, manages other Eaton Vance registered investment companies and has been an equity analyst and member of EVM's equity research team since 1996. Mr. Allison is a Vice President of EVM and BMR and co-manages other Eaton Vance registered investment companies. He joined Eaton Vance in 2000.

Ronald M. Egalka is responsible for the development and implementation of Rampart's options strategy utilized in managing the Fund. Mr. Egalka has been with Rampart since 1983 and is its President and CEO.

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

	Number of All Accounts	Total Assets of All Accounts*	Number of Accounts Paying a Performance Fee	Total Assets of Accounts Paying a Performance Fee*
<b>Walter A. Row</b>				
Registered Investment Companies	10	\$ 9,894.3	0	\$ 0
Other Pooled Investment Vehicles	0	\$ 0	0	\$ 0
Other Accounts	0	\$ 0	0	\$ 0
<b>Michael A. Allison</b>				
Registered Investment Companies	8	\$ 9,087.7	0	\$ 0
Other Pooled Investment Vehicles	1	\$ 91.6	0	\$ 0
Other Accounts	0	\$ 0	0	\$ 0
<b>Ronald M. Egalka</b>				
Registered Investment Companies	7	\$ 8,626.1	0	\$ 0
Other Pooled Investment Vehicles	0	\$ 0	0	\$ 0
Other Accounts	0	\$ 0	0	\$ 0

\*In millions of dollars. For registered investment companies, assets represent net assets

of all open-end investment companies and gross assets of all closed-end investment companies.

---



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

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

<b>Portfolio Manager</b>	<b>Dollar Range of Equity Securities Owned in the Fund</b>
Walter A. Row	\$1 - \$10,000
Michael A. Allison	\$50,001 - \$100,000
Ronald M. Egalka	\$10,001 - \$50,000

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

### **Compensation Structure for EVM**

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

*Method to Determine Compensation.* EVM compensates its portfolio managers based primarily on the scale and complexity of their portfolio responsibilities and the total return performance of managed funds and accounts versus appropriate peer groups or benchmarks. Performance is normally based on periods ending on the September 30th preceding fiscal year end. Fund performance is normally evaluated primarily versus peer groups of funds as determined by Lipper Inc. and/or Morningstar, Inc. When a fund's peer group as determined by Lipper or Morningstar is deemed by EVM's management not to provide a fair comparison, performance may instead be evaluated primarily against a custom peer group. In evaluating the performance of a fund and its manager, primary emphasis is normally placed on three-year performance, with secondary consideration of performance over longer and shorter periods. For funds that are

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

tax-managed or otherwise have an objective of after-tax returns, performance is measured net of taxes. For other funds, performance is evaluated on a pre-tax basis. In addition to rankings within peer groups of funds on the basis of absolute performance, consideration may also be given to risk-adjusted performance. For funds with an investment objective other than total return (such as current income), consideration will also be given to the fund's success in achieving its objective. For managers responsible for multiple funds and accounts, investment performance is evaluated on an aggregate basis, based on averages or weighted averages among managed funds and accounts. Funds and accounts that have performance-based advisory fees are not accorded disproportionate weightings in measuring aggregate portfolio manager performance.

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

---

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

### **Rampart**

The identified Rampart portfolio managers are founding shareholders of Rampart. The compensation of the portfolio managers has two primary components: (1) a base salary, and (2) an annual cash bonus. There are also certain retirement, insurance and other benefits that are broadly available to all Rampart employees. Compensation of Rampart investment professionals is reviewed primarily on an annual basis. Cash bonuses and adjustments in base salary are typically paid or put into effect at or shortly after the June 30 fiscal year-end of Rampart.

Rampart compensates its founding shareholders, including the identified portfolio managers, based primarily on the scale and complexity of their responsibilities. The performance of portfolio managers is evaluated primarily based on success in achieving portfolio objectives for managed funds and accounts. Rampart seeks to compensate all portfolio managers commensurate with their responsibilities and performance, and competitive with other firms within the investment management industry. This is reflected in the founding shareholders/identified portfolio managers' salaries.

Salaries and profit participations are also influenced by the operating performance of Rampart. While the salaries of Rampart's founding shareholders/identified portfolio managers are comparatively fixed, profit participations may fluctuate substantially from year to year, based on changes in financial performance.

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

No such purchases this period.

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

No Material Changes.

### **Item 11. Controls and Procedures**

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

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

---

the registrant's principal executive officer and principal financial officer in order to allow timely decisions regarding required disclosure.

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

**Item 12. Exhibits**

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

**Signatures**

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

Eaton Vance Tax-Managed Diversified Equity Income Fund

By: /s/ Duncan W. Richardson  
Duncan W. Richardson  
President

Date: December 15, 2008

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

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

Date: December 15, 2008

By: /s/ Duncan W. Richardson  
Duncan W. Richardson  
President

Date: December 15, 2008

---